

**MANAGEMENT BOARD REPORT
ON THE ACTIVITIES OF PROCHEM SA
IN 2014**

Warsaw, 24 April 2015

1. Principles of presentation of financial statements

Principles of preparation of the separate financial statements of PROCHEM S.A. for 2014 have been included in Explanatory notes to financial statements.

2. Overview of basic economic and financial sizes disclosed in the annual financial statements and the presentation of the development prospects of the Issuer in 2015

In 2014 the Company achieved revenues from basic activities i.e. sale of engineering services and construction services in the amount of PLN 128.3 million. They are by 45.4 million higher than in 2013. Increase in revenues took place mainly in the segment of General Contracting. Such increase results mainly from increase in sales for Belarusian client as well as for a jointly-controlled entity, and for the client – producer of rapeseed oil for technical purposes. At the operational level, the Company recorded a profit of PLN 7.5 million. This amount was reduced by PLN 1.2 million of a loss on financial operations – due to the negative foreign exchange differences which arose at valuation of financial assets. Profit for the period in 2014 amounted to PLN 5.0 million and was by PLN 1.6 million lower than in the previous year.

The strategy of PROCHEM S.A., which consists in maintaining the engineering potential and in many areas allows for its development, makes that PROCHEM is one of the few engineering companies in Poland, which is able to provide high-quality multi-discipline design services. Thanks to it, order backlog in this area for the year 2015 practically exhausts the capacity of the company. Also into the phase of advanced implementation has entered contract in Belarus with a value of EURO 48.2 million. PROCHEM will continue the construction of the office building under the name of Astrum Business Park in Warsaw. Taking all this into account the Management Board of PROCHEM S.A. positively assesses the prospects for the development of the Company in 2015.

3. Significant risks and threats to the Issuer's activities.

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

3.1 Economic fluctuations on the investment market

The company provides services to the investment market, which is characterized by 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 neutralize the risk.

3.2 Dependence on the staff

Raising the quality of services provided, undertaking the implementation of complicated technological projects, the use of modern information systems, and 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 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

Part of the contracts for the sale of services is concluded with foreign companies in foreign currencies (EURO, USD). In case of significant fluctuations in the exchange rate of the national currency, this could have a significant impact on 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 execution 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 may result in a temporary loss of liquidity by the Issuer. Such risks to a large extent are hedged through appropriate provisions in the agreement with the customer, under which the customer is obliged to the successive reimburse of capital expenditures incurred during the execution of the order.

4. Statement on the application of corporate governance principles in 2014 in PROCHEM S.A.

General Meeting of PROCHEM S.A., by Resolution No. 7 dated. 8 June 2013. had adopted for the 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.

5. Description of the 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 Board, directors, proxies and other employees in management positions or entrusted with this function.

PROCHEM S.A. has a comprehensive internal control system with the purpose of providing timely and accurate disclosure of facts relating to the all essential elements of the company's activities. And it contributes to obtaining of a full knowledge of the financial position, results of operations, the company's assets and management efficiency. Scope of the controls covers above all:

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

Institutional internal control analyses the projects which are already completed and the relevant 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 given period were regarded by the Management Board as the most essential. Apart from the institutional internal control, there is also the so-called functional control in the company which is exercised by managers at various levels. They exercise supervision of the employees reporting to them, consisting in checking the scope of implementation of established tasks.

Institutional internal control is exercised in PROCHEM S.A. mainly by employees from financial and accounting departments and 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 initial inspection, current inspection and next inspection. Financial and accounting documents are subject to the substantive, formal and accounting inspection. Information on the formal correctness, substantive and the calculation correctness bears a signature in a the identifiable way (full name) or it bears a seal with the name and surname 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, and ensures the correct classification of source documents as well as enables for the proper valuation of the available resources at various stages of the registration, and thus ensures the correctness of preparation of the financial statements and enables Management Board to carry out the Company's activities on the basis of a verified and complete information.

