Annual Report 2013 of UNIPETROL, a.s.

Publication date: 27 March 2014

Content

Profile of the Unipetrol Group

Profile

Unipetrol is the most significant refining and petrochemical group in the Czech Republic and one of the major players in Central Europe. Unipetrol Group employs more than 3,600 people and has been a part of the Orlen Group, the biggest Central European refining and petrochemical group, since 2005.

UNIPETROL, a.s. is the parent company of the Unipetrol Group.

Mission

We process natural resources to fuel the future.

Values

Values of the Unipetrol Group support strict ethical principles. Their goal is to ensure long-term and permanent growth for the shareholders, to provide the best possible products and services to customers and to exercise best solutions for management and motivation. The values also support responsibility towards the environment.

Responsibility: We respect our customers, shareholders, employees, the natural environment and the local communities.

Progress: We are going forward with motivated and competent people in generating innovative ideas.

People: We strive for leadership and openness, respecting people´s values in generating value for the company.

Energy: Our energy powers success and necessary change

Dependability: We safely create valuable products and reliable services.

Orlen Group. Fuelling the future.

Unipetrol Group operates

- 2 refineries with an annual conversion capacity of 5.9 million tonnes of crude oil,
- 3 polyolefin units with an annual capacity of 595,000 tonnes,
- steam cracker with an annual capacity of 544,000 tonnes,
- 338 fuel filling stations,
- broad range of transport services

Three core business segments

- refining,
- petrochemicals,
- retail distribution of fuels.

Main subsidiaries of the Unipetrol Group

As of 26 March 2014:

UNIPETROL RPA, s.r.o. – production and sales refining and petrochemical products

BENZINA, s.r.o. – operator of the largest network of filling stations in the Czech Republic

PARAMO, a.s. – manufacturer of bitumen, lubricants, and other refining products

ČESKÁ RAFINÉRSKÁ, a.s. – company operates refineries in Litvínov and Kralupy, currently the only two running refineries in the Czech Republic, with a total conversion capacity of 8.7 million tons of crude oil per year; the company is a joint venture (JV) of two shareholders: UNIPETROL, a.s. 67.555% and ENI International B.V. 32.445%. It was established in 1995 and started operating in the processing mode with no sales activities as a cost-plus entity in 2003.

Code of Ethics

The members of the Unipetrol Group are aware of their responsibility to all their stakeholders – their employees, customers, shareholders, business and social partners, and the society. By means of this Code of Ethics they undertake to comply with clear principles forming a basic framework for the business and social conduct, and for the creation of the corporate culture in the companies of the Unipetrol Group.

In all spheres of activity the Unipetrol Group abides by the applicable law, legal decrees, internal regulations and ethical values. The Group respects international, national and local regulations, which are directly binding as well as those to which it commits voluntarily, such as the principles of corporate governance. These are primarily provisions that set out safety and environmental standards for facilities and their operation, describe the requirements for the quality of products and services, define conduct in markets, and regulate conduct and practices. The Unipetrol Group regards respecting these standards and operating exclusively within their limits as its priority.

Unipetrol employees' conduct is always, and under all circumstances, legal, ethical, transparent, and compliant with the laws and Unipetrol's corporate values. All procedures and activities are based on the best practices of corporate governance and operational excellence with emphasis on safety and environmental protection. All customers (external and internal) of the Unipetrol Group have the right to receive the best quality products and services respecting ethical principles. The Code of Ethics is linked to the applicable laws of the Czech Republic and the company's internal policies, and defines the basic rules of conduct for employees of the Unipetrol Group.

Application of corporate governance rules

The Unipetrol Group continuously strives to maintain long-term and transparent relationships with its shareholders and investors as part of its strategic objectives. Unipetrol Group management follows the Corporate Governance Code.

The Corporate Governance Code is based on the OECD Principles, the provisions of which the Company satisfies in all material respects http://www.oecd.org/daf/corporateaffairs/corporategovernanceprinciples/31557724.pdf

An extraordinary general meeting of 10 December 2009 approved the modifications to the Articles of Association, which arose from the new Act on Auditors. The Articles were amended by the addition of a new mandatory body within the company – the Audit Committee, with provisions on its remit, number of members, Audit Committee members' term of office, and the Audit Committee's decision-making. The establishment of the Audit Committee entailed an extension of the competences of the company's general meeting.

Historical milestones

1994

The formation of UNIPETROL, a.s. fulfilled one of the conceptual objectives of the privatization of the Czech petrochemical industry. Unipetrol was intended to combine selected Czech petrochemical firms in a group capable of competing with strong international groups. With 63% of the shares, the Czech State was the company's majority shareholder, represented by the National Property Fund. Investment funds and minority shareholders owned the rest of the shares. Under the original concept, the State's interest in the company was to be privatized.

Unipetrol gradually integrated Kaučuk, Chemopetrol, Benzina, Paramo, Koramo, Česká rafinérská, Unipetrol Trade, Spolana and Unipetrol Rafinérie public companies.

2003

Česká rafinérská started to be operated as a processing refinery, or cost center of its processors.

2004

Agreement on the sale of 63% of Unipetrol shares was executed between PKN Orlen and the National Property Fund.

2005

Privatization process of Unipetrol was completed. Company consequently became a crucial part of one of the largest refinery and petrochemical groups in Central Europe, Orlen Group.

2012

Decision on the permanent shutdown of the urea production unit at Chempark Záluží in Litvínov as of 1 January 2013. The urea production unit was a part of the agro division of UNIPETROL RPA, s.r.o. subsidiary and its impact on the profitability of the whole Unipetrol Group was negative over the last couple of years while no reversion of this trend was expected.

Decision on the permanent discontinuation of crude oil processing in Pardubice refinery Paramo. The decision was reached based on a comprehensive analysis of macroeconomic situation, including low refining margins compared with the period before the outbreak of financial and economic crisis in 2008, weak demand for diesel and refining overcapacity in Europe. Another key factor was very low conversion capacity below 1 million tonnes of crude oil and low complexity of Paramo refinery which had impacted the profitability of this Group's asset negatively with no significant improvement expected in the various medium term scenarios analyzed.

2013

Unipetrol Group Strategy 2013-2017 was announced in June. This crucial document defined the key development directions for the next couple of years. Petrochemical segment is regarded as the key profit maker of the Group where the majority of planned capital investments will be directed. Unipetrol will overall focus on achieving significant efficiency improvements and Operational Excellence across all business segments. Execution of the Strategy should at the same time secure strong financial stability from both liquidity and financial leverage point of view.

Agreement of crucial importance for Unipetrol was the 3-year contract for Russian crude oil (REBCO) deliveries with Rosneft, the first long-term contract, which was signed on Unipetrol's behalf by its majority shareholder PKN ORLEN in June. The agreement is valid from 1 July 2013 to 30 June 2016.

Apart of the Strategy 2013-2017, the acquisition of 16.335% stake in Česká rafinérská from Shell Overseas Investments B.V., signed on 7 November 2013 and successfully completed on 31 January 2014, is worth mentioning. Unipetrol's stake in Česká rafinérská has increased from 51.22% to 67.555% and Unipetrol has secured the Qualified Majority (QM) of votes with the 67.5% threshold.

Introduction by the Chairman of the Supervisory Board

Ladies and Gentlemen,

The year 2013 can be characterized as a very busy and productive period for Unipetrol. Despite continuation of the Czech economy recession, which started already in the middle of 2011, and very tough market conditions, Unipetrol managed to preserve the solid financial position with a safe level of financial gearing, and on the other hand laid strong foundations of successful development in the coming years.

Key event of 2013 was the June announcement of Unipetrol Group Strategy 2013-2017, which determined clear strategic and development directions of all three business segments, i.e. refining, petrochemicals and retail distribution of fuels, till 2017. According to the Strategy, the refining segment will function, at fully optimized costs, as a reliable feedstock provider for the petrochemical segment and a reliable fuels supplier for the retail segment. Petrochemical segment is regarded as the key profit maker of Unipetrol Group in the coming years and will be further developed towards continued value creation for shareholders. Retail segment targets a significant market share increase to at least 20% till 2017 leveraging on its leadership market position in the Czech Republic. Moreover, non-fuel sales are expected to grow significantly thanks to strong focus on shop and bistro development, and customers' loyalty with Benzina filling stations network. Based on implementation of these strategic directions and execution of many Operational Excellence Initiatives, Strategy 2013-2017 is expected to enable a significant improvement of financial performance till 2017.

Unipetrol Group revenues reached CZK 99.4 bn in 2013 and operating profit CZK 1,589 m according to EBITDA LIFO indicator. Operating profitability deteriorated compared with 2012, before 2012 financial result adjustment for impairment in the refining segment, due to ongoing Czech economy recession, profound decline of refining margins and the fuels grey zone, which continued to negatively impact both refining and retail segments. Worth mentioning is that the petrochemical segment, with EBITDA LIFO of CZK 2,285 m, accounted of the major part of the Group operating profit. Due to the fact that the refining segment recorded an operating loss, the integration of refining and petrochemical segment again proved to be the key competitive advantage of Unipetrol Group. All in all, despite overall very challenging business conditions, management preserved financial stability of the Group with the financial gearing ratio on the sound level of 5% at the end of 2013.

I would like to point out as well that in September 2013, Unipetrol signed a significant agreement with the Administration of State Material Reserves – Czech Republic (ASMR) on processing petroleum during oil crisis situations. This strategic agreement defines the conditions under which emergency oil reserves held by the ASMR would be processed at Unipetrol Group refineries, should a state of oil crisis be declared. The signing of this agreement represents a culmination of relatively lengthy negotiations, the aim of which was to define effective and efficient cooperation in the case of an oil crisis, and at the same time support energy security of the Czech Republic.

Among the most crucial events for Unipetrol in 2013 was undoubtedly also the acquisition of 16.335 % stake in Česká rafinérská from Shell Overseas Investments B.V. which was announced in November and successfully completed on 31 January 2014. Thanks to this transaction, Unipetrol is going to significantly improve operational management of this key refining asset, which will at the same time allow for additional cost optimization and securing value synergies within the whole Unipetrol Group.

Supervisory Board maintained its close cooperation and continuous support to the Board of Directors during the course of the whole year 2013, with a clear goal to secure further business development of Unipetrol Group, improve its competitive position in the Czech Republic and the whole Central European region, retain its sound financial profile and maintain strategic relations with our business partners and other stakeholders on the solid level.

I would like thank the Board of Directors for their immense efforts in the operational and strategic management of the company on a daily basis, constant execution of successful Operational Excellence Initiatives and preserving integrity among all stakeholders – shareholders, managers, employees, customers, suppliers, civic associations, inhabitants of the regions where the company has its operations, and governmental bodies.

Sincerely,

Dariusz Jacek Krawiec

Chairman of the Supervisory Board

UNIPETROL, a.s.

Letter to Shareholders from the Chairman of the Board of Directors and Chief Executive Officer

Ladies and Gentlemen, Dear Shareholders,

The year 2013 was a period of several major events for Unipetrol Group. First and foremost, in June we announced Unipetrol Group Strategy 2013-2017 which defined the key development directions for the next couple of years. In spite of very challenging external market environment Unipetrol plans to significantly improve its financial performance during the coming years till 2017.

According to this crucial document, the refining segment will maximize utilization of its current production assets, improve their operational efficiency and serve as a stable provider of feedstock for the petrochemical segment and a stable supplier of motor fuels for the retail segment. Petrochemical segment was the key profit maker of Unipetrol Group in 2012 and 2013, and according to the Strategy it will keep maintaining this role. That's also why the majority of investments will be directed to this segment till 2017. Retail segment is regarded as the second profit maker of Unipetrol Group during years 2013-2017 with the key targets till 2017 to increase retail market share to at least 20% and to significantly increase throughput per station and non-fuel shop turnover.

All in all, during the course of the coming years, Unipetrol Group will focus on achieving significant efficiency improvements and Operational Excellence across all business segments. Execution of the Strategy should at the same time secure strong financial stability from both liquidity and financial leverage point of view.

In 2013 Czech economy continued to be in recession, refining margins dramatically decreased compared with 2012 and the fuels grey zone maintained its negative influence on the refining and retail segments during most of the year. These were among the major factors which caused the net loss of CZK 1,396 m for the full year 2013. Total capital investments (CAPEX) reached the level of CZK 2,404 m while majority of CAPEX was directed to the petrochemical segment, which fully corresponds to the main directions of the Strategy 2013-2017. At the same time, despite harsh external macro environment, we managed to maintain quite strong financial position with a financial gearing ratio of 5% at the end of 2013.

Looking at each business segment, petrochemical segment continued to be the key profit maker of the Group with the positive operating profit of CZK 2,285 m based EBITDA LIFO indicator. It was driven by better margins, with Unipetrol combined petrochemical margin of 621 EUR per ton in 2013 versus 573 EUR per ton in 2012, and internal efficiency improvements within Operational Excellence Initiatives. We have executed a project of polypropylene distribution, logistics and sale which increased internal captive use of propylene resulting in higher production and sales of polypropylene. We have been also running a program, which targets decrease of unit energy and steam consumption by 4 % till 2017. This program is being implemented by sub-projects focused on efficiency and energy management improvement.

I would like to highlight that we signed a license agreement with INEOS in October 2013, based on which we acquired the right to use a production process and technology for the new polyethylene unit (PE3). Purchase of the license is the first achieved milestone and represents the official start of the project execution. The construction of a new polyethylene unit is a key investment project within our Strategy 2013-2017.

We have chosen the newest technology, which will allow us to innovate our current product portfolio and satisfy most demanding requirements of our customers. The new polyethylene unit will assist in the process of increasing utilization of the steam cracker and it will contribute to a better interconnection between the petrochemical and refinery segments of the Unipetrol Group. The most modern technology will also improve production safety and reliability.

On the other hand, the refining segment recorded operating loss of CZK 1,142 m based on EBITDA LIFO indicator. This result was mainly driven by very challenging external macro environment on the European refining market. We witnessed a significant decline of refining margins, driven by lower gasoline and diesel crack spreads and higher fuel oil discounts, with Unipetrol refining margin achieving the level of 1.0 USD per barrel, a profound decline compared with 3.5 USD per barrel in 2012. Brent-Ural differential was lower as well with additional negative impact on the refining segment financial performance. On top of that, the Czech fuels market continued to face severe negative impacts from the fuels grey zone during most of the year, connected mainly to VAT frauds.

From the internal operations point of view, we unfortunately faced a negative impact of the lower sales volumes due to unplanned Kralupy refinery shutdown at the turn of May and June, which was a result of operational difficulties with the FCC unit. On the positive side, there was the scheduled complete turnaround of the Kralupy refinery in September and October based on 4-year maintenance cycle. Traditionally, this was a very demanding capital project for Česká rafinérská's employees and I am very glad that it was executed successfully and according to plan.

Additionally, there were several successful Operational Excellence Initiatives. I would like to point out to big improvement of Paramo financial performance, stemming from tremendous restructuring efforts. Significant improvements were achieved related to sales efficiency increase, and fixed and variable costs optimization. Execution of several smaller projects and initiatives that have already improved and will further improve energy efficiency of both Kralupy refinery and Paramo production plants are also worth mentioning. Additionally, Česká rafinérská signed two contracts with the Slovak national pipeline operator Transpetrol which determine new tariffs for Russian Export Blend Crude Oil (REBCO) transportation to the Czech Republic through the Slovak branch of the Druzhba Pipeline for 2013 and 2014.

Both contracts bring direct savings to Unipetrol. These internal measures and contracts were however not able to offset negative impact of external macro environment on the refining segment financial performance.

Retail segment recovered from the weak results at the beginning of 2013, stemming from the fuels grey zone culmination at the turn of 2012 and 2013, and achieved operating profit of CZK 509 m based on EBITDA LIFO indicator in 2013. Within Operational Excellence Initiatives we executed successful cross promotions with Tesco to make Benzina offer attractive to Tesco customers and to increase loyalty of current Benzina customers, and set up CNG partnership with Vítkovice, RWE and EON to provide CNG products on Benzina filling stations. Worth mentioning is also increase of Benzina's market share in 2013 compared with 2012 and the construction of our third unmanned filling station Expres 24 in Ostrava, which was finished in December.

There is also the new Motor Fuels Act in the Czech Republic valid since October 2013. The new legislation has already helped partially mitigate the fuels grey zone in the Czech Republic with corresponding positive impact on Benzina's fuel margins and sales volumes in the fourth quarter 2013. We expect further improvements in this area during 2014, not only within our retail segment, i.e. Benzina filling stations network, but also within refining wholesale fuels segment.

The long-term contract on lignite supplies with Severní energetická a.s. valid for 8 years till 2021 is another big achievement in 2013. The contract fully corresponds with the Strategy 2013-2017 which provides for further development of Unipetrol's existing business areas, in this case in terms of stable and reliable energy sources to secure Unipetrol's energy needs at optimized costs connected to planned development of the petrochemical segment.

Another agreement of crucial importance for Unipetrol is the 3-year contract for Russian crude oil (REBCO) deliveries with Rosneft. It is the first long-term contract, which was signed on our behalf by our majority shareholder PKN ORLEN in June 2013. The agreement is valid from 1 July 2013 to 30 June 2016 and the contracted volumes can cover from 60% to 100% of Unipetrol's total demand for REBCO crude depending on the economics of the contracted deliveries relative to the conditions prevailing on the crude oil market at a given time.

Apart from the Strategy 2013-2017 announcement, the acquisition of 16.335% stake in Česká rafinérská from Shell Overseas Investments B.V. was the most important event for Unipetrol in 2013. The share purchase agreement (SPA) was signed on 7 November 2013 with the acquisition price for the shares in the amount of USD 27.2 m. The transaction was successfully completed on 31 January 2014, based on which Unipetrol's stake on the Česká rafinérská's share capital has increased from 51.22% to 67.555%. Unipetrol has therefore secured the Qualified Majority (QM) of votes in Česká rafinérská with the 67.5% threshold.

This transaction has been an opportunistic acquisition fully in line with our Strategy 2013-2017 and supports its execution thanks to increasing security of petrochemical feedstock supplies, faster implementation of Operational Excellence Initiatives and strengthening long-term presence on the Czech market.

I would like to thank our shareholders, business partners and other stakeholders for their trust in Unipetrol during 2013, which can be again characterized as a very challenging period from the market environment perspective. Tremendous efforts across the whole Unipetrol Group on a daily basis were performed by all our employees, from ordinary workers at production units, through middle managers to top management. Big thanks belong also to them. And finally, I would like to thank the members of the Supervisory Board for their strong cooperation and support. I strongly believe that with the clear Strategy in place, Unipetrol will successfully overcome the ongoing tough market conditions in the current year 2014 and continue to build solid foundations of further value creation in the following years.

Sincerely,

Marek Świtajewski

Chairman of the Board of Directors and Chief Executive Office

UNIPETROL, a.s.

Unipetrol Group Strategy 2013-2017

Unipetrol announced its Strategy 2013-2017 on 11 June 2013 which defined the key development directions for the next couple of years. Despite macroeconomic headwinds and considerable market challenges Unipetrol wants to improve financial performance and keep it at a sustainable positive level that will enable to make further capital investments and develop its business. Unipetrol will focus on achieving efficiency gains and Operational Excellence across the core areas of its business: refining, petrochemicals and retail distribution of fuels.

Refining segment will maximize utilization of its existing capacities. Petrochemical segment will strengthen its market position through new investments, as well as efficiency improvements of its production assets. The main goal of the retail segment is to significantly increase its market share and achieve better sales in the non-fuel segment. Also, in the next few years Unipetrol plans to secure its energy needs at optimized costs.

All in all, Unipetrol competitive advantage lies mainly in further integration of the refining segment with petrochemical and retail segments. It will facilitate further growth of the petrochemical and retail segments where we plan to make the largest capital investments.

Refining segment

Strategy for the refining segment provides for the increased efficiency of existing production assets and improvement of operating performance. The main goal is to maximize the share of internal captive demand for refining products. Additionally, the refining segment is targeting as low unit costs per ton of crude oil processed as possible to remain competitive in the very challenging environment of the European refining industry, whose significant improvement is not in sight yet. These efforts are supported by production changes, optimization of processes and energy efficiency improvements, which will consume the majority of the planned capital expenditures in the refining segment.

Altogether, the main goal for the refining segment within the Strategy horizon of 2013-2017 is to reach Operational Excellence so that the refining assets can serve as a stable provider of feedstock for the petrochemical segment and a stable motor fuels supplier for our Benzina filling stations network within the retail segment. Operational Excellence in general represents a great amount of smaller or bigger projects which we call Operational Excellence Initiatives. These projects are in fact running not only in the refining segment but across the whole Unipetrol Group. At the same time, further analyses of other projects are being conducted regarding a potential upgrade of the company’s refineries. Their realization however depends on the overall development of the refining market, including refining margins.

Petrochemical segment

Petrochemical segment was the key profit maker of Unipetrol Group during last two years 2012-2013, and according to the Strategy 2013-2017 it will keep maintaining this role leveraging on expected continuation of favorable petrochemical market trends in the CEE region. That’s also why the majority of capital investments will be directed to this segment till 2017.

The company plans to significantly increase the steam cracker utilization and to correspondingly increase petrochemical sales volumes. The main factor behind this is the planned investment into new polyethylene unit (PE3) in the Litvínov integrated plant. The first effects will positively contribute from the beginning of 2017 with a full impact beyond the Strategy horizon.

Regarding optimization of the petrochemical segment asset base, urea production unit in Litvínov, operating obsolete technology, was permanently shutdown according to previously communicated plan in January 2013 in order to allow for efficiency enhancement. Assets optimization, mainly in the agro division and connected operations, shall continue during the Strategy horizon till 2017, subject to careful evaluation and analysis of shareholder value creation potential in the future, taking into account overall market trends and Unipetrol’s competitive position.

In terms of Operational Excellence Initiatives within the petrochemical segment, the plan is to decrease fixed costs by 9%. The company targets improvement initiatives in energy efficiency area, technical standards and pricing of both raw materials and products. Regarding energy and steam consumption a complex project is being run, which targets decrease of unit energy and steam consumption by 4 % till 2017. This project is implemented by sub-projects focused on efficiency and energy management improvement. All these measures are expected to secure a position of the petrochemical segment as the key profit maker within Unipetrol Group strengthening its market position at fully optimized costs.

Retail segment

Retail segment is regarded as the second profit maker of Unipetrol Group during years 2013-2017 with the key targets till 2017 to increase retail market share in the Czech Republic to at least 20%, either through organic growth or through potential acquisitions with attractive valuation, and to significantly increase throughput per station and non-fuel shop sales. The concept of unmanned filling stations Expres 24 will remain the key development project within the retail segment.

The new Motor Fuels Act in the Czech Republic valid since October 2013 has already helped partially mitigate the fuels grey zone with a corresponding positive impact on Benzina's fuel margins and sales volumes at the turn of 2013 and 2014. Further improvements in this area are expected during 2014. All in all, the retail segment is targeting a significantly higher market share till 2017 leveraging on the Benzina's market leader position in the Czech Republic.

Significant improvement of financial performance expected

Unipetrol's Strategy for the years 2013-2017 is expected to enable a significant improvement of financial performance. The Strategy should help the company generate strong cash flows and at the same time secure strong financial stability from the both liquidity and financial leverage point of view. Regarding the financial gearing ratio during the Strategy horizon 2013-2017 it should not exceed 20%.

The objective behind the new ambitious Strategy is also to ensure Unipetrol's long-term growth. It is assumed that nearly half of the planned capital investments will be allocated to growth-oriented projects, while the balance will be used to carry out plant maintenance, upgrades and implement environmental protection solutions.

The fact worth mentioning as well is that majority of net cash flows is planned to be generated in the later stage of the Strategy horizon, in the year 2016 and mainly in 2017. At this stage the investment into the new polyethylene unit (PE3) is expected to be completed. This generated free cash flow should help Unipetrol to have a very solid balance sheet at the end of the Strategy horizon. The adopted Strategy will allow Unipetrol Group to improve its profitability and shareholder value creation, invest into modern assets and at the same time keep its financial stability.

There are several key assumptions used in the Strategy. Delivery of the financial targets will significantly depend on the realization of these assumptions. The first assumption is the mitigation of the fuels grey zone in the Czech Republic by at least 50% from the estimated peak at the turn of 2012 and 2013, secondly decrease of pipeline tariff costs to the market justified level, thirdly decrease of energy cost burdens for industrial customers in the Czech Republic, renewable energy surcharges (POZE), and fourthly continuation of long-term trend of growing regional and global demand for basic petrochemicals.

Action plan for 2014

In regards to current year 2014, Unipetrol will be focused on the speed-up of Operational Excellence Initiatives execution in Česká rafinérská after the acquisition of Shell's 16.335% stake was successfully completed in January 2014. Sales volumes of refining and retail segment should be enhanced by further fuels grey zone limitation in the Czech Republic. Unipetrol will be investing in synergies between refining segment and petrochemical and retail segments. Company will be at the same time involved in the regulatory affairs management in the Czech Republic concerning renewable energy sources fees, fuels grey zone limitation and biofuel burdens. And last but not least, Unipetrol targets further increase of the retail market share in the Czech Republic. Non-fuels sales of the retail segment are expected to increase driven by expected economic recovery.

Highlights of 2013 and 2014 up to Annual Report approval date

Highlights of 2013

6 February

Mirosław Kastelik was elected to the office of Member of the Board of Directors of UNIPETROL, a.s. He also holds the position of Chief Financial Officer (CFO) from this date.

23 March

Representatives of the Unipetrol Group and the Institute of Chemical Technology in Prague (VŠCHT) signed the contract on mutual cooperation for the year 2013. Within this contract, Unipetrol supported for example the realization of chemistry fairs in Prague and Most, organization of the chemistry Olympics, awarding successful students or the 'Hour of modern chemistry' project. The Unipetrol Group is a strategic partner of the Institute of Chemical Technology Prague for twelve years.

8 April

Marek Świtajewski was elected to the office of Chairman the Board of Directors and was appointed to the position of Chief Executive Officer (CEO) of UNIPETROL, a.s. as well. At the same time, Andrzej Kozłowski was elected to the office of Member of the Board of Directors.

30 May

ČESKÁ RAFINÉRSKÁ, a.s. and the Slovak national pipeline operator TRANSPETROL, a.s. signed a pipeline transportation contract that determined new tariffs for crude oil transportation to the Czech Republic through the Slovak branch of the Druzhba Pipeline for the year 2013.

11 June

Announcement of the Unipetrol Group Strategy 2013-2017 on 11 June 2013, which determined clear strategic and development directions of all three business segments, i.e. refining, petrochemicals and retail distribution of fuels, till 2017.

21 June

PKN ORLEN S.A., the majority shareholder of Unipetrol, signed an agreement with Rosneft for Russian crude oil deliveries to Unipetrol. The agreement is valid from 1 July 2013 to 30 June 2016 and represents the first long-term contract of this kind.

24 June

Annual General Meeting of UNIPETROL, a.s. was held and approved financial statements of the company for 2012 and the Report of the Company's Board of Directors on Business Activities of the Company and State of its Property for 2012.

15 August

ČESKÁ RAFINÉRSKÁ, a.s. and the Slovak national pipeline operator TRANSPETROL, a.s. signed a pipeline transportation contract that determines new tariffs for crude oil transportation to the Czech Republic through the Slovak branch of the Druzhba Pipeline for the year 2014.

4 September

The Administration of State Material Reserves (“ASMR”) and UNIPETROL RPA, s.r.o. signed an agreement on processing petroleum during oil crisis situations. This strategic agreement defines the conditions under which emergency oil reserves held by the ASMR would be processed at Unipetrol Group refineries, should a state of oil crisis is declared. The ASMR would then distribute the processed petroleum products to the crisis management authorities and the public.

3 October

UNIPETROL RPA, s.r.o. signed a license agreement with INEOS, based on which it acquired the right to use a production process and technology for the new polyethylene unit (PE3). Construction of the new polyethylene unit is the key investment project within Unipetrol Group Strategy 2013-2017. Purchase of the license represents the first achieved milestone and official start of the project execution.

7 November

UNIPETROL, a.s. signed a share purchase agreement with Shell Overseas Investments B.V. for Shell's 16.335% shareholding in ČESKÁ RAFINÉRSKÁ, a.s. with the acquisition price for the shares in the amount of 27.2 USD million.

12 November

UNIPETROL, a.s. signed a contract with Severní energetická a.s. on long-term supplies of lignite to UNIPETROL RPA, s.r.o.

2 December

UNIPETROL RPA, s.r.o. has achieved an important milestone as the company reached the threshold of 5,000,000 tons of produced polypropylene. Polypropylene is being produced in Chempark Záluží, Litvínov for 38 years and there are still six people engaged in the production who were present at the beginning of the original polypropylene unit operation.

12 December

UNIPETROL, a.s. signed a mid-term loan agreement with its majority shareholder PKN ORLEN SA, based on which UNIPETROL, a.s. received a mid-term loan in the amount of CZK 4 billion. The purpose of the loan is the diversification of Unipetrol’s funding sources and extension of maturity. The company received the first half of the loan CZK 2 billion on 17 December 2013. The second half was transferred to the company’s account on 24 January 2014.

Highlights of 2014 up to Annual Report approval date

31 January 2014

Acquisition of 16.335% shareholding in ČESKÁ RAFINÉRSKÁ, a.s. from Shell Overseas Investments B.V. was completed. Based on the successful completion of the transaction Unipetrol’s stake on the ČESKÁ RAFINÉRSKÁ, a.s. share capital has increased from 51.22% to 67.555%.

UNIPETROL RPA, s.r.o. signed a product supply agreement with Shell Czech Republic a.s. based on which UNIPETROL RPA, s.r.o. will be supplying fuels to Shell Czech Republic a.s. for the period of up to five years.

Selected data of the Unipetrol Group

	2013	2012 restated	2011	2010	2009	2008 restated
Structure of assets and liabilities (in CZK million)						
Total assets	49,998	50,948	57,176	61,471	58,249	57,742
Non-current assets	25,664	26,171	31,918	36,351	38,061	38,890
Current assets	24,334	24,777	25,258	25,120	20,188	18,852
Equity	28,299	29,844	32,854	38,800	37,871	38,913
Liabilities	21,699	21,104	24,322	22,671	20,378	18,829
Structure of profit / loss (in CZK million)						
Revenues	99,415	107,160	97,428	85,967	67,387	98,144
Gross profit	2,303	3,116	1,876	4,334	2,157	4,673
EBITDA [1)]	1,522	-1,012	-2,263	5,174	2,778	4,481
EBIT [2)]	-893	-3,819	-5,370	1,678	-654	1,003
Net finance costs	-450	-553	-574	-492	-564	-981
Profit / loss before tax	-1,344	-4,372	-5,944	1,186	-1,218	21
Net profit / loss	-1,396	-3,098	-5,914	937	-840	65
Earnings / loss per share (CZK)	-7.70	-17.08	-32.61	5.17	-4.63	0.36
Structure of cash flows (in CZK million)						
Operating cash flow	300	1,975	413	4,656	3,881	4,213
Investing cash flow	-1,688	-921	-3,024	-937	-1,812	-3,148
Financing cash flow	-584	-447	327	-144	-1,836	-3,197
Total cash flow	-1,972	607	-2,284	3,575	234	-2,132
Operating indicators (in thousand tons)						
Crude oil throughput [3)]	3,607	3,927	3,942	4,352	4,110	4,533
Sales of refining products, including retail distribution of fuels (Benzina filling stations network) [4)]	3,151	3,283	3,438	3,548	3,409	3,825
Sales of petrochemical products [5)]	1,578	1,771	1,668	1,805	1,825	1,830

[1)] EBITDA – Earnings before depreciation and amortization, financial result and taxes

[2)] EBIT – Earnings before financial result and taxes

[3)] Crude oil throughput represents total volumes of crude oil processed in Unipetrol's refineries.

[4)] Sales of refining products, including retail distribution of fuels (Benzina filling stations network), represent total external sales volumes of refining products outside Unipetrol Group. These are primarily motors fuels, gasoline and diesel.

[5)] Sales of petrochemical products represent total external sales volumes of refining products outside Unipetrol Group.

Corporate Social Responsibility (CSR)

Unipetrol is a company which aims to embrace responsibility for its actions and encourage a positive impact through its activities on the environment, communities, and stakeholders. This is why the company's Corporate Social Responsibility (CSR) activities remain in the regions and communities where it operates. As a good neighbor, Unipetrol responsibly acts in the field of environmental protection. As a leader of Chemistry, the company supports young talents and encourages education in the areas which support the development and advancement of chemistry in the Czech Republic. The company tirelessly cooperates on and supports many projects and institutions in the areas relevant to the four main pillars of its CSR strategy:

- Education
- Volunteering
- Donations
- Environmental protection

Education

Through its strategic partnership with Institute of Chemical Technology Prague (ICT), Unipetrol aims to develop the area of science and education. The partnership acts as a platform for this development and allows for connection of research with educational activities in the areas of petrochemicals, refinery and fuels. The company especially supports students and focuses on young talents providing them with an opportunity to gain hands on experience through practices, internships and research.

Unipetrol also champions chemistry education among high school and secondary school students. In 2013, Unipetrol started a project for third and fourth graders of EDUCHEM high school located in Meziboří near Litvínov, called "Chemical Graduation - A Path to Crude Oil Knowledge". The program gave the students an opportunity to visit Chempark Záluží, laboratories, production plants, safety department and filling stations. Part of the program was also a visit to the ICT Prague, where students completed laboratory activities and visited the Museum of Oil Extraction and Geology. Students completed the program based on mandatory presentations, which they created based on observations and knowledge gained during a week-long program. The students with the best presentations received an opportunity to participate in a summer internship program at Unipetrol. The company would like to continue this project in the future and further support students in studying chemistry at the university.

During last year, Unipetrol also became the key partner in various projects aiming at supporting chemistry education on the national level and among general public. The company entered the partnership with the National Technical Museum (NTM) in Prague on the realization of an exposition called „Chemistry Around Us". The company delivered technical artifacts and provided financial contribution to the NTM.

Unipetrol also became a partner with the nation-wide project called „Zlatý Ámos", which distinguishes the most popular teachers in the Czech Republic based on popularity vote of students. The partnership with Unipetrol helped establish a new category within this competition called "Chemistry Teacher of the Year" which will be announced in the upcoming months.

In line with the CSR activities of Group, the subsidiary company of Unipetrol, PARAMO, a.s. also focuses on the popularization of chemistry among students. The support goes to elementary schools, secondary and technical schools of chemistry as well as the Chemistry and Technology Faculty at the University Pardubice and projects promoting chemistry and chemistry education.

Volunteering

Unipetrol is a responsible neighbor who cares for the environment and is eager to cooperate with social organizations in the regions where it operates. In line with this philosophy, the company engages its employees in a series of Volunteer Days which are organized every year. The employees dedicate their regular work day for the work at the non-profit organizations, managing jobs and projects which the organizations cannot realize due to lack of resources.

In May 2013 Unipetrol together with Česká rafinérská organized another series of Volunteer Days. Forty four employees dedicated 330 hours of work for the Regional Charity in Most, the Children's Home in Hora Svaté Kateřiny, the Endowment Fund for Regeneration of the Ore Mountains, and the Sue Ryder Care Home (Prague).

Donations

The Fulfilled Dreams fundraiser, which the Unipetrol Group organizes for its employees each year, in 2013 raised over CZK 100,000. While the employees donated half of this amount, the company matched their contributions. The money raised from the project was donated to the non-profit organizations in the regions of Most, Pardubice and Prague. This money was divided between three non-profit organizations – Hora Svaté Kateřiny Children's Home, Early Care Center in Pardubice and Sue Ryder Home for the Elderly in Prague.

Unipetrol also helps develop other smaller charitable projects, which support local non-profit organizations.

Another pillar of the CSR strategy is local sponsoring. In 2013, the subsidiary company UNIPETROL RPA, s.r.o. contributed CZK 1,140,000 to 12 towns and communities in the Ústí Region. The money was used to finance projects from the area of social care, education, environment protection and culture. The city of Litvínov used CZK 150 000 for purchasing the equipment for schools and pre-schools playgrounds. The city of Most used the money to acquire equipment for the classroom at the Free-time Center, for the municipal police and for the Municipal Administration of Social Services in Most. The Unipetrol also donated CZK 500,000 to the Regional Office in Ústí nad Labem to help the region cope with damages after spring floods.

In 2013, BENZINA s.r.o. conducted a very successful charity collection campaign called "Darujte s Vervou" (Donate with Verva) at the chosen filling stations. The customers of the BENZINA PLUS helped the vulnerable and disadvantaged children and on behalf of "Pomozte dětem Charity" they helped rise over CZK 250 000 at 107 filling stations.

Environment

Based on the long-term cooperation with the Czech Anglers Union, each year Unipetrol releases a new batch of fish into Bílina river to support clean environment along the river bed. The annual contribution for this activity totals CZK 50 000. The program is set to continue in the year 2014.

Concurrently, there are other environmental projects, which are supported by Unipetrol. „The Gate of Ecology is Opened or Water for Life" bring attention to the environmental issues and also provide possible solutions from the worldwide and local perspectives. Both projects were created by the Environment Center Most thanks to support provided by Unipetrol.

Sport sponsorship

The support of hockey club Litvínov by Unipetrol subsidiary company BENZINA, s.r.o. as a key partner has a long tradition. In 2013, the hockey club celebrated entry into the 55th season in the Hockey Extra League and BENZINA celebrated 55 years since it was founded. Unipetrol also has a long history of partnerships in auto rallies – Šumana Rallye Klatovy and „Golden Helmet" speedway race through its subsidiary company PARAMO, a.s. Paramo also supports hockey club and floorball team of Pardubice and basketball team of Kolín.

Unipetrol's governing bodies and management

Board of Directors

The Board of Directors is the company's governing body, managing its activity and acting on its behalf. Pursuant to the Articles of Association as in force as of 1 January 2014, the Board of Directors has seven members and the members are elected for a three-year term of office. The Board of Directors elects from its ranks the Chairman and two Vice-Chairmen, who each represent the Chairman severally and fully in the execution of his competences.

The company's Board of Directors as of 26 March 2014

MAREK ŚWITAJEWSKI

Born on 16 November 1969

Member of the Board of Directors since 25 June 2012 (current term of office will expire on 25 June 2015), Vice-Chairman of the Board of Directors since 12 September 2012, Chairman of the Board since 8 April 2013

University education, 20 years of experience

Currently the company's Chief Executive Officer (CEO) as well.

Career overview:

Over the preceding years, he has worked as a technical director of TP Emitel (12/2006 – 10/2010), CEO of Global Contact & Institute of Training and Market Researches (3/2006 – 10/2007) and Nortel Networks (12/2004 – 2/2006). Within the Unipetrol Group he worked as an Executive at Unipetrol RPA (2010 – 2011) and he was appointed as the Chairman of the Board of Directors and CEO of ČESKÁ RAFINÉRSKÁ (2011 – 2012). He does not hold any of these positions any longer.

Education:

Merchant Marine Academy in Gdynia, Master's Degree in Radio Telecommunication and Electronic

PIOTR WIELOWIEYSKI

Born on 17 October 1954

Member of the Board of Directors since 28 March 2012 (current term of office will expire on 28 March 2015), Vice-Chairman of the Board of Directors since 28 March 2012

University education, 35 years of experience

Currently also the Chief Retail Officer.

Career overview:

Over the preceding years, he has worked as a member of the Board of Directors of Libella Sp. z o.o. (2008-2012), CFO and a member of Investment Committee of Profound Ventures Spółka z o.o. (2011), and a member of the Board of Directors of Foksal NFI S.A. (2004 – 2007). He does not hold any of these positions any longer.

Education:

University of Warsaw, Master's Degree in Economics

MIROSŁAW KASTELIK

Born on 23 February 1968

Member of the Board of Directors since 6 February 2013 (current term of office will expire on 6 February 2016)

University education, 21 years of experience

Currently also the company’s Chief Financial Officer (CFO) as well.

Career overview:

Over the preceding years, he has worked as the Chief Financial Officer and Chief Accountant at Isuzu Motors Polska Sp. z o.o. (1998 – 2009), as the Chief Financial Officer and Vice-President at Tele-Fonika Kable Sp. z o.o. (2009 – 2010) and as the Chief Financial Officer at Boryszew S.A., Maflow Branch (2011 – 2013). He does not hold any of these positions any longer.

Education:

University of Illinois at Urbana-Champaign – Warsaw University, Executive MBA

Katowice University of Economics, Post-Graduate Studies in Accounting

Cracow University of Economics, Master Degree in Economics of Real Estate and Investments

ANDRZEJ JERZY KOZŁOWSKI

Born on 13 January 1975,

Member of the Board of Directors since 9 April 2013 (current term of office will expire on 9 April 2016)

University education, 17 years of experience

Currently assigned with responsibilities in the area of Strategy and M&A.

Since February 2009, Mr. Kozlowski has served as Executive Director for Strategy and Project Portfolio at PKN ORLEN. He is also a Chairman of the Supervisory Board of ORLEN Upstream Sp. z o.o. (since February 2010).

Career overview:

Prior to his current role, he worked as Director for Strategy, Project Management and Regulatory Relations at TP Emitel, Director at Prokom S.A., Manager in charge of strategic projects for the Board of Directors at Telekomunikacja Polska S.A., and consultant and project manager for Avantis Consulting Group and American Management Systems.

Between 2009 and 2010, he was a Member of the Supervisory Board of AB ORLEN Lietuva.

Education

A. J. Kozłowski graduated from the WSB National-Louis University (BA program) and from the Maastricht School of Management (MBA program).

MARTIN DURČÁK

Born on 25 November 1966

Member of the Board of Directors since 6 October 2006 (reelected to office on 5 December 2012; current term of office will expire on 5 December 2015)

University education, 22 years of experience.

Currently also the Chief Refining Officer and the Member of the Board of Directors of HC VERVA Litvínov, a.s.

Career overview:

Over the preceding years, he has held the position of Member of the Board of Directors and CEO at ARAL ČR a.s. (2004–2006). He held the position of the executive of BENZINA, s.r.o. until 31 August 2011. He does not hold this position any longer.

Before, he worked as Project Manager at ARAL ČR and as Controlling Director at ARAL ČR and Aral Poland.

Education:

Technical University in Ostrava

ARTUR PAŹDZIOR

Born on 6 October 1970

Member of the Board of Directors since 30 October 2009 (reelected to office on 5 December 2012; current term of office will expire on 5 December 2015)

University education, 22 years of experience.

