REPORT ON KRAKCHEMIA S.A. ACTIVITY for the year 2012

Kraków, March 4, 2013
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1. **Rules assumed for the compilation of the yearly report.**

The yearly report is compiled and published on the basis of the stipulations of the Minister of Finance Regulation of February 19, 2009 on the current and periodical information published by the securities issuers as well as the conditions for the recognition as equivalent of the information required by the legal regulations of countries that are not member states (Dz.U. nr 33 poz. 259 - Journal of Laws No. 333 item 259).

The following compose the yearly report:

1. The Chairman of the Board Statement.
2. Selected financial data.
5. Statements of the Board, signed by all its members, referring to the following:
   - compilation of the yearly financial report and the report on the Company’s activity,
   - the entity authorized to examine the financial reports and the chartered auditors.
7. The Opinion of an entity entitled to examine the financial reports on the yearly financial report that is being examined and a Statement referring to the Report on the Company Activity.

2. **Rules assumed for the compilation of a yearly financial report and the report on the Company activity.**

2.1. **Rules assumed for the compilation of the yearly financial report.**

KRAKCHEMIA S.A. compiles its financial reports in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS).

The annual financial report comprises:
- Consolidated Statement of Total Income,
- Financial Situation Report (Balance sheet),
- Equity capital changes listing,
- Financial flow report,
- Explanatory notes for the financial report.

The annual financial report is presented in Polish zloty currency (PLN), which is because of the fact, that the Polish zloty is the basic currency in which the Company’s transactions (economic operations) are denominated.

The Company Board is responsible for the annual financial report, which is compiled for December 31 of each year.

The rules adopted in compilation of the annual financial report for 2012 are described in the explanatory notes for this report.

The annual financial report is subject to examination by the chartered auditor, with the aim of presenting his written opinion and compiling a report on whether the financial report is correct, clear and reliable in the manner it presents the financial and capital situation of the Company as well as its financial result.

The Supervisory Board is the body entitled to choose the chartered auditor, whose task is to examine KRAKCHEMIA S.A. annual financial report.

The financial report is subject to General Shareholders Meeting approval, not later than 6 months after the balance day after each accounting year.

The annual financial report is submitted after its approval by the General Shareholders Meeting at an appropriate court register.
2.2. Rules of compiling the statement on the Company activity.

The form of presenting the report on the company activity is in compliance with the requirements and stipulations of the Minister of Finance Regulation of February 19, 2009 on the current and periodical information submitted by the securities issuers and on the conditions for the recognition as equivalent of the information required by the legal regulations of countries that are not member states – Journal of Laws No.33. item 259 (Dz.U. nr 33 poz. 259).

KRAKCHEMIA S.A. Board, compiling the yearly report on Company activity and the annual financial report, applies the rules which are accepted and described in the explanatory notes for the annual financial report.

3. Basic data on the company.

KRAKCHEMIA S.A., based in Kraków, 10 Dąbka St., was formed as the result of conversion of KrakChemia-Hurt Ltd. into a joint stock company on the basis of a resolution to convert, adopted on September 2, 2004 by the Extraordinary Meeting of KrakChemia-Hurt Limited Partners.

The company was registered with the National Court Registry – the Entrepreneurs Register on October 1, 2004 under 0000217348 number KrakChemia-Hurt S.A entry. By means of a resolution of the Supervisory Board of November 5, 2004, the company`s name was changed into KRAKCHEMIA S.A. On November 16, 2004 the entry of the changes into KRS (the National Court Registry) was made.

The company continues its economic activity of the entity registered in the Regional Court in Kraków Śródmieście under the number RH/B 9660 of August 24, 2000 on the basis of a notarial act compiled on July 18, 2000 – Rep. A No. 5393/2000. On September 19, 2001 KrakChemia-Hurt Limited was entered into National Court Registry, No. 0000045313 and removed from KRS (National Court Registry) on September 30, 2004 in the light of the company`s conversion into a joint stock company.

On October 8, 2007, with a resolution of the Warsaw Stock Exchange`s Board (GPW`s Board) the A and B series ordinary a vista shares were introduced into the circulation at the GPW in Warsaw.

The Company`s name: KRAKCHEMIA Spółka Akcyjna
Seat: Kraków
Address: 30-832 Kraków, ul. Plk. Dąbka 10
Telephone: +48(12) 652 20 00
Fax: +48(12) 652 20 01
CRO certificate (REGON): 357220430
Tax Identification Number (NIP): 945-192-35-62
National Court Register (KRS): 0000217348
Shareholders: 50% of the company`s shares is in the possession of ALMA MARKET S.A.
Initial capital entirely covered: 10 000 000,00 PLN

2012 Auditor: Certified Auditors Chamber „KONTO” Sp. z o.o..
Predominating company activity: wholesale trade in chemical commodities

Company authorities

Supervisory Board:

The Ordinary General Shareholders Meeting appointed new members of the Supervisory Board for the new term on May 17, 2010. The Supervisory Board at its first sitting on June 2, 2010 elected its Chairman, Deputy Chairman and the Secretary. The Supervisory Board `s term lasts 3 years.

After the changes in its composition executed in January 2011, the current Supervisory Board looks in the following way:
Supervisory Board Chairman - Jerzy Mazgaj
Supervisory Board Deputy Chairman - Barbara Mazgaj
Secretary of the Supervisory Board - Ilona Malik
Member of the Supervisory Board - Mariusz Wojdon
Member of the Supervisory Board - Elżbieta Wyrobiec
Member of the Supervisory Board - Marek Kluciński

The Board:

The Board of the new term was appointed with the Supervisory Board resolution on April 26, 2010. After the changes the Board’s composition executed on June 2, 2012, the current Board composition looks as follows:

The Board’s Chairman - Andrzej Zdebski
The Board’s Deputy Chairman - Włodzimierz Oprzędek

The Board’s term lasts 3 years.

Authorised clerks:

Head accountant - Dorota Widz-Szwarc
Commercial Director - Barbara Waga

4. Organisational and capital liaisons of the Company with other entities and the Company role in the capital group.

KRAKCHEMIA S.A. is a dependent company in the capital group of ALMA MARKET S.A.

Dominating company:

ALMA MARKET S.A.
Seat: Kraków
Address: 30-964 Kraków, ul. Pilotów 6

Dominating activity of the dominating company: retail trade

The structure of ALMA MARKET S.A capital group is presented in periodical reports of ALMA MARKET S.A.

5. Managing principles.

KRAKCHEMIA S.A. Board is formed by the number of members ranging from one up to five, appointed for a joint term. The number of the Board’s members is determined by the resolution of the Supervisory Board, which elects also the Chairman and other members. The Chairman of the Board manages the works of the Board, and in particular, determines the agenda. The Board Resolutions are passed with an ordinary majority of votes. In case of equal voting, the vote of the Chairman prevails. The Board compiles the Board Regulations, which is subject to the Supervisory Board approval. The Board is obliged to carry on the Company activity in accordance with the legal regulations, the Company Articles, the Resolutions of the General Meeting and the Resolutions of the Supervisory Board passed within its competence. Pronouncing the views on behalf of the Company and making liabilities is the authorization of: in case of one-person Board – the member of the Board independently, in case of pluralistic Board – two members of the Board jointly or the member of the Board with the authorized clerk.

The Supervisory Board consists of five up to seven members elected by the General Meeting for a joint three year term of office. The number of members of the Supervisory Board is determined by the resolution of the Supervisory Board. The composition of the Supervisory Board may consist of the shareholders or the people from without their group, independent people in particular. The Supervisory Board acts on the basis of the legal regulations, the Company Articles, General Meeting resolutions, as well as the Regulations passed by the
Supervisory Board. The Supervisory Board has a control function over the entire Company’s activity in particular. It is entitled to pass resolutions if all the members are invited and at least half of them participate in the sitting. The resolutions are passed with a mere majority of votes. In case of equality, the vote of the Chairman is prevailing. The Members of the Supervisory Board can take part in the resolutions passing through the written intermediary of another member of the Board. The written voting should contain the wording of the resolution. It cannot refer to the matters introduced into the agenda at the sitting of the Supervisory Board. The Supervisory Board can also pass resolutions in the written mode or using the means of direct remote communication. The resolution is valid if all the members of the Board are informed about the content of the resolution draft. Exceptional modes of resolution passing do not refer to the election of a Chairman, Deputy Chairman of the Board, appointing a new member of the Board or their dismissal or suspension. Pronouncing views on behalf of the Supervisory Board lies within the competence of its Chairman.

6. Changes in the supervisory and managing bodies.

In the period covered by this report, no changes in the supervisory and managing bodies of the Company were made:

**The Supervisory Board**

On May 17, 2010 Ordinary Shareholders Meeting appointed the members of KRAKCHEMIA Supervisory Board of a new term. The Supervisory Board at its first meeting of June 2, 2010 appointed the Chairperson, the Deputy Chairperson, the Secretary of the Supervisory Board, composing the Supervisory Board as follows:

- **Supervisory Board Chairman**: Jerzy Mazgaj
- **Supervisory Board Deputy Chairman**: Barbara Mazgaj
- **Supervisory Board Secretary**: Ilona Malik
- **Member of the Supervisory Board**: Grzegorz Pilch
- **Member of the Supervisory Board**: Mariusz Wojdon
- **Member of the Supervisory Board**: Łukasz Magiera

The term of the Supervisory Board lasts 3 years.

After the changes in 2011, the current composition of the Supervisory Board is as follows:

- **Supervisory Board Chairman**: Jerzy Mazgaj
- **Supervisory Board Deputy Chairman**: Barbara Mazgaj
- **Supervisory Board Secretary**: Ilona Malik
- **Member of the Supervisory Board**: Elżbieta Wyrobiec
- **Member of the Supervisory Board**: Mariusz Wojdon
- **Member of the Supervisory Board**: Marek Kluciński

**The Company’s Board**

On April 26, 2010 KRAKCHEMIA S.A. Supervisory Board appointed KRAKCHEMIA S.A. Board for the new term in the hitherto composition:

- **The Board’s Chairman**: Andrzej Zdebski
- **The Board’s Deputy Chairman**: Bogdan Wrześniak
- **The Board’s Deputy Chairman**: Włodzimierz Oprzędek

The term of the Board lasts three years.

After the changes of 2010, the current Board composition looks as follows:

- **The Board’s Chairman**: Andrzej Zdebski
- **The Board’s Deputy Chairman**: Włodzimierz Oprzędek
7. Shareholders, directly or indirectly – via the dependent entities - possessing at least 5 per cent of the general number of votes at the KRAKCHEMIA S.A. General Meeting together with pointing out the numbers of shares in possession of those entities, their percentage stake in the initial equity, number of votes resulting thereof and their percentage stake in the overall number of votes in the general meeting.

