

**REPORT OF THE SUPERVISORY BOARD OF PROCHEM JOINT-STOCK
COMPANY
ON BEING IN CHARGE OF COMPANY'S ACTIVITY FOR FINANCIAL YEAR 2008**

In 2008 the Supervisory Board of PROCHEM Joint-Stock Company (PROCHEM S.A.) of the VI term of office worked to the day of 21st of June 2008 composed of:

1. Andrzej Karczykowski - Chairman
2. Henryk Kamionka - Vice Chairman
3. Maria Garbecka
4. Krzysztof Obłój
5. Stanisław Srokowski

XXVI Ordinary General Meeting of PROCHEM S.A. acting on the basis of article 17 of Statutes of the Company with resolution No 12, selected 5 supervisory board members of the VII term of office in persons:

1. Marek Garliński
2. Andrzej Karczykowski
3. Dariusz Krajowski-Kukiel
4. Krzysztof Obłój
5. Steven Tappan

Evidence: Notarial deed (rep A. 5041 / 2008 from 21 June 2008).

The Supervisory Board of PROCHEM S.A. with resolution No. 1 /VII from 21 June 2008, entrusted Andrzej Karczykowski with the post of the Chairman of the Supervisory Board and appointed Marek Garliński as the Vice Chairman.

The Supervisory Board was in charge of company's activity in all fields of the activity of the company according to art. 382 of Commercial Companies Code, with Statutes of PROCHEM S.A. and Bylaws of the Supervisory Board.

The Supervisory Board held five meetings in 2008. On meetings of the Supervisory Board above all economic-financial cases and development strategy of PROCHEM S.A. and Capital Group were discussed as well as other matters essential for functioning of the Company.

Within the scope of economic-financial matters:

- systematically a financial situation of the Company and Capital Group of PROCHEM S.A. was being judged,
- in detail economic results of Company's and Capital Group activity were being analysed in consecutive quarters of 2008,
- on the basis of detailed materials prepared by the Company Management Board systematically the income statement and the company's balance sheet, state of receivables and liabilities of the company, analysis of the cash flow, ratio analysis (profitability ratios, of financial liquidity, solvencies, capital), analysis of costs of goods sold were being studied, situation was being analysed as for the state of the contracting and the degree of the implementation of a plan,
- assumptions were being discussed to the financial-economical plan for financial year 2009,

- a proposal of the Company Management Board concerning the division of the company profit achieved in 2008 year was accepted,
- effectiveness of activity of the companies belonging to the PROCHEM S.A. Capital Group was being analysed.

Within the scope of the implementation of expansion programmes of the company:

- the action taken by the Company Management Board concerning accomplishment of the adopted strategy was accepted.

Within the scope of the organization of the company's enterprise:

- new bylaws of the PROCHEM S.A. brought up to date were approved.

In the scope of donations made:

- XXVI the General Meeting of Shareholders of PROCHEM S.A. allocated the amount of 50,000 PLN for charity purposes. This amount was fully allocated by the Supervisory Board in the reply at chosen requests for the backing.

Conclusion

Acting on the basis of the stipulations of art. 382 § 3 of the Commercial Companies Code and Statutes of the Company, the Supervisory Board carried out:

- analysis of materials of the financial statement of the company in financial year 2008 with the opinion of statutory auditors constituting the integral part of this report,
- analysis of the report of the Management Board for 2008,
- analysis of the conclusion of the Management Board as for the profit distribution and amount of proposed write-offs of appropriated funds,
- evaluation of the proposal for changes to Statutes of the Company.

Above financial statements for 2008 were submitted for the audit carried by MISTERS AUDYTOR Co. Ltd. with registered office in Warsaw.

Written report from this examination and the opinion of experts being its synthesis constitutes basic analytical material subjected to the evaluation of the Supervisory Board.

Considering arrangements included in mentioned source materials and evaluations reliable and using up the Supervisory Board recognized that financial statements for 2008 in all essential aspects were drawn up under effective laws and regulations, with accounting rules and standards as well as according to the actual state revealed in books. The Supervisory Board is recommending the approval of the financial statement PROCHEM S.A. in financial year 2008 to the General Meeting of Shareholders.

The Supervisory Board also analysed the report of the Management Board from the business activity conducted in 2008.

The Supervisory Board stated that this report was describing taken economic action diligently as well as permits the evaluation of the financial standing and property of the Company. The Supervisory Board is putting the motion for the General Meeting of Shareholders to grant a discharge to members of the Company's Management Board from the performance their duty in financial year 2008.

Simultaneously the Supervisory Board is recommending to the General Meeting approving the proposed profit distribution for 2008 and approving amendment to the Company's Statutes suggested by the Management Board.

Evaluation of work of the Supervisory Board and applying by Board members Good Practice of Companies listed on the Warsaw Stock Exchange mentioned in the III chapter.

The Supervisory Board was in charge of company's activity in all essential areas of activity of the Company. It was carried out on meetings of the Supervisory Board and direct meetings of the Chairman and the Vice Chairman of the Supervisory Board with the company Management Board in periods between meetings.

The scope of the exercised supervision enabled the Supervisory Board to make current evaluation of areas of threats and risks appearing in 2008.

Established standard areas of observation of the Company make possible the current analysis of the situation of the Company and they were a base for the evaluation of this situation in the future.

Two independent members are in the Supervisory Board Mr. Krzysztof Obłój and Mr. Dariusz Krajowski-Kukiel.

Mr. Marek Garliński by June of the previous year was a Chairman of the Management Board and therefore in the event of topics covering the period of exercising by him this position he refrained from formulating evaluations.

The company Management Board has the knowledge about the fact of connecting of Mr. Andrzej Karczykowski with PROCHEM Holding Company Ltd., shareholder over 5 % of total number of votes at the General Meeting. Mr. Andrzej Karczykowski is performing the post of the Chairman of the Management Board.

The company Management Board has the knowledge that Supervisory Board member Mr. Steven Tappan has over 5 % of total number of votes at the General Meeting.

All Supervisory Board members participated in the General Meeting of Shareholders of PROCHEM S.A. in 2008.

In relation to the fact that in the company the Supervisory Board is composed of a minimal number of members, tasks of committee of the audit and the committee of the remuneration are executed by the Supervisory Board.

Transmitting the above information and the evaluation of the company's standing including the control system and the risk management system, Supervisory Board states that performed all essential obligations resting with them and resulting from applying good practice in 2008.

Chairman of the Supervisory Board Andrzej Karczykowski