Currently also the Chief Petrochemical Officer

Career overview:

Over the preceding years, he has held the position of CEO and the Chairman of the Board of Directors at MK Sp. z o.o. (2008 – 10/2009), Sales and Marketing Director and a member of the Board of Directors at Wavin Metalplast – Buk Sp. z o.o. (2003 – 2008). He does not hold any of these positions any longer.

Education:

Master of Business Administration, Nottingham Trent University / The Wielkopolska Business School

Master of Engineering, Poznan University of Technology, Faculty of Mechanical Engineering

Board of Directors – Changes in 2013 and in 2014 up to Annual Report approval date

As of 1 January 2013, members of the Board of Directors were Messrs. Piotr Chełmiński – Chairman, Marek Świtajewski – Vice-Chairman, Piotr Wielowieyski – Vice Chairman, Martin Durčák, Mariusz Kędra, Artur Paździor – members.

The Supervisory Board at its meeting on 6 February 2013 resolved to recall Mr. Mariusz Kędra from his office of a Member of the Board of Directors and elected Mr. Mirosław Kastelik to the office of Member of the Board of Directors.

The Supervisory Board at its meeting on 8 April 2013 resolved to recall Mr. Piotr Chełmiński from his office of a Chairman of the Board of Directors with the effect as of 8 April 2013 and elected Mr. Andrzej Kozłowski to office of Member of the Board of Directors with the effect as of 9 April 2013. Mr. Marek Świtajewski was elected to office of Chairman of the Board of Directors and he also became the Chief Executive Officer of the company with the effect as of 9 April 2013.

Thus, as of 31 December 2013, the Board of Directors included Messrs. Marek Świtajewski as the Chairman, Piotr Wielowieyski as the Vice-Chairman, Martin Durčák, Mirosław Kastelik, Andrzej Kozłowski and Artur Paździor as members.

Thus, as of the date of approval of the Annual Report, 26 March 2014, the Board of Directors included Messrs. Marek Świtajewski as the Chairman, Piotr Wielowieyski as the Vice-Chairman, Martin Durčák, Mirosław Kastelik, Andrzej Kozłowski and Artur Paździor as members.

Supervisory Board

The Supervisory Board is the company's supervisory body. It supervises the performance of the Board of Directors' competences and the running of the company's business. In accordance with the Articles of Association as in force as of 1 January 2014, the Supervisory Board had 9 members elected for a three-year term of office. The Supervisory Board elects from its ranks its Chairman and two Vice-Chairmen, each representing the Chairman of the Supervisory Board severally and fully in the execution of his competences.

Supervisory Board as of 26 March 2014

DARIUSZ JACEK KRAWIEC

Born on 23 September 1967

Member of the Supervisory Board (since 26 June 2008, term of office will expire on 30 June 2014)

Chairman of the Supervisory Board (since 11 December 2008, reelected to office of Chairman of the Supervisory Board on 12 October 2011)

University education, 22 years of professional experience

Outside the Unipetrol Group he is currently a Member and the Chairman of the Board of Directors of PKN ORLEN S.A.

From 2006 to 2008, he served as President of the Management Board of Action S.A. From 2003 to 2004, he was managing director for Sindicatum Ltd. London. In 2002, he became President of the Management Board of Elektrim S.A. From 1998 to 2002 he served as President of the Management Board and CEO of Impexmetal S.A. In 1998, he was with the UK branch of Japanese investment bank Nomura plc headquartered in London, where he was responsible for the Polish market. In the years 1992 – 1997, he worked for Bank PEKAO S.A., Ernst & Young S.A. and PriceWaterhouse Sp. z o.o. He does not hold any of these positions any longer.

He has chaired the supervisory boards of Huta Aluminium Konin S.A., Metalexfrance S.A. of Paris, S and I S.A. of Lausanne, cemarket.com S.A. He has been a member of the supervisory boards of Impexmetal S.A., Elektrim S.A., PTC Sp. z o.o., Elektrim Telekomunikacja Sp. z o.o., Elektrim Magadex S.A., Elektrim Volt S.A. and PTE AIG and Polkomtel S.A.

Graduated from the Poznan University of Economics, specialization in Economics and Organization of the Foreign Trade.

SŁAWOMIR ROBERT JĘDRZEJCZYK

Born on 5 May 1969

Member of the Supervisory Board (since 26 June 2008, term of office will expire on 30 June 2014)

Vice-Chairman of the Supervisory Board (since 11 December 2008 till 30 June 2011, reelected to office on 12 October 2011)

University education, 20 years of professional experience

Outside the Unipetrol Group he is currently a Member and Vice-Chairman of the Board of Directors at PKN Orlen S.A. and since 1 January 2014 he is a Member of the Board of Directors of TriOil Resources Ltd., Canada.

Since 7 June 2008, he has been a Member of the Board of Directors of PKN ORLEN, and in September 2008 he was appointed a Vice-President of the Board of Directors of PKN ORLEN and Chief Financial Officer. From 2005 to June 2008, he served as a President of the Management Board and CEO of Emitel. Earlier, he headed the Controlling Division at the Telekomunikacja Polska S.A., he was a Member of the Management Board and CFO at Impexmetal S.A and he also worked in the Audit and Business Advisory Department of PriceWaterhouse.

Graduated from the Łódź University of Technology (1992). In 1997, he completed The Association of Chartered Certified Accountants in London, from which he obtained the title of British Certified Auditor.

IVAN KOČÁRNÍK

Born on 29 November 1944

Member and Vice-Chairman of the Supervisory Board (since 22 June 2006, reelected to office on 25 June 2012, current term of office will expire on 25 June 2015)

University education, 45 years of professional experience

He has been the Chairman of the Supervisory Board at Impronta, a.s. (until 13 June 2003), Chairman of the Supervisory Board at Česká pojišťovna Slovensko, a.s. (until April 2008), Chairman of the Board of Trustees of Nadace VŠE, Chairman of the Supervisory Board of Česká pojišťovna a.s. (until January 2007), and Chairman of the Supervisory Board of ČESKÉ AEROLINIE, a.s. (until September 2009). He does not hold any of these positions any longer.

He held the office of the Deputy Prime Minister and the Minister of Finance (1992 – 1997), Deputy Minister of Finance (1990 – 1992). Before, he worked as Director of the research department of Ministry of Finance (1985 – 1990), at the University of Economics, Prague (1975 – 1985) and in the Research institute of financial and loan system (1966 - 1974).

Graduated from the University of Economics, Prague

ZDENĚK ČERNÝ

Born on 20 October 1953

Member of the Supervisory Board (since 29 January 1999, current term of office will expire on 30 June 2016)

University education, 39 years of professional experience

Outside the Unipetrol Group, he has been the Chairman of the Supervisory Board of Vykáň a.s. (until 30 June 2006) and a member of the Supervisory Board of Severomoravská energetika a.s., Ostrava (until 28 February 2007) over the preceding years.

Currently he holds the office of Chairman of the Trade Unions Association ECHO (Energy and Chemical industries). Before, he held the post of Chairman of the Czech Trade Unions in Chemical Industry (1997 – 2004), where he also worked in various other positions since 1990 (the head of the Chairman’s Office, executive secretary, head of legislative department). Between years 1975 and 1989 he worked in the railway transportation industry in various positions and departments.

Graduated from the Charles University in Prague, Faculty of Law. MBA studies finished in June 2011.

BOGDAN DZUDZEWICZ

Born on 9 February 1966

Substitute Member of the Supervisory Board (from 11 December 2008 till 23 June 2009)

Member of the Supervisory Board (since 24 June 2009, reelected to office on 25 June 2012, current term of office will expire on 25 June 2015)

University education, 23 years of professional experience

Currently PKN ORLEN’s general counsel (since September 2008) and Chairman of Supervisory Board of Inowrocławskie Kopalnie Soli “Solino” S.A.

He previously worked as a senior lawyer at Linklaters (2003 – 2004) as well as running a private practice (2004 – 2008). Before, he worked as a commercial lawyer in Elektrim S.A. (2002), a senior lawyer in Weil, Gotshal & Manges (1998 – 2002) and a lawyer in Sołtysiński Kawecki & Szlęzak (1995 – 1998).

Faculty of Law of the Adam Mickiewicz University in Poznań and the Law Faculty, Central European University in Budapest. Member of Regional chamber of commercial lawyers in Warsaw.

PIOTR KEARNEY

Born on 4 October 1969

Member of the Supervisory Board (since 8 June 2005, current term of office will expire on 30 June 2014)

University education, 19 years of professional experience

Currently works as Director of Mergers and Acquisitions Department in PKN ORLEN and he is currently also member of Supervisory Boards of AB ORLEN Lietuva a ORLEN Upstream.

He has been working at PKN ORLEN since 2000, he began at the post of Deputy Director for Capital Investments and later became Strategy and Development Executive Director. Before joining PKN ORLEN he worked for Nafta Polska S.A., first as an Adviser in the Financial Policy Department, subsequently at the post of Deputy Director for Restructuring and Privatization Department. He started his career in Rafineria Gdanska S.A. as Development Finance Manager (1995 – 1996).

Over the preceding years, he has been a Member of the Supervisory Board of ORLEN Deutschland AG (2003 – 2004), Rafineria Trzebinia S.A. (2003 − 2004), Inowrocławskie Kopalnie Soli Solino S.A. (2003 − 2004), Polkomtel S.A. (2008).

Graduated from the University of Gdansk, Faculty of Economics.

PIOTR CHEŁMIŃSKI

Born on 17 October 1964

Member of the Supervisory Board (since 9 April 2013, current term of office will expire on 24 June 2016)

University education, 22 years of experience

Currently, outside the Unipetrol Group, he is a Member of the Board of Directors of PKN ORLEN S.A. responsible for Petrochemical Operations. He also serves as a Chairman of the Supervisory Board of ANWIL S.A. and a Member of Supervisory Board of Basell Orlen Polyolefins Sp. z o.o.

Prior to his current role, he served as a Vice-President for Sales and Marketing in Gamet S.A. in Torun and as a Member of the Board of Directors in Gamet Holdings S.A. in Luxembourg (2006 – October 2009). Between years 2001 – 2006 he served as a Member of the Board of Directors and as a Member of the Supervisory Board – direct operational supervision of Sales and Marketing, Kamis-Przyprawy S.A. From 2001 to 2002 he held the position of a Member of the Board of Directors and a Member of the Supervisory Board of Werner & Merz Polska Sp. z o.o. Between years 1999 – 2001 he was a Member of the Board of Directors in Browar Dojlidy Sp. z o.o. and prior to this he worked for Eckes Granini GmbH & Co. KG as a Regional Director for CEE region and as a President of its subsidiary in Aronia S.A. (1996 – 1999) and he served as a Vice-President for sales, marketing and export of Okocimskie Zaklady Piwowarskie S.A. (1995 – 1996).

From December 2009 to April 2013 he held the post of Chairman of Board of Directors and CEO at Unipetrol, a.s. He does not hold any of these positions any longer.

He is a graduate of the Warsaw University of Agriculture. He also completed postgraduate course in management at the University of Management and Marketing in Warsaw (Partner of the University of Denver in USA).

KRYSTIAN PATER

Born on 16 December 1964

Member of the Supervisory Board (since 28 June 2007, current term of office will expire on 30 June 2016)

University education, 25 years of professional experience

Outside the Unipetrol Group, he is a Member of the Board of Directors responsible for refinery segment of PKN ORLEN S.A. (2007 – present). Additionally he is a Member of the Management Board of AB ORLEN Lietuva. He also serves as a Vice-President of the Management Board of SITPNiG and a Member of Management Board of EUROPIA and CONCAWE and a Chairman of the Association of Oil Industry Workers in Plock.

Prior to his current role he worked in PKN ORLEN S.A. as an Executive Director responsible for Refining Production (2005 – 2007), chief engineer for technology (2003 – 2005) and supervisor of the production manager’s office (1998 – 2002). Between years 1993 and 1998 he held the post of technologist in Petrochemia Płock S.A. Additionally, he was a Chairman of the Supervisory Board of ORLEN Asfalt Sp. z o.o. (2005 – 2007), ORLEN Eko Sp. z o.o. (2005 – 2007) and a Member of the Supervisory Board of Polyolefins Sp. z o.o. (2007 – 2008).

Graduated from the Nicolaus Copernicus University in Torun, Faculty of Chemistry, in 1987. Additionally he passed a post-graduate courses in “Chemical Engineering and Equipment” at the Warsaw University of Technology in 1989 “Management and Marketing” at the Pawel Wlodkowic University College in Plock in 1997, “Petroleum Sector Management” in 1998 and “Enterprise Value Management” between years 2001 – 2002 at the Warsaw School of Economics.

RAFAŁ SEKUŁA

Born on 27 September 1972

Substitute Member of the Supervisory Board (from 30 October 2009 to 9 December 2009)

Member of the Supervisory Board (since 10 December 2009, current term of office expired on 24 June 2016)

University education, 17 years of professional experience

He is currently the Executive Director of PKN ORLEN's HR Department and a Member of the Supervisory Board of ORLEN Centrum Usług Korporacyjnych Sp. z o.o. (since 1 October 2011).

Prior to his current role he worked as the HR Director (from 2006), the head of the Employee Care Department (from 2002) and as a specialist in the Employee Care Department (from 2000) at TP EmiTel sp. z o.o. Between years 1997 and 2000 he worked for Telekomunikacja Polska in Organization and Management Department.

Graduated from the Jagiellonian University in Cracow, the Faculty of Law (1997), and from the Polish Open University/The Oxford Brookes University in Warsaw, MBA program (2006), coach ICC.

Supervisory Board – Changes in 2013 and in 2014 up to Annual Report approval date

As of 1 January 2013, the Members of the Supervisory Board were Messrs. Jacek Krawiec as the Chairman, Sławomir Jędrzejczyk as a Vice-Chairman, Ivan Kočárník as a Vice-Chairman, and Piotr Kearney, Krystian Pater, Zdeněk Černý, Bogdan Dzudzewicz, Andrzej Kozłowski and Rafał Sekuła as members.

The General Meeting of UNIPETROL, a.s. on 24 June 2013 elected to the office of Members of the Supervisory Board for another term Messrs. Piotr Chełmiński, Rafał Sekuła, Krystian Pater and JUDr. Zdeněk Černý.

As of 31 December 2013, the Members of the Supervisory Board were Messrs. Jacek Krawiec as the Chairman, Sławomir Jędrzejczyk as a Vice-Chairman, Ivan Kočárník as a Vice-Chairman, and Piotr Kearney, Krystian Pater, Zdeněk Černý, Bogdan Dzudzewicz, Piotr Chełmiński and Rafał Sekuła as members.

There were no changes in the composition of the Supervisory Board in 2014 up to the date of approval of the Annual Report on 26 March 2014.

Managers (persons with management powers)

"Managers" mean persons in executive management positions who substantially influence the company's actions. As far as UNIPETROL, a.s. is concerned, managers are the persons in the positions of Chief Executive Officer, Chief Financial Officer, Chief Strategy and M&A Officer, Chief Administrative Officer, Chief Refining Officer, Chief Petrochemical Officer, and Chief Retail Officer.

Managers as of 26 March 2014

Chief Executive Officer

Marek Świtajewski	since 9 April 2013

Chief Financial Officer

Mirosław Kastelik	since 6 February 2013

Chief Strategy and M&A Officer

Andrzej Jerzy Kozłowski	responsibilities within this area assigned since 9 May 2013

Chief Administrative Officer

	position vacant since 10 December 2009

Chief Refining Officer

Martin Durčák	since 9 May 2013

Chief Petrochemical Officer

Artur Paździor	since 30 October 2009

Chief Retail Officer

Piotr Wielowieyski	since 9 May 2013

Audit Committee

Based on the new Act No. 93/2009 on Auditors (the “the Act on Auditors”) the extraordinary general meeting of UNIPETROL, a.s. held on 10 December 2009 decided to amend the company’s Articles of Association to establish the Audit Committee and describe its remit, composition, and procedural rules.

The Audit Committee is the company’s body that performs, in particular but without limitation, the activities listed below without prejudice to the responsibility of the members of the company’s Board of Directors or Supervisory Board:

(a) Monitor the procedure of the preparation of financial statements and consolidated financial statements;

(b) Evaluate the efficiency of the company’s internal controls, internal audit and, if applicable, risk management systems;

(c) Monitor the process of the mandatory audit of financial statements and consolidated financial statements;

(d) Assess the statutory auditor’s and audit company’s independence and especially the provision of complementary services to the company;

(e) Recommend an auditor to audit the company’s financial statements and consolidated financial statements.

The company’s auditor shall inform the Audit Committee on an ongoing basis, about significant circumstances arising from the mandatory audit, including, but not limited to, any fundamental shortcomings in internal controls in relation to the procedure of the preparation of financial statements or consolidated financial statements. The Audit Committee members participate in the company’s general meetings and are obligated to inform the general meeting about the results of their work.

The Audit Committee has four members, appointed and dismissed by the general meeting from the ranks of the Supervisory Board members or third parties. Audit Committee members may not hold the positions of Members of the Board of Directors or Proxies of the company. At least one member of the Audit Committee must be independent of the company and possess at least three years practical experience in accounting or mandatory auditing. The term of office of each individual member of the Audit Committee is three years. Re-election of members of the Audit Committee is allowed.

Audit Committee members shall refrain from voting on any issues that threaten or involve a conflict of interests on their part and shall notify the other members of the Audit Committee of such conflicts of interest without any undue delay. This does not prejudice the right of the Audit Committee member on whose part a conflict of interests threatens or exists to participate in the deliberations on the issue as per the preceding sentence. The Audit Committee shall make decisions at its meetings. The Audit Committee shall meet once every two months as a rule.

The Audit Committee members

IAIN HAGGIS

Born on 9 December 1961

Independent Member of the Audit Committee (since 10 December 2009; reelected to office on 24 June 2013) and Vice-Chairman of the Audit Committee (since 26 August 2013)

University education, 28 years of experience

Outside the Unipetrol Group, he is currently the CFO in charge of financial statements and annual audit at Innova Capital (since 2007). He worked as the corporate finance director at TP Group (2005 – 2007), and before, as the COO and Executive Director at Radio Plus S.A. (2002-2005).

Between years 1999 and 2002 he held the post of the Finance Director at De Lage Landen Leasing Polska (the leasing and vendor finance subsidiary of Rabobank), Finance and Administration Director responsible for the audit process of the National Investment Fund at PTP Kleinwort Benson (1994 – 1999), Financial Director at GVG GmbH, Germany (1991 – 1994), Regional Financial Controller at Halifax Property Services, UK (1989 – 1991), Management Accountant and Assistant Financial Manager at Reuters Ltd (1984 – 1989).

Mr. Haggis graduated from the Plymouth Polytechnics (BA in business and finance) in Great Britain.

RAFAŁ WARPECHOWSKI

Born on 20 September 1971

Member of the Audit Committee (since 24 June 2013) and Chairman of the Audit Committee (since 26 August 2013)

University education, 18 years of experience

Rafał Warpechowski has been the Executive Director for Planning and Reporting in the PKN Orlen Group since 2008 and in 2009 he was entrusted with the position of company executive at UNIPETROL SERVICES, s.r.o.

Between years 2003 – 2008 he held the post of the Accounting and Financial Reporting Division Director at Telekomunikacja Polska Group, between 1998 - 2003 he held the post of the Group Reporting Manager at Impexmetal Group and since 2001 he held the position of Financial Director – Group Planning and Reporting.

In years 1996 – 1998 he worked at Pricewaterhouse and PricewaterhouseCoopers in Audit and Business Advisory Services.

He graduated from the Warsaw University of Technology, Civil Engineering Department in 1995. In 1996 he completed MBA postgraduate program provided by Warsaw University of Technology Business School and London Business School.

He is a ACCA qualified since 2001.

IVAN KOČÁRNÍK

Member of the Audit Committee (since 10 December 2009; reelected to office on 24 June 2013)

See the Supervisory Board

PIOTR KEARNEY

Member of the Audit Committee (since 10 December 2009; reelected to office on 24 June 2013)

See the Supervisory Board

Statement of Compliance

The members of the Board of Directors, Supervisory Board, and management (the “persons”) listed below:

Marek Świtajewski, Piotr Wielowieyski, Martin Durčák, Mirosław Kastelik, Artur Paździor, Andrzej Jerzy Kozłowski, Dariusz Jacek Krawiec, Sławomir Robert Jędrzejczyk, Ivan Kočárník, Bogdan Dzudzewicz, Piotr Robert Kearney, Krystian Pater, Zdeněk Černý, Rafał Sekuła a Piotr Chełmiński

have each submitted an individual “Statement of Compliance” to UNIPETROL, a.s., wherein they have stated that they:

“(a) Have not been a member of any administrative, governing, or supervisory body or a member or partner of any other company or general or limited partnership other than UNIPETROL, a.s. or a related party thereof over the five preceding years;

(b) Are not a member of any administrative, governing, or supervisory body or a member or partner of any other company or general or limited partnership other than UNIPETROL, a.s. or a related party thereof;

(c) Have not been convicted of offences involving fraud over the five preceding years;

(d) Have not been associated with any bankruptcy/receivership proceedings, administration or liquidation over the five preceding years;

(e) Have not been disciplined in any manner whatsoever by any governing bodies or regulatory authorities (including designated professional bodies);

(f) Have not been deprived of the capacity to hold the office of a member of any administrative, governing or supervisory body of any issuer, or a position in the management of, or execution of the activities, of any issuer by any court over the five preceding years;

(g) Do not have any potential conflict of interest between their obligations related to their offices, their private interests, and/or other obligations, and UNIPETROL, a.s.; and

(h) Have not entered into any agreement on the holding of an office/position with UNIPETROL, a.s. or a related party thereof, granting them any benefit in connection with the end of their office/position.”

They also noted, if applicable, exceptions from the items of the above Statement in cases where any of the above circumstances exist in respect of their own person. The exceptions from items (a) and (b) submitted by the Persons are specified in sub-chapters “Board of Directors”, “Supervisory Board”, and “Management”; in this chapter, these are specified separately for each Person in the wording submitted in that Person’s Statement. No exceptions were noted in respect of items (c) to (h). The Persons holding the offices of a CEO, CFO, Chief Strategy and M&A Officer, Chief Administrative Officer, Chief Refining Officer, Chief Petrochemical Officer and Chief Retail Officer, at UNIPETROL, a.s. and the Persons holding the office of a Director in subsidiaries have employment contracts in place with the respective companies, wherein benefits related to the end of their office are accorded to them in accordance with the rules of remuneration specified in sub-chapter “Emoluments”.

Election rules

The Board of Directors has seven members. Under the company’s Articles of Association, Members of the Board of Directors are elected and dismissed by the company’s Supervisory Board. If a Member of the Board of Directors dies, resigns, is dismissed or his term of office ends otherwise, the Supervisory Board shall elect a new member of the Board of Directors within three months of the day when such a circumstance occurred. Any Member of the Supervisory Board is entitled to propose the election or dismissal of Members of the Board of Directors. The election/dismissal of Members of the Board of Directors shall take place by means of a secret ballot during a Supervisory Board meeting. Re-election of Members of the Board of Directors is allowed.

The Supervisory Board has nine members, of which according to the wording of the Articles of Association the general meeting shall elect/dismiss six Members of the Supervisory Board, while the company’s employees shall elect three Members of the Supervisory Board provided that the company has more than fifty employees under employment contracts with working hours exceeding one half of the weekly working hours laid down in a separate legal regulation as of the first day of the accounting period in which a general meeting electing the Members of the Supervisory Board is held. Since this requirement was not met as of 1 January 2014, all Members of the Supervisory Board have been elected by the general meeting. If the number of the Members of the Supervisory Board elected by the general meeting does not decrease below one half, the Supervisory Board may appoint substitute members until the next general meeting; otherwise, the new Members of the Supervisory Board shall be elected within three months of the day when the term of office of the current Members of the Supervisory Board ended. Re-election of Members of the Supervisory Board is allowed.

The company’s Board of Directors appoints and dismisses managers of the company in accordance with the Labor Code.

Emoluments

Principles of remuneration of managers and members of the Board of Directors and Supervisory Board

The setting of the emoluments for the Board of Directors and Supervisory Board members falls within the competencies of the general meeting. The general meeting decided on a fixed amount of emoluments for an indefinite period of time, differentiated for the Chairman, Vice-Chairman, and Members of both the Board of Directors and the Supervisory Board, in 2001.

During the 2013 (on 24th of June 2013) on the basis of general meeting there was a change in remuneration police of members of Supervisory Board. Their amounts of emoluments were raised. On the same day the Audit Committee was dismissed and appointed again on 24th of June 2013.

Principles of remuneration of managers

The managers’ remuneration consists of a fixed and a variable component related to each particular position and the management level. Remuneration is paid in the form of wages for work performed under management contracts. The level of wages is based on qualified benchmarking studies on managers’ remuneration in the Czech Republic, and reflects managerial and professional expertise. The variable component amounts to ca 60% of the base monthly wages and is paid in accordance with the MBO objectives.

The entitlements arising from contracts with managers upon the termination of employment contained both a competition and a stabilization clause as of 31 December 2013. The competition and stabilization clause ranges between three and six times average monthly earnings, monthly base salary respectively.

In addition to financial income, managers are entitled to income in kind, which includes:

- right to use the business car for private purposes;
- meal vouchers;
- accommodation costs, eventually costs associated with relocation;
- air tickets expenditures according to contracts;
- fuel consumption for private purposes;
- health care;
- cafeteria system - contributions to personal pension schemes, life assurance policies, or Flexi Passes.

MBO system – Principles of remuneration of managers (N, N-1, N-2)

This management by objective and remuneration system was implemented all the way to level N-2 in 2013, involving more than 150 employees.

For the employees and managers evaluated under the MBO, the variable component of wages is set based on the tier of their position in the company. The variable component depends on the meeting of qualitative and quantitative targets and the achievement of the Group's planned financial results. For setting of individual objectives, the so-called Cascading system.

The quantitative targets include mainly operating profit (EBIT), free cash-flow, fixed costs and safety parameters.

Qualitative targets mainly relate to the managerial efficiency, which belongs to mandatory targets of all managers.

An MBO Committee was appointed by CEO for addressing specific cases or employees' complaints related to the MBO system; its members are the company's CFO and HR director.

The specific qualitative and quantitative targets for the employees are set by their direct superiors. Direct superiors also evaluate the meeting of the targets for the relevant period. For employees who are members of the Board of Directors, targets are set and evaluations made by the Supervisory Board.

The Staff and Corporate Governance Committee

The agenda of the Staff and Corporate Governance Committee includes support for the implementation of the company's strategic goals via the Committee's opinions and recommendations furnished to the Supervisory Board on matters concerning the structure of management, including organizational arrangements, the remuneration system, and the selection of suitable persons capable of assisting the company to achieve success. The remit of the Committee includes, without limitation:

a) submission of recommendations concerning the appointment and dismissal of Board of Directors members to the Supervisory Board;

b) regular assessment of, and submission of recommendations concerning, the principles and system of remuneration for the Board of Directors members and the Chief Executive Officer, including management contracts and a system of incentives, and submission of proposals concerning the creation of such systems with regard to the implementation of the company's strategic goals;

c) submission of opinions to the Supervisory Board on the justification of the part of remuneration which depends on the results achieved, in connection with the evaluation of the degree to which the company's tasks and objectives have been carried out;

d) assessment of HR management system in the company;

e) recommendation of candidates for the office of the company's Chief Executive Officer;

f) informing the Supervisory Board about all circumstances pertaining to the Committee's activities.

g) evaluation of implementation of the corporate governance principles,

h) submission of recommendations to the Supervisory Board concerning implementation of the corporate governance principles,

i) opinions concerning normative documents concerning corporate governance,

j) if required, evaluation of reports concerning the compliance of the corporate governance rules with the corporate governance rules established by the Prague Stock Exchange or the Czech National Bank, if such rules exist,

k) presentation of opinions concerning the proposed changes of the company's corporate documents and preparation of proposals of amendments in case of the Supervisory Board documents,

l) monitoring of the corporate governance from the point of view of its compliance with legal requirements, including the valid corporate governance rules,

m) informing the Supervisory Board about any facts related to the activities of the Corporate Governance Committee.

Committee Members

Chairman	Kristian Pater	Member since 24 September 2010 Chairman since 2 December 2010 – until now
Vice-Chairman	Bogdan Dzudzewicz	Member since 24 September 2010 Vice-chairman 2 December 2010 – until now
Member	Zdeněk Černý	Member since 24 September 2010 – until now
Member	Rafał Sekuła	Member since 24 September 2010 – until now

Amount of payments provided by the issuer in the last accounting period from 1 January 2013 to 31 December 2013

	Income in money	Income in kind	Total
Board of Directors – income tied to membership in the company's statutory body	CZK 3,078 ths	CZK 0 ths	CZK 3,078 ths
Board of Directors – income tied to management contract	CZK 29,454 ths	CZK 1,074 ths	CZK 30,528 ths
Supervisory Board – income tied to membership in the company's statutory body	CZK 6,566 ths	CZK 0 ths	CZK 6,566 ths
Supervisory Board – income tied to management contract	CZK 0 ths	CZK 0 ths	CZK 0 ths
Audit Committee – income tied to membership in the company's statutory body	CZK 747 ths	CZK 0 ths	CZK 747 ths
Audit Committee – income tied to management contract	CZK 0 ths	CZK 0 ths	CZK 0 ths

Amounts paid by persons controlled by the issuer for the last accounting period

	Income in money	Income in kind	Total
Board of Directors – income tied to membership in the company's statutory body	CZK 693 ths	CZK 0 ths	CZK 693 ths
Supervisory Board – income tied to membership in the company's statutory body	CZK 228 ths	CZK 0 ths	CZK 228 ths

Members of the Board of Directors and Supervisory Board and Managers (persons with management powers) do not hold the issuer's participation securities or options under Section 118 of Capital Market Business Act No. 256/2004 and Article 10 of Commission Regulation (EC) No 809/2004.

The issuer has provided no credit, loans, or guarantees to governing bodies or members thereof, members of supervisory bodies, or managers (persons with management powers).

The members of the issuer's governing and supervisory bodies and managers (persons with management powers) were not involved in transactions outside of the issuer's scope of business or in other transactions unusual for the issuer in terms of their form, nature, terms and conditions, or subject matter during the current and latest completed accounting periods or in the previous accounting periods.

Management report

Introduction

Unipetrol Group achieved revenues of CZK 99.4 bn in 2013, a 7% decline compared with 2012, stemming from lower crude oil price and lower sales volumes of refining and petrochemical products. Brent crude oil reached the average price level in 2013 of 109 USD/bbl, a 3% decline compared with 112 USD/bbl in 2012.

Operating profit decreased to CZK 1,589 m in 2013 from CZK 3,476 m in 2012 according to EBITDA LIFO indicator, adjusting 2012 result for impairments within the refining segment. Apart from continuation of the negative Czech GDP dynamics, the profound decline of refining margins was the key driver behind the financial performance deterioration. Unipetrol model refining margin indeed slumped to only 1.0 USD/bbl from 3.5 USD/bbl in 2012, as both gasoline and diesel crack spreads fell. Brent-Ural differential, at average level of 1.0 USD/bbl, was also lower in comparison with 2012. Additionally, the fuels grey zone in the Czech Republic connected to tax frauds maintained its very negative influence in the fuels market during most of the year. Refining segment operating loss, CZK (-) 1,142 m EBITDA LIFO, was therefore the main negative factor behind the weaker total Group profitability.

From the production point of view, there was the scheduled complete turnaround of Kralupy refinery in September and October within 4-year maintenance cycle. Project execution, which is generally always very demanding for Česká rafinérská, went successfully according to plan

Petrochemical segment maintained its position of the key profit maker of the Group achieving operating profit of CZK 2,285 m based on EBITDA LIFO indicator. This result represents an improvement of CZK 461 m compared with 2012, stemming from higher petrochemical margins, with Unipetrol combined petrochemical margin of 621 EUR per ton in 2013 versus 573 EUR per ton in 2012, and internal efficiency improvements resulting from Operational Excellence Initiatives.

Retail segment recorded operating profit of CZK 509 m based on EBITDA LIFO indicator in 2013, a significant improvement against 2012 results adjusted for one positive one-off item in 2012 (release of provision created in connection to the fine imposed by Antimonopoly Office – CZK 131 m). Benzina filling stations network benefited, firstly, from the new Motor Fuels Act in the Czech Republic, which has been valid since October 2013. The new legislation has already helped partially reduce the fuels grey zone, positively influencing Benzina's fuel margins and sales volumes at the end of the year. Secondly, Benzina sales volumes benefited from successful cross promotions with Tesco.

Net loss reached CZK 1,396 m in 2013, a better result compared with the loss of CZK 3,098 m in 2012, nevertheless worse result after adjusting 2012 loss for the impairments within the refining segment, overall corresponding to operating performance deterioration last year.

Operating cash flow reached CZK 300 m and free cash flow a negative level of CZK 1,388 m, representing a deterioration vis-à-vis 2012 due to worse operating performance. Total CAPEX achieved the level of CZK 2,404 m, with refining segment CAPEX of CZK 690 m, petrochemical segment CAPEX of CZK 1,485 m, retail segment CAPEX of CZK 157 m, and the remaining part dedicated to corporate functions CAPEX of CZK 72 m. At the same time Unipetrol Group maintained its financial gearing ratio on the solid level of 4.9%, corresponding to net debt at the level of CZK 1,390 m CZK at the end of 2013.

As regards the expected developments in the coming years, Unipetrol Group announced its Strategy 2013-2017 on 11 June, which was a major milestone within the Group development of the several past years. This crucial document determined the overall strategic directions of further business development till 2017. Refining segment will maximize utilization of its current production assets, improve operational efficiency targeting the lowest possible costs per crude oil barrel processed, and will serve as a stable provider of feedstock for the petrochemical segment and a stable motor fuels supplier for the retail segment. Petrochemical segment is regarded as the key profit maker of the Group in the coming years, and therefore, majority of planned capital expenditures will be directed to this segment till 2017. Retail segment is regarded as the second profit maker of the Group during years 2013-2017 with the key targets till 2017 to increase retail market share to at least 20% and to significantly increase throughput per station and non-fuel sales. Overall, Unipetrol Group will strive for Operational Excellence across all business segments, and at the same time for securing sound financial profile.

Apart from the Strategy 2013-2017, the acquisition of 16.335% stake in Česká rafinérská from Shell Overseas Investments B.V., signed on 7 November 2013 and successfully completed on 31 January 2014, was the most important event for Unipetrol last year. Unipetrol's stake in Česká rafinérská has increased from 51.22% to 67.555% and Unipetrol has therefore secured the Qualified Majority (QM) of votes with the 67.5% threshold. This transaction has been an opportunistic acquisition fully in line with Unipetrol Strategy 2013-2017 and supports its implementation through increased security of petrochemical feedstock supplies, faster implementation of Operational Excellence Initiatives and strengthening long-term presence on the Czech market.

Last but not least, the agreement of crucial importance for Unipetrol was the 3-year contract for Russian crude oil (REBCO) deliveries with Rosneft, the first long-term contract, which was signed on behalf of Unipetrol by its majority shareholder PKN ORLEN in June 2013. The agreement is valid from 1 July 2013 to 30 June 2016.

Key financial and non-financial data

Key financial data

CZK million	2013	2012 (restated)
Revenues	99,415	107,160
Gross profit	2,303	3,116
EBITDA LIFO	1,589	-599
EBITDA	1,522	-1,012
EBIT LIFO	-827	-3,406
EBIT	-893	-3,819
Refining segment		
EBITDA LIFO	-1,142	-2,937
EBITDA	-1,270	-3,324
EBIT LIFO	-1,614	-3,811
EBIT	-1,741	-4,197
Petrochemical segment		
EBITDA LIFO	2,285	1,824
EBITDA	2,340	1,802
EBIT LIFO	752	312
EBIT	807	291
Retail segment		
EBITDA LIFO	509	547
EBITDA	515	542
EBIT LIFO	180	212
EBIT	185	207
Corporate functions		
EBITDA	-63	-32
EBIT	-145	-119
Net finance costs	-450	-553
Loss before tax	-1,344	-4,372
Tax expense	-53	1,274
Net loss	-1,396	-3,098
Earnings per share (CZK)	-7.70	-17.08
Operating cash flow	300	1,975
Free cash flow	-1,388	1,054
CAPEX	2,404	1,345
Net working capital	5,786	5,178
Net debt	1,390	-243
Net debt / (equity – hedging reserve)	4.9%	-0.8%
Net debt / EBITDA	0.9	-0.1

- EBITDA LIFO – Earnings before depreciation and amortization, financial result and taxes; LIFO method used for inventories valuation (Last-In-First-Out)
- EBITDA – Earnings before depreciation and amortization, financial result and taxes

- EBIT LIFO – Earnings before financial result and taxes; LIFO method used for inventories valuation (Last-In-First-Out)
- EBIT – Earnings before financial result and taxes
- Free cash flow – Sum of operating and investing cash flow
- Net working capital – Sum of inventories and trade and other receivables, less trade and other liabilities
- Net debt / EBITDA – EBITDA in 2012, adjusted for impairment in the refining segment of CZK 4,075 m, at CZK 3,063m.

External environment

	2013	**2012**
Brent crude price, USD/bbl	109	112
Brent-Ural differential, USD/bbl	1.0	1.3
Unipetrol model refining margin, USD/bbl [1)]	1.0	3.5
Unipetrol model petrochemical olefin margin, EUR/t [2)]	369	335
Unipetrol model petrochemical polyolefin margin, EUR/t [3)]	252	238
Unipetrol model combined petrochemical margin, EUR/t [4)]	621	573

[1)] Unipetrol model refining margin = revenues from products sold (96% Products = Gasoline 17%, Naphtha 20%, JET 2%, Diesel 40%, Sulfur Fuel Oils 9%, LPG 3%, Other feedstock 5%) minus costs (100% input = Brent Dated); products prices according to quotations.

[2)] Unipetrol model petrochemical olefin margin = revenues from products sold (100% Products = 40% Ethylene + 20% Propylene + 20% Benzene + 20% Naphtha) minus costs (100% Naphtha); products prices according to quotations.

[3)] Unipetrol model petrochemical polyolefin margin = revenues from products sold (100% Products = 60% HDPE + 40% Polypropylene) minus costs (100% input = 60% Ethylene + 40% Propylene); products prices according to quotations.

[4)] Unipetrol model combined petrochemical margin = Unipetrol model petrochemical olefin margin + Unipetrol model petrochemical polyolefin margin

Key operating data (thousand tons)

	2013	**2012**
Crude oil throughput	3,607	3,927
Refining utilization ratio [1)]	80%	82%
Refining segment sales volumes, including retail segment (Benzina network)	3,151	3,283
Petrochemical segment sales volumes	1,578	1,771

[1)] From the third quarter 2012, the conversion capacity is 4.5 mt/y, i.e. only Česká rafinérská refineries conversion capacity, adjusted for 51.22% shareholding of Unipetrol, after discontinuation of crude oil processing in Paramo refinery (Česká rafinérská – Kralupy 1.642 mt/y, Česká rafinérská – Litvínov 2.813 mt/y); conversion capacity was 5.1 mt/y previously (Česká rafinérská – Kralupy 1.6 mt/y, Česká rafinérská – Litvínov 2.8 mt/y, Paramo 0.7 mt/y).

Refining segment

Financial result of the refining segment

CZK million	2013	2012 (restated)
EBITDA LIFO	-1,142	-2,937
EBITDA	-1,270	-3,324
EBIT LIFO	-1,614	-3,811
EBIT	-1,741	-4,197

Key highlights of 2013

- Česká rafinérská signed two contracts with the Slovak national pipeline operator Transpetrol which determine new tariffs for Russian Export Blend Crude Oil (REBCO) transportation to the Czech Republic through the Slovak branch of the Druzhba Pipeline for 2013 and 2014. Both contracts bring direct savings to Unipetrol.
- 3-year contract for Russian Export Blend Crude Oil (REBCO) deliveries with Rosneft, the first long-term contract, signed on Unipetrol's behalf by its majority shareholder PKN Orlen in June. The agreement is valid from 1 July 2013 to 30 June 2016.
- Scheduled complete turnaround of Kralupy refinery in September and October within 4-year maintenance cycle. Project execution, which is generally always very demanding for Česká rafinérská, went successfully according to plan.
- Acquisition of 16.335% stake in Česká rafinérská from Shell Overseas Investments B.V. signed on 7 November 2013 and successfully completed on 31 January 2014. Unipetrol's stake in Česká rafinérská has increased from 51.22% to 67.555% and Unipetrol has therefore secured the Qualified Majority (QM) of votes with the 67.5% threshold.
- At the beginning of June, Paramo subsidiary started a new campaign for Mogul motor oils with the a new slogan „Mogul. Dobře hustý". (Mogul. Well dense).

External environment

External environment of the refining segment

	2013	2012
Brent crude price, USD/bbl	109	112
Brent-Ural differential, USD/bbl	1.0	1.3
Unipetrol model refining margin, USD/bbl 1)	1.0	3.5

1) Unipetrol model refining margin = revenues from products sold (96% Products = Gasoline 17%, Naphtha 20%, JET 2%, Diesel 40%, Sulfur Fuel Oils 9%, LPG 3%, Other feedstock 5%) minus costs (100% input = Brent Dated); products prices according to quotations.

Crude oil, gasoline and diesel prices

Brent oil price was moving within the range from 97 USD per barrel to 119 USD per barrel with the average level of 109 USD per barrel. The development of crude oil price was very dynamic in 2013 and was conditional by number of factors, e.g. geopolitics, development of the world economy or current situation on both demand and supply side. Firstly, the Iranian crisis led to the steep increase of Brent oil prices up to 119 USD per barrel, and then the industrial production in the US and China recorded worse results for the first quarter compared with expectations which caused a steep decline of crude oil prices under 100 USD per barrel in April.

Increase of crude oil demand followed by significant unexpected production outages in Libya, Nigeria and Iraq resulted in the gradual increase of Brent crude oil price during the period from the second half of April till 21 August to the level of 111 USD per barrel. Subsequent jump to the level of 115 to 117 USD per barrel where the price persisted till 20 September was a result of the use of chemical weapons in Syria and the threat of possible US army response to this incident. Short-term but significant decrease of Brent oil price during the first week in November to the level of 103 USD per barrel was a response to improving relations between Iran and the US, and to the expectation of high crude oil reserves in the US. From the second half of November till the end of the year the Brent oil price was traded in the range from 108 USD per barrel to 113 USD per barrel.

