

KPMG Audyt Sp. z o.o
51, Chłodna Str.
00-867 Warsaw

29 April 2011

Dear Sirs,

The present representation letter is being addressed to you in relation to performed audit of the individual financial statement ("financial statement") of **PROCHEM S.A.** ("company"), drafted as at 31 December 2010 and for the day ending that period, a purpose of which is to express the opinion, whether the above financial statement gives a true and fair view of the Company's material and financial position and its financial result and cash flows and whether was drafted, in all relevant aspects, according to IFRS, which were approved by the European Union and is matching provisions of the law influencing the content of the financial statement and applying to the company.

We are confirming hereby that statements filed in this letter are in accordance with the definitions included in the attachment A to the present letter.

We are confirming that according to the best of our knowledge and belief, we made arrangements based on appropriate enquiries which we regarded essential to make sure that:

Financial Statement

1. according to stipulations of the agreement on auditing of the financial statement of 2 August 2010 we fulfilled our duties concerning the drafting and the fair presentation of the financial statement according to IFRS of EU and its compliance with corporate laws, and influencing the content of the financial statement
2. valuation principles and key assumptions used for effecting estimates, including establishing the fair value, are reliable
3. all adjusting entries to financial statement submitted by you were correctly included in accounting books, constituting the basis for drawing up a financial statement
4. with regard to transforming of comparative data, connected with change of accounting policy in the scope of methodology of creating estimates of reserves to costs of outstanding leaves, as well as the adaptation of onomasticses and disclosures to widely accepted and required by IFRS in the shape being in force for financial statements drafted for periods starting on 1 January 2009 and later, we are confirming that the conversion is proper. Changes were applied retrospectively, beginning from opening earliest presented periods.

Information passed

5. we made available to you:
 - a) all information such as: entries, documentation and other, as for which we are aware that they are of importance for drawing up a financial statement,
 - b) the additional information you asked for in relation to the performed audit
 - c) unlimited access to persons in the company, the contact with whom you regarded necessary in order to obtain evidence of the examination.
6. All transactions were included in accounting books and presented in the financial statement.
7. We are confirming our responsibility for the internal control which we are regarding essential for drafted financial statements to be free from irregularities arising as a result of intentional action or mistakes. In particular we are confirming our responsibility for designing, implementation and maintaining of the internal control system aiming at prevention and detection of abuses and mistakes.

We described all gaps in the internal control for you, of which beings we are conscious.

We made available to you results of our risk assessment that the financial statement could contain substantial irregularities as a result of possible abuses.

Definitions of "abuse" including mistakes resulting from wrong financial statements and mistakes resulting from misappropriation of assets were entered into in the attachment A to the present letter.

8. Cases of abuses, or suspicions of committing abuses of which existence we are conscious and which can be of importance for the company and concern:
 - a. management,
 - b. employees performing the substantial role in the internal control system or
 - c. other cases, in which abuses could have a significant influence on the financial statement didn't appear
9. Cases of revealing to us by employees of the company, former employees, analysts, regulatory bodies and other subjects of charges or suspicions of committing abuses influencing the content of the financial statement of the company didn't appear.
10. We made available to you all cases of appearing or possibilities of the appearance of any unlawfulness known to us which should be considered at drafting the financial statement. Additionally we provided information concerning disputes pending in the court or possible disputes and claims. Financial repercussions of disputes and claims were appropriately included and revealed in the financial statement.
11. We made available to you complete accounting books along with source documentation and all minutes of general meetings which took place on 12 June 2010, 24 July 2010, and minutes of meetings of the management board which took place on 18 Jan.2010, 1 Feb. 2010, 15 Feb. 2010, 8 March 2010, 22 March 2010, 12 April 2010, 26 April 2010, 10 May 2010, 24 May 2010, 7 June 2010, 11 June 2010, 21 June 2010, 5 July 2010, 19 July 2010, 6 Sept. 2010, 20 Sept. 2010, 5 Oct. 2010, 18 Oct. 2010, 2 Nov. 2010, 30 Nov. 2010, and the supervisory board on 22 Feb.2010, 30 April 2010, 11 June 2010, 7 Sept. 2010, 3 Dec. 2010 and resolution of the supervisory board passed in writing on 14 Dec. 2010.
12. We made available to you names of related companies and all connections and settlements with related companies. All connections and transactions with related companies were appropriately included and revealed according to IFRS of EU.
Definitions of related companies and the transaction with related companies, in accordance with our understanding and IAS 24 requirements were entered into in the attachment A to this declaring letter
13. It isn't appearing other than provided you in writing, correspondence with supervising body, representatives of the government, tax board, employees and other subjects concerning the inquiry or the charges concerning the unlawfulness, of gaps in the financial reporting or of other matters which could have significant adverse impact on the financial statement.