The overall number of votes at the General Meeting amounts to 10 000 000. Each share entitles to one vote at the General Shareholders Meeting. The face value of one share is equal to 1 PLN.

For the day of this report compilation, the structure of the shareholders is as follows:

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>Number of shares and structure in</th>
<th>Votes at GSM and structure in</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALMA MARKET S.A. **</td>
<td>5 000 000 50,00%</td>
<td>5 000 000 50,00%</td>
</tr>
<tr>
<td>OFE PZU Złota Jesień</td>
<td>997 000 9,97%</td>
<td>997 000 9,97%</td>
</tr>
<tr>
<td>QUERCUS TFI S.A. *</td>
<td>958 909 9,59%</td>
<td>958 909 9,59%</td>
</tr>
<tr>
<td>Jerzy Mazgaj **</td>
<td>500 000 5,00%</td>
<td>500 000 5,00%</td>
</tr>
<tr>
<td>Others, possessing less than 5% of the overall number of votes</td>
<td>2 544 091 25,44%</td>
<td>2 544 091 25,44%</td>
</tr>
<tr>
<td>Overall number of company shares and the votes connected therewith</td>
<td>10 000 000 100,00%</td>
<td>10 000 000 100,00%</td>
</tr>
</tbody>
</table>

* Funds total possession - QUERCUS Parasolowy SFIO, QUERCUS Absolute Return FIZ and QUERCUS Absolutnego Zwrotu FIZ, managed by QUERC TFI S.A.

** Alma Market S.A possesses jointly with its chairman, Mr. Jerzy Mazgaj, 5.500.000 shares which constitutes 55 % of the initial equity and which attributs 5 500 000 votes and constitutes 55, 00 % of the general number of votes atKRAKCHEMIA S.A General Shareholders Meeting.

8. The overall number and the nominal value of all the shares of the Company as well as shares and stocks in the liaised entities, being in possession of the supervising and managing people on the day of the yearly report publication.

The number of shares of the Company and their face value being in the possession of the managing and supervising people according to the state on the day of the yearly report publication.

<table>
<thead>
<tr>
<th>Shareholders - Supervisory Board and Board</th>
<th>Overall number of shares</th>
<th>Overall face value PLN</th>
</tr>
</thead>
<tbody>
<tr>
<td>KRAKCHEMIA S.A. Supervisory Board</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jerzy Mazgaj</td>
<td>500 000</td>
<td>500 000</td>
</tr>
<tr>
<td>Barbara Mazgaj</td>
<td>399</td>
<td>399</td>
</tr>
<tr>
<td>Mariusz Wojdon</td>
<td>89 030</td>
<td>89 030</td>
</tr>
</tbody>
</table>

The number of shares of the dominating company ALMA MARKET S.A. and its face value being in the possession of the people supervising and managing the Company according to the information in the possession of the Company as on day of the yearly report publication.

<table>
<thead>
<tr>
<th>Shareholders - Supervisory Board and Board</th>
<th>Overall number of shares</th>
<th>Overall face value PLN</th>
</tr>
</thead>
<tbody>
<tr>
<td>KRAKCHEMIA S.A. Supervisory Board</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jerzy Mazgaj</td>
<td>1 567 800</td>
<td>1 567 800</td>
</tr>
</tbody>
</table>

Information on participation of people supervising the Company in other entities liaised with the Company through the capital group of ALMA MARKET S.A. was presented in the Company financial report for the year 2012 in the note No. 20.
9. All contracts (including the ones concluded after the balance day) that are likely to cause changes in share proportions in possession of the hitherto shareholders and creditors.

On the day of compiling this information, there are no events known by the Company or contracts that might cause in future any changes in proportions of shares owned by the hitherto shareholders.

10. The owners of any securities that endow them with special controlling privileges against the Company, together with the privileges` description.

The Company did not issue securities granting special controlling rights. The shareholders do not possess other rights of vote resulting from the Company shares possessed by them.

11. Information on the paid-out dividend.

With a resolution No 19, on April 10, 2012 KRAKCHEMIA S.A. Ordinary General Shareholders Meeting stipulated to:

1. Divide the Company net profit for 2011, in the amount of 7,004,343,86 PLN, in the following manner:
   1.1. Part of the Company net profit for 2011, amounting to 3,500,000,00 PLN was resolved to be distributed among the shareholders through paying out the dividend in accordance with item 2 as follows.
   1.2. The remaining part of the Company net profit for the trading year 2011, in the amount of 3,504,343,86 PLN, was destined for the Company reserve equity.

2. The dividend, mentioned in item 1 above, in the total amount of 3,500,000,00 PLN was paid out to shareholders in the following manner:
   2.1. The dividend covered all shares issued by the Company i.e. 10,000,000 shares.
   2.2. The dividend amounted to 0.35 PLN per share.
   2.3. The list of shareholders entitled to the dividend was established on June 29, 2012 (the dividend day).
   2.4. The dividend paying out date was July 13, 2012

12. Information on staff share programs’ control systems

There are no staff share programs carried out in the Company.

13. All limitations on Company securities right transfers and all the constraints referring to the rights of voting pertaining to the Company shares.

In relation to the fact, that the Company a vista shares are admitted to the public market circulation, all possible limitation concerning the property rights of those securities, as well as concerning the rights of votes, result from the law regulations.

14. KRAKCHEMIA S.A. activity.

14.1. The Company`s activity

The Company activity consists in:

PKD 4675Z   wholesale in chemical products

The Company is active in the wholesale trade and distribution, in which framework, it carries out the activity mainly on the territory of Poland and it co-operates with foreign contractors. Within the foreign framework, the Company concludes inner-European transaction, importing activity and – to a small extent – exporting activity. The company carries out a retail activity on a negligible scale, not bearing any importance in the assessment of the operational activity of the Company.
With respect to the products sold, the chemical products distributory activity is divided into the following branches:

- Plastic raw materials,
- Packaging film,
- Reagents and chemical raw materials.

The Company is expanding intensively in the plastic raw materials and film packaging distribution market branch. In plastic raw materials branch, the Company has had a several tens of years trading tradition and currently it is the major plastic raw materials distributor in Poland.

It is estimated that the Company covers in total approximately 23-25 % of the Polish polyolefin plastic raw materials distribution market demand. The main segment of recipients are above all the processors of plastic raw materials.

Within its distribution activity framework, the Company co-operates with domestic and foreign producers on the basis of trade co-operation contracts or distribution contracts.

In the course of recent three years, the Company particularly emphasised the development of distribution of packaging film. Investment outlays were made to purchase a new highly-efficient plant for longitudinal film cutting. Norms and standards were implemented to match the requirements of longitudinal film cutting for the foodstuff branch. It is estimated that currently the Company satisfies approximately 12-14 % of Polish market demand for the polypropylene packaging film (BOPP) and it is the major distributor on the territory of Poland.

In general, the Company distributes plastic raw materials to approximately 1 000 recipients all over Poland. All in all, the Company delivers to approximately 1 900 recipients, taking advantage of supplies from about 200 suppliers from all over Poland. In its offer, the Company has also new products of the branch and out-of-the-branch products allowing for the increase in the net return on investment and diversity of the activity executed.

The Company possesses a modern distributory network services by a professional and experienced tradesmen team and technical consultants possessing the expertise knowledge within the products offered as well as expert qualifications in the area of sale and logistics.

The Poland-wide warehousing network allows for the quick execution of orders as well as a rational logistics policy. Online access to the computer system database allows carrying out the sale and customers servicing from practically any place in the country. The systematic possibilities of creating analytical reports from the financial and operational activity of the Company allows its efficient and effective management as well as the control and management of financial risk.

The Company cherishes a reliable and long-term group of customers that have been co-operating with it for many years now. The reliability and professional touch of the operational activities and the financial credibility of the Company is constantly increasing the group, year by year.

14.2. Operational activity organization.

The distribution network of KRAKCHEMIA S.A. covers the entire territory of the country, however, one may distinguish the territorial and branch division in the geographical structures. The distribution activity in the plastic raw materials and the packaging film is carried out in the entire Poland.

Reagents and chemical raw materials are distributed all over the southern Poland (Małopolskie voivodeship in particular) through the central warehouse in Kraków.

The domestic distribution is executed through a Poland-wide network of warehouses of the overall surface amounting to about 10 thousand square meters. On the territory of Kraków, the main seat of the company, there is a warehousing base of the area of about 6 thousand square metres. The main warehouse outside Kraków is located in Płock; the other warehouses are located in Kamień Krajeński, Lublin, Prochowice, Karczew, Poznań, Świdwin. In Bydgoszcz, the Company co-operates with P.H.U. “POLIPLASTIC” – Unlimited Company – on the virtues of a sub-distribution contract of BASELL ORLEN POLYOlefines Sp. Z o.o. products.
14.3 Company employees.

The average employment in KRAKCHEMIA S.A. in 2012 was 87,02 jobs (in 2011 82,91 jobs). At the beginning of 2012, employment amounted to 82 people whereas at the end it amounted to 93. The employment alterations were mainly due to the natural staff fluctuation and the current activities connected with the reorganization of the distribution network and the Company development.

KRAKCHEMIA S.A. employment structure at the end of 2012 according to the professional group looked as follows:
  - Trade staff – 44 people, which constitutes 47 % of employment,
  - Administrative staff – 25 people, which constitutes 27 % of employment,
  - Warehouse staff and machine operators – 24 people, which constitutes 26 % of employment.

Education structure:
  - higher education – 45 % of staff,
  - secondary school education – 33 % of staff,
  - vocational education – 18 % of staff,
  - primary school education – 4 % of staff.

13.4. The branch sale structure.

The trading activity of the Company is carried out through appointed branch teams. The branch structure of the revenues from sale in 2012 was as follows:

<table>
<thead>
<tr>
<th>Branch</th>
<th>Revenues by virtue of sale in thousand PLN</th>
<th>Sale structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plastic raw materials</td>
<td>484 203</td>
<td>90,4%</td>
</tr>
<tr>
<td>Packaging film</td>
<td>48 315</td>
<td>9,0%</td>
</tr>
<tr>
<td>Reagents and chemical raw materials</td>
<td>2 996</td>
<td>0,6%</td>
</tr>
</tbody>
</table>
14.5. Seasonal sales variations.

