

**POSITION OF BOARD OF DIRECTORS OF UNIPETROL, A.S. ON SHAREHOLDER  
COUNTER-PROPOSALS OF PAULININO LIMITED**

On 22 May 2017, UNIPETROL, a.s., Company ID No.: 61672190, with its registered office at Prague 4, Na Pankráci 127, Postal Code: 140 00 (“**Unipetrol**”), received from PAULININO LIMITED, a company with registered office at Kyriakou Matsi, 16 EAGLE HOUSE, 8th floor, Agioi Omologites, P.C. 1082, Nicosia, Cyprus, Company ID No.: HE326908 (“**Paulinino**”), the below stated counter-proposals to items no. 4, 7, 8 and 9 on the agenda of the ordinary general meeting of Unipetrol convened to take place on 7 June 2017 (the “**General Meeting**”).

The Board of Directors of Unipetrol discussed the counter-proposals (resolution proposals) submitted by Paulinino in its meeting held on 31 May 2017, acknowledged them and presents below its position thereon.

**I. Counter-Proposal to Item no. 4 on Agenda of General Meeting**

1. Wording of Counter-Proposal

“The General Meeting considers the Report of the Company’s Board of Directors on Business Activities of the Company and State of Its Property for the year of 2016, the Report on Relations between Controlled Party and Controlling Party and Parties Controlled by Same Controlling Party for the year 2016 and the Explanatory Report of the Company’s Board of Directors prepared pursuant to Section 118(9) of Capital Market Business Act to be insufficient.

The General Meeting of the Company instructs the Company’s Board of Directors to supplement and revise without undue delay the Report of the Company’s Board of Directors on Business Activities of the Company and State of Its Property for the year of 2016, conclusions of the Report on Relations between Controlled Party and Controlling Party and Parties Controlled by Same Controlling Party for the year 2016 and the Explanatory Report of the Company’s Board of Directors prepared pursuant to Section 118(9) of Capital Market Business Act, all in a manner reflecting circumstances relating to construction of the PE3 unit and, in particular, the fact that the deadline for completion of the PE3 unit and commencement of its operation are already behind the schedule.”

2. Position of Board of Directors

The Board of Directors of Unipetrol rejects in full the assertions and proposal for instruction to Unipetrol’s Board of Directors contained in the above counter-proposal and concludes that the counter-proposal is unjustified and incorrect both from factual and legal perspective.

The Report of the Board of Directors on Business Activities of the Company and State of Its Property for the year of 2016, the Report on Relations between Controlled Party and Controlling Party and Parties Controlled by Same Controlling Party for the year 2016 and the Explanatory Report prepared pursuant to Section 118(9) of Capital Market Business Act were prepared in compliance with applicable law, are fully sufficient and require no supplements or revisions.

This position of Unipetrol’s Board of Directors is in line with “Report of Independent Auditor for Shareholders of UNIPETROL, a.s.” prepared by KMPG Česká republika Audit, s.r.o. in connection with the audit of the ordinary consolidated financial statements of Unipetrol as of 31 December 2016. In its report, KMPG Česká republika Audit, s.r.o. came to a conclusion that information contained in the consolidated annual report of Unipetrol for the year 2016 (including all three above reports of Unipetrol) was prepared in compliance with applicable law and contains no material factual errors.

Moreover, the Report on Relations for the year 2016 was reviewed by the Supervisory Board of Unipetrol which concluded that the report is in compliance with requirements set forth in the Czech Act on Business Corporations.

For the above reasons, the Board of Directors has adopted a negative position in respect of the above counter-proposal.

## **II. Counter-Proposal to Item no. 4 on Agenda of General Meeting**

### **1. Wording of Counter-Proposal**

“The General Meeting considers the Report of the Company’s Board of Directors on Business Activities of the Company and State of Its Property for the year of 2016, the Report on Relations between Controlled Party and Controlling Party and Parties Controlled by Same Controlling Party for the year 2016 and the Explanatory Report of the Company’s Board of Directors prepared pursuant to Section 118(9) of Capital Market Business Act to be insufficient.

