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KRAKCHEMIA SA

**FINANCIAL STATEMENT FOR
THE FOURTH QUARTER OF YEAR 2008**

- Krakow, 12 February 2009 -

KRAKCHEMIA S.A.



based in Kraków, ul. Plk. Dąbka 10, registered in the Entrepreneurs Register of the National Court Register by the Regional Court for Kraków Śródmieście in Kraków, XI Economic Department of the National Court Register under the entry 0000217348
NIP (Tax Identification Number) 945-19-23-562 Initial Capital - : 10 000 000 - entirely covered.

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Notes displayed on pages 7-24 constitute an integral part of the financial statement

KRAKCHEMIA SA –FINANCIAL STATEMENT FOR THE FOURTH QUARTER OF YEAR 2008

(all amounts are expressed in k PLN, unless stated otherwise)

PROFIT AND LOSS ACCOUNT

	Note	From 01.10.2008 to 31.12.2008	From 01.01.2008 to 31.12.2008	From 01.10.2007 to 31.12.2007	From 01.01.2007 to 31.12.2007
Revenues from sale	6	69 852	313 524	72 663	279 331
Cost of sale	7	(68 966)	(309 494)	(72 356)	(276 653)
Profit on sale		886	4 030	307	2 678
Revenues/costs on investments	8	2	11	1 110	1 110
Other operating costs/revenues	9	142	295	395	622
Operating profit		1 030	4 336	1 812	4 410
Financial costs	10	(261)	(1 085)	(145)	(894)
Profit before taxation		769	3 251	1 667	3 516
Income tax		(161)	(669)	(328)	(697)
Net profit		608	2 582	1 339	2 819
Including:					
Profit attributable to Company's shareholders		608	2 582	1 339	2 819
Profit from the continued activity per share, attributable to the Company shareholders during the period (in PLN per share)					
basic	11	0,06	0,26	0,21	0,44
diluted	11	0,06	0,26	0,21	0,44

Notes displayed on pages 7-24 constitute an integral part of the financial statement

KRAKCHEMIA SA –FINANCIAL STATEMENT FOR THE FOURTH QUARTER OF YEAR 2008
(all amounts are expressed in k PLN, unless stated otherwise)

BALANS SHEET

	Note	As at 2008-12-31	As at 2007-12-31
ASSETS			
Fixed assets			
Property, plant and equipment	12	3 959	4 099
Investment properties	13	2 211	2 211
Intangible assets	14	10 800	10 828
Financial assets			
Financial assets available for sale	16.3	-	38
Trade receivables and other receivables	16.1	139	140
Total financial assets		139	178
Total fixed assets		17 109	17 316
Current assets			
Inventories	15.1	17 010	24 950
Financial assets			
Trade receivables and other receivables	16.1	63 053	62 597
Receivables of current income tax		-	8
Other financial assets in their fair value recognized in the financial result	16.2	221	-
Cash and cash equivalents	16.4	6 697	756
Total financial assets		69 971	63 361
Total current assets		86 981	88 311
TOTAL ASSETS		104 090	105 627
EQUITY			
Share capital	17	38 843	38 843
Retained earnings	19	9 980	7 398
Total equity		48 823	46 241
LIABILITIES			
Long term liabilities			
Financial liabilities – loans and bank loans	20.1	14 826	220
Total financial liabilities		14 826	220
Deferred income tax liabilities		455	384
Provisions for other liabilities and charges		55	49
Total long term liabilities		15 336	653
Short term liabilities			
Financial liabilities			
Trade liabilities and other liabilities	20.2	26 717	41 285
Liabilities due to current income tax		84	-
Borrowings and loans	20.1	13 121	17 378
Total financial liabilities		39 922	58 663
Other liabilities at their fair value settled through financial result	21	-	43
Provisions for other liabilities and charges		9	27
Total short term liabilities		39 931	58 733
Total liabilities		55 267	59 386
TOTAL EQUITY AND LIABILITIES		104 090	105 627

Notes displayed on pages 7-24 constitute an integral part of the financial statement

STATEMENT OF CHANGES IN EQUITY

	For company's shareholders			Total equity
	Share capital	Other capital	Undivided profits	
Balance as at 1 January 2007	5 000	(184)	4 579	9 395
Net profit for the period 01-01-2007 to 31-12-2007	-	-	2 819	2 819
Total revenues recognized during 12 months of 2007	-	-	2 819	2 819
Revenues from issue of shares	5 000	30 000	-	35 000
Cost of entering the stock exchange	-	(973)	-	(973)
Balance as at 31 December 2007	10 000	28 843	7 398	46 241
 Balance as at 1 January 2008	 10 000	 28 843	 7 398	 46 241
Net profit for the period 01-01-2008 to 31-12-2008	-	-	2 582	2 582
Total revenues recognized during 12 months of 2008	-	-	2 582	2 582
Balance as at 31 December 2008	10 000	28 843	9 980	48 823

Notes displayed on pages 7-24 constitute an integral part of the financial statement

