Declaration of corporate governance implementation by KRAKCHEMIA S.A. 2011

- Kraków, March 5, 2012-
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1) Collection of corporate governance principles implemented in the Company.

KRAKCHEMIA S.A. makes every effort to guarantee all its shareholders an equal access to information about the company and to respect the shareholders’ rights irrespective of the share packet volume they possess. The Company has not implemented any restrictions that might disable or restrict the proper communication with the shareholders and the analysts; or that would restrict in any way the information transfer using the modern means of communication.

Aiming at a complete transparency of action and operating in accordance with the business ethics is embodied in the application of “Good Practices of the Companies Listed at the Warsaw Stock Exchange”. The text of the principles collection outlined in “Good Practices of the Companies Listed at the Warsaw Stock Exchange” is published on the website www.corp-gov.gpw.pl.

2) Extent of diversion from the corporate governance principles.

KRAKCHEMIA S.A. diverged from the stipulations of the corporate governance principles collection outlined in the “Good Practices of the Companies Listed at the Warsaw Stock Exchange” in the following cases:

- The principle outlined in part II item 1, 5).

„1. The Company maintains a corporate webpage and includes therein:

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„5) in the case, when the general meeting makes the choice of the members of the company body – the justifications of the candidatures presented to the Board and the Supervisory Board together with the curricula vitae are made available to the company in the period allowing for their lecture and passing the resolution after due consideration”

Explanation.
In connection with non-publishing on the Company’s website of the candidature justification and curriculum vitae of the candidate who applied for the member of the Supervisory Board in the time before the Extraordinary General Shareholders Meeting of January 26, 2011, point II 1.5 of the Good Practices of the Companies quoted at GPW was not applied, because the candidatures of members of the Supervisory Board chosen by The Extraordinary General Shareholders Meeting were presented in the course of the Extraordinary GSM.

- The principle outlined in part II item 2

„The Company ensures the existence of an English language website at least within the scope outlined in part II. Item 1.”

Explanation.

The Company partly diverges from the principle of corporate governance included in the document “Good Practices of the Companies Quoted at the GPW” concerning part II item 2, regarding the placement on the Company website the current and periodical reports in the English language version, published since December 31, 2008. The periodical and current reports are published since January 1, 2009 onwards on the Company website also in the English language version.

A partial diversion from the abovementioned principle is dictated by the operating costs limitation and the historical character of the reports published until December 31, 2008. The Company informed of the divergence in current report No. 1/2009 of January 06, 2009

In the area of relations with external institutions and people, the Company Articles’ provisions as well as its regulations do not introduce any further restrictions and are the expression of the full compliance with them.
In 2011, the Company did not perform any broadcast of General Shareholders Meeting Rusing the Internet nor did it make such registration public on the website. At the same time, the Company ensured the interested media the possibility to participate in the General Meeting. Furthermore, the Company made every effort to render its information policy clear and effective by means of the corporate webpage, meetings with investors, replies to shareholders’ and media enquiries etc. The Company executes an information policy in accordance with the legal regulations regarding the companies listed on the public stock market. The current and periodical reports are published in the modes determining their form and character. The Company possesses its own Internet page, where the information and regulations concerning the Company activity are published as well as any crucial event connected with this activity. The information presented allows for a complete outlook on the situation and development prospects of the Company as well as its functioning mode.

The corporate order observed by KRAKCHEMIA S.A. comprises the activity of all the Company organs: General Meeting, Supervisory Board and the Company Board. The rules of how the bodies function are described in points 3 and 4 in much broader extent.

3) Manner of General Meeting operation, its authority, shareholders’ rights and their execution.

The Extraordinary General Meeting is called, if needed, upon the Board’s, the Supervisory Board’s or the shareholders’ request. The participation principles at the general meeting and the rights of vote execution are regulated by KRAKCHEMIA S.A. General Meeting Regulations. The Regulations of the General Meeting contain among others the decisions concerning the modes of voting, including the elections for Supervisory Board as well as stipulations concerning granting the right of proxy and the mode of voting. The Company’s Board is obliged to guarantee that the General Meeting Regulations is accessible to the public. The time and place of the General Meeting together with the agenda and the resolutions drafts is publically announced in accordance with the existing legal regulations. The General Meeting called by the Board in an ordinary mode takes place once a year and should take place in the period of 6 months after the end of each trading year. In 2011, KRAKCHEMIA S.A Ordinary General Shareholders Meeting convened on April, 12. KRAKCHEMIA S.A. Extraordinary General Shareholders Meeting, in turn, convened on January 26, 2011.

