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**REPORT**  
**OF THE SUPERVISORY BOARD OF UNIPETROL, A.S.**  
**ON THE RESULTS OF ACTIVITIES OF THE SUPERVISORY BOARD**  
**FOR THE ORDINARY GENERAL MEETING OF UNIPETROL, A.S. HELD ON 7**  
**JUNE 2017**

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## 1. INTRODUCTION

The Supervisory Board of UNIPETROL, a.s. (hereinafter referred to as “Unipetrol”) hereby submits the Report of the Supervisory Board of Unipetrol on the results of activities of the Supervisory Board for the Ordinary General Meeting of Unipetrol held on 7 June 2017 (hereinafter referred to as the “**Report on the Results of Activities**”) for the period from 1 January 2016 to 28 April 2017.

The Supervisory Board of Unipetrol notes that the Report on the Results of Activities was approved by the Supervisory Board of Unipetrol on 28 April 2017.

## 2. MEETINGS OF THE SUPERVISORY BOARD

In the period from 1 January 2016 to 28 April 2017, there were seventeen (17) meetings of the Supervisory Board of Unipetrol. There were also five (5) *per rollam* voting carried out during that period.

The meetings of the Supervisory Board were held on: 13 January 2016 (two meetings), 7 April 2016 (two meetings), 11 May 2016 (two meetings), 21 June 2016, 1 July 2016 (two meetings), 30 August 2016, 14 September 2016, 30 November 2016 (two meetings), 18 January 2017, 14 March 2017 (two meetings), and 28 April 2017.

In addition, *per rollam* voting was held on the following dates: 17 – 19 May 2016, 14 – 20 July 2016, 17 – 22 August 2016, 20 – 23 December 2016, and 5 – 10 April 2017.

## 3. COMPOSITION OF THE SUPERVISORY BOARD

In accordance with the provisions of the Articles of Association of Unipetrol, the Supervisory Board of Unipetrol has nine (9) members.

As of 1 January 2016, the members of the Supervisory Board of Unipetrol were:

Dariusz Jacek Krawiec	Chairman of the Supervisory Board
Sławomir Jędrzejczyk	Vice-Chairman of the Supervisory Board
Ivan Kočárník	Vice-Chairman of the Supervisory Board
Zdeněk Černý	Member of the Supervisory Board
Piotr Chełmiński	Member of the Supervisory Board
Bogdan Dzdżewicz	Member of the Supervisory Board
Piotr Kearney	Member of the Supervisory Board
Krystian Pater	Member of the Supervisory Board
Rafał Sekuła	Member of the Supervisory Board

On 21 December 2015, Mr. Dariusz Jacek Krawiec, Chairman of the Supervisory Board of Unipetrol, resigned from the office of a member of Supervisory Board. In accordance with Section 59(5) of Act No. 90/2012 Coll., on Business Corporations, as amended (hereinafter referred to as the “**Act on Business Corporations**”), Mr. Krawiec’s office terminated on 21 January 2016.

On 11 February 2016, Mr. Rafał Sekuła resigned from the office of a member of Supervisory Board of Unipetrol. In accordance with Section 59(5) of the Act on Business Corporations, Mr. Sekuła’s office terminated on 11 March 2016.

At its regular meeting held on 7 April 2016, the Supervisory Board of Unipetrol resolved to appoint Mr. Wojciech Jasiński and Mr. Zbigniew Leszczyński as substitute members of the Supervisory Board of Unipetrol for the period from 7 April 2016 until the next General Meeting. The appointment was resolved in accordance with provisions of Art. 16.3 of the Articles of Association of Unipetrol. At the same time, the Supervisory Board elected Mr. Wojciech Jasiński to the office the Chairman of the Supervisory Board of Unipetrol.

On 21 June 2016, the Ordinary General Meeting of Unipetrol resolved to:

- elect Mr. Wojciech Jasiński and Mr. Zbigniew Leszczyński to the office of members of the Supervisory Board of Unipetrol with effect from 21 June 2016,
- elect Mrs. Grażyna Baka to the office of a member of the Supervisory Board of Unipetrol with effect from 25 June 2016, and
- elect Mr. Zdeněk Černý and Mr. Krystian Pater to the office of members of the Supervisory Board of Unipetrol with effect from 1 July 2016.

On 21 June 2016, the Supervisory Board of Unipetrol elected Mr. Wojciech Jasiński to the office of the Chairman of the Supervisory Board of Unipetrol with effect from 21 June 2016.

On 18 January 2017, the Supervisory Board of Unipetrol discussed and approved resignation of Mr. Bogdan Dzdżewicz from the office of member of Supervisory Board of Unipetrol with effect as of 18 January 2017. The decision was made in accordance with Section 59(5) of the Act on Business Corporations.

