

**THE REPORT OF THE MANAGEMENT BOARD  
ON THE COMPANY'S ACTIVITY IN 2013**

Warsaw, 24 April 2014

## **1. Principles of presentation of financial statements**

Principles of preparation of separate financial statements of PROCHEM S.A. for 2013 have been included in Explanatory notes to financial statements.

## **2. Overview of key economic and financial volumes disclosed in the annual financial statements and the presentation of the development prospects of the Issuer in 2014.**

In 2013 the Company achieved revenues from basic activity i.e. sale of engineering services and construction services in the amount of PLN 82.9 million. They are PLN 1.4 million lower than in 2012. The decrease in revenues took place mainly in the segment of General Contracting. All areas of basic activities in 2013 were profitable. At the operational level, the Company recorded a profit of PLN 2.4 million. This amount was increased by PLN 6.2 million of profit on financial operations – achieved mainly on sale of part of shares in Elektromontaż Kraków. Net profit for 2013 amounted to PLN 6.6 million and was more than double higher compared to last year.

PROCHEM S.A.'s strategy, which consists in maintaining, despite the lack of orders, the potential of engineering staff, has already begun to bring tangible results in 2013. As one of the few engineering companies in Poland PROCHEM is able to provide high-quality, multi-discipline design services. As a result of it, in 2014 will be continued work on the several large contracts previously gained, their volume practically exhausts the capacities of the company. In the implementation phase also entered a contract in Belarus with a value of EURO 48.2 million.

Construction of an office building under the name Astrum Business Park in Warsaw by PROCHEM also will be continued. Taking all this into account the Board of PROCHEM S.A. positively assesses the prospects for the development of the Company in 2014.

## **3. Significant risks and threats to the Issuer's activity**

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

### **3.1 Economic fluctuations on the investment market**

The company provides services to the investment market, which is characterized a large scale of fluctuations in demand that is 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), cannot fully mitigate this risk.

### **3.2 Dependence on the staff**

Improving the quality of services provided, undertaking the complicated technological projects, the use of modern information systems and the work for reputable 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 company 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**

Some contracts for the sale of services are concluded with foreign companies in foreign currencies (EUR, USD). In case of significant fluctuations in the exchange rate of the national currency, this could affect the Company'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, as well as through the purchase of the relevant financial instruments.

### **3.4 The risk of dependence on significant buyers of services**

The implementation of the contracts for implementation with a high value by the Company requires significant expenditures incurred for the purchase of services and equipment that in the next sequence in the form of the finished object are sold to the customer. Lack of adequate correlation between the expenditures incurred and the proceeds from the execution of the contract may cause the necessity of the use of external financing by the Company and, in some circumstances, even a temporary loss of liquidity by the Issuer. Such risks are largely hedged through appropriate provisions in the agreement with the customer, under which the customer is obliged to reimbursement of the successive expenditures incurred during the execution of the order.

## **4. Statement on the application of corporate governance principles in 2013 by PROCHEM S.A.**

General Meeting of PROCHEM S.A., by Resolution No. 7 dated. 8 June 2013. has adopted for 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](http://www.prochem.com.pl).

**5. Description of the internal control system of the Issuer.**

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

PROCHEM S.A. a comprehensive internal control system, whose purpose is to provide timely and accurate disclosure of all material facts relating to the all essential elements of the activity of the company. It contributes to obtain a complete understanding of the financial position, results of operations, state the company's assets and management efficiency. Scope of the controls covers above all

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

Institutional internal control examines projects already completed and the associated documentation. 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 period were regarded by the Board as the most important. Apart from the institutional internal control in the company, there is also the so-called functional control exercised by managers at various levels. The managers supervise the employees reporting to them, what consists in checking the accomplishment of established objectives.

Institutional internal control is exercised in PROCHEM S.A. mainly by employees from financial and accounting department and legal and organizational department. Some of the tasks of the internal control are carried out by appointed teams and committees. Checks are carried out in all phases of activity as the initial, the current and the next. Financial and accounting documents are subject to the technical, formal and accounting control. Information about the formal, technical and accounting correctness bear the signature drawn in a the identifiable way (full name) or bear the stamp of the authorized person and the date of approval of the document. Functioning in PROCHEM S.A. control

system provides a completeness of the approach to business transactions, the correct classification of source documents and the correct evaluation of the available resources at various stages of the registration, and thus ensures the correctness of financial reporting and allows the Management Board to conduct activity the Company on the basis of a verified and complete information.