The Company is subject to standard business cycle fluctuations in the course of the year, similar to other entities having some relation with plastic raw materials and packaging film distribution. The plastic raw materials sale volume is characterized by market fluctuations over the calendar year. A possible seasonal variation may result mainly from the price change of plastic raw materials and market conditions of supply and demand, but it has no characteristics of seasonal repetition. It is worth noting that sale volume and price levels on the plastic raw materials market has a considerable impact on the financial results executed by the company within the range of revenues by virtue of goods sale or executed margin, which directly translates into the executed net profit. The packaging film sale is characterized by only slight fluctuations resulting from seasonal changes, characteristic for the spring and summer season. The assessment of the seasonal characteristics of the packaging film sale is rendered difficult by the fact of impact exerted by the plastic raw materials prices which are used for its production on its sale. Assessment of the cyclical nature in the light of the Polish plastic raw materials processing and consumption markets is difficult because of the natural growth of the market resulting from the considerably lower use of plastics in Poland in comparison to Western Europe. The sale of raw materials and chemical reagents does not possess distinct seasonal change traits, however, in the winter period one can observe noticeable fall of these products’ sale.

14.6. Import and inner-European market purchases.

All in all, in 2012, the Company carried out import and purchases in the inner-European transaction amounting to 120 045 thousand PLN, which constituted approximately 22,63 % of the all product deliveries’ value in the given period.

14.7. Export and inner-European market sale.

In 2012, the Company carried out inner-European sale transactions amounting to 81 101 thousand PLN in all, which constituted approximately 15,4 % of the revenues from product sale.


The major Company’s supplier in 2012 was Basell Orlen Polyolefins Sprzedaż Sp. z o.o. On March 27, 2012 the Company signed another distribution agreement with Basell S.A. & Marketing Company B.V., with a seat in Holland and Basell Orlen Polyolefins Sprzedaż Sp. z o.o.(BOPS), with the seat in Płock, which was the continuation of the previous contracts. The major deliverer of packaging film are the production works: PLASTCHIM-T AD with a seat in Bulgaria, with which the Company co-operates on the basis of distribution agreements. The Company leads a policy of guaranteeing the continuity of deliveries to its recipients co-operating, or maintaining contacts with multiple suppliers both domestic and foreign.

15. Description of substantial weaknesses and threats factors.

KRAKCHEMIA S.A., being particularly active on the distribution market of plastic raw materials, is vulnerable to the risks pertaining to the characteristics of the market as well as the risks and threats related to the product trading and its financing. The Company has the status of a public company and its shares are quoted at the Warsaw Stock Exchange (GPW). It implies the occurrence of risks and threats connected with the capital market and share trading. While analyzing the information incorporated in this report, one has to take into consideration the risk factors any other risks which are not mentioned in this risk description, and which are related to the Company activity, its shareholders, managing and supervising people, securities market as well as additional ones, of more haphazard nature which is independent of the Company. Each instance of the abovementioned risks coming true as well as any other undefined risk may potentially affect the activity of KRAKCHEMIA S.A. as well as its financial results or the market share quotation.
15.1. Weaknesses and threats factors related to the activity.

a) Risk connected with dependence on the major suppliers and recipients.

Plastic raw materials distribution market is dominated by the only Polish producer of polyolefin plastic raw materials producer BASELL ORLEN POLYOLEFINES Ltd. (BOP) with the seat in Płock. One of the crucial elements of the market is the fact, that the majority of plastic raw materials processing companies base its technology on BOP products. On November 8, 2007 KRAKCHEMIA S.A. concluded a three-party distribution contract with Basell S.A. & Marketing Company B.V., with a seat in Holland (BSM) and Basell Orlen Polylefins Sprzedaż Sp. z o.o. (BOPS) with a seat in Płock. The subject of the contract is close cooperation in the area of sale and distribution of plastic raw materials. By virtue of the contract, the Company has become one of the two major distributors of products (plastic raw materials) on the territory of Poland, which were appointed by BSM and BOPS. Those products are produced and packaged under the BSM trade marks. The contract was concluded for the determined period and is prolonged by virtue of consecutive agreements. The current contract is valid until December 31, 2013. The aforementioned contracts are a continuation of cooperation that has been a fact since 2004 between the Company and Basell Polylefins BV.BA as well as Basell Orlen Polylefins Sprzedaż Sp. z o.o. On the other hand, the company has strengthened its position on the virtue of the contract on the plastic raw materials distribution market. The sale of BOP products considerably exceeds 10 % of the Company revenues from sale for the four trading quarters.

The major deliverer of packaging film are production works – PLASTCHIM-T AD, with a seat in Tervel – Bulgaria, with which the Company concluded a propylene film sale and distribution agreement. On the basis of the contract, the Company distributes PLASTCHIM-T AD products on the territory of Poland as their sole distributor. The contract was concluded for a determined period and is valid until December 31, 2016. The Company also co-operates with other domestic and foreign producers of film packaging ensuring the continuity of supplies to its recipients.

In case of any distortion of delivery from the basic suppliers, the Company has broad possibilities of delivery execution from alternative suppliers.

KRAKCHEMIA S.A. carries out its distributory activity of plastic raw materials and packaging films on the territory of entire Poland and all other chemical products on the territory of south-east Poland. In its database, the Company has approximately 1 900 recipients registered.

At the annual turnover volume, which does not exceed 10 per cent of the Company revenues from sale, the risk of dependence on major suppliers might be assessed as medium.

b) Risk connected with the supply of plastic raw materials, their accessibility and price variations on the world markets.

The sale of plastic raw materials constituted in 2012 approximately 90,4 % of the Company revenues. The basic components for the plastic raw materials production are based on oil and are subject to the world stock exchange quotations. The quotations shape the world price market of the plastic raw materials, including the European and Polish ones. The plastic raw materials price level variations has a considerable impact on the Company’s revenues and the sale target executed. The company, being one of the two major plastic raw materials distributors on the Polish market, may experience in a considerable manner the decrease of plastic raw materials supply, which results in the sale decrease. In the event of planned technological stoppage within the trade co-operation with a producer, the Company safeguards itself by a periodical increase of reserves guaranteeing the continuity of sale. Analogous risks should be taken into account while considering the distribution of packaging film for the production of which plastic raw materials are the staple. Packaging film sale constituted in 2012 about 9 % of the Company’s revenues from goods sale.

In the event of the producer’s installation breakdown, the Company possesses an alternative of supplying from other producers.

c) Market forces risk.

The demand on the plastic raw materials, packaging films, reagents and chemical raw materials is dependent on many factors that the Company has no influence upon. The prices for the products are dependent on the supply and demand as well as the producers pricing policy.

While considering the forecasts referring to the plastic raw materials and packaging film market development one needs to take into consideration the fact that any variation of domestic economic situation and the development of production and consumption sphere may directly translate into the demand for the packaging materials and finished products from plastic raw materials. The demand decrease on the market generates a
Proportionate decrease in demand on the distributory market of plastic raw materials, which directly affects the Company financial result. In the event of supply decrease, there exists a risk of the recipients’ confidence loss in case of late deliveries, assortment deficiencies or sale price changes. Many of the factors shaping the recipients’ confidence is independent on the Company and results from market and price policy of the producers who are the suppliers. The result of this confidence loss may be the decreased revenue from sale and, as a result, the decreased Company’s financial result. Not negligible is the pricing policy of plastic raw materials and packaging film producers. Price reductions implemented by them are a real threat which may generate losses by virtue of the current warehouse stock sale and adaptation movements of the Company to the current market situation. Of crucial importance are also the risk factors connected with a competitive influence of the market. The pricing policy of the competitors consisting in offering products comparable to those offered by our company at a lower price or by offering more convenient trading conditions or more attractive buyer credit limits. The above mentioned actions may force the Company to offer products on competitive conditions, which may, in effect, affect the financial result. The competing companies might also offer the substituting products of other producers. The products might decrease the demand on the products offered by the Company. The competitors might necessitate incurring the costs of trade, technical and organizational competence improvement. The Company undertakes activities the aim of which is to limit the risk through maintaining and improving its market position. Therefore, the Company employs the trade staff of high qualifications and profound technological expertise. The staff attends special trainings organized by the producers in the area of technological expertise in the products offered. A countrywide distribution network is developed. This network is supported by mobile trade representatives and technical consultants. The pricing policy of the competitors necessitates manifold price adjustments to the lower level. Nevertheless, the superior rule of the Company is to execute transactions on the level of profitability guaranteeing the proper Company functions and optimal profits execution. In its rich trade offer, the Company tries to place marketable products of the proper quality. Its trade activity is based mainly on the long-term co-operation with the Company’s contractors who have determined trade conditions and defined credit limits. However, the principles do not eliminate the possibility of risk appearance and its influence on the financial result or the Company’s operations. The risk connected with the supply and demand decrease connected with the economic crisis, in turn, is practically unpredictable and constitutes a considerable threat for the Company’s operating activity and the financial result execution. d) Risk of key staff loss. Because of specific qualifications requirements concerning the staff responsible for distribution, which is connected among others with the market characteristics knowledge as well as technological knowledge, there exists a risk of key staff loss. It is frequently connected with the phenomenon of emigration or taking over by the competitors. This phenomenon may cause a direct sale decrease, loss of recipients in favour of the competition, loss of technological and organizational competence, and – as a result – revenue decrease as well as the influence on the financial result or the deterioration of technical and consulting service quality. In order to prevent the loss of key staff and minimising the results of key staff loss, the Company is undertaking a series of actions, comprising the rewards system, staff trainings or working conditions improvements.

15.2. Financial risk factors.

a) Receivables collection risk.

Because of low profitability and high demand on capital characterizing the plastic raw materials distribution market, the appropriate policy of granting the delayed payment dates and close control of receivables collection seem to be the key element of the financial policy of the Company. Overdue receivables collection might affect liquidity deterioration and the necessity of external trade financing; in extreme cases, the loss of liquidity might ensue. The Company is in cooperation with three banks on the basis of signed credit contracts for trading credits in the current account guaranteeing financing the commercial trading. Moreover, the company has implemented the procedures of monitoring the due collection of receivables, of analyzing and forecasting the flows as well as granting the trade credit limits.
The deterioration of receivables collection might cause not only the Company’s liquidity, but is also connected with incurring higher financial costs related to the current trade financing as well as, updating deductions, which decrease the Company’s financial result. In order to constrain the risk, the Company has taken out insurance with Euler Hermes Zarządzanie Ryzykiem Sp. z o.o. for receivables resulting from trading.

b) Risk connected with financing the trade from external sources.

In the case of delayed payment dates of receivables, the financing is from the Company’s own sources and the bank trading credits in the current account. In such case, the risk of financing from the external sources in the form of bank credits is related with limiting the turnover resulting from the diminished possibilities of safeguarding the credits by the Company.

The Company possesses in its stock reserves an established collateral in the form of unregistered pledge, and the cession of receivables from selected contractors in favour of the financing banks, with the aim of safeguarding the payment of any possible credit liabilities. The capital elements’ burden does not affect the operational activity conducted by the Company.

c) Currency exchange rate risk.

