

## OPINION OF THE BOARD OF DIRECTORS OF UNIPETROL, A.S.

Pursuant to Article 324 (2) of the Act No. 90/2012 Coll., on Companies and Cooperatives, as amended (the “**Companies Act**”) in connection with Article 16 (1), (2) of the Act No., 104/2008 Coll., on Takeover Bids, as amended (the “**Takeover Act**”)

Regarding the voluntary tender offer by Polski Koncern Naftowy Orlen Spółka Akcyjna, a company established and existing under the laws of the Republic of Poland, with its registered office at ul. Chemików 7, 09-411 Plock, entered into the register of entrepreneurs maintained by the District Court for the Capital City of Warsaw in Warsaw, XIV Commercial Division of the National Court Register under KRS number 0000028860 (“**PKN Orlen**” or “**Offeror**”), dated 12 December 2017

### 1. INTRODUCTION

On 12 December PKN Orlen delivered to the Board of Directors (the “**Board of Directors**”) of UNIPETROL, a.s., a company with its registered office at Prague 4, Na Pankráci 127, Post Code 14000, ID. No.: 61672190, maintained by the Municipal court in Prague, File No. B 3020 (“**Unipetrol**” or the “**Target Company**”) wording of a voluntary public tender offer to purchase shares in Unipetrol dated 12 December 2017 pursuant to Articles 322 *et. seq.* of the Companies Act (“**Tender Offer**”). The registered capital of Unipetrol in the amount of CZK 18,133,476,400 is divided into 181,334,764 common bearer book-entry shares in nominal value of CZK 100 (the “**Shares**”). Each Share represents one vote at the General Meeting of Unipetrol. Shares are admitted to trading at Burza cenných papírů Praha, a.s. (“**Prague Stock Exchange**” or “**PSE**”) under ISIN CZ0009091500.

Wording of the Tender Offer has been delivered to Unipetrol at least 10 business days before the contemplated publication of the Tender Offer in compliance with Article 324 (1) of the Companies Act along with a request to the Board of Directors to prepare its opinion on the Tender Offer, whereas pursuant to Article 324 (2) of the Companies Act the Board of Directors must prepare and deliver to PKN Orlen its opinion within 5 business days from the delivery of the Tender Offer to Unipetrol at the latest.

The purpose of this opinion of the Board of Directors on the Tender Offer (the “**Opinion**”) is to provide, *inter alia* a statement to legal and factual aspects of the Tender Offer as well as to certain further specific facts and circumstances associated with the Tender Offer and its potential impact in compliance with the applicable legal provisions.

According to the Tender Offer, PKN Orlen will publish the Tender Offer in the Czech Commercial Bulletin (in Czech: *Obchodní věstník*), at [www.patria.cz](http://www.patria.cz), [www.unipetrol.cz](http://www.unipetrol.cz) and [www.csas.cz](http://www.csas.cz) on 28 December 2017.

Under the Tender Offer the Offeror offers to buy the Shares, other than those of the Shares already owned by the Offeror, for the price of CZK 380 per Share (the “**Offer Price**”) under the terms and conditions as set out in the Tender Offer. The main purpose of the Tender Offer, as outlined therein, is to increase the Offeror’s influence in the Target Company with the

intention to consider possible delisting of the Shares from trading at PSE and eventual squeeze-out of the minority shareholders.

The Board of Directors after receiving of the Tender Offer engaged external experts (i) Ernst & Young, s.r.o., with its registered office at Na Florenci 2116/15, Nové Město, 110 00 Prague 1, ID No. 267 05 338, registered in the Commercial Register maintained by the Municipal Court in Prague, File No. C 108716 (“EY”), who prepared an opinion letter with respect to the Offer Price; and (ii) Havel, Holásek & Partners s.r.o., advokátní kancelář, with its registered office at Na Florenci 2116/15, Nové Město, 110 00 Prague 1, ID No. 26454807, registered in the Commercial Register maintained by the Municipal Court in Prague, File No. C 114599 (“HHP”), who prepared a legal opinion with respect to the Tender Offer.