European quotations of automotive gasoline relatively to crude oil price maintained moderately high levels from the beginning of the year till the end of August, as gasoline crack spread, i.e. the price quotation difference between gasoline and Brent crude oil, averaged 188 USD per ton. This was the basis for quite solid refining margins during the first two thirds of the year. High level of gasoline crack spreads stemmed from the interplay of high demand and scheduled regular spring maintenance shutdowns of refineries, and also annual high summer demand from the US. The Iranian crisis might have also contributed to the high level of gasoline crack spreads in February. The last quarter of the year was however in the stark contrast to the period of the first eight months, as gasoline crack spread fell to 100 USD per ton repeatedly with the average level of 116 USD per ton.

The diesel price relatively to the Brent crude oil price was, compared to gasoline, quite stable during the year. Average level of diesel crack spread to Brent was 117 USD per ton with the monthly lowest average of 108 USD per ton and the monthly highest average of 131 USD per ton. Quite weak and stable level of diesel crack spread was due to worldwide sufficient production capacities, and it was also a result of the ongoing modernization program of refineries and construction of new coastal terminals in Russia increasing the production of diesel in the Euro 5 quality, and increase of export capacities on the Arabian Peninsula.

Refining margins

Performance of the European refining sector was overall weak during 2013. In the environment of zero economic growth and structural problems of several national economies, the refining sector was again dealing with overcapacity of production capacities and reached the utilization rate of 78%.

Unipetrol model refining margin reached the averaged level of 1.0 USD per barrel in 2013, which represents a drop by 2.5 USD from the level of 3.5 USD per barrel in 2012. The average price differential between Russian crude REBCO and Brent, the Brent-Ural differential, was equal to 1.0 USD per barrel, and the average premium of light sweet crude oil Azeri Light to Brent was equal to 3.2 USD per barrel.

Crude oil purchases

For Unipetrol, 2013 was characterized by continued strategic cooperation with Unipetrol´s majority shareholder, PKN Orlen, as part of which crude oil has been supplied through the Druzhba and TAL-IKL oil pipelines under long-term contracts since 2006.

In the course of 2013, supplies of Russian Export Blend Crude Oil (REBCO) via Druzhba pipeline for Unipetrol were stable with no supply outages. On 21 June 2013 PKN Orlen signed an agreement with Rosneft for REBCO deliveries via Druzhba pipeline, in the quantity of maximum 8.28 million tons to Unipetrol. The agreement is valid from 1 July 2013 to 30 June 2016. The contracted volumes can cover from 60% to 100% of Unipetrol’s total demand for REBCO crude depending on the economics of the contracted deliveries relative to the conditions prevailing on the crude oil market at a given time.

As regards supplies of low-sulphur crude oil grades via TAL and IKL pipelines, Unipetrol remained the majority importer of Azeri Light crude from Azerbaijan, which is the key feedstock for processing in Kralupy refinery. Azeri Light crude was blended with CPC Blend crude from Kazakhstan at optimum ratio. On some occasions, CPC Blend crude was also supplied to Litvínov refinery to achieve a better yield of lighter products. Alternatively, Zarzaitine Crude Oil (origin ex Libya) was delivered for processing in Kralupy refinery and provided for an opportunistic improvement of refining margin compared to standard crude oil slate.

Pipeline and rail supplies from various Moravian crude oil deposits to Kralupy refinery continued in 2013 on the basis of long-term business relationships. These amounted to approx. 3.3% of the total crude processed by Unipetrol.

Crude oil purchases in 2013 (thousand tons)

REBCO-Druzhba & REBCO-IKL	2,302	63.5%
Seaborne low-sulphur crude supplies for Kralupy refinery	1,194	33.0%
Moravian crude	127	3.5%
Total	**3,623**	**100.0%**

Production

Crude oil throughput and refining utilization ratio

	2013	2012
Crude oil throughput (thousand tons)	3,607	3,927
Refining utilization ratio [1)]	80%	82%

[1)] From the third quarter 2012, the conversion capacity is 4.5 mt/y, i.e. only Česká rafinérská refineries conversion capacity, adjusted for 51.22% shareholding of Unipetrol, after discontinuation of crude oil processing in Paramo refinery (Česká rafinérská – Kralupy 1.642 mt/y, Česká rafinérská – Litvínov 2.813 mt/y); conversion capacity was 5.1 mt/y previously (Česká rafinérská – Kralupy 1.6 mt/y, Česká rafinérská – Litvínov 2.8 mt/y, Paramo 0.7 mt/y).

3,607 thousand tons of crude oil in total were processed for Unipetrol in the production facilities of Česká rafinérská during 2013, which is by 8% lower compared with 2012. Refining utilization ration reached 80%. Refining production was negatively affected by floods in large part of the Czech Republic’s territory, which occurred in early June. The floods caused major disruptions in transportation, affecting transportation of finished products and raw materials, particularly imported bio-components for motor fuels. Floods also affected domestic producers of biofuels, who were forced to temporarily stop their production.

The year 2013 was characterized by periodic maintenance turnaround of Kralupy refinery, which is conducted once every four years. In addition to routine maintenance and cleaning, several important investment projects were implemented during the downtime. Worth mentioning is the replacement of cyclones of the regenerator unit at FCC. Another investment project was the modification of the propylene column which allows for the use of a catalyst for the higher yields of propylene, thus a higher upgrade of refined raw materials. Measures for energy efficiency improvement were also implemented during the shutdown. These will reduce the energy intensity of production, energy costs, and reduce greenhouse gas emissions.

From the internal operations point of view we had to face a negative impact of lost sales volumes due to unplanned Kralupy refinery shutdown at the turn of May and June which was a result of operational difficulties with the FCC unit (Fluid Catalytic Cracking). The unplanned shutdown resulted from a lack of storage capacity for the FCC unit feedstock. The excess feedstock for the FCC unit was a consequence of difficulties with the FCC unit operations occurring since middle of May.

Paramo subsidiary, after permanent discontinuation of crude oil processing in the middle of 2012, preserved production of lubricant oils and bitumen using imported feedstock. Production of base oils and lubricant oils was based at the plant in Kolín. This production is focused on blending and finalization of motor oils of all performance categories, gear, hydraulic and other industrial oils. Oil hydrogenates from Unipetrol RPA are the feedstock. Production of process oils for the rubber industry and production of special industry oils and liquids was concentrated at the Pardubice plant. VGO distillate from the PKN Orlen refinery in Plock is the feedstock material.

Paramo subsidiary’s production of bitumen and bitumen products is located at the plant in Pardubice. Paramo produces a wide range of industrial bitumen products intended predominantly for building purposes and special hard bitumen products intended for applications in road construction and for highly loaded bitumen surfaces. Distributor is ORLEN Asfalt Česká republika. Feedstock is provided by Unipetrol RPA. Paramo has been also providing storage and dispatch services for diesel and gasoline, for Unipetrol RPA and the Administration of State Material Reserves – Czech Republic (ASMR).

Market position and sales

Market development

Based on the statistical data from March 2014, the Czech market showed a significant gasoline decline of 6.3 % from January till November 2013 y/y and a slight increase of diesel of 0.8%. Such development is similar to the developments in neighboring markets of Germany, Austria and Slovakia.

Czech market, as the most open one in Central Europe, remained heavily occupied by importing competition by all means of transport including road, rail and pipe supply. Grey zone imports, benefiting from VAT frauds, accelerated during the first half of the year. Implementation of the new legislation against these tax frauds resulted in limiting the imports, unfortunately catching mainly direct road supply, while leaving terminals accessible by railway in continuing activity.

Market position

Unipetrol was struggling for the domestic refining product market throughout the year, facing mainly:

- illegal import competition in the area of VAT and bio-components fulfillment: frauds achievable in these operations create fully uncompetitive environment, where no market contest is possible,
- substantial gasoline consumption decline,
- big pressure from other Česká rafinérská's processors and neighboring refineries.

Sales volumes of refining products, including retail segment (Benzina network of filling stations)

thousand tons	2013	2012
Total refining sales volumes, including retail segment	**3,151**	**3,282**
Diesel, including retail segment	1,701	1,749
Gasoline, including retail segment	782	810
JET	69	93
LPG	88	124
Fuel oils	124	100
Naphtha	5	6
Bitumen	222	226
Lubricants	33	31
Rest of refining products	128	143

Domestic motor fuels sales

The company managed to conclude new contracts and maintained its leading position with key domestic market players. During refineries shut-downs, a regular supply to clients have been secured regular supply to our clients, keeping inventory and supply management undisturbed. Many achievements were accomplished in the area of bio-components, mainly increased sales of high-concentrated bio-fuels, starting-up of own bio-components supply to the external terminals or improved conditions in bio-blending in the Čepro system. New sales representatives were employed to deepen the regional coverage and cater all customers.

Export Motor Fuels Sales

Slovak market was also in 2013 the key export territory, where Unipetrol has increased its market share despite consumption drop. The company has been also focusing on Hungarian market and established several supply options with key market players. Both markets are serviced by the subsidiary Unipetrol Slovakia. During 2013, the supply of Orlen Deutschland was started in the neighboring Saxony region of Germany, all service stations STAR accessible from the company's refineries are currently selling fuels produced by Unipetrol refineries. The company strengthened its cooperation with many clients in Germany and Austria, switching most of the sales into direct truck supply from various road terminals. In Germany, a new supply channel via Unipetrol Deutschland, with full custom and bio clearance for the relevant customer segment was opened.

Other refining product sales

Refining segment has been supplying feedstock for the petrochemical segment and feedstock for Paramo subsidiary. Sulfur was delivered mainly to Spolana, except the summer flood months.

Sales of road bitumen and heavy residues used for bitumen production were much higher than during previous years and were exclusively taken off by Orlen Asphalt and Paramo.

Most of LPG sales in 2013 were mainly directed abroad, especially to Germany and the Southern and South-Eastern European markets. Market share slightly decreased in the Czech Republic (especially the sales of Propane - Butane mix) due to very strong competition and aggressive price policy in refining gases imports from the Eastern Europe.

Sales of low sulfur heating mils materialized in the Czech market, partly abroad and to the energy complex of Kralupy site. Seasonal surpluses of high sulfur heating oil produced in the Litvínov refinery, emerged especially at the start of the year, were exported as the maritime bunker fuels, because of strong and more rigorous environmental restrictions on the inland European market (same as a part of low sulfur heating oils).

Paramo subsidiary market position and sales

Paramo's market share exceeds 23% and within some segments, e.g. oils sales to some retail chains and bitumen products sales, it exceeds 50% market share. More than 60% of Paramo's production is exported, mainly base and process oils.

Marketing support is focused predominantly on finished oils. MOGUL EXTREME motor oils are the flagship of the company. They meet the highest demands on performance of all-year operation. Oils from the series MOGUL PROFESSIONAL are designed for car service stations. For two-stroke and four-stroke engines of modern motorcycles, the special product series MOGUL MOTO has been developed. Paramo was awarded prestigious PETROL Awards in section „Product" for this motor oil series. Motor oils for trucks are represented by oil series MOGUL DIESEL which meets strict emission limits EURO IV and V. They guarantee very long service intervals. Paramo offers also comprehensive oils series MOGUL ALFA for garden equipment.

Paramo supplemented its product portfolio by new industrial gear oils for the most demanding industrial applications. New series of the synthetic industrial gear oils MOGUL INTRANS SYNT is based on polyalfaolefins (PAO). This new series meets the requirements of the international specification DIN 51 517 part 3 class CLP.

Produced bitumen (road, building-insulating) was delivered to the market through ORLEN Asfalt Česká republika which is the exclusive distributor of these products.

Paramo maintained deliveries of the processed oils to the Continental Group with which the company also extended cooperation at the end of 2013. The cooperation continued with additives producers and also new foreign customers for sale of base oils were gained.

Finished oils and greases were exported into 25 countries. Paramo managed to start sales also in Belarus, Finland and Turkmenistan. The main export territory was Slovakia where Paramo is represented by its subsidiary Mogul Slovakia. Germany, Hungary and states of the former Yugoslavia were other important territories.

The company managed to keep its presence in all major retail chains and companies such as OKD, ArcelorMittal Ostrava and Třinecké železárny. The company is present in the Mountfield service network, and also supplies greases to the Czech Railways and hydraulic oils for the Army of Czech Republic.

Expected development in 2014

International energy forecasts for 2014 are still expecting growing demand for crude oil and fuels, driven by GDP growth in populous Asian countries, and certain tension between resources and demand. Concurrently, the higher costs of crude oil production, in the areas with more demanding conditions for exploration and production, can be expected, as well as tighter environmental requirements during production or transportation. Higher levels of crude oil and fuel prices are expected due to these factors.

During 2014, European refining sector will continue to face competitive pressure from refining industries in the North America, Middle and Far East, and Russia, in the environment of stagnant or falling European demand. The company expects that the domestic Czech market will continue to be influenced by new legislation from the end of 2013, which tries to mitigate the grey zone and tax evasions within motor fuels trading.

Unipetrol will be focused on the speed-up of Operational Excellence Initiatives execution in Česká Rafinérská after the acquisition of Shell's 16.335% stake was successfully completed on 31 January 2014. Sales volumes should be enhanced by further fuels grey zone limitation in the Czech Republic. Unipetrol will be also investing in synergies between refining and petrochemical segments, and will be at the same time involved in regulatory affairs management in the Czech Republic in the area of further fuels grey zone limitation and biofuel burdens.

Strategy of the future development the Paramo subsidiary will be still based on the four pillars:

- Lubricant oils and greases,
- Bitumen and bitumen products,
- Services – warehousing and expeditions of oils,
- Continuous restructuring – cost optimization and performance enhancement.

Petrochemical segment

Financial result of the petrochemical segment

CZK million	2013	2012 (restated)
EBITDA LIFO	2,285	1,824
EBITDA	2,340	1,802
EBIT LIFO	752	312
EBIT	807	291

Key highlights of 2013

- Permanent shut-down of the urea production unit in Litvínov according to plan at the beginning of the year.
- Realization of the project for intensification of the packaging line at the Chezacarb plant.
- Higher sales of high-density polyethylene (HDPE) and polypropylene (PP) in the D-A-CH region (Germany, Austria and Switzerland), mainly thanks to the subsidiary Unipetrol Deutschland.
- Participation in the K-Show in Düsseldorf – the most important international plastics trade fair – gaining new potential clients for the further expansion of sales (sales increase of polypropylene and polyethylene in the coming years).
- Signing of the license agreement with INEOS in October, based on which Unipetrol acquired the right to use a production process and technology for the new polyethylene unit (PE3). Purchase of the license is the first achieved milestone and represents the official start of the project's execution. The construction of a new polyethylene unit is a key investment project within the Strategy 2013-2017.

External environment

External environment of the petrochemical segment

	2013	2012
Unipetrol model petrochemical olefin margin, EUR/t [1)]	369	335
Unipetrol model petrochemical polyolefin margin, EUR/t [2)]	252	238
Unipetrol model combined petrochemical margin, EUR/t [3)]	621	573

[1)] Unipetrol model petrochemical olefin margin = revenues from products sold (100% Products = 40% Ethylene + 20% Propylene + 20% Benzene + 20% Naphtha) minus costs (100% Naphtha); products prices according to quotations.

[2)] Unipetrol model petrochemical polyolefin margin = revenues from products sold (100% Products = 60% HDPE + 40% Polypropylene) minus costs (100% input = 60% Ethylene + 40% Propylene); products prices according to quotations.

[3)] Unipetrol model combined petrochemical margin = Unipetrol model petrochemical olefin margin + Unipetrol model petrochemical polyolefin margin.

Olefins and chemicals

The effort to keep stability of the European ethylene market visible in the last quarter of 2012 carried on also to 2013. This was not the only parallel with the previous year. The same was also the relatively weak competitiveness of European ethylene derivatives on the global market, caused by high European ethylene prices. The average spread between European and U.S. contract prices for 2013 exceeded 450 EUR/t. Derivatives producers in the U.S. managed to benefit from this cost advantage and began to displace European products not only from export markets but subsequently also from the European one. Derivatives producers from Asia were also in better position. This influenced level of European demand for ethylene, which was described as weak for most of the year. Besides derivatives, ethylene itself also headed to Europe. It was not only due to the high European prices but also because of huge number of planned steam cracker shutdowns. An important factor was again the consumers' behavior purchasing product primarily for direct consumption and refusing inventory building during the whole year.

Unplanned shutdowns, cracking of lighter feedstock and regular restocking at the beginning of the year helped to keep European propylene market in certain tightness during the first quarter. Decrease of spread between European and U.S. propylene prices helped to improve position of European derivatives producers in the global market, products from Asia remained competitive. Higher level of demand in this period was connected mainly with preparation for approaching spring shutdown period, structural demand remained weak. Its improvement began only in the second half of the year. Low inventory level in the whole propylene chain reduced seasonal effect on the level of demand in the summer. The second round of planned cracker shutdown brought also some support. The market balanced, the prices stayed relatively high till the end of the year.

High volatility of prices was a significant feature of European benzene market in 2013. Interdependence of price fluctuations on the markets in Europe, the U.S. and Asia was the key factor for development on the European market. The increasing proportion of lighter feedstock cracking at European crackers and development in crude oil and naphtha markets played also the crucial role. The year 2013 began with settling of the historically highest benzene contract price on the European market at the level of 1,153 EUR/t. None of following contract prices came closer to this level during the rest of the year. Level of demand from downstream sectors was weak for most of the year. There were several reasons behind this development. Besides huge number of planned styrene and phenol plants shutdowns, there was also a visible impact of continuing bad economic situation in the construction and automotive industries.

Weakening of European ammonia prices, visible in the last two months of 2012, continued consecutively also in 2013. The prices in Yuzhny as well as in Europe lost more than 200 USD/t from beginning of the year till the middle of December. However, price decline was not fully continual. Besides the second half of December, there was also a short period during August and September when prices were increasing. Shutdown of Ukrainian plants due to market reasons and limited production of ammonia in Trinidad and North Africa because of limited natural gas availability stood first of all behind this growth. Level of demand from agricultural and industrial sectors was weak almost during the whole year, the weaker urea and phosphates prices hindered demand for ammonia in the second half of the year first of all.

Unipetrol model olefin margin reached 369 EUR/t in 2013, which represents a 10% increase compared with 2012, when the margin reached 335 EUR/t.

Polyolefins

The year 2013 was in terms of demand and sales results not the best one, despite the fact that the macro development was, compared with 2012, not so volatile. Political and economic situation worldwide was influencing the demand, i.e. the higher was an expectation of price increases, the higher was demand, and vice versa, when there was a first signal of price decline, the demand for polyolefins slowed down significantly or time to time totally stopped.

Fluctuations in demand occurred several times during the year. Quite good demand was recorded during summer, but unfortunately the possibilities in sales were influenced by one external factor – floods in June – and then by two unexpected shutdowns of steam cracker, which had a significant impact on polyethylene and polypropylene production and on the availability of all grades. A decline in demand was reported then in September and during October on the contrary, due to the prices downward trend.

Unipetrol model polyolefin margin reached 252 EUR/t in 2013, which represents a 6% increase compared with 2012, when the margin reached 238 EUR/t. Unipetrol model combined petrochemical margin reached a very solid level of 621 EUR/t in 2013, which represents an 8% increase compared with 2012, when the combined margin reached 573 EUR/t.

Market position and sales

From the internal operations point of view we had to face a negative impact of lost sales volumes due to two unplanned shutdowns of the steam-cracker in Litvínov. The first shutdown occurred in July and was driven by technical difficulties with a steam pipe, which showed crack and associated steam leakage. Pipe repair could not be carried out during operation. The second shutdown occurred in September due to additional unexpected technical difficulties.

Sales volumes of petrochemical products

Thousand tons	2013	2012
Total petrochemical sales volumes	**1,578**	**1,771**
Ethylene	140	156
Benzene	189	205
Propylene	31	41
Urea	5	175
Ammonia	186	141
C4 fraction	79	77
Butadien	58	67
Polyethylene	280	289
Polypropylene	231	237
Rest of petrochemical products	380	383

Olefins and chemicals

In the area of olefins and chemicals, sale of steam cracker products and ammonia is the core business of Unipetrol. The most important steam cracker products include ethylene, propylene, C4 fraction and benzene. Sales of the Carbon Black Chezacarb, used primarily for modifying electric conductivity of plastics and for producing thermoplastic mixtures and concentrates, geotextiles, and geomembranes, have been in the forefront in the recent years. Neither the structure of the customer portfolio nor the size of the market shares in the Czech Republic changed substantially.

The Czech Republic continued to be the principal market for the steam cracker products, with olefins, C4 fraction and benzene processed either at the Unipetrol's plants or carried to the strategic customers (Spolana, Butadiene Kralupy and Synthos) through the existing product pipelines. Steam cracker's by-products were supplied primarily to the Czech and Central and Western European markets. As in previous years, the domestic market was the destination for most of the ammonia. The main reason was a long-term ammonia supply contract with the largest fertilizer producer in the country. Production of urea was terminated at the beginning of 2013 due to technical obsolescence and low economic efficiency.

Polyolefins

Unipetrol is the exclusive producer of polyolefins in the Czech Republic and a major player in Central Europe. Its production capacity for high-density polyethylene (HDPE) and polypropylene (PP) accounts for more than 5% of Europe's HDPE capacity and almost 3% of Europe's PP production capacity.

Unipetrol's HDPE production capacity significantly exceeds consumption on the domestic market, and therefore approximately two thirds of the HDPE produced are exported from the Czech Republic. Conversely, PP consumption on the domestic market exceeds the overall PP production capacity, which is why the share of export is well below one half of the polypropylene produced (39% of produced volume in 2013). In addition, for certain applications, in particular in the automotive industry, carmakers themselves require certain specific materials or use compounds made abroad, and so our company cannot increase its share on the Czech market arbitrarily.

Sales activities in logistically distant countries such as Italy and Spain continued to be curtailed. Czech Republic and Germany are the key markets for polyolefin sales. For Germany and the entire D-A-CH region (Germany, Austria and Switzerland), Unipetrol relies a lot on the services of its subsidiary Unipetrol Deutschland. Company also continued in activities leading to customer portfolio optimization with the clear aim of margin potential improvement during the year.

Final sales of polyolefins were on level of 280 thousand tons of HDPE and 231 thousand tons of PP.

Expected development in 2014

Olefins and chemicals

Key customers plan quite high utilization of the main units and Unipetrol petrochemicals production does not plan any major shut down in 2014, available capacities thus correspond to actual market needs. Main factor influencing demand will be therefore general macro and market development. Speed of shale gas feed implementation in the US will probably have some impact on naphtha pricing policy, utilization and efficiency of crackers in Europe. European consumers will continue to purchase product predominantly for direct consumption, and accordingly, low level of inventories will significantly lower their flexibility to react to unplanned plant shutdowns.

As in 2013, the benzene market should stay volatile also in 2014. Interdependence of price fluctuations in Europe, the U.S. and Asia should also persist. Western Europe and the US will remain the most important importers. Availability of benzene in these territories will further limit cracking of lighter feedstock. Some improvement from the agricultural as well as industrial sectors is expected on the ammonia market. Availability of ammonia from Ukraine and North Africa should be key factor for European market.

Polyolefins

Market is again predicting volatile price trends and corresponding to volatile demand for polyolefins during 2014. Still quite fragile economic recovery unfortunately does not help market conditions to improve.

To resist these trends, Unipetrol worked out a strategy which will lead to the stabilization of sales. Activities relating to the redirection of sales volumes from less profitable products, countries, application segments and customers to the more profitable ones with the aim to improve the margin potential, will continue, Key part of the strategy is to further increase the share of more stable long-term contracts with price formulas, as well as acquisition of new processors, higher production and sales of the more sophisticated products in which the competition from low-cost producers is not so big and higher prices are therefore achievable.

The sales team should in the future also support other product sales of the subsidiary Polymer Institute Brno. The company will try to offer its customers in a package with HDPE and PP also concentrates and composite materials produced in PIB.

Retail segment

Financial result of the retail segment

CZK million	2013	2012 (restated)
EBITDA LIFO	509	547
EBITDA	515	542
EBIT LIFO	180	212
EBIT	185	207

Note: Financial results of the retail segment include BENZINA, s.r.o. (filling stations network) and PETROTRANS, s.r.o. (road transporter of fuels).

Key highlights of 2013

- Implementation of the Customer View program to improve customers perception and loyalty with the Benzina filling stations network
- Completion of the construction of the third unmanned filling station Expres 24 in Ostrava in December

External environment

For the whole year 2013 there were both macroeconomic and technical factors influencing motor fuels consumption in the Czech Republic. Among the macroeconomic factors were GDP and unemployment dynamics, and also related saving households behavior manifesting itself in lower demand for automotive gasoline. Among the technical factors were the renewal of car fleet from cars with gasoline engine to cars with diesel engine with lower consumption and also the fact that new cars with gasoline engine show lower fuels consumption.

There was a higher excise tax rate on diesel in the Czech Republic compared to some neighboring countries which influenced the shift of diesel purchases of international transit transportation companies from the Czech Republic to the other surrounding countries.

A special category on its own is represented by tax evasions and their impact within the entire portfolio of negative influences on the state budget revenues, companies operation and competitive environment. Therefore during the first half of 2013 there were several measures introduced to improve this situation. These measures were approved in new legislation, mainly in the Fuels Act and the Trade Act. Stricter rules for trading with fuels and several other control mechanisms came into force in October, respectively in November 2013.

A new area of consumers interest is the increased demand for alternative liquid fuels with a high content of bio-component (E 85, B 100) offered with a significant tax incentive which motivates consumers to purchase them or create their own cheaper mixtures using biofuels. The expansion of high-volume biofuels fictionally assists also in fulfilling the bio-obligations and allows for a greater utilization of fuels without bio-component.

The above stated factors were the key drivers for the development of motor fuels demand on the domestic Czech market in 2013, which can be characterized, in comparison with 2012, by a decrease of gasoline consumption by 7% and stagnation of diesel consumption.

Market position and sales

Market position

The retail company of the Unipetrol Group, BENZINA, s.r.o., is the operator of the largest network of filling stations in the Czech Republic. As of 31 December 2013 it operated 338 filling stations with a wide range of fuels with additives. A selected segment of filling stations offers a collection of the premium VERVA fuels and a wide assortment of the other goods, refreshments and services. This network has been, particularly between years 2006 and 2010, gradually renovated and modernized. It is currently divided into three segments – the premium segment represented by 116 BENZINA Plus filling stations, the standard portfolio segment of BENZINA filling stations, and the segment of self-service filling stations under the Expres 24 brand. By the end of 2013 the third unmanned filling station Expres 24 was finished in Ostrava. A total of 95% of the filling stations in all segments has been modernized.

Benzina's market share in 2013 increased compared with 2012 from 13.7% to 14.5%.

Fuel sales

The key activity of Benzina consists of fuel sales, sales of other goods and services at its filling stations. The sales structure confirmed the long-term trend of higher demand for diesel at the expense of automotive gasoline.

Structure of fuel sales at filling stations (%)

	2013	2012
Gasoline	35.9	36.4
Diesel	64.1	63.6

In 2013, the trend of growing share of diesel sales continued. The share of diesel sales increased by 5.2% in 2013 compared with 2012. Among the types of diesel sold, the increase was driven by standard diesel TOP Q with additives (+5.7%) and also by premium diesel VERVA (+5.3%) and arctic diesel (+11%).

Gasoline sales increased by 3.2% compared with 2012. Natural 95 remains the dominant gasoline sold with a share of 96% out of total gasoline sales and it showed increase of 2.9% y/y. Sales of high-octane gasoline VERVA 100 increased by 11.6% y/y. Since its introduction in 2006, the sales of high-octane gasoline VERVA 100 has been gradually increasing and reached a share of 3.5% out of the total gasoline sales in 2013.

As a part of the nationwide monitoring of the quality of fuels sold in the public networks of filling stations conducted by the Czech Trade Inspection, which publishes these results, Benzina had all examined fuels without any defects. As part of the "Quality Seal" internal program (Pečeť kvality), 1,869 samples were examined by an independent accredited laboratory and 99.9% of them were without any defects.

Combination of achieved fuel sales in 2013, including the share of premium fuels, in relation to the total market decline of demand for automotive gasoline, stagnation of demand for diesel and distortion of competitive environment by noticeably low prices associated with tax evasions, and operating cost savings significantly contributed to the good financial results of the retail segment.

Non-fuel sales

Total revenues from the non-fuel sales very slightly declined by 0.3% in 2013 compared with 2012. Positive dynamics was nevertheless recorded within the gastronomy sub-segment with a revenues increase by 12% y/y. Implementation of the fast-food concept of Stop Cafe bistro contributed in particular to this positive development. Customers can enjoy a good cup of coffee, tea and hot dogs in Stop Cafe bistros.

Expected developments in 2014

In the current economic conditions in Eurozone and taking into account economic reforms in the Czech Republic, especially the adoption of growth oriented measures by the Czech government, a small GDP growth can be expected with a positive impact on increase of fuels demand on the domestic market, which should be especially driven by a higher output of sectors with a high diesel consumption. Tax advantaged bio-fuels and CNG will keep strengthening is market position. This is valid particularly regarding customers with a lower purchasing power, who will move towards cheaper bio-fuels, mixtures or kinds regardless of the state of the car fleet or manufacturer's recommendations, always to the detriment of classic taxed fuels. Due to the highly competitive environment of filling stations, there will be again a high pressure on fuel margins during 2014.

Approval of new stricter legislation for doing business in the area of fuel distribution and sales will continue to mitigate unfair practices and tax frauds. Traders connected to the grey zone should be gradually displaced from the market in favor of fair market players. Continuous expansion of the alternatives offer, such as CNG or quick-charging stations for cars with electric engines, can be expected. Alternative high-volume bio-fuels will also have a certain market position. The remaining free space on the market will be gained by the category of low-cost self-service filling stations.

Priorities of the company within the adopted Strategy 2013-2017 remain a market share increase of fuel sales, an increase of the average fuels throughput on filling stations, and also sales increase within the non-fuels segment. Benzina will also strive for additional increase of customers trust. As regards capital investments, finalization of the network reconstruction will continue, as well as car washes modernization. Upon the evaluation of the pilot project of self-service filling stations Expres 24, this concept will be extended in suitable locations. We are also preparing continuation of interesting marketing promo events in cooperation with strong business groups with the aim to support fuel sales, including goods and services of the non-fuel character, and last but not least to support perception of Benzina brand.

Based on the market development, status of car fleet modernization and new technologies of fuel combustion in cars, expansion will continue, as regards the offer of the fuels assortment in terms of CNG, premium fuels, a new type of operating fluid Ad Blue or other alternatives.

Investments

Investments in petrochemical segment in 2013 were mainly focused on maintaining operating reliability, safety and on meeting the requirements of the environmental legislation and increasing effectiveness of our operation, especially energy efficiency. The major investment projects focused on reliability including regular refurbishments of the steam cracker pyrolysis furnaces and overhauls of the process equipment including second stage of reconstruction of distribution room R200 and electrical resistance heating reconstruction in the steam cracker. From the modernization projects LPG unloading on rail 234b has been started.

Unipetrol RPA signed a license agreement with INEOS, based on which it acquired the right to use a production process and technology for the new polyethylene unit (PE3). Purchase of the license is the first achieved milestone and represents the official start of the project's execution.

New Chezacarb bagging line will enable to increase sales of this product by improving logistic capacity.

Major investment in our subsidiary VÚANCH was focused on building UniCRE (Unipetrol Centre of Research and Education). The basic goal is to intensify and improve effectivity of research and development in area of industrial chemistry and environmental technologies. Project should be completed in 2014.

Refinery segment invested mainly in maintenance, environmental protection, reliability and availability of the installations. In 2013 regular shutdown of Kralupy refinery, which represented the major investment, was successfully realized. Other important investments in 2013 were energy efficiency phase 2 in Kralupy refinery (reduction of energy consumption at Kralupy refinery), waste water treatment in Kralupy.

Unipetrol Doprava main project, started in 2013, was safeguarding appliance in Kralupy which is outdated and technical conditions would not allow to operate it.

Tank VR52 refurbishment was the main investment activity at Paramo. In order to increase effectiveness of Paramo operation project for solvent exchange has been commenced in 2013.

Our retail segment focused mainly on modernization and reconstruction of the existing Benzina fuel stations, replacement of security surveillance cameras, and replacement of car washes and refurbishment of wastewater treatment plants. Benzina also started to build one new E24 station in Ostrava.

Other segment comprises mainly IT related projects. The main IT project in 2013 was Data Center consolidation.

Unipetrol Group CAPEX overview according to investment category and business segment in 2013 and plan for 2014 (CZK million)

Investment category/ Business segment		Refining	Petrochemicals	Retail	Other	Total
2013	Development	86	505	96	37	724
	Maintenance/refurbishment	508	906	49	35	1,498
	Environment	69	26	3	0	98
	Safety	27	48	9	0	84
	Total	**690**	**1,485**	**157**	**72**	**2,404**
2014	Development	42	318	182	17	559
	Maintenance/refurbishment	299	720	54	29	1,102
	Environment	52	73	3	0	128
	Safety	34	17	8	6	65
	Total	**427**	**1,128**	**247**	**52**	**1,854**

Note: Location – local; Financing method – own resources.

Research and development

Unipetrol RPA's R&D is focused on three basic key areas – plastics, petrochemicals, and refining. Polymer Institute Brno, spol. s r.o. provides research in the field of plastics, and the Research Institute of Inorganic Chemistry (Výzkumný ústav anorganické chemie, a.s. – VÚAnCh) in Ústí nad Labem provides petrochemical and refining research. In addition to these institutions, Unipetrol cooperates very closely with universities, most notably the Institute of Chemical Technology in Prague (VŠCHT). Research and development achievements are applied within the technical support of production, development of strategies, and also directly when introducing new products into the production portfolio.

Since 2010 VÚAnCh, a.s., the subsidiary of UNIPETROL, a.s., is building a new advanced research and education center Unipetrol Centre for Research and Education – UniCRE for industrial chemistry in Chempark Záluží in Litvínov. The center will focus on research, development, innovation and education in the field of refining and petrochemical technologies, environmental technologies and processes for efficient use of renewable resources and energy. Till the end of 2013 the reconstruction of main laboratory building was finished and the total investment for this project was CZK 232 m. Total costs of the project, which was supported by a grant from the EU in amount of CZK 600 m, are estimated to be approximately CZK 800 m. The center is planned to be finished at the first half of 2015.

Refining segment

Research work in the last year continued on the development of refining segment relative to the petrochemical production. In cooperation with the Research Institute of inorganic Chemistry continued development of hydrocracking processes aimed at increasing yield of middle fractions, better evaluation of heavy oil residues and optimization of steam cracker feedstock.

Unipetrol in cooperation with research Institute of Inorganic Chemistry solved in the year 2013 a number of research projects focused on the processing of residue from visbreaking process in the bitumen production, on improving the quality of heavy fuel oil from refinery and petrochemical productions.

The next project was focused on development of hydrocracking process of vacuum distillate with the objective of extending the operating cycle of the catalyst, increasing the yield of middle distillates and the possibility of using an alternative catalyst.

In 2014, development works will continue on the evaluation of heavy fractions from crude oil, use of petrochemical heavy fractions for fuel oils and to ensure higher production and quality of diesel components. Another research plan will be focused on treatment and improving the quality of refining fractions designated as the feedstock for Steam Cracker.

Paramo subsidiary managed to innovate already established products which respect development and efficiency trends especially in the area of industrial oils. A novelty is a series of high performance multifunction cutting oils PARAMO UNICUT, which company offers as an only one producer in the Czech Republic.

Petrochemical segment

Olefins and Chemicals

Research and development in the area of olefins and chemicals is provided by the Research Institute of Inorganic Chemistry in Ústí nad Labem and Polymer Institute Brno. Long-term targets in petrochemicals aim to improve the product portfolio and to increase efficiency of production. The main topics in 2013 were a research focused on the utilization of alternative sources of feedstock for steam cracker, research of butadiene production possibilities and research of new feedstock for the POX process. Possibilities of Carbon Black Chezacarb properties improvement were also examined within the research of feedstock for POX. Application properties of the conductive carbon black in plastics were further examined in Polymer Institute Brno.

The other major project stemming from in-house research and development is the production process for technical dicyclopentadiene (DCPD). This project is a part of the new presented Development Strategy of Unipetrol for 2013-2017. The product finds use primarily as a monomer for the production of hydrocarbon resins.

Polyolefins

In the field of polyolefins, Unipetrol continuously optimizes its product portfolio. Optimization is done by cancellation of non-perspective products and by modifying the existing products or developing new ones.

Main activities in the area of high-density polyethylene (HDPE) production were directed to the upgrading the properties of polymeric materials and the development of innovative two catalyst systems for special types of HDPE. Part of research work was focused on the development of new mode for stabilizing of polymers, namely HDPE. The aim of this development was to optimize the properties of selected types of HDPE and simplify the procedure for stabilizing polymers.

As regards activities within polypropylene (PP) production, these were focused in two key areas – development of new types of polymers with enhanced properties and innovation of existing types in order to reduce operating costs. There was completed the development of new type polypropylene – a copolymer with improved creep resistance, which is applicable for production special structural panels. The part of activities was focused on the replacement of phthalates based stabilizers for other environmentally appropriate types.

All research and development activities are realized in close cooperation with the subsidiary Polymer Institute Brno, s.r.o., which also provides specialized technical service to Unipetrol through customer support.

In 2014, research works in the plastics area will continue with a focus on development of new types and innovation of existing types in the production of HDPE and PP.

Employees

Unipetrol Group belongs to companies, which consider Human Resources as one of the key driving forces of every company. The company strives to create a pleasant working environment for its employees, so that they could deliver best results and therefore support a positive development of the whole Group.

Unipetrol Group was among the biggest companies in the region with its 3,647 employees in 2013.

As in previous years, Human Resources management was entrusted to Unipetrol Group's service organization, Unipetrol Services, s.r.o. subsidiary.

The primary tasks included the rationalization of HR processes and the continuation of restructuring of the organizational structure. Cost cutting was achieved, besides other things, also through reduction in the number of employees.

The issue was addressed with utmost sensitivity and with regard to maintaining the operability of all organizational units. Company paid attention to maintaining the employees' competence and development.

In connection with the reduction of the staffing levels, the outplacement services were provided to dismissed employees.

Total number of employees of Unipetrol Group (persons) as of 31 December 2013

Company	2013
BENZINA, s.r.o.	85
Butadien Kralupy a.s. (51%) [1)]	10
ČESKÁ RAFINÉRSKÁ, a.s. (51,221%) [1)]	325
PARAMO, a.s.	483
PETROTRANS, s.r.o.	155
POLYMER INSTITUTE BRNO, spol. s r.o.	91
UNIPETROL, a.s.	47
UNIPETROL DEUTSCHLAND GmbH	17
UNIPETROL DOPRAVA, s.r.o.	418
UNIPETROL RPA, s.r.o.	1,556
UNIPETROL SERVICES, s.r.o.	278
UNIPETROL SLOVENSKO, s.r.o.	10
Výzkumný ústav anorganické chemie, a.s.	145
MOGUL SLOVAKIA, s.r.o.	15
HC VERVA Litvínov, a.s.	12
Total	**3,647**

[1)] Number of employees in ČESKÁ RAFINÉRSKÁ, a.s. (100%) was 635 and in Butadien Kralupy, a.s. (100%) was 20.

Education of employees

Education of the Unipetrol Group’s employees in 2013 was primarily focused on maintaining the level of qualification of employees in production and additional qualified development company’s specialists.

The HR personnel focused on ensuring educational programs, which were organized within the programs financed from EU’s funds and which took place during years 2010 – 2013.

As recipients of the subsidies or partners, the following companies are involved in the projects - UNIPETROL RPA, s.r.o., UNIPETROL DOPRAVA, s.r.o., UNIPETROL, a.s., UNIPETROL SERVICES, s.r.o. a PARAMO, a.s.

In the area of employees’ education, the project “Education for Competitiveness of the Chemical Industry in Czech Republic” financed from EU’s subsidies ended in December 2013. Unipetrol cooperated within this project with the Association of Chemical Industry of the Czech Republic. Within the project 363 persons were trained during 2011 – 2013.

In the area of company’s education, 6,864 persons received mandatory training, 847 persons attended professional or vocational seminars and 296 persons attended foreign language courses as at December 2013.

A new application called “Evaluation of educational events” was made available to employees in 2013 to asses evaluate the effectiveness of language courses.

Workforce structure

Workforce structure in 2013 corresponds to character of the whole Group. The most frequent level of education is of secondary level, which is usually common in the production company. Higher education is quite frequent as well. It is mostly favored within the managerial and leadership positions.

As one of the biggest employers, Unipetrol offers attractive work conditions which instigate loyalty among employees. This is according to the employment structure by the worked years – the largest group within this category is the “11-20 years” followed by “21-30 years” group.

Employment structure of the Unipetrol Group as of 31 December 2013

Employment structure by education	
Primary	5%
Vocational	31%
Secondary	**44%**
Higher	20%
Employment structure by gender	
Men	**73%**
Women	27%
Employment structure by length of employment	
<5	21%
(5-10>	18%
(11-20>	**26%**
(21-30>	21%
>30	14%
Employment structure by age	
<31	8%
(31-40>	22%
(41-50>	**35%**
(51-60>	29%
>60	6%

HR policy

Unipetrol Group adopted a new HR policy in 2013 which determines the development in the area of HR for years 2013-2017.

Group Strategy focuses on developing an integrated company, which produces and sells fuels and energy with a diversified assets structure. Realization of these ambitious objectives requires strong management and highly qualified employees, who will be able to fulfill the strategic objectives and ensure effective management of incoming changes.

Strategic directions in HR policy

The corporate culture of Unipetrol is based on values listed below, adopted and applied in Unipetrol as well as in companies of the capital Group of PKN ORLEN:

- Responsibility
- Progress
- People
- Energy
- Dependability

Based on this new corporate culture, HR supports managers in dealing with matters pertaining to personnel operations. In the area of segment management, HR department takes action towards the highest possible synergies.

HR department introduces processes and means which suit to needs of business, which support realization of the Strategy (especially in the new areas such as upstream and energy) and which also take into consideration social conditions. HR department's activities focus on:

- targeted professional development of employees, which supports strengthening of competencies desired within the Group companies,
- systematic approach to accumulation and exchange of knowledge within the Group,
- promotion of mobility, exchange of experience on intercultural level,
- remuneration policy, which allows recruitment of new employees and their motivation and commitment.

HR department is responsible for a steady increase of HR processes efficiency within the Group and an introduction of advanced and innovative solutions, while taking into an account the optimization of the costs.