Each share grants the right of one vote at the General Meeting. The resolutions of the General Meeting are passed by an ordinary majority, unless otherwise stipulated in the law or the Articles. In case of cancellation from agenda or renouncing of seeing into a matter placed in the agenda upon the shareholder’s request, a resolution of the General Meeting is required. The resolution is passed after previously expressed approval of all the present shareholders who introduced such a motion and if supported by 75 % of the votes of the General Meeting. Purchasing and selling of an estate, perpetual usufruct or the participation of an estate in the perpetual usufruct does not require a resolution of the General Meeting.

The General Meeting is opened by the Chairman of the Company’s Supervisory Board. The person opening the General Meeting should lead to the immediate election of its chairman, refraining from any other formal or factual actions. Immediately after the opening of the General Meeting, the chairman is elected out of the people entitled to participate in the convention. The chairman ensures the efficient meeting’s proceedings, the rights’ respect and the shareholder’s interest. The chairman should above all counteract any attempt at the rights breach by the Meeting’s participants and guarantee the respect of minor shareholders’ rights. The chairman is not entitled, without the General Meeting’s approval to remove or change the sequence of matters placed in the agenda. The chairman should not, without any important reason, submit his resignation from the post. Neither may he delay signing the General Meeting’s minutes without a justified reason.

The shareholders may participate in the General Meeting or execute their rights of votes personally or through the proxies. The proxy authorization should be granted in a written form under the threat of its invalidity. Moreover, it should be attached to the General Meeting’s minutes. The right of proxy in the General Meeting might be also granted by means of electronic media. The mode and procedure of
granting the right of proxy through electronic media is described in the Regulations of the General Meeting.

The members of the Board and of the Supervisory Board should participate in the General Meeting. The certified auditor should be present at an Ordinary General Meeting and at the Extraordinary General Meeting, if financial matters are the subject of the convention. In case of absence at the General Meeting of a member of the Board or the member of the Supervisory Board, an appropriate explanation should be submitted. The Members of the Company’s Board and Supervisory Board as well as the certified auditor should, within the scope of their competence and the extent necessary to solve the discussed issues, submit its participants all explanation and information concerning the Company. Information and explanation by the Company’s Board should ensue with taking into account the fact that the information obligations are executed in the manner resulting from the legal regulations on the securities trading, and the information granting must not be executed in the manner other than resulting from those regulations. The members of the General Meeting may carry on discussion upon the presentation by the chairman of every point at the agenda or several of them together. The decision in that matter is taken by the chairman of the General Meeting taking into account the motions of the General Meeting participants. The chairman should enable every person entitled to participate in the General Meeting to take a stand on the matters stipulated in the agenda.

The motion on calling the Extraordinary General Meeting and the motions of organizational character may be passed despite the fact that they have not been placed in the agenda of the meeting. The ballot is overt. The secret ballot is decided in the cases of elections and on the motions to dismiss the members of the Company’s bodies or the loss adjusters’, on making them accountable as well as in personal matters. Besides, one needs to pronounce a secret ballot upon request of any of the present shareholders or their proxies at the General Meeting.

In accordance with the Supervisory Board Regulations, its duties include preparing opinions and resolutions drafts justifications that are going to be submitted for approval to the General Meeting. Additionally, the Supervisory Board prepares any other important material to be presented to shareholders.

The shareholder who voted against a resolution is entitled to announce his disapproval. The General Meeting’s resolutions should be formulated in such manner that every entitled person, who does not approve of the factual matter to be solved, might have a possibility to appeal.