### **Current members of the Board of Directors**

This Opinion has been prepared by the current members of the Board of Directors of Unipetrol. As of 19 December 2017 members of the Board of Directors are as follows:

- (a) Andrzej Mikołaj Modrzejewski, Chairman of Board of Directors
- (b) Mirosław Kastelik, Vice-Chairman of Board of Directors
- (c) Krzysztof Zdziarski, Vice-Chairman of Board of Directors
- (d) Doc. Ing. Tomáš Herink, Ph.D., Member of Board of Directors
- (e) Robert Dominik Małek, Member of Board of Directors

Mr. Andrzej Jerzy Kozłowski resigned his office of member of the Board of Directors of Unipetrol effective from 24 November 2017. Unipetrol is now processing registration of this change in the Commercial Registry.

## **2. CONTENT OF THE OPINION**

### **(a) Compliance of the Tender Offer with the interests of Unipetrol, the addressees of the Tender Offer, the employees and creditors of Unipetrol.**

The reasoning presented by the Board of Directors was based on the underlying principle to act with due care and in the best interest of Unipetrol, also considering the interests of its shareholders, employees and creditors. Further, the Board of Directors formed its opinion on the Tender Offer based on financial and legal opinions provided by the respective external experts.

1.1. As advised in the Tender Offer, the Offeror makes the Tender Offer in order to increase its share portion in the Target Company with the intention to consider possibility to delist the Shares from trading at PSE and eventual squeeze-out of the minority shareholders. The Tender Offer does not address in detail Offeror’s intentions regarding the future activities of the Target Company, including planned changes to the employment conditions or resettlement or relocation of the Target company’s premises, as well as information regarding PKN Orlen’s future plans towards the Target Company.

- 1.2. The Offeror is a refining and petrochemicals leader in CEE region and is present as a strategic investor in Unipetrol Group since 2005. Since that time, the Offeror also holds a controlling interest of 62.99% in Unipetrol. Therefore, there will be no change of control in Unipetrol as a result of realization of the Tender Offer.
- 1.3. Current strategic targets of ORLEN Group were published in a presentation called “PKN Orlen Growth Strategy” in December 2016. In the Board of Director’s view strategic targets of ORLEN Group are consistent and in line with the Unipetrol strategic targets published in March 2017 in a presentation called “Unipetrol Group Strategy”.
- 1.4. In a statement published shortly after announcement of Offeror’s intent to make a voluntary tender, Offeror’s CEO stated that Unipetrol Group represents a strategic asset for the Offeror and contemplated increase of control over Unipetrol shall allow the Offeror to further exploit available synergic potentials.
- 1.5. The Offeror, is major refining and petrochemicals player in the CEE region with vast experience in industry sectors in which Unipetrol operates. Hence, Board of Directors believes that Unipetrol’s interests shall not be affected negatively as a result of increase in PKN Orlen’s share in Unipetrol..
- 1.6. Future delisting of Unipetrol (as an eventual plan announced by the Offeror) will certainly bring reduction in relating administrative processes. Due to strong position of the Offeror in financial markets, eventual delisting should not put availability of the financing sources for Unipetrol at risk notwithstanding whether internal (through ORLEN Group internal financing structures) or external (e.g., through bank financing).

#### **Interests of Unipetrol**

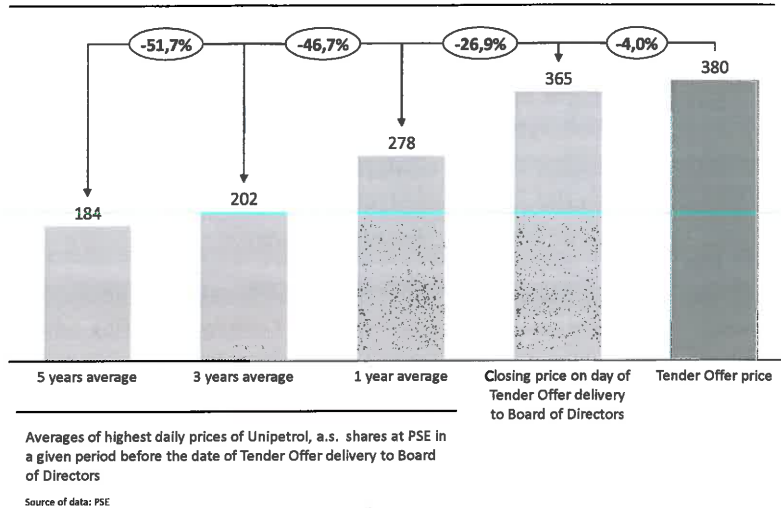
- 1.7. The Board of Directors did not identify any inconsistencies between the terms and conditions outlined in the Tender Offer and Unipetrol’s interests, the Board of Directors therefore considers the Tender Offer in compliance with the Unipetrol’s interests.

