

## **EXPLANATION OF UNIPETROL, A.S. TO SHAREHOLDERS' REQUESTS FOR INFORMATION SUBMITTED AT ORDINARY GENERAL MEETING HELD ON 26 MAY 2014**

At the Ordinary General Meeting held on 26 May 2014 ENTRIS EQUITY LIMITED, having its registered seat at Akropoleos 59-61, Savvides Centre, 1st floor, flat/Office 102, P.C. 2012 Nicosia, Cyprus, a shareholder of UNIPETROL, a.s., raised request to provide information in accordance with Section 357 of the Act on Business Corporations.

Request for explanation submitted by ENTRIS EQUITY LIMITED:

*“I start with reference to the last General Meeting, I protested against the high impairment test with respect to the assets and when I refer this to the reality of 2014, which was referred to in the annual report, I come to the following observation: in 2012 change in assets of more than 3 billion CZK, 2013 I assume somewhere around zero, 2014 first quarter results reported to-date again more than 1 billion CZK. I, a small albeit a significant shareholder, am not happy about such volatility. Billions in assets from year to year, moving up, down, is unacceptable and harmful to me as a shareholder in terms of the share price. Therefore, I request a detailed explanation by the auditor (which was refused to be provided at the last General Meeting) on the procedures of accounting in accordance with IAS 36 in 2013, compared with 2012 and in addition with the real status of 2014.”*

In accordance with Section 358 of the Act on Business Corporations UNIPETROL, a.s. provides an explanation as follows below:

### **Impairments in the consolidated financial statements of UNIPETROL in years 2012 and 2013**

As at 31 December 2013 and 31 December 2012 in accordance with International Accounting Standard 36 “Impairment of assets” the UNIPETROL Group has verified the existence of impairment indicators in relation to Cash Generating Units (CGUs) established at the level of reportable segments.

As at 31 December 2012 due to existence of indications triggering impairment testing both of an internal and external character (deterioration of external environment, worsening macro economic projections, performance below forecasted level) tests were carried out for CGUs based on updated financial projections for the years 2013-2016.

As at 31 December 2013 UNIPETROL group has not identified any new impairment indicators therefore the Impairment test has not been calculated.

Based on the results of the analysis performed as at 31 December 2012, impairment allowance of CZK 4 075 234 thousand was recognized in relation to non-current assets of the refining CGU. Impairment charges of CZK 51 595 thousand were allocated to goodwill, CZK 3 975 622 thousand was allocated to plant, property and equipment, and CZK 48 017 thousand to intangible assets and these were recorded in other operating costs in 2012.

The impairment tests are performed in UNIPETROL group in line with requirements of International Accounting Standard 36 “Impairment of assets” binding at the particular balance sheet date. The accounting policies adopted by the group in relation to impairment of non-current assets are described in *The consolidated financial statements for the year 2013* in note 3.5.8 on pages 139-140 of *the Annual report for the year 2013* and in *The consolidated financial statements for the year 2012* in note 2D(16) on pages 148-149 of *the Annual report for the year 2012*.

Notes on impairment of non-current assets in 2013 and 2012 including description of assumptions used by UNIPETROL group in the analysis are presented in *The consolidated financial statements for*

*the year 2013 on pages 165-166 of the Annual report for the year 2013 (note 14) and in The consolidated financial statements for the year 2012 on pages 164-165 of the Annual report for the year 2012 (note 10).*

The results of impairment tests as well as decisions regarding existence of impairment indicators were verified during audit of financial statement for years 2013 and 2012 performed by KPMG Česká republika Audit, s.r.o. The Auditor's reports to the Shareholders of Unipetrol a.s. were issued to the consolidated financial statements for the year 2013 and 2012 including opinions without any qualification on 12 March 2014 and 4 March 2013, respectively. The auditor's reports are presented on pages 67-69 of *the Annual report for the year 2013* and on pages 83-85 of *the Annual report for the year 2012*.

The consolidated financial statements for 2014 will be audited in the first quarter 2015 and Auditor's report to Shareholders including opinion regarding true and fair view provided by financial statements and their consistency with International Financial Reporting Statements adopted by the European Union will be issued.

Supervisory Board had provided recommendation for the General Meeting to approve the consolidated financial statements for the year 2013 on 17 April 2014 and the consolidated financial statements for the year 2012 on 8 April 2013.

Prague, 10 June 2014

UNIPETROL, a.s.