

**MANAGEMENT BOARD REPORT
ON THE ACTIVITIES
OF PROCHEM S.A. CAPITAL GROUP
IN 2014**

Warsaw, 24 April 2015

1. Principles of presentation of financial statements

Principles of preparation of the consolidated financial statements of PROCHEM S.A. for 2014 have been included in Explanatory notes to financial statements.

2. Overview of basic economic and financial sizes disclosed in the annual financial statements and the presentation of the development prospects of the Issuer in 2015

In 2014 PROCHEM S.A. Capital Group achieved revenues from basic activities in the amount of PLN 176 million. They are by PLN 36 million higher than in 2013. At the operational level the profit of the Group amounted to PLN 5.9 million and increased by PLN 6.6 million as compared to the last year. The largest share of the profit has a segment of the general contracting. Net profit attributable to shareholders of the parent company for 2014 amounted to PLN 3,751 thousand.

The strategy of PROCHEM S.A. Capital Group, which consists in maintaining the engineering potential and in many areas allows for its development, makes that PROCHEM is one of the few engineering companies in Poland, which is able to provide high-quality multi-discipline design services. Thanks to it, order backlog in this area for the year 2015 practically exhausts the capacity of the company. Also into the phase of advanced implementation has entered contract in Belarus with a value of EURO 48.2 million. PROCHEM will continue the construction of the office building under the name of Astrum Business Park in Warsaw. Taking all this into account the Management Board of PROCHEM S.A. positively assesses the prospects for the development of the Company in 2015.

3. Significant risks and threats to the activities of PROCHEM S.A. Capital Group

Companies belonging to PROCHEM S.A. Capital Group are exposed in its operations to the following types of risks and threats:

3.1 Economic fluctuations on the investment market

Part of the companies belonging to the Group provides services to the investment market which is characterized by a large scale of fluctuations in demand strongly linked to the general macroeconomic situation of the country. The methods used by the Group to reduce the negative impact of this factor on the financial results (accumulation of financial reserves, diversification of the services provided), may not fully neutralize this risk.

3.2 Dependence on the staff

Risk of being dependent on the staff in particular occurs in the parent company. Raising the quality of services provided, undertaking the implementation of complicated technological projects, the use of modern information systems, and work for the renowned clients require from workers the highest professional qualifications. Acquiring of such persons, especially in the situation of the liberalization of the European labor market can be difficult. The Group is trying to minimize this threat by raising qualifications of the employed staff and using incentive programs associating employees with the company.

3.3 Exchange rate risk

Part of the contracts for the sale of services is concluded with foreign companies in foreign currencies (EURO, USD). In case of significant fluctuations in the exchange rate of the national currency, this could have a significant impact on the Group's results. This risk is partially mitigated in a natural way through the purchase of equipment and services necessary for the execution of these contracts abroad.

3.4 Risk of dependence on significant buyers of services

Such risk occurs in company from Capital Group which deals in maintenance of technical installations and industrial plants. Such activity requires appropriate investment to be borne for each contract for the purchase of spare parts, tools and employment of skilled workers. The loss of a major buyer of services might lead to a temporary financial difficulties of the Group. Such risk to a large extent mitigate adequate provisions in the contract, obliging a customer to return the investment outlays incurred during the accomplishment of the order.

4. Statement on the application of corporate governance principles in 2014 in PROCHEM S.A.

General Meeting of PROCHEM S.A., by Resolution No. 7 dated. 8 June 2013 had adopted for the use the Corporate Governance Principles under the name of Best Practice for WSE Listed Companies after amendment, as in Resolution No. 19/1307/2012 of the WSE Board dated. November 21, 2012., **with the exception of the rules laid down: Part I item 12, Part II item 1 subsection 9a and Part IV item 10.** The full text of the principles of corporate governance to which the Issuer is subject is available on the website of PROCHEM S.A. – www.prochem.com.pl.

Description of the internal control system of the Issuer

Internal control is one of the functions of the current management of the Group. It is exercised directly by the Management Board of the Companies, directors, proxies and other employees in management positions or entrusted with this function.

