

MANAGEMENT BOARD REPORT
ON THE ACTIVITIES OF THE COMPANY PROCHEM S.A.
IN 2017

Warsaw, 27 April 2018

1. Principles of presentation of financial statements

Principles of preparation of the separate financial statements of the Company PROCHEM S.A. for 2017 have been included in Explanatory notes to the financial statements.

2. Overview of basic economic and financial data disclosed in the annual financial report and presentation of development prospects of the Issuer in 2018

In 2017 the Company achieved revenues from basic activities i.e. sale of engineering services and construction services in the amount of PLN 49.2 million. They are by PLN 60,5 mln lower than those achieved in 2016. The drop in revenues is a consequence of lasting in a subsequent year a significant downturn of the economic condition of the construction and assembly services market, which is the result of a decrease in the level of investments planned and undertaken by enterprises. Reducing the number of orders executed by the Issuer and the necessity to maintain the company's design potential have had a material impact on the results of a basic activity in 2017 which has closed in a gross loss on sales in the amount of PLN 3.7 million. On the other hand, the net profit of PLN 12.7 million was achieved as a result of a one-off event - of a positive settling of the long lasting dispute for the benefit of the Issuer in the legal case against PERN S.A..

The macroeconomic environment will continue to impact significantly activity in 2018, particularly, the operating activity will be impacted by the level of investment, which recently has been gradually improving. It is noted an increase in the offer inquiries received by the Issuer and, in effect, an increase in number of contracts concluded for the provision of services, in particular in the scope of design and engineering services.

3. Significant risk factors and threats to activity of the Issuer

PROCHEM S.A. in its operations is exposed to the following types of risks and threats:

3.1 Economic fluctuations on the investment market

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

3.2 Possibility of threats occurrence at execution of contracts

Types of activity conducted by PROCHEM S.A. in particular, the preparation and management of technically complex investment projects, often implemented on the basis of contracts concluded under conditions of strong price competition, cause that there is a constant risk of technical and financial problems.

3.3 Dependence on the staff

Raising the quality of services provided, undertaking the implementation of complicated technological projects, the use of modern information systems, and the 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 labour market can be difficult. The company is trying to minimize this threat by raising qualifications of the employed staff and using incentive programs associating employees with the company.

3.4 Exchange rate risk

Part of contracts for the sale of services is concluded with foreign companies in foreign currencies (EUR, USD). In the event of a significant fluctuation of the exchange rate of the domestic currency, it may have a material effect on the Company's results. This risk is partially mitigated in a natural way i.e. through the purchase of equipment and services necessary for the execution of these contracts abroad as well as through purchase of respective financial instruments.

3.5 The risk of dependence on significant buyers of services

Carrying out by the Company of contracts for the execution with a significant value requires significant expenditure to be incurred on the purchase of services and equipment, which subsequently, in the form of a finished object are sold for the customer. Lack of proper correlation between the expenditure borne and proceeds from the implementation of a contract with a customer may involve necessity of the use by the Company of external financing, and in special circumstances, may cause even a temporary loss of financial liquidity by the Issuer. Such risk is largely hedged through appropriate provisions of the agreement with the customer by virtue of which the client is obliged to a successive return the outlays incurred during execution of order.

4 Statement on application of corporate governance principles in PROCHEM S.A. in 2017

In connection with the entry into force on January 1, 2016 of the "Best Practices of WSE Listed Companies 2016" which were introduced by the Resolution of the Council of Warsaw Stock Exchange in Warsaw S.A. of 13 October 2015 (hereinafter referred to as DPS 2016), the Management Board of PROCHEM S.A. informs that has introduced to be applied DPS 2016 from 1 January 2016, with the exception of the principle

I.Z.1.20. Record of the proceedings of the general assembly, in the form of audio or video, Principle is not applied.

Company's comment: The structure of the Company's shareholding does not justify the generally available broadcast from the proceedings of General Meeting. The company also does not record the proceedings of the General Assembly in the form of audio or video. As a result, the Company does not have at its disposal the recordings that could be made available.

In connection with the principle I.Z.1.15 of Best Practices for WSE Listed Companies 2016, the Company declares that it does not apply diversity policy. The basic criterion for making decisions about the selection of persons for the Company's managing bodies and when appointing key managers are the competencies of the candidates.