CASH FLOW STATEMENT

	Note	From 01.10.2008 to 31.12.2008	From 01.01.2008 to 31.12.2008	From 01.10.2007 to 31.12.2007	From 01.01.2007 to 31.12.2007
Cash flow from operating activities					
Cash inflows from operating activities	24	(717)	(1 920)	(18 560)	(21 855)
Paid income tax		(47)	(506)	(128)	(453)
Net cash flow from operating activities		(764)	(2 426)	(18 688)	(22 308)
Cash flow from investments					
Purchase of plant, property and equipment		(18)	(534)	(23)	(344)
Cash inflows from the sale of plant, property and equipment		-	71	-	42
Purchase of intangible assets		(1)	(110)	-	(5)
Purchase of financial assets in related entities		-	-	-	(11 613)
Purchase of assets available for sale		-	(1 515)	-	-
Cash inflows from the sale of financial assets		-	1 490	-	-
Interests charged		342	605	206	206
Net cash flow from investments		323	7	183	(11 714)
Cash flow from financial activities					
Cash inflows from the issue of ordinary shares		-	-	96	34 026
Loans and borrowings received		-	-	-	10 000
Repayment of liabilities (financial lease)		(39)	(172)	(61)	(167)
Repayment of loans and borrowings		-	-	(10 000)	(22 200)
Interests paid		(607)	(1 850)	(237)	(1 136)
Net cash flow from financial activities		(646)	(2 022)	(10 202)	20 523
Net (decrease)/increase of cash and overdraft balance on the bank account in given period		(1 087)	(4 441)	(28 707)	(13 499)
Cash and overdraft balance on the bank account at the beginning of the accounting period	16.4	(19 786)	(16 432)	12 275	(2 933)
Cash and overdraft balance on the bank account at the end of the accounting period	16.4	(20 873)	(20 873)	(16 432)	(16 432)

Notes displayed on pages 7-24 constitute an integral part of the financial statement

I. GENERAL INFORMATION

KRAKCHEMIA S.A. seated in Krakow ul. Płk.Dąbka 10 was established as the result of restructuring KrakChemia-Hurt limited liability company into public listed company by the resolution on reconstruction dated 2 September 2004 by Stakeholders of KrakChemia-Hurt limited liability company.

The Company was entered into the National Court Register – the Register of Business at 1st October 2004 with the number 0000217348 under the name KrakChemia – Hurt S.A. Resolution of the Supervisory Board from 5th November 2004 changed the Company's name into KRAKCHEMIA S.A. The change in the name was entered into Register at 16 November 2004.

The Company continues the business activity of KrakChemia-Hurt Sp. z o.o. registered at 24 August 2000 in the District Court for Krakow-Śródmieście with the number RH/B 9660, on the basis of a Notarial Deed drawn up on 18 July 2000 - Rep. A nr 5393/2000. At 19 September 2001 The Company KrakChemia-Hurt Sp. z o.o. was entered into the National Court Register with number 0000045313 and deleted from the Register at 30 September 2004 due to transformation into public listed company.

Name : KRAKCHEMIA SA
Registered seat : Kraków, Polska
Address : 30-832 Kraków, ul. Płk.Dąbka 10
tel. +48(12) 652 20 00
fax. +48(12) 652 20 01
e-mail : info@krakchemia.pl

Statistical Identification Number (REGON) : 357220430
Tax Identification Number (NIP) : 945-192-35-62
National Court Register (KRS) : 0000217348
Equity : PLN 10 000 000,00

Auditor : Kancelaria Biegłych Rewidentów „KONTO” Sp. z o.o.

Board:

Chairperson	- Andrzej Zdebski
Vice Chairperson	- Bogdan Wrześniak
Vice Chairperson	- Włodzimierz Oprzędek

Supervisory Board:

President of Supervisory Board	- Jerzy Mazgaj
Vice President of Supervisory Board	- Grzegorz Pilch
Supervisory Board Member	- Mariusz Wojdon
Supervisory Board Member	- Grzegorz Hajdarowicz
Supervisory Board Member	- Konrad Hernik

KRAKCHEMIA SA is related party of Capital Group ALMA MARKET SA
KRAKCHEMIA SA is listed on the Warsaw Stock Exchange In Warsaw SA

Parent Company:

Company name : Alma Market Spółka Akcyjna
Registered seat : Kraków, Polska
Address : 30-964 Kraków, ul. Pilotów 6
tel. +48(12) 627 63 20
fax. +48(12) 627 61 65

Notes displayed on pages 7-24 constitute an integral part of the financial statement

Statistical Identification Number (REGON)	: 350511695
Tax Identification Number (NIP)	: 676-001-67-31
National Court Register (KRS)	: 0000019474
Equity	: 5 428 990,00zł.

ALMA MARKET SA is listed on the Warsaw Stock Exchange in Warsaw SA.

2. ACCOUNTING POLICIES ADOPTED IN PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENT FOR IV QUARTER OF 2008.

The financial statement for the fourth quarter of 2008 was prepared based on International Financial Reporting Standards (IFRS) approved by European Union and valid as at the day of the financial statement preparation. The following standards were not adopted: IFRS 4 – The Company does not deal with the insurance contracts, IAS 11 - The Company does not realize the construction contracts, IAS 41 – Company does not perform agriculture activity.

The financial statement shall be considered approved by the Board in the day, when all members of the Parent Company Board of Directors sign them.

If after the preparation of financial statements the Company receives information on circumstances with material impact on these financial statements, Management Board of KRAKCHEMIA SA is authorized to introduce adjustments up until the date of the financial statements' approval by General Shareholders' Meeting. It does not exclude possibility to introduce any adjustments with retrospective effect when required by IAS 8.

Financial statement has been based on the memorial principle and assumption that the Company will continue its business activity in the foreseeable future.