Before voting at elections, the chairman makes sure the candidates have agreed to candidate. The agreement might take a written or oral form. The candidates are appointed by the shareholders, the Company’s Board members and the Supervisory Board’s members who are present at the General Meeting. The number of candidates is not limited. Upon the shareholders’ request, representing at least one fifth of the initial capital, the election of the Company’s Supervisory Board should be made by the nearest General Meeting through voting by separate groups, even if the Company’s Articles stipulates other manner of Board election.

All matters regarding the proceedings during the General Meeting as well as its summoning are described in the Regulations of KRAKCHEMIA S.A. General Meeting.

4) Composition and the changes that occurred in the course of the last accounting year and the description of managing and supervisory bodies’ as well as committee`s operation.

4.1. The Board.

The Board manages and represents the Company. It ensures transparency and efficiency of the management system in the Company as well as its operation in accordance with the law and good practice. Every issue connected with managing the Company, and not restricted by the law or the Company’s Articles to the General Meeting’s or the Supervisory Board’s competence, are within the competence of the Board. According to KRAKCHEMIA S.A.’s Articles, the Board is formed by the number of members ranging from one up to five, appointed for a joint term. The Supervisory Board determines with a resolution the number of the Board, chooses the Board’s Chairman and the other members.
On April 26, 2010 with a resolution of the Supervisory Board, the Board was appointed for the new term of Office, the composition of which after the changes executed in 2010 looks as follows:

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

The term of office of the Board lasts 3 years.

The Board, acting on the Company’s interest, determines the strategy and the main goals of the Company’s operation and submits them to the Supervisory Board for approval. The Board is responsible for implementation and execution of the strategy and the main goals of the Company, which were submitted to the Supervisory Board.

The Board members are jointly accountable for the overall Company activity. They work in a Collegia mode and inform one another about the major events of the Company which are within the scope of competence of respective members of the Board. While taking the decisions in the Company’s matters, the members of the Board act within the scope of a justified economic risk i.e. upon considering all the information, analyses and opinions that in their reasonable judgment should be taken into consideration in the given case, bearing in mind the welfare of the Company. While determining the Company’s interest, the Board takes into account all justified long-term interests of the shareholders, the creditors, the Company employees as well as other entities and people co-operating with the Company within the scope of its economic activity. The Board takes also into account the interests of the local community.

The Board submits regular and exhaustive information to the Supervisory Board, concerning the operations and the risk management manners. The Board acts on the basis of the regulations accepted by the Supervisory Board and accessible to the public. The regulations contain the provisions in accordance with “The Good Practice of the Companies Listed at the Warsaw Stock Exchange” and determine, among others, the matters which require the Board’s joint consideration and passing a resolution.

The members of the Supervisory Board and other invited guests may attend the Board’s meetings without taking part in the voting. The Board’s resolutions are voted with an ordinary majority of votes. In case of equality of votes, the Chairman’s vote is binding.

Determining the payment for the Board’s members lies within the competence of the Supervisory Board. It also refers to the payment on the contract of employment basis, civil code legal agreements or the payment by virtue of fulfilling a function. The amount of payment for the members of the Board is disclosed in the annual report.

4.2. The Supervisory Board.

The Company’s Articles stipulate that the Supervisory Board consists of five members elected by the General Meeting for a joint term of office. The General Meeting determines the number of Supervisory Board members. The term of office of the Supervisory Board amounts to 3 years. The composition of the Supervisory Board may consist of the shareholders or the people from outside the group. In particular, independent people may be appointed to the Supervisory Board.

An Ordinary General Shareholders Meeting appointed on May 17, 2010 the members of the Supervisory Board for a new term of office. The Supervisory Board of the new term was shaped at its first meeting on June 2, 2010. Until January 26, 2011 the Supervisory Board composition looked 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

Due to resignation from membership in KRAKCHEMIA S.A. Supervisory Board submitted on December 28, 2010 by Mr. Grzegorz Pilch and by Mr. Łukasz Magiera, on January 26, 2011 with a resolution of
KRAKCHEMIA S.A. Extraordinary General Shareholders Meeting, the following members were called into KRAKCHEMIA S.A. composition:

- Elżbieta Wyrobiec
- Marek Kluciński

The members of the Supervisory Board receive the payment for their duties. The amount of payment of the members of the Supervisory Board is determined by the General Meeting.