Full text of the corporate governance principles to which the Company is subject, together with a list of principles which the Company currently does not apply and the commentary in this regard is available on the website of PROCHEM S.A.– www.prochem.com.pl.

5 Description of internal control system of the Issuer

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

PROCHEM S.A. has a comprehensive system of internal control, the aim of which is to ensure timely and accurate disclosure of facts concerning all material elements of the company's operations. It contributes to obtain a complete knowledge of the financial position, results of operations, the company's assets and management efficiency. The scope of supervision covers above all:

- business activities of the company, basic and auxiliary,
- financial reporting and accounting settlements,
- compliance of the company activity with the applicable law regulations and with internal regulations,
- employment and wages.

Institutional internal control analyses the undertakings which are already completed and documentation related to it. Its main task is to carry out comprehensive checks in respect of most important issues for the company, and collecting and preparing the information on the activities of the organizational units of the company, selected economic problems and other issues that in the given period were regarded as the most important by the Management Board of the company. Apart from the institutional internal control, there is also the so-called functional control in the company, which is exercised by managers at various ranks. Managers perform the supervision over the employees subject to them, such control consists in the checking of the state of accomplishment of set tasks.

Institutional internal control is exercised in PROCHEM S.A. mainly by employees from financial and accounting departments, and also 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 the preliminary control, current and next. Financial and accounting documents are subject to substantive, formal and accounting control. Information on formal and substantive correctness and calculation correctness bears a signature in an identifiable manner (full name and surname), or bears the personal stamp of the authorized person and the date of approval of the document.

The internal control system, which is functioning in PROCHEM S.A. provides a completeness of the recognition of economic operations, and ensures the proper qualification of source documents as well as enables for the correct valuation of the resources had in possession at particular stages of the registration, thus ensures the correctness of preparation of the financial statements and enables the Management Board to carry out the company's activities on the basis of a verified and complete information.

6 Description of the risk management system in the Issuer's enterprise

In the activity of PROCHEM SA the following risks exist:

- risk of economic fluctuations in the investment market,
- risk of threats occurrence during execution of the contract
- risk of losing key employees,
- currency risk,
- risk of dependence on significant buyers of services,
- risk of payments unreliability.,
- **Risk management in particular areas consists in:**
- monitoring of the phenomena generating the risk,

- taking the measures aiming at the lowering of the level of a risk.

In the scope of the individual risks, the following measures are applied to alleviate their potentially negative effects:

The risk of economic fluctuations in the investment market:

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

The risk of threats occurrence at execution of the contract

- realistic price calculation when concluding contracts,
- monitoring the progress in execution of contracts, and disclosure of threats on the basis of the introduced "Control of Service Costs" procedure introduced by Cost Control Team,
- selection of reliable subcontractors,
- contract clauses restricting the maximum amount of contractual penalties.

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 recruitment system - cooperation within the environment and maintenance of relations with Universities.

The foreign currency risk:

- monitoring and forecasting of currency exchange rates,
- forward type 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 with the significant buyers of services,

- contractual provisions containing the cushioning elements,
- maintenance of the partner relations with recurring customers.

The risk of the payment unreliability

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

7 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 owned (pcs.)	Number of votes owned (pcs.)	% of votes in total number of votes	% of share capital
1	Steven Tappan	698,656	698,656	17.93	17.94
2	ESALIENS TFI S.A.	354,525	354,525	9.10	9.10
3	Otwarty Fundusz Emerytalny PZU S.A. „Złota Jesień“	387,521	387,521	9.95	9.95
4	Andrzej Karczykowski	201,882	201,882	5.18	5.18

There are no any securities that would give special control rights in relation to the Issuer.