In connection with the lack of stability on the currency market, the Company safeguards against the appreciation of EUR and USD the liabilities by virtue of inner-European and import transactions, by buying the currency to cover the currency liability by concluding the forward transactions of currency delivery.

The transactions are concluded at the moment of liability occurrence connected with the product purchase. The company co-operates with several banks within the area of forward contracts conclusion, which allows for negotiation of currency exchange rates valid on the day of payment for product.

The currency purchased and delivered in the forward transactions is entirely destined for payment for products in the inner-European and import transactions, which permits the assumed sales result execution. The company has not concluded and neither is it concluding any other currency transactions, which would expose the Company to the risk of currency exchange rates variations or their influence upon the Company’s result.

The information concerning the exposition to the currency risk is presented in the note 18.4 of the financial report.

15.3. Risk and threats factors related to the environment.

a) Macroeconomic situation risk.

The Company’s financial situation is dependent on the macroeconomic situation of Poland. The direct and indirect influence upon the financial results of the Company is exerted among others by – the dynamics of GDP developments, inflation, monetary and fiscal policy of the state, the level of corporate investment, the level of household revenues and the height of consumption demand.

Both, the abovementioned factors and the development or level of their changes exerts influence upon the execution of the Company goals through the links between the distributions market and the processing, produces and service markets.

In the event of economic slowdown or implementation of the instruments of shaping the economic policy by the Polish state, the result of which may be the downfall of demand and/or supply, one needs to take into account a real negative influence of the factors upon the financial result of the Company.

b) Legal framework risk.

Legal framework in Poland is not stable and is subject to frequent changes. The legal regulations that can have influence upon the entrepreneurship in Poland have undergone frequent changes in recent, which is among others, tax law, public offers law, construction law, labour and social security law, commercial law and the law concerning the public security trading.

Each such change can lead to the increased costs for the Company and, as a result, influence the financial result. Such a state of affairs does not favour a precise assessment of future events.

One of the key factors, which can have influence upon the activity of the Company, is the change in the fiscal system and the change in the tax and custom law. In case of import export transactions, from and out of the European Zone, the changes in customs fees may play equally important role as importing and exporting
restrictions. The vagueness of customs laws interpretation and the necessity for additional explanations may lead to other losses by virtue of the stoppage of supply at the borders.

The company is undertaking all activities aiming at the minimalization of the abovementioned risks. The accounting staff takes part in trainings related to the changes in the fiscal system and the fiscal regulations that are being implemented.

In doubtful cases that refer to the interpretation of the fiscal and customs regulations, the Company refers directly to the proper administrative body with a request for interpretation.

The Company has a valid contract with a Legal Counsellor on the constant legal service provision encompassing among others the legal counselling and preparation of opinions. Such kinds of contracts have been signed by the Company since the establishment of the company, which ensures a constant legal care over the Company.

c) Environment protection risk.

The impact of the Company activity on the natural environment is assessed as negligible. Apart from communal waste, there appears the problem of packaging waste usage and the waste deriving from cutting the packaging film. The company has signed suitable agreements signed with the companies specializing in the collection and transporting the communal waste as well as plastics, wood and paper scraps. Moreover, by virtue of importing products, and what is connected with it – introducing to the market the packaging connected with the imported products – the Company is obliged to recycling the packaging waste and the waste after usage in the interpretation of the bill concerning packaging and packaging waste of May 11, 2001. On the basis of the signed agreement, the obligations have been taken over by BIOSYSTEM S.A., the organization of recycling, with a seat in Kraków.

15.4. Weaknesses and threats factors related to the capital market and share trading.

a) Shareholders structure risk.

Currently, the Company has three major shareholders: Alma Market S.A. with 50% of the shares, QUERCUS TFI S.A. (funds jointly - QUERCUS Parasolowy SFIO, QUERCUS Absolute Return FIZ and QUERCUS Absolutnego Zwrotu FIZ, managed by QUERCUS TFI S.A.) 9,59 % of the shares, OFE PZU „Złota Jesień” 9,97 % of the shares. And Mr. Jerzy Mazgaj 5 %. Alma Market S.A possesses jointly with Mr. Jerzy Mazgaj, the Chairman of Alma Market S.A. Board 55% of shares. Alma Market S.A. exercises a direct control over the Company through its direct participation in the supervising organs of the people managing Alma Market S.A at the same time.

All the company shares are transferable and this shareholders’ right is by no means restricted. The Company’s corporate documents, as well as the regulations of the Polish law, do not contain any regulations considerably limiting the control changes vis a vis the Company as a result of the purchase by the third parties of considerable number of the Company’s shares. Therefore, such changes in control and shareholders structure may follow.

b) Risk connected with investing in KRAKCHEMIA S.A. shares.

In case of KRAKCHEMIA S.A. share purchase, one should be aware, that the risk of a direct investment in shares on the capital market is incomparably higher than the risk in treasury bonds, or the participation units in the investment funds, because of the difficulty of prediction of share quotation variations in the short and long term.

c) Risk of future KRAKCHEMIA S.A. share quotation levels at the stock exchange trading and the trading liquidity.

There is no certainty as regards the future price variation of the Company shares. Furthermore, the Company market share price can be subject to fluctuations as a result of many factors, which are not dependent on the Company. One cannot, therefore, ensure that the investor purchasing the shares will be able to sell them at any convenient time at any satisfying price.

The Company joined the Liquidity Support Program (Program Wspierania Płynności) in accordance with § 3.1. of the resolution No. 502/2008 of the GPW Board.
As on December 31, 2012 the Company possesses the following contracts on providing the services of issuer’s animator.
- on October 2, 2008, the Company concluded a contract with Beskidzki Dom Maklerski S.A.
- on August 2, 2012 the Company concluded a contract with Alior Bank – Biuro Maklerskie.

d) Risk connected with issuing a decision to suspend or exclude the Company’s shares from trading on the regulated market.

In the situation where the public companies do not meet the obligations stipulated in the articles 157, 158 or 160, and in particular those resulting from the stipulations issued on the basis of Art 160. Item 5 of the Bill on the financial instruments trading, the Polish Financial Supervision Authority is liable to impose on the entity that did not meet the obligations, a fine of one million zlotys or to pronounce a decision on the exclusion of Shares from the regulated trading, or to apply both penalties together.

Furthermore, in accordance with the article 20 of the Bill on the financial instruments circulation:

- in case, where security of trading on the regulated market requires it or in case where investors’ interest is threatened, Giełda Papierów Wartościowych (GPW), upon request of Financial Supervision Authority (Commission) withdraws authorisation to enter the trading or commencement of quotation of securities of financial instruments indicated by the Commission for the period not longer than 10 days.
- in case, where the trading in particular securities is executed in the circumstances indicating at the possibility of threatening the correct function of the regulated market or the security of trading in the market, or in case of investor’s interests infringement, The Stock Exchange may – on the basis of the GPW Commission’s demand – suspend the trading in those securities for the period no longer than a month.
- on GPW Commission demand, the GPW (Warsaw SE) may exclude from trading the securities indicated by the Financial Supervision Authority in the case where they significantly jeopardize the correct function of the regulated market and the security of trading in the market, or if it infringes the investors’ interests.
- GPW upon the issuer’s request may suspend trading the given securities or derivatives connected therewith with the aim of a common and equal access to information.
- GPW may undertake a decision of suspension or exclusion of securities or financial instruments, which are not securities, from the trading in case where the instruments ceased to fulfil the conditions governing the market under the condition that it does not cause severe infringement of investors’ rights or do not distort the proper functioning of the market.
- moreover, the Commission - in case of reception of information from the supervisory body over the regulated market in a member state about the fact of request to stop, suspend or exclude the trading of a particular financial instrument – may refer to the companies administering the regulated market and the entities organising the alternative system of trading with a request to respectively stop, suspend or exclude the particular instrument from trading, as far as it does not infringe considerably the investors’ interest nor threatens the security of trading.

The above does not exclude a possibility to suspend or exclude the Company share trading on the regulated market resulting from the regulations and law stipulations in force. One may not exclude such occurrence in future with regard to the Company’s shares.

In accordance with the GPW Regulations, the Stock Exchange Board may suspend trading in securities for the period of three months upon the request of a Company. Moreover, it may happen in case when the Board reckons that the interest and security of trading participants requires such action, or if the Company infringes the regulations at the Stock Exchange. Furthermore, in the situations stipulated in the Stock Exchange Regulations, the Stock Exchange Board may exclude securities from the SE trading.

In addition, in accordance with § 31 of the SE Regulations, the Stock Exchange Board excludes securities from trading:
- If their disposal is limited,
- On the Polish Financial Supervision Authority’s request that is submitted in accordance with the Bill on the financial instruments trading,
- In case of annulling their dematerialization,
- In the event of their exclusion from trading on the regulated market by the proper supervision body.
Apart from the abovementioned cases of exclusion, the GPW Regulations foresees the following cases, when Stock Exchange Board may decide upon the exclusion of the securities from the Stock Exchange trading:
- If conditions of admission to stock exchange trading, other than those which are the basis for the obligatory exclusion of the securities from the SE trading, ceased to exist.
- If the Company consistently infringes the regulations that are valid at the Stock Exchange.
- Upon the Company’s request.
- Following the announcement of bankruptcy or in case of the court’s dismissal of an application for the announcement of bankruptcy due to the lack of resources in the Company’s capital, destined to cover the procedural expenses.
- If the GPW Board decides, the interest and security of the trading participants requires this.
- Following undertaking the decision of merging the Company with another entity, of its division or conversion.
- If in the course of the latest 3 months, there has not been any stock transactions on a particular security.
- Following the Company’s undertaking an illegal action in the light of the law in force.
- Following the opening the Issuer’s liquidation procedure.

There is no certainty that the abovementioned situations shall not occur in the future, as regards the Company’s shares.

e) The risk of withdrawing the decision of admission to public trading or penalty imposition by the Financial Supervision Commission.

In case when a public company does not meet the obligations stipulated by law, and in particular the information flow obligations stipulated in respective bills, or if it applies them not up to the standard, KNF (Financial Supervisory Authority) may pronounce a decision on exclusion from public trading for a determined period of time or for an unspecified period of time of the securities on the regulated market, imposition of a fine up to the amount of 1 000 0000 PLN, taking into consideration the financial situation of the entity or application of both sanctions together.

KRAKCHEMIA S.A. does not exclude the existence of other risks and threats, apart from the abovementioned, that might considerably influence the Company’s activity, its financial result, or the share price variations in the public trading.

16. Characteristics of the important external and internal factors affecting the Company development.

The company development prospects description.