Main accounting principles adopted by the Company are the following:

1. The financial year adopted by the Company corresponds to the calendar year.
2. During the financial year there are interim financial periods, which match up to:
 - One-month interim– to map the bookkeeping in the detailed register with the entries on the synthetic accounts.
 - Quarter and half-year interim – to value assets and liabilities and to calculate the financial results in accordance with adopted accounting policy.
3. Profit and loss account is prepared along with functional layout.
4. Cash flow is prepared in line with the indirect method.
5. According to the adopted accounting policy the Company applies the methods described in IAS/IFRS, as well as the rule of reliable and functional presentation of the financial statement.
6. Currency – PLN.
7. Evidence and settlement of costs, rules related to organizing and conducting inventory taking, rules related to valuation of assets and liabilities, adopted procedures and data protection principles due for software applied by the Company - are regulated by the separate unified instructions - "Accounting Policy"

Notes displayed on pages 7-24 constitute an integral part of the financial statement

8. Rules on preparing, circulation as well as control of accounting documents are set in the distinct operating instructions.

Preparing the financial statements in accordance with IAS/IFRS required adopting some assumptions and estimates, which had an impact both on the presented values of assets and liabilities, and on the presented income and expenses for the financial period. Accounting principles adopted on estimation and preparation of financial statement are described in details in the course of the financial statement.

Despite the fact that the estimates and assumptions were made in accordance with the Management Board's best knowledge of the current events and operations, the actual events may differ from the assessments.

3. BUSINESS SEGMENT INFORMATION

As at 31 December 2008 KRAKCHEMIA SA engages in one business sector, i.e. wholesale trade of chemical products on the territory of Poland. Bearing in mind the above, the Company does not distinguish the business segments neither with regard to industry nor with regard to location.

4. CONSOLIDATION AND MERGING OF BUSINESS UNITS

On 7 August 2007 KRAKCHEMIA S.A. purchased 100% equity of Maximex Sp. z o.o. on that day, according to IFRS 3 the economic consolidation took place.

On 29 August 2008 Maximex Sp. z o.o. was legally acquired by KRAKCHEMIA SA.

On 9 October District Court for Warsaw – City in Warsaw deleted Maximex Sp. z o.o. from National Court Register.

KRAKCHEMIA SA according to IFRS 3 adjusted valuation of the fair value of acquired company Maximex Sp. z o.o. as for the day of economic merger i.e. 7 August 2007.

Changes in fair value of acquired assets, which equal to changes in a fair value of the acquired company, are displayed below.

Acquired net assets and goodwill equal to:

	There is	Adjustment	There was
Amount paid			
Cash paid	11 500	-	11 500
Costs directly linked to purchase	290	-	290
Total payment	11 790	-	11 790
Fair value of net assets	2 716	(271)	2 445
Goodwill	9 074	271	9 345

Notes displayed on pages 7-24 constitute an integral part of the financial statement

KRAKCHEMIA SA –FINANCIAL STATEMENT FOR THE FOURTH QUARTER OF YEAR 2008

(all amounts are expressed in k PLN, unless stated otherwise)

	There is	Adjustment	There was
FIXED ASSETS			
Property, plant and equipment	2 198	-	2 198
Financial asset available for sale	38	-	38
Assets due to deferred income tax	116	59	175
Trade receivables and other receivables	140	-	140
CURRENT ASSETS			
Inventories	2 425	-	2 425
Trade receivables and other receivables	15 138	(330)	14 808
Receivables due to the current income tax	50	-	50
Cash and cash equivalents	177	-	177
Long term liabilities			
Loans and bank loans	(16)	-	(16)
Deferred income tax liabilities	(147)	-	(147)
Provisions for other liabilities and charges	(27)	-	(27)
Short term liabilities			
Trade liabilities and other liabilities	(13 578)	-	(13 578)
Loans and bank loans	(3 788)	-	(3 788)
Provisions for other liabilities and charges	(10)	-	(10)
Purchased net assets	2 716	(271)	2 445
Amount paid in cash	11 790	-	11 790
Acquired cash	(177)	-	(177)
Cash outflow due to purchase	11 613		11 613

5. INFORMATION ON ADJUSTMENTS

In order to assure comparability of displayed financial data some changes resulting from changes in a fair value of the company were made. The said changes did not influence either revenues or net profit or equity.

Notes displayed on pages 7-24 constitute an integral part of the financial statement

KRAKCHEMIA SA –FINANCIAL STATEMENT FOR THE FOURTH QUARTER OF YEAR 2008

(all amounts are expressed in k PLN, unless stated otherwise)

	As at 2007-12-31		
	There was	There was	There was
ASSETS			
Fixed assets			
Property plant and equipment	4 099	-	4 099
Investment properties	2 211	-	2 211
Intangible assets	11 099	(271)	10 828
Financial assets			
Financial assets available for sale	38	-	38
Trade receivables and other receivables	140	-	140
Total financial assets	17 587	(271)	178
Total fixed assets	17 587	(271)	17 316
Current assets			
Inventories	24 950	-	24 950
Financial assets			
Trade receivables and other receivables	62 267	330	62 597
Receivables due to current income tax	8	-	8
Cash and cash equivalents	756	-	756
Total financial assets	87 981	330	63 361
Total current assets	87 981	330	88 311
TOTAL ASSETS	105 568	59	105 627
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	38 843	-	38 843
Retained earnings	7 398	-	7 398
Total equity	46 241	-	46 241
LIABILITIES			
Long term liabilities			
Financial liabilities – loans and bank loans	220	-	220
Total financial liabilities	220	-	220
Deferred income tax liabilities	325	59	384
Provisions for other liabilities and charges	49	-	49
Total long term liabilities	594	59	653
Short term liabilities			
Financial liabilities			
Trade liabilities and other liabilities	41 285	-	41 285
Borrowings and loans	17 378	-	17 378
Total financial liabilities	58 663	-	58 663
Other liabilities in their fair value recognized in financial result	43	-	43
Provisions for other liabilities and charges	27	-	27
Total short term liabilities	58 733	-	58 733
Total liabilities	59 327	59	59 386
TOTAL EQUITY AND LIABILITIES	105 568	59	105 627

Adjustments – explanation:

Adjustment by the fair value of acquired assets.