As a result of the settlement, on 21 March 2018, of the transaction of purchase of own shares, the Company acquired a total of 960,000 (say: nine hundred sixty thousand) own shares with a nominal value of PLN 1.00 each share, which together constitute 24.65% of the share capital of the Company. The shares correspond to 960,000 votes at the General Meeting of the Company, which constitutes 24.64% of votes at the General Meeting of the Company. The purchase price was PLN 25.00 (say: twenty five of Zlotys) per one share. The shares were acquired in the framework of the offer announced by the Company on February 28, 2018 (current report No. 14/2018 of February 28, 2018), for purchase of no more than 960,000 shares of the Company with a nominal value of PLN 1.00. The offer was announced on the basis of Resolution No. 4 of the Extraordinary General Meeting of the Company of January 26, 2018 regarding giving the consent to the acquisition by PROCHEM S.A. of own shares for redemption and regarding giving power to purchase own shares of PROCHEM S.A. Acquisition of shares took place outside the regulated market, through intermediary of mBank S.A. with headquarters in Warsaw - Dom Maklerski mBanku. The shares were purchased for redemption. Pursuant to § 2 of Resolution No. 4 of the Extraordinary General

Meeting of PROCHEM S.A. dated 26 January 2018, the Management Board of the Company will insert on the agenda of the next General Meeting of the Company a resolution regarding the redemption of acquired own shares. As of the date of publication of this report, the Company holds a total of 960,000 own shares, constituting 24.65% of the share capital of the Company. These shares correspond to 960,000 votes at the General Meeting of the Company, which constitutes 24.64% of votes at the General Meeting of the Company.

On 1 February 2018 was delivered to the seat of the Issuer the decision issued by the District Court in Warsaw of 19 January 2018 in the case pursuant to the application filed by Value Fund Poland Activist FIZ based in Warsaw with the participation of the Issuer and Steven Tappan, Konrad Młynarz, Andrzej Karczykowski, Marek Garliński, Jarosław Stępniewski, Marek Kiersznicki, Maciej Kalita, Krzysztof Marczak, Jan Milczarczyk, Piotr Wowkonowicz, Barbara Auguścińska-Sawicka, Adam Parzydeł, Tomasz Antoszczuk, Jarosław Wieczorek, Grzegorz Kobyłecki, Lech Winnicki, Zdzisław Rokita, Grzegorz Piotrowski, Zofia Kaczor, Maciej Grzybowski, for granting security to the claim. In the indicated decision, the Regional Court decided to grant security to the claim, before instituting proceedings based on lawsuit filed by Value Fund Poland FIZ, to establish that above mentioned persons may not exercise their voting right from the Issuer's shares, through putting a ban on the exercising of voting rights from the Issuer's shares by the above-mentioned persons for the duration of the proceedings.

There are no restrictions on the transfer of ownership of the Issuer's securities.

8 Principles 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 managing persons are defined by the Statute of PROCHEM S.A. and they 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.

9 Rules for amending the statutes or articles of association of the Issuer

Principles of amendments to the statutes or the articles of association of the Issuer's company has been set out in accordance with the provisions of the Commercial Companies Code.

10 Procedure of the General Meeting of Shareholders of PROCHEM S.A.

Procedure of the General Meeting of Shareholders of PROCHEM S.A. and its basic powers and the rights of shareholders and the way of their execution are contained in the Statutes of PROCHEM S.A. and in the Bylaw of the General Meeting of PROCHEM S.A. Above mentioned documents are available on the website of PROCHEM S.A. www.prochem.com.pl.

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

On June 13, 2015 the Supervisory Board of PROCHEM S.A. appointed the Management Board of PROCHEM S.A. for the next term in unchanged composition.

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

In 2017 there were no changes in the composition of the Management Board.

As at the date of preparation hereby financial statements the Supervisory Board comprises of:

- Marek Garliński
- Andrzej Karczykowski
- Krzysztof Obłój
- Marcin Pędziński
- Karol Żbikowski

The above-mentioned members of the Supervisory Board were appointed for a new term by Resolutions of the General Meeting of June 10, 2017.