Financial standing

Consolidated statement of financial position

Changes in non-current assets

As of 31 December 2013, non-current assets of the Unipetrol Group amounted to CZK 25,664 million. In 2013, the Group acquired tangible assets worth CZK 2,056 million and intangible assets worth CZK 324 million.

Most investments went into the petrochemical segment (CZK 1,485 million), followed by investments in the refining segment (CZK 690 million) and the retail segment (CZK 157 million).

Changes in current assets

Total current assets amounted to CZK 24,334 million as of 31 December 2013 and were lower by approximately CZK 443 million compared to the previous year, especially due to the lower Cash and cash equivalents.

The higher quantity of crude oil and other inventories were the main cause of the increase in inventories compared to 2012 (inventories increased by CZK 136 million).

Changes in equity

Total equity decreased from CZK 29,844 million in 2012 to CZK 28,299 million in 2013 as a result of the loss generated in 2013.

Changes in liabilities

Borrowings

Total Loans, borrowings and debt securities decreased by CZK 325 million compared to 2012. During the year 2013 bonds in the amount of 2 billion had been paid up. At the same time, the company received the first tranche of the mid-term loan from its majority shareholder PKN ORLEN S.A. in the amount of CZK 2 billion. The second tranche in the same amount of CZK 2 billion was received in January 2014.

Trade liabilities

The main reason for the increase of CZK 855 million in trade liabilities compared to the previous year was increase in crude oil liabilities at the end of 2013.

Provisions

Compared to 2012, provisions increased by CZK 76 million, which was mainly caused by higher provision recognized for estimated CO2 emissions.

Consolidated statement of profit or loss and other comprehensive income

The Group's revenues for 2013 amounted to CZK 99,415 million and were 7% lower than in 2012, mainly due to lower crude oil price, significantly lower refining margins, lower sales volumes in refining segment stemming from scheduled complete turnaround of Kralupy refinery in September and October within 4-year cycle, as well as lower sales volumes in the petrochemical segment.

The Group's operating loss of CZK 893 million on EBIT level for 2013 was negatively influenced by more challenging macro environment during 2013 compared to 2012, especially in refining segment. The Group's operating loss of CZK 3,819 million on EBIT level for 2012 resulted mainly from one-off impairments of fixed assets in the amount of CZK 4,075 million in relation to non-current assets of ČESKÁ RAFINÉRSKÁ, a.s. included in the refining segment.

Czech economy continued to be in the recession, refining margins dramatically decreased compared to 2012 while petrochemical margins maintained solid levels. The fuels grey zone maintained its negative influence on the refining and retail segments during most of the year. Czech National Bank currency interventions at the beginning of November 2013 significantly weakened CZK vis-a-vis both EUR and USD by ca 6% which caused a positive impact on Czech exports, in the short-term rather negative for Czech households purchasing power.

The above reasons caused the Group's net loss of CZK 1,396 million, the refining segment being the key driver.

Consolidated statement of cash flows

Net cash provided by the Group's operating activities amounted to CZK 300 million in 2013.

At the same time, investing and financing activities resulted in cash outflow in the amount of CZK 1,688 million and CZK 584 million, respectively.

The decrease in cash compared to the 2012 level resulted primarily from lower cash flow from operating activities, as well as from higher capital expenditures in 2013 compared to 2012.

The Group's financial position was still good and on solid levels at the end of the year as the net debt amounted to CZK 1,390 million and financial gearing, defined as the ratio of net debt and equity, amounted to 4,9%.

Revenues

Trends in revenues for own products and services

	2013	2012	2011	2010	2009
	CZK thousand	CZK thousand	CZK thousand	CZK thousand	CZK thousand
Revenues	99,414,790	107,159,785	97,427,586	85,966,537	67,386,500

In 2013 the Unipetrol Group generated total revenues of CZK 99,415 million, which is 7% less than in 2012.

Structure of revenues by business segments

Business segment	2013	2012	2011	2010	2009
	Revenues in %	Revenues in %	Revenues in %	Revenues in %	Revenues in %
Refining	53	56	57	54	54
Petrochemical	36	35	33	36	34
Retail	11	9	10	9	11
Other	0	0	0	1	1

External revenues in the refining segment went down by CZK 6,676 million in 2013 compared to the previous year and amounted to CZK 52,848 million. The decrease is mainly attributable to lower crude oil price, significantly lower refining margins, and lower sales volumes in the refining segment stemming from scheduled complete turnaround of Kralupy refinery in September and October.

In the petrochemical segment, external revenues amounted to CZK 36,033 million, which is CZK 1,259 million less than in 2012, mainly due to lower sales volumes.

External revenues in the retail segment, amounting to CZK 10,453 million in 2013, were CZK 183 million higher than in the previous year as a result of the New Motor Fuels Act to mitigate fuels grey zone which caused the positive impact on fuel margins and fuel sales.

The share of segments' revenues in the Unipetrol Group's overall structure of revenues changed slightly in comparison with the previous year. The share of the refining segment decreased from 56% to 53%, meanwhile, the share of the petrochemical segment increased from 35% to 36% and the share of the retail segment increased from 9 % to 11%.

Structure of sales revenues by area

Area	2013	2012	2011	2010	2009
	Revenues in %	Revenues in %	Revenues in %	Revenues in %	Revenues in %
Czech Republic	69	71	71	69	75
Other European countries	29	27	27	28	22
Other countries	2	2	2	3	3

Compared to 2012, the territorial structure of the Group's revenues remained stable when the majority was directed toward EU countries.

Non-consolidated profit / loss and dividends of UNIPETROL, a.s.

	2013	2012	2011	2010	2009
Profit for distribution	937,692	403,972	-229,925	512,121	261,864
Allocation to the social fund	--[1)]	--	--	--	--
Allocation to the reserve fund	--[1)]	20,199	--	25,606	13,093
Number of profit-bearing shares	181,334,764	181,334,764	181,334,764	181,334,764	181,334,764
Profit / loss per share	5.17	2.23	-1.27	2.82	1.44
Dividend per share (CZK) paid from retained profit of previous years	--[1)]	--	--	--	--
Total for distribution	937,692	383,773	-229,925	486,515	248,771
Profit brought forward as of 31. December	6,049,883	5,132,389	4,716,455	4,971,986	4,472,958

[1)] Dividend policy is not formally established. The decision on the distribution of the profit 2013 will be taken at the Annual General Meeting.

Property, plant and equipment

UNIPETROL, a.s. owns most of the land within the production facilities situated in the cadasters of Kralupy nad Vltavou and Litvínov towns. A major part of this land is situated underneath its subsidiaries' production facilities. Unipetrol, a.s. also owns several plots of land outside of these production facilities, part of which are used by its subsidiaries for their activities, e.g. landfills, roads, location of product pipelines etc.

The total area of land owned by UNIPETROL, a.s. within the cadasters of Kralupy nad Vltavou is ca 2.496 million sq m and of Litvínov ca 8.866 million sq m.

UNIPETROL, a.s. as a non-production company does not own any buildings or equipment on this land, nor has it any oil fields or natural gas production sources of its own. The property, plant and equipment on UNIPETROL, a.s.'s land are owned and operated predominantly by its subsidiaries that have their operations in the industrial facilities. To a lesser extent, other entities not belonging to Unipetrol Group are the owners or tenants of this property, plant or equipment where the subsidiaries have no use for such assets. SYNTHOS Kralupy, a.s. (previously KAUČUK, a.s.), which is not a part of Unipetrol Group any more, is a major owner of buildings and equipment on the premises of the chemical production facilities in Kralupy nad Vltavou.

An agreement benefiting SYNTHOS Kralupy, a.s. on the pre-emptive rights to specific land used for its activities was executed on the basis of the agreement on the sale of KAUČUK, a.s. to the new owner, Firma Chemiczna Dwory S.A., Republic of Poland. The pre-emptive rights are registered in the land register.

Tangible assets are described in detail in the Notes to the Consolidated Financial Statements. The land owned by UNIPETROL, a.s. is not encumbered by any liens.

The land is zoned for industrial activities and its use is governed by easement agreements executed between the owner of the land, UNIPETROL, a.s., and the companies operating on both cadastral areas. The easements are provided for a consideration.

Capital resources

The main topic of the 2013 year was repayment of bonds issued by UNIPETROL, in amount CZK 2 billion, which was repaid including interests as of 28 December 2013.

In relation to above mentioned repayments of the bonds, the new intercompany mid-term loan agreement was signed between PKN ORLEN and UNIPETROL, a.s. Based on the Agreement, Unipetrol received a mid-term loan in the amount of CZK 4 billion. The purpose of the loan is the diversification of Unipetrol's funding sources and extension of maturity.

The loan is divided into two tranches of CZK 2 billion each. First tranche was received on 17 December 2013 and second tranche was received on 24 January 2014.

Operating financing is mainly provided on the level of the parent company UNIPETROL using available resources and, if necessary using operating loans provided by reputable banks.

The level of short-term loan provided by the banks to UNIPETROL was not changed and it is still in amount CZK 10,900 million in 2013 (including separate open credit line for Unipetrol RPA in amount CZK 150 million).

Thanks to a centralized operating financing model, both financial and non-financial terms on which the Group companies receive operating finances were improved substantially. The efficiency of operating financing has improved significantly thanks to the introduction of a real cash pooling system.

Unipetrol uses a real cash pooling system involving four reputable banks.

Within the scope of operating financing of the parent company UNIPETROL, a.s. the bank guarantees in the total amount of CZK 589 million were provided for all of Unipetrol RPA’s liabilities (in the total amount of CZK 541 million), Unipetrol Services (in total amount CZK 7 million), Benzina’s liabilities (in total amount CZK 29 million), and Paramo’s liabilities (in the total amount of CZK 12 million). Additionally, UNIPETROL, a.s. issued a guarantee for UNIPETROL RPA, s.r.o. in favor of ČEPRO, a.s. to secure an excise tax of CZK 150 million.

Risk management

Risk management in the Group is provided by the documents “Financial Risk Management Policy” and “Market risk management policy”. These documents define the rules and recommendations governing Financial Management activities in the Unipetrol Group companies.

The documents create a module of rules and recommendations for risk management and their purpose is to provide a formal framework for treasury operations. Appendices to these documents set out the credit limits for counterparties, dealers’ authority, permitted transactions and the tools for which a special permission is required.

The documents define the activities, which each of the Treasury departments and, as the case may be, the authorized financial management department of subsidiary Unipetrol Services, is authorized to carry out activities relating to associated (underlying) risks and reducing financial and commodity risks for the Group companies while meeting the conditions for the definition of hedging operations from the IFRS perspective.

In accordance with the mentioned policies, 154 commodity swaps, in the amount of 9,883,500 barrels, were executed in 2013 in order to hedge crude oil price due to timing difference between purchase price and price at the time of processing. The applicable financial risk management policy is based on the principle that the Group companies act as conservative entities which in no event use their funds or positions for speculative purposes.

Key environmental activities

Unipetrol Group's activities in the area of environmental protection in 2013 were mainly focused on securing new obligations arising from the third trading period of the EU ETS system, implementation of the Directive on industrial emissions, and additionally on monitoring, evaluation and preparation of measures related to new or amended legislation on the level of the Czech Republic and the European Union.

In accordance with the rules laid down by Directive 2009/29/EC of the European Parliament and of the Council on the greenhouse gas emission allowance trading scheme of the Community and the relevant guidelines, the Group's companies applied, through the Ministry of the Environment, for the allocation of allowances for operated installations for the period from 2013 to 2020. Most of the installations operated by Unipetrol RPA, Česká rafinérská and Paramo fall within the category of industries exposed to a risk of carbon leakage. Allocation of emission allowances should be in line with so-called benchmarks and should remain in place throughout the whole third trading period. European Commission approved the final allocation volume at the end of 2013. New auditors have been selected for the verification of annual emissions.

In 2013 there was adopted an amendment to the Act on Integrated Pollution Prevention within the Directive on industrial emissions and its implementing decree. Unipetrol Group through the Association of Chemical Industry of the Czech Republic collaborated on preparation of both legislations, including related methodologies. At the end of the year a tender for a processor of underlying and baseline reports was carried out, while the preparation of these reports will take approximately 8 to 9 months in 2014.

Unipetrol Group companies were involved either directly or through industry associations and non-governmental organizations in the preparation and reminder process of other new legislation Czech Republic and the EU and related documents (eg BREF documents).

Development of the Unipetrol Group's selected environmental performance indicators

Carbon dioxide emissions under the EU's scheme for trading in carbon dioxide emission allowances (EU ETS)

The start of the second trading period on 1 January 2008 was associated with tightening of the conditions for monitoring and reporting greenhouse gas emissions after the expiry of certain exceptions applicable to the first period. The new allocation plan issued in the form of Government Order No. 80/2008 for the trading period of 2008 to 2012 also allocated allowances to Unipetrol Group companies. Third trading period began in 2013 that will last until 2020. In the third period there was a significant increase in the number of monitored sources of CO2 emissions and to change of the calculation method, monitoring and reporting of CO2 emissions volumes. Calculation of free allowances allocation has also undergone a significant change.

Allocation of allowances to Unipetrol Group companies in the National Allocation Plan for the 2005 – 2007 and 2008 – 2012 periods, total allocation for the 2013 – 2020 period, and the actual CO2 emissions between 2005 and 2012 (actual emissions – verified by external company)

Allocation of allowances (ths units) Actual emissions (kt/y)	Unipetrol RPA	Česká rafinérská [1)]	Paramo	Unipetrol Group
NAP yearly allocations 2005-2007	**3,495**	**1,100**	**270**	**4,865**
2005: actual CO_2 emissions	3,071	803	194	4,068
2006: actual CO_2 emissions	3,092	910	196	4,198
2007: actual CO_2 emissions	2,889	904	191	3,984
NAP allocations 2008-2012	**3,121**	**867**	**199**	**4,187**
2008: actual CO_2 emissions	2,762	910	176	3,848
2009: actual CO_2 emissions	2,558	806	172	3,536
2010: actual CO_2 emissions	2,468	883	170	3,521
2011: actual CO_2 emissions	2,136	835	148	3,119
2012: actual CO_2 emissions	1,944	856	95	2,895
Total allocation 2013-2020	**10,351 [2)]**	**6,494**	**680**	**17,525**
2013: actual CO_2 emissions	3,062	772	47	3,881

[1] 100% of Česká rafinérská.

[2] In the period 2013-2020 there has been a significant increase in the number of sources of greenhouse gases emissions included in the EU ETS. The allocation may be further changed due to changes in operation of installations.

Based on the verification of the annual reports for 2013 it can be said that the allocated quantity of allowances for Unipetrol RPA covers approximately 45% of the annual emission. Allowances surplus from the previous period will be used to cover the deficit. Allowances deficit in the following years will be covered by market purchases. Small surpluses in Česká rafinérská and Paramo resulted from execution of Kralupy refinery turnaround and attenuation of production units respectively.

Development of emissions of selected pollutants

The emissions of pollutants into the environment have been stabilized over the last four years, at a level achieved thanks to massive environmental investments conducted during the previous decade. Reduction of SO2 emissions in Česká rafinérská and Unipetrol RPA compared to the years 2011 and 2012 was due to extensive repairs made to the equipment for the production of liquid sulfur and their subsequent trouble-free operation.

Sulphur dioxide emissions in Group companies (tons/year)

Year	2008	2009	2010	2011	2012	2013
Unipetrol Group	12,030	14,260	11,070	14,648	13,760	7,084

COD pollutant emissions in Group companies (tons/year)

Year	2008	2009	2010	2011	2012	2013
Unipetrol Group	1,166	983	729	519	459	431

BOD pollutant emissions in Group companies (tons/year)

Year	2008	2009	2010	2011	2012	2013
Unipetrol Group	311	220	175	112	107	90

Prevention of serious accidents under Act No. 59/2006

In 2013 Unipetrol Group companies experienced no accidents classified as serious accidents under Act No. 59/2006. The possible inclusion of the extraordinary event, caused by overfilling the tank with diesel VR10 on 17 October 2013 in Paramo, as a serious accident is under discussion with the competent administrative authorities (currently under appeal to the fine and to the wrong methodological evaluation of the event and to the inclusion under the wording of the Act on the prevention of serious accidents).

Other operating accidents encountered during the year were managed in-house or using in-house (company's) fire departments and handled adequately in order to rectify the situation and prevent re-occurrence. The impact of small operating accidents did not extend beyond the Group premises.

Mitigation of old environmental burdens

Based on a decision of the Government of the Czech Republic associated with their privatization, Unipetrol Group companies entered into the following agreements with the Ministry of Finance of the Czech Republic on the tackling of environmental obligations originating before privatization (called the Ecological Contracts):

UNIPETROL, a.s. (legal successor of CHEMOPETROL Group, a.s.): Contract No. 14/94 as amended in Amendment 3 of 25 January 2005; UNIPETROL, a.s. (legal successor of KAUČUK GROUP, a.s.): Contract No. 32/94 as amended in Amendment 1 of 4 July 2001; PARAMO, a.s.: Contract No. 39/94 as amended in Amendment 2 of 4 July 2001, and Contract No. 58/94 as amended by Amendment 3 of 26 September 2008; and BENZINA, s.r.o.: Contract No. 184/97 as amended in Amendment 7 of 18 January 2007.

In 2013, active remediation works took place in the Litvínov production area through groundwater remediation and pumping underground drains. Construction of remediation drain continued at the location of the former Růžodol lagoons. Excavation of contaminated soils and construction of the remediation system on the premises of the former factory phenols were completed. Preparatory works and completion of project documentation for the period up to 2016 took place in other locations of the Litvínov plant. Works on the updated risk analysis of the plant and its closed surroundings continued.

Protective remediation pumping of the contamination cloud E was prolonged at the Kralupy nad Vltavou plant upon the decision of the Czech Environmental Inspection was issued. Pre-remediation monitoring of the impact of the dump on the underground and surface water, and preparation of documents for a tender continued at the location of the Nelahozeves dump site.

In Paramo, economy center Pardubice, underground water remediation continued and the construction of remediation drains at the site of "U Trojice" was finished. Biological restoration of the Blato repository and technical restoration of the Zdechovice repository were completed. Restoration of the repository Nová Ves began and protective remediation pumping of the repository Ćasy was undergoing. Underground water restoration took place on the premises of Paramo, economy center Kolín.

Maintenance remediation works took place in the Benzina filling stations network (protective remediation pumping) at the following filling stations: Přelouč, Vysoké Mýto, Pardubice - Chrudimská and the distribution storage facilities in Jičín, Nový Bohumín, Šumperk, Žamberk and Točník. Remediation works are under way at the filling stations Čáslav and Mikulov-Brněnská. Remediation works were completed on the premises of the distribution warehouse Havířov product pipeline, the distribution warehouse Točník – first stage remediation, and filling stations Český Brod, Sušice and Zruč nad Sázavou. On other premises, stages of examination, remediation projects preparation or post-remediation monitoring are ongoing.

Overview of financial guarantees from the Ministry of Finance of the Czech Republic (MF) and disbursement of funds in the Unipetrol Group (CZK million)

	Unipetrol Litvínov	Unipetrol Kralupy	Paramo Kolín	Paramo Pardubice	Benzina	Group total
Funds guaranteed by MF	6,012	4,244	1,907	1,241	1,349	**14,753**
Costs covered by MF in 2013	293	1	43	92	28	**457**
Costs covered by MF since the start of the works	3,688	49	1,694	479	458 [1)]	**6,368**
Expected costs of future works	3,017	1,255	311	2,830	895	**8,308**
Total (estimated) remediation costs	**6,705**	**1,304**	**2,005**	**3,309**	**1,353**	**14,676**
Balance of MF's financial guarantees	-693	2,940	-99 [2)]	-2,067 [2)]	-4	**77**

[1)] Benzina – excluding costs of BENZINA, s.r.o. spent on remediation works until 1997 in the amount of ca CZK 500 m.

[2)] Paramo – applications for increase of the guarantees for Pardubice and Kolín plants were submitted to the Ministry of Finance of the Czech Republic.

Costs of environmental protection

Environmental investments

Environmental investments are defined as capital investment projects undertaken directly in order to meet legal requirements for environmental protection and closely linked to the practical implementation of integrated prevention of pollution. In 2013 Unipetrol Group implemented the following major environmental investments:

Česká rafinérská

The company implemented environmental investment projects totaling CZK 81.7 m. These include primarily:

- Reconstruction of the wastewater treatment plant in Kralupy – in 2013, execution of the project of the reconstruction of the wastewater treatment plant in Kralupy, which is required in the valid IPPC, began. The project is managed with the objective to secure compliance of the treatment plant with the requirements for the best available technologies (BAT). The project is expected to be completed by the end of 2015.
- Reconstruction of the sewerage in Kralupy – two projects for the reconstruction of the existing sewerage have been prepared. Parts of the sewerage with possible occurrence of MTBE were selected as preferential and they

have been addressed first. This project has been already executed and completed. The second project addressing the reconstruction of the remaining part of the sewerage is currently in its project documentation preparation stage. Its completion is planned for 2015.

- HOPV expansion – the project addresses the expansion of the hydraulic protection of underground water in the Kralupy refinery at its northeastern part, making sure that it will be able to secure protection against seepage of harmful substances dissolved in water. As a part of the project, a system consisting of a catchment drain, sub-horizontal boreholes and seepage structures in the so-called green belt and on the edge of the town of Veltrusy was installed.
- A project for cleaning a part of the pumped underground water at the Kralupy refinery has been executed. The project is related to the expansion of the hydraulic barrier.
- A project for installation of continuous analyzers and installation of a new vent at sulfur production unit in Kralupy has been executed.
- Project of the modification of the furnace burners of atmospheric distillation at the Kralupy refinery has been implemented.
- Project of the change of the buffer tank at the wastewater treatment plant has been implemented.

Unipetrol RPA

The company implemented environmental investment projects totaling CZK 25.5 million. These include primarily:

- Completion of the following construction projects: SO 04 - Gravitation gutter for final cleaning, SO 05 – Reconstruction of mechanical pre-cleaning, SO 01 – sewer system connections for separating sewage water – connection to block 28. These construction projects were implemented as a part of the “Segregation of sewage water” project.
- Reconstruction of the sewerage, including shafts at the area of the steam cracker.
- Water management security of handling areas at the steam cracker.
- Purchase of the new analyzer of H_2S emissions at the POX unit.
- Tanks cleaning of the mechanical polishing at the united sewerage system.
- Isolation and under-heating of the pipe from the sump of phenolic waters CELIO at Bl.22 allowing year-round operation.
- Replacement of the continuous measurement of solid pollutants at the boiler of the T 700 heating plant.
- Installation of a camera system for reverse flow for a faster detection of emergency leaks of harmful substances.
- Completion of the assessment of the impact of construction on the environment (EIA) for the project of building the new polyethylene unit (PE3).
- Creation of feasibility study for reconstruction of the T 700 heating plant and construction of a new source of energy at the steam cracker.

Several other measures with a positive impact on the environment have been implemented and paid for as a part of operational expenses related to the facilities maintenance. These measures include in particular repairs of sewerages, handling areas and reservoirs.

Paramo

The company implemented environmental investment projects totaling CZK 6.8 m. These include primarily:

- Completion of the reconstruction of the R 622 storage tank, in which material for Selective raffination is stored (Pardubice plant).
- Reconstruction of the VR52 storage tank at the facility P02 (Pardubice plant).
- Start of the reconstruction of the 563 tank at the facility RDH (Kolín plant).

Benzina

The company implemented environmental investment projects at total of CZK 3.2 m. These include primarily:

- Cancellation of the biological sludge sewage treatment plant at the filling station Litvínov-Záluží and connection to the separated plant sewerage.
- Connection of wastewater to the public sewerage at the filling station Jičín-Robousy.
- Connection of the filling station Smečno on the water lines (shutdown of the unsatisfactory own source) and water treatment plant for the filling station Bystrc.
- Installation of plastic inserts into the fuel tanks at the filling stations Fulnek, Železný Brod and Slušovice.
- Preparation of project documentation for a change of method of disposal of rainwater for 45 filling stations.

Capital expenditures on environmental protection in the Group (CZK million)

Year	2008	2009	2010	2011	2012	2013
Unipetrol Group	282	200	153	281	213	117

Environmental operating costs

We define "environmental operating costs" as costs associated with the operation of installations for air protection, wastewater treatment, waste disposal, environmental management systems, environmental emissions monitoring, environmental impact assessment (EIA) process, integrated pollution prevention, and other related environmental activities.

The trend of environmental operating costs between 2008 and 2013 is shown in the following table.

Operating costs on environmental protection in the Group (CZK million)

Year	2008	2009	2010	2011	2012	2013
Unipetrol Group	869	808	902	841	734	681

Total environmental costs

The total environmental costs in the Unipetrol Group include environmental investments, operating costs on environmental protection, costs of eliminating old environmental hazards, and charges for air pollution, wastewater release, waste deposit in landfills, provisioning for landfill reclamation, and compensation for forests damages due to air pollution.

The trend of total environmental protection costs between 2008 and 2013 is shown in the following table.

Total costs on environmental protection in the Group (CZK million)

Year	2008	2009	2010	2011	2012	2013
Unipetrol Group	1,488	1,538	1,820	1,576	1,434	1,307

The "Responsible Undertaking in the Field of Chemistry – Responsible Care" Program

Responsible Care Program ("R.C.") is a voluntary worldwide initiative of the chemical industry aimed at promoting its sustainable development through proactive improvement of the safety of facility operations, product transport, and protection of human health and the environment. The program represents a long-term strategy coordinated by the International Council of Chemical Associations (ICCA) and the European Chemical Industry Council (CEFIC) in Europe. The contribution of R.C. Program to sustainable development was acknowledged by an award from the UN Environmental Program at the world summit in Johannesburg.

The national version of R.C., a program entitled Odpovědné podnikání v chemii (Responsible Business in Chemistry), was officially launched in October 1994 by the Minister of Industry and Trade and the President of the Association of Chemical Industry of the Czech Republic (SCHP ČR). The program has complied with the Responsible Care Global Charter since 2008.

The right to use the Responsible Care program logo was repeatedly assigned, on the basis of their successful public defense in 2011, to UNIPETROL, a.s., UNIPETROL RPA, s.r.o., and for the first time to UNIPETROL DOPRAVA, s.r.o. Due to the fact that Česká rafinérská, a.s. and PARAMO, a.s. are not members of the Association of Chemical Industry of the Czech Republic any more, they do not use the right although they continue to fulfill the principles.

More information on achievements in environmental protection is published in a separate "Joint Report on Occupational Health, Safety and Environmental Protection of the Unipetrol Group" and available at www.unipetrol.cz.

Key projects for 2014

- Intensification of the selective raffination in Paramo at the Pardubice plant
- Reconstruction of the filling station STOD (ecological adjustments) and remediation
- Cost savings for charging of rainwater at filling stations - change the method of disposal
- Connection of the filling stations Rynoltice and Volyně to the public water source (replacement of inconvenient own sources)
- Reconstruction of septic tanks at the united sewerage system at the Litvínov plant
- Completion of repairs of the surfaces and sewerage systems at the steam cracker

Structure of the Group

UNIPETROL, a.s. is the mother company of Unipetrol Group. It is a company with a majority owner and as such it is a controlled entity. The major shareholder or the majority owner respectively, is Polski Koncern Naftowy Orlen Spółka Akcyjna ("PKN ORLEN S.A.").

Controlling person	Interest with voting rights as of 31 December 2013	Controlling agreement
PKN ORLEN S.A., ul. Chemików 7, 09-411 Płock Republic of Poland	62.99% [1)]	none

[1)] Unless stated below that the ownership interest is different from the proportion of voting rights, it can be assumed that both proportions are identical.

The remaining shares of the company (37.01%) are held by minority shareholders, both legal entities and natural persons.

PKN ORLEN S.A. is the parent company of Orlen Group and UNIPETROL, a.s. together with the companies controlled by it ("Unipetrol Group") is among the key members of Orlen Group.

UNIPETROL, a.s. is independent of all other entities in Orlen Group. There are no known arrangements that could result in a change in control over the company.

In accordance with Section 18.3 of Attachment I of the Commission regulation no. 809/2004, related to the directive of the European Parliament and Council 2003/71/ES UNIPETROL, a.s., states that the scope of activities, rights and obligations of the shareholders, including the control limits, result from the Articles of Association of UNIPETROL, a.s. Supervisory Board is the controlling body of UNIPETROL, a.s. In its internal regulations UNIPETROL, a.s., in order to prevent abuse of controlling possibilities, regulates methods and possibilities of information providing, where the rule of equal treatment of all the shareholders applies.

Orlen Group

The Orlen Group companies operate in the area of crude oil processing and the production of a broad range of refinery, petrochemical and chemical products, and also in the transport, wholesaling, and retailing of these products. The Orlen Group also includes companies operating in some other related areas. The key companies of the Orlen Group operate in Poland, the Czech Republic, Lithuania, and Germany. The Group has 7 refineries: 3 in Poland (Płock, Trzebinia, and Jedlicze), 3 in the Czech Republic (Litvínov, Kralupy, and Pardubice) and one in Lithuania (Mazeikiu). The integrated refinery and petrochemical complex in Płock is among the most advanced European operations of this type. Crude oil processing in Pardubice refinery Paramo was discontinued in 2012. Only production from imported feedstock continues there (oils and bitumen products). Retail network of Orlen Group comprises approximately 2,700 outlets offering services in Poland, Germany, the Czech Republic, and Lithuania. In Poland, fuel filling stations operate under two brands: ORLEN (the premium brand) and BLISKA (the economy brand). Clients in Germany are served at stations branded STAR, and in the Czech Republic at outlets bearing the standard Benzina and the premium Benzina Plus logos. Fuel filling stations in Lithuania operate under the Orlen Lietuva and Ventus brands. The Group recently expanded its operation within energy segment, planning to make significant investments within next few years by boosting its power generation assets.

Additionally upstream projects connected with oil and gas exploration and production have started play important role in Group's strategy, the number of conventional and unconventional licenses grows rapidly. To conduct planned investments a 100% subsidiary ORLEN Upstream was brought into operation. Through this subsidiary PKN ORLEN entered into an agreement with TriOil Resources, Ltd., a Canadian company, which was listed on the TSX Venture Exchange, to acquire 100% of outstanding shares of the company. This acquisition was successfully finished in November 2013. With the formal stage of the transaction completed, PKN ORLEN has commenced the process of integrating the operations of the ORLEN Group's upstream companies.

PKN ORLEN S.A.

PKN ORLEN S.A. is the mother company of Orlen Group and operates as a public company whose shares are quoted and traded on the Warsaw Stock Exchange.

PKN ORLEN S.A. shareholders structure as of 31 December 2013

Shareholder	Number of shares	Number of votes	Share capital in %	Number of votes in %
Polish State Treasury	117,710,196	117,710,196	27.52%	27.52%
Aviva OFE (fund) [1)]	30,000,000	30,000,000	7.01%	7.01%
ING OFE (fund) [1)]	40,000,000	40,000,000	9.35%	9.35%
Others	239,998,865	239,998,865	56.11%	56.11%
Total	**427,709,061**	**427,709,061**	**100.00%**	**100.00%**

[1)] According to the information from the Ordinary Shareholders Meeting of PKN ORLEN held on 27 June 2013.

According to Polish capital market regulations PKN ORLEN receives information only about shareholders holding at least 5% of the total number of votes at the general meeting. According to Article 69 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading and on Public Companies, dated 29 July 2005 (Journal of Laws 2009 No. 185, item 1439 with subsequent changes) entity or person which achieved or exceeded 5% of the total number of votes at the general meeting in a public company is obliged to immediately inform this company and the Polish Financial Authority about this change.

Main companies of Orlen Group

Company	Based at	Country	PKN Orlen S.A.'s percentage of capital	Area of business
AB ORLEN Lietuva	Juodeikiai	Lithuania	100.00%	refineries
ANWIL S.A.	Włocławek	Poland	100.00%	chemicals
Basell Orlen Polyolefins Sp. z o.o.	Płock	Poland	50.00%	petrochemicals
ORLEN Asfalt Sp. z o.o.	Płock	Poland	97.61% (as of 31.12.2013) 100.00% (currently)	bitumen
ORLEN Deutschland GmbH	Elmshorn	Germany	100.00%	retail
ORLEN GAZ Sp. z o.o.	Płock	Poland	100.00%	LPG
ORLEN Paliwa Sp. z o.o.	Płock	Poland	100.00%	wholesale of liquid fuels
ORLEN PetroTank Sp. z o.o.	Płock	Poland	100.00%	wholesale of liquid fuels, warehousing, transport
UNIPETROL, a.s.	Prague	Czech Rep.	62.99%	refineries, petrochemicals, retail

AB ORLEN Lietuva

ORLEN Lietuva is a refining company operating the only petroleum refinery in the Baltic region, a network of product pipelines and a seacoast terminal. The company operates a network of fuel filling stations under the ORLEN and VENTUS trademarks through its subsidiary, AB VENTUS – Nafta. Production and sale of petroleum products are the company's core businesses. The company is the most important petrol and diesel fuel supplier in Lithuania, Latvia and Estonia. Its products are also exported to Western Europe, the US, Ukraine and other countries. At the end of 2013, the company had 6 subsidiaries.

ANWIL S.A.

ANWIL Group is one of the largest producers of plastics, nitrogenous fertilizers and other chemicals.

A substantial part of sales profits of the ANWIL Group stems from polyvinyl chloride (PVC) sales. Units forming Capital Group ANWIL are ANWIL S.A. and SPOLANA, a.s. ANWIL Group also specializes in the production of PVC granules, PVC sheets and dry mixtures based on PVC. ANWIL Group is currently the only producer of PVC sheets on the Polish and Czech markets.

ANWIL Group also produces nitrogenous fertilizers, such as ammonium nitrate and ammonium nitrate-calcium (CANWIL) with magnesium, sulphur CANWIL-S and ammonium sulphate. All nitrogenous fertilizers offered by ANWIL S.A. hold a certificate of quality Q issued by the Polish test and certification center.

Sales of ammonia and sulfuric acid represent the largest share of the profit in the field of chemicals. ANWIL S.A. is one of the few companies in Central Europe producing chlorine and sodium hydroxide via the so-called membrane method. A product of much higher quality that pollutes the environment much less is achieved thanks to this method.

Basell Orlen Polyolefins Sp. z o.o.

Basell ORLEN Polyolefins Sp. z o.o. (BOP) is a Polish joint venture specializing in the production and sale of polyolefins. BOP was established in March 2003 by Basell Europe Holdings B.V. and PKN ORLEN S.A. Each company owns a 50% stake in BOP. BOP is the only Polish producer of polyolefins. In October 2005, BOP launched in Płock two new production units for the production of polypropylene (PP) Spheripol and high-density polyethylene (HDPE) Hostalen with production capacity of 400 thousand tons, and 320 thousand tons respectively. Modern logistics base secures distribution of polyolefins to customers in Poland and to distribution points of Lyondell Basell’s network in Europe.

ORLEN Asfalt Sp. z o.o.

ORLEN Asfalt Sp. z o.o. is one of the largest producers and distributors of bitumen in Europe. The company currently offers a wide range of bitumen: road asphalt, modified ORBITON polymer, BITREX multi-type, industrial bitumen.

Orlen Asfalt oversees the distribution from 5 locations in 3 countries: Płock and Trzebinia in Poland, Litvínov and Pardubice in the Czech Republic, and Mazeikiu in Lithuania. The company offers its customers products and services of the highest quality.

ORLEN Deutschland GmbH

ORLEN Deutschland GmbH is an owner of fuel filling stations network in Germany. Based in Elmshorn near Hamburg, the company has been active on the German market since 2003. It operates over 550 fuel filling stations in Germany under the brand STAR.

ORLEN GAZ Sp. z o.o.

ORLEN GAZ Sp. z o.o. is the largest Polish company operating on the liquid petroleum gas (LPG) market in Poland since 1995 and a major supplier for the filling plants network of PKN ORLEN. The company specializes in sale and distribution of propane, butane and propane-butane mixtures.

ORLEN Paliwa Sp. z o.o.

ORLEN Paliwa Sp. z o.o. is the regional market operator of PKN ORLEN S.A. dealing with bulk liquid fuel sales i.e. it includes fuels such as: petrol, diesel fuel or Ekoterm Plus heating oil. Company provides services to several thousand institutional and individual customers all over the country.

ORLEN PetroTank Sp. z o.o.

ORLEN PetroTank Sp. z o.o. is the regional market operator of PKN ORLEN S.A., providing logistic support to the company, warehousing service and carrying out wholesale distribution and sale of fuels and LPG. Company’s regular partners are the largest transport companies in Poland, international industrial plants, mines, road construction companies and companies engaged in the wholesale of fuels, private fuel stations and institutional customers.

Unipetrol Group

The Unipetrol Group consists of companies operating in the refinery processing of crude oil, in the petrochemical industry, and in fuels distribution. In 2013 the key companies of the Group included the following subsidiaries:

- UNIPETROL RPA, s.r.o.
- BENZINA, s.r.o.
- ČESKÁ RAFINÉRSKÁ, a.s.
- PARAMO, a.s.

In addition to the above key companies, the Group also includes a number of smaller companies focusing on distribution, services, and research.

For more details on the key companies of the Group, see the chapter Ownership interests.

As of 31 December 2013, UNIPETROL, a.s. was the sole member or shareholder of UNIPETROL RPA, s.r.o., BENZINA, s.r.o., UNIPETROL SERVICES, s.r.o., PARAMO, a.s., Výzkumný ústav anorganické chemie, a.s. [Research Institute of Inorganic Chemistry], UNIPETROL RAFINERIE, s.r.o. (company does not conduct any business) and UNIPETROL AUSTRIA HmbH, in liquidation. It was also the majority shareholder of ČESKÁ RAFINÉRSKÁ, a.s. with 67.555% stake (51.22% stake as of 31 December 2013).

The Group also included companies in which its subsidiaries were the sole or majority owners. As of 31 December 2013 these were UNIPETROL DOPRAVA, s.r.o., UNIPETROL SLOVENSKO s.r.o., POLYMER INSTITUTE BRNO, spol. s r.o., HC VERVA Litvínov, a.s., CHEMOPETROL, a.s. (company does not conduct any business), PETROTRANS, s.r.o., MOGUL SLOVAKIA, s.r.o., UNIPETROL DEUTSCHLAND GmbH, CHEMAPOL (SCHWEIZ) AG in liquidation, and PARAMO Oil, s.r.o.

UNIPETROL, a.s. has no organizational units in the Czech Republic or abroad.

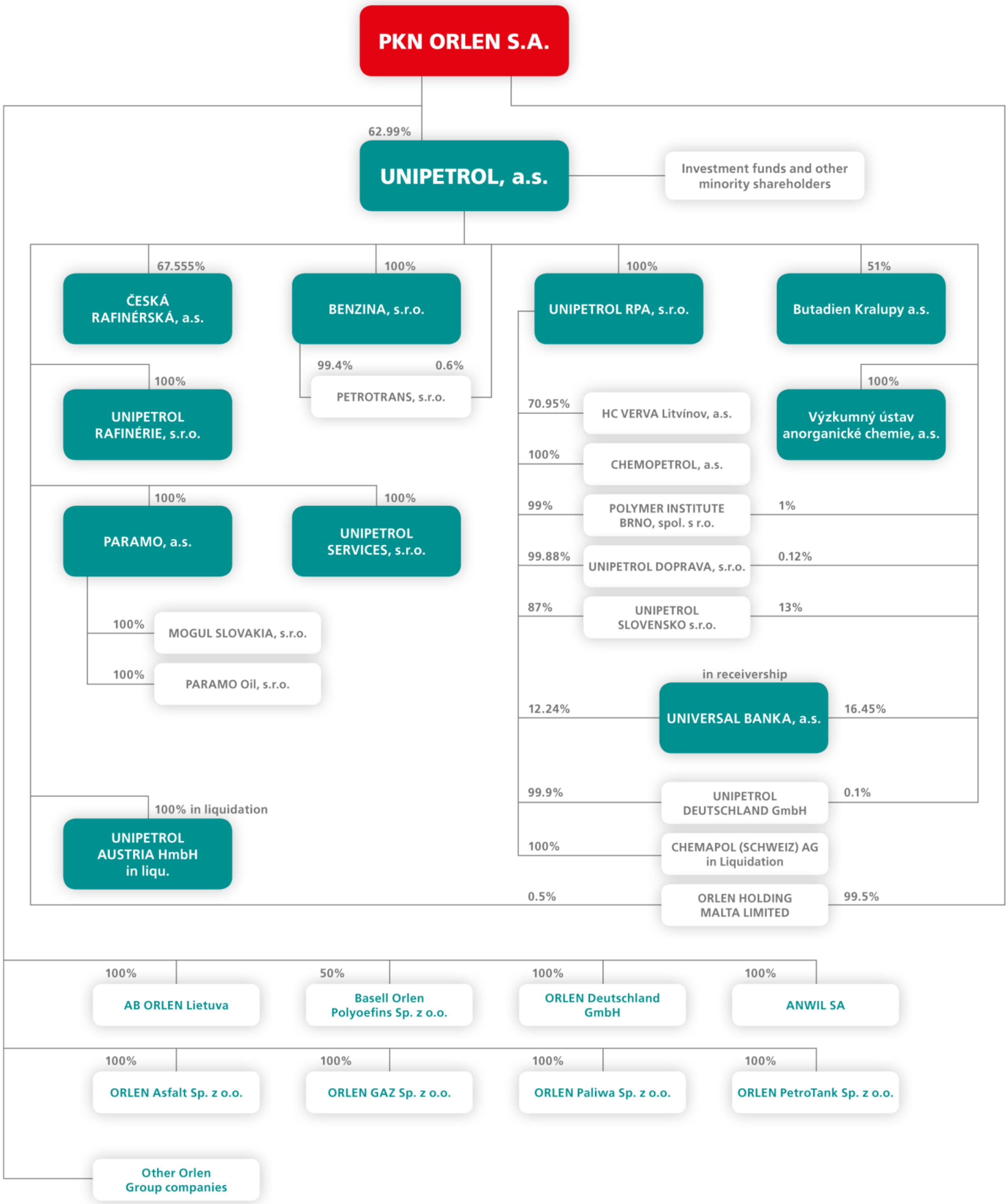
Other selected companies of the ORLEN Group

Company's name	The scope of business
Production and trading companies	
ORLEN Oil Sp. z o.o. (together with its own Capital Group)	production, distribution and sale of grease oils, lubricants, oil bases, car care products and maintenance liquids
Rafineria Nafty Jedlicze S.A. (together with its own Capital Group)	crude oil processing, waste oils regeneration, manufacture and sale of oil bases, heating oils and organic solvents
Rafineria Trzebinia S.A. (together with its own Capital Group)	crude oil processing, manufacture and sale of biofuels and oils, provision of logistics and warehousing
Inowrocławskie Kopalnie Soli SOLINO S.A.	oil and fuels warehousing, packaging of salt and salt products, brine extraction
Trading companies	
Petrol Sp. z o.o.	distribution of aviation and automotive fuels, fuels warehousing, storing, filling, and dispatching services
Service companies	
ORLEN KolTrans Sp. z o.o.	rail transport of goods, rail servicing of loading and discharge, product shipping, repairs and upgrade of railway rolling stock
ORLEN Transport S.A.	transport of fuels, liquid gas and heavy chemicals
ORLEN Automatyka Sp. z o.o.	maintenance and overhaul services, assembly services, operation of automatic control engineering equipment, devices and systems
ORLEN Wir Sp. z o.o.	day-to-day and major overhauls of compressors, centrifuges, locomotive engines and engines-generators, upgrades of compressors and turbines structures as well as technical advisory
ORLEN Eko Sp. z o.o.	waste management with the use of waste recovery and disposal installation, including among others hazardous waste, provision of safety and hygiene services, fire precaution and environment protection services, rescue and fire equipment maintenance

Upstream activity	
ORLEN Upstream Sp. z o.o.	prospecting for and discovery of hydrocarbons, upstream of crude oil and natural gas, prospecting for exploration and exploitation of crude oil and natural gas deposits

Structure of the Group

As of Annual Report approval date:



Ownership interests

Changes in ownership interests of Unipetrol Group

Ownership interests of mother company UNIPETROL, a.s.