The General Meeting of the Company instructs the Company’s Board of Directors to supplement and revise without undue delay the Report of the Company’s Board of Directors on Business Activities of the Company and State of Its Property for the year of 2016, conclusions of the Report on Relations between Controlled Party and Controlling Party and Parties Controlled by Same Controlling Party for the year 2016 and the Explanatory Report of the Company’s Board of Directors prepared pursuant to Section 118(9) of Capital Market Business Act, all in a manner reflecting a receivable of the Company against its majority shareholder PKN Orlen and the Company’s Board of Directors resulting from the fact that the majority shareholder misuses its influence in the Company so that the Company purchases petroleum exclusively through the majority shareholder who exploits the quantity of the petroleum being delivered to the Company to negotiate with petroleum suppliers quantity discounts compared to market benchmarks whilst such discounts are not reflected in purchase prices for which petroleum is being delivered to the Company, and further from the fact that the Board of Directors, in breach of its duty of due managerial care and loyalty, enabled the majority shareholder to adopt such approach.”

### **2. Position of Board of Directors**

The Board of Directors of Unipetrol rejects in full the assertions and proposal for instruction to Unipetrol’s Board of Directors contained in the above counter-proposal and concludes that the counter-proposal is unjustified and incorrect both from factual and legal perspective.

In view of the Board of Directors, no receivable of Unipetrol against the majority shareholder and the Board of Directors, as referred to in the shareholder’s counter-proposal, exists and Unipetrol does not record any such receivable.

The Report of the Board of Directors on Business Activities of the Company and State of Its Property for the year of 2016, the Report on Relations between Controlled Party and Controlling Party and Parties Controlled by Same Controlling Party for the year 2016 and the Explanatory Report prepared pursuant to Section 118(9) of Capital Market Business Act were prepared in compliance with applicable law, are fully sufficient and require no supplements or revisions.

This position of Unipetrol’s Board of Directors is in line with “Report of Independent Auditor for Shareholders of UNIPETROL, a.s.“ prepared by KMPG Česká republika Audit, s.r.o. in connection with the audit of the ordinary consolidated financial statements of Unipetrol as of 31 December 2016. In its report, KMPG Česká republika Audit, s.r.o. came to a conclusion that information contained in the consolidated annual report of Unipetrol for the year 2016 (including all three above reports of Unipetrol) was prepared in compliance with applicable law and contains no material factual errors.

Moreover, the Report on Relations for the year 2016 was reviewed by the Supervisory Board of Unipetrol which concluded that the report is in compliance with requirements set forth in the Czech Act on Business Corporations.

For the above reasons, the Board of Directors has adopted a negative position in respect of the above counter-proposal.

### **III. Counter-Proposal to Item no. 7 on Agenda of General Meeting**

#### **1. Wording of Counter-Proposal**

„Pursuant to section 8.2 (j) of the Articles of Association, the General Meeting of the Company does not approve the ordinary separate financial statements of the Company as of 31 December 2016.

The General Meeting of the Company instructs the Company’s Board of Directors to prepare without undue delay new separate financial statements of the Company as of 31 December 2016 in all material aspects giving a true view of the Company’s assets, liabilities, equity, financial situation and management as of 31 December 2016, all in a manner reflecting a receivable of the Company against its majority shareholder PKN Orlen and the Company’s Board of Directors resulting from the fact that the majority shareholder misuses its influence in the Company so that the Company purchases petroleum exclusively through the majority shareholder who exploits the quantity of the petroleum being delivered to the Company to negotiate with petroleum suppliers quantity discounts compared to market benchmarks whilst such discounts are not reflected in purchase prices for which petroleum is being delivered to the Company, and further from the fact that the Board of Directors, in breach of its duty of due managerial care and loyalty, enabled the majority shareholder to adopt such approach.”

#### **2. Position of Board of Directors**

The Board of Directors of Unipetrol rejects in full the assertions and proposal for instruction to Unipetrol’s Board of Directors contained in the above counter-proposal and concludes that the counter-proposal is unjustified and incorrect both from factual and legal perspective and, therefore, there is no reason for the Board of Directors of Unipetrol to prepare new separate financial statements as of 31 December 2016.

In view of the Board of Directors, no receivable of Unipetrol against the majority shareholder and the Board of Directors, as referred to in the shareholder’s counter-proposal, exists and Unipetrol does not record any such receivable.

