

Bylaws of the Supervisory Board
BYLAWS OF THE SUPERVISORY BOARD OF KRAKCHEMIA SA WITH ITS REGISTERED
OFFICE IN KRAKOW

1. General Provisions:

1.1. The Supervisory Board of Krakchemia SA (the "Company") with its registered office in Krakow, hereinafter referred to as the "**Supervisory Board**" acts pursuant to the provisions of the Commercial Companies Code and the Company's Statute which stipulate, in particular, its composition and responsibilities, and according to these bylaws, which stipulate the rules and mode of work and the allocation of responsibilities (the "**Bylaws**").

1.2. For their validity all amendments to these Bylaws require a resolution of the Supervisory Board.

2. Responsibilities of the Supervisory Board:

2.1. The Supervisory Board executes constant supervision of the Company's business in all areas. Each Member of the Supervisory Board should, above all, have in mind the best interest of the Company.

2.2. In particular, the duties of the Board include:

a) the assessment of the report by the Company's Board of directors and the Company's annual financial statement for the last financial year;

b) the assessment of the motions put forward by the Board of Directors concerning the division of profits or the coverage of losses;

c) providing the General Meeting with an annual report of assessment results, mentioned in letters a) and b) above

d) presenting opinions and preparing the justification of the proposed resolution drafts to be passed by the General Meeting and other significant materials, which are to be presented to the shareholders;

e) providing the General Meeting with a brief annual assessment of the Company's standing; such assessment should be included in the Company's annual report that is made available to all shareholders in advance, so that they can get acquainted with the report prior to the General Meeting.

2.3. To perform its duties, the Supervisory Board may examine all documents of the Company, it may demand that the Board of Directors and employees should prepare reports and explanations, and it may inspect the assets of the Company. The Members of the Board should undertake proper actions to obtain from the Board of Directors of the Company regular and exhaustive information about all significant issues related to the Company's business, about the risk related to the business and about the manners of risk management.

2.4. The responsibilities of the Supervisory Board include in particular:

a) consenting to any purchase or sale of a property or right of perpetual usufruct or shares in a property or right of perpetual usufruct;

b) consenting to charges over a property, establishment of limited real estate security rights on the Company's assets for the amount exceeding 500 000 PLN;

c) consenting to provide suretyships or guarantees for the total amount exceeding 100 000 PLN;

d) consenting to establishment of lien or other securities other than lien and securities related to the business activity;

e) consenting to enter into, terminate or amend lease agreements and other agreements of this kind, if they are entered into for a period longer than 3 years and if the annual lease rent paid by the Company is higher than 100 000 PLN;

f) consenting to giving loans other than in the turnover of goods for the total amount exceeding 100 000 PLN.

g) election of an auditor, who will examine the financial statement of the Company; while electing an auditor, the Supervisory Board should consider the fact if there exist any factors or

circumstances affecting the auditor's independence in the performance of his tasks; a change of the auditor should take place at least once every five years; the change of the auditor is understood also as the change of the person performing the examination; moreover, in the audit on long-term basis, the Company should not use the services of the same entity performing examination;

h) approval of the strategy of business activity of the Company presented by the Board of Directors;

i) determining the remuneration of the Members of the Board of Directors;

j) the suspension, due to good reasons, of activity of particular or all members of the Company's Board of Directors;

k) delegation of the Board's members to individual or all Members of the Board of Directors of the Company;

l) delegating the Members of the Supervisory Board for the temporary performance of the duties of the Members of the Board of Directors who are unable to perform their functions;

ř) the approval of the bylaws of the Board of Directors of the Company;

m) making applications to the Company's Board of Directors to call the general meeting;

n) convening an ordinary General Meeting in the event when the Board of Directors of the Company does not convene it on time;

o) convening an extraordinary General Meeting, if it is considered as necessary, and the Board of Directors of the Company does not convene the General Meeting within 2 (two) weeks after the relevant request is made by the Supervisory Board.

2.5. The Members of the Supervisory Board should be present at the General Meeting. The Members of the Supervisory Board, within the scope of their responsibilities and within the scope necessary to resolve the issues discussed by the General Meeting, should provide explanations and information concerning the Company.

2.6. The absence of a member of the Supervisory Board at the General Meeting requires explanation, which should be presented at the General Meeting. Each Member of the Supervisory Board in the case of a foreseen absence from the General Meeting should deliver to the Company members the explanation of the reasons for his/her absence, and in the event when such absence is unforeseen, the Member of the Supervisory Board should notify the Company by phone, in such a way, that the explanation of the Member of the Supervisory Board should reach the Company prior to the commencement of the General Meeting. In emergency situations, this duty may also be performed by a close relative of the Member of the Supervisory Board absent from the General Meeting.

