

**REPORT OF THE MANAGEMENT BOARD
ON THE BUSINESS ACTIVITY OF THE COMPANY
PROCHEM S.A. IN THE YEAR 2011**

Warsaw, 27 April 2012

1. Description of principles of drawing up the financial statement

The description of principles according to which the individual financial statement of the company for 2011 was drawn up was placed in the additional information to this report.

2. Review of economic and financial basic volumes revealed in the annual financial report and the presentation of prospects of the development of the Issuer in the year 2012

In 2011 Company achieved revenue from basic activity i.e. sales of engineering and construction services of PLN 127.5 m. They are over PLN 80 m higher than those achieved in 2010. Such significant increase results from significant increase of the income from contracts for implementation. On the operational level the Company reached profit of PLN 1.5 m. It was increased by PLN 2.5 m of the profit on financial transactions - obtained mainly from the selling of shares in the company ASI Sp. z o. o. The net profit for 2011 amounted to PLN 3.2 m and was PLN 2 m higher than reached in the previous year.

The macroeconomic surrounding of the company will have the significant effect on the operations of Prochem S.A. in 2012, in particular the state of the Polish economy which in the significant way influences decisions taken by the potential clients of Prochem S.A. (in particular industrial companies) to begin 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 2012. The Management Board of PROCHEM S.A. is monitoring 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.

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

The risk of making conditional on the staff is appearing in the dominant entity. The refinement 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 refund of the incurred expenses during fulfilment of an order protect to a large extent against such a risk.

3.5 Risk connected with the lengthiness of judicial proceedings in the dispute with PERN S.A.

In the face of considerable extending of judicial proceedings in the dispute with PERN SA which was begun in 2006 and is conducted currently by the District Court in Warsaw concerning settlement of accounts for the contract given up on 10 November 2005 for construction management of an investment project under the name "Pipeline in a section from the ST- 1 Adamowo - to raw material base Plebanka", a risk exist of the necessity to fulfil obligations towards sub-suppliers by PROCHEM S.A. concerning seized guarantee deposits before regaining them from PERN SA. Such a risk according to the opinion of the Company is minimal however the Management Board of PROCHEM S.A. is taking into account 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 2011

The Management Board of PROCHEM S.A. is declaring hereby that in the year 2011 the principles of corporate governance accepted in the company in the wording according to the Attachment to the Resolution No 12/1170/2007 of July 4th 2007 of the Council of the Stock Exchange were fully respected. 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 performances, the state of the company's assets as well as the effectiveness of the management. Scope of supervision covers above all:

- basic and support business activity of the company,
- 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 also so-called functional control made by managers of different ranks exists in the company. The managers supervise employees being subject to a control, consisting in checking the accomplishment of set tasks.

The institutional internal control in PROCHEM S.A. is mainly conducted by financial and accounting services 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

The control is exercised in all phases of activity as the preliminary, current and successive inspection. Financial and accounting documents are being subjected to the technical, formal and account control. The information about the formal and technical and accounting correctness is accompanied with the signature made in the identifiable way (full name) 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

The following risks are appearing in company's activity:

- risk of economic fluctuations on the investment market,
- risk of losing of key employees,

- foreign exchange 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 market
 - monitoring of the macroeconomic situation and in chosen industries,
 - object diversification (development of the activities related to engineering services – maintenance and development undertakings),
 - field diversification (expanding of export)
 - collecting reserves.
- risk of losing of key employees,
 - monitoring of the level of employment, rewarding and fluctuation of the staff,
 - monitoring of the labour market and the level of the remuneration on the market,
 - maintaining the system of trainings and raising qualifications,
 - incentive programs for key employees,
 - active system of the recruitment - the environmental cooperation and maintaining relations with colleges.
- foreign exchange risk,
 - monitoring and forecasting the courses of exchange.
 - dealing in foreign exchange,
 - 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,
 - stipulations of a contract containing amortizing elements,
 - 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 action against PERN S.A.
 - monitoring of the legal status by the Management Board and the team of lawyers.

Both the identification of risk factors and monitoring them as well as an applied system of actions reducing the risk are in PROCHEM S.A. on the good level and implemented strategy of development and diversification is supporting the reducing the part of risks and is leading to the professionalism in applied instruments.