Companies belonging to PROCHEM S.A. Capital Group have a comprehensive internal control system with the purpose of providing timely and accurate disclosure of facts relating to the all essential elements of the company's activities. And it contributes to obtaining of a full knowledge of the financial position, results of operations, the Group's assets and management efficiency. Scope of the controls covers above all:

- business activities of the company, basic and auxiliary,
- financial reporting and settlements,
- compliance of the company's activities with the applicable laws and internal regulations,
- employment and remuneration.

Institutional internal control analyses the projects which are already completed and the relevant documentation. Its main task is to carry out comprehensive checks in respect of most important issues for the Group, and collecting and preparing the information on the activities of the organizational units of the Group, selected economic problems and other issues that in the given period were regarded by the Management Board as the most essential. Apart from the institutional internal control, there is also the so-called functional control in the Group which is exercised by managers at various levels. They exercise supervision of the employees reporting to them, consisting in checking the scope of implementation of established tasks.

Institutional internal control is exercised in PROCHEM S.A. Capital Group mainly by employees from financial and accounting departments and by the legal and organizational department. Some of the tasks of the internal control are carried out by teams and committees appointed for this purpose .

Checks are carried out in all phases of activity in the form of initial inspection, current inspection and next inspection. Financial and accounting documents are subject to the substantive, formal and accounting inspection. Information on the formal correctness, substantive and the calculation correctness bears a signature in a the identifiable way (full name) or it bears a seal with the name and surname of the authorized person and the date of approval of the document .

Functioning in PROCHEM S.A. Capital Group control system provides a completeness of the approach to business transactions, and ensures the correct classification of source documents as well as enables for the proper valuation of the available resources at various stages of the registration, and thus ensures the correctness of preparation of the financial statements and enables Management Board to carry out the Group's activities on the basis of a verified and complete information.

Description of the risk management system in the Capital Group

In the activities of PROCHEM S.A. Capital Group occur the following risks:

- the risk of economic fluctuations on the investment market,
- the risk of loss of key employees,
- the foreign currency risk,
- the risk of dependence on significant buyers of services,
- the risk of the payment unreliability,
- the risk of adverse settlement of litigation with PERN.

Risk management in particular areas consists in :

- supervising of the phenomena generating the risk,
- taking the measures aiming at the lowering of the level of a risk.

In the area of particular risks the situation is as follows:

The risk of economic fluctuations on the investment market:

- monitoring of the macroeconomic situation and in the selected industries,
- scope diversification (development of the activities allied to engineering services such as maintenance, developer's activity)
- diversification of the territory (expanding of export)
- accumulation of the financial reserves.

The risk of loss of key employees,

- monitoring of the level of employment, remuneration and staff fluctuation,
- monitoring of the labor market and of the level of the remuneration on the market,
- maintenance of a system of training and raising of the qualifications,
- incentive programs for key employees,
- active system of recruitment – cooperation within the sector and maintaining the relations with universities,

The foreign currency risk:

- monitoring and forecasting of exchange rates,
- forward currency transactions,
- purchase of equipment and services in the currency of the contract,
- maintaining a high level of domestic sales,

The risk of dependence on significant buyers of services,

- monitoring of the execution of contracts for the major buyers of services,
- contractual provisions containing the cushioning elements,
- maintenance of the partner relations with regular customers

The risk of the payment unreliability,

- monitoring of the financial standing of key partners before and during the execution of contracts,
- the use of specialized recovery procedures,

The risk of adverse settlement of litigation with PERN

- monitoring of the legal situation by the Board and a team of lawyers.

Both the identification of risk factors, monitoring of them, and the applied system of risk mitigation measures in PROCHEM S.A. Capital Group are at a good level, and the implemented strategy of development and diversification conduces to a reduction of part of the risks and leads to the professionalization in scope of the used instruments.

Information on shareholders holding large blocks of shares of the Issuer

According to the knowledge of the Company as at the date this report, the following shareholders hold at least 5% of votes at the general meeting of shareholders:

Item No.	DESCRIPTION	NUMBER OF SHARES (UNITS)	NUMBER OF VOTES	% OF VOTES IN TOTAL NUMBER OF VOTES	% OF SHARE CAPITAL
1	Porozumienie PHC	1,179,483	1,181,083	30.31	30.28
	including: Steven Tappan	510,000	510,000	13.09	13.09
2	Legg Mason TFI S.A.	560,549	560,549	14.39	14.39
3	Otwarty Fundusz Emerytalny PZU S.A. „Złota Jesień“	387,521	387,521	9.94	9.95
4	Quercus TFI S.A.	204,198	204,198	5.24	5.24

There are no securities which allow the control over the Issuer.

