

**REPORT OF THE SUPERVISORY BOARD OF PROCHEM S.A.  
OF THE SUPERVISION OF THE BUSINESS OF THE COMPANY  
FOR THE FINANCIAL YEAR 2011**

In 2011 the Supervisory Board of PROCHEM S.A. of the VII and VIII term of office worked in the following composition:

1. Andrzej Karczykowski - Chairman
2. Marek Garliński - Vice Chairman
3. Dariusz Krajowski - Kukiel
4. Krzysztof Obłój
5. Adam Parzydeł

The Supervisory Board supervised company's activity in all areas in accordance with Art. 382 of Code of Commercial Companies, and Statutes of PROCHEM SA and Bylaws of the Supervisory Board.

The survey was carried out at the meetings of the Supervisory Board and direct meetings of the Chairman and Vice Chairman of the Supervisory Board with the Management Board of the Company during the periods between meetings. Most of the meetings of the Supervisory Board was at full attendance, and resolutions were adopted while maintaining the required quorum.

The Supervisory Board held six meetings in 2011. At meetings of the Supervisory Board were discussed mainly economic and financial affairs and business development strategy of PROCHEM S.A. and Capital Group of PROCHEM S.A. and other relevant matters of the Company.

**Within the scope of economic and financial affairs**

- current financial position of the Company and the Capital Group of PROCHEM S.A. was evaluated
- analyzed in detail the economic performance of the company and capital group in subsequent quarters of 2011,
- on the basis of detailed materials prepared by the Management Board of the Company systematically studied the income statement, the company's balance sheet, state of assets and liabilities of the company, cash flow analysis, ratio analysis (indicators of profitability, financial liquidity, solvency and capital) and cost analysis of their sales and analyzed the situation in the state of contracting and the degree of the implementation of the plan,
- the assumptions to the financial and economic plan for the financial year 2011 were discussed,
- the proposal of the Management Board concerning the distribution of profit distribution for the year 2011 was adopted,

- analyzed the effectiveness of the companies belonging to the PROCHEM SA Capital Group,

### ***The Audit Committee***

The Supervisory Board acts as the Audit Committee. In addition to performing these duties in the ordinary course of the Supervisory Board meetings, two separate meetings were held entirely designed for issues related to the audit. The meetings were attended by representatives of auditor – KPMG Audyt Sp. z o.o.

The Board, by performing the function of the Audit Committee among others:

- selected the auditor to examine the books of the Company for the year 2011,
- performed analysis of financial statements,
- performed analysis of the opinion of the auditor and auditor's report,
- discussed with the auditor the findings of the audit of the books,
- discussed with Management Board of the Company comments and recommendations of the Auditor,
- assessed the auditor's work.

At analyzes made the committee paid particular attention to risk factors in the company.

### **Conclusion**

Acting under the provisions of Art. 382 § 3 of the Commercial Companies Code and Statutes of the Company, the Supervisory Board analyzed and evaluated the following documents within the scope of their compliance with the books and documents and the facts:

- separate financial statement of PROCHEM S.A. for the financial year 2011 with the opinion and report of the independent auditor,
- consolidated financial statement of Capital Group of Prochem S.A. for the financial year 2011 with the opinion and report of the independent auditor,
- reports of the Management Board on the business activity of Prochem S.A. and the capital group of Prochem S.A. for the financial year 2011,
- proposal of the Management Board concerning the distribution of profit for the year 2011.

Above mentioned financial statements for the year 2011 have been submitted to examination of KPMG Audyt Sp. z o.o. with registered office in Warsaw. Reports from this examination and the opinions of experts constituting its synthesis were the basic analytical material subjected to assessment of the Supervisory Board.

Having thus contained in those source materials findings and evaluations as competent and complete the Supervisory Board considered that financial statements for 2011 in all material respects have been prepared in accordance with applicable laws and regulations, accounting principles and standards and in accordance with the facts disclosed in the books. The Supervisory

Board recommends to the General Meeting of Shareholders the approval of the separate financial statement of PROCHEM SA for the financial year 2011 and consolidated financial statement of Capital Group of Prochem S.A. for that period.

Supervisory Board also submitted to analysis Report of the Management Board on the business activity in the year 2011. Supervisory Board stated that this Report presents fairly economic actions, and allows the assessment of financial conditions and assets of the Company. Supervisory Board propose the motion to the General Meeting of Shareholders to grant a discharge to members of the Company's Management Board in respect to the performance of their duties in the financial year 2011.

At the same time Supervisory Board recommends to the General Meeting approving the resolution concerning distribution of profit for the year 2011 and appropriation of total net profit of PLN 3,209,886.28 to reserve capital.

Signatures of the members of the Supervisory Board:

1. Andrzej Karczykowski \_\_\_\_\_
2. Marek Garliński \_\_\_\_\_
3. Krzysztof Obłój \_\_\_\_\_
4. Dariusz Krajowski - Kukiel \_\_\_\_\_
5. Adam Parzydeł \_\_\_\_\_