The ordinary separate financial statements of Unipetrol as of 31 December 2016 were prepared in compliance with applicable law based upon international financial reporting standards as adopted by the European Union and give a true and fair view of non-consolidated financial situation of Unipetrol as of 31 December 2016 as well as Unipetrol’s non-consolidated financial performance and non-consolidated cash flow for the year ended 31 December 2016. This conclusion was affirmed by auditor’s unqualified opinion contained in “Report of Independent Auditor for Shareholders of UNIPETROL, a.s.“ prepared by KMPG Česká republika Audit, s.r.o. in connection with the audit of ordinary separate financial statements.

Moreover, the ordinary separate financial statements of Unipetrol as of 31 December 2016 were reviewed by the Supervisory Board of Unipetrol which concluded that the financial statements in all material aspects present the state of Unipetrol’s assets, liabilities, equity, financial situation and management as of 31 December 2016 and recommended to the General Meeting to approve the financial statements. Similarly, the Audit Committee of Unipetrol affirmed that the ordinary separate financial statements of Unipetrol as of 31 December 2016 were prepared in compliance with applicable law.

For the above reasons, the Board of Directors has adopted a negative position in respect of the above counter-proposal.

### **IV. Counter-Proposal to Item no. 7 on Agenda of General Meeting**

#### **1. Wording of Counter-Proposal**

„Pursuant to section 8.2 (j) of the Articles of Association, the General Meeting of the Company does not approve the ordinary separate financial statements of the Company as of 31 December 2016.

The General Meeting of the Company instructs the Company's Board of Directors to prepare without undue delay new separate financial statements of the Company as of 31 December 2016 in all material aspects giving a true view of the Company's assets, liabilities, equity, financial situation and management as of 31 December 2016, including adjustments of amounts of impairment allowances to the value of, in particular, refinery and petrochemical assets so that the amount of such adjusted impairment allowances reflect the current market situation (rather than the situation during the financial crisis between 2011 and 2014 when these impairment allowances were created)."

## 2. Position of Board of Directors

The Board of Directors of Unipetrol rejects in full the assertions and proposal for instruction to Unipetrol's Board of Directors contained in the above counter-proposal and concludes that the counter-proposal is unjustified and incorrect both from factual and legal perspective and, therefore, there is no reason for the Board of Directors of Unipetrol to prepare new separate financial statements as of 31 December 2016.

The ordinary separate financial statements of Unipetrol as of 31 December 2016 were prepared in compliance with applicable law based upon international financial reporting standards as adopted by the European Union and give a true and fair view of non-consolidated financial situation of Unipetrol as of 31 December 2016 as well as Unipetrol's non-consolidated financial performance and non-consolidated cash flow for the year ended 31 December 2016. This conclusion was affirmed by auditor's unqualified opinion contained in "Report of Independent Auditor for Shareholders of UNIPETROL, a.s." prepared by KMPG Česká republika Audit, s.r.o. in connection with the audit of ordinary separate financial statements.

Moreover, the ordinary separate financial statements of Unipetrol as of 31 December 2016 were reviewed by the Supervisory Board of Unipetrol which concluded that the financial statements in all material aspects present the state of Unipetrol's assets, liabilities, equity, financial situation and management as of 31 December 2016 and recommended to the General Meeting to approve the financial statements. Similarly, the Audit Committee of Unipetrol affirmed that the ordinary separate financial statements of Unipetrol as of 31 December 2016 were prepared in compliance with applicable law.

For the above reasons, the Board of Directors has adopted a negative position in respect of the above counter-proposal.

## **V. Counter-Proposal to Item no. 8 on Agenda of General Meeting**

### 1. Wording of Counter-Proposal

„Pursuant to section 8.2 (j) of the Articles of Association, the General Meeting of the Company does not approve the ordinary consolidated financial statements of the Company as of 31 December 2016.