There are no restrictions on the transfer of ownership of the Issuer's securities and exercising of voting rights.

Principles of governing the appointment and dismissal of the Management Board members and their powers

Members of the Management Board of the Issuer are appointed by the Supervisory Board. The term of office of the Management Board of the Issuer lasts three years. Powers of the management are defined by the Statute of PROCHEM S.A. and do not go beyond the framework set by the Commercial Companies Code. In particular, the right to decide on the issue or redemption of shares has only a General Meeting of Shareholders.

Description of rules for amending the statutes or articles of association of the Issuer

Principles of amendments to the Statutes of the company of the Issuer are set out in accordance with the provisions of the Commercial Companies Code.

Operations of the General Meeting of Shareholders of PROCHEM S.A.

Operations of the General Meeting of Shareholders of PROCHEM S.A. and its basic rights and the rights of shareholders and their execution are provided in the Statutes of PROCHEM S.A. and in the Regulations of the General Meeting of PROCHEM S.A. Above mentioned documents are available on the website of PROCHEM S.A. - www.prochem.com.pl.

The composition and the changes that occurred during the last fiscal year, and a description of the activities of the Management Board, the Supervisory Board or administrative authorities of the Issuer and of their committees

As at the date of preparation hereby financial statements the Management Board of PROCHEM S.A. comprises of:

- Jarosław Stępniewski - President of the Management Board
- Marek Kiersznicki - Vice President of the Management Board
- Krzysztof Marczak - Vice President of the Management Board

The Supervisory Board which was elected by the Annual General Meeting of Shareholders on 7 June 2014 comprises of :

- Marek Garliński - Chairman
- Steven Tappan – Vice Chairman
- Andrzej Karczykowski
- Krzysztof Obłój
- Wiesław Kiepiel

The above composition of the Supervisory Board is current on the date of preparation of these financial statements.

Changes within the Supervisory Board in 2014 took place as a result of the election of the Supervisory Board of IX term of office, to the Supervisory Board were elected :

- Wiesław Kiepiel,
- Steven Tappan,

and Adam Parzydeł, and Dariusz Krajowski -Kukiel had left the Supervisory Board.

Description of the operation of the Management Board is contained in the Regulations of the Management Board, and the description of the operation of the Supervisory Board in the Regulations of the Supervisory Board. These documents are available on the website of the Issuer - www.prochem.com.pl.

Tasks of the Audit Committee that is required under Art. 86 of the Act of 7 May 2009 on statutory auditors and their government, entities authorized to audit financial statements and public supervision were entrusted to the Supervisory Board of PROCHEM S.A.

5. Proceedings pending before the court, competent authority for arbitration or public administration body

PROCHEM S.A. continues to be a party to the proceedings before the court concerning the settlement of the contract which was interrupted on 10 November 2005, for the Management Contracting for an investment project under the name of "Pipeline in a section from the ST- 1 Adamowo - to raw material base Plebanka" concluded with PERN S.A. PROCHEM S.A. filed a lawsuit to the court for payment of PLN 41, 301 thousand under the final settlement of the contract. PERN SA filed a counterclaim against the Company for payment of the amount of PLN 129,444 thousand under settlement of the contract. On 18 January 2008 District Court in Warsaw issued a judgment in this case by virtue of which rejected a claim filed by PROCHEM S.A. (Consortium GRI) and also rejected the counter-claim filed by PERN "Przyjaźń" S.A. From the grounds for the judgment of the Court it follows that :

- The Court recognized the claim for payment of the amount of PLN 41,301 thousand by PERN "Przyjaźń" SA as to be right in principle, and at the same time the Court recognized this claim as unmaturred,

- The court held that there is no reason to accept the counter-claim filed by PERN „Przyjaźń” S.A.

After getting acquainted with the written grounds of the judgment PROCHEM S.A. lodged an appeal against the judgment, in this part in which the District Court has recognized the claim for payment of the amount of PLN 41,301 thousand by PERN "Przyjaźń" SA as premature and unmatured, and in this part where PROCHEM S.A. demanded from PERN "Przyjaźń" S.A. to take over the liability for the reimbursement of guarantee deposits to contractors.