Notes displayed on pages 7-24 constitute an integral part of the financial statement

KRAKCHEMIA SA –FINANCIAL STATEMENT FOR THE FOURTH QUARTER OF YEAR 2008

(all amounts are expressed in k PLN, unless stated otherwise)

6. SALES REVENUES

	From 01.10.2008 to 31.12.2008	From 01.01.2008 to 31.12.2008	From 01.10.2007 to 31.12.2007	From 01.01.2007 to 31.12.2007
Retail sale of commodities and materials	26	165	79	309
Wholesale of commodities and materials	69 705	312 927	72 613	278 377
Sale of services	121	432	(29)	645
Total, revenues from sales	69 852	313 524	72 663	279 331

7. COSTS

	From 01.10.2008 to 31.12.2008	From 01.01.2008 to 31.12.2008	From 01.10.2007 to 31.12.2007	From 01.01.2007 to 31.12.2007
Cost of sold commodities and materials	65 525	296 351	69 112	265 946
Operating costs			0	
- Cost of sales and marketing	2 460	9 428	2 260	7 745
- Administrative costs	981	3 715	984	2 962
Total costs	68 966	309 494	72 356	276 653

Operating costs by types

	From 01.10.2008 to 31.12.2008	From 01.01.2008 to 31.12.2008	From 01.10.2007 to 31.12.2007	From 01.01.2007 to 31.12.2007
Depreciation of fixed assets, amortization of intangibles, accumulated depreciation due to loss in value of investment properties	238	912	215	732
Cost of employment benefits	1 239	4 986	1 188	4 205
Change in balance of inventories, products and advance payments/provisions	(45)	11	56	4
Use of raw materials and materials	1 080	4 399	994	3 357
Services purchased	1 459	5 788	1 476	4 833
Taxes and other charges	36	160	46	153
Other costs	154	576	167	389
	4 161	16 832	4 142	13 673

8. REVENUES / COSTS ON INVESTMENTS

	From 01.10.2008 to 31.12.2008	From 01.01.2008 to 31.12.2008	From 01.10.2007 to 31.12.2007	From 01.01.2007 to 31.12.2007
Revenues from lease agreements	2	11	3	3
Profit/loss of investments properties fair value changes	-	-	1107	1107
Revenues / costs on investments	2	11	1 110	1 110

Notes displayed on pages 7-24 constitute an integral part of the financial statement

KRAKCHEMIA SA –FINANCIAL STATEMENT FOR THE FOURTH QUARTER OF YEAR 2008

(all amounts are expressed in k PLN, unless stated otherwise)

9. OTHER NET OPERATING REVENUES AND COSTS

	From 01.10.2008 to 31.12.2008	From 01.01.2008 to 31.12.2008	From 01.10.2007 to 31.12.2007	From 01.01.2007 to 31.12.2007
Profit on sale of fixed assets	(3)	(20)	(1)	13
Other profits/loss on changes in a fair value	133	428	481	828
Losses on exchange rate differences	1	14	(7)	(17)
Other profits and losses	11	(127)	(78)	(202)
	142	295	395	622

10. FINANCIAL COSTS - NET

	From 01.10.2008 to 31.12.2008	From 01.01.2008 to 31.12.2008	From 01.10.2007 to 31.12.2007	From 01.01.2007 to 31.12.2007
Profit on sale of financial assets	-	107	18	6
Cost of interests:				
- due to bank loans and borrowings	(596)	(1 785)	(219)	(1 085)
- due to leasing	(8)	(29)	(6)	(21)
Revenue from interests on short – term bank deposits	343	622	62	206
	(261)	(1 085)	(145)	(894)

11. EARNINGS PER SHARE

The basic earnings per share on continued operations are calculated as the product of the profit on continued operations attributable to the Company's equity holders divided by the weighted average number of ordinary shares during the reporting period.

	From 01.10.2008 to 31.12.2008	From 01.01.2008 to 31.12.2008	From 01.10.2007 to 31.12.2007	From 01.01.2007 to 31.12.2007
Profit (loss) on continued operations attributable to the Company's equity holders	608	2 582	1 339	2 819
Weighted average number of ordinary shares (in thousands)	10 000	10 000	6 356	6 356
Basic earnings per share on continued operations (in PLN per share)	0,06	0,26	0,21	0,44

Calculation of earnings per share on continued operations

The Company continued its activity during the fourth quarter of 2008

- earnings per share on continued operations in year 2008 = PLN 2 581 329,98zł/10 000 000 shares = PLN 0,26
- earnings per share on continued operations in 2007 = PLN 2 818 578,21/ 6 356 164 shares = PLN 0,44

Weighted average number of shares (in thousands) of KRAKCHEMIA SA from 1 January to 31 December 2008 amounted to **10 000 thousand**.

Weighted average number of shares (in thousands) of KRAKCHEMIA SA from 1 January to 31 December 2007 amounted to **6 356 thousand**

Diluted

There is no dilution of shares in either 2008 or 2007.