The General Meeting of the Company instructs the Company's Board of Directors to prepare without undue delay new consolidated financial statements of the Company as of 31 December 2016 in all material aspects giving a true view of the Company's assets, liabilities, equity, financial situation and management as of 31 December 2016, all in a manner reflecting a receivable of the Company against its majority shareholder PKN Orlen and the Company's Board of Directors resulting from the fact that the majority shareholder misuses its influence in the Company so that the Company purchases petroleum exclusively through the majority shareholder who exploits the quantity of the petroleum being delivered to the Company to negotiate with petroleum suppliers quantity discounts compared to market benchmarks whilst such discounts are not reflected in purchase prices for which petroleum is being delivered to the Company, and further from the fact that the Board of Directors, in breach of its duty of due managerial care and loyalty, enabled the majority shareholder to adopt such approach."

### 2. Position of Board of Directors

The Board of Directors of Unipetrol rejects in full the assertions and proposal for instruction to Unipetrol's Board of Directors contained in the above counter-proposal and concludes that the counter-proposal is unjustified and incorrect both from factual and legal perspective and, therefore, there is no reason for the Board of Directors of Unipetrol to prepare new consolidated financial statements as of 31 December 2016.

In view of the Board of Directors, no receivable of Unipetrol against the majority shareholder and the Board of Directors, as referred to in the shareholder's counter-proposal, exists and Unipetrol does not record any such receivable.

The ordinary consolidated financial statements of Unipetrol as of 31 December 2016 were prepared in compliance with applicable law based upon international financial reporting standards as adopted by the European Union and give a true and fair view of consolidated financial situation of Unipetrol as of 31 December 2016 as well as Unipetrol's consolidated financial performance and consolidated cash flow for the year ended 31 December 2016. This conclusion was affirmed by auditor's unqualified opinion contained in "Report of Independent Auditor for Shareholders of UNIPETROL, a.s." prepared by KMPG Česká republika Audit, s.r.o. in connection with the audit of ordinary consolidated financial statements.

Moreover, the ordinary consolidated financial statements of Unipetrol as of 31 December 2016 were reviewed by the Supervisory Board of Unipetrol which concluded that the financial statements in all material aspects present the state of assets, liabilities, equity, financial situation and management of Unipetrol and entities controlled thereby as of 31 December 2016 and recommended to the General Meeting to approve the financial statements. Similarly, the Audit Committee of Unipetrol affirmed that the ordinary consolidated financial statements of Unipetrol as of 31 December 2016 were prepared in compliance with applicable law.

For the above reasons, the Board of Directors has adopted a negative position in respect of the above counter-proposal.

## **VI. Counter-Proposal to Item no. 8 on Agenda of General Meeting**

### **1. Wording of Counter-Proposal**

Pursuant to section 8.2 (j) of the Articles of Association, the General Meeting of the Company does not approve the ordinary consolidated financial statements of the Company as of 31 December 2016.

The General Meeting of the Company instructs the Company's Board of Directors to prepare without undue delay new consolidated financial statements of the Company as of 31 December 2016 in all material aspects giving a true view of the Company's assets, liabilities, equity, financial situation and management as of 31 December 2016, including adjustments of amounts of impairment allowances to the value of, in particular, refinery and petrochemical assets so that the amount of such adjusted impairment allowances reflect the current market situation (rather than the situation during the financial crisis between 2011 and 2014 when these impairment allowances were created)."

### **2. Position of Board of Directors**

The Board of Directors of Unipetrol rejects in full the assertions and proposal for instruction to Unipetrol's Board of Directors contained in the above counter-proposal and concludes that the counter-proposal is unjustified and incorrect both from factual and legal perspective and, therefore, there is no reason for the Board of Directors of Unipetrol to prepare new consolidated financial statements as of 31 December 2016.

The ordinary consolidated financial statements of Unipetrol as of 31 December 2016 were prepared in compliance with applicable law based upon international financial reporting standards as adopted by the European Union and give a true and fair view of consolidated financial situation of Unipetrol as of 31 December 2016 as well as Unipetrol's consolidated financial performance and consolidated cash flow for the year ended 31 December 2016. This conclusion was affirmed by auditor's unqualified opinion contained in "Report of Independent Auditor for Shareholders of UNIPETROL, a.s." prepared by KMPG Česká republika Audit, s.r.o. in connection with the audit of ordinary consolidated financial statements.