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

In the activities of PROCHEM S.A. occur 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 :

- supervising of the phenomena generating the risk,
- taking the measures aiming at the lowering of the level of a 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 the selected industries,
- scope diversification (development of the activities allied to engineering services such as maintenance, developer's activity)
- diversification of the territory (expanding of export)
- accumulation of the 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 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 system of recruitment – cooperation within the sector and maintaining the relations with universities,

The foreign currency risk:

- monitoring and forecasting of exchange rates,
- forward 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 for the major buyers of services,
- contractual provisions containing the cushioning elements,
- maintenance of the partner relations with 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 in PROCHEM S.A. are 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 SHARES	NUMBER OF VOTES	% OF VOTES IN TOTAL NUMBER OF VOTES	% OF SHARE CAPITAL
1	Porozumienie PHC	1,179,483	1,181,083	30.31	30.28
	including: Steven Tappan	510,000	510,000	13.09	13.09
2	Legg Mason TFI S.A.	560,549	560,549	14.39	14.39
3	Otwarty Fundusz Emerytalny PZU S.A. „Złota Jesień“	387,521	387,521	9.94	9.95
4	Quercus TFI S.A.	204,198	204,198	5.24	5.24

No any securities exist 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. Principles of 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 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 rules for amending the statutes or articles of association of the Issuer

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

10. Method of operation of the General Meeting of Shareholders of PROCHEM S.A.

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.

11. The composition and the changes that occurred during the last fiscal year, and a description of the activities of 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
- Krzysztof Marczak - Vice President of the Management Board

The Supervisory Board which was elected by the Annual General Meeting of Shareholders on 7 June 2014 comprises of :

- Marek Garliński - Chairman
- Steven Tappan – Vice Chairman
- Andrzej Karczykowski
- Krzysztof Oblój
- Wiesław Kiepiel

The above composition of the Supervisory Board is current on the date of preparation of these financial statements.

Changes within the Supervisory Board in 2014 took place as a result of the election of the Supervisory Board of IX term of office, to the Supervisory Board were elected :

- • Wieslaw Kiepiel,
- • Steven Tappan,

and Adam Parzydeł, and Dariusz Krajowski -Kukiel had left the Supervisory Board.

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

Tasks of the Audit Committee that is 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 authority for arbitration or public administration body

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 Management Contracting for 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 SA 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 recognized the claim for payment of the amount of PLN 41,301 thousand by PERN "Przyjaźń" SA as to be right in principle, and at the same time the Court recognized this claim as unmatured,
- 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 this part in which the District Court has recognized the claim for payment of the amount of PLN 41,301 thousand by PERN "Przyjaźń" SA as premature and unmatured, and in this part where PROCHEM S.A. demanded from PERN "Przyjaźń" S.A. to take over the liability for the reimbursement of guarantee deposits to contractors.

PERN SA 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 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 Management contracting related to the 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. 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 settlement 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 SA filed a cassation complaint to the Supreme Court. At its meeting on January 15, 2010 the Supreme Court dismissed the cassation complaint while stating lack of justified 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 make the final settlement of the contract in dispute. 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 the pleadings in which will be precised the final conclusions of evidence. On August 9, 2013 the Issuer received from District Court in Warsaw a decision on the ordering supplementary opinions from the experts in the scope of determining the value of services, supplies, and other liabilities made by PROCHEM S.A. and directly related to the implementation of the contract that have been made after the date of withdrawal from the contract on the basis of the commitments which were contracted before the withdrawal from the contract. The decision was consistent with the request set forth to the Court by PROCHEM S.A. Supplementary opinion of experts was delivered to the Court in February 2014. The court expert in his opinion confirms the amount of claims of Prochem SA. The Court appointed the next date for the hearing on 30 April 2015.

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's Capital Group.