#### **Interests of Other Shareholders (i.e. the addressees of the Tender Offer)**

- 1.8. The Offeror clearly advised in the Tender Offer that it makes the Offer in order to increase its share in the Target Company with the intention to consider a possibility to delist the Shares from trading at PSE and eventual squeeze-out of the minority shareholders. Since goals of particular shareholders may differ, each Unipetrol shareholder shall individually consider the declared plans and their likely impact on its position in Unipetrol.
- 1.9. The Board of Directors believes that the offered form of monetary consideration is non-problematic and generally acceptable by investors.

- 1.10. Price offered in the Tender Offer is considerably higher than historical prices of Unipetrol shares at PSE during recent years.

Comparison of Tender Offer price to historical prices of Unipetrol, a.s. shares at PSE, CZK per share



- 1.11. In addition to comparison to the recent development of the Share price, the Board of Directors has in its assessment also considered the EY opinion delivered to Unipetrol on 19 December which states, based on the assumptions, qualifications and limitations set forth therein, that the Offer Price for one Share falls within the interval of market values.

The market value is used as the standard of value for the determination of an indicative interval of the value of shares. The market value (definition pursuant to the International Valuation Standards) is the estimated amount for which an asset or liability should exchange between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

The EY opinion does not, however, represent a recommendation as to whether or not any shareholders should sell Shares of Unipetrol. Based on the assumption that the interests of other shareholders primarily are to receive compensation at market value, the Board of Directors therefore considers the Tender Offer in compliance with the other shareholders' interests.

### Interests of Employees

- 1.12. The Offeror did not announce any plans regarding Unipetrol and Unipetrol group employees which it considers to implement after realization of the Offer, such as material reduction of employment or change of location of Unipetrol's activities and operations. The Board of Directors does not expect any material negative impact of realization of the Tender Offer on Unipetrol and Unipetrol group employees, therefore the Board of Directors reasonably

believes that interests of employees regarding their current position should not be negatively affected by the Tender Offer.

### **Interests of Creditors**

1.13. Both, the Offeror and Unipetrol, are leading refining and petrochemicals companies in the CEE region. Unipetrol is well established and long term present in the relevant markets. Unipetrol enjoys strong financial position. Therefore, the Board of Directors reasonably assumes that realization of the Tender Offer will not have any material impact on Unipetrol creditors and therefore the Tender Offer should, based on information available to or obtained by the Board of Directors for the purpose of providing their opinion hereunder, be in accordance with the Creditor's interests, namely that their current and future receivables are satisfied duly and on time.

#### **(b) Dissenting opinions of the member of the Board of Directors.**

All members of the Board of Directors fully agree with the statements provided in this Opinion and they unanimously vote to approve this Opinion at the Board of Directors meeting held on 19 December 2017. No member of the Board of Directors has expressed a dissenting opinion regarding this Opinion or any of its part.

#### **(c) Influence of PKN Orlen on the appointment of the members of the Board of Directors and/or the Supervisory Board members or cooperation of any members of the Board of Directors and/or the Supervisory Board members with PKN Orlen.**

Under the current corporate governance structure of Unipetrol, members of the Board of Directors are elected by the Supervisory Board pursuant to Article VI. Section 15.3 letter e) of the Articles of Association of Unipetrol. Members of Supervisory Board are elected by Unipetrol's General Meeting pursuant to Article IV section 8.2 i) of the Articles of Association of Unipetrol. Decisions on election of Supervisory Board members are adopted by a simple majority of votes of shareholders attending the General Meeting. Decision on election of Board of Directors members are adopted by a simple majority of votes of all Supervisory Board members.