Statements concerning crucial judgements and assumptions of the management

14. we are confirming that we delivered to you all appropriate information concerning:
 - a) judgements, with the exception of those comprising accounting estimates made by company's management in the process of applying principles of the accounting policies in the company which have the most significant influence on amounts included in the financial statement, in it concerning classification and reclassification of financial instruments,
 - b) crucial assumptions concerning the future and other crucial sources of uncertainties of estimates as at the day of drawing up the financial statement which contain significant risk of provoking material corrections of the carrying value of assets and liabilities during the next reporting period, including:
 - main assumptions concerning future events having an influence on specific categories of reserves, in determined circumstances in compliance with the requirements of IAS 37 Reserves, contingent liabilities and contingent assets,
 - essential assumptions made at establishing the fair value of assets and financial liabilities which are included in the fair value,
 - essential assumptions made at measuring the fair value of the payment received on account of construction services or modernization provided by the company within the agreement for licensed services according to CIIAS 12 Contracts of licensed services,
 - essential assumptions made at measuring the fair value of revalued items of tangible assets in compliance with the requirements of IAS16 Tangible assets.

Statements associated with plans and intentions of the Management and the other information accessible only to the management

15. All transactions of the sale are final and there are no other additional contracts or agreements with contracting parties, allowing for return of goods, except for claims arising from the guarantee and the statutory warranty, conditions of which don't diverge from accustomed.
16. A pledge or other burdens weren't established on the company's assets.
17. We are confirming that we disclosed all information concerning the following matters:

- a) of agreements giving rise of the burden, that is agreements, based on which inevitable costs of the filling of the duty are outweighing benefits which will be get on its account, altogether with losses resulting from obligations of the entity for the sale and/or the purchase which according to MSR 37 Reserve, contingent liabilities and contingent assets constitute agreements giving rise to obligations,
 - b) liabilities on account of interest on deposits and other debt,
 - c) losses from the transaction not-included in the statement of financial position,
 - d) agreements and option of the repurchase of assets sold earlier, including the sale with the slump,
 - e) assets encumbered for the hedging,
 - f) agreements with financial institutions giving restrictions concerning having cash at their disposal, with credit lines or similar.
18. The company met all requirements arising from agreements which could in the significant way influence the financial statement in case of their failure to adhere. In particular the company fulfilled the conditions arising from agreements on account of the debt.
19. Formal or unofficial arrangements concerning compensations of cash aren't appearing on any of our banking accounts neither investment. We don't have agreements concerning credit lines other than revealed in notes to Additional Information.
20. We aren't planning or we don't have intentions of taking action which could indeed influence the carrying value or classification of individual positions of assets and liabilities.
21. We aren't planning to liquidate with reference to carrying contracts out as well as we don't have other plans or intentions which would cause the coming into existence of the overstocks or unnecessary supplies; supplies aren't evaluated above their net selling prices.

Statements concerning legal titles to assets, classification and the carrying value of assets and asset impairments

22. The company has suitable legal titles to the possessed property.
23. Fixed assets categorized as available for-sale can be immediately sold in the current state on conditions which are universally or according to custom applied for the given group of assets, and their sale is highly probable, pursuant to the provisions IFRS 5 Available-for-sale fixed assets and discontinued activity.
24. We are confirming that appropriately we conducted impairment test according to MSR 36 Asset impairment, including:
- a) As at the balance sheet day we conducted impairment test for all assets and centres generating cash flow, for which premises exist attesting to the possibility of impairment as at this day. We are confirming that as at the end of the reporting period we judged, whether premises existed attesting to the possibility of the asset impairment or centres generating cash flows.
 - b) We conducted an annual goodwill impairment test and intangible assets of the indefinite life cycle impairment tests or impairment test of intangible assets in the course of the production and therefore not available for the use, whether or not premises of the impairment exist.
 - c) Information delivered and used by the management for determining the recoverable value of assets and centres generating cash is conformable to plans of the company and IAS 36 requirements.
 - d) We conducted tests of the rationality of assumptions made comparing them to market data e.g. of market capitalization, and results of these tests are matching the general evaluation of the recoverable value.