3. Composition of the Supervisory Board:

3.1. The Supervisory Board consists of at least 5 (five) persons elected by the General Meeting.

3.2. The tenure of office of the Board is 3 (three) years.

3. The Mandates of the members of the Supervisory Board expire on the date when the General Meeting approving the financial statement for the last year of the tenure is held and in other cases provided for in the Commercial Companies Code.

3.4. A Member of the Supervisory Board should not resign from his position during the tenure if it could make the activity of the Supervisory Board impossible, and in particular if it could interfere with passing a significant resolution on time.

3.5. A Member of the Board of Directors, a proxy, a liquidator, a branch or office manager, and the Chief Accountant employed in the Company, a legal advisor or attorney-at-law, may not at the same time be a Member of the Supervisory Board. This ban also applies to other persons who report directly to a Member of the Board of Directors or to a liquidator.

3.6. The Supervisory Board elects from among its members a Chairman, a Vice-Chairman or Vice-chairmen and a Secretary or Secretaries of the Supervisory Board. During the tenure, the Supervisory Board may pass resolutions about the change of the persons who hold the above-mentioned positions.

3.7. The Chairman, Vice-Chairman and the Secretary of the Supervisory Board should be elected by the Members of the Supervisory Board from among the Members of the Supervisory

Board, at the first meeting of the Supervisory Board, in a secret vote. Such election should also take place in the event of expiry of the mandate of a Member of the Supervisory Board who holds such a position.

3.8. The Vice-Chairman of the Supervisory Board exercises the rights and performs the duties of the Chairman when he cannot perform them himself.

3.9. The Members of the Board perform their functions personally. The appointment of an attorney to perform the function of a Member of the Supervisory Board is inadmissible. The Members of the Supervisory Board are obliged to treat as confidential all and any information, acquired in connection with the performed function. Disclosure of information may only take place pursuant to the absolutely binding legal regulations in force.

3.10. The members of the Supervisory Board execute their duties jointly, the Supervisory Board may however delegate its members to individual performance of certain supervisory activities.

3.11. If the Supervisory Board was elected by voting in separate groups, each group is entitled to delegate one from among the Members of the Supervisory Board it elected to the constant individual performance of supervisory activities. Those members are entitled to attend the meetings of the Board of Directors of the Company in the advisory capacity. The Board of Directors is obliged to notify them about its each meeting in advance. Each delegated Member of the Supervisory Board should present to the Supervisory Board a detailed report on the performed functions.

3.12. The Members of the Supervisory Board delegated to the constant individual performance of supervision, receive separate remuneration, whose amount is determined by the General Meeting.

3.13. Each Member of the Supervisory Board is obliged immediately to notify the Board of Directors of the Company' about each purchase or sale of shares of the Company or companies of its holding or supervisory company, as well as about the transactions with such companies, if they are significant for its financial standing. A notification should take place within the period enabling the Board of Directors of the Company to make such information publicly available in a relevant mode.

4. The Audit Committee and the Remuneration Committee:

4.1. the Supervisory Board should appoint at least two committees from among its members:

- a. the audit committee;
- b. the remuneration committee.

4.2. The audit committee should consist of at least two independent Members of the Supervisory Board and at least one having the qualifications and experience in accountancy and finance. The independence criteria of a Member of the Supervisory Board are set forth in the Company's Statute.

4.3. The composition and the bylaws of particular committees are established by the Supervisory Board in a resolution.

4.4. The tasks of the audit committee include:

- the election of the chairman of the committee,
- the written presentation to the Supervisory Board of the justified recommendations concerning the selection of the entity which shall perform the function of the external auditor,
- getting acquainted with the program of work and with the report of the external auditor, which shall include a description of all relations between the independent auditor and the Company or its group and the information relating to issues arising in connection with the audit,
- monitoring the independence of the external auditor and his objectiveness, in particular by checking the compliance of the audit company with the guidelines in force relating to the rotation of audit partners, the amounts of the fees paid by the company and the regulatory requirements in this respect,
- the annual presentation of opinion together with brief justification, concerning the independence of the external auditor and the independence of the audit process,
- the control of the nature and scope of extra-audit services, in particular, on the basis of the fees paid by the Company or its group to the audit company and its network, in respect of

preventing a material conflict of interests within this area. The committee should formulate and implement a formal policy stipulating, pursuant to the rules and requirements included in the recommendation 2002/590/WE (1), the type of extra-audit services, which are a) excluded, b) allowed upon the revision by the committee, c) allowed without consulting the committee,

