

**REPORT OF THE MANAGEMENT BOARD
ON THE BUSINESS ACTIVITY OF THE COMPANY
PROCHEM S.A. IN THE YEAR 2012**

Warsaw, 24 April 2013

1. Description of the principles of preparing the financial statements

Description of the principles according to which have been prepared individual financial statements of the Company Prochem SA for the year 2012 was included in the notes to the statements.

2. Description of key economic and financial volumes disclosed in the annual financial statements and the presentation of the development prospects of the Issuer in 2013.

In 2012, the Company achieved revenues from basic activity i.e. sales of engineering services and construction services in the amount of PLN 84.3 million. They are more than PLN 43 million lower than those achieved in 2011. The decrease in revenues mainly took place in the segment of general contracting and in rental of construction equipment. At the operational level, the Company recorded a loss of PLN 5.4 million, which is a consequence of insufficient number of orders for design and engineering services. This loss was offset by a profit on financial operations - mainly derived from the sale of part of the shares in the company Elektromontaż Krakow SA. Net profit for the year 2012 amounted to PLN 3.1 million, and was similar to that achieved in the previous year. Hitherto strategy of Prochem SA consisting in maintaining capability in the scope of engineering, despite lack of orders in 2013 began to bring tangible results. As one of the few engineering companies in Poland Prochem is able to quickly start to provide high quality design services. Owing to that, on the turn of 2012 and 2013 were obtained several large contracts, which volume practically absorbed the production capacity of the company. Also the contract in Belarus with a value of Euro 48.2 million is entering into the implementation phase. Thanks to gaining the financial investor for the company Irydion in 2013 will be started the construction of office building under the name Astrum Business Park in Warsaw by Prochem. Taking all this into account the Board of Prochem SA positively assesses development prospects of the company in 2013.

3. Description of essential risk factors and threats to activity of the Issuer

The company PROCHEM S.A. is exposed in its activity to the following kinds of risks and threats:

3.1 Economic fluctuations on the investment market

The company provides services on the investment market, being characterized by a large scale of hesitations of the demand strongly connected with the general macroeconomic situation of the country. Methods of limiting the adverse impact of this factor on financial results (concentrating reserves, diversification of provided services) applied by the Company cannot fully neutralize this risk.

3.2 Dependence on the staff

Raising the quality of provided services, undertaking the completion of complicated technological projects, using modern computer systems and the work for customers of high reputation requires the highest professional qualifications from employees. Recruiting this sort of persons, peculiarly 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 applying incentive programs associating employees with the company.

3.3 Exchange rate risk

Part of contracts for sale of services is concluded with foreign companies in foreign currencies (EUR, USD). In case of considerable fluctuation of the rate of the domestic currency it can have influence on the performance of the company. Partly this risk is being wiped out in the natural way through the purchase of devices and the services necessary for the accomplishment of these contracts abroad, as well as through the purchase of relevant financial instruments.

3.4 Risk of dependence on important buyers of services

The accomplishment of contracts for implementation of the considerable value by the Company requires the considerable expenses to be borne on the purchase of services and devices which subsequently in the form of the finished building are being sold to the customer. The lack of appropriate correlation between incurred expenses, and income on account of the execution of the contract with customer may create the necessity of using the external financing by the company, and in particular circumstances may cause even temporary loss of the financial liquidity by Issuer. Relevant stipulations of a contract by virtue of which the customer is obliged to a successive reimbursement of the incurred expenses during fulfilment of an order protect to a large extent against such a risk.

3.5 Risk associated with the protraction of judicial proceedings in a dispute with PERN SA

In view of the substantial extension of legal proceeding in a dispute with PERN S.A. which began in 2006, and currently is conducted before the District Court in Warsaw on the accounting for the contract interrupted on 10 November 2005 for the general implementation of an investment project for the project under the name „Pipeline in a section from the ST-1 Adamowo - to raw material base Plebanka” , the risk exists of the necessity of fulfillment of obligations by PROCHEM S.A. pertaining to retained guarantee deposits of sub-suppliers before they are recovered from PERNS SA. Board of Prochem S.A. reckon with the need to accumulate adequate financial means for this purpose.

4. Declaration about applying corporate governance standards in the company Prochem S.A. in the year 2012

The Management Board of PROCHEM S.A. is declaring hereby that in the year 2011 were fully respected the principles of corporate governance accepted in the company PROCHEM S.A. in the wording set according to the Attachment to the Resolution No 12/1170/2007 of July 4th 2007. The full text - of principles of corporate governance to which the issuer is subject is available on the website of PROCHEM S.A. – www.prochem.com.pl

Description of the internal control system of the Issuer

The internal control is one of functions of current managing the company exercised directly by the company's Management Board, directors, proxy holders and other employees on managerial positions or which such a function was entrusted.