Financial Assets

25. We put all elements of financial assets to the evaluation in order to establish whether objective evidence of the impairment resulting from one or more events taking place after initial recognition of the component of assets exists and whether write-downs included in the financial statement are appropriate. With reference to investment in equity instruments, write-downs were included when meaning and/or prolonging fall in the fair value of investment appeared below the price of the purchase or other objective evidence of the impairment. We made evaluations whether the fall in the fair value below the price of the purchase is "significant" and/or "prolonging" based on criteria presented to you.
26. We are confirming that we have an intention and a possibility of keeping all financial assets categorized as "held to the maturity" up to their maturity date unless their sale before the maturity date will be exception according to IAS 39 Financial instruments: including and evaluation.
27. We are confirming that in the reporting period we followed external requirements concerning capital.

Statement concerning the exposure to risk

28. We are confirming that we provided you all the information referring to the exposition to the risk of the company resulting from financial instruments as well as we explained what the exhibition resulted with, including the description of our purposes, directions of action and processes of the risk management resulting from financial instruments as well as from methods of the risk assessment.

Additionally, revealed figures are representative, if it concerns the grade of exposing the company to the risk arising in relation to financial instruments within the period.

Post-employment benefits

29. We are confirming that all post-employment benefits were identified, correctly categorized and included according to IAS 19 Fringe benefits.

30. Based on the process implemented by us and inquiries made we think that actuarial assumptions underlying reason for calculation of liabilities on account of determined benefits are consistent with our knowledge about the profile of the population of employees.

31. We agree with conclusions made by Trio Management Sp. z o.o. being the specialist employed by the company for preparing the evaluation of programs of determined benefits. We delivered all relevant information to the specialist which we were conscious of and which could be associated with the process of conduction of the actuarial evaluation. We didn't give instructions to the specialist concerning expected values of the evaluation of the program which could have an influence on results of the conducted evaluation. Moreover we aren't conscious of other issues which could affect his independence and the objectivity.

32. Additionally we are confirming, that:

- a) all essential benefits due to employees after the period of employment appearing on the territory of the Republic of Poland including those which arise from effective laws and regulations, of signed agreements or resulting from action for the employer, were both financed and not-financed appropriately included; all fringe benefits for the crucial managerial staff were appropriately revealed;
- b) all settlements and restrictions as well as other changes of plans were identified and correctly included;
- c) all fringe benefits for the crucial managerial staff were appropriately revealed.

Taxes

33. Included deferred tax assets were evaluated with applying obligatory tax rates or tax rates being in force indeed for the end of the reporting period and were included in the feasible height considering estimates of the managements concerning future taxable income. In estimating future taxable income which will enable the entity to carry out negative temporary differences, the management considered existing of positive temporary differences which according to predictions will reverse in the same period as negative temporary differences as well as considered possibilities of the tax planning as for which it is more probable than no, that the company will be using them in the purpose of generating of the future taxable income.

34. The company is able to control dates of reversals of all temporary differences concerning investment in subsidiaries, branches and associated companies and investment in joint undertakings towards which the deferred tax wasn't included and is probable that these temporary differences won't reverse in the foreseeable future.

35. We didn't receive any advice or opinions which weren't handed over to you and which contradict the way of including the issues associated with the income tax by the company which are contrary to values of taxes included and presented in the financial statement or are essential in order to understand the situation of the company in the scope of amounts included on account of taxes or other of issues associated with taxes.

Provisions, Contingent Assets, Contingent Liabilities

36. With the exception of issues revealed in the financial statement the following aren't appearing :

- a) other obligations which should be included or other contingent assets or contingent liabilities which should be revealed in the financial statement according to IAS 37 Provisions, Contingent liabilities and Contingent assets including obligations or contingent liabilities connected with illegal or potentially illegal activities; or
- b) other matters concerning the environmental protection which can have a significant influence on the financial statement.

Operation sections

37. Operation sections were appropriately identified how they are organized inside the company to the purpose of the making operating decision and evaluation of results of the activities. subject to special requirements of IFRS 8 Operation Section, financial information is disclosed in the same

way and based on the same principles like in case of internal reporting used by the person or the group of people (the body responsible for the making operating decision in the entity) which are making decisions on allocating of stores to operation segments and are judging results of their activities.

Functional currency

38. We made an appraisal of currency of the basic economic environment in which the company operates ("functional currency"). Effecting this evaluation we were guided by our own judgment in order to set functional currency which is reflecting in the most faithfully way the economic effects of existing transactions, events and conditioning. We reached a conclusion that a Polish zloty is functional currency of the company.

Influence of applying new standards or interpretation

39. Process of the assessment of the impact of applying new IFRS/CI IAS in next reporting periods wasn't still finished how it was described in additional information to the financial statement. With reference to the above the company isn't able to present influence of the application of new IFRS/CI IAS on its financial situation and results of its activity in the moment of applying them according to IAS 8 Principle (politics) of the Accounting, Changes in Accounting Estimates, Correcting Mistakes.