PERN SA also filed an appeal against the judgment, in which the District Court dismissed their claim from filed counter-claim.

On 26 August 2008 the Court of Appeal in Warsaw issued a judgment on the appeal lodged by PROCHEM S.A. from the judgment of the District Court of 18 January 2008 in the case against PERN S.A. for payment of PLN 41,301,495.22 under the final settlement of the contract for Management contracting related to the investment project under the name of “Pipeline in a section from the ST-1 Adamowo to raw material base Plebanka”.

The Court of Appeal in above judgment decided to refer the case to the District Court for settlement. From the grounds of the judgment issued by the Court of Appeal it follows, inter alia, that the claim of PROCHEM S.A. concerning the settlement of contract is not premature as was earlier recognized by the District Court.

In addition, the Court of Appeal stated that the settlement of the contract should be made under the provisions of the contract. This finding is consistent with the PROCHEM's position in legal proceedings.

From the part of this sentence PERN SA filed a cassation complaint to the Supreme Court. At its meeting on January 15, 2010 the Supreme Court dismissed the cassation complaint while stating lack of justified grounds, requiring the evaluation in relation to the contested part of the judgment. On 12 August 2010, a hearing was held before the District Court in Warsaw, where the court decided to appoint an expert who according to earlier recommendations of the Court of Appeal will make the final settlement of the contract in dispute. On 5 February 2013 before the District Court in Warsaw, a hearing was held with the participation of experts, after which the court decided to oblige the parties to submit the pleadings in which will be precised the final conclusions of evidence. On August 9, 2013 the Issuer received from District Court in Warsaw a

decision on the ordering supplementary opinions from the experts in the scope of determining the value of services, supplies, and other liabilities made by PROCHEM S.A. and directly related to the implementation of the contract that have been made after the date of withdrawal from the contract on the basis of the commitments which were contracted before the withdrawal from the contract. The decision was consistent with the request set forth to the Court by PROCHEM S.A. Supplementary opinion of experts was delivered to the Court in February 2014. The court expert in his opinion confirms the amount of claims of PROCHEM S.A. The Court appointed the next date for the hearing on 30 April 2015.

Furthermore, the total value of other proceedings separately for the group of liabilities and for the group of receivables does not exceed 10% of the equity of the Issuer's Capital Group.

6.1 Information on basic products and services provided by PROCHEM S.A. Capital Group

1. The scope of activities of the companies belonging to the PROCHEM S.A. Capital Group include the provision of services, and sale of materials and goods related to:

- construction: engineering and design, general contracting, project management, technical advice, construction works, installations and assembly services, and rental of construction equipment;
- rental of office space;
- maintenance of installations, industrial plants, public buildings and housing estates;
- technical consulting, development and implementation of new technologies, integration of information systems.

Revenues from sale of such services in 2014 were by 23.8% higher than in the previous year.

Breakdown of revenues by separate types of activity is shown below:

(Revenues in PLN thousands)

SPECIFICATION	2014	2013
TOTAL REVENUE FROM SALE OF SERVICES	166 370	134 428
including:		
- sale of engineering and construction services	148 660	118 681
- sale of maintenance services and property management services	7 022	6 303
- lease of office space	4 928	5 136
- sale of other services	5 760	4 308

6.2. Breakdown by the markets of sale of services in 2014

The share of exports in sale of services in 2014 amounted to 36.2%.

The buyers of services provided by the Company of which share in the revenues from sales in 2014 exceeds 10%, were :

- Mineral Wax Factory in Belarus – 34.2% of share in revenues from sales - there are no other formal relationship with the entity except for trade arrangements.
- Bioagra S.A. - 11.1% of share in revenues from sales - there are no other formal relationship with the entity except for trade arrangements.
- Irydion Sp. z o.o. – 10.2% of share in revenues from sales – a jointly-controlled entity;

6.3 Information on concluded agreements significant for the activity of PROCHEM S.A. Capital Group

At the present day anticipated for 2015 the main incomes of PROCHEM S.A. Capital Group, will be obtained as a result of the implementation of contracts for the provision of services for Mineral Wax Factory in Belarus and for the jointly controlled entity Irydion sp. z o.o.

The Group is not aware of any agreements concluded between shareholders of PROCHEM S.A., which would be significant for the economic activities of PROCHEM S.A. Capital Group.