16.1. Characteristics of the important external and internal factors affecting the Company development.

Market forces and the situation on the plastic raw materials market as well as the derivative market of packaging film belong to external factors considerable for the Company development. The external factors include the price changes of the plastic raw materials and packaging film, the fluctuations of which considerably affect the sales revenue and the factually executed margin. These factors as well as the supply structure are shaped by the European and world market trends and are independent of the market activities undertaken by the Company.

Another group of external factors is the change of interest rates. The plastic raw materials trading and the characteristic for this market inflow of the receivables require financing support with the trading credits. The cost of the credits is dependent on the interest rates in the inter-bank commercial market.

The internal factors include the economic development of the country and the demand for the plastic raw materials both in the packaging and ready products areas. The distribution market of plastic raw materials is dependent directly on the demand for the plastic raw materials both in the consumption and industrial sphere. In case of additional financing of trade by the external sources, the crucial factor is the credit ability of the company and accessibility of trading credits on the banking market.

The crucial internal factors for the Company development include also the personnel policy and the staff turnover, especially as regards the highly qualified workers who carry out the direct sale and provide, at the same time, consulting and technical services.

16.2. Company development prospects description

Much lower usage of plastic raw materials in Poland, as compared to the developed countries of the European Union, generates a natural increase of the distribution market of the plastic raw materials. Polish consumption market of plastics creates good conditions for the development of plastics processing. Additionally, there are
new, more efficient technologies of processing the plastic raw materials creating the beneficial conditions for the development of distribution market. However, in the description of development prospects of the market, one needs to take into consideration the current economic situation and their direct influence over the packaging film and plastic raw materials distribution market.

The increase of sales levels of packaging film in 2012 arise from good market conditions as well as the activities executed by the Company in the area of distribution and film cutting. Meeting the market tendencies and requirements set by the recipients. The Company raised the level of cutting services by implementing a new longitudinal film cutting plant and it had met the high sanitary standards set by the recipients of food packaging film recipients. In 2012, implementation of the new longitudinal film cutting plant is foreseen. In order to secure the safety of deliveries, the Company will continue its intensive activities connected with winning new suppliers. Within the area of distribution, the Company carries out activities connected with winning new sale markets relying on its own logistics and distribution structures.

Both in the segment of plastic raw materials and packaging film, it is planned to undertake in 2013 the action connected with the distribution and sale on the neighbouring foreign markets, with a particular emphasis on the neighbouring southern and eastern markets.

In 2013, the Company will carry on further actions connected with modernization and optimalization of its own distribution network on the territory of Poland. We will continue the process of Polish warehouse network reorganisation with the aim of their functioning costs reorganization.

In compliance with the previously adopted strategy adopted, in 2013, the Company will conduct intensive activities aiming at placing new products on the market. The actions will comprise mainly the branch of plastic raw materials branch, and construction plastics in particular, or the modified raw materials as well as packaging film branch with the new generation of films.

In 2013, we will also continue the processes connected with diversifying the distribution Network. Within this diversification, strengthening of packaging film branch will ensue. Within the diversification, it is foreseen to strengthen the packaging film branch both in the area of distribution as well as placement of new film products in the Company.

17. Presentation of basic economic and financial values reflected in the annual financial statement.

<table>
<thead>
<tr>
<th>SELECTED FINANCIAL DATA</th>
<th>Period from January 1 to December 31</th>
<th>In thousand PLN</th>
<th>Period from January 1 to December 31</th>
<th>In thousand EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL INCOME REPORT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Revenue from sales, ongoing activity</td>
<td>535 663</td>
<td>499 413</td>
<td>128 346</td>
<td>120 628</td>
</tr>
<tr>
<td>2 Operational profit, ongoing activity</td>
<td>14 634</td>
<td>10 356</td>
<td>3 506</td>
<td>2 501</td>
</tr>
<tr>
<td>3 Profit before tax, ongoing activity</td>
<td>12 758</td>
<td>8 842</td>
<td>3 057</td>
<td>2 136</td>
</tr>
<tr>
<td>4 Net profit, ongoing activity</td>
<td>10 239</td>
<td>7 004</td>
<td>2 453</td>
<td>1 692</td>
</tr>
<tr>
<td><strong>MONETARY FLOW REPORT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Net monetary flow, operational activity</td>
<td>-3 509</td>
<td>5 986</td>
<td>-841</td>
<td>1 446</td>
</tr>
<tr>
<td>6 Net monetary flow, investment activity</td>
<td>-2 431</td>
<td>-606</td>
<td>-582</td>
<td>-146</td>
</tr>
<tr>
<td>7 Net monetary flow, financial activity</td>
<td>-21 530</td>
<td>-3 440</td>
<td>-5 159</td>
<td>-831</td>
</tr>
<tr>
<td>8 Net change of monetary means and credit in the current account in the period</td>
<td>-27 470</td>
<td>1 940</td>
<td>-6 582</td>
<td>469</td>
</tr>
<tr>
<td>9 Weighted mean of shares number in given period( in items)</td>
<td>10 000 000</td>
<td>10 000 000</td>
<td>10 000 000</td>
<td>10 000 000</td>
</tr>
<tr>
<td>10 Profit from continuous activity within the period per 1 share (in PLN/ EUR)</td>
<td>1,02</td>
<td>0,70</td>
<td>0,25</td>
<td>0,17</td>
</tr>
</tbody>
</table>
The entries 1-8 (in the profit and loss statement and the flows) are calculated on the basis of the exchange rate being the arithmetic mean of the exchange rates announced by the National Bank of Poland (NBP), in force on the last day of each month, which for the 12 months of 2012 amounted to: 1 EUR = 4,1736 PLN and for the 12 months of 2011 amounted to 1 EUR = 4,1401 PLN.

The profit on ongoing activity in the given period per 1 share = net profit on ongoing activity in the period/ weighed mean of number of shares in the given period.

<table>
<thead>
<tr>
<th>SELECTED FINANCIAL DATA</th>
<th>Status on 2012-12-31</th>
<th>Status on 2011-12-31</th>
<th>Status on 2012-12-31</th>
<th>Status on 2011-12-31</th>
</tr>
</thead>
<tbody>
<tr>
<td>11 Assets in all</td>
<td>177 417</td>
<td>153 683</td>
<td>43 397</td>
<td>34 795</td>
</tr>
<tr>
<td>12 Long-term liabilities</td>
<td>2 321</td>
<td>16 951</td>
<td>568</td>
<td>3 838</td>
</tr>
<tr>
<td>13 Short-term liabilities</td>
<td>104 891</td>
<td>73 829</td>
<td>25 657</td>
<td>16 715</td>
</tr>
<tr>
<td>14 Equity capital</td>
<td>70 205</td>
<td>62 903</td>
<td>17 173</td>
<td>14 242</td>
</tr>
<tr>
<td>15 Initial capital</td>
<td>10 000</td>
<td>10 000</td>
<td>2 446</td>
<td>2 264</td>
</tr>
</tbody>
</table>

Weighted mean of shares number in given period (in items): 10 000 000 10 000 000 10 000 000 10 000 000

Accounting value per share (in PLN/ EUR): 7,02 6,29 1,72 1,42

Positions from 11 to 15 (balance positions) are calculated on the basis of the exchange rate announced by NBP valid on 31.12.2012 which amounted to: 1 EUR = 4,0882 PLN and on 31.12.2011 which amounted to: 1 EUR = 4,4168 PLN. Accounting value per 1 share = equity capital/ weighed mean number of shares in the given period.

18. Description of Basic economic and financial indices disclosed in the yearly financial report.

Selected items from the financial report according to the status on December 31, 2012 and 2011 in thousands PLN.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In thousand PLN</td>
<td>in %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed assets</td>
<td>23 565</td>
<td>19 508</td>
<td>4 057</td>
<td>20,80%</td>
</tr>
<tr>
<td>Circulating assets</td>
<td>153 852</td>
<td>134 175</td>
<td>19 677</td>
<td>14,67%</td>
</tr>
<tr>
<td>Total assets</td>
<td>177 417</td>
<td>153 683</td>
<td>23 734</td>
<td>15,44%</td>
</tr>
<tr>
<td>Equity capital</td>
<td>70 205</td>
<td>62 903</td>
<td>7 302</td>
<td>11,61%</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>2 321</td>
<td>16 951</td>
<td>-14 630</td>
<td>-86,31%</td>
</tr>
<tr>
<td>Short-term liabilities</td>
<td>104 891</td>
<td>73 829</td>
<td>31 062</td>
<td>42,07%</td>
</tr>
<tr>
<td>Total equity and liabilities</td>
<td>177 417</td>
<td>153 683</td>
<td>23 734</td>
<td>15,44%</td>
</tr>
</tbody>
</table>
2012 witnessed an increase in assets by 4,0 m thousand PLN. Fixed assets increased by 1,3 m PLN, financial assets, in turn, increased by 2,7 m PLN. The financial assets increase was affected by the fall in the purchased securities’ quotation (2,1 m PLN) and the increase in quotations of securities at GPW. Circulating assets increased by 19,7 m following the increase in inventories by 22,6 m PLN and the simultaneous drop in receivables by 2.6 m PLN and a slight decrease in monetary means 338 thousand PLN.

The equity capital increased by 11,6 % as a result of the profit executed in 2012.

At the end of 2012, decrease of long-term liabilities resulted from the re-classifying of the long-term credit into a short-term one, which resulted in the increase in the short-term liabilities.

Simultaneously, trade liabilities also increased by 3.6 m PLN. The increase is related to the increase in sale and the increase in inventories.

Selected positions from the statement on total income for 2012 and 2011 in thousand PLN

<table>
<thead>
<tr>
<th>Description:</th>
<th>Period from January 1 to December 31, 2012</th>
<th>Period from January 1 to December 31, 2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In thousand PLN</td>
<td>in %</td>
<td></td>
</tr>
<tr>
<td>Ongoing activity:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue from sales</td>
<td>535 663</td>
<td>499 413</td>
<td>36 250</td>
</tr>
<tr>
<td>Profit from sale</td>
<td>33 512</td>
<td>28 191</td>
<td>5321</td>
</tr>
<tr>
<td>Operational profit before amortization EBITDA</td>
<td>15 583</td>
<td>11 167</td>
<td>4416</td>
</tr>
<tr>
<td>Amortization</td>
<td>949</td>
<td>811</td>
<td>138</td>
</tr>
<tr>
<td>Operational profit EBIT</td>
<td>14 634</td>
<td>10 356</td>
<td>4278</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>12 758</td>
<td>8 842</td>
<td>3916</td>
</tr>
<tr>
<td>Profit from ongoing activity</td>
<td>10 239</td>
<td>7 004</td>
<td>3235</td>
</tr>
<tr>
<td>Net profit</td>
<td>10 239</td>
<td>7 004</td>
<td>3235</td>
</tr>
</tbody>
</table>

2012 witnessed an increase in revenues from sale in relation to the previous year by 7,3%. The increase in sale was due to price increases in relation to 2011 and the slight 1,5% increase in the volume of products sold. Despite the increase in operational costs by 15,2%, EBIT profit increased by 41,3% in relation to 2011. The company makes use of the external financing, the costs of which burdened the financial result in the amount of 1.9 m PLN and it is an increase of 23,9% in relation to the cost amount in 2011.