Notes displayed on pages 7-24 constitute an integral part of the financial statement

KRAKCHEMIA SA –FINANCIAL STATEMENT FOR THE FOURTH QUARTER OF YEAR 2008

(all amounts are expressed in k PLN, unless stated otherwise)

12. PROPERTY PLANT AND EQUIPMENT

	Buildings and structures	Plant and Machinery	Vehicles	Furniture, equipment and fixtures	Fixed assets under construction	Total
from 01.01 to 31.12.2007						
Net book value as at the beginning of the period	574	408	772	140	45	1 939
Increases	14	217	351	21	6	609
Transfer	-	-	45	-	(45)	-
Acquisition of related party	1 769	14	403	12	-	2 198
Sale	-	-	(167)	-	-	(167)
Scrapping	(1)	(24)	1	-	-	(24)
Depreciation	(88)	(177)	(308)	(44)	-	(617)
Decrease in accumulated depreciation due to sale	-	-	141	-	-	141
Decrease in accumulated depreciation due to scrapping	-	20	-	-	-	20
Net book value as at 31.12.2007	2 268	458	1 238	129	6	4 099
As at 31.12.2007						
Cost or measurement value (gross)	2 440	1 079	2 319	575	6	6 419
Accumulated depreciation	(172)	(621)	(1 081)	(446)	-	(2 320)
Net book value	2 268	458	1 238	129	6	4 099
Period from 01.01 to 31.12.2008						
Net book value as at the beginning of the period	2 268	458	1 238	129	6	4 099
Increases	109	50	424	14	127	724
Transfers	3	-	-	3	(6)	-
Sale	-	-	(227)	-	-	(227)
Scrapping	(6)	(20)	-	-	-	(26)
Depreciation	(128)	(184)	(419)	(48)	-	(779)
Decrease in accumulated depreciation due to sale	-	-	152	-	-	152
Decrease in accumulated depreciation due to scrapping	2	14	-	-	-	16
Net book value as at 31.12.2008	2 248	318	1 168	98	127	3 959
As at 31.12.2008						
Cost or measurement value (gross)	2 546	1 109	2 516	592	127	6 890
Accumulated depreciation	(298)	(791)	(1 348)	(494)	-	(2 931)
Net book value	2 248	318	1 168	98	127	3 959

Depreciation was increased by:

	From 01.10.2008 to 31.12.2008	From 01.01.2008 to 31.12.2008	From 01.10.2007 to 31.12.2007	From 01.01.2007 to 31.12.2007
Cost of production	15	61	18	64
Sale and marketing expenses	144	482	167	426
Administrative costs	45	236	1	127
Total	204	779	186	617

Settlements due to sale and purchase of fixed assets

	As at 2008-12-31	As at 2007-12-31
Contingent receivables due to purchase of the fixed assets	-	(15)
Liabilities / receivables net	-	(15)

Notes displayed on pages 7-24 constitute an integral part of the financial statement

13. INVESTMENT PROPERTY

According to the provisions of the accounting standard, investment property means:

1. Lands or perpetual usufruct of the land, maintained due to an increase in their value, currently without specification of intended use.
2. Lands or perpetual usufruct of the land, where is planned the construction of buildings intended for lease (operating lease).
3. Leased buildings (under operating leasing) or the building currently not exploited by the company but intended to be leased (operating leasing).
4. Buildings exploited under the lease agreement, classified as the financial lease agreement, intended to be leased under operating leasing.

Buildings under construction or adjustments, which are to be treated as investment properties are not displayed in his position. Initial valuation is based on the purchase value (price + costs directly associated with the purchase transaction) or on the manufacturing cost (cost set on the day of construction ending and on the day of authorization to use).

Transaction costs, which might be additionally born by the company, future investments due to improvement or amelioration of the property, as well as future benefits from the said investments are not taken into account for the valuation of the fair value.

A fair value of land (or perpetual usufruct of land) is set – above all – based on the current process of the comparable investment properties on the real estate market. Verification of the fair value calculated for every ground investment property is conducted at least once a year, on the balance sheet date, unless there appear economic events, which substantially influence on the said fair value. Verification of the fair value calculated for every ground investment property (which is intended to be subleased) is conducted at least at the end of every year, unless there appear economic events, which substantially influence on the said fair value.

In the above table the position “buildings” represents the fair value of the investment property at the value of PLN 2 211 thousand., valued on the basis of the valuation survey prepared by the licensed property expert Mr Paweł Szmajda, number of license 1682.

Fair value of investment property as at 31.12.2008 is the following:

	Buildings	Total
	-	-
Period from 01.01 to 31.12.2007		
Net book value as at 01.01.2007	-	-
Acquisition of the related party	1 104	1 104
Increase/ decrease during 12 months of 2007	1 107	1 107
Net book value as at 31.12.2007	2 211	2 211
Period from 01.01 to 31.12.2008		
Net book value 01.01.2008	2 211	2 211
Net book value 31.12.2008	2 211	2 211

Notes displayed on pages 7-24 constitute an integral part of the financial statement

14. INTANGIBLE ASSETS AND INVESTMENTS IN SUBSIDIARIES

Intangible assets

	Goodwill	Trade marks and licenses	Other	Total
Period from 01.01 to 31.12.2007				
Net book value as at 01.01.2007	-	1 864	-	1 864
Increase due to merger	9 074	-	-	9 074
Increases	-	5	-	5
Accumulated depreciation	-	(115)	-	(115)
Net book value as at 31.12.2007	9 074	1 754	-	10 828
As at 31 December 2007				
Cost or measurement value (gross)	9 074	2 283	2 080	13 437
Accumulated depreciation and write-downs	-	(529)	(2 080)	(2 609)
Net book value as at 31.12.2007	9 074	1 754	-	10 828
Period from 01.01 to 31.12.2008				
Net book value as at 01.01.2008	9 074	1 754	-	10 828
Other increases	-	110	-	110
Scrapping	-	(10)	-	(10)
Accumulated depreciation	-	(133)	-	(133)
Decrease in accumulated depreciation due to sale	-	5	-	5
Net book value as at 31.12.2008	9 074	1 726	-	10 800
As at 31 December 2008				
Cost or measurement value (gross)	9 074	2 383	2 080	13 537
Accumulated depreciation and write-downs	-	(657)	(2 080)	(2 737)
Net book value as at 31.12.2008	9 074	1 726	-	10 800