Continuation of activity

40. We made an appraisal of the ability of the company to continue activity taking into consideration all available information concerning the future which according to IAS 1 Presentation of Financial Statements is covering at least a period of twelve months from the end of reporting period. We are confirming that we aren't conscious of appearing of substantial uncertainty concerning events or circumstances which raise grave doubts as for the ability of the company to continue activity.

Events After Balance Sheet Date

41. All events occurring after the balance sheet date in relation to which proper adjustments or disclosure is required according to IFRS UE were appropriately included or revealed.

Additional statements

42. We are confirming that in our opinion receivables from PERN SA on account of guarantee deposits in total amount of PLN 17,364 thousand s which according to the decision of the District Court in Warsaw from 12 August 2010 will be an object of final accounting for the contract for construction of " Pipeline ST-1 in the relation Adamowo-Baza Surowcowa Plebanka" conducted by legally appointed expert on 7 January 2011 are fully recoverable and its payment by PERN SA will be done as a result of these accounting.

With kind regards,

Jarosław Stępniewski
Chairman

Marek Kiersznicki
Vice Chairman

Krzysztof Marczak
Management Board Member

Cc:
Audit Committee

Enclosure A to the Management's Representation Letter

Definitions

Financial Statement

International Accounting Standard 1.10 provides that complete financial statement consists of:

- Statement of financial position as at the end of period,
- Statement of comprehensive income for given period,
- Statement of changes in owners' equity for given period,
- Notes on assumed accounting principles (policy) and other explanatory remarks,
- Statement of the financial position for the beginning of the earliest comparative period in which the entity applied principles (politics) accountings retrospectively or effected retrospective transforming of items in the financial statement or reclassified items in its financial statement.

Key issues

Some statements of the present letter were limited to key points.

IAS 1.7 and IAS 8.5 provide that:

Information is essential if its omitting or distortion can both individually or together influence economic decisions made by users based on the financial statement. The essence depends on the size and the type of omitting or distorting in the context of accompanying circumstances.

The level of the essence depends on the weight or the type of undisclosed or wrong information at taking into account the circumstance of the matter and the context. A size or a kind of the position or a combination both of these factors can be a settling factor.

Abuses

Mistakes resulting from the incorrectness of the financial reporting concern deliberate giving false information including omitting figures or information in the financial statement to the purpose of the deception of persons using the financial statement.

Misappropriating of assets is connected with the theft of assets belonging to a company. It is often connected with incorrect or misleading entries in accounting books or other documents in order to conceal of missing assets or to burden them without relevant authorization.

Mistake

The mistake is the result of unintentional action and concerns financial statements inclusive with omitting figures or information.

Omitting or irregularities in the financial statement which took place in the previous period or in a few earlier periods are considered the mistakes of previous periods. They are a result of the failure to consider or incorrect taking into account the reliable information:

- a) which were approachable in the moment of approving financial statements for the publication prepared for these periods, and
- b) as for which it is sound to expect them to be received and included in the process of drafting and the presentation of these financial statements.

Mistakes of this type result from arithmetical mistakes, from the improper application of the principles (policies) of accounting, oversights, erroneous interpretation of events or embezzlement (IAS 8.5).

Management

For the purposes of the present letter the "Management" is being interpreted as "" Management and - if it is justified - persons being in charge."

Related company - the subject is being regarded as related company if:

- a. the subject directly or through one or more intermediaries

- i) is exercising control over the entity or is subject to a control by the entity or undergo a control by the same entity (it is regarding dominant entities, subsidiaries and subsidiaries as part of the same company),
- ii) is holding shares in the entity enabling it the significant influence on unit,
- iii) is exercising the co-control over the unit.
- a. the subject is associated company of this entity (according to the definition of IAS 28 Investments in associated companies),
- b. the subject is joint undertaking in which the entity is a partner (see IAS 31 Shares in joint undertakings),
- c. the subject is a member of the crucial managerial staff of the entity or its dominant entity,
- d. the subject is close family member of the person which is being talked about in subsections a) or d),
- e. the subject is a subsidiary, interdependent or entity on which considerably influences or possess the meaning number of votes in it, directly or indirectly, the person which is being talked about in subsections d) or e) or,
- f. the subject is a program of post-employment benefits for employees of the entity or of other entity being related company.

The transaction with related company is transference of stores, services or obligations among related companies irrespective of whether transactions are paid.