The year 2012 ended with an increase of net profit by 3,2 m PLN i.e. 46,2% higher in relation to 2011.

Selected positions from KRAKCHEMIA S.A. monetary flow statement for 2012 and 2011 in thousand PLN

<table>
<thead>
<tr>
<th>Description:</th>
<th>Period from January 1 to December 31, 2012</th>
<th>Period from January 1 to December 31, 2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In thousand PLN</td>
<td>in %</td>
<td></td>
</tr>
<tr>
<td>Net monetary flow, operational activity</td>
<td>-3 509</td>
<td>5 986</td>
<td>-9 495</td>
</tr>
<tr>
<td>Net monetary flow, investment activity</td>
<td>-2431</td>
<td>-606</td>
<td>-1 825</td>
</tr>
<tr>
<td>Net monetary flow, financial activity</td>
<td>-21 530</td>
<td>-3 440</td>
<td>-18 090</td>
</tr>
<tr>
<td>(Decrease)/Increase of net monetary means and credit in the current account in the period</td>
<td>-27 470</td>
<td>1 940</td>
<td>-29 410</td>
</tr>
<tr>
<td>Net change of monetary means and credit in the current account at the beginning of the year</td>
<td>-6 595</td>
<td>-8 535</td>
<td>1 940</td>
</tr>
<tr>
<td>Net change of monetary means and credit in the current account as on December 31</td>
<td>-34 065</td>
<td>-6 595</td>
<td>-27 470</td>
</tr>
</tbody>
</table>
In relation to 2011, the Company recorded a decrease in the monetary means balance at the end of the year by 34,1 m PLN. The fall of monetary means was influenced by the conversion of credit from the long-term in 2011 into a short-term one on December 31, 2012. The negative monetary inflow from operational activity, was influenced by the increase in inventories resulting from the increase in sale and the increase in products' prices. The negative inflows from the investment activity, which amounted to 2.4 m PLN and were higher by 301.1% in relation to the previous year. The company, apart from purchase of fixed assets, purchased also the financial assets available for sale which amounted to 2.1 m PLN. The flow from financial activity in 2012, similarly as in 2011 was negative and amounted to 21.5 m PLN, which was influenced by the re-classification of credits from the long-term into short-term ones, payment of dividend for 2011 in the amount of 3.5 m PLN, paying off external financing costs 1.9 PLN and paying off liabilities by virtue of financial leasing 0.5 m PLN.

19. **Information on performance forecasts, their execution, managing the financial resources.**

19.1. **Performance forecasts and their execution.**

The company did not publish the forecasts for 2012
In 2012, the Company generated a net profit of 10 239 thousand PLN

19.2. **Financial resources management.**

The Company financial resources are mainly circulating assets invested in the trade circulation and the inventories. The differences resulting from the rotation of the receivables and liabilities are covered with the trading credits in the current accounts.

The Company immediately covers its trade liabilities. As a result of a very cautious financial flow management policy and detailed monitoring of the inflow of receivables, on the day of the report compilation, there is practically no risk of non-fulfilment of the trade obligations. Security of receivables collection is also safeguarded by the insurance in Towarzystwo Ubezpieczeniowe Euler Hermes S.A.

20. **Factors and anomalous events affecting the operational result in the accounting year. Their assessment and the degree of their influence on the result.**

To the execution of the financial result of the Company contribute in the considerable extent the events and factors connected with the distribution and sale of plastic raw materials, which constitute about 90% of the revenues by virtue of goods’ sale.

To the unusual factors that are difficult to anticipate, which affect the financial result belong the price alterations of the plastic raw materials on the plastic raw materials world markets and the pricing policy resulting wherefrom, which is implemented on the Polish plastic raw materials market by its producers. The price fluctuations directly affect the result executed from the sale of goods as well as the value margin executed by the Company. Another significant factors is the supply of the plastic raw materials dependent on the production capacity of the major producers of the plastic raw materials and on their market policy, technological line defaults or stoppage.

Increasing share of the Company on the domestic packaging film distribution market increases the Company’s dependence on the supply-demand market pressures and upon the price fluctuations in this group of products. A close relation of packaging film production with the plastic raw materials market (a staple for its production) is worth noting, however. Any fluctuations in price – supply on the plastic raw materials market translate into the financial results executed by virtue of packaging film distribution.

Not negligible is also the economic situation in the country, which affects the consumer supply of ready products from plastic raw materials. The worsening of the purchase power both in the processing sphere and the consumption of ready products results in the worsening of receivables’ inflow in the distribution sphere. Such economic tendencies directly translate into financial results of the Company through higher costs of financing the operating activity as well as the necessity of execution of updating entries.

Increasing involvement of the Company in sale transactions and the inner-European purchases, as well as import-export ones, makes the financial results executed on those transaction depend on the transactional exchange rates.

For the liabilities in foreign currencies, resulting from the purchases in import transactions and inner-European purchases of products destined for the current trading, the Company executes the policy of currency purchase through forward transactions with currency delivery destined for payment for the product. Altogether in five banks, the Company purchased in 2012 the currency amounting to 124 723 thousand PLN. At the end of the
reporting periods, in compliance with the valid laws, the Company assesses its open forward transactions. As on December 31, 2012 the Company possesses in five banks open forward transactions in the amount of 10 977 thousand PLN. As a result of the assessment of fair value of those transactions for December 31, 2012, the Company presented the loss of 101 thousand PLN. Closing the forward transaction is carried out at the exchange rate determined on the day of currency purchase and with the simultaneous payment for the product purchased. The Company does not destine its currency means obtained through forward transaction for further re-sale, and as a result does not execute the result by virtue of market currency exchange differences. Forward transactions and the result from assessment of the fair value of those transaction is presented in note No. 18.4 of the financial report. Those factors are independent on the market activities undertaken by the Company and are impossible to foresee.

21. Contracts significant for the Company activity and other significant events.

- on January 20, 2012 the annex to the credit agreement concluded with Kredyt Bank Spółka Akcyjna with seat in Warszawa (Bank) has been signed. The annex extends the payment of credit amounting to 10 000 thousand PLN until January 23, 2013.

- on January 27, 2012 a three-party distribution annex to a contract was signed by Krakchemia S.A., Basell Sales & Marketing Company B.V. (BSM) with headquarters in Rotterdam, Holland as well as Basell Orlen Polylefins Sprzedaż Sp. Z o. o. (BOPS) with headquarters in Płock. The subject of the annex is the prolongation until March 31, 2012. On March 27, 2012 the parties concluded a new distribution agreement valid until December 31, 2013.

- On April 10, 2012 KRAKCHEMIA S.A. Ordinary Shareholders Meeting took place. During the meeting, resolutions concerning the approval of yearly reports for 2011, granting the vote of approval to the Supervisory Board and the Company Board as well as the resolution concerning the use of net profit for 2011 were passed.

- on June 22, 2012 a rental agreement was concluded between KRAKCHEMIA S.A. and UBM Riwiera Sp. Z o.o. with a seat in Warszawa (further on referred to as UBM Riviera). The subject of the contract is rental of office area, which UBM Rivera is obliged to create with a deadline of March 31, 2014, on the land property located in Kraków. The contract was concluded with a suspension clause, which means conclusion by UBM Rivera of an ultimate contract for the sale of land property mentioned above not later than by September 24, 2012. The rental contract was concluded for the period of 10 years and the rental period is calculated as starting not later than May 31, 2014. The assessed value of the contract is 8 800 thousand PLN.

- In the 1st and 2nd quarter of 2012, Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna with a seat in Warsaw, Regionalny Oddział Korporacyjny w Krakowie (Regional Department in Kraków), acting upon the Company’s commission, granted a new irrevocable and unconditional guarantee of payment execution up to the amount of 22 000 thousand PLN in favour of Basell Orlen Polylefins Sprzedaż Sp. z o.o. with a seat in Płock (Guarantee Beneficiary) by virtue of trade liabilities resulting from the Contract of non-exclusive distribution concluded among Basell Sales & Marketing Company B.V., Basell Orlen Polylefins Sprzedaż Sp. z o.o. and KRAKCHEMIA S.A. The guarantees were issued for the periods of validity from March 1 till May 22, 2012 and from May 23, 2012 till May 22, 2013.

- on July 18, 2012 the Supervisory Board appointed Kancelaria Biegłych Rewidentów “Konto” Sp. z.o.o. as the entity authorised to execute the review of financial reports. The contract to be signed encompasses the review of the Company mid-year financial report review for the first half of 2012 as well as the financial report review for the accounting year 2012. Kancelaria Biegłych Rewidentów „Konto” Sp. z o.o. with a seat in Kraków, ul. Syrokomli 17 is inscribed in the registrar of entities authorized to survey the financial reports under the entry 327. KRAKCHEMIA S.A has already taken advantage of Kancelaria Biegłych Rewidentów “Konto” Sp. z o.o. services within the scope of yearly financial reports review as well as mid-year reports reviews, which took place in years 2007-2011. The Supervisory Board made the choice of the entity authorized to examine its financial statements in accordance with legal regulations in force and according to Company’s Statute.
- on August 28, 2012 the annex to the credit agreement of March 2, 2004 concluded with BRE Bank Spółka Akcyjna with the seat in Warszawa (Warsaw) has been signed. The annex extends the payment of credit amounting to 5 000 thousand PLN, on the hitherto terms, until August 30, 2013. The period of paying off the credit and Bank margin shall be changed. The safeguarding of the credit has not been changed and is formed by own blank bill, the cession of receivables from the group of selected contractors, registered pledge on the warehousing supplies, the cession of receivables by virtue of circulating assets insurance constituting the object of the insurance. The credit bears an interest on the basis of a variable WIBOR O/N rate, increased by the bank’s margin. The purpose of the credit – current financing of the Company activity. The value of established safeguarding of the credit exceeds the equivalent of 1 million euro.