## **6. Description of risk management system in the enterprise of the Issuer**

PROCHEM S.A. in its activity is exposed to 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 :

- the monitoring of the phenomena generating the risk,
- taking actions to lower the level of the 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 selected industries,
  - scope diversification (development of the activities allied to engineering services - maintenance, developer's activity)
  - diversification of the territory (expansion of exports)
  - accumulation of 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 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,
    - currency forward 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 partners relations with the 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 are in PROCHEM S.A. 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.

## **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 VOTES	% OF VOTES IN TOTAL NUMBER OF VOTES	% OF SHARE CAPITAL
1	PHC Agreement	1,178,320	30.28	30.25
	including: Steve Tappan	509,797	13.08	13.09
2	Legg Mason TFI S.A.	560,549	14.39	14.39
3	Otwarty Fundusz Emerytalny PZU S.A. „Złota Jesień”	387,000	9.93	9.94
4	Noble Funds TFI S.A.	207,792	5.33	5.33

No exist any securities that would grant special controlling rights in relation to the Issuer.

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

**8. Description of the rules governing the appointment and dismissal of the management and their powers.**

Management Board of the Issuer is 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.

**9. Description of the principles of changes in the Articles of Association of the company of the Issuer.**

Principles of changes in the Articles of Association of the company of the Issuer are set out in accordance with the provisions of the Commercial Companies Code.

## **10. The way of acting of the General Meeting of Shareholders of PROCHEM**

Mode of action of the General Meeting of Shareholders of PROCHEM S.A. and its basic rights and the rights of shareholders and their execution are contained in the Articles of Association 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](http://www.prochem.com.pl).

## **11. The composition and the changes that occurred during the last fiscal year, and a description of the management board, 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 Wiceprezes Zarządu

Krzysztof Marczak - Vice President of the Management Board

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

Andrzej Karczykowski - Chairman

Marek Garliński – Vice Chairman

Dariusz Krajowski-Kukiel

Krzysztof Obłój

Adam Parzydeł

In the last financial year there were no changes in the composition of the Management Board and the Supervisory Board.

Description of the operation of the Board is contained in the Regulations of the Management Board, and the description of the operation of the Supervisory in the Regulations of the Supervisory Board. These documents are available on the website of the Issuer [www.prochem.com.pl](http://www.prochem.com.pl).

The tasks of the Audit Committee as 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.



## **12. Proceedings pending before the court, competent arbitration authority or public administration.**

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 construction management of 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 S.A. 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 held the claim for payment of the amount of 41,301 thousand by PERN "Przyjaźń" S.A. as to be right in principle, at the same time, the Court assessed that the claim is not yet due,
- 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 the part in which the District Court has recognized a claim for payment of the amount of PLN 41,301 thousand by PERN "Przyjaźń" S.A. as premature and unmaturred, and in the part where PROCHEM S.A. demanded acquisition by PERN "Przyjaźń" S.A. the liability under return of the deposit guarantee to contractors/suppliers.

PERN S.A. 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 final 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 the construction management of an 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 by making an accounting for the contract. 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 clearance 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 S.A. filed a cassation complaint to the Supreme Court. At its meeting on January 15, 2010 the Supreme Court dismissed the cassation complaint stating its lack of reasonable 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 settle finally the disputed contract. 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 pleadings clarifying the final conclusions of evidence. On 9 August 2013, the Issuer received from the District Court in Warsaw the decision on ordering of the supplementary opinion which is to be prepared by experts and shall determine the value of services, supplies, and other liabilities of Prochem directly related to the implementation of the agreements that have been made after the date of withdrawal from the contract on the basis of commitments made prior to the withdrawal. The decision was in accordance with the application submitted to the Court by PROCHEM S.A. Supplementary opinion of experts was received by the Court in February 2014. The court expert in the opinions released upholds the claims of PROCHEM S.A.. Currently, the parties are awaiting a determination by the Court of the next hearing date.

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

In addition, the total value of other proceedings separately for the group of liabilities and 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 dealing with: design, general contracting, project management and technical consulting.