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

On 7 July 2017, the Issuer's Supervisory Board appointed an audit committee composed of:

Karol Żbikowski - Chairman of the audit committee

Marek Garliński – Member of the audit committee

Marcin Pędziński - Member of the audit committee

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

PROCHEM S.A. was be a party to the proceedings before the court concerning accounting for the interrupted on 10 November 2005 contract in the scope of Management Contracting for an investment project under the name of "Pipeline in a section from the ST- 1 Adamowo - to the Plebanka raw material base" which was 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 22 October 2015 the District Court in Warsaw, XXVI Commercial Division announced judgment in the above matter, in which:

- from the principal action, jointly and severally for the benefit of the Issuer and a member of the consortium, has adjudged from PERN:
 - ✓ amount of PLN 35,086,589.26, with statutory interest from 23 March 2006 until the date of payment;
 - ✓ amount of PLN 4,879,883.58, with statutory interest from 22 March 2006 until the date of payment;
 - ✓ amount of PLN 126,400.44, with statutory interest from 16 January 2007 until the date of payment.
- from the cross action, dismissed the action of PERN in its entirety.

PERN SA lodged an appeal from the above judgment, on October 30, 2017, an appeal was dismissed with the judgment of the Court of Appeal in Warsaw. In connection with the dismissal of the appeal, the judgment of 22 October 2015 became final and binding and the adjudged amount was received on the Issuer's account.

On April 5, 2018 to the Company's proxy was delivered a copy of the cassation appeal against above judgment, being lodged by PERN S.A. Based on the legal opinion prepared by the Company's proxy, the Issuer's Management Board is of the opinion that complaint lodged by PERN is groundless, does not contain the necessary statutory premises, and is fraught with formal

deficiencies, and as such should not be accepted by the Supreme Court for the considering. If, however, the complaint would be accepted for examination, the Supreme Court should dismiss it, due to the lack of justified basis. Therefore, the complaint creates a low risk to the stability of the judgments delivered in this case.

The value of this proceeding exceeds 10% of the equity of the Issuer.

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.

13 Information on basic products and services provided by the Issuer

PROCHEM S.A. is an engineering company, which activity includes designing, general contracting, project management and technical consulting. The Company specializes primarily in customer service in the following segments: the industrial building, environmental protection facilities, public buildings and infrastructure projects. Revenues from sale of these services in 2017 constituted 96.7% of the total Company's revenues, and their value is by 54.9% lower than those achieved in the previous year.

Breakdown of revenues by separate types of activity and their structure is shown below:

(Revenues in PLN thousands)

Description	Revenues in PLN thousands		% + growth - decline	Revenues structure %	
	2017	2016		2017	2016
1. Sale of services	49,177	108,914	- 54.9%	96.7	96.7
2. Sale of goods	-	768	-	-	0.7
3. Other operating income	112	1,370	- 91.8%	0.2	1.2
4. Financial income	1,589	1,577	+ 0.8%	3.1	1.4
Total	50,878	112,629	- 49.8%	100.0	100.0

As results from the data compilation as below in 2017 revenues from design and engineering services dropped by PLN 0.6 million compared to the previous year, and revenues from a general contracting by PLN 58,88 million. In item of Other services are mainly the revenues from the rental of cranes and shoring.

Description	Total revenues from sale of services		+ growth - decline 2017/2016
	2017	2016	
1. Design and engineering services	17,461	18,012	- 3.1%
2. Contracting services	28,194	87,035	- 67.6%
3. Other services	3,522	3,867	- 8.9%
TOTAL	49,178	108,914	- 54.9%

14 Breakdown into markets of sale of services in 2017:

The share of exports in sales of services in 2017 was 0.4%.

Buyers of the Company's services whose share in sales revenues in 2017 exceeded 10% were:

- Irydion Sp. z o. o. - 27% share in sales revenue - a jointly controlled company ;
- Contec Sp. z o.o. – 17% share in sales revenue - with this entity, no other formal relationships exist except for trade agreements
- GE Power Sp. z o.o. - 15% share in sales revenue - with this entity, no other formal relationships exist except for trade agreements.
- Synthos S.A. - 13% share in sales revenue - with this entity, no other formal relationships exist except for trade agreements.

15 Information on concluded agreements significant for the Issuer's activity

As of today, the Issuer's main revenues being anticipated in 2018 will be obtained as a result of the implementation of contracts for the provision of services for the company Bioagra and the associated company Irydion sp. z o. o..

Any agreements concluded between shareholders of PROCHEM S.A., which would be significant for its economic activities are not known to the Company.