As at 28 April 2017, the members of the Supervisory Board of Unipetrol are:

Wojciech Jasiński	Chairman of the Supervisory Board
Sławomir Jędrzejczyk	Vice- Chairman of the Supervisory Board
Ivan Kočárník	Vice- Chairman of the Supervisory Board
Grażyna Baka	Member of the Supervisory Board
Zdeněk Černý	Member of the Supervisory Board
Piotr Kearney	Member of the Supervisory Board
Zbigniew Leszczyński	Member of the Supervisory Board

Krystian Pater  
vacant position

Member of the Supervisory Board  
Member of the Supervisory Board

#### 4. COMMITTEES OF THE SUPERVISORY BOARD

##### Permanent Committees of the Supervisory Board

As of 1 January 2016, the following Committees of the Supervisory Board of Unipetrol were operating:

(a) HR and Corporate Governance Committee:

1. Krystian Pater	Committee Chairman
2. Bogdan Dzudzewicz	Committee Vice-Chairman
3. Zdeněk Černý	Committee Member
4. Rafał Sekuła	Committee Member

(b) Strategy and Finance Committee:

1. Sławomir Jędrzejczyk	Committee Chairman
2. Piotr Chełmiński	Committee Vice-Chairman
3. Piotr Kearney	Committee Member
4. Ivan Kočárník	Committee Member

After termination of Mr. Rafał Sekuła's office of member of the Supervisory Board of Unipetrol and after the changes in the Supervisory Board of Unipetrol which were resolved on by the Ordinary General Meeting of Unipetrol held on 21 June 2016, Mr. Zbigniew Leszczyński was appointed to the office of member of the Strategy and Finance Committee (with effect from 21 June 2016) and Mrs. Grażyna Baka was appointed to the office of member of the HR and Corporate Governance Committee (with effect from 25 June 2016) – the appointments were resolved on by the Supervisory Board on 21 June 2016. On 30 June 2016, Mr. Zbigniew Leszczyński was elected to the office of Vice-Chairman of the Strategy and Finance Committee with effect from 30 June 2016.

With the termination of office of Mr. Bogdan Dzudzewicz as the member the Supervisory Board of Unipetrol, his office in the HR and Corporate Governance Committee terminated as well – on 18 January 2017.

As at 28 April, 2017, the composition of the individual Supervisory Board Committees was as follows:

(a) HR and Corporate Governance Committee:

1. Krystian Pater	Committee Chairman
2. Grażyna Baka	Committee Member

- |                    |                  |
|--------------------|------------------|
| 3. Zdeněk Černý    | Committee Member |
| 4. vacant position | Committee Member |

(b) Strategy and Finance Committee:

- |                         |                         |
|-------------------------|-------------------------|
| 1. Sławomir Jędrzejczyk | Committee Chairman      |
| 2. Zbigniew Leszczyński | Committee Vice-Chairman |
| 3. Piotr Kearney        | Committee Member        |
| 4. Ivan Kočárník        | Committee Member        |

The above Supervisory Board committees are established by the Supervisory Board in accordance with the Articles of Association of Unipetrol. In the past period, they exercised powers delegated to them by applicable Rules of procedure of the Supervisory Board of Unipetrol. They regularly acquainted the Supervisory Board with the results of their activities within Supervisory Board meetings.

Thanks to the activities of the Supervisory Board Committees, the activities of the Supervisory Board itself were made more efficient, as the individual matters within its competencies are regularly assigned to the appropriate Supervisory Board Committees for detailed analysis. The committees are composed of persons with extensive experience in the areas relevant to the specific Committees.

## **5. CONTROLLING ACTIVITIES OF THE SUPERVISORY BOARD**

### **5.1 Regular controlling activity**

As a part of its standard supervising activities, the Supervisory Board supervised in the last period the activities of Board of Directors of Unipetrol, monitored the financial situation of the Group as well as the development of the top management.

The Supervisory Board's control activities aimed both at increasing efficiency within the UNIPETROL Group and optimization of its capital structure, as well as on repair and recommissioning of damaged production units. The Supervisory Board also conducted a comprehensive analysis of the strategic directions of development of UNIPETROL Group in the coming years.

As part of implementation of measures aimed at simplifying the structure of UNIPETROL Group, the Supervisory Board also supervised transformation and post-implementation processes of the following subsidiaries: UNIPETROL RPA, s.r.o., BENZINA, s.r.o., UNIPETROL SERVICES, s.r.o., UNIPETROL RAFINÉRIE, s.r.o., CHEMOPETROL, a.s. a ČESKÁ RAFINÉRSKÁ, a.s. These activities brought significant administrative and financial savings and streamlining of the existing management system deployed in UNIPETROL Group.

In the past, the Supervisory Board also focused their control activities on financial management. The Supervisory Board regularly supervised settlements of claims, obtaining of insurance benefits related to incidents in the ethylene unit in Litvínov

and the fluid catalytic cracking unit in Kralupy nad Vltavou. The Supervisory Board also commented on proposals for distributions of profits by directly controlled companies.

The Supervisory Board also supervised the acquisition of 100% of shares of SPOLANA a.s. Here, the Supervisory Board and its Strategy and Finance Committee analysed the merits of the investment and the assets to be purchased, as well as the estimated value of future synergies resulting from the inclusion of SPOLANA a.s. in UNIPETROL's supply chain. The Supervisory Board requested the Board of Directors of Unipetrol to regularly inform the Supervisory Board on the process of integration of SPOLANA a.s., financial performance of SPOLANA a.s., and the impact of operations and business of SPOLANA a.s. on the consolidated results of the entire UNIPETROL Group.