The rights and obligations of the Supervisory Board are stipulated by law, the Articles and the Supervisory Board Regulations. In particular, the Supervisory Board exercises control over the entire activity of the company. In this light, the Supervisory Board has an insight into the Company’s books, documentation, property documents as well as it checks them for correctness. The Supervisory Board may demand from the Board the reports concerning any activity of the Company, their legal and trade relations with the companies and people, with whom the Company has relations as well as concerning the trade activity of the companies and people. Moreover, the Company elects the chartered auditor carrying out the scrutiny of the Company’s financial reports. The Supervisory Board has the following particular obligations:

a) assessment of the Company Board report and the Company financial statement for the previous trading year;
b) assessment of the Board’s motions concerning the division of profit and loss coverage;
c) submitting yearly reports to the General Meeting on the abovementioned assessment results;
d) providing opinions and preparing justifications for the resolution drafts proposed for adoption by the General Meeting and other important materials, which are to be presented to the shareholders;
e) submitting yearly concise assessment of the Company situation to the General Meeting.

The Competence of the Supervisory Board that are incorporated in the Supervisory Board Regulation comprise in particular the following:

a) approving the purchase or sale by the Company of an estate, perpetual usufruct or the share in the estate or the perpetual usufruct;
b) approving the mortgage on an estate, imposition of an non-possessory interest in the Company’s property;
c) approving granting the guaranties and warranty;
d) approving the imposition of a pawn or any other securities, apart from the pawn or securities connected with the economic activity;
e) approving the conclusion, cancellation or modification of rental contracts or other contracts of the kind;
f) approving loan granting apart from the ordinary trade circulation;
g) choice of a certified auditor to execute the scrutiny of the Company’s financial report;
h) approval of the Company’s operating strategy that is submitted by the Board;
i) determining the amount of payment for the members of the Board;
j) suspending particular ones or all members of the Company Board for important reasons;
k) delegating the members of the Board for a temporary substitution of the members of the Company Board who cannot execute their function;
l) accepting the Company Board regulations;
m) submitting motions to call a General Meeting to the Company Board;
n) calling the Ordinary General Meeting in case when the Company’s Board does summon it in due time;
o) calling the Extraordinary General Meeting, if calling it deems justified, and the Company Board does not summon it within the period of 2 weeks from the date of announcing the proper request by the Supervisory Board.

The scope of the abovementioned competence application for some of the points is stipulated in detail in the KRAKCHEMIA S.A Supervisory Board Regulations.

The members of the Supervisory Board should undertake all necessary steps to receive from the Company Board – regularly and exhaustively – all the necessary information concerning the matters on the Company activity and the risk connected with the activity as well as on the methods of risk management.

The sittings of the Supervisory Board take place, if necessary, at least three times per accounting year.
The sittings are summoned in writing by the Chairman. In urgent situations, the Chairman may summon the meeting orally, by telephone, fax or via the electronic mail.

The Supervisory Board is empowered to pass resolutions if the quorum consists of at least half its members, and all of the members have been invited. The members of the Supervisory Board may participate in passing the resolutions of the Supervisory Board, by voting in writing through an intermediary of another member of the Supervisory Board. Such voting may not refer to the matters introduced into the agenda during the sitting of the Supervisory Board.

The Supervisory Board may pass the resolutions in the written mode or by using the means of direct communication at a distance. The resolution is valid when all of the members of the Supervisory Board were informed of the contents of the resolution draft. Passing the resolutions in such a mode is not permissible while electing the Chairman or Deputy Chairman of the Supervisory Board as well as while suspending members of the Company Board in their duties.

4.3. Auditing Committee

On June 2, 2010 the Supervisory Board appointed the Auditing Committee out of its composition, which to the end of 2010 was operating in the following composition:

Chairperson of the Auditing Committee - Ilona Malik
Member of the Auditing Committee - Grzegorz Pilch
Member of the Auditing Committee - Mariusz Wojdon

Due to the resignation by Mr. Grzegorz Pilch from membership in KRAKCHEMIA S.A. Supervisory Board on April 4, 2011 KRAKCHEMIA S.A. Supervisory Board called Ms. Elżbieta Wyrobiec in to Auditing Committee composition. Since April 4, 2011 the composition of Auditing Committee looks in the following way:

Chairperson of the Auditing Committee - Ilona Malik
Member of the Auditing Committee - Mariusz Wojdon
Member of the Auditing Committee - Elżbieta Wyrobiec

The goal of KRAKCHEMIA S.A. Supervisory Board Auditing Committee is granting support to the Supervisory Board in performing their supervisory duties resulting from the legal regulations and Good Practices of the Companies quoted at GPW (Warsaw Stock Exchange).