- carrying out the revision of effectiveness of the external control process and monitoring the reactions of the management to the recommendations presented by external auditors,
- investigating the issues constituting the reasons for the resignation from an external auditor's services and giving recommendations in respect of the activities required,
- monitoring the reliability of financial information presented by the Company, in particular by investigating the relevance and consistency of the applied accountancy methods adopted by the Company and its group (including the consolidation criteria of financial statements of the company in a group),

- reviewing, at least once a year, the internal control system and the risk management system, in respect of ensuring that principal risks (including those related to the compliance with the law and regulations in force) are properly identified, managed and disclosed,
- examining the effectiveness of the internal control function and the annual review in respect of the necessity to introduce in the Company an internal audit function as a separate organizational unit,

- giving recommendations aimed at the preparation of the decisions to be taken by the Supervisory Board itself,

- the preparation in writing of the annual reports on its activity.

4.5. The tasks of the remuneration committee include:

- the election of the chairman of the committee,

- the presentation of proposals to be approved by the Supervisory Board, concerning the principles of remuneration of the Members of the Board of Directors,

- the presentation of proposals to be approved by the General Meeting, concerning the principles of remuneration of the Members of the Supervisory Board delegated to constant individual performance of supervision,

- the presentation to the Supervisory Board of proposals concerning the proper forms of agreements with the members of the Board of Directors,

- assisting the Supervisory Board in the supervision of the process, pursuant to which the Company complies with the legal regulations in force concerning the information duties related to remuneration (in particular, the applied remuneration principles and remuneration awarded to the Members of the Board of Directors),

- giving general recommendations to the Board of Directors corresponding to the arrangements made by the Supervisory Board concerning the level and structure of remuneration of the high-ranking management,

- monitoring the level and structure of remuneration of high-ranking management pursuant to the relevant information provided by the Members of the Board of Directors,

- discussing the general execution principles of the potential motivation programs based on shares, in particular the share options, and the presentation to the Supervisory Board of proposals concerning this issue,

- the presentation to the Supervisory Board of possible proposals related to the choice between the granting of an option to subscribe for shares or an option to purchase shares, along with providing the reasons for the choice and its consequences.

- consulting, at least the Chairman of the Supervisory Board and the President of the Board of Directors, in respect of the remuneration of other Members of the Board of Directors,

- the preparation in writing of the annual reports on its activity.

4.6. Committees of the Supervisory Board should submit to the Supervisory Board annual reports on their activity. The Company should make these reports available to the shareholders.

4.7. The selection of the entity performing the function of the auditor should be made by the Supervisory Board after the presentation of the audit committee's recommendations. If the Supervisory Board makes a selection other than the one recommended by the audit committee, it should be justified in detail.

5. Meetings of the Supervisory Board:

5.1. The meetings of the Supervisory Board are held depending on the needs, however not less frequently than three times in a financial year. The meetings of the Supervisory Board are convened by the Chairman, or Vice-chairman Chairman in writing. In case of emergencies, the Chairman may convene a meeting orally, by telephone, by teletype, or telegraph, and also by means of electronic mail. The agenda of the meeting shall be attached to such notification.

5.2. The Board is capable to pass resolutions, if all its members were notified and at least a half of the members attends the meeting. The resolutions are passed by an ordinary majority of votes executed. In case of a tie, the Chairman has the casting vote.

5.3. The date of a first Supervisory Board meeting is called by the General Meeting or Board of Directors, if the General Meeting resolution does not contain such stipulation. Members of the newly appointed Supervisory Board are notified about the date of a first meeting by the Board of Directors. On the first meeting, the members appoint from amongst themselves their Chairman, Vice-chairman or two Vice-chairmen and, if needed, a Secretary.

5.4. Due to good reasons, the Meeting of the Supervisory Board may be convened by phone, fax or electronic mail. The members of the Supervisory Board notify the Chairman of the Supervisory Board about their telecommunication address details and about their each change.

5. The Meeting of the Supervisory Board may also be held without formal convening mentioned in ss. 4.2 - 4.4. hereinabove, if all Members of the Supervisory Board consent to it and none of them objects the agenda of the meeting.

5.6. The meetings are presided over by the Chairman of the Supervisory Board, and in the event of his absence from the meeting, by the Vice-Chairman. In the event of absence of both the Chairman and Vice-Chairman, the chairman of the meeting is elected by the Supervisory Board.

5.7. A Member of the Supervisory Board who cannot attend the meeting, should notify the Chairman about this.

5.8. All Members of the Board of Directors of the Company may attend the Meeting of the Supervisory Board, except for the meetings directly concerning the Board of Directors or its individual members, and in particular their liability and the determining of their remuneration. The Members of the Board of Directors have no right to vote.