In 2016 and 2017, the Supervisory Board was significantly involved in evaluations of short- and long-term financial and development plans of UNIPETROL Group. It performed a detailed analysis of the market situation and competitive advantages of UNIPETROL Group, including the analysis of macroeconomic situation. These activities enabled UNIPETROL Group to set its strategic directions of development for the coming years.

The Supervisory Board was also involved in one of the most important investment programs in the history of UNIPETRO Group – in particular construction of a new polyethylene unit in Litvínov, as well as achieved and expected financial results resulting from continuously improving operational excellence indicators.

Since the Supervisory Board has authority in determining the management structure, including influence over organizational arrangements and human resources selection, it also resolved on implementation of HR-related changes in the statutory and supervisory bodies, as well as amendments to the founding documents and statutes of companies in the UNIPETROL Group. Furthermore, parameters of the remuneration system and agreements with members of the Board of Directors of Unipetrol were examined and unified. In relation with the amendment to the Articles of Association of Unipetrol, the Supervisory Board updated their internal documents, i.e. the Rules of Procedure of the Supervisory Board and the Rules of Procedure of the Supervisory Board Committees.

In this period, within fulfilment of requirements of generally binding legal regulations and internal regulations, the Supervisory Board has commented on documents submitted by the Board of Directors of Unipetrol for approval by the General Meeting of Unipetrol. The documents also included consolidated and separate financial statements of Unipetrol for the accounting period ending by 31 December 2016, profit distribution proposal, and draft amendment to the Articles of Association. The Supervisory Board further dealt with the proposal to appoint an auditor to audit the financial statements of Unipetrol for the years 2017 and 2018.

The Supervisory Board of Unipetrol declares that as part of realization of its supervising duties it did not identify any material deficiencies in the activity of the Board of Directors of Unipetrol in the above matters.

## 5.2 Controlling activities requested by shareholders

On 17 August 2016, the Supervisory Board of Unipetrol received a letter (hereinafter referred to as the “**Letter**“) from ENTRIS EQUITY LIMITED, headquartered at Akropoleos 59-61, Savvides Centre, 1st floor, Flat/Office 102, P.C. 2012 Nicosia, Cyprus, Company ID HE246285 (hereinafter referred to as “**ENTRIS**”). In the Letter the shareholders of Unipetrol notified the Supervisory Board of Unipetrol of intent to file a shareholder suit on behalf of Unipetrol in accordance with Sec. 371 *et seq.* of the Act on Business Corporations against some of the former and current members of the Board of Directors of Unipetrol, as well as against PKN ORLEN S.A. as the influential (controlling) party, for compensation of alleged damage incurred by Unipetrol in connection with acquisition of 100% of shares of SPOLANA a.s. by UNIPETROL RPA, s.r.o.

According to ENTRIS, this alleged damage incurred by Unipetrol shall consist of: (i) the amount of EUR one (1) million representing the purchase price for the acquisition of 100% of shares of SPOLANA a.s. by UNIPETROL RPA, s.r.o. and (ii) the amount of the necessary investments to be potentially made in SPOLANA a.s. in the future.

After receiving the Letter, the Supervisory Board of Unipetrol immediately commenced examination of the facts referred to in the Letter. The Supervisory Board also presented the Letter to the Audit Committee of Unipetrol.

The Supervisory Board examined the allegations raised in the Letter. On 14 September 2016, sent to ENTRIS a statement in which they stated that based on information available as at 14 September 2016, they did not identify any circumstances proving the allegations made in the Letter.

Based on the resolution of the Supervisory Board of Unipetrol dated 14 September 2016, Mr. Ivan Kočárník and Mr. Zdeněk Černý, with the support of independent economic advisers – E & Y Valuations s.r.o., commenced investigation of the facts stated in the Letter. After completion of the investigation, Mr. Zdeněk Černý and Mr. Ivan Kočárník submitted their “Report on the results of the investigation” dated 8 March 2017 to the Supervisory Board. The report confirmed that:

- i) the transaction regarding acquisition of 100% shares in SPOLANA a.s. by UNIPETROL RPA, s.r.o. was in the interest of the UNIPETROL Group, no harm was incurred by Unipetrol as a result of the transaction and members of the Unipetrol. Board of Directors did not breach any of their obligations set forth by applicable legal regulations in relation with the transaction;

- ii) no circumstances indicating that PKN ORLEN S.A. influenced the acting of Unipetrol in a decisive significant manner in relation with the Transaction to the detriment of Unipetrol were identified.

In the period from 1 January 2016 to 28 April 2017, the Supervisory Board did not carry out any other control activity at the request of shareholders.

## **6. OVERALL SITUATION OF THE COMPANY**

On the basis of its regular supervising activities in Unipetrol the Supervisory Board declares that the situation in Unipetrol is stable and the Supervisory Board of Unipetrol did identify during its supervising activities any material deficiencies in the activities of the Board of Directors of Unipetrol.

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In Prague on 28 April 2017

The Supervisory Board of UNIPETROL, a.s.