The goals of the Auditing Committee are outlined by the Regulations of KRAKCHEMIA S.A. Supervisory Board Auditing Committee determined by KRAKCHEMIA S.A. Supervisory Board. In particular, the tasks comprise:
- Written submission of recommendation to the Supervisory Board regarding the choice of entity to fulfil the function of external auditor,
- Monitoring the independence of external auditor as well as its objectivity, particularly, through the review of auditing company’s observation of the guidelines concerning auditing partners rotation, amount of charges paid by the company and the regulatory requirements in this respect,
- Execution of external control effectiveness review and monitoring the management’s reaction to the directions submitted by the external auditors,
- Monitoring the reliability of financial information submitted by the Company, particularly through review of relevance and the review of the results of applying the accounting methods adopted by the Company and its group (including the financial report consolidation criteria in the group),
- Reviewing, at least once a year, the systems of inner control and risk management, from the aspect of ensuring that the major risks (including observing the legal laws and regulations in force) are correctly identified, managed and disclosed,
- Testing the effectiveness of inner control and the yearly review with respect to the necessity of implementing in the company of inner audit function which is organizationally distinct,
- Issuing directions, the aim of which is to prepare decisions to be taken by the very Supervisory Board.

The Committee takes decisions by ordinary majority of votes passed. In case of equal number of votes passed on the issue, the decision of the Committee’s Chairperson is decisive.
5) Description of principles concerning the appointment and dismissal of managing people together with their powers, and the decision authority to issue and buy out the shares in particular.

The Board consists of one, up to five members, appointed for a joint term of office. The Supervisory Board – through a resolution – determines the number of the members of the Board, elects the Chairman of the Board and the other members. The Board’s term of office lasts 3 years. To the Supervisory Board scope of competence belong suspension in their responsibilities - on important grounds - of particular or all members of the Company Board and delegating members of the Supervisory Board to temporary execution of the Board’s responsibilities incapable of acting.

All the matters connected with the Company operation which are not reserved by a special bill or the Company’s Articles for the Supervisory Board’s or General Meeting’s competence belong to the Board’s competence. If the Board consists of many people, all its members are obliged and authorised to joint management of the Company matters.

The Board’s resolutions are passed with an ordinary majority of votes passed. In case of their equality, the vote of the Chairperson is binding. The resolutions of the Board are required in the following matters:

- issuing bonds and shares,
- convening the Ordinary and Extraordinary General Meeting,
- presenting motions concerning the division of profit or loss coverage to the General Meeting as well as other matters connected therewith,
- granting donation, grant or other non-payment service,
- establishing liabilities or disposing of a right, the value of which exceeds the amount determined by the Board Regulations, as well as sale or getting rid of stakes and shares in other companies. The agreement of the General Meeting is required among others in the following matters:
  - sale or lease of a company or its organised part or establishing a restricted property right on it,
  - issuing a convertible or priority bond,
  - purchasing Company own shares in the case stipulated by art. 362 § 1 pkt 2 Kodeks spółek handlowych (art. 362 § 1 pkt 2 of CCC),
  - signing credit, loan or warranty agreement or any similar agreement with a member of the Board, the Supervisory Board, Chartered Accountant, receiver or any of these people.

The following actions require the consent of the Supervisory Board:

- Purchase or sale of real property or of a stake in a real property,
- Sale and transfer of usufruct rights to real estate, establishing mortgage on the real estate, establishing tail property rights on the Company property,
- Granting safeguards or guarantees,
- Setting up bails or other safeguards except for bails and safeguards related to the business activity,
- Concluding, terminating or amending lease agreements and other agreements of this kind,
- Granting loans other than within the regular trading of goods.