Depreciation was increased by:

	From 01.10.2008 to 31.12.2008	From 01.01.2008 to 31.12.2008	From 01.10.2007 to 31.12.2007	From 01.01.2007 to 31.12.2007
Sales and marketing expenses	-	1	1	1
Administrative expenses	34	132	28	114
Total	34	133	29	115

15. CURRENT ASSETS

15.1 INVENTORIES

	As at 2008-12-31	As at 2007-12-31
Materials	-	8
Goods for sale	17 010	24 942
	17 010	24 950

As the security of the loan granted for inventories (goods for sale) the Company issued cession amounting to PLN 2 550 thousand for the benefit of BRE Bank and PLN 15 thousand for the benefit of PKO BP.

Notes displayed on pages 7-24 constitute an integral part of the financial statement

16. FINANCIAL ASSETS

16. 1 TRADE RECEIVABLES AND OTHER RECEIVABLES

	As at 2008-12-31	As at 2007-12-31
Trade receivables	63 549	61 519
Minus: write-downs of receivables	(1 419)	(1 265)
Trade receivables – net	62 130	60 254
Other receivables net	421	1 748
Advance payments	379	400
Prepayment settlements	236	236
Receivables from related entities	26	99
	63 192	62 737
Minus: long term part – prepayment settlements	(139)	(140)
Short term part	63 053	62 597
Long term part: prepayment settlements	139	140
Balance sheet position of long term receivables	139	140

Balance sheet values are approximate to the fair values.

On receivables from some contracting parties there is set a cession as a loan security. Receivables covered by cession are as follows:

KRAKCHEMIA SA :

31-12-2008: PLN 31 356 thousand utilized loan – PLN 27 553 thousand; 31-12-2007: PLN 22 607 thousand utilized loan – PLN 13 338 thousand;

Write-downs on receivables

Reversal of impairment losses of receivables

	Period from 01-01- 2008 to 31-12- 2008	Period from 01-01- 2007 to 31-12- 2007
As at 01 January	1 265	927
Acquisition of related entity		792
- for trade receivables - overdue	743	726
- for other overdue receivables	119	-
Total increase in write-downs	862	1 518

Reversal of impairment losses of receivables

	Period from 01-01- 2008 to 31-12- 2008	Period from 01-01- 2007 to 31-12- 2007
- for trade receivables, overdue - payment	(243)	(898)
- for trade receivables, overdue - payment - utilization of write-downs	(346)	(282)
Total decrease in write-downs	(589)	(1 180)

“Trade receivables” displayed above concern receivables for the goods sold by the Company.

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KRAKCHEMIA SA –FINANCIAL STATEMENT FOR THE FOURTH QUARTER OF YEAR 2008
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The Company purchased the right to perpetual usufruct of land situated in Plock, owned by the Treasury. The said right is valid until 05.12.2089.

Cost of purchase of the right to perpetual usufruct is treated as pre payment of the future lease payments and is displayed in settlements as an advance payment. The said right is settled by use of flat depreciation rate till the moment of the right's termination.

	Period from 01-01- 2008 to 31-12- 2008	Period from 01-01- 2007 to 31-12- 2007
Below one year	2	2
From one to five years	7	7
Above	131	131
Total	140	140

16. 2 OTHER FINANCIAL ASSETS IN THE FAIR VALUE RECOGNIZED IN THE FINANCIAL RESULT

	Period from 01-01-2008 to 31-12-2008	Period from 01-01-2007 to 31-12-2007
Foreign exchange derivatives		
- securing the fair value	221	-
Short term part	221	-

Financial derivatives result from the valuation of the fair value of the forward contracts conducted by the Company in order to secure the payments of liabilities expressed in the foreign currencies. Contracts are valued as at the day of the financial statement preparation, in their fair value estimated by the bank, which carried the transaction. On December 31, 2008 following the assessment of the fair value of open forward transactions, the Company achieved the profit of 221 thousand zlotych. The profits therefrom are presented in the profit and loss account, the entry „other operating cost/revenues”.

16.3 FINANCIAL ASSETS AVAILABLE FOR SALE

	As at 2008-12-31	As at 2007-12-31
At the beginning of the period	38	-
Acquisition of related entity/subsidiary		38
Increases	1 515	-
Decreases	(1 553)	-
At the end of the period	-	38
Long term part	-	-

16.4 CASH AND CASH EQUIVALENTS

	As at 2008-12-31	As at 2007-12-31
Cash in hand and at bank	80	735
Short term bank deposits	6 617	-
Cash in transit	-	21
	6 697	756

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KRAKCHEMIA SA –FINANCIAL STATEMENT FOR THE FOURTH QUARTER OF YEAR 2008

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For the purpose of a cash flow preparation, cash and loan on the current account include:

	As at 2008-12-31	As at 2007-12-31
Cash and cash equivalents	6 680	756
Overdraft on the bank account	(27 553)	(17 188)
	(20 873)	(16 432)

Effective interest rate of the short term bank deposit equals to 6,45% .