PROCHEM S.A. has the comprehensive internal control system that guarantees timely and accurate revealing facts concerning essential elements of company's activity. It contributes to getting the full knowledge about the financial standing, operating results, the state of the company's assets as well as the effectiveness of the management. Scope of supervision covers above all:

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

The institutional internal control examines undertakings already carried out and relevant documentation. The main task of such control is the conducting comprehensive inspections within the scope of the most important issues for the company as well as collecting and preparing the information concerning activities of organizational units of the company, chosen economic problems and other issues which in the given period were regarded as most significant by the company's Management Board. Apart from the institutional internal control in the company exists also so-called functional control made by managers of different ranks who supervise employees reporting to them, consisting in checking the accomplishment of set tasks. Institutional internal control in PROCHEM S.A. is exercised mainly by financial service and accounting service and employees of the legal and organizational department. The part of the tasks of the internal control is carried out by appointed teams and committees.

Checks are exercised in all phases of activity as the preliminary, current and successive inspection. Financial and accounting documents are being subjected to the substantive, formal and accounting control. The information about the substantive, formal and accounting

correctness bear the signature made in the identifiable way (full name and surname) provided with the personal stamp of the authorized person and the date of approving the document.

The control system functioning in PROCHEM S.A. guarantees the completeness of the approach to business transactions, correct classification of source documents, as well as correct evaluation of stock in possession on individual stages of the registration, and hence ensures the correctness of drawing up a financial statement and it let the Management Board conduct company's activity based on the verified and complete information.

Description of the system of managing the risk in the enterprise of the Issuer

In activity of PROCHEM S.A. are appearing following risks:

- risk of economic fluctuations on the investment market,
- risk of losing of key employees,
- exchange rate risk,
- risk of making conditional on important buyers of services,
- risk of the payment unreliability,
- risk of disadvantageous settling the litigation with PERN S.A.

The risk management in individual areas consists in:

- monitoring of generating risk phenomena,
- taking action aiming at lowering the level of risk.

In the scope of individual risks the situation is as follows :

- risk of economic fluctuations on the investment markets:

- monitoring of the macroeconomic situation and in chosen industries,
- object diversification (development of the activities related to engineering services – maintenance and development activity),
- field diversification (expanding of export),
- accumulation of financial reserves.

- risk of losing of key employees

- monitoring of employment, remuneration and staff fluctuation,
- monitoring of the labor market and the level of the remuneration on the market,
- maintaining the system of trainings and raising qualifications,
- incentive programs for key employees,
- active recruitment system - environmental cooperation and maintaining relationships with

- universities

- exchange rate risk:

- monitoring and forecasting the rates of exchange
- forward transactions
- purchase of devices and services in currencies of contracts
- maintaining high-level domestic sales.

- risk of making conditional on important buyers of services

- monitoring of the performance of contracts with important buyers of services,
- contractual provisions containing protection,
- maintaining the partnership relations with regular customers.

- risk of the payment unreliability

- monitoring of the financial standing of key contracting parties before and in the process of the execution of the contracts,
- applying special debt collection procedures.

- risk of disadvantageous settlement of litigation with PERN S.A.

- monitoring of the legal situation by the Management Board and the team of lawyers.

Both the identification of risk factors, monitoring them and also applied system of risk mitigation measures in Prochem SA are at a good level, and the development strategy and diversification helps reduce the risks and leads to the professionalization in the scope of the instruments used.

Information about shareholders holding large blocks of shares of the Issuer

According to the knowledge of the Company at the date of this report, the shareholders with at least 5% of votes at the general meeting of shareholders:

No.	SPECIFICATION	NUMBER OF OWNED SHARES	NUMBER OF VOTES	% OF VOTES IN TOTAL NUMBER OF VOTES	% OF SHARE CAPITAL
1	Prochem Holding M. Garliński Spółka Komandytowa	941,213	941,213	24.15	24.17
2	Steve Tappan	382,751	382,751	9.82	9.83
3	Legg Mason Zarządzanie Aktywami S.A.	610,138	610,138	15.66	15.67

4	Otwarty Fundusz Emerytalny PZU S.A. „Złota Jesień“	369,000	369,000	9.47	9.46
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There are no securities granting special control rights in relation to the Issuer.