16 Information on the organizational or capital relations of the Issuer and about the main investments

Company PROCHEM S.A. is the parent entity in the Capital Group which comprises, among others the companies:

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%);
- Przedsiębiorstwo Konsultingowo-Inżynieryjne PREDOM Sp. z o. o. seated in Wrocław – subsidiary indirectly (80.7% share in capital and profit, 71.1% share in votes);
- Prochem Zachód Sp. z o. o. seated in Słubice- subsidiary directly (80.0%);
- ELPRO Sp. z o.o. seated in Krakow – subsidiary indirectly (92.7%, including 85.4% share in the 50% share of Elektromontaż Krakow);
- Elmont Inwestycje Sp. z o. o. seated in Krakow – subsidiary indirectly (92.7%, including 85.4% share in the 50% share of Elektromontażu Krakow);
- Elektromontaż Kraków S.A. seated in Krakow – subsidiary indirectly (85.4%), including 73.0% share in capital and votes belongs to company Prochem Inwestycje subsidiary in 100%. Company Elektromontaż Kraków S.A. prepares consolidated financial statements, which contain data of a subsidiary in 100%: ELMONT-POMIARY Sp. z o. o. seated in Krakow and two associated companies ELPRO Sp. z o. o. and Elmont-Inwestycje Sp. z o. o.;
- IRYD Sp. z o. o. seated in Warsaw – subsidiary indirectly in 100%;
- ATUTOR Integracja Cyfrowa Sp. z o. o. seated in Warsaw – subsidiary indirectly (87.3% of share belongs to company Prochem Inwestycje Sp. z o. o. subsidiary in 100%);
- Prochem RPI Sp. z o. o. seated in Warsaw - subsidiary directly and subsidiary indirectly in 100%;

Associated companies and jointly controlled companies:

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

17 Related party transactions

In 2017, no significant transactions were concluded between companies from the Issuer's Capital Group on terms other than market terms.

18 Information on loans and borrowings

Name of the bank	Seat	Amount of a loan acc. to agreement (in PLN thousands)	Amount of a loan to be repaid (in PLN thousands)	Terms of interest	Repayment date	Security
mBank SA	Warsaw	5,000 Credit in overdraft on current account	0	WIBOR for O/N deposits in PLN + margin	30 November 2018	Promissory note in blank, court pledge on shares

- Loan received from subsidiary Prochem Zachód Sp. z o. o. in the amount of PLN 950 thousand. Interest is set at annual rate 3%. Time of repayment was set for 31 December 2018.

19 Information on loans granted

In 2017, the Issuer granted a loan to its subsidiary Pro-Inhut Sp. z o. o. in the amount of PLN 130 thousand, interest is set at annual rate 3.25%, time of repayment was set for 30 September 2018.

20 Information on guarantees and surety granted and received

The value of granted warranties and guarantees related to the Issuer's operating activity amounts to PLN 8,353 thousand, of which :

- a) bank guarantee of good performance of services – PLN 6,932 thousand;
- b) guarantee of return of advance payment – PLN 1,177 thousand;
- c) surety granted on behalf of subsidiary – PLN 247 thousand.

The total amount of contingent receivables by way of received performance guarantees and statutory warranty as at 31 December 2017 amounts to PLN 3,866 thousand.

In 2017 the Issuer did not grant the surety of loan repayment to the related entities.

21 Description of the use of the proceeds from the issue

In 2017, the Company did not issue any securities.

22 Explanation of differences between the achieved financial results and forecasts

In 2017 the company did not publish forecast of financial results.

23 Assessment of the management of financial resources

During 2017, a disruption of financial liquidity in PROCHEM S.A. did not occur. Both the state of financial resources and available lines of credit allow for timely fulfillment of contracted obligations.

24 Assessment of the possibility of implementation of investment objectives

Since 2013, the jointly-controlled company IRYDION, is engaged in the construction and commercialization of office and service building in Warsaw under the name of Astrum Business Park. In 2018, construction is expected to be completed, all office space will be rented and will be started the process of selling of the office building.

25 Assessment of factors and unusual events affecting the financial results achieved

A one-off event had a significant impact on the financial results achieved in 2017 - a positive settling of the long lasting dispute for the benefit of the Issuer in the legal case against PERN S.A. As a result of this event, the Company achieved a profit before tax of PLN 26.7 million. The received monetary funds that were left after covering the loans and other liabilities related to the performance of the contract with PERN S.A. in accordance with Resolution No. 4 of the Extraordinary General Meeting of the Company of January 26, 2018 were destined for the acquisition by PROCHEM S.A of own shares with the aim of their redemption.