Considering that PKN Orlen currently holds 62.99% of all votes at Unipetrol's General Meeting, PKN Orlen is in position to directly influence election of Supervisory Board members and thereby influence election of members of Board of Directors. The Board of Directors reasonably believes that all current members of the Supervisory Board and Board of Directors were elected to their office as a result of direct or indirect influence of PKN Orlen.

No member of the Board of Directors is currently in an employment or engagement or other relationship with PKN Orlen. No member of the Board of Directors holds an office in any of the PKN Orlen's corporate bodies. In the past, certain members of the Board of Directors held an office in PKN Orlen corporate bodies or were employed by PKN Orlen – no such circumstance represents a conflict of interest for such members of the Board of Directors in relation with the Tender Offer.



As PKN Orlen is a majority shareholder of Unipetrol, majority of Supervisory Board members were nominated for election by PKN Orlen. Some of current members of the Supervisory Board are also employees of PKN Orlen. Some of current members of the Supervisory Board hold an office of member of Board of Directors of PKN Orlen.

**(d) Any legal or factual defects of the Tender Offer.**

The Board of Directors did not identify any legal or factual defect and/or deficiency of the Tender Offer. The Board of Directors where carrying out their review of the Tender Offer considered the HHP legal opinion delivered to Unipetrol on 19 December 2017 which states that, based on certain specific assumptions, qualifications and limitations set forth therein, the Tender Offer is in compliance with the applicable laws. The HHP opinion does not, however, represent or provide any recommendation as to whether or not any shareholder should sell his Shares of Unipetrol under the Offer.

The Tender Offer is in compliance with Article 323 (2) of the Companies Act that governs basic requirements for a public tender offer to purchase shares, namely the Tender Offer contains:

- a) name and address of the Offeror, details of the purchase or exchange contract, including the amount of consideration offered for each share or method of its determination;
- b) period of validity of the Tender Offer;
- c) reasons for making the Tender Offer.

**(e) Disclosure of any conflict of interest of the members of the Board of Directors with the interests of Unipetrol or the addressees of the Tender Offer.**

The members of the Board of Directors have no personal interests or gains from the Tender Offer or in relation therewith or from concluding of a share purchase agreement under the Tender Offer. No member of the Board of Directors is a shareholder of Unipetrol thus no member of the Board of Directors is an addressee of the Tender Offer.

The Board of Directors is not, in relation to the Tender Offer, aware of any, existing or potential, conflict of interests of any member of the Board of Directors with the interests of Unipetrol or the addressees of the Tender Offer.

No member of the Board of Directors is a direct or indirect owner of shares in Unipetrol, no member of the Board of Directors is at the same time a member of any corporate body of PKN Orlen or of another shareholder of Unipetrol. In relation to PKN Orlen or the addressees of the Tender Offer, no member of the Board of Directors is a person acting in agreement or concert with:

- a) PKN Orlen or the addressee of the Tender Offer; or
- b) member of a corporate body of PKN Orlen or of an addressee of this Tender Offer acting with the PKN Orlen in agreement or concert; or

- c) PKN Orlen's majority shareholder, or a person directly or indirectly controlling PKN Orlen; or
  - d) person acting in agreement or concert with the PKN Orlen's majority shareholder or a person controlling PKN Orlen.
- (f) Acceptance of the Tender Offer by any member of the Board of Directors and/or any member of the Supervisory Board.**

No member of the Board of Directors is a direct or indirect shareholder of Unipetrol thus no member of the Board of Directors is considering accepting the Tender Offer. Based on the information available to the Board of Directors, no member of the Supervisory Board is considering accepting the Tender Offer.

- (g) Information on likely influence of the Tender Offer on the number of employees, structure or goals of Unipetrol.**

As the PKN Orlen is already a controlling person of Unipetrol, owning approximately 62,99% of Shares in Unipetrol, the Board of Directors does not expect any significant impact on employees, structure and goals of Unipetrol, as the already existing influence of PKN Orlen on Unipetrol exercised through their majority share may only increase as a result of realization of the Tender Offer.