The scope of application of some of the abovementioned points is described in the stipulations of the Company Articles and KRAKCHEMIA S.A. Board Regulations in more detail.

Moreover, each of the Board members may demand adopting a resolution by the Board concerning the matters lying within the Board’s competence. In accordance with the rule of good practices, the Board Regulations stipulates, that the Board member should withhold decisions on the matters where there exists or may potentially occur the conflict of Company interests with the interests of the Board member or the people he/she is personally connected with.

All matters connected with managing the Company matters not restricted by the legal regulations nor the Company Articles to the responsibility of General Meeting or Supervisory Board lie within the competence of the Board.

The Board’s Resolution is required among others in case of a decision regarding issuing the shares and bonds. Issuing new shares unfolds in the mode of art. 430, 431, 432 of Kodeks Spółek Handlowych (CCC). An agreement of General Shareholders Meeting of the Company is required among others in case
of convertible or priority bonds issuing as well as purchasing the Company`s own shares in cases described in art. 362 § 1 pkt 2 Kodeks Spółek Handlowych (CCC).

To make statements on behalf of the Company and to incur liabilities, the following people are authorized:
- if the Board consists of one person: the member of the Board of Directors on his own;
- if the Board consists of more than one person: two members of the Board of Directors acting together or one member of the Board acting together with a proxy.

6) Description of the inner control system and the risk management in reference to the process of financial reports compilation

The Company`s Board is responsible for the Company`s inner control system and the its efficiency in the process of compiling the financial and periodical reports, which are prepared and published in accordance with the principles of the Minister of Finance regulations of February 19, 2009 concerning the current and periodical information published by the securities issuers as well as the conditions of regarding as equivalent of the information required by law of the country not being a member state (Journal of Laws No. 33 item 259 with further changes). The assumption underlying the efficient system of inner financial reporting control is to guarantee the accuracy and relevance of the financial information included in the financial reports and periodical reports. The Supervisory Board Auditing Committee executes the monitoring of reliability of the financial information submitted by the Company, in particular through reviewing the relevance and consequences of applying the accounting methods adopted by the Company. At least once a year, the inner control and risk management systems undergo the review by the Auditing Committee, from the aspect of ensuring that major risks (including the risks connected with observation of legal laws and regulation in force) are correctly identified, managed and disclosed.

The Company has been compiling the financial reports in accordance with the International Financial Reporting Standards (MSSF). The financial reports of the Company are compiled by the Chief Accountant. In the process of compiling the financial report, one of the key element of control is the review and checking the financial report by the proper chartered auditor and monitoring the process by the Supervisory Board Auditing Committee. Furthermore, the chartered auditor expresses his opinion and compiles a report from the financial report review and check on whether the report illustrates the financial and property situation of the Company as well as its financial result in a reliable and clear way. The Supervisory Board appoints the proper auditor. The Auditing Committee submits the Supervisory Board justified recommendations regarding the choice of external auditor. The scope of his/her duties comprises in particular: the revision of a half-year financial report and the review of the yearly report. After the review of the financial report, it is submitted to the Supervisory Board together with a written opinion and the report of the chartered auditor. The Supervisory Board issues an opinion on the financial report review. Finally, the Company financial report together with the opinions of the chartered auditor and the Supervisory Board are submitted to the General Meeting for approval. The financial report is subject to the approval of the General Meeting in accordance with the regulations in force.

The financial and accountant department led by the Finance Director – Chief Accountant is responsible for the compilation of the financial reports, periodical financial reports and current administrative reporting of the Company.

The financial data, which are the basis of the financing reports and the periodical reports, derive from the monthly financial and operational reporting applied by the company. The middle-layer and upper-layer management, together with the financial team, jointly analyze the financial results of the company and its organizational cells upon the accounting completion of calendar month. Furthermore, they compare it to the assumptions and business plans.

All identified mistakes are immediately corrected in the Company`s books in accordance with the accounting standards. The preparation of the financial reports and periodical reports begins with the acceptance of the results of the completed period by the Chief Accountant and the Company`s Board.