On 7 November 2013, UNIPETROL, a.s. (“Unipetrol”) signed a share purchase agreement (SPA) with Shell Overseas Investments B.V. (“Shell”) regarding Shell’s 16.335% ownership interest on the share capital of ČESKÁ RAFINÉRSKÁ, a.s. (“Česká rafinérská”). The transaction was successfully completed on 31 January 2014 based on which Unipetrol’s ownership interest on the Česká rafinérská’s share capital has increased from 51.22% to 67.555%.

The liquidation process of UNIPETROL AUSTRIA HmbH is ongoing.

There were no other changes during 2013 and during 2014 till the Annual Report approval date.

Ownership interests of subsidiaries

UNIPETROL RPA, s.r.o.

UNIPETROL RPA, s.r.o. holds equity interests in UNIPETROL DOPRAVA, s.r.o. (99.9%), POLYMER INSTITUTE Brno, spol. s r.o. (99%), UNIPETROL SLOVENSKO s.r.o. (87%), UNIPETROL DEUTSCHLAND GmbH (99,9 %), CHEMAPOL (SCHWEIZ) AG in liquidation (100 %), CHEMOPETROL, a.s. (100 %) and HC Verva Litvínov, a.s. (70.95%), which did not change during 2013 and during 2014 till the Annual Report approval date on 26 March 2014.

CHEMAPOL (SCHWEIZ) AG was put under liquidation on 1 June 2010 due to the restructuring process of UNIPETROL TRADE Group. The liquidation of CHEMAPOL (SCHWEIZ) AG was completed on 12 June 2013.

PARAMO, a.s.

PARAMO, a.s. is the sole owner of MOGUL SLOVAKIA, s.r.o. and PARAMO Oil, s.r.o. There were no changes during 2013 and during 2014 till the Annual Report approval date on 26 March 2014.

Ownership interests held by UNIPETROL, a.s. as of 31 December 2013

Company	Based at	Company No.	Registered capital	Ownership interest (% of registered capital)
UNIPETROL RPA, s.r.o.	Litvínov, Záluží 1	27597075	CZK 11,147,964,000	100.00
BENZINA, s.r.o.	Praha, Na Pankráci 127	60193328	CZK 1,860,779,000	100.00
UNIPETROL SERVICES, s.r.o.	Litvínov, Záluží 1	27608051	CZK 100,200,000	100.00
Výzkumný ústav anorganické chemie, a.s.	Ústí nad Labem, Revoluční 84	62243136	CZK 60,000,000	100.00
UNIPETROL RAFINÉRIE, s.r.o.	Litvínov, Záluží 1	27885429	CZK 200,000	100.00
PARAMO, a.s.	Pardubice, Přerovská 560	48173355	CZK 2,036,078,000	100.00
ČESKÁ RAFINÉRSKÁ, a.s.	Litvínov, Záluží 2	62741772	CZK 9,348,240,000	51.22
Butadien Kralupy a.s.	Kralupy nad Vlt. O. Wichterleho 810	27893995	CZK 300,000,000	51.00
UNIPETROL SLOVENSKO s.r.o.	Bratislava, Panónská cesta 7	35777087	EUR 7,635	13.04
UNIVERSAL BANKA, a.s. in receivership	Praha, Senovážné náměstí 1588/4	482 64 865	CZK 1,520,000,000	16.45
UNIPETROL DEUTSCHLAND GmbH	Langen/Hessen, Paul-Ehrlich-Str. 1B, Německo	TAX 04424705213	1,048,000 EUR	0.10
UNIPETROL AUSTRIA HmbH, in liquidation	Vídeň, Apfelg. 2, Rakousko	(ID) 1549510	145,345.67 EUR	100.00
UNIPETROL DOPRAVA, s.r.o.	Litvínov, Růžodol 4	64049701	CZK 806,000,000	0.12
POLYMER INSTITUTE BRNO, spol. s r.o.	Brno, Tkalcovská 36/2	60711990	CZK 97,000,000	1.00
PETROTRANS, s.r.o.	Praha 8, Střelničná 2221	25123041	CZK 16,000,000	0.63
ORLEN HOLDING MALTA	Malta, Level 1, 36, Strand Towers, The Strand, Sliema SLM 1022	C 39945	5,050,000 USD	0.50

Main subsidiaries

Key financial data of the main subsidiaries presented in the following tables were used in the consolidated financial statements of UNIPETROL, a.s.

UNIPETROL RPA, s.r.o.

Registered office: Litvínov, Záluží 1, 436 70

Company No.: 27597075

The company is successor in title to the dissolved companies CHEMOPETROL, a.s. and UNIPETROL RAFINÉRIE a.s., which ceased to exist on 1 August 2008 upon merger with UNIPETROL RPA, s.r.o.

Ownership structure as of 31 December 2013 and 26 March 2014: UNIPETROL, a.s. holds 100% of the registered capital

Basic characteristics of the company

The company has one production and three business units ("BU") based on product types.

The production unit consists of the Chemical Production section, the Energy section, and the Services section.

The Chemical Production section operates manufacturing units according to the plans and requirements of business units. It comprises an ethylene plant, a polypropylene and polyethylene plant, production of hydrogen, production of ammonia and urea, the Chezacarb plant for the production of carbon black, and production and supply of industrial gases for the entire premises. The Energy section supplies the entire premises with energies and water and is responsible for wastewater treatment. The Services section is responsible for the management of the facilities within the premises and for the logistics of plastics, urea, and Chezacarb.

BU REFINERY plans and controls crude oil processing at Česká rafinérská in accordance with ownership rights of UNIPETROL, a.s., with a specific focus on the requirements of the downstream production processes in the Unipetrol Group. It is responsible for the purchase of crude oil for the Group's refineries and also for the wholesaling of motor fuels and other refinery products.

BU MONOMERS AND CHEMICALS plans and controls the production downstream from crude oil processing. It provides feedstock for the production of polyolefins and sells petrochemical products, ammonia, and urea.

BU POLYOLEFINS operates in the area of plastics – polyolefins. It plans production in the plants that produce polypropylene (PP) and high density polyethylene (HDPE) and is responsible for the sale of finished products.

Key products and services

Motor fuels, fuel oils, bitumen, liquefied petroleum products, oil hydrogenates, other refinery products, olefins and aromatics, agrochemicals, alcohols, carbon black and sorbents, polyolefins (high density polyethylene, polypropylene).

Major ownership interests

Company	Based at	Company No.	Registered capital	Ownership interest % of registered capital
UNIPETROL DOPRAVA, s.r.o.	Litvínov	64049701	CZK 806,000,000	99.88
UNIPETROL SLOVENSKO s.r.o.	Bratislava	35777087	EUR 7,635	86.96
POLYMER INSTITUTE BRNO, spol. s r.o.	Brno	60711990	CZK 97,000,000	99.00
UNIPETROL DEUTSCHLAND GmbH	Langen/Hessen	04424705213	EUR 1,048,000	99.90
HC VERVA Litvínov, a.s.	Litvínov	64048098	CZK 21,000,000	70.95

Key financial data of UNIPETROL RPA, s.r.o. (under IFRS) [1)]

(in CZK thousand)	2013	2012 [2)]	2011	2010	2009
Total assets	35,111,715	34,594,261	36,233,751	35,666,150	35,593,373
Equity	6,352,795	8,066,486	7,713,879	12,564,248	12,321,130
Registered capital	11,147,964	11,147,964	11,147,964	11,147,964	11,147,964
Liabilities	28,758,920	26,527,775	28,519,871	23,101,901	23,272,243
Total revenues	91,177,542	99,205,899	91,768,413	78,640,994	55,614,494
Operating profit / (loss)	(1,689,361)	(361,396)	(4,734,976)	563,583	(1,780,582)
Profit before tax	(1,667,932)	(423,155)	(4,991,055)	290,075	(2,118,420)
Profit for the accounting period	(1,538,452)	280,319	(4,788,086)	242,716	(1,667,185)

[1)] Unconsolidated data under IFRS

[2)] Restated

Source: Transformed financial statements under IFRS.

BENZINA, s.r.o.

Registered office: Praha 4, Na Pankráci 127, 140 00

Company No.: 60193328

Core business

Operation of fuel filling stations in the Czech Republic.

Ownership structure as of 31 December 2013 and 26 March 2014: UNIPETROL, a.s. holds 100% of the registered capital

Basic characteristics of the company

The company operates the largest nationwide network of fuel filling stations in the Czech Republic, where it sells fuels and other goods and services to the general public.

Ownership interest

Company	Based at	Company No.	Registered capital CZK	Ownership interest % of registered capital
PETROTRANS, s.r.o.	Prague	25123041	16,000,000	99.37

Key financial data of BENZINA, s.r.o. (under IFRS) [1)]

(in CZK thousand)	2013	2012	2011	2010	2009
Total assets	6,040,761	6,573,407	6,836,877	6,694,078	6,791,580
Equity	3,164,703	3,168,229	3,226,785	3,113,757	2,850,256
Registered capital	1,860,779	1,860,779	1,860,779	1,860,779	1,860,779
Liabilities	2,876,058	3,405,178	3,610,092	3,580,321	3,941,324
Total revenues [2)]	10,543,572	10,445,125	9,892,207	8,624,493	7,439,310
Operating profit / (loss)	142,452	130,013	292,960	483,265	618,006
Profit before tax	(11,044)	(36,256)	127,976	312,188	444,742
Profit for the accounting period	(3,515)	1,278	113,028	263,501	524,677

[1)] Unconsolidated under IFRS

[2)] In comparison with the financial statements of BENZINA, s.r.o., total revenues in this table are shown without excise tax.

Source: Transformed financial statements under IFRS

ČESKÁ RAFINÉRSKÁ, a.s.

Registered office: Litvínov, Záluží 2, 436 70

Company No.: 62741772

Core business

Refinery processing of crude oil (a processing [cost center] refinery).

Ownership structure as of 31 December 2013:

UNIPETROL, a.s.	**51.22%**
ENI International B.V.	32.445%
Shell Overseas Investments B.V.	16.335%

Ownership structure as of 26 March 2014:

UNIPETROL, a.s.	**67.555%**
ENI International B.V.	32.445%

Basic characteristics of the company

The company operates the two largest refineries in the Czech Republic, located in Litvínov and in Kralupy nad Vltavou, with a combined capacity of 8.7 million tons of feedstock annually. It is the largest processor of crude oil and producer of petroleum products in the Czech Republic. Based on a processing agreement entered into by the company and the shareholders' subsidiaries in January 2003, it started operating in the processing mode on 1 August 2003, under which the said companies (referred to as the processors) purchase crude oil and other feedstock for processing in the refineries and then take and trade in the processing products.

Key products and services

Automotive gasoline, jet kerosene, diesel oil, LPG, fuel oils, propylene (for chemical syntheses), bitumen, sulphur, oil hydrogenates (feedstock for the production of lubricating oils) and feedstock for the ethylene unit and for partial oxidation in Unipetrol RPA's production unit.

Key financial data of ČESKÁ RAFINÉRSKÁ, a.s. (under IFRS)

(in CZK thousand)	2013	2012	2011	2010	2009
Total assets	15,628,933	16,541,481	24,146,521	25,189,572	25,694,705
Equity	9,558,379	10,733,316	17,054,888	18,216,007	18,579,348
Registered capital	9,348,240	9,348,240	9,348,240	9,348,240	9,348,240
Liabilities	6,070,553	5,808,166	7,091,632	6,973,564	7,115,357
Total revenues	8,834,447	9,711,405	9,051,131	9,731,963	9,075,668
Operating profit / (loss)	748,240	(7,470,600)	273,994	528,331	237,700
Profit before tax	754,045	(7,449,411)	293,324	551,150	273,741
Profit for the accounting period	625,067	(6,046,688)	238,892	436,654	207,202

Source: Transformed financial statements under IFRS of Česká rafinérská, used for consolidated financial statements of UNIPETROL, a.s., 100% stake.

PARAMO, a.s.

Registered office: Pardubice, Přerovská 560, 530 06

Company No.: 48173355

Core business

Production of bitumen products, lubricating and process oils, including related and ancillary products, using imported feedstock. Provision of services in the area of fuels storage and distribution.

Ownership structure as of 31 December 2012 and 26 March 2013: UNIPETROL, a.s. holds 100% of the registered capital

Basic characteristics of the company

The company has a tradition of more than a hundred years in crude oil processing and in the production of fuels, lubricants, and bitumen. In July 2012 Unipetrol Group announced permanent discontinuation of crude oil processing in Pardubice refinery. Paramo focuses on oils business, production of special bitumen and bitumen products after shutdown of the refinery part of the company.

The company places its products primarily on the domestic market.

Providing services in the area of fuels storage and distribution for sister company Unipetrol RPA is a new business element after shutdown of the refinery part of the company.

Key products and services

The company is a well-known producer of automotive and industrial oils, metalworking fluids, preservatives, bitumen, special bitumen products, fats, greases, and waxes. The company began providing services in the area of fuels storage and distribution for sister company Unipetrol RPA during 2012.

Ownership interest

Company	Based at	Company No.	Registered capital	Ownership interest % of registered capital
MOGUL SLOVAKIA, s.r.o.	Hradište pod Vrátnom	36222992	380,933 EUR	100.00
PARAMO Oil, s.r.o.	Pardubice	24687341	200,000 CZK	100.00

Key financial data of PARAMO, a.s. (under IFRS) [1)]

(in CZK thousand)	2013	2012	2011	2010	2009
Total assets	1,502,250	1,264,618	2,430,892	4,730,104	4,237,427
Equity [2)]	368,490	(139,906)	445,497	2,116,805	2,278,792
Registered capital	2,036,078	1,330,078	1,330,078	1,330,078	1,330,078
Liabilities	1,133,760	1,404,524	1,985,395	2,613,300	1,958,635
Total revenues	2,988,433	5,494,934	11,816,243	11,417,414	8,958,061
Operating profit / (loss)	(195,354)	(384,239)	(1,962,263)	(174,471)	(86,382)
Profit before tax	(192,807)	(287,462)	(1,978,497)	(198,978)	(119,865)
Profit for the accounting period	(197,542)	(585,403)	(1,671,307)	(161,987)	(132,485)

[1)] Unconsolidated under IFRS

[2)] The board of directors of UNIPETROL, a.s., acting in capacity of the General Meeting of PARAMO, a.s. decided on its meeting held on 6 February 2013, after receiving a prior consent of the Supervisory Board of UNIPETROL, a.s., about increase of the registered capital of PARAMO, a.s. by the amount of CZK 706,000 thousand.

Source: Transformed financial statements under IFRS

Complementary information as required by the Act on business activities on the capital market

Legal regulations governing the issuer's business

The basic legal regulations that UNIPETROL, a.s. observed in conducting its business in 2013 include, without limitation, the following laws, and the company's Articles of Association as amended:

- Act No. 513/1991, the Commercial Code
- Act No. 455/1991, the Trades Act
- Act No. 563/1991 on Accounting
- Act No. 591/1992 on Securities
- Act No. 256/2004 on Business on the Capital Market
- Act No. 40/1964, the Civil Code
- Act No. 262/2006, the Labour Code
- Act No. 627/2004 on the European Company
- Act No. 104/2008 on Takeover Bids
- Act No. 125/2008 on Transformation of Companies and Cooperatives
- Act No. 300/2008 on Electronic Transactions and Authorized Conversion of Documents
- Articles of Association of UNIPETROL, a.s.

Major agreements

Companies of the Unipetrol Group ("the Group") carry on business mainly in the refinery and petrochemical industries and in related business lines, taking advantage of the synergic effects of operating within the Group.

For this purpose the Group companies enter into agreements, in particular, for the sale of base feedstock and basic products and motor fuel supplies.

The base feedstock and basic products include, for example, C4 fraction, virgin naphtha, C5 fraction, raffinate 1, and heavy fuel oils.

Motor fuel supplies include, for example: 95 Natural gasoline, Verva 100 and Verva 95 premium high-octane gasoline, Diesel Top Q diesel fuel and Verva Diesel with cetane number 60.

Arrangements for production are based on standard commercial agreements, for example, agreements on the purchase and sale of energy resources, in particular coal, electricity, steam etc.

Brief description of major agreements executed in 2013 is shown in the following tables:

BENZINA, s.r.o.

Company	Sale/purchase/other	Subject matter
Marius Pedersen a.s. and other companies MPG Bidvest Czech Republic s.r.o. and related companies (former NOWACO CR s.r.o.)	Sale	Sale of fuels via payment cards
ACLESIA, spol. s r.o., Ostrava, IČ: 25826891	Sale	Sale of fuels via payment cards

PARAMO, a.s.

Company	Sale/purchase/other	Subject matter
České dráhy, a.s.	Sale	Oil supplies
Coal Services, a.s.	Sale	Oil supplies
Škoda Auto, a.s.	Sale	Oil supplies
Auto Kelly, a.s.	Sale	Oil supplies
Continental AG	Sale	Base oil and special product supplies
OKD, a.s.	Sale	Oil supplies
UNIPETROL RPA s.r.o.	Services	Storage of diesel and gasoline BA 95
ORLEN ASFALT Česká republika s.r.o.	Sale	Bitumen supplies
SÚS Plzeňského kraje	Sale	Cationic emulsion supplies
Silnice LK a.s.	Sale	Cationic emulsion supplies
SÚS Královéhradeckého kraje	Sale	Cationic emulsion supplies
KSÚS Vysočiny	Sale	Bitumen products supplies
Správa ciest Trenčianského samosprávného kraja	Sale	Bitumen products supplies
Bitunova Kft. Maďarsko	Sale	Bitumen products supplies

UNIPETROL DOPRAVA, s.r.o.

Company	Sale/purchase/other	Subject matter
UNIPETROL RPA, s.r.o.	Addendum 20 to an agreement on the shipping of goods No. 1/02/018	The addendums provide for the delivery charge, transport charge and an update of the annex to the agreement No. 3 Structure of the railway cars since 1.1.2013. Charges and conditions of the agreement remain the same.
UNIPETROL SERVICES, s.r.o.	Addendum 12 to a service contract (SLA) from 23.3.2017	The addendum provides for extension of the contract of the services in the area of investments and for the definition of the annual budgetary charge for the year 2013. The increase equals to CZK 384,000 per year.
SYNTHOS Kralupy a.s.	Addendum 4 to an agreement on the shipping of goods No. 19-2009	The addendums provide for the delivery charge, transport charge and an update of the annex to the agreement No. 2 Structure of the railway cars for the year 2013.
QBE Insurance (Europe) Limited	Insurance policy No. 7-863-000435/13	The renewal agreement for liability insurance for damage caused by activities of the company as the carrier pursuant to Act. No. 266/1994 Coll, Act. No. 164/1996 Coll. and Act. No. 59/2006 Coll. It includes the damage to property, health, consequential financial losses, environmental damage, net financial loss.
Česká pojišťovna, a.s.	Addendum 2 to an insurance policy No. 899-15969-28 – Insurance of a transported goods	The addendums provide for the contract extension for another insurance period from 1.7.2013 till 30.6.2014.
SPOLANA, a.s.	Addendum 32 to an agreement No. 1/02/037 - Structure of the railway cars for the year 2013	The addendum provides for a change in the structure of the railway cars.
ČESKÁ RAFINÉRSKÁ, a.s.	Addendum 27 to an agreement on the shipping of goods from 1.1.2002	The addendums provide for change of the list of leased the railway cars for 2013.
ČESKÁ RAFINÉRSKÁ, a.s.	Addendum 28 to an agreement on the shipping of goods from 1.1.2002	The addendums provide for the delivery charge, transport charge for the year 2013
Správa železniční dopravní cesty, státní organizace	Contract for the operation of a railway transport on the railway infrastructure nationwide and the regional rail systems owned by the Czech Republic No. 2/08/037 (236/08)	The contract provide for the mutual rights and obligations in the rail transport
MONZAS, spol. s r.o.	Contract for Work No. 124-2013	The contract provided for the modernization of the signaling system – train Kaučuk the main plant.

UNIPETROL RPA, s.r.o. (Business Unit Refinery)

Company	Sale/purchase/other	Subject matter
TESCO STORES ČR, a.s.	Sale agreement	Sale of motor fuels
ČSA HANDLING, a.s.	Sale agreement	Sale of motor fuels
LUKOIL Czech Republic s.r.o.	Sale agreement	Sale of motor fuels
AHOLD Czech Republic, a.s.	Sale agreement	Sale of motor fuels
UNIPETROL SLOVENSKO s. r. o.	Sale agreement	Sale of motor fuels
ORLEN Deutschland	Sale agreement	Sale of motor fuels

UNIPETROL RPA, s.r.o. (Business Unit Monomers and Chemicals)

Company	Sale/purchase/other	Subject matter
Spolana	Sale agreement	Sale of ammonia
Synthos	Sale agreement	Sale and supplies of benzene
Synthos	Sale agreement	Sale and supplies of ethylene
Lovochemie, a.s.	Sale agreement	Sale of ammonia
Momentive Specialty Chemicals	Sale agreement	Sale of propylene
Spolana	Sale agreement	Sale of ethylene
Grupa Azoty (ZAK)	Sale agreement	Sale of propylene
Butadien Kralupy a.s.	Sale agreement	Sale of C4 fraction

UNIPETROL RPA, s.r.o. (Business Unit Polyolefins)

Company	Sale/purchase/other	Subject matter
PEGAS NONWOVENS s.r.o.	Sale agreement	Sale and supplies of PP and HDPE
SILON s.r.o.	Sale agreement	Sale and supplies of PP and HDPE
Schoeller Arca Systems Services B.V	Sale agreement	Sale and supplies of PP and HDPE
Rundpack AG	Sale agreement	Sale and supplies of PP and HDPE
RITTER GmbH/Delbrouck Plastic GmbH	Sale agreement	Sale and supplies of PP and HDPE
INNO-COMP BOHEMIA, s.r.o.	Sale agreement	Sale and supplies of PP and HDPE
Longfield Chemicals Ltd.	Sale agreement	Sale and supplies of PP and HDPE

UNIPETROL Slovensko, s.r.o.

Company	Sale/purchase/other	Subject matter
TESCO STORES SR, a.s.	Sale agreement	Sale of motor fuels
SHELL Slovakia s.r.o.	Sale agreement	Sale of motor fuels
METRO Cash & Carry Slovakia, s.r.o.	Sale agreement	Sale of motor fuels
Eni Slovensko spol. s r.o.	Sale agreement	Sale of motor fuels
LUKOIL Slovakia s.r.o.	Sale agreement	Sale of motor fuels
AHOLD Retail Slovakia, k.s.	Sale agreement	Sale of motor fuels
W.A.G. payment solutions SK, s.r.o.	Sale agreement	Sale of motor fuels
REAL – H.M. s.r.o.	Sale agreement	Sale of motor fuels
Tam trans s.r.o.	Sale agreement	Sale of motor fuels
Tanker s.r.o.	Sale agreement	Sale of motor fuels
OKTAN, a.s.	Sale agreement	Sale of motor fuels

Information about the persons responsible for the Annual Report

Marek Świtajewski, Chief Executive Officer and Chairman of the Board of Directors of Unipetrol, and Mirosław Kastelik, Chief Financial Officer and Member the Board of Directors of Unipetrol, hereby claim to their best knowledge, that the Annual Report and the Consolidated Annual Report present, in all aspects, a true and fair image of the financial standing, business, and results of the issuer and its consolidated group for the previous accounting period, as well as of the future outlook for the financial standing, business, and results.

Marek Świtajewski

Chief Executive Officer and
Chairman of the Board of Directors

Mirosław Kastelik

Chief Financial Officer and Member of the Board
of Directors

Audit

(in CZK thousand)	2013 Consolidated	2013 Non-consolidated
Audit fees [1)]	6 860	818
Fees for consulting services and translation [1)]	0	0

[1)] Without VAT.

Auditor for 2013

Name:	KPMG Česká republika Audit, s.r.o.
Partner:	Karel Růžička
Licence No.:	1895
Address:	Pobřežní 648/1a, 186 00 Praha 8
ID No.:	49619187

Securities

Shares

Name	**UNIPETROL, a.s.**
Class	ordinary share
ISIN	CZ0009091500
BIC	BAAUNIPE
Type	bearer share
Form	dematerialized security
Currency	CZK
Nominal value	CZK 100
Number of shares	181,334,764
Total issue	CZK 18,133,476,400
Tradability	listed security (Burza cenných papírů Praha, a.s. [Prague Stock Exchange], the Prime Market)

Under an agreement, ADMINISTER spol. s r.o., Husova 109, 284 01 Kutná Hora, Company No. 47551054 was authorized to pay out dividends for 1997.

Under an agreement, Komerční banka, a.s., registered office at Praha 1, Na Příkopě 33, čp. 969, 11407, Company No. 45317054, was authorized to pay out dividends for 2007.

UNIPETROL, a.s. shares are traded on the Prime Market of Burza cenných papírů Praha, a.s. [Prague Stock Exchange] and in RM-SYSTÉM, a.s.

The extent of the voting rights of each shareholder is defined by the number of shares held, one share with a nominal value of CZK 100 being equal to one vote. All shares of the issuer therefore carry the same voting rights.

A shareholder is entitled to a share of the company's profit (dividend) that the General Meeting has approved for distribution depending on the company's result. The dividend is defined as the ratio of the nominal value of the shares held by a shareholder and the total nominal value of the shares held by all shareholders as of the Record Date.

If the company is liquidated, each shareholder is entitled to a share of the proceeds from liquidation. The amount of the proceeds from liquidation shall be calculated in the same manner as the amount of the shareholder's dividend.

Shares carry rights to take part in the management of the company. Shareholders may only exercise this right at the General Meetings, provided that they observe the rules governing the organization of General Meetings. Shareholders are entitled to take part in General Meetings, vote at General Meetings, request and receive explanation of any matters concerning the company where explanation is necessary for assessing a point on the agenda of the General Meeting, and raise proposals and counter-proposals.

The dividend due date is two months after the date of the General Meeting at which the decision to pay out dividends was passed, and its numerical designation shall correspond to the date of the General Meeting.

The right to receive dividends is separately transferable starting from the date on which the General Meeting decided on the payment of dividends.

Acquisition of own shares and share warrants

As of 31 December 2013, the Group held no own shares or share warrants.

Final information

Significant proceedings in front of court, body appropriate for arbitration proceedings or in front of public administrations bodies

Claims regarding reward for employees' intellectual work

In the year 2001 the court case commenced regarding the reward for the employees' intellectual work between UNIPETROL RPA, s.r.o. and its two employees. Employees demanded reward of approx. CZK 1.8 million. UNIPETROL RPA, s.r.o. as defendant did not agree and offered the reward amounting to approx. CZK 1.4 million, based on experts' valuations. In 2005 Employees plaintiffs filed the next petition to the court to extend the action to an amount of approx. CZK 82 million. The first instance hearing was held on 18 October 2011.

An experts´ valuation ordered by the court confirmed the amount of the reward payable to the employees in the amount of CZK 1 603991. One of the employees accepted payment of his share in the reward confirmed by the expert in the expert valuation order by the court.

Claims on compensation of damages filed by I.P. – 95, s.r.o. against UNIPETROL RPA, s.r.o.

On 23 May 2012 UNIPETROL RPA, s.r.o., having its registered office at Záluží 1, 436 70, Litvínov, Business ID no.: 27597075,, the subsidiary of UNIPETROL, a.s., received a petition from the District Court Ostrava, file no. 30 C 66/2010.

Claimant – I.P. - 95, s.r.o., having its registered office at Těšínská 202/225, 716 00 Ostrava-Radvanice, Business ID no.: 64085694 is claiming compensation of damages totalling CZK 1 789 million. I.P. – 95, s.r.o. claims that it incurred damages as a result of an unjustified insolvency filing against I.P. – 95, s.r.o. made by UNIPETROL RPA, s.r.o. on 24 November 2009. I.P. – 95, s.r.o. assigned part of the receivable in question of CZK 1 742 million, to NESTARMO TRADING LIMITED, having its registered office at Diagorou 4, Fermia Building, 6th floor, office no. 601, 1097 Nicosia, Cyprus, Company ID no.: HE 246733; following the assignment, I.P. – 95, s.r.o. filed a motion regarding NESTARMO TRADING LIMITED joining the proceedings as a claimant. UNIPETROL RPA, s.r.o. is one of eight respondents against whom the petition was filed.

UNIPETROL RPA, s.r.o. does not recognize the alleged claim and considers the claim as unjustified and unfounded. UNIPETROL RPA, s.r.o. is taking all legal actions to defend itself against this claim. The case is pending at the Regional Court in Ostrava.

During the twelve month period ended 31 December 2013 there were no material changes in relation to the issue.

Claims for compensation of damages filed by SDP Logistics sklady a.s against UNIPETROL RPA, s.r.o.

On 9 July 2012 UNIPETROL RPA, s.r.o. received a petition filed by SDP Logistics sklady a.s. for compensation of damages.

UNIPETROL RPA, s.r.o. concluded on 21 March 2010 with SDP Logistics sklady a.s. ("SDP") a contract relating to storage ("Contract") for a definite period of time - until 31 July 2011. SDP claims that UNIPETROL RPA, s.r.o. failed to remove all stored products before the contract termination date.

SDP claims CZK 25 million as a contractual penalty payable to SDP as a result of not making the storage space available for a new client. SDP additionally claims CZK 120 million as loss of profit caused by not being able to provide the contracted storage capacity to a new SDP client after 1 August 2011. Furthermore SDP has blocked the goods of UNIPETROL RPA, s.r.o. (stored in the warehouse) until the said damages are covered by UNIPETROL RPA, s.r.o.

UNIPETROL RPA, s.r.o. does not recognize the alleged claim and considers the claim as unjustified and unfounded.

During the twelve month period ended 31 December 2013 there were no material changes in relation to the issue. The next hearing is scheduled for 12 March 2014.

Tax proceeding

UNIPETROL RPA s.r.o., acting as a legal successor of CHEMOPETROL a.s., is a party in a tax proceeding related to validity of investment tax relief for 2005. UNIPETROL RPA s.r.o. claims the return of income tax paid in 2006 for the fiscal year 2005 by CHEMOPETROL a.s. The claim concerns unused investment relief attributable to CHEMOPETROL a.s. The total value of claim amounts to approximately CZK 325,000 thousand.

a) UNIPETROL RPA, s.r.o. complaint for unlawful intervention

At its hearing on 16 October 2013 the Regional Court in Usti nad Labem decided to dismiss the UNIPETROL RPA, s.r.o. complaint for unlawful intervention during the first instance tax proceedings carried out by the Tax Authority in Litvinov in 2010. The court decided that the appellate tax proceedings carried out by the Tax Directorate in Usti nad Labem in 2010 was an unlawful intervention with UNIPETROL RPA, s.r.o. rights. UNIPETROL RPA, s.r.o. filed a cassation appeal against the part of the judgment of the court regarding dismissal of the complaint with respect to the first instance tax proceedings to the Czech High Court.

On 21 January 2014 the Czech High Administration Court resolved to (i) decline the decision of Regional Court in Usti nad Labem stating that the appellate tax proceedings carried out by the Tax Directorate in Usti nad Labem in 2010 was an unlawful intervention with UNIPETROL RPA, s.r.o. rights and returned this part of the case to the Regional Court in Prague for further hearing and decision; and (ii) dismissed the cassation appeal filed by UNIPETROL RPA, s.r.o.

b) UNIPETROL RPA, s.r.o. complaint for dismissal of the tax authority decisions

At its hearing on 11 December 2013 the Regional Court in Usti nad Labem decided to decline both (i) the decision of the Tax Authority in Litvinov issued in 2010 on the tax corporate income obligation of UNIPETROL RPA, s.r.o. of approximately CZK 325mil, and (ii) the decision of the Tax Directorate in Usti nad Labem (in its position as appellate tax authority) on the UNIPETROL RPA, s.r.o. appeal against the tax decision under point (i). The court ruled both decisions of tax authorities to be unlawful. The court returned the case to the tax authority for further procedure.

UNIPETROL RPA, s.r.o. filed a cassation appeal against the decision of the Regional Court in Usti nad Labem and requested the court to decline both tax decision due to these being null and therefore non existing. In situation where the court declares the decision null and non existing, this would enhance UNIPETROL RPA, s.r.o. position towards the tax authorities.

Information on the interruption of business

The issuer did not interrupt its business in 2013.

Information on the Group's liabilities and how they are secured

The information on the total amount of outstanding loans or borrowings, structured into secured and unsecured, and on the security provided by the issuer as well as on other conditional liabilities, is specified in the Notes to the Consolidated Financial Statements (see Chapters 20 and 31).

Information about the issuer's registered capital

The Company's registered capital is CZK 18,133,476,400 and has been fully paid up.

Information about the securities into which the registered capital is divided:

Name	**UNIPETROL, a.s.**
Class	ordinary share
ISIN	CZ0009091500
BIC	BAAUNIPE
Type	bearer share

Form	dematerialized security
Currency	CZK
Nominal value	CZK 100
Number of shares	181,334,764
Total issue	CZK 18,133,476,400
Tradability	listed security (Burza cenných papírů Praha, a.s. [Prague Stock Exchange], the Prime Market)

67,110,726 shares (ISIN CZ0009091500), representing CZK 6,711,072,600 (37.01% of the Company's share capital), are held by the general public.

PKN ORLEN S.A. with ownership interest 62.99% (114,226,499 shares), Poštová banka, a.s. (less than 10%) and NEEVAS INVESTMENT LIMITED (less than 10%) are the only shareholders whose share of share capital, and thereby of voting rights, exceeds 5%.

Unipetrol was informed that as of 17 June 2013 (decisive day for the ordinary general meeting in 2013) the company Poštová banka, a.s. owned 6.56% share of share capital, and thereby of voting rights, and NEEVAS INVESTMENT LIMITED owned 5.11% share of share capital, and thereby of voting rights. Until the end of 2013 and during 2014 up to Annual Report closing date, Unipetrol was not informed about any change of these stakes beyond 5 to 10% range.

There is no employee benefit program involving employee shareholding.

No changes have been made to the share capital of UNIPETROL, a.s. over the last three years.

Memorandum and Articles

The current wording of the UNIPETROL a.s. Articles of Association is available at www.unipetrol.cz.

Changes to the Articles of Association of UNIPETROL, a.s. in 2013

The General Meeting of UNIPETROL, a.s. held on 24 June 2013 decided pursuant to item 14 of the agenda pursuant to Article 12 (2) (a) of the Articles of Association on the following changes to the Articles of the Association:

The Article 14, paragraph 5 of the Articles the convocation of General Meeting of UNIPETROL, a.s. New text of the Article 12, paragraph 5 reads as follows:

“5. The General Meeting is convened by publication of the invitation for the General Meeting at the Business Journal, on the company's web page www.unipetrol.cz and on the website www.patria.cz. The convocation of the invitation for the General Meeting at the Business Journal and on the website www.patria.cz replaces sending the invitation to the address of a shareholder according to the provisions of Section 406 (1), the Act on Business Corporations. The invitation for the General Meeting has to published at least thirty days (30) before it take place.“

The Article 33, paragraph 2 of the Articles the convocation of General Meeting of UNIPETROL, a.s. New text of the Article 33, paragraph 2 reads as follows:

„2. These Articles of Association were adopted on 27.12.1994 and are valid in the wording of amendments approved by the General Meeting on 20.12.1995, 27.6.1996, 24.3.1997, 27.3.1997, 15.7.1997, 29.5.1998, 29.1.1999, 19.8.1999, 29.6.2001, 17.1.2003, 13.4.2006, 26.6.2008, 10.12.2009, 18.6.2010, 30.6.2011 and 24.6.2013.”

Other provisions of the UNIPETROL a.s. Articles of Association of the Company remained unchanged.

Objects of business

The Company's mission is as follows the Company's currently applicable Articles of Association:

- strategic management of the development of the Group of directly or indirectly controlled companies,
- coordination and facilitation of matters of common interest of the Group of directly or indirectly controlled companies,

- arrangements for the financing of, and development of financing systems, in the companies that are part of the holding,
- development of human resources and a system of human resource management in the companies that are part of the holding,
- management, acquisition and disposal of equity interests and other assets of the Company, including, but not limited to:
- establishment of companies and participation in the establishment of companies, and other types of acquisition of equity interests in the business of third-party juristic persons,
- exercise of shareholder's rights and rights similar to shareholder's rights in directly or indirectly controlled companies,
- lease of real properties and provision of the basic services required for the proper operation of the properties.

The subject of business of the company is as follow the Company's currently applicable Articles of Association:

- functioning as entrepreneurial, financial, organizational and economic advisers,
- functioning as technical advisers in the following areas:
    - research and development ,
    - chemical industry,
    - environmental protection,
    - logistics,
- research and development in the field of natural and technological sciences,
- services in the field of administration and services of a business organizational nature for physical and corporate entities,
- service provision in the field of security and protection of health at work,
- provision of software and consulting in the fields of hardware and software,
- data processing, databank services and network administrative,
- arrangement of trade,
- arrangement of services,
- organization of specialist courses, training and other educational events including lecturing.

Object of business as per the current Certificate of Incorporation:

- production, trading, and services not specified in Appendices 1 to 3 of the Trade Licensing Act,
- service provision in the field of security and protection of health at work.

Explanatory report

Explanatory Report, prepared in accordance with the provisions of Section 118(4) letters (b),(c),(e) and (j) and (5) letters (a) through (k) of Act No. 256/2004 Coll., Act on Conducting Business on Capital Market, as amended.

Information on the breakdown of the equity of UNIPETROL, a.s.

The breakdown of the Company's equity as of 31 December 2013 (in thousands of CZK) is as follows:

Share capital	18,133,476
Statutory reserves	1,671,671
Revaluation reserve	502,626
Retained earnings	6,049,882
Total equity	26,357,655

The Company's share capital amounts to CZK 18,133,476,400 and is distributed among 181,334,764 ordinary bearer shares with the nominal value of CZK 100. The shares are issued in book-entry form and are listed.

Information on restrictions on transferability of securities

The transferability of the Company's securities is not restricted.

Information on significant direct and indirect shareholdings in company

Significant direct or indirect shareholdings in the Company are as follows:

- PKN ORLEN S.A. – direct shareholding in the amount of 62.99%.

Unipetrol was informed that as of 17 June 2013 (decisive day for the ordinary general meeting in 2013) the company Poštová banka, a.s. owned 6.56% share of share capital, and thereby of voting rights, and NEEVAS INVESTMENT LIMITED owned 5.11% share of share capital, and thereby of voting rights. Until the end of 2013 and during 2014 up to Annual Report closing date, Unipetrol was not informed about any change of these stakes beyond 5 to 10% range.

Unipetrol has no other shareholder whose stake in the share capital of the Company, and thereby of voting rights, exceeds 5%.

Information on owners of securities with special rights

None of the Company's securities have any special rights attached to them.

Information on restriction on voting rights

The voting rights attached to Company's individual shares and/or to a certain amount of the Company's shares are not restricted in any manner.

Information on agreements between shareholders which may result in restrictions on transferability of shares and/or voting rights

The Company is not aware of the existence of any agreements between the Company's shareholders which may result in restrictions on the transferability of the Company's shares and/or voting rights attached to the shares.

Information on special rules on election and recall of members of board of directors and amendment of articles of association

Members of the Board of Directors are elected and recalled by the Supervisory Board. A decision on amendment to the Company's articles of association requires the consent of a special majority consisting of two thirds of the votes of the shareholders present at the General Meeting. No special rules governing the election and recall of the members of the Board of Directors and/or amendment to the articles of association apply.

Information on special powers of Board of Directors

Members of the Board of Directors do not have any special powers; in particular, they have been not granted by the General Meeting authority to adopt a decision on an increase of the Company's share capital, on acquisition by the Company of its own shares or another decision of such type.

Information on significant agreements connected with change of control over company as result of takeover bid

The Company is not a party to any significant agreement which will enter into effect, change and/or cease to exist in the event of change of control over the Company as result of a takeover bid.

Information on agreements binding company in connection with takeover bid

No agreements have been concluded between the Company and the members of its Board of Directors which would bind the Company to render performance in the event that the position of a member of the Company's Board of Directors is terminated in connection with a takeover bid.

No agreements have been concluded between the Company and its employees that would bind the Company to render performance in the event that the employment of an employee is terminated in connection with a takeover bid.

Information on option schemes for shares

The Company does not have implemented any schemes on the basis of which the Company's employees or members of its Board of Directors would be entitled to acquire shares or other participation securities in the Company, or options on such securities or other rights thereto, under advantageous terms.

Information about payments for mineral extraction rights to the state

The issuer does not carry on business in the mining industry. The issuer makes no payments to the State for mining rights.

Information about decision-making procedures and the composition of the company's governing body and supervisory body

The Board of Directors is the issuer's governing body. Its position, remit, composition, decision-making and other basic rights and obligations, and also procedural rules, are contained in art. 16–19 of the company's Articles of Association and in the Board of Director's rules of procedure.

The company's Articles of Association in the current version are available on the company's website at www.unipetrol.cz.