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 2014 constitute 98.3 % of the total Company's revenues, and its value in 2014 is by 54,8% higher than in 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		% + growth - decline	The revenue structure %	
	2014	2013		2014	2013
1. Sale of services	128,322	82,889	+ 54.8%	98.3	87.2
2. Sale of goods	12	451	- 97.3%	-	0.5
3. Other operating income	1,100	3,783	- 70.9%	0.8	4.0
4. Financial income	1,060	2,840	- 62.7%	0.8	3.0
5. Profit on sale of shares in subsidiaries	1	5,087	-	-	5.3
Total	130,494	95,050	+ 37.3%	100.0	100.0

As shown from the following table in 2014 revenues from the engineering and design services dropped by PLN 2.1 million in comparison to the previous year, while revenues from general contracting increased by PLN 4686 million. In the item of Other services are included primarily income from the rental of cranes and shoring.

Description	Total revenues from sale of services		+ growth - decline 2014/2013
	2014	2013	
1. Engineering and design services	33,382	35,492	-6.0%
2. Contracting services	89,582	42,784	+109.4%
3. Other services	5,358	4,613	+16.2%
Total	128,322	82,889	+54.8%

14. Breakdown by the markets of sale of services in 2014:

The share of exports in sale of services in 2014 amounted to 47 %.

The buyers of services provided by the Company of which share in the revenues from sales in 2014 exceeds 10%, were :

- Mineral Wax Factory in Belarus - 47% of share in revenues from sales - there are no other formal relationship with the entity except for trade arrangements.
- Bioagra S.A. - 15% of share in revenues from sales - there are no other formal relationship with the entity except for trade arrangements.
- Irydion Sp. z o.o. - 14% of share in revenues from sales – a jointly-controlled entity;

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

At the present day anticipated for 2015 the main incomes of the Issuer, will be obtained as a result of the implementation of contracts for the provision of services for Mineral Wax Factory in Belarus and for associate entity Irydion sp. z o.o.

The Company is not aware of any agreements concluded between shareholders of PROCHEM S.A., which would be significant for its economic activities.

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

PROCHEMS.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 (93.2%);
- 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%);
- Przedsiębiorstwo Konsultingowo-Inżynieryjne 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 (80.0%);
- ELPRO Sp. z o.o. seated in Kraków – subsidiary indirectly (88.7%, including 77.3% share in the 50% of share of Elektromontaż Kraków);
- Elmont Inwestycje Sp. z o.o. seated in Kraków – subsidiary indirectly (87.7%, including 77.3% share in the 50% of share of Elektromontaż Kraków);
- Elektromontaż Kraków S.A. seated in Kraków – subsidiary indirectly (77.3%), including 65.5% of 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 100 % subsidiary : ELMONT-POMIARY Sp. z o.o. seated in Kraków 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 100%;
- ATUTOR Integracja Cyfrowa Sp. z o.o. seated in Warsaw – subsidiary indirectly (87.3% of share 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%;

Associates and jointly-controlled entities:

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

17. Related party transactions

In 2014, there were no significant transactions between the companies belonging to the Capital Group of the Issuer which have been concluded under conditions other than market conditions.

18. Information on loans and borrowings

Namr of the bank	Registered office	Amount of a loan according to agreement (in PLN thousands)	Amount of a loan to be repaid (in PLN thousands)	Terms of interest	Repayment date	Security
mBank SA	Warsaw	6,000 Credit in overdraft on current account	3 708	WIBOR for O/N deposits PLN + margin	30 June 2015	Promisory note in blank
mBank SA	Warsaw	6,000 revolving working capital loan	3 000	WIBOR for 1 month deposits in PLN + margin	30 June 2015	Promisory note in blank
ING Bank Śląski S.A.	Katowice	3,000 Credit in overdraft on current account	2 740	WIBOR for 1 month deposits in PLN + margin	16 November 2015	Statement of submission to enforcement

19. Information on loans granted

From 1 January to 31 December 2014 the Issuer :

- has granted the jointly-controlled entity Irydion Sp. z o.o. a loan in the amount of PLN 6,000 thousand,
- has granted the subsidiary Elmont Inwestycje Sp. z o.o. a loan in the amount of PLN 200 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 38,524 thousand, including:

- a) bank guarantees of good performance of services – PLN 12,859 thousand;
- b) guarantee of the payment of rent – PLN 997 thousand;
- c) advance payment guarantee – PLN 24,668 thousand;

The total amount of contingent receivables by way of received performance guarantees and statutory warranty as at 31 December 2014 amounted to PLN 1,624 thousand.