There are no restrictions on the transfer of ownership of securities of the Issuer and the exercise of voting rights.

Description of the principles governing the appointment and dismissing managing persons and their entitlements.

Managing personnel of the Issuer are being appointed by the Supervisory Board.

The term of office of the Management Board of the Issuer lasts three years. Rights of managing persons are determined by Statutes of the PROCHEM S.A. and they aren't going beyond the framework marked out by the Commercial Companies Code. In particular the right to make a decision about emission or the share redemption has only a General Meeting of Shareholders.

Description of principles of the amendment of the statute or articles of association of the Issuer

Principles of the amendment to the company's statute or articles of association of the Issuer are pursuant to the provisions of the Commercial Companies Code.

Operations of the General Meeting of Shareholders of Prochem SA

Operations of the General Meeting of Shareholders of PROCHEM S.A. and their fundamental entitlements and the description of rights of shareholders and the way of its exercising are included in Statutes of PROCHEM S.A. as well as into Bylaw of the General Meeting of Shareholders of PROCHEM S.A. Above mentioned documents are available on a website of PROCHEM S.A. www.prochem.com.pl.

The composition and the changes that occurred in it during the last financial year, and a description of activity of management, supervisory or administrative bodies of the Issuer and its committees.

On June 2, 2012, the Supervisory Board of Prochem SA appointed the Board of Prochem SA for the next term in unchanged composition.

The Board of Prochem SA as at the date of these financial statements comprises of :

- Mr. Jarosław Stępniewski - Chairman of the Management Board
- Mr. Marek Kiersznicki - Vice Chairman of the Management Board
- Mr. Krzysztof Marczak - Vice Chairman of the Management Board

The Supervisory Board as at the date of these financial statements comprises of :

- Andrzej Karczykowski - Chairman
- Marek Garliński – Vice Chairman
- Dariusz Krajowski-Kukiel

- Krzysztof Oblój
- Adam Parzydeł

In the last financial year there were no changes in the composition of the Supervisory Board. Description of the activity of the Management Board is included in Bylaws of the Management Board, and description of the activity of the Supervisory Board in Bylaws of the Supervisory Board. These documents are available on the website of Issuer www.prochem.com.pl.

Tasks of the Committee of Audit according to Art. 86 of the Law of 7 May 2009 on Statutory Auditors and their Self-government, Entities Entitled to Audit Financial Statements and about the Public Supervision were entrusted to the Supervisory Board of Prochem S.A.

5. Indication of proceedings pending before the court, competent authority for the arbitration or public administration body.

PROCHEM S.A. is still a party in the legal proceeding regarding accounting for the contract interrupted on the day 10 Nov. 2005 for the general implementation of an investment project for the project under the name „Pipeline in a section from the ST-1 Adamowo to base of raw materials Plebanka” concluded with PERN S.A. PROCHEM S.A. filed a suit demanding the payment of PLN 41,301 thousand as the final settlement of contract. PERN S.A. filed a counter-claim against PROCHEM S.A. on the payment of PLN 129,444 thousand as the settlement of contract. On 18 January 2008 District Court in Warsaw delivered a judgment regarding this case by virtue of which rejected a claim filed by PROCHEM S.A. (Consortium GRI) and also refused a counter-claim filed by PERN “Przyjaźń” S.A. From the justification put forward by the Court it follows that:

- The court held that the claim for payment of an amount of PLN 41,301 thousand by PERN " Przyjaźń" SA is justified in principle, the same time the Court judged that the obligation is not yet due
- The court held that there is no ground to accept the counter-claim filed by PERN "Przyjaźń" SA.

After getting acquainted with the grounds for the judgment in writing PROCHEM S.A. lodged an appeal from this judgment in this part, in which the District Court declared the claim for the payment of the amount of PLN 41,301 thousand by PERN “Przyjaźń” S.A. as premature and still not due, and in this part in which PROCHEM S.A. demanded taking over by PERN “Przyjaźń” S.A. obligation from the title of payment of guarantee deposits to contractors / suppliers. PERN “Przyjaźń” S.A. also lodged an appeal from the judgment, in which District Court rejected their counter-claim.