- on November 12, 2012 the annex to the credit agreement concluded with Kredyt Bank Spółka Akcyjna with seat in Warszawa (Bank) has been signed. The annex increases the amount of credit from 10 m PLN to 12 m PLN. The safeguarding and period of the credit has not been changed and is formed by: own blank bill, cession of receivables from a group of selected Contractors, transfer of receivables from the trade receivables insurance policy issued by TU Euler Hermes S.A. (within the scope of contractors encompassed by the receivables transfer in favour of the Bank). The credit bears interest in the amount of the changing level of WIBOR O/N rate, increased by the bank’s margin. The purpose of the credit is the current financing of the Company activity.

- on December 21, 2012 the annex to the credit agreement concluded with Kredyt Bank Spółka Akcyjna with seat in Warszawa (Bank) has been signed. The annex extends the payment of credit amounting until January 23, 2014.

- on December 21, 2012 was received a trade credit risk insurance policy with an option of receivables collection was issued in favour of the Company by Towarzystwo Ubezpieczeń Euler Hermes S.A. with the seat in Warszawa. The policy is valid in the period from January 1, 2013 until December 31, 2013. It is the continuation of a hitherto co-operation. The subject of the agreement is safeguarding the Company receivables by virtue of trading. The change occurred in the rate of premium insurance. The other terms do not undergo any change in relation to the previous policy, which was prolonged with an annex for the period from 01.09.2011 till 31.12.2012.

- In the 1st quarter of 2012, Krakchemia S.A. yet another time became on the laureates of Diamenty Miesięcznika Forbes 2012 (Forbes Monthly “Diamond” awards; previously in 2010).

- The Company took part in Targi Tworzyw i Gumy EPLA (EPLA Plastics and Rubber Trade Fairs), which took place in Poznań in the days 13 through 15 of March 2012, XVI Międzynarodowe Targi Przetwórstwa Tworzyw Sztucznych i Gumy PLASTPOL (PLASTPOL International Trade Fairs of Plastics and Rubber Processing) which took place in Kielce in the days May 29 – June 1, 2012.

**Insurance contracts.**

KRAKCHEMIA S.A. concluded the following insurance contracts:

- with InterRisk Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group Oddział w Krakowie – the insurance contract of its property against random accidents and civil responsibility with the insurance period from 01.06.2012 till 31.05.2013

- with TUiR WARTA S.A. Centrum Obsługi Klientów Korporacyjnych z siedzibą w Katowicach the contracts:
  a. General insurance of domestic cargo with the insurance period from 01.06.2012 till 31.05.2013
  b. General insurance of foreign cargo with the insurance period from 01.06.2012 till 31.05.2013

- with Towarzystwo Ubezpieczeń Euler Hermes S.A. z siedzibą w Warszawie, the insurance contract of trade credit risk. The issued Policy covers trade receivables in the period from 01.01.2013 till 31.12.2013.

Moreover, KRAKCHEMIA S.A. possesses the vehicles’ insurance and the inner transportation vehicles insurance (forklifts) with the following insurance companies: general insurance in TUiR WARTA S.A., unitary insurance in Sopockie Towarzystwo Ubezpieczeń ERGO HESTIA S.A. with a seat in Sopot and T.U. Allianz Polska S.A.
KRAKCHEMIA S.A within the corporate insurance concluded by ALMA MARKET S.A. is covered with the insurance of responsibility by virtue of managing the Company. The issuer of the policy is Leadenhall Polska S.A. z siedzibą w Warszawie, and the insurance covers the period from 08.08.2012 till 07.08.2013.

22. **Any contracts concluded between the Company and the managing people that stipulate compensation for the resignation or loss of office without important reasons, or if their deposition follows mergers or takeovers.**

KRAKCHEMIA S.A. signed on August 5, 2008 the manager’s contract with Mr. Andrzej Zdebski filling the post of the Company Managing Director with the task of managing and leading the Company. By the virtue of the contract, after its expiry or termination, Mr. Andrzej Zdebski is obliged by the competition ban clause for a period of a year, and is entitled to a compensation for that reason, paid out on a monthly basis in the amount of 100% monthly gross payment determined in the contract and on the conditions included therein. Before annulling or expiring of the contract, the Company claims the right to single-handedly free the Managing Director from the obligation of relinquishing the competing activity upon the annulling or expiry of the contract, or to shorten the period of competition ban validity.

The Company and the other members of the Company Board employed on the basis of a labour code are bound by the regulations of the labour law in the case of their employment by the company. In case of cancellation of the employment contract concluded between the Company and Mr. Włodzimierz Oprzędek filling the post of Deputy Chairperson of the Board, Mr. Oprzędek is entitled to a severance payment amounting to the threefold average monthly payment due for the period of 6 last months before notice of termination of the employment of contract or cancellation of the employment contract without notice.

The payment by the virtue of filling the post in the Board of the Company is determined by the Supervisory Board.

Moreover, there are no contracts envisaging compensation payments by the Company for the members of the Company Board in case of their resignation or dismissal from the post.

23. **Salaries, rewards or perks resulting from the motivational or bonus programs, based on the Company capital, including the programs based on privileged bonds, convertible subscription warrants (in cash, in kind or in any other form) that are paid out, due or potentially due, for each supervising and managing person in 2012, irrespective of the fact that they were qualified as costs or resulted from the profit distribution.**

Respective information within this scope is presented in the detailed manner in the Company financial report for 2012 in the note No. 20 item.III.
24. Credits, loans as well as guarantees and warranties.

Credits and guarantees in KRAKCHEMIA S.A. on 31.12. 2012, together with the changes on the day of information compilation.

24.1 Credits taken out.

Contract concluded with BRE BANK Oddział Krakow Regional Dept., 15 Augustiańska St.

<table>
<thead>
<tr>
<th>Details</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of credit</td>
<td>- credit in the current account</td>
</tr>
<tr>
<td>Date of signing the contract</td>
<td>- March 2, 2004</td>
</tr>
<tr>
<td>Stipulated amount of credit</td>
<td>- up to 5.000 thousand PLN</td>
</tr>
<tr>
<td>Amount of credit usage as on 31.12.2012</td>
<td>- 4.429 thousand. PLN.</td>
</tr>
<tr>
<td>Terms of interest</td>
<td>- the credit bears an interest on the basis of a variable WIBOR rate increased by the bank`s margin.</td>
</tr>
<tr>
<td>Full credit repayment</td>
<td>- until 30.08.2013 (on 28.08.2012 annex No. 15 was signed prolonging the contract until 30.08.2013.</td>
</tr>
<tr>
<td>Credit collateral</td>
<td>- own in blanco bill of the company and trade liabilities` cession from selected contractors, registered pledge on reserves (trade products) amounting to 2.550 thousand PLN, transfer of rights from insurance contract on the circulating assets constituting the object of the pledge</td>
</tr>
<tr>
<td>Credit aim</td>
<td>- current financing of the company`s circulating assets.</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Details</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of credit</td>
<td>- credit in the form of multipurpose credit limit</td>
</tr>
<tr>
<td>Date of signing the contract</td>
<td>- December 18, 2007.</td>
</tr>
<tr>
<td>Stipulated amount of credit</td>
<td>- up to 45.000 thousand PLN</td>
</tr>
<tr>
<td>Amount of credit usage as on 31.12.2012</td>
<td>- 21.626 thousand. PLN. – in the current account,</td>
</tr>
<tr>
<td>Terms of interest</td>
<td>- the credit bears an interest on the basis of a variable WIBOR rate for one-month deposits, increased by the bank`s margin.</td>
</tr>
</tbody>
</table>
- until 12.10.2013
  (on 13.10.2010 an annex No. 2 was signed prolonging the
  agreement until 12.10.2013.) The subject of annex No.2 is lifting
  the credit limit in the form of a multi- purpose credit up to
  45,000 thousand PLN, whereof within this limit Bank PKO BP SA
  (the Bank):
  - granted the credit in the current account amounting to 23,000
    thousand PLN for financing the current liabilities resulting from
    the company`s activity,
  - granted a bank guarantee in the amount of 22,000 thousand PLN
    (on 02.04.2012 the Bank granted a guarantee amounting to 22,000
    thousand PLN valid from 01.03.2012 till 22.05.2012 . On 02.04.2012
    within the continuation of hitherto granted guarantees, the Bank
    granted a new, consecutive guarantee valid from 23.05.2012 until
    22.05.2013, still in the same amount i.e. 22,000 thousand PLN),
  - granted a trading renewable credit in the amount of 2,000 thousand
    PLN for financing the payments by virtue of open documentary
    letters of credits resulting from the activity,
  - shall open the documentary letter of credit on the basis of
    commissions to open the letters of credit in the amount of 2,000
    thousand. PLN.

Totally the use of limits for the above-mentioned is determined with
the maximum amount of 45 ,000 thousand PLN.
  - collateral mortgage up to 4.398 thousand PLN,
  - registered pledge on the circulating assets (reserves) amounting to
    20 ,000 thousand PLN,
  - current and future receivables transfer that would result from the
    trading co-operation with chosen contractors in the amount not lower
    than 10,000 thousand PLN quarterly,
  - blocking the monetary means on the term deposit, in the amount of
    3,000 thousand PLN,
  - authorization to KRAKCHEMIA S.A. current account in BRE BANK
    S.A. , Kraków Department,
  - The Borrower`s current account deductions clause at
    PKO BP SA Oddzial 6 w Krakowie.

Credit aim
- current financing of the Company`s circulating capital

Contract concluded with KREDYT BANK S.A. w Warszawie ul Kasprzaka 2/8, Centrum Bankowości
Korporacyjnej w Krakowie

<table>
<thead>
<tr>
<th>Details</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of credit</td>
<td>- credit in the current account</td>
</tr>
<tr>
<td>Date of signing the contract</td>
<td>- January 25, 2007</td>
</tr>
<tr>
<td>Stipulated amount of credit</td>
<td>- up to 12,000 thousand. PLN.</td>
</tr>
<tr>
<td>Amount of credit usage as on December 31, 2012.</td>
<td>- 11,516 thousand. PLN</td>
</tr>
</tbody>
</table>
| Terms of interest                          | - the credit bears an interest based on the variable WIBOR  
  O/N rate, increased by the bank`s margin. |
Full credit repayment
- until 23.01.2014 (On 21.12.2012 with an annex No 9. The contract was prolonged till 23.01.2014. Previously, on 12.11.2012 with an annex No. 8 the trading limit was heightened from 10.000 thousand up to 12.000 thousand. PLN).
- Owner in blanco bill, liabilities’ cession from selected trade contractors, rights’ cession from trade receivables insurance policy covered with the liabilities’ cession.

Credit safeguard
- current circulating capital financing

Credit aim

24.2. Guarantees, safeguards and bill bailouts.

Guarantees granted on behalf of KRAKCHEMIA S.A. in favour of other entities.