Moreover, the ordinary consolidated financial statements of Unipetrol as of 31 December 2016 were reviewed by the Supervisory Board of Unipetrol which concluded that the financial statements in all material aspects present the state of assets, liabilities, equity, financial situation and management of Unipetrol and entities controlled thereby as of 31 December 2016 and recommended to the General Meeting to approve the financial statements. Similarly, the Audit Committee of Unipetrol affirmed that the ordinary consolidated financial statements of Unipetrol as of 31 December 2016 were prepared in compliance with applicable law.

For the above reasons, the Board of Directors has adopted a negative position in respect of the above counter-proposal.

## **VII. Counter-Proposal to Item no. 9 on Agenda of General Meeting**

### **1. Wording of Counter-Proposal**

„Pursuant to Section 8.2 letter k) of Articles of Association of UNIPETROL, a.s. the General meeting of UNIPETROL, a.s. resolves to approve to:

- i) distribute the whole non-consolidated profit of UNIPETROL, a.s. for the year 2016 in the amount of CZK 47,358,727.78 to the company shareholders; and
- ii) distribute part of the non-consolidated retained earnings of past years in the amount of CZK 3,307,334,406.22 (from the total non-consolidated retained earnings of past years in the amount of CZK 9,238,862,228.00 to the company shareholders.

The total share in the company profit to be distributed to the company shareholders (the “Dividend”) amounts to CZK 3,354,693,134.00. After recalculation, the Dividend represents CZK 18.50 per one (1) company share before tax.

Record date for right to the Dividend is 31 May 2017. Persons who are shareholders of UNIPETROL, a.s. (are specified in the excerpt from the records of the book-entered shares of the Company) as at the record date shall have the right for the Dividend.

The Dividend is payable on 7 September 2017. The Dividend payment will be processed by Česká spořitelna, a.s., having its registered office at Praha 4, Olbrachtova 1929/62, Postal Code: 14000, Business ID no.: 45244782, registered in the Commercial Registry maintained by Municipal Court in Prague, file no. B 1171. Dividend payment will end on 7 September 2021.“

### **2. Position of Board of Directors**

The Board of Directors is focusing on long term and stable shareholder value growth in order to ensure a systematic dividend payments and increase of the dividend-per-share ratio. The proposed 50% increased over previous year but still well balanced dividend amount allows the company to maintain the ability to finance multiple ongoing business development projects, including the largest petrochemical project in the Czech Republic that being the new polyethylene unit and potential M&A projects, which will undoubtedly contribute to future value growth for shareholders.

The Board of Directors has also taken into consideration various financial risks resulting from a volatile and unpredictable macroeconomic environment. Changes in crude oil prices or underlying payment terms may influence the cash position of the company.

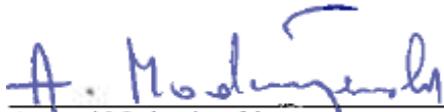
For the above reasons, the Board of Directors has adopted a negative position in respect of the above counter-proposal.

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Counter-proposals of Paulinino, including justification thereof and related requests for explanation, are available on the website of the company ([www.unipetrol.cz](http://www.unipetrol.cz)) in section “Investor Relations”, subsection “General Meeting”.

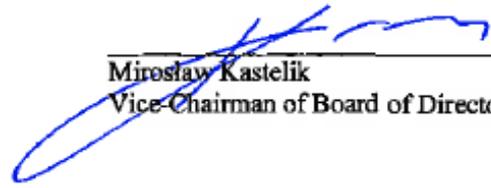
Counter-proposals of Paulinino, including position of Unipetrol’s Board of Directors, are also available in the registered office of the company at the address Prague 4, Na Pankráci 127, Postal Code 140 00, during business days (from Monday to Friday) from 9:00 to 12:00 and were, pursuant to section 362 (1) of the Business Corporations Act, published also in Commercial Bulletin, on the company’s website ([www.unipetrol.cz](http://www.unipetrol.cz)) in section “Investor Relations”, subsection “General Meeting”, and on the website [www.patria.cz](http://www.patria.cz).

Board of Directors of UNIPETROL, a.s.



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Andrzej Modrzejewski  
Chairman of Board of Directors



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Mirosław Kastelik  
Vice-Chairman of Board of Directors