- (h) Information on likely influence of the Tender Offer on the strategic goals of PKN Orlen in relation to Unipetrol and the influence of PKN Orlen on the number of employees of Unipetrol and the location of the Unipetrol's activity.**

As envisaged in the Tender Offer, by submitting the Tender offer the Offeror aims at increasing the control over Unipetrol in order to consider possible delisting of the Shares from trading at PSE and eventual squeeze-out of the minority shareholders and also presumably to allow the Offeror to further exploit synergic potentials of Unipetrol. The Tender Offer does not address in details any Offeror's intentions regarding the future activities of the Target Company, including planned changes to the employment conditions or resettlement or relocation of the Target Company's premises, as well as information regarding PKN Orlen's future business plans towards the Target Company.

### 3. FINAL STATEMENTS

In view of the complexity of the matter and the limited time frame for the preparation of this Opinion, we have limited ourselves to a basic consideration of the minimum legal requirements for the opinion to the Tender Offer as required by applicable laws.

This Opinion does not constitute or form any:

- a) offer or any part thereof to buy or sell any Shares issued by Unipetrol;
- b) incentive to make any offer to buy or sell any Shares issued by Unipetrol;

- c) incentive to any voting or approval relating whatsoever to any Shares issued by Unipetrol;
- d) recommendation whatsoever to buy or sell any Shares issued by Unipetrol.

Shareholders addressed by the Tender Offer should form their own view and opinion on the merits of the Tender Offer and reach their own decision.

By their nature, any conclusions and statements made by the Board of Directors relating to future events are associated with partial uncertainty, as they relate only to future events and circumstances, the Board of Directors cannot guarantee that such predictions will be fulfilled or prove to be true and correct and does therefore not grant any assurances regarding such future accuracy and completeness of such statements. Any such future statements must be considered with respect to the fact that the actual event or results may vary materially from such future statements due to, among other things, political, financial, economic, commercial or legal changes in the markets and environments in which Unipetrol operates, to competitive developments or risks inherent to Unipetrol's business plans and to uncertainties, risks and volatility in financial markets and other factors affecting Unipetrol.

This Opinion is not for release, publication or distribution in, into, or from any jurisdiction where such release, publication or distribution would constitute a violation of the law of such jurisdiction and therefore persons into whose possession this Opinion comes should inform themselves about, and observe any such restrictions. Failure to comply with any such restrictions may constitute a violation of the law of any such jurisdiction.

The statements included in this Opinion have been provided based on the information available to the Board of Directors from the Tender Offer, from the website of PKN Orlen and information and releases published therein, the opinions provided by cooperating advisors, other information available in public domain and are further based on the assumption (subject to reasonable verification by the Board of Directors) that these documents and information are true, correct, precise and complete. If this assumption is not correct, the correctness of the statements herein cannot be ensured.

This Opinion reflects the situation as of the date hereof, unless otherwise indicated in this Opinion. Under no circumstances may the issue or distribution of this Opinion be interpreted as implying that the information contained herein is true and accurate on a later date than the date hereof, unless otherwise indicated in this Opinion. The Board of Directors does not undertake any obligation to publicly release any revision to this Opinion to reflect events or circumstances after the date of this Opinion, except as may be required by applicable Czech law or by any appropriate regulatory authority.

This Opinion may not be regarded as a substitute for specific legal, financial, economic, strategic, commercial, technical or other expert advice on the matters covered herein. Such matters should be referred to specialists in the above areas. The Opinion has been prepared under Czech law and does not take into account the law of any other jurisdiction. If any matter indicated in this Opinion relates to any jurisdiction other than the Czech Republic, a qualified lawyer from the relevant jurisdiction should be consulted for specific advice.

This Opinion is executed in Czech and English. However, only the Czech language is binding and should be considered official. The English version is provided for convenience only and



Convenience English translation of Czech official version  
In case of discrepancy, Czech version prevails

no assurance as to the accuracy of the translation is given. In case of any discrepancies between the language versions, the Czech version shall prevail.

In Prague on 19 December 2017

**Board of Directors of UNIPETROL, a.s.**



Andrzej Modrzejewski

Chairman of Board of Directors



Mirosław Kastelik

Vice-Chairman of Board of Directors