Information about shareholders having considerable packages of the Issuer's share

According to the information in possession of Management Board as at the day of drawing up this report the shareholders with more than 5 % votes on the General Meeting of Shareholders are as follows:

Detailed list	Qty of shares (units)	% of votes in total number of votes	% of share capital
1. Prochem Holding M. Garliński Limited Partnership	962,341	24.68	24.71
2. Steve Tappan	382,751	9.82	9.83
3. ING Towarzystwo Funduszy	358,312	9.19	9.20

Inwestycyjnych SA, including: ING Parasol Specjalistyczny Fundusz Inwestycyjny Otwarty	228,950	5.87	5.88
4. PTE PZU SA	325,521	8.35	8.36
5. Legg Mason Zarządzanie Aktywami S.A.	603,682	15.48	15.50
including: - Legg Mason Akcji Fundusz Inwestycyjny Otwarty	284,054	7.29	7.29
- Legg Mason Akcji Skoncentrowany Fundusz Inwestycyjny Zamknięty	261,769	6.71	6.72

No securities which would give special prerogatives to control the Issuer exist.

No restrictions concerning transfer of ownership of securities of the Issuer and the exercising the right to vote exist.

Description of principles concerning appointing 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.

The 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.

Scope of activity of the General Meeting of Shareholders of Prochem S.A.

The way of acting 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 entered into Statutes of PROCHEM S.A. as well as into Bylaw of the

General Meeting of Shareholders of PROCHEM S.A. A/m documents are available on a website of PROCHEM S.A. www.prochem.com.pl.

Members and changes in its composition which took place in the last financial year, and the description of the activity of managing body, supervising body or administering of the Issuer and their committees.

As at the day of drawing this financial statement up the following persons are members of PROCHEM S.A. Management Board:

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

As at the day of drawing this financial statement up the following persons are members of the PROCHEM S.A. Supervisory Board:

- Mr. Andrzej Karczykowski – Chairman
- Mr. Marek Garliński - Vice Chairman
- Mr. Dariusz Krajowski-Kukiel
- Mr. Krzysztof Oblój
- Mr. Adam Parzydeł

In the last financial year no changes of the composition of the Management Board and Supervisory Board took place.

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

5. Proceedings at law, competent authority for the arbitration or public administration body

PROCHEM S.A. is still a party in the legal proceeding regarding settlement of accounts for the contract given up on the day 10.11.2005 for construction management of an investment project under the name "Pipeline in a section from the ST- 1 Adamowo - to raw material base 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. demanding 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. It results from grounds for a judgment delivered by Court that:

- The Court admitted a claim for payment of the amount of PLN 41,301 thousand by PERN "Przyjaźń" S.A. as being rightful as for the principle, at the same time the Court judged, that this liability wasn't still due
- The Court acknowledged that there is no ground for admission of a counter-claim filed by PERN "Przyjaźń" S.A.

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 claim for the payment of the amount of PLN 41,301 thousand by PERN "Przyjaźń" S.A. premature and still undue and in this part in which PROCHEM S.A. demanded taking over by PERN "Przyjaźń" S.A. obligation towards contractors/suppliers to return guarantee deposits.

PERN "Przyjaźń" S.A. lodged too an appeal from the judgment, in which District Court rejected their claim from filed counter-claim.

On 26 August 2008 Court of Appeal in Warsaw delivered a judgment regarding the appeal lodged by PROCHEM S.A. from the judgment of District Court of 18 January 2008 regarding case at law against PERN S.A. for payment of amount of PLN 41 301 as the final accounting for of contract for construction management of an investment project under the name "Pipeline in a section from the ST- 1 Adamowo - to raw material base Plebanka".

Court of Appeal in mentioned above judgment decided to relegate the case to the District Court for their decision consisting in making settlement of accounts for the mentioned above contract. It results among others from the grounds delivered by Court

of Appeal that claim filed by PROCHEM S.A. regarding accounting for contract is not premature as it was earlier recognised 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 upon 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 who should deliver the appropriate opinion in April 2012.

The value of these proceedings exceeds 10 % of the equity of the Issuer.

Apart from that total value of other proceedings separately for the group of obligations as well as the group of the 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 is specialized in services rendered to clients in following segments: industrial construction, environmental protection facilities and infrastructural projects. In 2011 revenues from sales of these services constituted 95.5% of total revenue of the Company, and their total value in 2011 is by 170% higher than in the previous year.

