

**REPORT OF THE SUPERVISORY BOARD OF PROCHEM SA
FROM THE EXERCISE OF SUPERVISION OF THE ACTIVITY OF THE COMPANY
FOR THE FINANCIAL YEAR 2015**

In 2015 the Supervisory Board of PROCHEM S.A. of the 9th term of office was working in the composition:

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| 1. Marek Garliński | Chairman of the Supervisory Board |
| 2. Steven Tappan | Vice Chairman of the Supervisory Board |
| 3. Andrzej Karczykowski | |
| 4. Wiesław Kiepiel | |
| 5. Krzysztof Obłój | |

On June 13, 2015, the Supervisory Board appointed the Management Board for the new 3-years term of office. The composition of the Board did not change compared to the previous term.

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 S.A. and with the Regulations of the Supervisory Board.

In 2015 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 2015,

- 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 2016,
- was accepted the proposal of the Management Board regarding the distribution of profit for 2015,
- 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 S.A. 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 three 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 2015 along with the opinion and report of the independent auditor,
- consolidated financial statements of PROCHEM S.A. Capital Group for financial year 2015 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 2015,
- Management Board proposal regarding the distribution of profit for the financial year 2015.

The above-mentioned financial statements for 2015 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 2015, 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 S.A. for the financial year 2015 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 2015. 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 2015.

At the same time, the Supervisory Board recommends the General Meeting of Shareholders an approval of the resolution on distribution of profit for 2015, and the appropriation of net profit in the amount of PLN 1,558,000.00 for the dividend for Shareholders of the Company and the amount of PLN 4,655,046.00 for reserve capital.

Within the scope of application of the principles of corporate governance by the Supervisory Board

The Supervisory Board has evaluated the application of Best Practices of WSE Listed Companies in Part III, which concerns the Supervisory Board members relating to the year 2015. The Supervisory Board states that the above principles were applied by the Supervisory Board.

Following the entry into force on 1 January 2016. of Best Practices of WSE Listed Companies in 2016, the Supervisory Board has revised the new recommendations and rules, and assessing the application of Chapter II of Best Practices of WSE

Listed Companies 2016 in the part concerning Supervisory Boards. The Supervisory Board finds that these practices are applied, with the exception of the principle II.Z.8.

The information required according to the Best Practices of WSE Listed Companies 2016, which are effective from 1 January 2016.

Evaluation of meeting the independence criteria by Members of the Supervisory Board. (II.Z.6)

Members of the Supervisory Board, at the meeting of the Supervisory Board on 16 March 2016 made statements on meeting the criteria of independence, in accordance with the duty specified in the principle II.Z.5 of Best Practices of WSE Listed Companies in 2016.

Members of the Supervisory Board Wieslaw Kiepiel and Krzysztof Obłój declared that they meet the criteria of independence in relation to the company PROCHEM S.A., along with the following information:

- Wieslaw Kiepiel declared that apart from the salary received as a member of the Supervisory Board of PROCHEM S.A., in 2015 received the additional remuneration for advisory service rendered to the Company.;
- Krzysztof Obłój declared that performs the function of the member of the Supervisory Board of PROCHEM S.A. for more than 3 terms of office, but taking into consideration the current way of performing the duties of the Supervisory Board, in particular adherence to, among others, obligations, which were described in Item 2 of Appendix II to the Recommendation of European Commission of 15 February 2005 2005/162 / EC, as a member of the Supervisory Board is independent in relation to PROCHEM S.A.

The other members of the Supervisory Board have declared that they do not meet the criteria of independence.

After analyzing the statements and the circumstances indicated therein, the Supervisory Board accepts that the members of the Supervisory Board Wieslaw Kiepiel and Krzysztof Obłój have met the criteria of independence in relation to company PROCHEM S.A.

With regard to Wieslaw Kiepiela, the Supervisory Board took into account while issuing the above assessment a fact, that remuneration received in 2015 cannot be considered as remuneration of the significant value, and that the contract for consulting services was dissolved.

With regard to Krzysztof Obłój, the Supervisory Board while issuing the above assessment, took into account the current way of performing duties as a member of the Supervisory Board, and that he is an authority.

Assessment of the fulfillment of the Company's disclosure obligations regarding the application of the principles of corporate governance set out in the Rules of the Stock Exchange and in regulations concerning current and periodic information provided by issuers of securities (II.Z.10.3)

On January 1, 2016 came into effect Best Practices of WSE Listed Companies 2016 (hereinafter referred to as Best Practices). On 22 January 2016 The Company has sent the relevant report on the application of Best Practices. At the Supervisory Board meeting on 16 March 2016 the Supervisory Board accepted information presented by the Management Board concerning the application of Best Practices with special regard to the explanations related to recommendations and principles, which are not applied by the Company, as well as ones which do not relate to the Company.

The company properly and in compliance with applicable regulations provides current and periodic information.

The Supervisory Board assesses positively the fulfillment by the Company disclosure obligations.

Activities related to sponsoring, or to a charity, or other of a similar nature. (II.Z.10.4)

Pursuant to the provisions of the principle II.Z.10.4 Best Practices of Companies Listed on the Warsaw Stock Exchange in 2016, the Supervisory Board announces that the Company does not have policy on sponsorship, charitable, or any other with a similar nature.

Signatures of the Members of the Supervisory Board:

- 1. Marek Garliński _____

- 2. Steven Tappan _____

- 3. Andrzej Karczykowski _____

- 4. Wiesław Kiepiel _____

- 5. Krzysztof Oblój _____