The Supervisory Board is the issuer's supervisory body. Its position, remit, composition, decision-making and other basic rights and obligations, and also procedural rules, are contained in art. 20–22 of the company's Articles of Association and in the Supervisory Board's rules of procedure.

The Supervisory Board shall set up the following committees:

a) The Staff and Corporate Governance Committee

b) The Strategy and Finance Committee

(hereinafter referred to collectively as "Supervisory Board Committees").

The composition of the Supervisory Board Committees was following (as of 31 December 2013):

ad a) Krystian Pater (chairman), Bogdan Dzudzewicz, Zdeněk Černý, Rafał Sekuła ad b) Sławomir Robert Jędrzejczyk (chairman), Ivan Kočárník, Piotr Kearney, Piotr Chełmiński

The position, remit, composition, decision-making and also the procedural rules of the Supervisory Board's Committees are contained in art. 23–24 of the company's Articles of Association and in the Committees' rules of procedure.

In 2009, the company set up an Audit Committee. The position, remit, composition and decision-making are described in chapter Audit Committee.

Information about the General Meeting's decision-making and basic remit

The General Meeting's position and remit and also the procedural issues concerning the General Meeting are provided for in art. 12–15 of the company's Articles of Association.

Information about corporate governance codes

The governance and management of the Unipetrol Group follows the recommendations of the Corporate Governance Code, which is based on OECD Principles, the provisions of which the company satisfies in all material respects.

The Code is available, for example, on the Czech National Bank website.

Information about the principles and procedures of internal controls and about the rules related to the financial reporting process

The basic accounting policies set out in the International Financial Reporting Standards and in the Group's internal standards are described in the Notes to the Consolidated and Non-consolidated Financial Statements. The Company established its internal regulations in accordance with the Act on Accounting and set up the organizational norms in such a way as to maximize control and limit the possibility of mistakes. In the area of reporting the company implemented the automated system for data transfer from the accounting software to the reporting applications. The reporting applications (SW HYPERION) contain a control system ensuring the correctness of the data sent whether for creation of the internal monthly management reports or creation of quarterly consolidated and non-consolidated financial statements. Accounting policies and principles are subject to both internal and external audit. In 2009 the company set up an Audit Committee.

The Company has an Internal Audit Department which provides independent assurance audit services to the Unipetrol Group.

In 2013 the Internal Audit Department performed audits in the following areas in accordance with the plan approved by the Supervisory Board of UNIPETROL, a.s.:

- Procurement
- HR
- Transfer pricing
- Sales (refinery, petrochemicals, retail)
- Energy efficiency
- Supply Chain Management

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This document is an English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the Shareholders of UNIPETROL, a.s.

Non-consolidated Financial statements

On the basis of our audit, on 12 March 2014 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying non-consolidated financial statements of UNIPETROL, a.s., which comprise the non-consolidated statement of financial position as of 31 December 2013, and the non-consolidated statement of profit or loss and other comprehensive income, the non-consolidated statement of changes in equity and the non-consolidated statement of cash flows for the year then ended, and the notes to these non-consolidated financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to these non-consolidated financial statements.

Statutory Body's Responsibility for the non-consolidated Financial Statements

The statutory body of UNIPETROL, a.s. is responsible for the preparation of non-consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as the statutory body determines are necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the non-consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements give a true and fair view of the non-consolidated financial position of UNIPETROL, a.s. as of 31 December 2013, and of its non-consolidated financial performance and its non-consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union."

Consolidated Financial Statements

On the basis of our audit, on 12 March 2014 we issued an auditor's report on the Company's consolidated statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying consolidated financial statements of UNIPETROL, a.s., which comprise the consolidated statement of financial position as of 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to these consolidated financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to these consolidated financial statements.

Statutory Body's Responsibility for the Consolidated Financial Statements

The statutory body of UNIPETROL, a.s. is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as the statutory body determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of UNIPETROL, a.s. as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union."

Report on relations between related parties

We have reviewed the factual accuracy of the information disclosed in the report on relations between related parties of UNIPETROL, a.s. for the year ended 31 December 2013 prepared in accordance with the applicable provisions of Act No. 513/1991 Coll., the Commercial Code. The responsibility for the preparation and factual accuracy of this report rests with the Company's statutory body. Our responsibility is to express our view on the report on relations based on our review.

We conducted our review in accordance with Auditing Standard No. 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the report on relations is free of material misstatement. A review is limited primarily to inquiries of the Company's personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the report on relations and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that would lead us to believe that the report on relations between related parties of UNIPETROL, a.s. for the year ended 31 December 2013 contains material factual misstatements.

Consolidated Annual report

We have audited the consistency of the consolidated annual report with the audited non-consolidated and consolidated financial statements. This consolidated annual report is the responsibility of the Company's statutory body. Our responsibility is to express our opinion on the consistency of the consolidated annual report with the audited non-consolidated and consolidated financial statements based on our audit.

We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance that the information disclosed in the consolidated annual report describing matters that are also presented in the non-consolidated and consolidated financial statements is, in all material respects, consistent with the audited non-consolidated and consolidated financial statements. We believe that the audit we have conducted provides a reasonable basis for our audit opinion.

In our opinion, the information disclosed in the consolidated annual report is, in all material respects, consistent with the audited non-consolidated and consolidated financial statements.

Prague
26 March 2014

KPMG Česká republika Audit

KPMG Česká republika Audit, s.r.o.
Licence number 71

Karel Růžička
Partner
Licence number 1895

UNIPETROL, a.s.

NON-CONSOLIDATED
FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

FOR THE YEAR 2013

Index

NON-CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

ACCOUNTING PRINCIPLES AND OTHER EXPLANATORY NOTES

EXPLANATORY NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

NON-CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

Non-consolidated statement of financial position

	Note	31/12/2013	31/12/2012 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	7	10 315	12 822
Investment property	8	1 156 442	1 149 081
Intangible assets	9	400	456
Shares in related parties	10	13 990 981	13 990 981
Other non-current assets	11	1 519 519	334 837
		16 677 657	**15 488 177**
Current assets			
Trade and other receivables	12	150 892	191 695
Other financial assets	13	12 689 305	11 973 200
Current tax receivables		24 423	17 524
Cash and cash equivalents	14	157 802	1 294 067
		13 022 422	**13 476 486**
Total assets		**29 700 079**	**28 964 663**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15.1	18 133 476	18 133 476
Statutory reserves	15.2	1 671 671	1 651 472
Revaluation reserve	15.3	502 626	502 626
Retained earnings	15.4	6 049 882	5 132 389
Total equity		**26 357 655**	**25 419 963**
LIABILITIES			
Non-current liabilities			
Loans, borrowings and debt securities	16	2 000 000	-
Provisions		-	400
Deferred tax liabilities	23	112 039	113 326
		2 112 039	**113 726**
Current liabilities			
Trade and other liabilities	17	136 862	163 073
Loans, borrowings and debt securities	16	268 048	2 052 020
Other financial liabilities	18	825 475	1 215 881
		1 230 385	**3 430 974**
Total liabilities		**3 342 424**	**3 544 700**
Total equity and liabilities		**29 700 079**	**28 964 663**

The non-consolidated financial statements are to be read in conjunction with the notes forming part of the non-consolidated financial statements set out on pages 94-138.

NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

Non-consolidated statement of profit or loss and other comprehensive income

	Note	2013	2012
Statement of profit or loss			
Revenues	19	141 010	147 815
Cost of sales	20.1	(84 842)	(67 710)
Gross profit on sales		**56 168**	**80 105**
Administrative expenses		(204 030)	(174 890)
Other operating income	21.1	3 258	18 787
Other operating expenses	21.2	(1 766)	(3 011)
Loss from operations		**(146 370)**	**(79 009)**
Finance income	22.1	1 319 776	772 578
Finance costs	22.2	(233 427)	(257 695)
Net finance income		**1 086 349**	**514 883**
Profit before tax		**939 979**	**435 874**
Tax expense	23	(2 287)	(31 902)
Net profit		**937 692**	**403 972**
Other comprehensive income			
items which will be reclassified into profit or loss under certain conditions		**-**	**(86)**
Foreign exchange differences on subsidiaries		-	*(86)*
		-	**(86)**
Total net comprehensive income		**937 692**	**403 886**
Net profit/(loss) and diluted net profit/(loss) per share (in CZK per share)	15.6	5,17	2,23

The non-consolidated financial statements are to be read in conjunction with the notes forming part of the non- consolidated financial statements set out on pages 94-138.

NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

Non-consolidated statement of cash flows

	2013	2012 (restated)
Cash flows - operating activities		
Net profit	**937 692**	**403 972**
Adjustments for:		
Depreciation and amortisation	2 291	2 497
Foreign exchange (gain)/loss	(6 746)	2 975
Interest and dividends, net	(1 072 607)	(354 956)
(Profit)/Loss on investing activities	(17 227)	(162 058)
Change in provisions	(400)	-
Tax expense	2 287	31 902
Income tax (paid)	(10 474)	(28 148)
Change in working capital	14 968	(6 757)
receivables	40 989	(29 853)
liabilities	(26 021)	23 096
Net cash used in operating activities	**(150 216)**	**(110 573)**
Cash flows - investing activities		
Acquisition of property, plant and equipment and intangible assets	(7 397)	(6 418)
Disposal of property, plant and equipment and intangible assets	1 581	223
Dividends received	967 909	195 554
Proceeds/(Outflows) from loans granted	(194 636)	(1 538 007)
Proceeds/(Outflows) from cash pool granted	(1 734 004)	1 143 024
Interest received	379 298	366 621
Net cash provided by/(used in) investing activities	**(587 249)**	**160 997**
Cash flows - financing activities		
Proceeds from loans and borrowings	2 266 098	679 713
Repayments of loans and borrowings	(17 385)	(663 977)
Repayment of bonds granted	(2 000 000)	-
Interest paid	(259 484)	(377 150)
Dividends paid to non-controlling shareholders	(235)	(570)
Proceeds/(Outflows) from cash pool received	(390 407)	249 950
Other	(4 133)	-
Net cash used in financing activities	**(405 546)**	**(112 034)**
Net increase/(decrease) in cash and cash equivalents	**(1 143 011)**	**(61 610)**
Effect of exchange rate changes	6 746	(2 975)
Cash and cash equivalents, beginning of the period	1 294 067	1 358 652
Cash and cash equivalents, end of the period	**157 802**	**1 294 067**

The non-consolidated financial statements are to be read in conjunction with the notes forming part of the non-consolidated financial statements set out on pages 94-138.

NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

Non-consolidated statement of changes in equity

	Equity attributable to equity owners				Total equity
	Share capital	Statutory reserves	Revaluation reserve	Retained earnings	
1 January 2013	18 133 476	1 651 472	502 626	5 132 389	25 419 963
Net profit	-	-	-	937 692	937 692
Total net comprehensive income	**-**	**-**	**-**	**937 692**	**937 692**
Allocation of profit to reserves	-	20 199	-	(20 199)	-
31 December 2013	**18 133 476**	**1 671 671**	**502 626**	**6 049 882**	**26 357 655**
1 January 2012	18 133 476	1 651 472	502 712	4 728 417	25 016 077
Net profit	-	-	-	403 972	403 972
Items of other comprehensive income	-	-	(86)	-	(86)
Total net comprehensive income	**-**	**-**	**(86)**	**403 972**	**403 886**
31 December 2012	**18 133 476**	**1 651 472**	**502 626**	**5 132 389**	**25 419 963**

The consolidated financial statements are to be read in conjunction with the notes forming part of the non-consolidated financial statements set out on pages 94-138.

NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

ACCOUNTING PRINCIPLES AND OTHER EXPLANATORY NOTES

1. DESCRIPTION OF THE COMPANY

Establishment of the Company
UNIPETROL, a.s. (the “Company” or “Unipetrol”) is a joint stock company established by the National Property Fund of the Czech Republic by a foundation agreement dated 27 December 1994. The Company was registered in the Register of Companies at the Regional Commercial Court in Prague on 17 February 1995. The Company is listed and registered on the Prague Stock Exchange.

Identification number of the Company
616 72 190

Registered office of the Company
UNIPETROL, a.s.
Na Pankraci 127
140 00 Praha 4
Czech Republic

Principal activities
The Company operates as a holding company covering and administering a group of companies (hereinafter the “Group”). The principal businesses of the Group include oil and petroleum products processing, production of commodity chemicals, polymer materials, mineral lubricants, plastic lubricants, paraffins, road and insulation bitumen, special refinery and petrochemical products. Furthermore, the Group is engaged in the distribution of fuels and operation of gas stations.

In addition to these principal activities, the Group is engaged in other activities that are necessary to support the principal activities, such as production, distribution and sale of heat and electricity, operation of railway tracks and railway transportation, advisory services relating to research and development, environmental protection, software and hardware advisory services and other services.

Ownership structure
The shareholders as at 31 December 2013 are as follows:

POLSKI KONCERN NAFTOWY ORLEN S.A.	63%
Investment funds and other minority shareholders	37%

Statutory and supervisory bodies
Members of the statutory and supervisory bodies of UNIPETROL, a.s. as at 31 December 2013 were as follows:

	Position	Name
Board of Directors	Chairman	Marek Świtajewski
	Vice-chairman	Piotr Wielowieyski
	Member	Martin Durčák
	Member	Mirosław Kastelik
	Member	Andrzej Kozłowski
	Member	Artur Paździor
Supervisory Board	Chairman	Dariusz Krawiec
	Vice-chairman	Ivan Kočárník
	Vice-chairman	Sławomir Jędrzejczyk
	Member	Piotr Kearney
	Member	Zdeněk Černý
	Member	Krystian Pater
	Member	Rafał Sekuła
	Member	Piotr Chełminski
	Member	Bogdan Dzudzewicz

Changes in the board of directors till 31 December 2013 were as follows:

Position	Name	Change	Date of change
Member	Mariusz Kędra	Recalled from the office	6 February 2013
Member	Mirosław Kastelik	Elected into the office	6 February 2013
Chairman	Piotr Chełmiński	Recalled from the office	8 April 2013
Chairman	Marek Świtajewski	Elected into the office	8 April 2013
Member	Andrzej Kozłowski	Elected into the office	9 April 2013

Changes in the supervisory board during the year 2013 were as follows:

Position	Name	Change	Date of change
Member	Rafał Sekuła	Co-opted as a substitute member	6 February 2013
Member	Andrzej Kozłowski	Recalled from the office	8 April 2013
Member	Rafał Sekuła	Elected into the office	24 June 2013
Member	Piotr Chełminski	Elected into the office	24 June 2013
Member	Zdeněk Černý	Elected into the office	30 June 2013
Member	Krystian Pater	Elected into the office	30 June 2013

2. STATEMENTS OF THE MANAGEMENT BOARD

The Management Board of UNIPETROL, a.s. hereby declares that to the best of their knowledge the foregoing non-consolidated financial statements and comparative data were prepared in compliance with the accounting principles applicable to the Company in force (disclosed in note 3) and that they reflect true and fair view on financial position and financial result , including basic risks and exposures.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Principles of presentation

The non-consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations approved by the International Accounting Standards Board (IASB) which were adopted by the European Union (EU) and were in force as at 31 December 2013.

The non-consolidated financial statements are compliant with all requirements of IFRSs adopted by the EU and present a true and fair view of the Company's financial position as at 31 December 2013, results of its operations and cash flows for the year ended 31 December 2013.

These non-consolidated financial statements have been prepared on a going concern basis. As at the date of approval of the statements there is no indication that the Company will not be able to continue as a going concern in the foreseeable future.
The financial statements, except for statement of cash flows, are prepared on the accrual basis of accounting.

3.2 Impact of IFRS amendments and interpretations on non-consolidated financial statements of the Company

3.2.1 Binding amendments and interpretations to IFRSs

The following new standards, amendments and interpretations to existing standards came in force from 1 January 2013 until the date of publication of these non-consolidated financial statements:

- Amendments to *IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* (early adopted by the Company in 2012),
- Amendments to *IFRS 1 First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*,
- Amendments to *IFRS 1 First-time Adoption of International Financial Reporting Standards Government Loans*
- Amendments to *IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities,*
- *IFRS 13 Fair Value Measurement*,
- Amendments to *IAS 12 Income taxes- Deferred tax: Recovery of Underlying Assets*,
- Amendments to *IAS 19 Employee Benefits*,
- Interpretation *IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine*,
- *Improvements to International Financial Reporting Standards 2009-2011*.

The aforementioned standards, amendments and interpretations to IFRSs had no significant impact on the foregoing non-consolidated financial statements. Application of *IFRS 13 Fair Value Measurement* increased scope of disclosures in the notes to the non-consolidated financial statements.

3.2.2 IFRSs, amendments and interpretations to IFRSs endorsed by European Union, not yet effective

Early adoption of new standards

As at 31 December 2013 the Company had early adopted amendments to *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* before the effective date in relation to ceasing to meet the criteria of presentation as assets held for sale. Detailed information regarding this issue is included in Note 6.

Adoption according to the effective date

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company but which the Company has not early adopted. The Company intends to adopt new standards and amendments to IFRSs that are published but not effective as at 31 December 2013, in accordance with their effective dates. In 2013, the Company did not take the decision for early adoption on a voluntarily basis of amendments and interpretations to the standards, except for adoption of amendments to amendments to *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.* Those new standards which may be relevant to the Company are set out below.

- *IFRS 10 Consolidated Financial Statements* (effective for annual periods beginning on or after 1January 2014)
  IFRS 10 replaces IAS 27 Consolidated and separate financial statements, in scope of consolidation and SIC 12 interpretation Special Purpose Entities.
  IFRS 10 provides a new single model to be applied in the control analysis for all investees, including those that currently are Special Purpose Entities in the scope of SIC-12.
  Under the new single control model, an investor controls an investee when: it is exposed or has rights to variable returns from its involvements with the investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns.

  The Company does not expect the new standard when initially applied to have an impact on the financial statements, since the assessment of control over its current investees under the new standard is not expected to change the conclusion regarding the Company's control over its investees.
- *IFRS 11 Joint Arrangements* (effective for annual periods beginning on or after 1 January 2014)

  IFRS 11, Joint Arrangements, supersedes and replaces IAS 31, Interest in Joint Ventures and SIC-13 Jointly Controlled Entities – Non Monetary Contributions by Venturers.
  IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed in IFRS 10. Under the new Standard, joint arrangements are divided into two types, each having its own accounting model defined as follows:
  - A *joint operation* is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operations will be accounted for on the basis of the Company's interest in those assets and liabilities.
  - A *joint venture* is one whereby the jointly controlling parties, known as joint ventures, have rights to the net assets of the arrangement. Joint ventures will be equity-accounted.

  The Company does not expect the new standard when initially applied to have an impact on the non-consolidated financial statements, since the assessment of the joint arrangements under the new standard is not expected to result in a change in the accounting treatment of existing joint arrangements.
- *IFRS 12 Disclosures of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2014)
  IFRS 12 requires additional disclosures relating to significant judgments and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.

  The Company expects that the new standard when initially applied will increase the extent of disclosures in the financial statements.

3.2.2. IFRSs, amendments and interpretations to IFRSs endorsed by European Union, not yet effective (continued)

- *Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)* (effective for annual periods beginning on or after 1 January 2014)
  The amendments:
  - define the date of initial application of IFRS 10 as the beginning of the annual period in which the standard is applied for the first time (1 January 2013 unless early adopted). At this date, an entity tests whether there is a change in the consolidation conclusion for its investees;
  - limit the restatement of comparatives to the period immediately preceding the date of initial application; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged;
  - requires disclosure of the impact of the change in accounting policy only for the period immediately preceding the date of initial application (i.e. disclosure of impact on the current period is not required);
  - will remove the requirement to present comparative information disclosures related to unconsolidated structured entities for any periods before the first annual period for which IFRS 12 is applied.

  The Company expects that amendments to standards will not have an impact on items presented in future non-consolidated financial statements.
- *Amendments do IFRS 10, IFRS 12 and IAS 27: Investment Entities* (effective for annual periods beginning on or after 1 January 2014)
  The Amendments provide an exception to the consolidation requirements in IFRS 10 and require qualifying investment entities to measure their investments in controlled entities, associates and joint ventures at fair value through profit or loss, rather than consolidating them.
  The consolidation exemption is mandatory (i.e. not optional), with the only exception being that subsidiaries that are considered as an extension of the investment entity's investing activities, must still be consolidated.
  An entity qualifies as an investment entity if it meets all of the essential elements of the definition of an investment entity, i.e. it obtains funds from investors to provide those investors with investment management services, it commits to its investors that its business purpose is to invest for returns solely from appreciation and/or dividend income and measures and evaluates the performance of substantially all of its investments on a fair value basis. The amendments also set out disclosure requirements for investment entities.

  The Company expects that amendments to standards will not have an impact on future non-consolidated financial statements as they are not applicable to the Company.
- *Amendments to IAS 27 Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2014)
  IAS 27 (2011) was modified in relation to issuance of IFRS 10 Consolidated Financial Statement and carries forward the existing accounting and disclosure requirements for separate financial statements. For that reason requirements of IAS 28 (2008) and IAS 31 relating to separate financial statements will be incorporated to IAS 27. The above amendment will have no impact on the financial statements, since it does not results in a change in the Company's accounting policy.
- *Amendments to IAS 28 – Investments in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2014)
  Adopted amendment:
  - applies in case when portion of an investment in an associate or a joint venture was classified as held for sale (under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations). For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture
  - in relation to changes in interests held in associates and joint ventures. Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured.

  The Company expects that the above amendment when initially applied will have no material impact on the future non-consolidated financial statements, as the Company holds no investments in associates or joint ventures that are classified as held for sale.
- *Amendments to IAS 32 – Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after 1 January 2014)
  The Amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify and define precisely the offsetting criteria. The entity has a legally enforceable right to offset if that right is not contingent on a future event and is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.
  The Company expects that the above amendment when initially applied will have no material impact on the future non-consolidated financial statements.

3.2.2. IFRSs, amendments and interpretations to IFRSs endorsed by European Union, not yet effective (continued)

- *Amendments to IAS 36 Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets* (effective for annual periods beginning on or after 1 January 2014)
  The Amendments clarify that recoverable amount should be disclosed only for individual assets (including goodwill) or cash-generated units for which an impairment loss was recognized or reversed during the period.
  The Amendments also require the following additional disclosures when an impairment for individual assets (including goodwill) or cash-generated units has been recognized or reversed in the period and recoverable amount is based on fair value less costs to sell:
  - the level within which the fair value measurement of the asset or cash-generating unit is categorized under IFRS 13 Fair value hierarchy;
  - for fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation techniques used and any changes in that valuation technique together with the reason for making them;
  - for fair value measurements categorized within Level 2 and Level 3, each key assumption (i.e. assumption to which recoverable amount is most sensitive) used in determining fair value less costs to sell. If fair value less costs to sell is measured using a present value technique, discount rate(s) used both in current and previous measurement should be disclosed.

  The Company expects that the above amendment when initially applied will have no material impact on future non-consolidated financial statements, since it does not result in a change in the Company's accounting policy.

- *Amendments to IAS 39 Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting* (effective for annual periods beginning on or after 1 January 2014)
  The Amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty, when the following criteria are met:
  - the novation is made as a consequence of laws or regulations
  - a clearing counterparty becomes a new counterparty to each of the original counterparties of the derivative instrument
  - changes to the terms of the derivative are limited to those necessary to replace the counterparty.

  The Company expects that the above amendment when initially applied will have no material impact on future non-consolidated financial statements, since the Company does not apply novation of derivatives.

3.2.3. Standards and interpretations adopted by International Accounting Standards Board (IASB), waiting for approval of EU

Those new standards which may be relevant to the Company are set out below.

- *New standard and amendments to IFRS 9 Financial Instruments* (effective for annual periods beginning on or after 1 January 2015)
  The new Standard replaces the guidance in *IAS 39, Financial Instruments: Recognition and Measurement*, regarding classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories: held to maturity, available for sale and loans and receivables.
  Financial assets will be classified into one of two categories on initial recognition: financial assets measured at amortized cost; or financial assets measured at fair value.
  The 2010 amendments to IFRS 9 replace the guidance in *IAS 39 Financial Instruments: Recognition* and Measurement mainly in relation to liabilities designated as fair value through profit or loss in case of changes in fair value, attributable to changes in credit risk of that liability. The standard requires changes in fair value to be presented directly in other comprehensive income. Amounts presented in OCI are not subsequently reclassified to profit or loss but may be transferred within equity.
  New standard eliminates the requirement of separation the embedded derivatives from host contract. It requires the hybrid (combined) contract measured at amortised cost or fair value.
  Additionally amendments change the disclosure and restatement requirements relating to the initial application of IFRS 9 Financial Instruments.
  The Company does not expect the standard when initially applied to have an impact on measurement of financial instruments. Based on the standard, a classification of financial assets into respective categories will change.

3.2.3. Standards and interpretations adopted by International Accounting Standards Board (IASB), waiting for approval of EU (continued)

- *Amendments to IFRS 9 Financial Instruments* and *IFRS 7 Financial Instruments: Disclosures* (effective for annual periods beginning on or after 1 January 2015)
  These Amendments change the disclosure and restatement requirements relating to the initial application of IFRS 9 Financial Instruments (2009) and IFRS 9 Financial Instruments (2010).
  The amended IFRS 7 requires to disclose more details about the effect of the initial application of IFRS 9 when an entity does not restate comparative information in accordance with the amended requirements of IFRS 9. If an entity adopts IFRS 9 on or after 1 January 2013, then it will no longer be required to restate comparative information for periods prior to the date of initial application. If an entity would adopt IFRS 9 in 2012, then it had a choice either to restate comparative information or to provide the enhanced disclosures as required by the amended IFRS 7. If an entity early adopted IFRS 9 prior to 2012, then neither restatement of comparative information nor provision of the enhanced disclosures under the amended IFRS 7 was required.
  The Company does not expect the amendment to have an impact on future non-consolidated financial statements. Based on initial application of IFRS 9 assets will be assigned to changed financial instruments categories.
- *IFRIC Interpretation 21 Levies* (effective for annual periods beginning on or after 1 January 2014)
  The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability to pay a levy imposed by government and to the timing of recognizing such liability. In accordance with the Interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognized when this event occurs. The liability to pay a levy is recognized progressively if the obligating event occurs over a period of time. If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognized when that minimum activity threshold is reached. The Interpretation sets out that an entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period.
  The Company does not expect the amendment to have an impact on future non-consolidated financial statements, since it does not result in a change in the Company‘s accounting policy regarding levies.
- *Amendments to IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions* (effective for annual periods beginning on or after 1 January 2014)
  The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
  The Company does not expect the amendment to have an impact on future non-consolidated financial statements, since the Company does not have such employee contributions.
- *Improvements to IFRS (2010-2012)* (effective for annual periods beginning on or after 1 July 2014)
  The Improvements contain 8 amendments to 7 standards, with consequential amendments to other standards and interpretations. The main changes were to:
  - clarify the definition of 'vesting conditions' in Appendix A of *IFRS 2 Share-based Payment* by separately defining a 'performance condition' and a 'service condition’
  - clarify certain aspects of accounting for contingent consideration in a business combination
  - amend paragraph 22 of *IFRS 8* to require entities to disclose those factors that are used to identify the entity’s reportable segments when operating segments have been aggregated. This is to supplement the current disclosure requirements in paragraph 22(a) of IFRS 8.
  - amend paragraph 28(c) of *IFRS 8 Operating Segments* to clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed, if that amount is regularly provided to the chief operating decision maker. This proposed amendment is consistent with the requirements in paragraphs 23 and 28(d) in IFRS 8.
  - clarify the IASB’s rationale for removing paragraph B5.4.12 of *IFRS 9 Financial Instruments* and paragraph AG79 of *IAS 39 Financial Instruments: Recognition and Measurement* as consequential amendments from *IFRS 13 Fair Value Measurement*.
  - clarify the requirements for the revaluation method in *IAS 16 Property, Plant and Equipment* and *IAS 38 Intangible Assets* to address concerns about the calculation of the accumulated depreciation or amortization at the date of the revaluation.
  - make an entity providing management services to the reporting entity a related party of the reporting entity.

  The Company does not expect the improvements to have material impact on future non-consolidated financial statements of the Company.

3.2.3. Standards and interpretations adopted by International Accounting Standards Board (IASB), waiting for approval of EU (continued)

- *Improvements to IFRS (2011-2013)* (effective for annual periods beginning on or after 1 July 2014)
  The Improvements contain 4 amendments to standards, with consequential amendments to other standards and interpretations. The main changes were to:
  - clarify the meaning of 'each IFRS effective at the end of an entity's first IFRS reporting period' as used in paragraph 7 of *IFRS 1 First-time Adoption of IFRSs*.
  - clarify that the scope exemption in paragraph 2(a) of *IFRS 3 Business Combinations* excludes the formation of all types of joint arrangements as defined in *IFRS 11 Joint Arrangements* from the scope of IFRS 3; and applies only to the financial statements of the joint venture or the joint operation itself.
  - clarify that the portfolio exception included in paragraph 48 of IFRS 13 applies to all contracts within the scope of *IAS 39 Financial Instruments*: *Recognition and Measurement* or *IFRS 9 Financial Instruments*, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in *IAS 32 Financial Instruments: Presentation*,
  - clarify that judgment is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgment is based on the guidance in IFRS 3.

  The Company does not expect the improvements to have material impact on future non-consolidated financial statements of the Company.

3.3 Functional and presentation currency

These non-consolidated financial statements are presented in Czech crowns (CZK), which is the Company's functional currency. All financial information presented in CZK has been rounded to the nearest thousand.

3.4 Accounting policies applied by the Company

3.4.1 Foreign currency

(i) Transactions in foreign currency

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items including units of currency held by the Company as well as receivables and liabilities due in defined or definable units of currency are translated using the closing rate, i.e. spot exchange rate as at the end of the reporting period,
- non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in the previous financial statements are recognized as financial income or expense in the period in which they arise in the net amount, except for monetary items hedging currency risk, that are accounted for in accordance with cash flows hedge accounting.

3.4.2 Change in accounting policies, estimates and prior period errors

An entity shall change an accounting policy only if the change:

- is required by an IFRS or
- results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the financial position, financial performance or cash flows.

In case of change in accounting policy it is assumed that the new policy had always been applied. The amount of the resulting adjustment is made to the equity. For comparability, the entity shall adjust the financial statements (comparative information) for the earliest prior period presented as if the new accounting policy had always been applied, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change.

Items of financial statements based on an estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience. The effects of changes in estimates are accounted prospectively in the statement of profit or loss and other comprehensive income.

The correction of a material prior period error is made to the equity. When preparing the financial statements it is assumed that the errors were corrected in the period when they occurred by restating the comparative amounts for the prior period presented; or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

3.4.3 Property, plant and equipment

Property, plant and equipment are assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one period (one year or the operating cycle, if longer than one year).

(i) Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use.

The cost of an item of property, plant and equipment includes also estimated costs of dismantling and removing the item and restoring the site/land on which it is located, the obligation for which is connected with acquisition or construction of an item of property, plant and equipment and capitalized borrowing costs, i.e. costs directly attributable to the acquisition, construction or production of a qualifying asset, e.g. interest, commissions are part of the initial cost.

Depreciation of an item of property, plant and equipment begins when it is available for use that is from the month it is in the location and condition necessary for it to be capable of operating in the manner intended by the management, over the period reflecting their estimated economic useful life, considering the residual value. Components of property, plant and equipment which are material for the whole item are depreciated separately in accordance with their economic useful life. Depreciation is charged so as to write off the cost or valuation of assets to their residual values, other than land, over their estimated useful lives, using the straight-line method.

The following standard economic useful lives are used for property, plant and equipment:

Buildings and constructions	10-40 years
Machinery and equipment	4-35 years
Vehicles and other	2-20 years

The cost of significant repairs and regular maintenance programs is recognized as property, plant and equipment and depreciated in accordance with their economic useful lives. The costs of current maintenance of property, plant and equipment are recognized as an expense during the period when they are incurred.

Major spare parts and stand-by equipment are capitalized as property, plant and equipment when an entity expects to use them during more than one period. Similarly, if the spare parts and servicing agreement can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment. In both cases spare parts are depreciated over the shorter of the useful life of the spare part and the remaining life of the related item of property, plant and equipment

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between sales proceeds and the carrying amount of the asset. The difference is recognized in the statement of profit or loss and other comprehensive income.

The residual value, estimated useful life and depreciation methods are reassessed annually.

Property, plant and equipment are tested for impairment, when there are indicators or events that may imply that the carrying amount of those assets may not be recoverable.

(ii) Leased assets

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to the statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. In calculating the present value of the minimum lease payments the discount factor is the interest rate implicit in the lease. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

(iii) Subsequent expenditure

The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in the statement of profit or loss and other comprehensive income as an expense as incurred.

3.4.4 Investment property

An investment property shall be measured initially at its cost. Transaction costs shall be included in the initial measurement. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure for example includes professional fees for legal services, property transfer taxes and other transaction costs. For internally constructed investment property the cost is set at the date of construction completion when the asset is brought into use, in accordance with rules set for property, plant and equipment.

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. After initial recognition investment properties are stated at fair value. Gains and losses resulting from changes in fair value of investment property are presented in the statement of profit or loss and other comprehensive income in the period which they arise. The Company determines fair value without any deduction for transaction costs it may incur on sale or other disposal.

If the Company determines that the fair value of an investment property is not reliably determinable on a continuing basis, the Company shall measure that investment property at cost in accordance with rules set for property, plant and equipment.

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

3.4.5 Intangible assets

Intangible assets include identifiable non-monetary assets without physical substance. An asset is identifiable if it is either separable, i.e. is capable of being separated or divided from the Company and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, or arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the Company.

Intangible assets are recognized if it is probable that the expected future economic benefits that are attributable to the assets will flow to the entity and the cost of the asset can be measured reliably.

An intangible asset arising from development (or from development phase of an internal project) shall be recognised if, and only if, the Company can demonstrate all of the following: the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to compete the intangible asset and use or sell it, its ability to use or sell the intangible asset, how the intangible asset will generate probable future economic benefits, among other things, the Company can demonstrate the existence of a market for the output of the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset, the availability of adequate technical, financial and other resources to complete the development and to use of sell the intangible asset, its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are measured at acquisition or at construction cost less amortization and impairment allowances. Intangible assets with a finite useful life are amortized when it is available for use that is when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management over their estimated economic useful life. Appropriateness of the applied amortization periods and rates is periodically reviewed, at least at the end of the reporting year, and potential adjustments to amortization allowances are made in the subsequent periods. Intangible assets with an indefinite useful life are not amortized. Their value is decreased by the eventual impairment allowances. Additionally, the useful life of an intangible asset that is not being amortized shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, e.g. interest, commissions, are part of the initial cost.

The following standard economic useful lives are used for intangible assets:

Acquired licenses, patents, and similar intangible assets	2-15 years
Acquired computer software	2-10 years
Capitalized development	4 years

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the statement of profit or loss and other comprehensive income as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically and commercially feasible and the Company has sufficient resources to complete development.

3.4.5. Intangible assets (continued)

(ii) Computer software

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company and which will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include employee costs of the software development team and an appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognized as a capital improvement and added to the original cost of the software.

Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives, not exceeding a period of five years.

(iii) Other intangible assets

Expenditure to acquire patents, trademarks and licenses is capitalized and amortized using the straight-line method over their useful lives, except for licenses related to the purchase of production technologies, which are amortized over the estimated useful life of the technologies purchased. Expenditure on internally generated goodwill and brands is recognized in the statement of profit or loss and other comprehensive income as an expense as incurred.

(iv) Subsequent expenditure

Subsequent expenditure on capitalized intangible assets is capitalized only if it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

3.4.5.1 Goodwill

Goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, (or groups of cash-generating units), that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

The acquirer shall recognise goodwill as of the acquisition date measured as: the excess of a) over b) where:
the value of a) corresponds to the aggregate of:

- the consideration transferred, which generally requires acquisition-date fair value,
- the amount of any non-controlling interest in the acquire, and
- in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

the value of b) corresponds to the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Occasionally, an acquirer will make a bargain purchase, which is a business combination in which the amount in point (b) exceeds the aggregate of the amounts specified in point (a). If that excess remains, after reassessment of correct identification of all acquired assets and liabilities, the acquirer shall recognise the resulting gain in profit or loss on the acquisition date as other operating profit for the period.

The acquirer shall measure goodwill in the amount recognised at the acquisition date less any accumulated impairment allowances.

A cash-generating unit to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired. The annual impairment test may be performed at any time during an annual period, provided the test is performed at the same time every year.

A cash-generating unit to which no goodwill has been allocated shall be tested for impairment only when there are indicators that the cash-generating unit might be impaired.

An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the acquirer shall also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

3.4.5.2 Carbon dioxide emission allowances

By the virtue of The Kyoto Protocol, the countries, which decided to ratify the Protocol, obliged themselves to reduce emissions of greenhouse gases, i.e. carbon dioxide (CO_2).

In the European Union countries, the plants and companies, which reach productivity exceeding 20 MW and some other industrial plants were obliged to participate in emissions trading system. All mentioned entities are allowed to emit CO_2 in specified amount and are obliged to amortise those rights in the amount of the emissions of the given year.

CO_2 emission rights are initially recognised as intangible assets, which are not amortised (assuming the high residual value), but tested for impairment.

Granted emission allowances are presented as separate items as intangible assets in correspondence with deferred income at fair value as at the date of registration (grant in scope of IAS 20). Purchased allowances are presented as intangible assets at purchase price.

If the allowances in a given year were not registered on the account under the date resulting from regulations, they are presented as receivable at the reporting date in correspondence with deferred income (as separate items) in the fair value of allowances due at the reporting date. The receivable is settled at the moment of allowances registration in the subsequent period by the disclosure of intangible assets at fair value (allowances granted). Deferred income is also be revaluated.

For the estimated CO_2 emission during the reporting period, a provision is created in operating activity costs (taxes and charges).

Grants are recognised on a systematic basis to ensure proportionality with the related costs which the grants are intended to compensate. Consequently, the cost of recognition of the provision in the separate statement of profit or loss and other comprehensive income is compensated by a decrease of deferred income (grants) with taking into consideration the proportion of the estimated quantity of emission (accumulated) to the quantity of estimated annual emission.

Granted/purchased CO_2 emission allowances are amortised against the book value of provision, at its settlement. Outgoing of allowances is recognised using FIFO method (First In, First Out) within the individual types of rights (EUA - European Union Allowances, ERU – Emission Reductions Units, CER – Certified Emission Reduction).

3.4.6 Borrowing costs

Borrowing costs consist of interest and other costs that are incurred in connection with the borrowing of funds.

The Company capitalizes borrowing costs attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset, until the time when the assets are substantially ready for their intended use or sale. Qualifying assets are the assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Borrowing costs which are not connected with qualifying assets are recognized in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

The commencement date for capitalization of the borrowing costs is the date when all of the following conditions are met: expenditures for the asset are incurred, borrowing costs are incurred and activities necessary to prepare the asset for its intended use or sale are undertaken.

After putting an asset into use, the capitalized borrowing costs are depreciated/amortized over the period reflecting economic useful life of the asset as part of the cost of the asset.

3.4.7 Impairment

The carrying amounts of the Company's assets, other than inventories, investment property and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any external or internal indication exists, the asset's recoverable amount is estimated.

For intangible assets that are not yet available for use and intangible assets with indefinite useful lives and for goodwill the recoverable amount is estimated at each balance sheet date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use.

Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs to sell.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of profit or loss and other comprehensive income.

Assets that do not generate the independent cash flows are grouped on the lowest level on which cash flows, independent from cash flows from other assets, are generated (cash generating units).

3.4.7. Impairment (continued)

To the cash generating unit the following assets are assigned:
- goodwill, if it may be assumed, that the cash generating unit benefited from the synergies associated to a business combination with another entity,
- corporate assets, if they may be allocated on a reasonable and coherent basis.

The impairment loss shall be allocated to the carrying amount of the assets of the unit in the following order:
- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

At the end of each reporting period an assessment shall be made whether an impairment loss recognized in prior periods for an asset shall be partly or completely reversed. Indications of a potential decrease in an impairment loss mainly mirror the indications of a potential impairment loss in prior periods. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized as income. An impairment loss recognized in respect of goodwill is not reversed in subsequent periods.

3.4.8 Inventories

Inventories are assets held for sale in the ordinary course of business, or in the process of production for such sale, or in the form of materials or supplies to be consumed in the production process or in the rendering of services.Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost of inventories is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. For finished goods, costs comprise of related fixed and variable indirect costs for ordinary production levels, excluding external financing costs.

The production costs do not include costs incurred as a consequence of low production or production losses, or general and administrative expenses that are not directly attributable to bringing the inventories to the condition and location at the moment of measurement, or storage costs of finished goods, semi-finished products and work in progress, unless these costs are necessary in the production process, or distribution expenses.

As at the end of the reporting period merchandise and raw materials are measured at the lower of cost and net realizable value, considering any allowances. Write-down to net realizable value concerns raw materials and merchandise that are damaged or obsolete.

Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. However, when a decline in the price of materials indicates that the cost of the finished products exceeds net realizable value, the materials are written down to net realizable value.

Expenses and revenues connected with inventories write-offs or establishment and release of allowances are included in cost of sales.

The Company uses commodity derivative contracts to hedge crude oil purchases. Gains or losses on commodity derivative contracts are included in cost of sales.

3.4.9 Trade and other receivables

Trade and other receivables are recognized initially at the present value of the expected proceeds and are stated in subsequent periods at amortized cost using the effective interest method less any impairment losses.

3.4.10 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and in a bank account, bank deposits and short-term highly liquid investments with original maturities of three months and less. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3.4.11 Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale.
Non-current assets are classified as held for sale when the following criteria are met:
- A decision on initiation of the sale was adopted by the Company's management;
- The assets are available for an immediate sale in their present condition;
- An active program to locate a buyer has been initiated;
- The sale transaction is highly probable and can be completed within 12 months following the sale decision;
- The selling price is reasonable in relation to its current fair value;
- It is unlikely that significant changes to the sales plan of these assets will be introduced.

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, investment property, which continue to be measured in accordance with the Company's accounting policies. While a non-current asset is classified as held for sale it shall not be depreciated (or amortised). Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

3.4.12 Equity

Equity is recorded in accounting books by type, in accordance with legal regulations and the Company's articles of association. Equity comprises:

3.4.12.1 Share capital

The share capital is paid by shareholders and is stated at nominal value in accordance with the Company's articles of association and the entry in the Commercial Register.