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

(Revenues in PLN thousand)

Description	Revenues in PLN thousand		% + increase - decrease	Structure of revenues %	
	2011	2010		2011	2010
1. Sales of services	127,448	47,202	+ 170.0%	95.5	92.3
2. Sales of goods	182	392	- 53.6%	0.1	0.8
3. Revenues from other operating activities	2,200	1,812	+ 21.4%	1.7	3.5
4. Revenues from financial transactions	3,626	1,720	+ 110.8%	2.7	3.4
Total	13,456	51,126	+ 161.0%	100.0	100.0

The below table shows that in 2011 revenues from design and engineering services dropped PLN 2.8 m in relation to the previous year, and revenues from general contracting increased by PLN 77.6 m. In the item "Other services" the income from the lease of cranes and shorings was mainly included.

Description	Total revenue from sales of services and goods		+ increase - decrease 2011/2010
	2011	2010	
1. Design and engineering	20,562	22,398	-8.2%
2. General contracting	97,537	20,652	+372.3%
3. Other services	9,349	4,152	+125.2%
T O T A L	127,448	47,202	+170.0%

6.2 The breakdown of market of sales of services in 2011:

100% revenue from sales was derived on domestic market.

The buyers of services of the Company with the participation in the income from sales in 2011 exceeded 10% were as follows:

- Goodrich Aerospace Poland Sp. z o.o. - 35% of revenue from sales;
- Zachem S.A. – 26% of revenue from sales.

Other formal connections with the subjects mentioned above apart from the trade agreement aren't appearing.

6.3 Information on concluded agreements important for Issuer's activity

As of today the main income of the Issuer expected in 2012 will be achieved in the consequence of the execution of the contracts for providing services for companies Goodrich Aerospace Poland Sp. z o. o. and Zachem S.A.

Any agreements concluded between shareholders of PROCHEM S.A. which would be important for the company's business activity aren't known to the Company.

6.4 Information on organizational or capital connections of the Issuer and his main investment projects

The Company Prochem S.A. is a dominant entity of the Capital Group composed of companies among other:

Subsidiaries:

- Prochem Inwestycje Sp. z o.o. Warszawa – subsidiary directly (100.0%);
- Irydion Sp. z o.o. Warszawa – subsidiary directly (100.0%);
- Iryd Sp. z o.o. Warszawa – subsidiary indirectly (100.0%);
- PRO-INHUT Sp. z o.o. Dąbrowa Górnicza – subsidiary indirectly (99.0%);
- ATUTOR Integracja Cyfrowa Sp. z o.o. Warszawa – subsidiary indirectly (87.3%);
- Pro-Organika S.A. Warszawa – subsidiary directly (91.4%);
- Prochem Serwis Sp. z o.o. Warszawa – subsidiary indirectly (90.0%);
- PREDOM Sp. z o.o. Wrocław – subsidiary indirectly (81.1% of capital and profit, 69.4% of votes);
- Prochem Zachód Sp. z o.o. Słubice – subsidiary directly (60.0%);
- Elektromontaż Kraków S.A. – subsidiary directly (66.5%);
- ELPRO Sp. z o.o. Kraków – subsidiary indirectly (83.3%, including 66.5% of participation in 50% sharing belonging to Elektromontaż Kraków);
- ELMONT Inwestycje Sp. z o.o. Kraków – subsidiary indirectly (83.3%, including participation in 66.5% in 50% sharing belonging to Elektromontaż Kraków);
- Elmont Pomiar Sp. z o.o. Kraków – subsidiary indirectly (66.5%)

Associated:

- PRO PLM Sp. z o.o. Warszawa – share in 50% ;
- PROMIS Sp. z o. o. Warszawa – 23.0% of votes, 95.7% of capital;
- ITEL Sp. z o. o. Gdynia – share in 42.0% ;
- TEOMA S.A. Warszawa – 16.6% of votes, 19.5% of capital.

6.5 Description of transaction with affiliated entities

In 2011 significant transactions among 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 the unit	Registered office	Amount of the credit according to the agreement (in PLN th.)	Amount of the credit for the repayment (in PLN th.)	Interest	Time of payment	Security
BRE Bank Polska SA	Warszawa	6,000 Credit in overdraft	-	WIBOR for O/N deposits in PLN + margin	29 June 2012	Promissory note in blank
ING Bank Śląski S.A.	Katowice	3,000 Credit in overdraft	-	WIBOR for 1 month deposits in PLN + margin	16 Nov. 2012	Assignment of amount due
Polski Bank Przedsiębiorczości S. A.	Warszawa	3,000 Credit in overdraft	-	WIBOR for O/N deposits in PLN + margin	23 Aug. 2012	Assignment of amount due

6.7 Information on loans granted

In the period from 1 January to 31 December 2011 Issuer granted to subsidiary Irydion Sp. z o.o. loan in the amount of PLN 900 thousand, with interest in the amount of WIBOR 6M for the period until 31 December 2012 .