6.4 Information on the organizational or capital relations of PROCHEM S.A. Capital Group and about the main capital investments made within Capital Group.

The Issuer is in the possession of the following subsidiaries - directly or indirectly as well as the associated entities and the jointly-controlled entities:

Subsidiaries covered by full consolidation:

Subsidiaries:

- Prochem Inwestycje Sp. z o.o. seated in Warsaw – subsidiary directly (100.0%);
- PRO-INHUT Sp. z o.o. seated in Dąbrowa Górnicza – subsidiary indirectly (93.2%);
- Pro-Organika Sp. z o.o. seated in Warsaw – subsidiary directly (91.4%);
- Prochem Serwis Sp. z o.o. seated in Warsaw – subsidiary indirectly (89.1%);
- Przedsiębiorstwo Konsultingowo-Inżynieryjne PREDOM Sp. z o.o. seated in Wrocław – subsidiary indirectly (81.1% of share in capital and profit, 71,4% of share in votes);
- Prochem Zachód Sp. z o.o. seated in Słubice – subsidiary directly (80.0%);
- ELPRO Sp. z o.o. seated in Kraków – subsidiary indirectly (88.7%, including 77.3% of share in 50% share of Elektromontaż Kraków);
- Elmont Inwestycje Sp. z o.o. seated in Kraków – subsidiary indirectly (87.7%, including 77.3% of share in 50% share of Elektromontaż Kraków);
- Elektromontaż Kraków S.A. seated in Kraków – subsidiary indirectly (77.3%), including 65.5% of share in capital and voting rights belongs to Prochem Inwestycje a 100% subsidiary. Elektromontaż Kraków S.A. prepares consolidated financial statements which comprises data of a 100% subsidiary: ELMONT-POMIARY Sp. z o.o. seated in Kraków and two associates ELPRO Sp. z o.o. and Elmont-Inwestycje Sp. z o.o. ;
- IRYD Sp. z o.o. seated in Warsaw – subsidiary indirectly 100%;

- ATUTOR Integracja Cyfrowa Sp. z o.o. seated in Warsaw – subsidiary indirectly (87.3% of share belongs to Prochem Inwestycje Sp. z o.o. a 100% subsidiary);
- Prochem RPI Sp. z o.o. seated in Warsaw – subsidiary directly and indirectly in 100%.

Associated entities and jointly-controlled entities covered by consolidation with equity method:

- IRYDION Sp. z o. o. seated in Warsaw – 50.0% of share in voting right and share capital,
- ITEL Sp. z o.o. seated in Gdynia – 42.0% of share (18.7% of share in voting rights and capitals belongs directly to Prochem S.A. and 23.3% belongs to Prochem RPI Sp. z o.o. a subsidiary (in 100%).

Adopted principle at the consolidation consists in that the entities which do not conduct activities should not be covered by the consolidation - financial data of such companies do not distort the information about performance of PROCHEM S.A. Capital Group. Companies excluded from consolidation:

- Predom Projektowanie Sp. z o.o. seated in Wroclaw – the subsidiary
- Subsidiaries and associated entities and jointly controlled entities covered by consolidation were included into consolidated financial statements from the date when a control was included by the parent company.

6.5 Related party transactions

In 2014, there were no significant transactions between the companies belonging to the Capital Group of the Issuer which have been concluded under conditions other than market conditions.