26 External and internal factors essential for the development of the enterprise of the Issuer in 2018

Macroeconomic surrounding will have the significant effect on the activities of PROCHEM S.A. in 2018, in particular, the condition of the Polish economy which in the significant way influences the undertaking of decisions on the starting of the new investment objectives by potential clients of PROCHEM S.A. (in particular by industrial companies). After the slump of investment in the last period, now takes place slowly launching of some of the investment projects, which were suspended in the energy, chemical and environmental protection sectors. In many of them PROCHEM S.A. as a recognized engineering company has a chance to participate. This would be reflected in the number of orders obtained by the Company, and also in the financial results achieved in 2018. The Management Board of PROCHEM S.A. with particular attention is monitoring the current situation and, in case of a need, is able to take the appropriate steps aiming at increase of its potential to adapt to new opportunities.

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

In 2017, there were no significant changes affecting the principles of management of the Issuer and its Capital Group.

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

Contracts of employment 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 dismissing from office of a member of the Board, except for the situation where the dismissal is due to obvious fault of a managing person.

29 Remuneration of the Members of the Management Board and the Supervisory Board of the Issuer

Remuneration paid in 2017 by the Issuer to the members of the Management Board and the Supervisory Board was presented in the notes to the separate financial statements for 2017.

30 Total amount of shares of the Issuer and related entities held by persons managing and supervising of the Issuer

As at the date of the financial statements the following members of the Company's Management Board and Supervisory Board held shares of PROCHEM S.A. ;

- Jarosław Stępniewski – 68,383 pcs;
- Marek Kiersznicki – 59,474 pcs;
- Krzysztof Marczak – 36,908 pcs;
- Marek Garliński – 73,996 pcs;
- Andrzej Karczykowski – 201,882 pcs;

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.

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

On 21 March 2018 the Company acquired 960,000 of own shares following the offer, which was announced on the basis of Resolution No. 4 of the Extraordinary General Meeting of the Company of January 26, 2018 regarding giving the consent to the acquisition by PROCHEM S.A. of own shares for redemption and regarding giving power to purchase own shares of PROCHEM S.A. Acquisition of shares took place outside the regulated market, through intermediary of mBank S.A. with headquarters in Warsaw - Dom Maklerski mBanku. The shares were purchased for redemption. Pursuant to § 2 of Resolution No. 4 of the Extraordinary General Meeting of PROCHEM S.A. dated 26 January 2018, the Management Board of the Company will insert on the agenda of the next General Meeting of the Company a resolution regarding the redemption of acquired own shares. These shares constitute 24.65% of the Company's share capital and correspond to 960,000 votes at the General Meeting of the Company, which constitutes 24.64% of votes at the General Meeting of

the Company. As a result of their redemption, changes will take place in the proportions of shares held by the current shareholders.

32 Information on the control system for employee share programs

In the company does not exist any employee shares program.

33 Information on the contract with the entity authorized to audit financial statements of the Issuer

The agreement with the entity authorized to audit financial statements the company BDO Sp. z o. o. for the audit and review of separate and consolidated financial statements of PROCHEM S.A. for 2017 was concluded on 1 June 2017. The agreement was concluded only for the audit of financial statements for the year 2017. The total remuneration of the company BDO under the contract amounts to PLN 86,000 net. In 2017 the additional remuneration was owed to BDO in the amount of PLN 980 net under the participation of Issuer's personnel in a training organized by BDO.

For performing the audit and review of financial statements for 2016 the company KPMG Audyt Sp. z o. o. Sp. k. received remuneration in the amount of PLN 94,000 net. In 2016 the additional remuneration was paid to company KPMG Audyt spółka z ograniczoną odpowiedzialnością Sp. k. in the amount of PLN 10,000 net for attestation services.

Vice President of the
Management Board

Vice President of the
Management Board

President of the Management
Board

Krzysztof Marczak

Marek Kiersznicki

Jarosław Stępniewski