17. SHARE CAPITAL

	Number of shares (in thousands)	Nominal value of shares	Share premium	Total
As at 01 January 2007	5 000	5 000	-	5 000
Revenue from the issue of shares	5 000	5 000	30 000	35 000
Cost of introduction of new shares on the stock exchange	-	-	(1 157)	(1 157)
As at 31 December 2007	10 000	10 000	28 843	38 843
As at 01 January 2008	10 000	10 000	28 843	38 843
As at 31 December 2008	10 000	10 000	28 843	38 843

The share capital comprises of the following categories:

1. The equity

As at 31.12.2008 the Company's share capital amounts to PLN 10 000 thousand and consists of 10 000 000 entirely paid up shares of the following two series:

- A-series shares consisting of 5 000 000 ordinary bearer shares with a nominal value of PLN 1 each;
- B-series shares consisting of 5 000 000 ordinary bearer shares with a nominal value of PLN 1 each;

During the 12 months ended 31 December 2008 number of shares has not been changed.

Shareholders who hold at least 5% of voting rights at the General Shareholders' Meeting of KRAKCHEMIA SA (directly or indirectly) in accordance with the information held by the Company.

As at 12.02.2009

Shareholders	Number of shares and % of total shares		Number of votes at GSM and % of votes at GSM	
ALMA MARKET SA	5 000 000	50,00%	5 000 000	50,00%
Piecka Sławomir	1 500 000	15,00%	1 500 000	15,00%
OFE PZU Złota Jesień	950 000	9,50%	950 000	9,50%
Others owning less than 5% of shares	2 550 000	25,50%	2 550 000	25,50%
Total number of the Company's shares and the respective voting rights.	10 000 000	100,00%	10 000 000	100,00%

2. Share premium in the amount of PLN 28 843 thousand.

Notes displayed on pages 7-24 constitute an integral part of the financial statement

KRAKCHEMIA SA –FINANCIAL STATEMENT FOR THE FOURTH QUARTER OF YEAR 2008

(all amounts are expressed in k PLN, unless stated otherwise)

18. OTHER RESERVES

	Capital form investments available for sale	Capital element due to recognition of costs born in connection to planned shares issuance	Total
as at 1 January 2007	-	(184)	(184)
- costs born in connection to planned shares issuance	-	184	184
As at 31 December 2007	-	-	-
As at 1 January 2008	-	-	-
Update of gross financial investments' valuation	(3)	-	(3)
Update of financial investments' valuation – deferred income tax	1	-	1
Transfer to profit and loss account	3	-	3
Tax on transfers on profit and loss account	(1)	-	(1)
As at 31 December 2008	-	-	-

In the position "Capital element due to recognition of costs of the planned shares issuance", the amount of PLN 184 thousand, due to the costs of entering the Warsaw Stock Exchange was settled with the share premium. The said amount decreased the share capital related to the share surplus.

19. RETAINED EARNINGS

	Retained earnings to the amount of 1/3 of the share capital	Other profits	Total
Balance as at January 2007	200	4 379	4 579
- Net profit for the period from 01-01-2007 to 31-12-2007	142	2 677	2 819
Balance as at 31 December 2007	342	7 056	7 398
Balance as at 1 January 2008	342	7 056	7 398
- Net profit for the period from 01-01-2008 to 31-12-2008	-	2 582	2 582
Balance as at 31 December 2008	342	9 638	9 980

In accordance with the Commercial Companies Code and the Companies' Memoranda of Association, reserves for offsetting balance sheet losses have been set up. At least 8% of net profit up to 1/3 of the nominal value of the Company's shares is transferred to the respective reserves.

There are no further restrictions as to the appropriation of retained earnings apart from the above.

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20. FINANCIAL LIABILITIES

20.1 LOANS AND BORROWINGS

	As at 2008-12-31	As at 2007-12-31
Long term		
Bank loans	14 538	-
Liabilities in respect of lease contracts with a purchase option	288	220
	14 826	220
Short term		
Bank loans		
- overdraft on a bank account	13 015	17 188
- accrued interest from bank loans		36
Liabilities in respect of lease contracts with a purchase option	106	154
	13 121	17 378
Total loans and borrowings	27 947	17 598

The maturity structure of long-term and short-term borrowings is presented below

	As at 2008-12-31	As at 2007-12-31
Up to 1 year	13 121	17 378
From 1 year	14 826	220
	27 947	17 598

Struktura walutowa wartości bilansowej kredytów i pożyczek Spółki przedstawia się w sposób następujący:

	As at 2008-12-31	As at 2007-12-31
PLN	27 947	17 598
	27 947	17 598

Effective average interest rate for the overdraft in a current account equaled to:

BRE BANK S.A. 31.12.2008: 6,59%; 31.12.2007: 5,46%;

PKO BP S.A. 31.12.2008: 6,85%; 31.12.2007: 5,34%;

Kredyt Bank S.A. 31.12.2008: 6,48%; 31.12.2007: 4,96%;

Kredyt Bank S.A. discount loan 31.12.2007: 5,08%

As at 31 December 2008 The Company possessed unused, granted overdraft on a current account amounting to PLN 1 247 thousand (31.12.2007: PLN 11 612 thousand)

20.2. TRADE LIABILITIES AND OTHER LIABILITIES

	As at 2008-12-31	As at 2007-12-31
Trade liabilities	25 613	40 728
Social insurance liabilities and other charges	676	151
Other liabilities	106	114
Accruals and deferred expenses	317	289
Liabilities to related entities	5	3
Short term part	26 717	41 285

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21. OTHER FINANCIAL LIABILITIES IN THEIR FAIR VALUE SETTLED THROUGH THE FINANCIAL RESULT

	Period from 01-01-2008 to 31-12-2008	Period from 01-01-2007 to 31-12-2007
Currency derivatives		
- securing a fair value (liabilities)	-	(43)
Short term part	-	(43)

22. TRANSACTIONS WITH RELATED ENTITIES

Information on related entities.