On 26 August 2008 Court of Appeal in Warsaw delivered a judgment on the appeal lodged by PROCHEM S.A. from the judgment of District Court of 18 January 2008 regarding case against PERN S.A. for payment of amount of PLN 41 301 495.22 as the final accounting for of contract for the general implementation of an investment project for the project under the name "Pipeline in a section from the ST - 1 Adamowo - the base of raw materials Plebanka". The Court of Appeal in above mentioned judgment decided to refer the case to the District Court for settlement by accounting for aforementioned contract. From the justification presented by the Court of Appeal it follows, inter alia, that the claim of Prochem SA concerning the contract settlement is not premature as it was earlier recognized by the District Court. Apart from that the Court of Appeal stated that accounting for the contract should be made pursuant to the provisions of the contract. This stating is in compliance with position in a case of PROCHEM S.A.

PERN S.A. lodged the petition for the cassation into the Supreme Court from the part of this sentence. On the meeting on 15 January 2010 the Supreme Court dismissed the petition for the cassation stating the lack of reasonable bases which require the evaluation with reference to the appealed part of the judgment.

On 12 August 2010 the case was held before the district court in Warsaw, during which the court decided on appointing the expert, who will finally make accounting for arguable contract according to recommendations of the court of appeal. In April 2011 the case records were sent to the court expert. In the opinion issued in May 2012, the court expert confirmed the amount of the claim Prochem SA. On 5 February 2013 before the Regional Court in Warsaw next hearing was held with the participation of experts. After hearing the opinion of the experts, the Court appointed the next hearing for 16 May 2013.

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

In addition, the total value of the other proceedings separately for the group of liabilities and group of debts, doesn't exceed 10 % of the equity of the Issuer.

6.1 Information on basic products and services provided by the Issuer

PROCHEM S.A. is an engineering company dealing with engineering and design, general contracting, project management and with technical consulting. Above all the Company specializes in providing services to clients in following segments: industrial construction, environmental protection facilities and infrastructural projects. Income from sales of services in 2012 constituted 96.7% of total income of the Company, and their total value in 2012 is by 34% lower than in the previous year.

The breakdown of revenues achieved on each type of activity and their structure is presented below:

(Income in PLN thousand)

Description	Income in PLN thousand		% + increase - decrease	Structure of income %	
	2012	2011		2012	2011
1. Sales of services	84,296	127,448	- 33.9%	89.0	95.5
2. Sales of goods	1,110	182	+ 509.9%	1.2	0.1
3. Other operating income	671	2,200	- 69.5%	0.7	1.7
4. Financial income	1,082	1,570	- 31.1%	1.1	1.2
5. Profit from sale of shares in subordinated entities	7,545	2,056	+267.0%	8.0	1.5
Total	94,704	133,456	- 29.0%	100.0	100.0

The below table shows that in 2012 income from design and engineering services dropped PLN 1.5 million in relation to the previous year, and income from general contracting 38.2 million. In item "other services" was mainly included the income from the lease of cranes and shoring.

Description	Total income from sale of services		+ increase - spadek 2012/2011
	2012	2011	
1. Design and engineering services	19.034	20.562	-7,4%
2. General contracting	59.263	97.537	-39,2%
3. Other services	5.999	9.349	-35,8%
TOTAL	84.296	127.448	- 33,9%

6.2 Breakdown of market of sales of services in 2012

100% income from sales was achieved on domestic market.

The buyers of services of the Company with the participation in the income from sales in 2012 exceeded 10% were:

- ZACHEM S.A. - 33% of income from sales;
- Goodrich Aerospace Poland Sp. z o.o. - 13% of income from sales,
- Wydawnictwo BAUER - 13% of income from sales;
- POLLENA AROMA S.A. - 12% of income from sales;

There are no other formal connections with entities mentioned above, apart from trade agreements.

6.3 Information on concluded agreements significant for the Issuer's activity.

As at today, the anticipated main income of the Issuer in 2013 will be obtained as a result of the contracts for the provision of services for Mineral Wax Factory in Belarus and subsidiary IRIDION sp. z o.o.

The Company is not aware of any agreements between shareholders Prochem SA, which would be important for its activity.