The Company specializes primarily in customer service in the following segments: industrial plants and installations, environmental protection facilities, public buildings and infrastructure projects. Revenues from the sale of those services in 2013 constituted 87.2 % of total revenues, and their value in 2013 is 1.7% 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)

Specification	Revenues in PLN thousands		% + increase - decrease	Structure of revenues %	
	2013	2012		2013	2012
1. Sale of services	82,889	84,296	- 1.7%	87.2	89.0
2. Sale of goods and materials	451	1,110	- 59.4%	0.5	1.2
3. Other operating income Operacyjnej	3,783	671	+ 463.8%	4.0	0.7
4. Financial income	2,840	1,082	+ 162.5%	3.0	1.1
5. Profit on the disposal of shares in subsidiaries	5,087	7,545	- 32.6%	5.3	8.0
<b>Total</b>	95,050	94,704	+ 0.4%	100.0	100.0

As it follows from the table as below, in 2013 revenues from design and engineering services increased by PLN 16.5 million in comparison with the previous year, while revenues from general construction dropped by PLN 16.5 million. In item other services were primarily recognized income from the rental of cranes and formwork.

Description	Total revenues from sale of services		+ increase - decrease 2013/2012
	2013	2012	
1. Design and engineering services	35,492	19,034	+86.5%
2. General contracting	42,784	59,263	-27.8%
3. Other services	4,613	5,999	-23.1%
<b>TOTAL</b>	82,889	84,296	- 1.7%

#### 14. Breakdown of the markets of sale of services in 2013:

The share of exports in sale of services in 2013 amounted to 11%.

The buyers of services provided by the Company of which share in the revenues from sales in 2013 exceeded 10%, were:

- Irydion Sp. z o.o. - 23% of revenues from sales – jointly-controlled entity;
- IKS Solino S.A. - 15% of revenues from sales - with the entity beyond trade agreements there are no other formal relationship.

## **15. Information on concluded agreements significant for the issuer's activity**

As at today, the expected main income of the Issuer will be achieved on implementation of contracts for the provision of services for Mineral Wax Factory in Belarus and subsidiary IRYDION Sp. z o.o.

To the Company are not known any agreements between shareholders PROCHEM S.A., which would be important for her business.

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

PROCHEM S.A. is a parent entity of the Capital Group which includes, 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 (93.4%).
- 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%).
- PREDOM Sp. z o.o. seated in Wrocław – subsidiary indirectly (81.1% of capital and profit, 69.4% of votes).
- Prochem Zachód Sp. z o.o. seated in Słubice – subsidiary directly (60.0%);
- ELPRO Sp. z o.o. Kraków – subsidiary indirectly (85.2%, including 70.4% share in the 50% share of Elektromontaż Kraków).
- Elmont Inwestycje Sp. z o.o. Kraków – subsidiary indirectly (85.2%, including 70.4% share in the 50% share of Elektromontaż Kraków).
- Elektromontaż Kraków S.A. – subsidiary indirectly (70.4%), including 58.8% of capital and votes belonging to Prochem Inwestycje subsidiary in 100%. Company prepares consolidated financial statements, which includes data of subsidiary in 100%: ELMONT-POMIARY Sp. z o.o. seated in Kraków and related entities 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% belongs to Prochem Inwestycje Sp. z o.o. subsidiary in 100%).
- Prochem RPI Sp. z o.o. seated in Warsaw – subsidiary directly and indirectly in 100% .
- PRO-PLM Sp. z o.o. seated in Warsaw – subsidiary directly and indirectly in 100% .

Associates and jointly-controlled entities:

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

**17. Related party transactions**

In 2013, no transactions were concluded between the companies belonging to the Capital Group of the Issuer under conditions other than market conditions.

**18. Information on loans and borrowings**

Name of the bank	Registered office	Amount of loans (in PLN thousands)	Amount of loan for repayment (in PLN thousands)	Terms of interest	Repayment date	Security
mBank S.A.	Warsaw	6,000 Credit in overdraft	-	WIBOR for O/N deposits in PLN + margin	30 June 2014	Promissory note in blank
ING Bank Śląski S.A.	Katowice	3,000 Credit in overdraft	-	WIBOR for 1 month deposits in PLN + margin	16 November 2014	Statement of submission to enforcement

**19. Information on loans granted**

In the period from 1 January to 31 December 2013 the Issuer:

- granted to subsidiary Prochem Inwestycje Sp. z o.o. a loan in the amount of PLN 6,000 thousand,
- granted to subsidiary Elektromontaż Kraków S.A. loans in total amount of PLN 3,300 thousand,
- granted to subsidiary Elmont Inwestycje Sp. z o.o. a loan in the amount of PLN 130 thousand.

The interest rate on the loans mentioned above has been determined on market terms.