6.6 Information on loans

Name of the bank	Registered office	Limit of a loan	The amount engaged	Repayment date	Terms of interest	Security
by Prochem S.A.						
mBank S.A.	Warsaw	6,000 Credit in overdraft on current account	3 708	30 June 2015	Wibor for O/N deposits in PLN + margin	Promissory note in blank
mBank S.A.	Warsaw	6,000 working capital loan	3 000	30 June 2015	Wibor for O/N deposits in PLN + margin	Promissory note in blank
ING Bank Śląski S.A.	Katowice	3, 000 Credit in overdraft on current account	2 740	16 November 2015	Wibor for 1 month deposits in PLN + margin	Statement of submission to enforcement
By Elektromontaż Kraków S.A.						
Deutsche Bank	Kraków	1 500	1 462	15 July 2015	Wibor for 1 month deposits in PLN + margin	Mortgage up to PLN 750 thousand on real estate
ING BANK Śląski	Kraków	2 500	2 264	20 October 2015	Wibor for 1 month deposits in PLN + margin	Mortgage up to PLN 3 750 thousand on real estate
By Pro-Organika sp. z o.o.						
mBank S.A.	Warsaw	100 Credit in overdraft on current account	90	26 June 2015	Wibor dla depozytów O/N w PLN + marża	lack
mBank S.A.	Warsaw	115 working capital loan	115	16 February 2015	Wibor for 1 month deposits in PLN + margin	lack
mBank S.A.	Warsaw	115 working capital loan	115	10 March 2015	Wibor for 1 month deposits in PLN + margin	lack
BZ WBK S.A..	Warsaw	200 working capital loan	198	23 April 2015	Wibor for 1 month deposits in PLN + margin	lack
By Atutor Integracja Cyfrowa sp. z o.o.						
BZ WBK S.A.	Warsaw	6 Credit in overdraft on current account	0	Not applicable	12.91% at the period when the account is opened	lack
Bank Millenium S.A.	Warsaw	100	96	Not applicable	12.91% at the period when the account is opened	lack
By Pro-Inhut sp. z o.o.						

ING BANK Śląski S.A.	Katowice	262 working capital loan	262	30 April 2015	Wibor for 1 month deposits in PLN + margin	lack
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6.7 Information on guarantees and surety granted and received

The total value of guarantees and sureties granted by the Companies belonging to the Group related to the operating activities as at 31 December 2014 amounts to PLN 42,757 thousand, including:

- a) Bank guarantees of good performance of services – PLN 16,845 thousand;
- b) Guarantee of the payment of a rent – PLN 997 thousand;
- c) bill of exchange guarantee – PLN 247 thousand;
- d) advance payment guarantee – PLN 24,668 thousand;

The total amount of contingent receivables by way of received performance guarantees and statutory warranty as at 31 December 2014 amounted to PLN 1,624 thousand.

In 2014 the Companies belonging to Capital Group did not grant the guarantees of loan repayment to related parties.

6.8 Description of the use of the proceeds from the issue

In 2014, the Companies belonging to the Capital Group did not issue any securities.

6.9 Explanation of differences between the achieved financial results and forecasts

In 2014 PROCHEM S.A. Capital Group did not publish forecast of financial results.

6.10 Assessment of the management of financial resources

During 2014 disruptions of liquidity in PROCHEM S.A. Capital Group did not occur. The Companies belonging to the Group maintain such a status of their resources, that allows for timely fulfillment of its liabilities. No circumstances exist, that would make impossible the fulfilment of obligations by the Companies.

6.11 Assessment of the possibility of implementation of investment objectives

Capital Group includes the special purpose companies (IRYDION, Elmont Inwestycje, Elpro) formed to implement development projects, on which the investing activity of PROCHEM S.A. Capital Group will be focused in the nearest period. At present these companies are in possession of appropriate real estates, and are in possession or are conducting the intensive preparatory work being aimed at obtaining necessary permits for the implementation of an investment project. These projects will be financed largely basing on the external financing. In 2013, IRYDION gained a partner for joint investing and started the construction of the office and service building in Warsaw under the name of Astrum Business Park.

6.12 Assessment of factors and unusual events affecting the financial results

In the assets of PROCHEM's balance sheet in the item "Receivables" has been shown the amount of PLN 17,363,930 from the title of guarantee deposits retained by PERN S.A. as security for possible claims towards the Consortium PROCHEM/Megagaz (GRI) under statutory warranty and guarantees resulting from Agreement no 20047 of 27 August 2002. The existence of this receivables, and its amount were confirmed in the previous years by PERN S.A.

At the same time, due to the fact that totality of the work and the supplies related to execution of Agreement No. 20047 has been done by the Consortium with help from the subcontractors and suppliers, as the security for the guarantee granted by these companies a part of their remuneration was retained by PROCHEM under the guarantee deposit in the total amount approximate to the amounts retained by PERN S.A.