<table>
<thead>
<tr>
<th>Details</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of guarantee</td>
<td>- irrevocable bank guarantee, unconditional, paid upon the first written request of the guarantee’s Beneficiary.</td>
</tr>
<tr>
<td>Date of guarantee granting</td>
<td>- Since January 14, 2008</td>
</tr>
<tr>
<td>Guarantor</td>
<td>Bank PKO Bank Polski S.A., Regionalny Oddzial Korporacyjny in Kraków</td>
</tr>
<tr>
<td>Stipulated guarantee amount</td>
<td>- 22.000 thousand PLN</td>
</tr>
<tr>
<td>Guaranteed amount as on 31.12.2012</td>
<td>- 22.000 thousand PLN</td>
</tr>
</tbody>
</table>
| Terms of interest and the guarantee safeguard | Within the framework of the credit agreement in the form of credit multipurpose limit amounting to 45.000 thousand PLN concluded with PKO BP S.A.
- Until 22.05.2013
  (Bank PKO BP S.A. granted consecutively the following guarantees:
  - On 14.01.2008 in the amount of 22.000 thousand. PLN, valid from 13.01.2009,
  - On 25.11.2008 in the amount of 22.000 thousand. PLN, valid from 14.01.2009 until 28.02.2010,
  - On 02.02.2010 in the amount of 22.000 thousand. PLN, valid from 01.03.2010 until 17.12.2010,
  - On 21.10.2010 in the amount of 22.000 thousand. PLN, valid from 18.12.2010 until 17.12.2011,
  - On 24.10.2011 in the amount of 22.000 thousand. PLN, valid from 18.12.2011 until 29.02.2012,
  - On 02.02.2012 in the amount of 22.000 thousand. PLN, valid from 01.03.2012 until 22.05.2012,
  - On 02.04.2012 within the continuation of hitherto granted guarantees, the Bank granted yet another guarantee valid from 23.05.2012 until 22.05.2013 still in the same amount i.e. 22.000 thousand. PLN.) |
| Guarantee validity date | |
| Guarantee beneficiary | - Basell Orlen Polyolefins Sprzedaż Sp. z o.o., with the seat in Płocku ul. Padlewskiego 4 |

**Bill bailouts issued by KRAKCHEMIA S.A.**

<table>
<thead>
<tr>
<th>Item</th>
<th>Bill drawer</th>
<th>Transaction description/ the bill drawn in favour of</th>
<th>The bill amount</th>
<th>The date of granting</th>
<th>Validity period</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>KRAKCHEMIA S.A. with the seat in Kraków</td>
<td>Own in blanco bill together with the bill declaration submitted at the disposal of Basell Orlen Polyolefins Sprzedaż Sp. z o.o. in Płock (BOPS)</td>
<td>The bill for the amount corresponding to the amount of the debt vis-à-vis BOPS.</td>
<td>21.01.2008.</td>
<td>Until the trade liabilities payment</td>
</tr>
</tbody>
</table>

**Bill bailout issued by Maximex Sp. z o.o. with a seat in Płock, transferred onto KRAKCHEMIA S.A. following the merger of the companies on August 29, 2008**

<table>
<thead>
<tr>
<th>Item</th>
<th>Bill drawer</th>
<th>Transaction description / bill drawn in favour of</th>
<th>Bill amount</th>
<th>Date of drawing</th>
<th>Validity date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Polska Grupa Dystrybucyjna Polimer Centrum Sp. z o.o. with the seat in Łódz.</td>
<td>In blanco bill together with the bill declaration drawn on PGD Polimer Centrum Sp. z o.o., guaranteed by Maximex Sp. z o.o. with the seat in Płock, at the disposal of Basell Orlen Polyolefins Sprzedaż Sp. z o.o. in Płock (BOPS)</td>
<td>The bill with the amount equivalent to the debt owed to BOPS, guaranteed by Maximex Sp. z o.o. up to the sum of 6.800* thousand zloty</td>
<td>30.08.2005.</td>
<td>Until the trade liabilities payment</td>
</tr>
</tbody>
</table>

24.3 **Loans granted**

In the presented period, KRAKCHEMIA S.A did not grant a loan, in total to at least one or to an entity dependent on it.

25. **Non-payment of credit or loan or infringement of any crucial stipulations of credit or loan agreement in relation to which no amending activities were undertaken until the end of the reporting period.**

No infringement of any stipulations in the credit agreement concluded by the Company took place. Its liabilities by virtue of those contracts are settled in due time by the Company.

26. **Transactions with liaised entities concluded on conditions other than the market ones.**

In 2012 KRAKCHEMIA S.A. did not conclude transactions with liaised entities, which single-handedly or together would be crucial and which were not typical and routine transactions concluded on conditions other than the market ones, and their character and conditions were not resulting from the current operating activity of the Company. Total amount of transactions with liaised entities amounted to 225 thousand PLN. The transactions with liaised entities are described in the financial report in note No 20.
27. **Investment feasibility study.**

Because of its trading character of the operational activity, the Company invests its trading proceeds into goods trading. The Company undertakes important operating activities connected with the sale increase. Quantitative increase of sale generated in this way triggers increase in the value of circulating assets located in inventories and financing the trade credits connected with deferred payment date. Financing goods trading is executed mainly from the Company’s own means covering among others the profits generated and the means coming from B series shares issue. The goods trading is also supported by bank trade credits.

System of inner debt collection and insurance on receivables by virtue of trade transactions, both have a considerable impact upon the minimization of the risk of trading circulation decrease connected with the inflow of financing means invested in the circulation. The investment in the fixed assets necessary to execute the trading activity and customizing the film is financed mainly through leasing and own means. Any investment connected with maintain its own estates, their renewal or extending the warehousing base is executed with use of own means.

28. **Main domestic and foreign investment (securities, financial means, intangible and legal values as well as estates), including capital investment executed outside the liaised entities and the methods of their investment.**

In the previous years, the Company obtained by virtue of clearance of trade receivables new estates and buildings with the warehousing, production and office aim in Kamień Krajeński, Bydgoszcz and Płock. Currently, the Company incurs investment outlays connected with the maintenance of those items and their adaptation for the warehousing and office needs. In February of 2012, the Company purchased an estate plot neighbouring the estate in Kamień Krajeński with the aim of its use for extending the warehousing base. In 2012, the Company purchased yet another high-efficiency plant for longitudinal film cutting. It also undertook activities aiming at the purchase of another high-efficiency machine for longitudinal film cutting. The purchase of the machine is financed through leasing. The total value of the undertaking did not exceed the amount of 1, 500 thousand PLN.

Both in 2012 and currently, the Company maintains a term deposit with PKO B S.A., constituting one of the credit line safeguarding elements. The credit line was granted by PKO BP S.A. and comprises guarantee granting in favour of Basell Orlen Pololefins Sprzedaż Sp. z o.o.(Beneficiary of the Guarantee) with the seat in Płock by virtue of trade liabilities. The capital investment status is presented in notes No. 16.1 of the financial report.

29. **Changes in the conditions of carrying on the activity and the economic situation, which may have considerable influence upon the fair value of financial assets and Company financial liabilities, irrespective of the fact if the assets and liabilities are expressed in the fair value or in the amortized cost.**

There has been no change in the conditions of carrying on activity and economic situation, which may have considerable influence upon the fair value of financial assets and liabilities of the Company, irrespective of the fact if the assets and liabilities are expressed in their fair value or in the amortized cost. The manners of asset fair value assessment are presented in the explanatory notes of the financial report.

30. **Information on the procedures in court, arbitrage-specific organs or state administrative body.**

KRAKCHEMIA S.A. does not face any legal action concerning liabilities nor receivables on the part of the issuer, the amount of which would constitute at least 10% of KRAKCHEMIA S.A equity capital.

The total amount of contention in the proceedings concerning liabilities or receivables of the Company does not exceed 10% of KRAKCHEMIA S.A equity capital.
31. Information on all contracts concluded with an entity entitled to examine the financial reports and the salaries resulting from them.

On August 12, 2012 the Company signed an agreement with the Chamber of Certified Auditors „Konto” Sp. z o.o. with the seat in Kraków. The subject of the contract is performed by the Chamber of Certified Auditors „Konto” Sp. z o.o.:

- the review and compilation of the report from the unitary review and consolidated financial report on June 30, 2012 and for the period from January 1, to June 30, 2012. The payment for this amounts to 8 thousand PLN net,

- the review and written opinion and report compilation from the financial report review as on the day of December 31, 2012. The payment for this amounts to 18 thousand PLN net.

The Chamber of Certified Auditors „Konto” Sp. z o.o. was also the entitled entity to review the financial reports for the accounting year 2011 on the basis of the contract concluded on July 26, 2010.

- the payment by the virtue of the review and compilation of the written report from the unitary financial review of the Company financial report as on June 30, 2011 and for the period from January 1 till June 30, 2011 was 8 thousand PLN net.

- the payment by the virtue of the review and compilation of the written opinion from the unitary review and consolidated annual financial report as on December 31, 2011 amounted to 18 thousand PLN net.

The Chamber of Certified Auditors „Konto” Sp. z o.o. with the seat in Kraków, ul. Syrokomli 17, is listed in the register of the entities entitled to review the financial reports under the entry 327.

Kraków, March 4, 2013
KRAKCHEMIA S.A. Board

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Włodzimierz Oprzędek
Deputy Chairman of the Board

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Andrzej Zdebski
Chairman of the Board
THE BOARD STATEMENT referring to the compilation of yearly financial report and KRAKCHEMIA S.A report on activity.

KRAKCHEMIA S.A. Board announces that to the best of its knowledge:

- the yearly financial report and comparable data were compiled in accordance with the existing accounting principles and that they reflect – in a truthful, reliable and clear manner – the financial and property situation of KRAKCHEMIA S.A. as well as their financial result,

- the report on KRAKCHEMIA S.A. activity contains a truthful picture of the development and achievements as well as KRAKCHEMIA S.A. situation, including the description of the basic threats and risks.

Kraków, March 4, 2013

KRAKCHEMIA S.A. Board.

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Włodzimierz Oprzędek Andrzej Zdebski
Deputy Chairman of the Chairman of the Board
Board
Statement of the Board concerning the entity entitled to review the financial statements and concerning the chartered accountants.

KRAKCHEMIA S.A. Board states that according to its best knowledge, the entity entitled to review the financial statements which performs the annual financial statement review was selected in accordance with the legal regulations and that the entity and the chartered accountants performing the review of the financial statement fulfilled the conditions necessary for an independent and unbiased opinion on the annual financial statement, in accordance with professional norms and regulations in force.

Kraków, March 4 2013

KRAKCHEMIA S.A. Board.

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Włodzimierz Oprzędek          Andrzej Zdebski
Deputy Chairman of the Board  Chairman of the Board