**20. Information on guarantees and surety granted and received**

The value of guarantees and sureties relating to the operating activities of the Issuer amounts to PLN 43,254 thousand, including:

- a) Bank guarantees for good performance of services – PLN 11,407 thousand;
- b) guarantee of the payment of rent – PLN 1,134 thousand;
- c) tender guarantees – PLN 1,235 thousand;
- d) advance payment guarantee – PLN 29,478 thousand;

The total amount of contingent receivables by way of received performance guarantees and statutory warranty as at 31 December 2013 amounted to PLN 1,783 thousand. In 2013 the Issuer did not grant loan repayment guarantees to related parties.

**21. Description of the use of the proceeds from the issue**

In 2013, the Company did not issue any securities.

**22. Explanation of differences between the achieved financial results and forecasts**

In 2013 the company did not publish forecast of financial results.

**23. Assessment of financial management**

During 2013 did not occur a distortion of liquidity in PROCHEM S.A. The company maintains such a state of own cash, that allows for timely fulfillment of its liabilities. There are no circumstances that would prevent the implementation of the Company's obligations.

**24. Assessment of the possibility of implementation of investment objectives**

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

**25. Assessment of factors and unusual events affecting the financial results.**

In the assets of balance sheet of PROCHEM S.A. in the item "Receivables" appears the amount of PLN 17,363,930 from the title of guarantee deposits seized by PERN S.A. as security for possible claims towards the Consortium PROCHEM/Megagaz (GRI) on account of statutory warranty and guarantees under Agreement no 20047 of 27 August 2002. The existence of the receivable and its amount were in the previous years confirmed by PERN S.A. At the same time,

due to the fact that the whole of the work and supplies related to the execution of Agreement No. 20047 was performed by the Consortium with the help of subcontractors and suppliers, as security for the guarantee granted by those companies PROCHEM has seized a part of their remuneration as guarantee deposit in the total amount similar to the amount withheld by PERN S.A.. In accordance with the agreements with the companies as above, the return of deposits seized by GRI to subcontractors and suppliers, should take place after the end of warranty and guarantee, but not earlier than after the return of the guarantee deposit retained by PERN to PROCHEM S.A. 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 return of the seized amount of the guarantee deposit from PERN S.A. Request to pay as above remained unanswered. Irrespective of it, due to precaution in legal proceedings, the amount of withheld deposit has been filed 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 recovery of those claims in this year within the final settlement, which is the subject of litigation pending before the court.

## **26. External and internal factors essential for the development of the enterprise of Issuer in 2014.**

The macroeconomic surrounding will have the significant effect on the development possibilities of PROCHEM S.A. Capital Group in 2014, in particular the state of the Polish economy which in the significant way influences decisions to be taken by the potential clients of PROCHEM S.A. (in particular industrial companies) on starting new investment objectives. Further work is underway to launch the implementation of large investments in the power industry, chemical and environmental protection. It will be reflected in the number of orders obtained by the Company, and in the financial results to be achieved in 2014. The Management Board of PROCHEM S.A. with particular attention is monitoring the current situation and, if necessary, is prepared to take appropriate measures to adapt of its potential to new opportunities.

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

In 2013, 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**

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

**29. Remuneration of the members of the Management Board and the Supervisory Board**

Remuneration paid in 2013 by the Issuer to the members of the Management Board and the Supervisory Board is presented in the notes to the financial statements for 2013.

**30. The total amount of shares of the Issuer and 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 held shares of PROCHEM S.A.;

- Jarosław Stępniewski – 80,943 units.;
- Marek Kiersznicki – 70,143 units.;
- Krzysztof Marczak – 42,700 units.;
- Andrzej Karczykowski – 115,186 units.;
- Marek Garliński – 86,400 units.;
- Adam Parzydeł – 15,300 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.



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

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

**32. The control system for employee share programs.**

In the company does not operate any employee share 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 KPMG Spółka z ograniczoną odpowiedzialnością Sp. k. for the audit and review of separate and consolidated financial statements of PROCHEM S.A. for 2013 was concluded on 15 July 2013. The agreement was concluded only for the audit of the financial statements for 2013. The total remuneration of KPMG under the contract amounts to PLN 90,000 net. KPMG neither was paid any remuneration, nor is due under other titles. From the audit and review of financial statements for 2012 KPMG Audyt spółka z ograniczoną odpowiedzialnością Sp. k. received a remuneration in the amount of PLN 80,000 net. In 2012 KPMG Audyt spółka z ograniczoną odpowiedzialnością Sp. k. neither was paid any remuneration, nor is due under other titles.

Vice President

Krzysztof Marczak

Vice President

Marek Kiersznicki

President of the Management Board

Jarosław Stępniewski