In 2014 the Issuer did not grant the guarantees of loan repayment to related parties.

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

In 2014, the Company did not issue any securities.

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

In 2014 the company did not publish forecast of financial results.

23. Assessment of financial means management

During 2014 did not occur in PROCHEM S.A. disruption of liquidity. The Company maintains such a status of their own cash, that allows for timely fulfillment of its liabilities. No circumstances exist, that would make impossible the fulfilment of obligations by the Company.

24. Assessment of the possibility of implementation of investment objectives

Capital Group includes the special purpose companies (IRYDION, Elmont Inwestycje, Elpro) formed to implement development projects, on which the investment activities of PROCHEM S.A. Capital Group will focus in the nearest period. At present these companies are in possession of appropriate real estates, and are in possession 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 the construction of the office and service building in Warsaw under the name of 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 item "Receivables" is shown amount of PLN 17,363,930 from the title of guarantee deposits retained by PERN S.A. as security for possible claims towards the Consortium PROCHEM/Megagaz (GRI) under statutory warranty and guarantees resulting from Agreement no 20047 of 27 August 2002. The existence of this receivables and its amount were confirmed in the previous years by PERN S.A..

At the same time, due to the fact that whole the work and the supplies related to execution of Agreement No. 20047 were done by the Consortium with help from the subcontractors and suppliers, as the security for the guarantee granted by those companies, PROCHEM seized a part of their remuneration under the guarantee deposit, in the total amount approximate to the amounts retained by PERN S.A.. In compliance with agreements with the companies as above, the seized deposits of the subcontractors and suppliers should be returned 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 the return of the seized 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 reported 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 the 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 2015

Macroeconomic surrounding will have the significant effect on the development possibilities of PROCHEM S.A. in 2015, in particular the condition of the Polish economy which in the significant way influences the undertaking of decisions on the starting of new investment objectives by the potential clients of PROCHEM S.A. (in particular by industrial companies). Are launched large investments in the energy, chemical and environmental protection sectors. PROCHEM S.A. is involved in many of them as the recognized engineering company. It will be reflected in the number of orders obtained by the Company, and also in the financial results achieved in 2015. The Management Board of PROCHEM S.A. with particular attention is monitoring the current situation and, if necessary, is prepared to take appropriate actions to adapt of its potential to new opportunities.

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

In 2014, 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 2014 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 2014.

30. Total amount of shares of the Issuer and the 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 were in possession of shares of PROCHEM S.A.;

- Jarosław Stępniewski – 80,943 units;
- Marek Kiersznicki – 70,393 units;
- Krzysztof Marczak – 43,700 units;
- Andrzej Karczykowski – 115,186 units;
- Marek Garliński – 86,400 units;
- Steven Tappan – 510,000 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 current shareholders

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

32. 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 KPMG Spółka z ograniczoną odpowiedzialnością Sp. k. for the audit and review of separate and consolidated financial statements of PROCHEM S.A. for 2014 was concluded on 4 July 2014. The agreement was concluded only for the audit of financial statements for the year 2014. The total remuneration of KPMG under the contract amounts to PLN 94,000 net. In 2014 the additional remuneration was owed to KPMG in the amount of PLN 20,000 net for attestation services. For the audit and review of financial statements

for 2013 KPMG Audyt Sp. z o.o. Sp. k. received remuneration in the amount of PLN 90,000 net. In 2013 the KPMG Audyt Sp. z o.o. Sp. k. was not paid, nor was it owed remuneration from other titles.

Vice President
Krzysztof Marczak

Vice President
Marek Kiersznicki

President of the Management Board
Jarosław Stępniewski