5.9. The Chairman notifies the Company's Board of Directors about each calling of the Board's meeting.

6. Resolutions of the Supervisory Board:

6.1. The Supervisory Board is capable of passing resolutions if at least a half of the members of the Supervisory Board are present at the meeting and all its members were invited to that meeting. The resolutions are passed by absolute majority of votes subject to ss. 5.7. hereinabove.

6.2. Each Member of the Supervisory Board may propose to pass a resolution concerning any issue.

6.3. The resolutions concerning the issues not included in the agenda included in the notification about the meeting may be passed only if all Members of the Supervisory Board are present at the meeting and consent to the voting on the issue not included in the planned agenda. Amending or supplementing the agenda may, however, take place without the fulfillment of all the listed requirements if it is necessary to protect the Company from damage as well as in the case of a resolution which concerns the assessment if there is a conflict of interests between a Member of the Supervisory Board and the Company.

6.4. The Members of the Supervisory Board may participate in the passing the resolutions of the Supervisory Board by vote in writing through another Member of the Supervisory Board. Voting in writing may not concern the issues included in the agenda of the meeting during the meeting of the Supervisory Board.

6.5. The Supervisory Board may pass resolutions in writing or using the means of direct long-distance communication. A resolution is valid, when all Members of the Supervisory Board were

informed about the content of the resolution draft.

6.6. Passing resolutions in the mode provided for in ss. 6.4. and 6.5. is inadmissible in the case of election of the Chairman and Vice-Chairman of the Supervisory Board and in connection with suspension of the Members of the Board of Directors of the Company' in their duties.

6.7. To suspend the President of the Board of Directors, a unanimous resolution is required.

6.8. In the event when a conflict of interest occurs, a Member of the Supervisory Board should notify the other Members of the Supervisory Board about this fact and he/she should refrain from participation in the discussion and from voting on the resolution concerning the issue in respect of which the conflict of interests arose. A Member of the Supervisory Board may apply to the Supervisory Board for passing a resolution as to the existence of such a conflict.

7. Minutes and other documents of the Supervisory Board:

7.1. The Resolutions of the Supervisory Board should be recorded in the minutes. The minutes are taken by the Secretary of the Supervisory Board or by another person appointed by the Chairman of the Supervisory Board.

7.2. The minutes should include the subsequent reference number, the date and place of the meeting, the agenda of the meeting, the surnames and names of the Members of the Supervisory Board present at the meeting and, if any, the names of other persons present at the meeting, the texts of the passed resolutions, the number of votes casted for particular resolutions and separate opinions of the Members of the Supervisory Board included in the minutes on their request. Further, on request of a Member of the Supervisory Board present at the meeting, any other declarations made and circumstances of the particular meeting should be included in the minutes. The minutes shall be signed by all persons present at the meeting. A refusal to sign has to be recorded in the minutes by the chairman of the meeting and it should be followed by the written explanation by the chairman of the meeting. A Member of the Supervisory Board who refuses to sign the minutes is obliged to provide a detailed written explanation of his/her decision within 7 days after the refusal to sign.

7.3. The documents of the Supervisory Board, and in particular the sets of minutes of its meetings, shall be properly secured and stored in the registered office of the Company. The liability for the documentation is vested in the Chairman of the Supervisory Board. The documents of the Supervisory Board may be stored at a place other than the premises of the Company only under special circumstances. The Chairman of the Supervisory Board shall inform the Board of Directors of the Company about each place where the documentation is kept.

7.4. Upon termination of the tenure of office of the Supervisory Board, the Chairman of the Supervisory Board or its other member is obliged to submit the entire documentation to the Company.

8. Representation of the Supervisory Board:

8.1. In the agreements between the Members of the Board of Directors and the Company, the Company is represented by the Chairman of the Supervisory Board or by other representative of the Supervisory Board delegated from among its members. The same principle also applies to other activities related to the execution of agreements between the Company and the Members of the Board of Directors.

8.2. A declaration directed to the Supervisory Board is deemed to be filed on the date it is delivered to the Chairman or Vice-Chairman of the Supervisory Board.

9. Final Provisions:

9.1. The Members of the Supervisory Board receive remuneration determined for a particular year by the General Meeting.

9.2. The office service of the work of the Supervisory Board is provided by the Company.

9.3. The Supervisory Board authorizes the Board of Directors of the Company make ensure

that these Bylaws are publicly available.

9.4. The Bylaws enter into force on 30.07.2007.