6.8 Information on granted and received warrantees and guarantees

The value of given warrantees and guarantees connected with the operational activity of the Issuer amounts to PLN 11,354 thousand, including:

- a) Own bank guarantees of the good performance of services – PLN 8,353 thousand;
- b) L/C for delivery – PLN 1,719 thousand
- c) Guarantee of the payment of the rent – PLN 832 thousand
- d) Warranty given for tenders – PLN 450 thousand.

The total sum of conditional amounts due from the title of received guarantees of the good performance and the statutory warranty as at 31 December 2011 amounts to PLN 7,966 thousand.

In 2011 the Issuer didn't grant guarantees of the credit repayment to affiliated entities.

6.9 Description of the use of takings from the issue

In 2011 the Company didn't issue any securities.

6.10 Explaining differences between achieved financial results and the forecast

In 2011 Company didn't publish the forecast of financial results.

6.11 Evaluation of the management of financial means

During the year 2011 disturbances to financial liquidity in PROCHEM S.A. didn't appear. The Company is maintaining such a state of own financial means which enables timely to keep up their payments. No circumstances exist which would make impossible to fulfil obligations of the Company.

6.12 Appraisal of possibility of implementation of investment objectives

In a Capital Group are included special purpose companies (Irydion, Elmont Inwestycje, Elpro, Iryd), formed for implementation of development projects, on which in the nearest period the investment activity of Capital Group of PROCHEM S.A. will focus. 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 based in a large measure on the external financing. At present advanced negotiations are being conducted aiming at gaining of possible co-investor by

companies Elmont Inwestycje and Irydion for the construction of office and commercial buildings in Warsaw and Cracow.

6.13 Evaluation of factors and untypical events affecting achieved financial results

In the assets of balance sheet of PROCHEM S.A. an amount of PLN 17,363,930 is appearing in the item of the trade receivables 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 contractual guarantees resulting from Agreement no 20047 of 27 August 2002. The existence of this amount due and its sum in previous years were confirmed by PERN S.A.

Simultaneously because of the fact that the whole 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 total amount similar to those seized by PERN S.A. Pursuant to agreements concluded with mentioned above companies return of guarantee deposits seized by GRI to subcontractors and suppliers will be done 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. Therefore PROCHEM S.A. demanded return of the seized amount of the guarantee deposit from PERN S.A. Above request 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 protected (both as for the amount as well as the date) with 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 the framework of final accounting for the contract which is an subject matter of judicial proceedings 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 taken by the potential clients of Prochem S.A. (in particular industrial companies) to begin 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 2012. The Management Board of PROCHEM S.A. is monitoring 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 Capital Group

In 2011 any substantial changes affecting principles of management of the Issuer and Capital Group didn't take place.

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

Contract 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 results for reasons being an evident guilt of the managing person.

6.17 Remuneration of persons managing and supervising the Issuer

Remuneration paid in 2011 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 2011.

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 day of drawing the financial statement up the following members of the Management Board and Supervisory Board of the company are in the possession of shares of PROCHEM S.A.:

- Jarosław Stępniewski – 37,787 units.;
- Marek Kiersznicki – 17, 500 units.;
- Krzysztof Marczak – 9,030 units.;
- Andrzej Karczykowski – 20,000 units.;
- Marek Garliński – 35,548 units.

Nominal value of 1 share is PLN 1.

Persons managing and supervising don't possess shares of affiliated entities.

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

Any agreements, as a result of which changes can in the future take place in proportion of shares possessed by previous shareholders aren't known to the Company.

6.20 Information on the system of the control of the programmes of workers' shares

In the company no program of workers' shares is functioning.

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

Agreement with company KPMG Audyt Sp. z o.o. being the entity authorized to audit financial statement for auditing and reviewing of individual and consolidated reports of PROCHEM S.A. for 2011 was concluded on 27 June 2011. The agreement was concluded only for examining statements for the year 2011. The total contractual amount of remuneration of KPMG amounts to PLN 80,000 net. Neither it wasn't paid nor isn't due to company KPMG the remuneration from other titles. On account of the examination and the review of financial statements for 2010 company KPMG Audyt Sp. z o. o. received the remuneration in the net amount of PLN 65,000. In the year 2010

remuneration from other titles neither wasn't paid nor wasn't due to company KPMG
Audyt Sp. z o.o.

Member of the Board

Vice Chairman

Chairman

Krzysztof Marczak

Marek Kiersznicki

Jarosław Stępniewski