

**REPORT OF THE SUPERVISORY BOARD OF PROCHEM SA
FROM THE SUPERVISION OVER COMPANY'S ACTIVITIES FOR THE
FINANCIAL YEAR 2014**

In 2014 the Supervisory Board of PROCHEM S.A of the 8th term of office was working until 7 June 2014 in the composition:

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

Acting on the basis of Article 17 of the Statutes of the Company, XXXIII the General Meeting of Shareholders on 7 June 2014 by the Resolution No 5 had elected 5 members to the Supervisory Board of PROCHEM S.A. the 9th term of office in persons:

1. Marek Garliński
2. Andrzej Karczykowski
3. Wiesław Kiepiel
4. Krzysztof Obłój
5. Steven Tappan

By the Resolution No. 1 / IX of the Supervisory Board of PROCHEM S.A. of 7 June 2014 Marek Garliński had been elected the Chairman of the Supervisory Board, and Steven Tappan took the position of Vice President of the Supervisory Board.

The Supervisory Board supervised the Company's activities in all areas of the company's activities in accordance with Art. 382 Commercial Companies Code, with the Statutes of the Company Prochem SA and with the Regulations of the Supervisory Board.

In 2014 the Supervisory Board held six meetings. At the meetings of the Supervisory Board were mainly discussed the economic and financial issues and the strategy for

the development of PROCHEM S.A. and PROCHEM S.A. Capital Group, as well as other matters important for the operations of the Company.

The Supervisory Board also performs the duties of the Audit Committee.

In the scope of economic and financial issues:

- was evaluated on an ongoing basis the financial position of the Company and PROCHEM S.A. Capital Group,
- was analyzed in detail the economic performance of Company's activities as well as Capital Group in the subsequent quarters of 2014,
- on the basis of detailed materials prepared by the Management Board were examined systematically: income statement and the balance sheet of the Company, receivables and liabilities, cash flow analysis, ratio analysis (profitability ratios, financial liquidity ratio, solvency ratio and capital ratios), analysis of cost of sales, and also was analyzed the situation in the field of acquiring of new orders and the degree of the implementation of the plan,
- were discussed assumptions to the financial and the economic plan - for the financial year 2015,
- was accepted the proposal of the Management Board regarding the distribution of profit for 2014,
- was analyzed effectiveness of activities of the companies belonging to Prochem S.A. Capital Group.

In the scope of implementation of the development programs of the Company :

- the degree of execution of the contract in Belarus has been analyzed and evaluated, what resulted from its scale (EURO 48.2 million) as well as from the special risks of the political and the system nature occurring in this country,
- was analyzed and evaluated progress in the implementation of a development project of the office center ASTRUM Business Park in Warsaw, having regard to its scale, and the involvement of financial partner, and also specific risks that occur on the property market,
- was conducted monitoring of activities which are to lead to the gradual restructuring of the Capital Group,

- were conducted an analysis and assessment of the dynamics of risks associated with the activity of Prochem SA and companies belonging to Capital Group.

The Audit Committee

The Supervisory Board performs the duties of the Audit Committee in the Company. In addition to the performance of these duties within regular meetings of the Supervisory Board were held two separate meetings which were entirely devoted to the issues related to the audit. These meetings were held with the attendance of representatives of the auditor - KPMG Audit Sp. z o.o.

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

- has appointed an auditor to audit the books of account of the Company for 2014,
- has analyzed the financial statements, opinion and auditor's report,
- has discussed with the auditor the results of audit of books of account,
- has discussed with the Board the comments and recommendations of the Auditor,
- has made an assessment of the work of the auditor

During analyzes Committee has paid particular attention to the risk factors in the Company.

Conclusion

Acting on the basis of art. 382 § 3 of the Commercial Companies Code and Articles of Association of the Company, the Supervisory Board performed an analysis and evaluation of the documents listed below with respect to their compliance with the books and documents, and with the actual state:

- separate financial statements of PROCHEM S.A. for the financial year 2014 along with the opinion and report of the independent auditor,
- consolidated financial statements of PROCHEM S.A. Capital Group for financial year 2014 along with the opinion and report of the independent auditor,

- the Report of the Management Board on the economic activities of PROCHEM S.A. and PROCHEM S.A. Capital Group in 2014,
- Management Board proposal regarding the distribution of profit for the year 2014.

The above-mentioned financial statements for 2014 have been subjected to a study by KPMG Audit Sp. z o.o. with its registered office in Warsaw. Report from the audit and the opinions of experts, constituting their synthesis, were the basic analytical material that was subjected to the assessment of the Supervisory Board.

Taking into consideration, therefore, assessments and opinions included in the listed source materials as being competent and comprehensive, the Council considered that the financial statements for 2014, in all material respects, been prepared in accordance with applicable laws, the accounting principles and standards, and in accordance to the actual state disclosed in books. The Supervisory Board recommends to the General Meeting of Shareholders the approval of the financial statements Prochem SA for the financial year 2014 and consolidated financial statements of PROCHEM S.A. Capital Group for the same period.

The Supervisory Board has subjected to the analysis also the report of the Management Board on the company's business activities in 2014. The Supervisory Board concluded that the financial statements fairly present the economic activities, and allows of the assessment of the financial position and the Company's assets. The Supervisory Board suggests to the General Meeting the granting the discharge of duties for the Management Board members in the financial year 2014.

At the same time, the Supervisory Board recommends the General Meeting of Shareholders an approval of the resolution on distribution of profit for 2014, and the appropriation of net profit in the amount of PLN 1,363,250.00 for the dividend for Shareholders of the Company and the amount of PLN 3,645,893.39 for reserve capital.

Signatures of the Members of the Supervisory Board:

1. Marek Garliński

2. Steven Tappan
3. Andrzej Karczykowski
4. Wiesław Kiepiel
5. Krzysztof Oblój