ALMA MARKET S.A. is a Parent Company and owns 50% of shares.

Transactions conducted with related entities:

All transactions performed among related entities were the typical and standard transactions and were executed according to arms' length principle.

I. Net revenues from sale of commodities, services and fixed assets

	Period from 01-01-2008 to 31-12-2008	Period from 01-01-2007 to 31-12-2007
<i>Parent company</i>		
Revenues from the sale of commodities and materials	282	393
Revenues from the sale of services	25	24
	307	417

II Purchase of materials, commodities, services and fixed assets

	Period from 01-01-2008 to 31-12-2008	Period from 01-01-2007 to 31-12-2007
<i>Parent company</i>		
Purchase of materials:	44	1
Purchase of services:	18	44
Costs due to granted warranty	28	440
	90	485

III Remunerations of the key top management

	Period from 01-01-2008 to 31-12-2008	Period from 01-01-2007 to 31-12-2007
Executives (including proxy representatives)	686	597
Supervisors	178	233

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KRAKCHEMIA SA –FINANCIAL STATEMENT FOR THE FOURTH QUARTER OF YEAR 2008

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IV Balance of settlements due to sale/purchase of commodities/services:

	As at 2008-12-31	As at 2007-12-31
<i>Receivables from related parties</i>		
Parent Company	26	99
<i>Liabilities to related entities</i>		
Parent Company	5	3

Loans granted by Parent Company:

	Period from 01.01.2008 to 31.12.2008	Period from 01.01.2007 to 31.12.2007
Beginning of the year	-	12 253
Repayment of granted loans	-	(12 200)
Interests charged during the period	-	90
Interest paid	-	(143)
Balance at the end of the year	-	-

Related entities

The key shareholder of Parent Company (ALMA MARKET SA) is Mr. Jerzy Mazgaj who holds directly or indirectly 1 500 000 shares (27,63%), which translates into 3 329 204 votes (47,63%) at the General Shareholders Meeting.

Through its main shareholder, who is simultaneously a Chairman of the ALMA MARKET S.A. Board, KRAKCHEMIA S.A. is related to the following entities:

1) Name: PARADISE GROUP Sp. z o.o. in Krakow

Paradise Group Sp. z o. o. is a related entity of Alma Market S.A., as ALMA MARKET S.A. owns 100% of units and 100 % of votes at the Shareholders Meeting of Paradise Group Sp. z o.o.

2) Name: „PREMIUM CIGARS” Sp. z o.o. in Krakow

Mr. Jerzy Mazgaj owns 75% of shares and the same percentage of votes at the General Shareholders Meeting of Premium Cigars Sp. z o.o.

In the considered period, KRAKCHEMIA S.A. concluded with Mr. Jerzy Mazgaj solely the transactions related to managing services.

The Parent Company ALMA MARKET S.A. owns 100% of shares in its related entities: ALMA DEVELOPMENT Spółka z o.o., and Krakowski Kredens Sp. z o.o. Consequently KRAKCHEMIA S.A. is a related entity of the above-mentioned companies.

23. CONTINGENT LIABILITIES

Granted loans, guarantees and warranties

	As at 2008-12-31	As at 2007-12-31
- guarantees and warranties granted for the benefit of entities outside the Group	6 800	6 800
Off balance positions	6 800	6 800

Maximex sp. z o.o. issued an aval to the amount of PLN 6 800 thousand. It secured the trade liabilities of Grupa Dystybucyjna „Polimer Centrum” Sp. z o.o. for the benefit of Basell Orlen Polyolefins Sprzedaż Sp. z o.o. On the acquisition date the said aval was passed to KRAKCHEMIA SA.

The Company also claims some receivables due to the loans granted to employees from the Company Social Fund.

The Company does not claim any other receivables resulting from the granted loans (as at the day 31 December 2008).

Notes displayed on pages 7-24 constitute an integral part of the financial statement

24. NET CASH INFLOWS FROM OPERATING ACTIVITIES

	From 01.10.2008 to 31.12.2008	From 01.01.2008 to 31.12.2008	From 01.10.2007 to 31.12.2007	From 01.01.2007 to 31.12.2007
Profit	608	2 582	1 339	2 819
Adjustments:	(1 325)	(4 502)	(19 899)	(24 674)
- Income tax	161	669	328	697
- Depreciation of fixed assets (note 12)	204	779	186	617
- Amortization of intangible assets (note 14)	34	133	29	115
- (profit)/ loss due to sale and scrapping of fixed assets	3	20	2	(13)
- Profits on changes in a fair value of other financial assets stated at fair value (together with profits and losses settled through profit and loss, unrealized)	(199)	(371)	(1 111)	(1 099)
- Interest income	(343)	(622)	(62)	(206)
- Interest expense (note 10)	604	1814	225	1106
Changes in current equity:				
- Inventories	1 051	7 940	(7 750)	(9 820)
- Trade receivables and other receivables	8 231	(455)	(2 898)	(6 940)
- Provisions	17	(12)	(3)	(3)
Trade liabilities and other liabilities	(11 088)	(14 397)	(8 845)	(9 128)
Net cash inflow from operating activities	(717)	(1 920)	(18 560)	(21 855)

Person in charge of preparing the consolidated financial statement



Dorota Widz-Szwarc
Chief Accountant

The Board of KRAKCHEMIA SA


Andrzej Łębski
Chairperson


Bogdan Wrześniak
Vice Chairperson


Włodzimierz Oprzędek
Vice Chairperson

Krakow, 12 February 2009