The company conducts monthly and yearly reviews of the financial result, the strategy execution and the accepted operational plans. Financial risk management team is allocated from the financial and accounting team. It is headed by the Financial Deputy Director – Director in charge of Financial Risk
Management. In the process of planning – covering the areas of Company functioning both middle and upper layer management is involved. The plans under preparation for the following year are verified and approved by the Company`s Board and presented to the Supervisory Board. The Company Board analyzes the financial results in the course of the year together with the budget on the basis of an adopted accountancy policy of the Company. The Company has implemented a modern IT system ASW of ERP class. The system tools allow for a complete operational and financial analytical control of the Company. The system of automatic trade events bookkeeping considerably constrains the possibility of fault occurrence on the level of basic bookkeeping. The proper systematic procedures of completing the accounting year as well as the accounting documentation circulation guarantee the correctness of the data processed in the course of analyzing and reporting the Company`s finance.

Each member of the Company Board gets acquainted with the economic data and with matters incorporated in the report in the course of its compilation. Each of them may bring up issues that should be taken into consideration while compiling the report. After the financial statement compilation, the Board members get acquainted with its contents and in the case of quarterly reports, submit it to publication – or – in the case of mid-year and yearly reports – pass it on to the chartered accountant.

The company applies coherent accounting principles in accordance with the approved accounting principles while presenting the financial data in its finance reports, financial periodical reports and the reports submitted to the shareholders.

The company manages the risk vis-à-vis the process of the financial reporting, also by the constant supervision of any changes imposed by new legislation or external regulation that refers to the reporting requirements of the Stock Exchange companies. Furthermore, the company undertakes their implementation long before their required deadline.

The company systematically and periodically assesses and verifies the quality of the data obtained with the aim of financial report compilation. Moreover, it restricts a possibility of occurrence of any financial risks through the use of an IT system and the selected organizational Company’s structures.

The Board states that on December 31, 2011 there existed no factors that could affect the reliability or correctness of the financial reports, and they still do not exist.

7) Description of the Company`s Articles change principles.

The change of the Company`s Articles follows the mode stipulated in the Article 430 of the Commercial Companies Code. In accordance with the regulations, the change of Company`s Articles necessitates a resolution of the General Meeting and the entry into entrepreneurs register of Krajowy Rejestr Sądowiczny (National Court Register). The resolutions of the General Meeting within this scope are passed by a qualified majority of three fourths of votes passed - Art. 415 § 1 of Kodeks Spółek Handlowych (CCC) with a reservation of exceptions, in particular, the one resulting from Art. 416 § 1 CCC, according to which a crucial change in the company activity necessitates a qualified majority of two thirds of votes passed. Any regulations within this scope result directly from legal regulations.

8) The shareholders possessing directly or indirectly considerable share packets, together with indication of the shares’ number in possession of the entities, their percentage share in the initial capital, the number of votes resulting from the fact, and the percentage share in the overall number of votes at the General Meeting.

<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>QUERCUS TFI S.A. *</td>
<td>958 909 9,59%</td>
<td>958 909 9,59%</td>
</tr>
<tr>
<td>OFE PZU Złota Jesień</td>
<td>950 000 9,50%</td>
<td>950 000 9,50%</td>
</tr>
<tr>
<td>Others, possessing less 5% of the overall number of votes</td>
<td>3 091 091 30,91%</td>
<td>3 091 091 30,91%</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 ParasolowySFIO, QUERCUS Absolute Return FIZ and QUERCUS Absolutnego Zerotu FIZ, managed by QUERCUS TFI S.A.
9) Indication of the owners of any securities, which provide special control rights, together with the description of the rights.

The Company has not issued any securities granting special control rights. The shareholders do not possess any other rights of vote than those resulting from possession of the Company’s shares.

10) Indication of any restrictions referring to the right of vote.

No additional restrictions on the right of voting – other than those resulting from the legal regulations in force – stem from either the regulatory documents of the Company organs, or from the Company Articles.

11) Indication of any restrictions concerning the transfer of the Issuer`s securities` property rights.

In relation with the fact, that the Company’s a vista shares are admitted to the public trading, all possible restrictions concerning the transfer of property rights of the securities result from the general legal stipulations.

KRAKCHEMIA S.A. Board

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

Kraków, March 5, 2012