6.4 Information on organizational or capital connections of the Issuer and its major investments

The Company Prochem S.A. is a dominant entity of the Capital Group, which includes among others the following companies:

Subsidiaries

- Prochem Inwestycje Sp. z o.o. seated in Warsaw – subsidiary directly (100.0%).
- Irydion Sp. z o.o. seated in Warsaw – subsidiary directly (100.0%).
- PRO-INHUT Sp. z o.o. seated in Dąbrowa Górnicza – subsidiary indirectly (99.0%).
- 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 (85.0%, including 70.0% of participation in 50% sharing belonging to Elektromontaż Kraków).
- Elmont Inwestycje Sp. z o.o. Kraków – subsidiary indirectly (85.0%, including 70.0% of participation in 50% sharing belonging to Elektromontaż Kraków).
- Elektromontaż Kraków S.A. – subsidiary indirectly (70.0%), of which 31.4% of share capital and voting rights held by the company Prochem Inwestycje 100% subsidiary. The Company prepares its consolidated financial statements, which contains data of a 100% subsidiary: ELMONT-POMIARY Sp. z o.o. seated in Cracow and two associates 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% share belongs to company Prochem Inwestycje Sp. z o.o. 100% subsidiary).
- Prochem RPI Sp. z o.o. seated in Warsaw – subsidiary directly and indirectly 100%.
- PRO PLM Sp. z o.o. seated in Warsaw – subsidiary directly and indirectly 100% (50% share belongs to company Prochem Inwestycje Sp. z o.o. 100% subsidiary),

Associated:

- PROMIS Sp. z o.o. seated in Warsaw – indirectly associated (29.5% share in voting rights and 48.9 % in share capital held by company Prochem Inwestycje Sp. z o.o. 100% subsidiary),
- ITEL Sp. z o.o. seated in Gdynia – 42.% share (18.7% share in voting rights and capital belonging directly to Prochem S.A. and 23.3% held by Prochem RPI Sp. z o.o. (100% subsidiary) since 23 February 2010.
- TEOMA S.A. seated in Warsaw – 19.5% of share capital and 16.6% of voting rights (12.1% of voting rights belongs directly to Prochem S.A., and 4.4% held by Prochem Inwestycje Sp. z o.o. 100% subsidiary).

6.5 Transactions with related parties

In 2012 significant transactions between companies from the capital group of the Issuer weren't concluded on other conditions than market conditions.

6.6 Information on contracted loans and credits

Name of entity	Registered office	Amount of the credit according to the agreement (in PLN thousand)	Amount of the credit for the repayment (in PLN th)	Interest	Time of payment	Security
BRE Bank Polska SA	Warsaw	12,00 Working capital loan and credit in overdraft	6,347	WIBOR for O/N deposits in PLN + margin	28 June 2013	Promissory note in blank
ING Bank Śląski S.A.	Katowice	3,00 Credit in overdraft	-	WIBOR for 1 month deposits in PLN + margin	15 November 2013	Statement of submission to enforcement

6.7 Information on loans granted

In the period from 1 January to 31 December 2012 Issuer:

- granted to subsidiary Prochem Inwestycje Sp. z o.o. a loan in the amount of PLN 8,000 thousand,
- took over from subsidiary Irydion Sp. z o.o., a loan granted to the company Elmont Inwestycje Sp. z o.o. in the amount of PLN 3 650 thousand along with accrued interest in the amount of PLN 557 thousand.

Interest for above mentioned loans was set on market conditions.

6.8 Information on granted and received warrantees and guarantees

The value of guarantees and warrantees related to the operating activities of the Issuer amounts to PLN 14,095 thousand, including:

- a) bank guarantees of the good performance of services – PLN 13,060 thousand;

b) guarantee of the payment of the rent – PLN 1,035 thousand.

The total amount of contingent amounts due from the title of received performance guarantees and statutory warranties as at 31 December 2012 amounted to PLN 2,665 thousand.

In 2012 the Issuer did not grant the loan guarantees to related parties.

6.9 Description of the use of takings from the issue

In 2012 the Company didn't issue any securities.

6.10 Explaining differences between achieved financial results and the forecast

In 2012 the Company didn't publish the forecast of financial results.

6.11 Evaluation of the management of financial means

During the year 2012 disturbances to financial liquidity in PROCHEM S.A. didn't occur. The Company is maintaining such a state of own financial means, which allows for timely fulfillment of its liabilities. There are no circumstances that would prevent from the implementation of the Company's obligations.

6.12 Appraisal of possibility of implementation of investment objectives

In a Capital Group are included special purpose companies (Irydion, Elmont Inwestycje, Elpro), formed for implementation of development projects, on which in the nearest period will be focused the investment activity of Capital Group of PROCHEM S.A. 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, the company IRYDION gained a co-investor and started implementation phase of construction of an office and service building in Warsaw under the name Astrum Business Park.