In compliance with agreements with the companies as above, the retained security deposits from the subcontractors and suppliers should be returned after the end of the period of warranty and guarantee, but not earlier than after the reimbursement to PROCHEM S.A. of the guarantee deposit retained by PERN. According to GRI, the term of the statutory warranty, and the guarantee expired on 13 February 2009. In connection with it, PROCHEM S.A. demanded from PERN S. to refund the seized guarantee deposit. Request to pay as above remained unanswered. Irrespective of it, due to precaution in legal proceedings, the amount of withheld deposit has been reported to the court proceedings aimed at final settlement of the contract No. 20047

dated. 27.08.2002 r, which is currently being carried out again before the District Court in Warsaw. Establishment of a write-down for the amount of receivables under seized guarantee deposits, according to the Board of PROCHEM S.A. is unjustified, since there is a very high probability of the recovery of those claims in this year within the final settlement, which is the subject of litigation pending before the court.

6.13 External and internal factors essential for the development of the PROCHEM S.A. Capital Group in 2015

Macroeconomic surrounding will have the significant effect on the development possibilities of PROCHEM S.A. Capital Group in 2015, in particular the condition of the Polish economy which in the significant way influences the undertaking of decisions on the starting of new investment objectives by the potential clients of PROCHEM S.A. Capital Group (in particular by industrial companies). Are launched large investments in the energy, chemical and environmental protection sectors. Companies from PROCHEM S.A. Capital Group are involved in many of them. It will be reflected in the number of orders obtained by the Group, and also in the financial results achieved in 2015.

The Management Boards of companies belonging to PROCHEM S.A. Capital Group with particular attention are monitoring the current situation and, if necessary, are prepared to take appropriate actions to adapt of its potential to new opportunities.

6.14 The policy on the directions of development of the Capital Group of PROCHEM S.A.

Policy of PROCHEM S.A. is focused on further consolidation of the Group and on adapting its business to rapidly changing market requirements.

6.15 Changes in basic principles of management of the Issuer and its Capital Group

In 2014, there were no significant changes affecting the principles of the management of the Issuer and its Capital Group.

6.16 Description of the agreements concluded between the Issuer and managing persons providing for the compensation

Employment contracts concluded by the Issuer with the managing persons provide for compensation in the amount of remuneration for the period of six months in case of dismissal from office of a member of the Board, except where the dismissal is due to obvious fault of the person managing.

6.17 Remuneration of the members of the Management Board and the Supervisory Board

Remuneration paid in 2014 in the enterprise of the Issuer to the members of the Management Board and the Supervisory Board was presented in the notes to the consolidated financial statements for 2014.

6.18 Total quantity of shares of the Issuer and the related entities held by members of the Management Board and the Supervisory Board of the Issuer

As at the date of the financial statements the following members of the Management Board and Supervisory Board were in possession of shares of PROCHEM S.A.;

- Jarosław Stępniewski – 80,943 units;
- Marek Kiersznicki – 70,393 units;
- Krzysztof Marczak – 43,700 units;
- Andrzej Karczykowski – 115,186 units;
- Marek Garliński – 86,400 units;
- Steven Tappan – 510,000 units.

The nominal value of 1 share is PLN 1.

Members of the Management Board and the Supervisory Board do not have any shares in related entities.

6.19 Information on agreements which could result in changes in the proportions of shares held by current shareholders

The Company is not aware of any agreements, which could result in future changes in the proportion of shares held by current shareholders.

6.20 The control system for employee share programs

The companies from the Capital Group of PROCHEM S.A. do not operate any employee share program.

6.21 Information on the agreement concluded with the entity which is authorized to audit financial statements of the Issuer

The agreement with the entity authorized to audit financial statements KPMG Spółka z ograniczoną odpowiedzialnością Sp. k. for the audit and review of separate and consolidated financial statements of PROCHEM S.A. for 2014 was concluded on 4 July 2014. The agreement was concluded only for the audit of financial statements for the year 2014. In addition, agreements have been concluded for the audit of financial statements of subsidiaries. The total remuneration of KPMG under the contract amounts to PLN 115,000 net. In 2014 the additional remuneration was owed to KPMG in the amount of PLN 20,000 net for attestation services. For the audit and review of financial statements for 2013 KPMG Audyt Sp. z o.o. Sp. k. received remuneration in the amount of PLN 90,000 net. In 2013 the KPMG Audyt Sp. z o.o. Sp. k. neither was paid, nor was it due remuneration from other titles.

Vice President
Krzysztof Marczak

Vice President
Marek Kiersznicki

President of the Management Board
Jarosław Stępniewski