6.13 Evaluation of factors and untypical events affecting achieved financial results

In the assets of balance sheet of PROCHEM S.A. in the item "Receivables" appears an amount of PLN 17,363,930 from the title of guarantee deposits seized by PERN S.A. as security for any claims towards the Consortium Prochem / Megagaz (GRI) on account of the statutory warranty and guarantees resulting from Agreement no 20047 of 27 August 2002. The existence of this amount due and its amount in previous years were confirmed by PERN S.A. Simultaneously due to the fact that that totality of work and supplies connected with the completion of a contract No 20047 was executed by the Consortium with the help of subcontractors and suppliers, as

security for warranties given by these companies a part of their remuneration was seized by PROCHEM S.A. as the guarantee deposit in a total amount similar to those seized by PERN S.A.. According to agreements concluded with the companies as above, the guarantee deposits seized by GRI will be returned to subcontractors and suppliers after the expiry of statutory warranty and guarantee period, but not earlier than after the return of the guarantee deposit seized by PERN to PROCHEM S.A.

According to GRI the time 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 for payment as above remained unanswered. Irrespective of it, from the trial carefulness, the amount of the seized guarantee deposit was filed for judicial proceedings being aimed at final settlement of accounts for the contract No. 20047 of 27 August 2002 which at present is being conducted again before the District Court in Warsaw. Creating the revaluating write-off covering the value of the amount due on account of seized guarantee deposits in the opinion of the Management Board is unjustified, since the above amount is in the indissoluble way connected and partially secured (in amount and on time) by the guarantee deposits given by subcontractors and suppliers and seized by GRI.

According to the evaluation of the Management Board of PROCHEM SA even if PERN will not return the seized guarantee deposits, there is a great probability of regaining these amounts due even this year within final accounting for the contract which is a subject matter of judicial proceeding which is pending in the court.

6.14 Outside and internal factors essential for the development of the enterprise of the Issuer in 2012

The macroeconomic surrounding of the company will have the significant effect on the activity of Prochem S.A. in the year 2012, 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) to start new investment objectives. A preparatory work being aimed at starting the accomplishment of large-scale investments in the energy, chemical industry and the environmental protection is still being conducted. It will be reflected in the number of orders obtained by the company, and in the end on financial results achieved in 2013. The Management Board of PROCHEM S.A. monitors the current situation with the particular attention and if necessary is prepared for taking proper action being aimed at adapting its potential to new opportunities.

6.15 Changes in basic principles of management of the Issuer and of Capital Group

In 2012, there were no significant changes affecting the management principles of the Issuer and of the Group.

6.16 Description of the agreements concluded between the Issuer and managing persons on compensation

Contracts of employment concluded by the Issuer with managing persons provide for the compensation in the amount of remuneration in the period of six months in case of dismissing the member of the Management Board from office, except for the situation when the dismissal is owing to evident guilt of the managing person.

6.17 Remuneration of persons managing and supervising the Issuer

Remunerations paid in 2012 in the enterprise of the Issuer to the members of Management Board and Supervisory Board was presented in explanatory remarks to financial statement for the year 2012.

6.18 Total amount of the shares of the Issuer and affiliated entities in the possession of persons managing and supervising the Issuer

As at the date of preparation of the financial statements, the following members of the Management Board and Supervisory Board possessed shares Prochem SA;

- Jarosław Stępniewski – 37,787 units;
- Marek Kiersznicki – 17, 500 units;
- Krzysztof Marczak – 9,030 units.;
- Andrzej Karczykowski – 20,000 units.;
- Marek Garliński – 37,000 units.

The nominal value of 1 share is PLN 1.

Persons managing and supervising don't possess shares in affiliated companies.

6.19 Information on agreements as a result of which changes can take place in proportion of shares possessed by previous shareholders

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

6.20 information on the control system for employee share schemes

There is no employee shares schemes in the company.

6.21 Information on the agreement with the entity authorized to audit financial statements of the Issuer

The agreement with the entity authorized to audit financial statements KPMG Audit Limited Liability Company Sp. k for the audit and review of individual and consolidated Prochem SA for the year 2012 was concluded on 29 June 2012. The agreement was concluded for auditing only

for the year 2012. The total remuneration of KPMG resulting from the contract is 80 000 PLN net. Company KPMG neither was paid, nor is entitled to remuneration from other titles. On account of the examination and the review of financial statements for 2011 the company KPMG Audyt Sp. z o.o. Sp. k. received the remuneration in the net amount of PLN 80,000. titles. In the year 2012 company KPMG Audyt Sp. z o.o. Sp. k. neither was paid, nor is entitled to remuneration from other titles.

Vice Chairman

Vice Chairman

Chairman

Krzysztof Marczak

Marek Kiersznicki

Jarosław Stępniewski