3.4.12.2 Statutory reserves

In accordance with the Czech Commercial Code, joint stock companies are required to establish a reserve fund for possible future losses and other events and cannot be distributed to shareholders. Contributions must be a minimum of 20% of the profit for the period in the first year in which profits are generated and 5% of profit each year thereafter until the fund reaches at least 20% of the issued capital.

3.4.12.3 Hedging reserve

Hedging reserve relates to valuation and settlement of hedging instruments that meet the criteria of cash flow hedge accounting.

3.4.12.4 Revaluation surplus

Revaluation surplus comprises revaluation of items, which, according to the Company's regulations, relates to the revaluation surplus, including particularly:
- change of the fair value of the available-for-sale financial assets,
- differences between the net book value and the fair value of the investment property at the date of reclassification from the property occupied by the Company to the investment property.

3.4.12.5 Retained earnings

Retained earnings include:
- the undistributed result for prior periods,
- the current period profit/loss,
- the effects (profit/loss) of prior period errors,
- changes in accounting principles,
- other reserve capital as additional payments to equity.

3.4.13 Liabilities

Liabilities, including trade liabilities, are initially stated at fair value increased by transaction cost and subsequently amortized cost using the effective interest method.

3.4.13.1 Accruals

Accruals are liabilities due for goods or services received/provided, but not paid or formally agreed with the seller, together with amounts due to employees. Accruals relate among others to: uninvoiced services, untaken holidays, investment liabilities.
Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much lower than it is for provisions.

3.4.13.2 Social security and pension schemes

Contributions are made to the Czech government's health retirement and unemployment schemes at the statutory rates in force during the year based on gross salary payments. The cost of security payments is charged to the statement of profit or loss and other comprehensive income in the same period as the related salary cost. The Company has no pension or post-retirement commitments.

3.4.14 Provisions

A provision is a liability of uncertain timing or amount.Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured reliably. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.
The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation the provision is reversed. The provision is used only for expenditures for which the provision was originally recognized.
When the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation. If the discounting method is applied, the increase of provisions with time is recognised as financial expenses.
The Company establishes provisions for environmental damages, legal disputes, penalties, estimated expenditures related to the fulfillment of obligations as a result of warranty claims, CO2 emissions allowances and jubilee bonuses and post-employment benefits. No provisions are established in respect of environmental damages which occurred prior to establishment of the Company as the Czech government contractually committed to reimburse the Company for clean-up costs. Provisions are not recognised for the future operating losses.

3.4.14.1 Shield programs

A Shield programs provision (provision for restructuring) is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. Future operating costs are not provided for.

3.4.14.2 Environmental provision

In accordance with the Company's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognized when the land is contaminated. A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

3.4.14.3 CO_2 emissions costs

The Company creates provision for the estimated CO_2 emission during the reporting period in operating activity costs (taxes and charges).

3.4.14.4 Jubilee bonuses and post employment benefits

Retirement benefits and jubilee bonuses
Under the Company's remuneration plans, its employees are entitled to jubilee bonuses and retirement benefits. The jubilee bonuses are paid to employees after elapse of a defined number of years in service. The retirement benefits are paid once at retirement. The amount of retirement benefits and jubilee bonuses depends on the number of years of service and an employee's average remuneration. The Company creates a provision for future retirement benefits and jubilee bonuses in order to allocate costs to relevant periods. The jubilee bonuses are other long-term employee benefits, whereas retirement and pension benefits are classified as post-employment defined benefit plans.
The present value of those liabilities is estimated at the end of each reporting period and adjusted if there are any material indications impacting the value of the liabilities. The accumulated liabilities equal discounted future payments, considering employee rotation. Demographic data and information on employee rotation are based on historical records. Actuarial gains and losses from:
- post employment benefits are recognized in the other comprehensive income,
- other employment benefits, including jubilee bonuses, are recognized in profit and loss.

3.4.15 Government grants

Government grants are transfers of resources to the Company by government, government agencies and similar bodies whether local, national or international in return for past or future compliance with certain conditions relating to the activities of the entity.

Government grants are recognized in the statement of financial position as deferred income when there is reasonable assurance that it will be received and that the Company will comply with the conditions attached to it.

Grants related to costs are presented as compensation to the given cost at the period they are incurred. The surplus of the received grant over the value of the given cost is presented as other operating income.

If the government grants related to assets, it is presented net with the related asset and is recognized in profit or loss on a systematic basis over the useful life of the asset through the decreased depreciation charges, the treatment regarding Carbon dioxide emission allowances granted is described in Note 3.4.5.2.

3.4.16 Revenues

Revenues from sales are recognized when it is probable that the economic benefits associated with the sale transaction will flow to the Company and can be measured reliably and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.4.16.1 Revenue from sale of finished goods, merchandise, and raw materials

Revenues from sale of finished goods, merchandise, and raw materials are recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods. Revenues are measured at fair value of the consideration received or receivable decreased by the amount of any discounts, value added tax (VAT), excise tax and fuel charges.

Revenues and expenses relating to services for which the start and end dates fall within different reporting periods are recognized based on the percentage of completion method, if the outcome of a transaction can be measured reliably, i.e. when total contract revenue can be measured reliably, it is probable that the economic benefits associated with the contract will flow to the Company and the stage of completion can be measured reliably. If those conditions are not met, revenues are recognized up to the cost incurred, but not greater than the cost which are expected to be recovered by the Company.

When the Company acts as an agent for its customers and buys and sells goods for a fixed margin without controlling purchase and selling prices, it does not report the revenue and cost from the sale of goods on a gross basis. It reports a net margin in the statement of profit or loss and other comprehensive income.

Revenues are measured at fair value of the received or due payments. Revenues realized on settlement of financial instruments hedging cash flows adjust revenues from sale of inventories and services.

3.4.16.2 Revenue from licenses, royalties and trade marks

Revenue from licenses, royalties and trade mark are recognized on an accrual basis in accordance with the substance of the relevant agreements. Prepayments, referring to agreements concluded in the current period by the Company are recognized as deferred income and settled in the periods when economic benefits are realized according to the agreements.

3.4.16.3 Franchise revenues

Franchise revenues are recognized in accordance with the substance of the relevant agreement, in a way reflecting the reasons of charging with franchise fees.

3.4.16.4 Rental income

Rental income from investment property is recognized in the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income to be received.

3.4.17 Costs

The Company recognizes costs in accordance with accrual basis and prudence principle.

3.4.17.1 Costs of sales

Cost of sale comprises costs of finished goods sold and costs of services sold, including services of support functions and cost of merchandise and raw materials sold.

3.4.17.2 Distribution expenses

Distribution expenses include selling brokerage expenses, trading expenses, advertising and promotion expenses as well as distribution expenses.

3.4.17.3 Administrative expenses

Administrative expenses include expenses relating to management and administration of the Company as *a* whole.

3.4.18 Other operating income and expenses

Other operating income in particular includes income from liquidation and sale of non-financial non-current assets, surplus of assets, return of court fees, penalties earned, surplus of grants received to revenues over the value of costs, assets received free of charge, reversal of receivable impairment allowances and provisions, compensations earned and revaluation gains, gain on sale of investment property.

Other operating expenses include in particular costs of liquidation and sale of non-financial non-current assets, shortages of assets, court fees, contractual penalties and fines, penalties for non-compliance with environmental protection regulations, cash and tangible assets transferred free of charge, impairment allowances (except those that are recognized as financial expenses or as cost of sales), compensations paid, write-off of construction in progress which have not produced the desired economic effect, cost of recovery of receivables and revaluation losses, loss on sale of investment property.

3.4.19 Finance income and finance costs

Finance income includes, in particular, income from the sale of shares and other securities, dividends received, interest earned on cash in bank accounts, term deposits and loans granted, increase in the value of financial assets and net foreign exchange gains.
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Finance costs include, in particular, loss on sale of shares and securities and costs associated with such sale, impairment losses relating to financial assets such as shares, securities and interest receivables, net foreign exchange losses, interest on bonds and other securities issued, interest on finance lease, commissions on bank loans, borrowings, guarantees and interest costs.

3.4.20 Income tax expenses

Income tax comprises current tax and deferred tax.
Current tax is determined in accordance with the relevant tax law based on the taxable profit for a given period. Current tax liabilities represent the amounts payable at the reporting date. If the amount of the current income tax paid exceeds the amount due the excess is recognized as a receivable.
Taxable profit differs from net profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rate valid as at the first date of the reporting period.
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method.
Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences, tax losses and tax relieves to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.
Taxable temporary differences are temporary differences that will result in increasing taxable amounts of future periods when the value of the asset or liability at the end of the reporting period is recovered or settled.
Taxable temporary differences arise when the carrying amount of an asset at the end of reporting period is higher than its tax base or when the carrying amount of a liability is lower than its tax base.
Deductible temporary differences are temporary differences that will result in reducing taxable amounts of future periods when the carrying amount of the asset or liability is recovered or settled. Deductible temporary differences arise when the carrying amount of an asset is lower than its tax base or when the carrying amount of a liability is higher than its tax base.
Deductible and taxable temporary differences may also arise in connection with items not recognized in the accounting records as assets or liabilities. Tax base is determined in relation to expected recovery of assets or settlement of liabilities.
The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.
Deferred tax assets and liabilities are recognized regardless of when the timing difference is likely to be realized.
Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the statement of profit or loss and other comprehensive income.

3.4.20 Income tax expenses (continued)

The deferred tax assets and liabilities are measured at the end of each reporting period using enacted tax rates binding for the year in which the tax obligation arises, based on tax rates published in tax law.
Deferred tax assets and liabilities are not discounted.
Deferred tax assets and liabilities relating to transactions settled directly in equity are recognised in other comprehensive income. Deferred tax assets and liabilities are accounted for as non-current assets or long-term liabilities in the statement of financial position.
Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends and is able to settle its current tax assets and liabilities on a net basis.

3.4.21 Statement of cash flows

The statement of cash flows is prepared using indirect method.

Cash and cash equivalents presented in the statement of cash flows include cash and cash equivalents less bank overdrafts, if they form an integral part of the Company's cash management.

The Company discloses components of cash and cash equivalents and reconciliation between amounts disclosed in the statement of cash flows and respective lines of statement of financial position.

Non-cash transactions are excluded from statement of cash flows.

Dividends received are presented in cash flows from investing activities.

Dividends paid are presented in cash flows from financing activities.
Interest received from finance leases, loans granted, short-term securities and cash pooling system are presented in cash flows from investing activities. Other interests received are presented in cash flows from operating activities.

Interest paid and provisions on bank loans and borrowings received, cash pool facility, debt securities issued and finance leases are presented in cash flows from financing activities. Other interests paid are presented in cash flows from operating activities.

Cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short are reported on a net basis in the statement of cash flows.

Cash received or paid due to term agreements i.e. futures, forward, options, swap is presented in cash flows from investing activities, unless the agreements are held by the Company for trading or cash received or paid is presented in financing activities.

If the contract is accounted as hedge of a given position, cash flows from such contract are classified in the same way as the cash flows resulting from the position hedged.

3.4.22 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.4.22.1 Recognition and derecognition in the statement of financial position

The Company recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A regular way purchase or sale of financial assets is recognised by the Company as at trade date.

The Company derecognises a financial asset from the statement of financial position when and only when:
- the contractual rights to the cash flows from the financial asset expire, or
- it transfers the financial asset to another party.

The Company derecognises a financial liability (or part of financial liability) from its statement of financial position when, and only when it is extinguished - that is when the obligation specified in the contract:
- is discharged, or
- is cancelled, or
- expired.

3.4.22.2 Measurement of financial assets and liabilities

When a financial asset or liability is recognised initially, the Company measures it at its fair value plus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs comprise particularly fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and security exchanges and transfer of taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

For the purpose of measuring a financial asset at the end of the reporting period or any other date after initial recognition, the Company classifies financial assets into the following four categories:
- financial assets at fair value through profit or loss,
- held-to-maturity investments,
- loans and receivables,
- available-for-sale financial assets.

Regardless of characteristics and purpose of a purchase transaction, the Company classifies initially selected financial assets as financial assets at fair value through profit or loss, when doing so results in more relevant information.

A financial asset at fair value through profit or loss is a financial asset that has been designated by the Company upon initial recognition as at fair value through profit or loss or classified as held for trading if it is:
- acquired principally for the purpose of selling or repurchasing in the near term, or
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit making, or
- a derivative (except for a derivative that is an effective hedging instrument).

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market.

Available-for-sale financial assets are those non-derivative financial assets that are designated by the Company as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

3.4.22.3 Fair value measurement of financial assets

The Company measures financial assets at fair value through profit or loss, including derivative financial assets and available-for-sale financial assets at their fair value, without any deduction for transaction costs that may be incurred on sale or other disposal.
Fair value of financial assets is determined in the following way:
- for instruments quoted on an active market based on current quotations available as at the end of the reporting period,
- for debt instruments unquoted on an active market based on discounted cash flows analysis,
- for forward and swap transactions based on discounted cash flows analysis.

If the fair value of investments in equity instruments (shares) that do not have a quoted market price on an active market is not reliably measurable, the Company measures them at cost, that is the acquisition price less any accumulated impairment losses.

Financial assets designated as hedging items are measured in accordance with the principles of hedge accounting.

A gain or loss on a financial asset classified as at fair value through profit or loss are recognised through profit or loss.

A gain or loss on an available-for-sale financial asset is recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses that are recognised in profit or loss.

In case of debt financial instruments interest calculated using the effective interest method are recognised in profit or loss.

3.4.22.4 Amortized cost measurement of financial assets

The Company measures loans and other receivables, including trade receivables, as well as held-to-maturity investments at amortized cost using the effective interest method. Effective interest is the rate which precisely discounts estimated future cash flows or payments made in expected periods until financial instrument expiration, and in grounded situations in shorter period, up to net book value of asset or financial liability.

3.4.22.5 Fair value measurement of financial liabilities

As at the end of the reporting period or other dates after the initial recognition the Company measures financial liabilities at fair value through profit or loss (including particularly derivatives which are not designated as hedging instruments). Regardless of characteristics and purpose of a purchase transaction, the Company classifies initially selected financial liabilities as financial liabilities at fair value through profit or loss, when doing so results in more relevant information. The fair value of a financial liability is the current price of instruments quoted on an active market.

If there is no active market for a financial instrument, the fair value of the financial liabilities is established by using the following techniques:

- using recent arm's length market transactions between knowledgeable, willing parties,
- reference to the current fair value of another instrument that is substantially the same, or
- discounted cash flow analysis.

3.4.22.6 Amortized cost measurement of financial liabilities

The Company measures other financial liabilities at amortized cost using the effective interest rate method.

Financial guarantee contracts, that are contracts that require the Company (issuer) to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument, not classified as financial liabilities at fair value through profit or loss are measured at the higher of:

- the amount determined in accordance with principles relating to valuation of provisions, or
- the amount initially recognised less, when appropriate, cumulative amortization.

3.4.22.7 Transfers

The Company:

- shall not reclassify a financial instrument, including derivative, into or out of fair value through profit or loss category while it is held or issued, if at initial recognition it has been designated by the Company as measured at fair value through profit and loss, and
- may, if a financial asset is no longer held for the purpose of selling or repurchasing it in the near term (notwithstanding that the financial asset may have been acquired or incurred principally for the purpose of selling or repurchasing it in the near term), reclassify that financial asset out of the fair value through profit or loss category in limited circumstances. In case of loans and receivables (if at initial recognition financial assets were not classified as held for trading) a financial asset can be reclassified out of fair value through profit or loss category, if an entity has intention and possibility to hold a financial asset in a foreseeable future or to maturity.

3.4.22.8 Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective indicator that a financial asset or group of financial assets is impaired.

If there is an objective indicator that an impairment loss on loans and other receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. effective interest rate determined at initial recognition).

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised in profit or loss as revenue.

If there is an objective indicator that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

If there is an objective indicator that an impairment loss has been incurred on an available-for-sale financial asset, the cumulative loss that had been recognised in statement of comprehensive income is removed from equity and recognised in profit or loss.

Impairment losses for an investment in an equity instrument classified as available for sale are not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

3.4.22.9 Hedge accounting

Derivatives designated as hedging instruments whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a hedged item are accounted for in accordance with fair value or cash flow hedge accounting, if all of the following conditions are met:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the Company's risk management objective and strategy for undertaking the hedge,
- the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship,
- for cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss,
- the effectiveness of the hedge can be reliably measured,
- the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

The Company does not apply hedge accounting in case when embedded derivative instrument is separated from the host contract.

The Company assesses effectiveness at the inception of the hedge and later, at minimum, at each reporting date. The Company assesses hedge as effective, for external reporting purposes only if the actual results of the hedge are within a range of 80% - 125%. The Company uses statistical methods, in particular regression analysis, to assess effectiveness of the hedge. The Company uses simplified analytical methods, when a hedged item and a hedging instrument are of the same nature i.e. maturity dates, amounts, changes affecting fair value risk or cash flow changes.

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. A firm commitment is a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.

If a fair value hedge is used, it is accounted for as follows:

- the gain or loss from remeasuring the hedging instrument at fair value is recognised in profit or loss, and
- the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit or loss (this applies also if the hedged item is an available-for-sale financial asset, whose changes in value are recognised in other comprehensive income).

The Company discontinues fair value hedge accounting if:

- the hedging instrument expires, is sold, terminated or exercised (for this purpose, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the Company's documented hedging strategy),
- the hedge no longer meets the criteria for hedge accounting, or
- the Company revokes the designation.

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. A forecast transaction is an uncommitted but anticipated future transaction.

If a cash flow hedge is used, it is accounted for as follows:

- the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income, and
- the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive income are reclassified to profit or loss in the same period or periods during which the asset acquired or liability assumed affect profit or loss. However, if the Company expects that all or a portion of a loss recognised in other comprehensive income will not be recovered in one or more future periods, it reclassifies to profit or loss the amount that is not expected to be recovered.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Company removes the associated gains and losses that were recognised in the other comprehensive income and includes them in the initial cost or other carrying amount of the asset or liability.

3.4.22.9 Hedge accounting (continued)

The Company discontinues cash flow hedge accounting if:

- the hedging instrument expires, is sold, terminated or exercised - in this case, the cumulative gain or loss on the hedging instrument recognised in other comprehensive income remain separately recognised in equity until the forecast transaction occurs,
- the hedge no longer meets the criteria for hedge accounting - in this case, the cumulative gain or loss on the hedging instrument recognised in other comprehensive income remain separately recognised in equity until the forecast transaction occurs,
- the forecast transaction is no longer expected to occur, in which case any related cumulative gain or loss on the hedging instrument recognised in other comprehensive income are recognised in profit or loss,
- the designation is revoked – in this case the cumulative gain or loss on the hedging instrument recognised in other comprehensive income remain separately recognised in other comprehensive income until the forecast transaction occurs or is no longer expected to occur

Net investment in a foreign operation is the amount of the reporting entity's interest in the net assets of that operation.

Hedges of a net investment in a foreign operation, including hedge of monetary item that is accounted for as a part of the net investment, shall be accounted for similarly to cash flow hedges:

- the portion of the gain or loss on the hedging instrument that is determined to be effective hedge shall be recognised in other comprehensive income, and
- the ineffective portion shall be recognised in profit or loss.

The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment on a disposal of the foreign operations.

A hedge of a foreign currency risk of a firm commitment may be accounted for as a fair value hedge or cash flow hedge.

3.4.23 Contingent assets and liabilities

Contingent liabilities are defined as possible obligations that arise from past events and which are dependent on occurrence or non-occurrence of some uncertain future events not wholly within the control of the Company or present obligations that arise from past events but is not recognised because it is not probable that an outflow of resource embodying economic benefits will be required to settle the obligations or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognized in the statement of financial position however the information on contingent liabilities is disclosed unless the probability of outflow of resources relating to economic benefits is remote. Contingent liabilities acquired as the result of a business combination are recognized as provisions in the statement of financial position.
Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.
Contingent assets are not recognized in the statement of financial position as it may lead to recognition of the income, which will never be gain; however the respective information on the contingent receivable is disclosed if the inflow of assets relating to economic benefits is probable.

3.4.24 Subsequent events after the reporting date

Subsequent events after the reporting date are those events, favourable and unfavourable that occur between end of the reporting period and date of when the financial statements are authorized for issue. Two types of subsequent events can be identified:

- those, that provide evidence of conditions that existed as the end of the reporting period (events after the reporting period requiring adjustments in the foregoing financial statements) and
- those that are indicative of conditions that arose after the reporting period (events after the reporting period not requiring adjustments in the foregoing financial statements).

4. APPLICATION OF PROFESSIONAL JUDGEMENTS AND ASSUMPTIONS

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In the matters of considerable weight, the Company's management bases its estimates on opinions of independent experts.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in notes: 23 Tax expense,7 Property, plant and equipment and 9 Intangibles assets in relation to impairment.

The accounting policies descibed above have been applied consistently to all periods presented in these financial statements.

NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

5. THE PARENT COMPANY AND STRUCTURE OF THE CONSOLIDATED GROUP

The following table shows subsidiaries and jointly controlled entities forming the consolidated Group of UNIPETROL, a.s., and the parent company's interest in the capital of subsidiaries and jointly controlled entities held either directly by the parent company or indirectly by the consolidated subsidiaries and allocation of subsidiaries into the Operating segments (information as of 31 December 2013).

Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries	Operating segment	Website
Parent company				
UNIPETROL, a.s. Na Pankráci 127, 140 00 Praha 4, Czech Republic			Corporate function	www.unipetrol.cz
Subsidiaries				
BENZINA, s.r.o. Na Pankráci 127, 140 00 Praha 4, Czech Republic	100.00%	--	Retail	www.benzinaplus.cz
PARAMO, a.s. Přerovská 560, 530 06 Pardubice, Czech Republic	100.00%	--	Refinery	www.paramo.cz
UNIPETROL RPA, s.r.o. Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00%	--	Refinery Petrochemical Corporate function	www.unipetrolrpa.cz
UNIPETROL SERVICES, s.r.o. Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00%	--	Corporate function	www.unipetrolservices.cz
UNIPETROL DOPRAVA, s.r.o. Litvínov - Růžodol č.p. 4, 436 70 Litvínov, Czech Republic	0.12%	99.88%	Refinery	www.unipetroldoprava.cz
UNIPETROL Deutschland GmbH Paul Ehrlich Str. 1/B , 63225 Langen/Hessen, Germany	0.10 %	99.90%	Petrochemical	www.unipetrol.de
PETROTRANS, s.r.o. Střelničná 2221, 182 00 Praha 8, Czech Republic	0.63%	99.37%	Retail	www.petrotrans.cz
UNIPETROL SLOVENSKO s.r.o. Panónská cesta 7, 850 00 Bratislava, Slovak Republic	13.04%	86.96%	Refinery	www.unipetrol.sk
POLYMER INSTITUTE BRNO, spol. s r.o. Tkalcovská 36/2, 656 49 Brno, Czech republic	1.00%	99.00%	Petrochemical	www.polymer.cz
Paramo Oil s.r.o. (dormant entity) Přerovská 560, 530 06 Pardubice, Czech Republic	--	100.00%	Refinery	
Výzkumný ústav anorganické chemie, a.s. Revoluční 84/č.p. 1521, Ústí nad Labem, Czech Republic	100.00%	--	Petrochemical	www.vuanch.cz
UNIPETROL RAFINÉRIE, s.r.o. (dormant entity) Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00%	--	Refinery	
HC VERVA Litvínov, a.s. Litvínov , S.K. Neumanna 1598, Czech Republic	--	70.95%	Corporate function	www.hokej-litvinov.cz
CHEMOPETROL, a.s. (dormant entity) Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	--	100.00%	Petrochemical	
MOGUL SLOVAKIA s.r.o. Hradiště pod Vrátnom, U ihriska 300, Slovak Republic	--	100.00%	Refinery	www.mogul.sk
UNIPETROL AUSTRIA HmbH in Liquidation Vídeň, Apfelgasse 2, Austria	100.00%	--	Petrochemical	
Jointly controlled entities				
ČESKÁ RAFINÉRSKÁ, a.s. Záluží 2, 436 01 Litvínov, Czech Republic	51.22%	--	Refinery	www.ceskarafinerska.cz
Butadien Kralupy a.s. O. Wichterleho 810, 278 01 Kralupy nad Vltavou,	51.00%	--	Petrochemical	

The ownership interests and allocation of subsidiaries into the operating segments as at 31 December 2012 were the same as it is presented in the table above except for the change described below.

5. THE PARENT COMPANY AND STRUCTURE OF THE CONSOLIDATED GROUP (CONTINUED)

Changes in structure of the Group

Liquidation of UNIPETROL TRADE Group

CHEMAPOL (SCHWEIZ) AG was put under liquidation on 1 June 2010 due to the restructuring process of UNIPETROL TRADE Group. The liquidation of CHEMAPOL (SCHWEIZ) AG was completed on 12 June 2013. The liquidation process of UNIPETROL AUSTRIA HmbH is ongoing.

Acquisition of 16.335% stake in ČESKÁ RAFINÉRSKÁ, a.s. from Shell Overseas Investments B.V. ("Shell")

On 31 January 2014 UNIPETROL, a.s. acquired from Shell 152,701 shares of ČESKÁ RAFINÉRSKÁ, a.s. amounting to 16.335% of the Česká rafinérská's share capital. As a result of the transaction Unipetrol's stake on the Česká rafinérská's share capital has increased from 51.22% to 67.555%. Details of the transactions are described in Note 31 Significant Post Balance Sheet Events.

6. CHANGES IN DISCLOSURE OF COMPARATIVE PERIOD

The Company has changed disclosure in respect of selected data in comparative period in Non-consolidated statement of financial position and Non-consolidated statement of cash flows to ensure consistent approach with data presentation in 2013. The changes were incorporated in presentation of certain positions in financial statements to provide users of financial statements with better information concerning operations of the Company.

The changes incorporated in the Non-consolidated statement of financial position of the Company were connected with presentation of assets held for sale in the Non-consolidated statement of financial position as at 31 December 2012.

As at 31 December 2012 following the intention of UNIPETROL, a.s.'s management to sell 100% shares in PARAMO, a.s. the Company presented financial investment in this subsidiary as asset held for sale. In 2013 financial statements, following the Company´s management decision to change the status of the assets to no longer held for sale, the Company ceased to present financial investment in PARAMO, a.s in amount of CZK 178 000 thousand as asset held for sale and restated the comparative Statement of financial position in accordance with requirements of IFRS 5 *Non- current assets held for sale and discontinued operations*.

The Statement of financial position as at 31 December 2012 was presented in a way as investment in Paramo has never been classified as asset held for sale and shares in Paramo were disclosed under Shares in related parties in restated Statement of financial position. As the classification as assets held for sale was done as at 31 December 2012 there was no need to restate earlier periods.

Impact of the change in *presentation of assets held for sale is* disclosed under *point 1* on following page.

The Company has changed disclosure in respect of selected data in comparative period of Non-consolidated statement of statement of financial position and Non-consolidated statement of cash flows to ensure consistent approach with data presentation in 2013, based on changes in detail of presentation adopted since 1 January 2013. Particular items from the Non-consolidated statements of financial position and Non-consolidated statement of cash flows were presented either in bigger detail or were grouped into condensed categories. Impact of the *changes in detail of presentation of assets / liabilities* under *point 2 is* disclosed in the tables on following pages. The Management believes that current detail of disclosures provides readers of financial statements with better presentation.

NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

6. CHANGES IN DISCLOSURE OF COMPARATIVE PERIOD (CONTINUED)

The changes in Non-consolidated statement of financial position as at 31 December 2012 are presented in following table:

	Previously stated	presentation of assets held for sale (1)	changes in detail of presentation of assets / liabilities (2)	Restated
ASSETS				
Non-current assets				
Property, plant and equipment	12 822			12 822
Investment property	1 149 081			1 149 081
Intangible assets	456			456
Shares in related parties	13 812 981	178 000		13 990 981
Loans granted	334 651		(334 651)	-
Other non-current assets	186		334 651	334 837
	15 310 177	**178 000**	**-**	**15 488 177**
Current assets				
Trade and other receivables	191 695			191 695
Other financial assets	11 973 200			11 973 200
Current tax receivables	17 524			17 524
Cash and cash equivalents	1 294 067			1 294 067
Assets classified as held for sale	178 000	(178 000)		-
	13 654 486	**(178 000)**	**-**	**13 476 486**
Total assets	**28 964 663**	**-**	**-**	**28 964 663**
EQUITY AND LIABILITIES				
EQUITY				
Share capital	18 133 476			18 133 476
Statutory reserves	1 651 472			1 651 472
Other reserves	510 080		(510 080)	-
Revaluation reserve	-		502 626	502 626
Retained earnings	5 124 936		7 454	5 132 390
Total equity	**25 419 964**	**-**	**-**	**25 419 964**
LIABILITIES				
Non-current liabilities				
Provisions	400			400
Deferred tax liabilities	113 326			113 326
	113 726	**-**	**-**	**113 726**
Current liabilities				
Trade and other liabilities	163 073			163 073
Loans, borrowings and debt securities	3 267 900		(1 215 880)	2 052 020
Other financial liabilities	-		1 215 880	1 215 880
	3 430 973	**-**	**-**	**3 430 973**
Total liabilities	**3 544 699**	**-**	**-**	**3 544 699**
Total equity and liabilities	**28 964 663**	**-**	**-**	**28 964 663**

NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

6. CHANGES IN DISCLOSURE OF COMPARATIVE PERIOD (CONTINUED)

The changes in non-consolidated statement of cash flows for year ended 31 December 2012 are presented in the following table:

	Previously stated	changes in detail of presentation of assets / liabilities (2)	Restated
Cash flows - operating activities			
Net profit	**403 972**		**403 972**
Adjustments for:			
Depreciation and amortisation	2 497		2 497
Foreign exchange (gain)/loss	2 975		2 975
Interest and dividends, net	(354 956)		(354 956)
(Profit)/Loss on investing activities	(178)	(161 880)	(162 058)
Tax expense	31 902		31 902
Income tax (paid)	(28 148)		(28 148)
Impairment losses (gains) on financial investments, loans and receivables	(161 880)	161 880	-
Change in working capital	(6 757)	-	(6 757)
receivables	(29 853)		(29 853)
liabilities	23 096		23 096
Net cash used in operating activities	**(110 573)**	**-**	**(110 573)**
Cash flows - investing activities			
Acquisition of property, plant and equipment and intangible assets	(6 418)		(6 418)
Disposal of property, plant and equipment and intangible assets	223		223
Dividends received	195 554		195 554
Proceeds/(Outflows) from loans granted	(394 983)	(1 143 024)	(1 538 007)
Proceeds/(Outflows) from cash pool granted	-	1 143 024	1 143 024
Interest received	366 621		366 621
Net cash provided by investing activities	**160 997**	**-**	**160 997**
Cash flows - financing activities			
Proceeds from loans and borrowings	-	679 713	679 713
Repayments of loans and borrowings	-	(663 977)	(663 977)
Interest paid	(377 150)		(377 150)
Dividends paid to non-controlling shareholders	(570)		(570)
Change in loans and borrowings	265 686	(265 686)	-
Proceeds/(Outflows) from cash pool received	-	249 950	249 950
Net cash used in financing activities	**(112 034)**	**-**	**(112 034)**
Net increase/(decrease) in cash and cash equivalents	**(61 610)**	**-**	**(61 610)**
Effect of exchange rate changes	(2 975)		(2 975)
Cash and cash equivalents, beginning of the period	1 358 652		1 358 652
Cash and cash equivalents, end of the period	**1 294 067**	**-**	**1 294 067**

NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

EXPLANATORY NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

7. PROPERTY, PLANT AND EQUIPMENT

	31/12/2013	31/12/2012
Land	8 741	8 741
Machinery and equipment	163	296
Vehicles and other	1 411	3 785
	10 315	**12 822**

Changes in Property, plant and equipment:

	Land	Machinery and equipment	Vehicles and other	Total
Gross book value				
1 January 2013	8 741	3 292	15 412	27 445
Reclassifications	-	-	83	83
Sale	-	-	(5 985)	(5 985)
31 December 2013	**8 741**	**3 292**	**9 511**	**21 543**
Accumulated depreciation, impairment allowances				
1 January 2013	-	2 995	11 628	14 623
Depreciation	-	133	2 102	2 235
Sale	-	-	(5 630)	(5 630)
31 December 2013	**-**	**3 128**	**8 100**	**11 228**
Gross book value				
1 January 2012	10 546	3 292	15 038	28 876
Investment expenditures	5	-	1 108	1 113
Reclassifications	(1 810)	-	-	(1 810)
Sale	-	-	(734)	(734)
31 December 2012	**8 741**	**3 292**	**15 412**	**27 445**
Accumulated depreciation, impairment allowances				
1 January 2012	-	2 858	10 024	12 882
Depreciation	-	137	2 294	2 431
Sale	-	-	(690)	(690)
31 December 2012		**2 995**	**11 628**	**14 623**
Net book value				
1 January 2013	8 741	296	3 785	12 822
31 December 2013	8 741	163	1 411	10 315
1 January 2012	10 546	433	5 015	15 994
31 December 2012	8 741	296	3 785	12 822

8. INVESTMENT PROPERTY

Investment property at 31 December 2013 comprised the lands owned by the Company and leased to subsidiaries of the Company and third parties. The changes recorded during the year 2013 are presented in the following table:

	2013	2012
At beginning of the period	1 149 081	1 141 966
Reclassification from property, plant, equipment	-	1 810
Purchase	7 361	5 305
	1 156 442	**1 149 081**

Rental income amounted to CZK 112 719 thousand in 2013 (2012: CZK 108 710 thousand). Operating costs related to the investment property in reporting period amounted to CZK 14 025 thousand in 2013 (2012: CZK 7 532 thousand).

Information concerning valuation of investment property is included in note 3.4.4 and 25.

NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

9. INTANGIBLE ASSETS

	31/12/2013	31/12/2012
Software	75	130
Assets under development	325	325
	400	**455**

Changes in Intangible assets:

	Software	Assets under development	Other intangible assets	Total
Gross book value				
1 January 2013	19 570	325	8 673	28 567
31 December 2013	**19 570**	**325**	**8 673**	**28 567**
Accumulated amortisation, impairment allowances				
1 January 2013	19 439	-	8 673	28 112
Amortization	56	-	-	56
31 December 2013	**19 495**	**-**	**8 673**	**28 168**
Gross book value				
1 January 2012	19 570	325	8 673	28 567
31 December 2012	**19 570**	**325**	**8 673**	**28 567**
Accumulated amortisation, impairment allowances				
1 January 2012	19 373	-	8 673	28 046
Amortization	66	-	-	66
31 December 2012	**19 439**	**-**	**8 673**	**28 112**
Net book value				
1 January 2013	130	325	-	456
31 December 2013	75	325	-	400
1 January 2012	196	325	-	522
31 December 2012	130	325	-	456

The Company as at 31 December 2013 and 31 December 2012 did not possess internally generated intangible assets.

NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

10. SHARES IN RELATED PARTIES

Shares in related parties as at 31 December 2013 were as follows:

Name of the entity	Registered office	Cost of investment	Ownership percentage	Impairment	Carrying amount	Dividend income for the year
Subsidiaries						
UNIPETROL RPA, s.r.o.	Litvínov	7 360 335	100,00	-	7 360 335	-
Výzkumný ústav anorganické chemie, a.s.	Ústí nad Labem	59 172	100,00	7 860	51 312	-
BENZINA, s.r.o.	Praha 4	4 181 070	100,00	1 922 070	2 259 000	-
PARAMO, a.s.	Pardubice	1 251 389	100.00	1 073 389	178 000	-
UNIPETROL SERVICES, s.r.o.	Litvínov	100 280	100,00	-	100 280	45 119
UNIPETROL RAFINÉRIE, s.r.o.	Praha	408	100,00	-	408	-
UNIPETROL AUSTRIA H.m.b.H.	Vídeň	2 901	100,00	-	2 901	-
Jointly controlled entities						
ČESKÁ RAFINÉRSKÁ, a.s. *)	Litvínov	3 872 299	51,22	-	3 872 299	921 972
Butadien Kralupy a. s.	Kralupy	162 194	51,00	-	162 194	-
Other investments						
ORLEN MALTA HOLDING	La Valeta	522	-	-	522	-
Spolek pro chemickou a hutní výrobu, akciová společnost	Ústí nad Labem	0.2	-	-	0.2	-
UNIPETROL DOPRAVA s.r.o.	Litvínov	1 799	0,12	-	1 799	292
UNIPETROL SLOVENSKO s.r.o.	Bratislava	95	13,04	-	95	-
PETROTRANS, s.r.o.	Praha	781	0,63	-	781	332
POLYMER INSTITUTE BRNO, spol. s r.o.	Brno	954	1,00	-	954	142
UNIPETROL Deutschland GmbH	Langen/Hessen	101	0,10	-	101	52
Total		**16 994 300**	**-**	**3 003 319**	**13 990 981**	**967 909**

*) In line with Articles of Association, adoption of decisions on all important matters in ČESKÁ RAFINÉRSKÁ, a.s. requires 67.5% or greater majority of all votes.

Shares in related parties as at 31 December 2012 were as follows:

Name of the entity	Registered office	Cost of investment	Ownership percentage	Impairment	Carrying amount	Dividend income for the year
Subsidiaries						
UNIPETROL RPA, s.r.o.	Litvínov	7 360 335	100,00	-	7 360 335	-
Výzkumný ústav anorganické chemie, a.s.	Ústí nad Labem	59 172	100,00	7 860	51 312	-
BENZINA, s.r.o.	Praha 4	4 181 070	100,00	1 922 070	2 259 000	-
PARAMO, a.s.	Pardubice	545 389	100.00	367 389	178 000	-
UNIPETROL SERVICES, s.r.o.	Litvínov	100 280	100,00	-	100 280	33 670
UNIPETROL RAFINÉRIE, s.r.o.	Praha	408	100,00	-	408	-
UNIPETROL AUSTRIA H.m.b.H.	Vídeň	2 901	100,00	-	2 901	-
Jointly controlled entities						
ČESKÁ RAFINÉRSKÁ, a.s. *)	Litvínov	3 872 299	51,22	-	3 872 299	140 798
Butadien Kralupy a. s.	Kralupy	162 194	51,00	-	162 194	-
Other investments						
ORLEN MALTA HOLDING	La Valeta	522	-	-	522	-
Spolek pro chemickou a hutní výrobu, akciová společnost	Ústí nad Labem	0.2	-	-	0.2	-
UNIPETROL DOPRAVA s.r.o.	Litvínov	1 799	0,12	-	1 799	216
UNIPETROL SLOVENSKO s.r.o.	Bratislava	95	13,04	-	95	20 278
PETROTRANS, s.r.o.	Praha	781	0,63	-	781	362
POLYMER INSTITUTE BRNO, spol. s r.o.	Brno	954	1,00	-	954	177
UNIPETROL Deutschland GmbH	Langen/Hessen	101	0,10	-	101	53
Total		**16 288 300**	**-**	**2 297 319**	**13 990 981**	**195 554**

*) In line with Articles of Association, adoption of decisions on all important matters in ČESKÁ RAFINÉRSKÁ, a.s. requires 67.5% or greater majority of all votes.

The Company had equity investments of CZK 13 990 981 thousand as at 31 December 2013 and 31 December 2012 which represent ownership interests in companies that do not have a quoted market price and whose fair value cannot be reliably measured and therefore are carried at acquisition cost less any impairment losses.

NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

10. SHARES IN RELATED PARTIES (CONTINUED)

In February 2013 the Company increased the share capital in its subsidiary PARAMO, a.s. by converting loans granted to the entity in amount of CZK 706 000 thousand. The value of CZK 706 000 thousand represented the gross book value of the loan fully impaired in previous years due to uncertainty of PARAMO, a.s. ability to repay these loans. The impairment charge in amount of CZK 706 000 thousand was reclassified to the Shares in related parties.

11. OTHER NON-CURRENT ASSETS

	31/12/2013	31/12/2012
Loans granted	1 519 519	334 651
Financial assets	**1 519 519**	**334 651**
Prepayments	-	186
Non-financial assets	**-**	**186**
	1 519 519	**334 837**

	2013	2012
At the beginning of the period	334 837	2 382 459
Loans granted	1 400 000	-
Reclassification to current from non-current loans to subsidiaries	(215 318)	(2 047 622)
	1 519 519	**334 837**

Loans granted to subsidiaries

During year 2013 the Company provided a non-current loan to BENZINA s.r.o. in amount of CZK 1 400 000 thousand. The loan will be repaid within 3 years and interest rate is based on 6M PRIBOR. The fair value of loan approximates its carrying amount.

As at 31 December 2013 the Company had non-current loan in amount of CZK 119 519 thousand (31 December 2012: CZK 334 651 thousand) granted to its jointly controlled entity Butadien Kralupy a.s. The loan is repayable by regular fixed instalments over next 4 years and interest rates are based on 6M PRIBOR. The fair value of loan approximates its carrying amount.

12. TRADE AND OTHER RECEIVABLES

	31/12/2013	31/12/2012
Trade receivables	144 908	183 398
Other	2 837	231
Financial assets	**147 745**	**183 629**
Other taxation, duty, social security receivables	-	4 410
Prepayments and deffered costs	3 147	3 656
Non-financial assets	**3 147**	**8 066**
Receivables, net	**150 892**	**191 695**
Receivables impairment allowance	120 763	120 730
Receivables, gross	**271 655**	**312 425**

Trade receivables result primarily from sales of services. The management considers that the carrying amount of trade receivables approximates their fair value.

The Company exposure to credit and currency risk related to trade and other receivables is disclosed in note 24 and detailed information about receivables from related parties is presented in note 29.

Movement in the impairment loss allowance

	31/12/2013	31/12/2012
At the beginning of the period	120 730	131 405
Recognition	321	-
Reversal	(60)	(10 675)
Usage	(228)	-
	120 763	**120 730**

The Company sets impairment charges based on analysis of customers' creditworthiness and ageing of receivables. In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the debtor from the date credit was initially granted up to the reporting date. Accordingly, the management considers that there is no further credit risk allowance required in excess of the allowance for impairment charges.

Increases and reversals of impairment allowances in respect of principal amount of trade and other receivables are included in other operating expense or income and in respect of interest for delayed payments in financial expense or income.

NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

13. OTHER FINANCIAL ASSETS

	31/12/2013	31/12/2012
Loans granted	10 051 766	10 906 409
Cash pool	2 637 539	1 066 791
	12 689 305	**11 973 200**
Impairment allowance	-	(722 019)
Gross book value	**12 689 305**	**12 695 219**

Loans and cash pool granted

The Company provided financing to its subsidiaries: UNIPETROL RPA, s.r.o., BENZINA, s.r.o., Butadien Kralupy a.s., PARAMO, a.s and MOGUL SLOVAKIA, s.r.o.

The interest rates were based on appropriate inter-bank rates and fair value of loans approximates their carrying amount except for the loan provided to BENZINA, s.r.o. in 1998. This loan carries interest of 9.97% p.a. As at 31 December 2012 the carrying amount of the loan provided to BENZINA, s.r.o. was CZK 2 035 451 thousand and fair value as at 31 December 2012 amounted to CZK 2 208 530 thousand. This loan was repaid during year 2013.

The current loans provided to subsidiaries are not collateralised. The current loans to subsidiaries as at 31 December 2012 included the portion of non-current loans due within one year in amount of CZK 2 083 259 thousand.

The analysis of current loans by currency of denomination is presented in the Note 24.

14. CASH AND CASH EQUIVALENTS

	31/12/2013	31/12/2012
Cash on hand and in bank	157 802	1 294 067
	157 802	**1 294 067**

The carrying amount of these assets approximates their fair value.

15. SHAREHOLDERS' EQUITY

15.1 Share capital

The issued capital of the Company as at 31 December 2013 amounted to CZK 18 133 476 thousand (2012: CZK 18 133 476 thousand). This represents 181 334 764 (2012: 181 334 764) bearer ordinary shares, each with a nominal value of CZK 100. All issued shares have been fully paid and bear equal voting rights. The Company's shares are listed on the Prague stock exchange.

15.2 Statutory reserves

In accordance with the Czech Commercial Code, joint stock companies are required to establish a reserve fund for possible future losses and other events. Contributions must be a minimum of 20% of the profit for the period in the first year in which profits are generated and 5% of profit each year thereafter until the fund reaches at least 20% of the issued capital. The balance of the Statutory reserve fund as at 31 December 2013 amounted to CZK1 671 671 thousand (31 December 2012: CZK 1 651 472 thousand).

15.3 Revaluation reserve

Revaluation reserve comprises the difference between the net book value and fair value of the property as at the date of reclassification of the property occupied by the Company and recognised as an investment property.

15.4 Retained earnings and dividends

Dividends

In accordance with appropriate Czech law, dividends can be paid from unconsolidated profit of the parent company. The Annual General Meeting of UNIPETROL, a.s. held on 24 June 2013 decided, pursuant to Article 12 (2) (v) of the Articles of Association of UNIPETROL, a.s., on distribution of the Company's profit generated on non-consolidated basis in 2012 in amount of CZK 403 972 thousand. Based on the decision the amount of CZK 20 199 thousand was allocated to the Company's Reserve Fund and CZK 383 774 thousand was transferred to retained earnings. The decision regarding appropriation of 2013 profit will be made on the annual meeting of shareholders, which will be held in May / June 2014.

15.5 Capital management policy

Capital management is performed on the Group level in order to protect the Group's ability to continue its operations as a going concern while maximizing returns for shareholders.

The Company monitors equity debt ratio (net financial leverage). As at 31 December 2013 and 31 December 2012 Company´s financial leverage amounted to 11.14% and 7.76%, respectively;

Net financial leverage = net debt / equity x 100
Net debt = Non-current loans and borrowings + current loans and borrowings + cash pool liabilities - cash and cash equivalents

NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

15.6 Earnings per share

Basic earnings per share

	2013	2012
Profit / (loss) for the period attributable to equity holders (in CZK '000)	937 692	403 972
Weighted average number of shares	181 334 764	181 334 764
Earnings per share (in CZK)	**5,17**	**2,23**

Diluted earnings per share

Diluted earnings per share are the same as basic earnings per share.

16. LOANS, BORROWINGS AND DEBT SECURITIES

	Long-term		Short-term		Total	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Bank loans	-	-	268 048	17 438	268 048	17 438
Borrowings	2 000 000	-	-	-	2 000 000	-
Debt securities	-	-	-	2 034 582	-	2 034 582
	-	**268 048**	**2 052 020**	**2 831 531**	**2 506 631**	**2 831 531**

Bank loans and cash pool agreements

During the year 2013 the Company had cash pool and loan agreements with the following banks, subsidiaries and related companies: Banks: CITIBANK a.s., ING Bank N.V., organizační složka, Česká spořitelna, a.s., and Nordea Bank Finland Plc.

Subsidiaries and related companies: UNIPETROL RPA, s.r.o., BENZINA, s.r.o., PARAMO, a.s., UNIPETROL DOPRAVA, s.r.o., POLYMER INSTITUTE BRNO, spol s r.o., PETROTRANS, s.r.o., UNIPETROL SERVICES, s.r.o., UNIPETROL SLOVENSKO, s.r.o., Butadien Kralupy a.s., MOGUL SLOVAKIA, s.r.o. a ORLEN FINANCE AB.

Cash held at bank accounts of above mentioned banks is drawn by the Company and above mentioned subsidiaries. The contracts enable to access bank loans from CZK 850 000 thousand to CZK 2 700 000 thousand from each bank. Interest income/expense are calculated from the drawn amount and consequently divided among the parties involved.

Loan granted by PKN Orlen S.A.

On 12 December 2013 the Company signed a mid-term loan agreement with its majority shareholder PKN ORLEN S.A. Based on the Agreement, Unipetrol will receive a mid-term loan in the amount of CZK 4 000 000 thousand. The purpose of the loan is the diversification of Unipetrol's funding sources and extension of their maturity.

The loan has been divided into two tranches of CZK 2 billion each. First tranche was received 17 December 2013 and second tranche in January 2014.

The loan has a 3-year maturity, i.e. each tranche 36 months from its reception. Interests will be paid semi-annually and will be based on 6 months PRIBOR plus fixed margin. Pricing is in line with currently prevailing market conditions for 3-year loans provided in CZK.

Unsecured bonds issued

In 1998 the Company issued 2,000 bonds at a total nominal value of CZK 2 000 000 thousand. The bonds matured in 2013 at their nominal value of CZK 2 000 000 thousand. The interest rate was 0% p.a. for the first two years and 12.53% p.a. in subsequent years. The effective interest rate was 9.82%. Interest was payable on an annual basis. Interest expense was accrued using the effective interest rate method. The bonds were repaid in December 2013.

Analyses of bank loans

- by currency (translated into CZK)

	31/12/2013	31/12/2012
CZK	206 319	46
EUR	42 576	16 922
USD	19 153	470
	268 048	**17 438**

- by interest rate

	31/12/2013	31/12/2012
PRIBOR	206 319	46
EURIBOR	42 576	16 922
LIBOR	19 153	470
	268 048	**17 438**

Short-term bank loans are subject to variable interests and their carrying amounts approximate fair values. Average effective interest rate as at 31 December 2013 was 0.73% (31 December 2012: 1.17%).

Disclosures resulting from IFRS 7 relating to loans and borrowings are included in note 24 and are presented jointly with other financial instruments.

NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

17. TRADE AND OTHER LIABILITIES

	31/12/2013	31/12/2012
Trade liabilities	28 791	81 161
Investment liabilities	46	-
Dividends	34 905	35 140
Other	15 619	10 811
Financial liabilities	**79 361**	**127 112**
Prepayments for deliveries	-	80
Payroll liabilities	10 446	5 100
Value added tax	6 920	-
Other taxation, duties, social security and other benefits	5 346	2 103
Accruals	34 789	28 677
holiday pay accrual	1 297	2 514
wages accrual	33 492	26 163
Non-financial liabilities	**57 502**	**35 960**
	136 863	**163 072**

The management considers that the carrying amount of trade and other payables and accruals approximate their fair value.

18. OTHER FINANCIAL LIABILITIES

The Company presents Cash pool liabilities to subsidiaries and related entities in amount of CZK 825 475 thousand as at 31 December 2013 (CZK 1 215 881 thousand as at 31 December 2012). The description of cash pool agreements is presented in note 16.

19. REVENUES

	2013	2012
Fees for use of lands	112 719	108 710
Revenues from services	28 291	39 105
	141 010	**147 815**

20. OPERATING EXPENSES

20.1 Cost of sales

	2013	2012
Cost of services sold	(84 842)	(67 710)
	(84 842)	**(67 710)**

20.2 Cost by nature

	2013	2012
Materials and energy	(2 476)	(2 444)
External services	(109 880)	(96 847)
Employee benefits	(162 861)	(122 485)
Depreciation and amortisation	(2 291)	(2 497)
Taxes and charges	(10 311)	(10 515)
Repairs and maintenance	(796)	(1 429)
Insurance	(1 200)	(654)
Other	(823)	(8 740)
Operating expenses	**(290 638)**	**(245 611)**
Administrative expenses	204 030	174 890
Other operating expenses	1 766	3 011
Cost of sales	**(84 842)**	**(67 710)**

20.3 Employee benefits

	2013	2012
Payroll expenses	(114 566)	(85 992)
Social security expenses	(26 497)	(19 371)
Other employee benefits expenses	(21 798)	(17 122)
	(162 861)	**(122 485)**

NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

20.3.1 Employee benefits - additional information

2013	Employees	Key Management	Audit Committee	Board of Directors	Supervisory Board	Total
Payroll expenses	(63 168)	(41 007)	(747)	(3 078)	(6 566)	(114 566)
Social security expenses	(16 547)	(7 300)	(155)	(489)	(2 006)	(26 497)
Other employee benefits expenses	(12 294)	(9 504)	-	-	-	(21 798)
	(92 009)	**(57 811)**	**(902)**	**(3 567)**	**(8 572)**	**(162 861)**
Number of employees average per year						41.42
Number of employees as at balance sheet day						47

2012	Employees	Key Management	Audit committee	Board of directors	Supervisory board	Total
Payroll expenses	(39 448)	(36 995)	(960)	(2 949)	(5 640)	(85 992)
Social security expenses	(10 478)	(6 261)	(326)	(388)	(1 918)	(19 371)
Other employee benefits expenses	(10 308)	(6 814)	-	-	-	(17 122)
	(60 234)	**(50 070)**	**(1 286)**	**(3 337)**	**(7 558)**	**(122 485)**
Number of employees average per year						37.80
Number of employees as at balance sheet day						41

21. OTHER OPERATING INCOME AND EXPENSES

21.1 Other operating income

	2013	2012
Profit on sale of non-current non-financial asets	1 227	178
Reversal of provisions	325	-
Reversal of receivables impairment allowances	60	10 675
Penalties and compensations earned	161	3 191
Other	1 485	4 743
	3 258	**18 787**

21.2 Other operating expenses

	2013	2012
Recognition of receivables impairment allowances	(321)	-
Donations	(1 382)	(223)
Write off receivable	-	(2 732)
Other	(63)	(56)
	(1 766)	**(3 011)**

22. FINANCE INCOME AND FINANCE COSTS

22.1 Finance income

	2013	2012
Interest	331 473	408 350
Dividends	967 909	195 554
Reversal of impairment to financial assets	16 019	161 880
Other	4 375	6 794
	1 319 776	**772 578**

22.2 Finance costs

	2013	2012
Interest	(226 800)	(246 156)
Foreign exchange (loss) / surplus	(1 655)	(690)
Other	(4 972)	(10 849)
	(233 427)	**(257 695)**

23. TAX EXPENSE

	2013	2012
Tax expense recognized in the statement of profit or loss		
Current income tax	(3 575)	(28 480)
Deferred income tax	1 288	(3 422)
	(2 287)	**(31 902)**

Domestic income tax is calculated in accordance with Czech tax regulations at the rate of 19% in 2013 (2012: 19%) of the estimated taxable income for the year. The deferred tax has been calculated using tax rate approved for years 2013 and forward i.e. 19%.

NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

23.1 The differences between income tax expense recognized in profit or loss and the amount calculated based on profit before tax

Reconciliation of effective tax rate

	2013	2012
Profit for the year	937 692	403 972
Total income tax expense	(2 287)	(31 902)
Profit excluding income tax	939 979	435 874
Income tax using domestic income tax rate	(178 596)	(82 816)
Effect of tax rates in foreign jurisdictions	-	(128)
Non-deductible expenses	(9 511)	(5 852)
Tax exempt income	183 903	67 925
Under (over) provided in prior periods	183	(5 435)
Other differencies	1 734	(5 596)
Total income tax expense	**(2 287)**	**(31 902)**
Effective tax rate	**(0.24%)**	**(7.30%)**

23.2 Deferred tax assets and liabilities

Deferred income taxes result from future tax benefits and costs related to the differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. The deferred income taxes have been calculated using the tax rate expected to apply to periods when the respective asset is realized or liability is settled (i.e. 19% in 2013 and onward).

	31/12/2012	Deferred tax recognized in statement of profit or loss	31/12/2013
Deferred tax assets			
Employee benefit costs	5 525	1 149	6 674
	5 525	1 149	6 674
Deferred tax liabilities			
Property, plant and equipment	(265)	139	(126)
Investment property	(118 586)	-	(118 586)
	(118 851)	139	(118 712)
	(113 326)	**1 288**	**(112 038)**

NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

24. FINANCIAL INSTRUMENTS

24.1 Financial instruments by category and class

Financial assets
as at 31 December 2013

Financial instruments by class	Note	Financial instruments by category: Loans and receivables	Financial assets available for sale	Total
Unquoted shares	*10*	-	13 990 981	13 990 981
Trade receivables	*12*	144 908	-	144 908
Loans granted	*11,13*	14 208 824	-	14 208 824
Cash and cash equivalents	*14*	157 802	-	157 802
Other		2 837	-	2 837
		14 514 371	**13 990 981**	**28 505 352**

as at 31 December 2012

Financial instruments by class	Note	Financial instruments by category: Loans and receivables	Financial assets available for sale	Total
Unquoted shares	*10*	-	13 990 981	13 990 981
Trade receivables	*12*	183 398	-	183 398
Loans granted	*11,13*	12 307 852	-	12 307 852
Cash and cash equivalents	*14*	1 294 067	-	1 294 067
Other		231	-	231
		13 785 548	**13 990 981**	**27 776 529**

Financial liabilities
as at 31 December 2013

Financial instruments by class	Note	Financial instruments by category: Valued at amortized cost	Total
Non-current loans and borrowings	*16*	2 000 000	2 000 000
Current loans and borrowings	*16*	268 048	268 048
Trade and other payables and accruals	*17*	79 361	79 361
Other financial liabilities	*18*	825 475	825 475
		3 172 884	**3 172 884**

as at 31 December 2012

Financial instruments by class	Note	Financial instruments by category: Valued at amortized cost	Total
Current loans and borrowings	*16*	2 052 020	2 052 020
Trade and other payables and accruals	*17*	127 112	127 112
Other financial liabilities	*18*	1 215 880	1 215 880
		3 395 012	**3 395 012**

24.2 Income and costs, gain and loss in the statement of profit or loss and other comprehensive income

For the year ended as at 31 December 2013

	Financial instruments by category: Loans and receivables	Financial assets available for sale	Financial liabilities measured at amortised cost	Total
Interest income	331 473	-	-	331 473
Interest cots	-	-	(226 800)	(226 800)
Foreign exchange gain/(loss)	3 493	-	(5 148)	(1 655)
Recognition/reversal of receivables impairment allowances recognized in:				
other operating income/(expenses)	(261)	-	-	(261)
Valuation of financial assets availbale for sale	-	16 019	-	16 019
Other	2	-	(4 972)	(4 970)
	334 707	**16 019**	**(236 921)**	**113 805**

For the year ended as at 31 December 2012

	Financial instruments by category: Loans and receivables	Financial assets available for sale	Financial liabilities measured at amortised cost	Total
Interest income	408 350	-	-	408 350
Interest cots		-	(246 156)	(246 156)
Foreign exchange gain/(loss)	(4 890)	-	4 200	(690)
Recognition/reversal of receivables impairment allowances recognized in:				
other operating income/(expenses)	10 675	-	-	10 675
Other	6 794	-	(10 849)	(4 055)
	420 929	**-**	**(252 805)**	**168 124**

NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

24.3 Financial risk management

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the risks outlined below relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other market price risk), credit risk and liquidity risk.

The Company seeks to minimize the effects of these risks by using natural hedging and derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess funds. Compliance with policies and exposure limits is reviewed by the internal auditors on a regular basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

24.4 Credit risk

The Company has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Loans granted (notes 11 and 13) and receivables (note 12) principally consist of amounts due from subsidiaries and jointly controlled entities. The Company does not require collateral in respect of these financial assets. The Company's management monitors the most significant debtors and assesses their creditworthiness. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of financial position.

Based on the analysis of loans and receivables the counterparties were divided into two groups:
- I group – counterparties with good or very good history of cooperation in the current year,
- II group – other counterparties

Non-past due loans and receivables	31/12/2013	31/12/2012
Group I	14 514 371	13 785 548
Group II	-	-
Total non-past due loans and trade receivables	**14 514 371**	**13 785 548**

The carrying amount of financial assets represents the maximum credit exposure.
The Company does not have any past due, not impaired financial assets.
The maximum credit risk in respect of each class of financial assets is equal to the book value.

24.5 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate liquid funds, borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.
As at 31 December 2013 and 31 December 2012 the maximum available credit facilities relating to bank loans amounted to CZK 10 750 000 thousand and CZK 10 785 000 thousand respectively, of which as at 31 December 2013 and 31 December 2012 CZK 10 481 952 thousand and CZK 8 732 980 thousand respectively remained unused.

Liquidity risk tables
The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities using the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

Contractual maturity of non-derivative financial liabilities

	31/12/2013				
	Note	up to 1 year	from 1 to 3 years	Total	Carrying amount
Loans - undiscounted value	*16*	1 136 936	2 086 827	3 223 763	3 093 523
Trade liabilities	*17*	79 361	-	79 361	79 361
		1 216 297	**2 086 827**	**3 303 124**	**3 172 884**

	31/12/2012				
	Note	up to 1 year	from 1 to 3 years	Total	Carrying amount
Loans - undiscounted value	*16*	3 267 901	-	3 267 901	3 267 901
Trade liabilities	*17*	127 112	-	127 112	127 112
		3 395 013	**-**	**3 395 013**	**3 395 013**

NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

24.6 Market risk

The Company's activities are exposed primarily to the risks of changes in foreign currency exchange rates, and interest rates. The Company can enter into financial derivative contracts to manage its exposure to interest rate and currency risk.

24.6.1 Currency risk

The currency risk arises most significantly from the exposure of trade payables and receivables denominated in foreign currencies, and the foreign currency denominated loans and borrowings. Foreign exchange risk regarding trade payables and receivables is mostly covered by natural hedging of trade payables and receivables denominated in the same currencies. Hedging instruments (forwards, currency swaps) also could be used, to cover significant foreign exchange risk exposure of trade payables and receivables not covered by natural hedging.

Currency structure of financial instruments as at 31 December 2013

	CZK	EUR	USD	Other currencies after translation to CZK	Total after translation to CZK
Financial assets					
Unquoted shares	13 987 979	3 002	-	-	13 990 981
Trade receivables	142 402	34	2 472	-	144 908
Loans granted	14 103 215	85 721	19 888	-	14 208 824
Cash and cash equivalents	24 338	4 118	129 346	-	157 802
Other	2 837	-	-	-	2 837
	28 260 771	**92 875**	**151 706**	**-**	**28 505 352**
Financial liabilities					
Loans	2 857 853	86 726	148 944	-	3 093 523
Trade liabilities	70 924	7 888	199	350	79 361
	2 928 777	**94 614**	**149 143**	**350**	**3 172 884**

Currency structure of financial instruments as at 31 December 2012

	CZK	EUR	USD	Other currencies after translation to CZK	Total after translation to CZK
Financial assets					
Unquoted shares	13 987 979	3 002	-	-	13 990 981
Trade receivables	181 308	85	2 006	-	183 399
Loans granted	12 279 893	27 263	696	-	12 307 852
Cash and cash equivalents	1 214 419	69 131	10 516	-	1 294 067
Other	231	-	-	-	231
	27 663 830	**99 481**	**13 218**	**-**	**27 776 530**
Financial liabilities					
Loans	3 170 673	86 272	10 956	-	3 267 901
Trade liabilities	126 306	319	191	296	127 112
	3 296 979	**86 591**	**11 147**	**296**	**3 395 013**

<u>Foreign currency sensitivity analysis</u>

The Company is mainly exposed to the fluctuation of exchange rates of CZK/USD and CZK/EUR.

The following table details the Company's sensitivity to percentage increase and decrease in the CZK against the relevant foreign currencies.

Sensitivity analysis for currency risk as at 31 December 2013

	Influence on profit before tax			
	Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/CZK	15%	(261)	15%	261
USD/CZK	15%	384	15%	(384)
		124		**(124)**

Sensitivity analysis for currency risk as at 31 December 2012

	Influence on profit before tax			
	Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/CZK	15%	1 933	15%	(1 933)
USD/CZK	15%	311	15%	(311)
		2 244		**(2 244)**

NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

24.6.2 Interest rate risk

The Company is exposed to the risk of volatility of cash flows arising from interest rate loans and cash pool arrangements granted and taken.

Interest rate structure of financial instruments:

	PRIBOR		EURIBOR		LIBOR		Carying amount	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Financial assets								
Loans granted	14 103 215	12 279 893	85 721	27 263	19 888	696	14 208 824	12 307 852
Financial liabilities								
Loans	2 857 853	3 170 673	86 726	86 272	148 944	86 272	3 093 523	3 267 901

Interest rate sensitivity analysis

The influence of financial instruments on profit before tax and hedging reserve due to changes in significant interest rates:

Interest rate	Assumed variation (in basis points)		Influence on profit before tax		Total	
	31/12/2013	31/12/2012	2013	2012	2013	2012
Financial assets						
EURIBOR	50	50	429	136	429	136
LIBOR	50	50	99	3	99	3
PRIBOR	50	50	70 516	61 399	70 516	61 399
			71 044	**61 539**	**71 044**	**61 539**
Financial liabilities						
EURIBOR	50	50	434	431	434	431
LIBOR	50	50	745	55	745	55
PRIBOR	50	50	14 289	15 853	14 289	15 853
			15 468	**16 340**	**15 468**	**16 340**

The above interest rates variations were calculated based on observations of interest rates fluctuations in the current and prior year as well as on the basis of available forecasts.
The sensitivity analysis was performed on the basis of instruments held as at 31 December 2013 and 31 December 2012. The influence of interest rates changes was presented on annual basis.

25. FAIR VALUE DETERMINATION

25.1 Financial instrument for which fair value cannot be measured reliably

As at 31 December 2013 and 31 December 2012 the Company held unquoted shares in entities amounting to CZK 13 990 981 thousand, for which fair value cannot be reliably measured, due to the fact that there are no active markets for these entities and no comparable transactions in the same type of instruments. Above mentioned shares were recognized as financial assets available for sale and measured at acquisition cost less impairment allowances. As at 31 December 2013 there are no binding decisions relating to the means and dates of disposal of those assets.

25.2 Methods applied in determining fair values of financial instruments (fair value hierarchy)

Fair value of shares quoted on active markets is determined based on market quotations (so called Level 1). In other cases, fair value is determined based on other input data, apart from market quotations, which are directly or indirectly possible to observe (so called Level 2) and data to valuation, which aren't based on observable market data (Level 3).
Financial assets and liabilities carried at fair value by the Company belong to Level 2 as defined by IFRS.
In the year ended 31 December 2013 and the comparative period in the Company were no transfers between Levels 1, 2 and 3.

Investment property

The Company applied the revenue approach to investment property with carrying amount of CZK 1 156 442 thousand as at 31 December 2013 (31 December 2012: CZK 1 149 081 thousand). In the revenue approach the calculation was based on the discounted cash flow method. The discount rate used reflects the relation, as expected by the buyer, between yearly revenue from an investment property and expenditures required to purchase investment property. Forecasts of discounted cash flows relating to the property consider arrangements included in all rent agreements as well as external data, e.g. current market rent charges for similar property, in the same location, technical conditions, standard and designed for similar purposes. The investment property valued under revenue approach is classified to the Level 3 defined by IFRS 7.

NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

25.3 25.2 Methods applied in determining fair values of financial instruments (fair value hierarchy) (continued)

The movements in the assets classified to the Level 3 fair values were as follows:

	31/12/2013	31/12/2012
Beginning of the period	1 149 081	1 143 777
Transfer from Property plant and equipment	7 361	5 305
	1 156 442	**1 149 081**

Sensitivity analysis of changes in fair value of investment property classified under Level 3 fair value

Analysis of the influence of potential changes in the fair value of investment property on profit before tax in relation to a hypothetical change in discount rate:

	Level 3			
	Increase	Total influence	Decrease	Total influence
Change in discount rate	+1pp	(88 774)	-1pp	88 774

26. LEASES

26.1 The Company as lessee

Operating lease

At the balance sheet date the Company possessed non-cancellable operating lease arrangements as a lessee.

Future minimum lease payments under non–cancellable operating lease agreements were as follows:

	31/12/2013	31/12/2012
No later than one year	6 119	6 207
Later than one year and not later than five years inclusive	26 515	24 827
Later than five years	-	5 172
	32 634	**36 206**

The Company leases vehicles and offices under operating leases. The vehicle leases typically run for a two year period. Lease payments are increased annually to reflect market conditions. None of the leases includes contingent rentals.

Payments recognized as an expense were as follows:

	2013	2012
Non-cancellable operating lease	5 014	6 207
Cancellable operating lease	6 316	5 763
	11 330	**11 970**

Finance lease

At the balance sheet date, the Company did not possess any finance lease arrangements as a lessee.

26.2 The Company as lessor

As at 31 December 2013 and as at 31 December 2012 the Company did not possess any finance or operating lease agreements as a lessor.

27. CONTINGENT LIABILITIES

Contingent liabilities and commitments related to the sale of shares in KAUČUK, a.s. (currently SYNTHOS Kralupy a.s.)

On 30 January 2007, UNIPETROL, a.s., as seller, and FIRMA CHEMICZNA DWORY S.A., with its registered office at ul. Chemików 1, 32-600 Oświęcim, Poland, KRS No.: 38981 ("Dwory"), as purchaser, executed the Share Purchase Agreement (the "Share Purchase Agreement") on sale of 100% shares of SYNTHOS Kralupy a.s., with its registered office at Kralupy nad Vltavou, O. Wichterleho 810, District Mělník, Postal Code: 278 52, Czech Republic, Id. No: 25053272.

Determination of Liability for the Impacts of the Operation of SYNTHOS Kralupy a.s. on the Environment

The environmental audit of plots of land owned by UNIPETROL, a.s. and used by SYNTHOS Kralupy a.s. was performed for the purpose of determining the liability of contractual parties arising from the existing or future impacts of SYNTHOS Kralupy a.s.´s operation on the environment.

The Share Purchase Agreement provides that liability for the environmental conditions originating prior to the closing of the transaction lies with UNIPETROL, a.s. and liability for the environmental conditions originating after the closing of the transaction lies with Dwory. Liability of the contractual parties for the environmental conditions is limited up to 10% of the purchase price paid by Dwory for the shares in SYNTHOS Kralupy a.s. and the claim notice period available to Dwory was 5 years from closing of the transaction.

The Company's management, based on the available information and current knowledge of the situation, does not expect any additional expense / payment related to the described issue.

27. CONTINGENT LIABILITIES (CONTINUED)

Execution of an Agreement on Pre-emptive Right to Plots of Land Owned by UNIPETROL, a.s. and Used by SYNTHOS Kralupy a.s. for Its Operations

On 10 July 2007, UNIPETROL, a.s. and SYNTHOS Kralupy a.s. executed the agreement pursuant to which UNIPETROL, a.s. undertook to create in favour of SYNTHOS Kralupy a.s. the pre-emptive right and other rights to certain plots of land owned by UNIPETROL, a.s. in an industrial area in Kralupy nad Vltavou which are used by SYNTHOS Kralupy a.s. for its operations.

The share purchase agreement anticipates that the sale of the subject plots of land will be realized after satisfaction of all administrative, operational and legal conditions necessary for a split of parts of industrial area in Kralupy nad Vltavou.

Apart from the foregoing, the sale of shares of SYNTHOS Kralupy a.s. owned by UNIPETROL, a.s. to Dwory was based on the following major principles, among others:

- uninterrupted operation of the present butadiene unit;
- contractual satisfaction of supplies of energies, steam, water and other services within the industrial area in Kralupy nad Vltavou which are at present provided by SYNTHOS Kralupy a.s. to ČESKÁ RAFINÉRSKÁ, a.s.; and
- continuation of all important agreements with the companies of Unipetrol Group and further operation of the energy unit.

The Company's management, based on available information and current knowledge of the situation, does not expect any additional expense / payment related to the described issue.

Contingent liabilities related to the sale of shares in SPOLANA a.s.

The purchase price, in accordance with the share purchase agreement entered into in 2006 between UNIPETROL, a.s., and Zakłady Azotowe ANWIL Spółka Akcyjna (further Anwil), may be subject to price adjustments which would result mainly on the occurrence of any of the following events:

- Environmental guarantees provided by the National Property Fund of the Czech Republic will not be sufficient for compensation of costs for the environmental damage remediation of the Old Amalgam Electrolysis project.
  In this case UNIPETROL, a.s. will be obligated to financially indemnify Anwil up to 40% of the purchase price provided that all necessary steps will have been taken by Anwil and SPOLANA a.s. without success for obtaining additional funds for this purpose.
- Other potential obstacles in the future operation of SPOLANA a.s. In this case UNIPETROL, a.s. will be obligated to financially indemnify Anwil up to 1-3% of the purchase price.

The Company's management, based on available information and current knowledge of the situation, does not expect any additional expense / payment related to the described issue.

Purchase of shares of PARAMO, a.s.

In January 2009 UNIPETROL, a.s. effected a squeeze out of PARAMO, a.s. shares within the meaning of Sections 183i et seq. of the Commercial Code and became sole shareholder of PARAMO, a.s.

In accordance with the resolutions of the Extraordinary General Meeting of PARAMO, a.s. of 6 January 2009, all other shares in PARAMO, a.s were transferred to the Company and the Company provided to the other shareholders of PARAMO, a.s. and/or pledges, the monetary consideration of CZK 977 per share of PARAMO, a.s. On 4 February 2009 the registration of the above resolution of the Extraordinary General Meeting was published in the Czech Commercial Register. Pursuant to the Czech Commercial Code, the ownership title to shares of the other shareholders passed to the Company on 4 March 2009 upon expiration of one month from the above publication and UNIPETROL, a.s. became the sole shareholder of PARAMO, a.s.

In connection with the squeeze-out, certain minority shareholders of PARAMO, a.s. filed a petition with the Regional Court in Hradec Králové for a review of the adequacy of compensation within the meaning of the Czech Commercial Code. The case is now pending at the Regional Court in Hradec Kralove.

Furthermore some former minority shareholders of PARAMO, a.s. requested the Regional Court in Hradec Králové to declare the invalidity of PARAMO, a.s. general meeting resolution dated 6 January 2009 and the District Court in Prague 4 to review the decision of 28 November 2008 by which the Czech National Bank granted in accordance with Section 183n(1) of the Czech Commercial Code its previous approval with the monetary consideration provided under the above squeeze-out.

Regarding the case for declaration of invalidity of the PARAMO, a.s., the Regional Court in Hradec Kralove dismissed the petition for declaration of invalidity of the PARAMO, a.s. general meeting resolution dated 6 January 2009. Certain minority shareholders filed an extraordinary appeal against this decision and the case is now pending before the Supreme Court of the Czech Republic.

In the case of the proceedings concerning the previous approval of the Czech National Bank, the action was dismissed by the District Court for Prague 4 in favor of the Czech National Bank and UNIPETROL, a.s. The proceedings are pending before the Municipal Court in Prague.

NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

27. CONTINGENT LIABILITIES (CONTINUED)

With respect to the above described facts regarding determination of consideration value, Czech National Bank decision and approval of the Extraordinary General Meeting of PARAMO, a.s., UNIPETROL, a.s. considers that the petition for review of reasonableness of consideration is unfounded.

The cassation appeal of certain minority shareholders concerning the invalidity of the General Meeting resolution was dismissed by the Supreme Court though the resolution dated 19 December 2013. The Supreme Court´s resolution is final and unappealable.

Support letter issued in favour of PARAMO, a.s.

The Company has confirmed in a letter of support its commitment to provide loan financing to its subsidiary PARAMO, a.s. for at least 12 months from the date of PARAMO, a.s. 2013 financial statements.

Guarantees issued

As part of the operational financing of UNIPETROL, a.s. , the bank guarantees in amount of CZK 589 million were provided for the companies: Unipetrol RPA, s.r.o. (in amount of CZK 541 million), UNIPETROL SERVICES, s.r.o. (in amount of 7 million CZK), BENZINA, s.r.o. (in amount of CZK 29 million) and PARAMO, a.s. (in amount of CZK 12 million).

Furthermore UNIPETROL, a.s. issued a guarantee for the company UNIPETROL RPA, s.r.o. in favor of ČEPRO, a.s to ensure the excise tax in the amount of CZK 150 million.

28. PAST ENVIROMENTAL LIABILITIES

The Company is the recipient of funds provided by the National Property Fund of the Czech Republic for settling environmental liabilities relating to historic environmental damage.
An overview of funds provided by the National Property Fund (currently administered by the Ministry of Finance) for the environmental contracts is provided below:

In CZK million	Total amount of funds to be provided	Used funds as at 31/12/2013	Unused funds as at 31/12/2013
UNIPETROL, a.s./ premises of UNIPETROL RPA, s.r.o.	6 012	3 688	2 324
UNIPETROL, a.s./ premises of SYNTHOS Kralupy a.s.	4 244	49	4 195
	10 256	**3 737**	**6 519**

In CZK million	Total amount of funds to be provided	Used funds as at 31/12/2012	Unused funds as at 31/12/2012
UNIPETROL, a.s./ premises of UNIPETROL RPA, s.r.o.	6 012	3 395	2 617
UNIPETROL, a.s./ premises of SYNTHOS Kralupy a.s.	4 244	48	4 196
	10 256	**3 443**	**6 813**

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29. RELATED PARTIES

29.1 Material transactions concluded by the Company with related parties

In year ended 31 December 2013 and in 2012 there were no transactions concluded by the Company with related parties on other than market terms.

29.2 Transactions with key management personnel

In year ended 31 December 2013 and in 2012 the Company did not grant to key management personnel and their relatives any advances, loans, guarantees and commitments or other agreements obliging them to render services to Company and related parties. In year ended 31 December 2013 and in 2012 there were no significant transactions concluded with members of the Board of Directors, Supervisory Board, their spouses, siblings, descendants, ascendants or their other relatives.

29.3 Transaction with related parties concluded by key management personnel of the Company

In year ended 31 December 2013 and in 2012 members of the key management personnel of the Parent Company and the Group companies submitted statements that they have not concluded any transaction with related parties.

29.4 Transactions and balances of settlements of the Company with related parties

Parent and ultimate controlling party

During 2013 and 2012 a majority (62.99%) of the Company's shares were in possession of POLSKI KONCERN NAFTOWY ORLEN S.A.

2013	PKN Orlen	Parties under control or significant influence of UNIPETROL, a.s.	Entities under control or significant influence of PKN
Sales	388	118 272	8
Purchases	2 035	38 188	11
Finance income, including	-	1 303 539	-
dividends	-	967 909	-
Finance costs	1 850	72	9

31/12/2013	PKN Orlen	Parties under control or significant influence of UNIPETROL, a.s.	Entities under control or significant influence of PKN
Long term receivables and loans granted	-	1 519 519	-
Short term financial assets	-	12 689 294	11
Trade and other receivables	372	103 144	1
Trade and other liabilities, loans	2 002 109	830 140	3

2012	PKN Orlen	Parties under control or significant influence of UNIPETROL, a.s.	Entities under control or significant influence of PKN
Sales	37	126 450	14
Purchases	1 580	46 171	-
Finance income, including	-	601 081	-
dividends	-	195 554	-
Finance costs	-	165 019	-

31/12/2012	PKN Orlen	Parties under control or significant influence of UNIPETROL, a.s.	Entities under control or significant influence of PKN
Long term receivables and loans granted	-	334 838	-
Short term financial assets	-	12 151 198	2
Trade and other receivables	-	95 022	-
Trade and other liabilities, loans	286	1 229 648	-

NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

30. REMUNERATION PAID AND DUE OR POTENTIALLY DUE TO MANAGEMENT BOARD, SUPERVISORY BOARD AND OTHER MEMBERS OF KEY EXECUTIVE PERSONNEL IN ACCORDANCE WITH IAS 24

The Management Board's, the Supervisory Board's and other key executive personnel's remuneration includes short term employee benefits and termination benefits paid, due and potentially due during the period.

Key management personnel compensation

	2013		2012	
	Short-term benefits	Termination benefits	Short-term benefits	Termination benefits
Remuneration of current year	69 155	1 697	61 707	544
Paid for previous year	14 224	-	12 217	-
Potentially due to be paid in the following year	13 946	-	14 125	-

Further detailed information regarding remuneration of key management personnel is included in note 20.3.

30.1 Bonus system for key executive personnel of the Company

In 2013 the key executive personnel was participating in the annual MBO bonus system (management by objectives). The regulations applicable to Management Board, directors directly reporting to Management Boards of entities and other key positions have certain common features. The persons subject to the above mentioned systems are remunerated for the accomplishment of specific goals set at the beginning of the bonus period, by the Supervisory Board for the Management Board Members and by the Management Board members for the key executive personnel. The bonus systems are structured in such way, so as to promote the cooperation between individual employees in view to achieve the best possible results for the Company. The goals so-said are qualitative or quantitative (measurable) and are accounted for following the end of the year for which they were set, on the rules adopted in the applicable Bonus System Regulations. Regulation gives the possibility to promote employees, who significantly contribute to results generated by the Company.

30.2 The entitlements upon the termination of employment

The entitlements arising from contracts with key management personnel upon the termination of employment contained both a competition and a stabilization clause. The competition and stabilization clause ranges between three and six average monthly earnings or monthly base salary respectively.

31. SIGNIFICANT POST BALANCE SHEET EVENTS

Acquisition of 16.335% stake in ČESKÁ RAFINÉRSKÁ, a.s. from Shell

On 31 January 2014 UNIPETROL, a.s. ("Unipetrol") completed the transaction of acquisition of 152 701 shares of ČESKÁ RAFINÉRSKÁ, a.s. ("Česká rafinérská") amounting to 16.335% of the Česká rafinérská's share capital from Shell Overseas Investments B.V. ("Shell") following the conclusion of share purchase agreement on 7 November 2013. The acquisition price for the shares in amount of USD 27.2 million was settled by cash. The transaction was an opportunistic acquisition fully in line with Unipetrol Group Strategy 2013-2017 announced in June 2013 and supporting its execution thanks to: increasing security of petrochemical feedstock supplies, faster implementation of Operational Excellence initiatives and strengthening long-term presence on the Czech market.

Based on the completion of the transaction Unipetrol's stake on the Česká rafinérská's share capital has increased from 51.22% to 67.555%.

Unipetrol based on regulations included in IFRSs will continue to account for its investment in Ceska rafinerska as jointly controlled entity due to existence of collective control of all shareholders. Contractual arrangements between shareholders require unanimous consent of all shareholders in case of certain decision of significant importance for relevant activities of the entity.

The Company's management is not aware of any other events that have occurred since the balance sheet date that would have any material impact on the financial statements as at 31 December 2013.

32. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of directors meeting of the Company held on 12 March 2014.

Signature of statutory representatives	12 March 2014
Marek Świtajewski	
Marek Świtajewski	Mirosław Kastelik
Chairman of the Board of Directors	Member of the Board of Directors

UNIPETROL, a.s.

CONSOLIDATED
FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

FOR THE YEAR 2013

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

Consolidated statement of financial position

	NOTE	31/12/2013	31/12/2012 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	8	23 176 695	23 359 648
Investment property	9	427 482	423 349
Intangible assets	10	1 747 567	2 022 782
Financial assets available for sale	12	522	522
Deferred tax assets	30.2	258 655	308 748
Other non-current assets	13	53 226	55 563
		25 664 147	**26 170 612**
Current assets			
Inventories	15	10 705 258	10 568 822
Trade and other receivables	16	12 393 157	11 067 031
Other financial assets	17	48 725	32 703
Current tax receivables		70 095	34 188
Cash and cash equivalents	18	1 116 747	3 074 487
		24 333 982	**24 777 231**
Total assets		**49 998 129**	**50 947 843**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	19.1	18 133 476	18 133 476
Statutory reserves	19.2	2 643 849	2 584 286
Hedging reserve	19.3	(190 291)	(16 510)
Revaluation reserve	19.4	9 897	68 023
Foreign exchange differences on subsidiaries from consolidation	19.5	17 139	(9 644)
Retained earnings	19.6	7 694 071	9 091 741
Total equity attributable to equity owners of the parent		**28 308 141**	**29 851 372**
Non-controlling interest		**(8 913)**	**(7 031)**
Total equity		**28 299 228**	**29 844 341**
LIABILITIES			
Non-current liabilities			
Loans, borrowings and debt securities	20	2 000 000	-
Provisions	21	433 126	373 403
Deferred tax liabilities	30.2	226 309	388 101
Other non-current liabilities	22	202 335	196 396
		2 861 770	**957 900**
Current liabilities			
Trade and other liabilities	23	17 312 597	16 457 711
Loans, borrowings and debt securities	20	506 631	2 831 531
Current tax liabilities		18 545	55 742
Provisions	21	541 455	525 221
Deferred income	24	108 696	97 026
Other financial liabilities	25	349 207	178 371
		18 837 131	**20 145 602**
Total liabilities		**21 698 901**	**21 103 502**
Total equity and liabilities		**49 998 129**	**50 947 843**

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 146-206.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

Consolidated statement of profit or loss and other comprehensive income

	NOTE	2013	2012 (restated)
Statement of profit or loss			
Revenues	26	99 414 790	107 159 786
Cost of sales	27	(97 111 428)	(104 043 754)
Gross profit on sales		**2 303 362**	**3 116 032**
Distribution expenses		(1 963 457)	(1 944 982)
Administrative expenses		(1 192 297)	(1 249 831)
Other operating income	28.1	187 812	792 529
Other operating expenses	28.2	(228 750)	(4 532 750)
Loss from operations		**(893 330)**	**(3 819 002)**
Finance income	29.1	1 075 815	1 886 245
Finance costs	29.2	(1 526 040)	(2 439 166)
Net finance costs		**(450 225)**	**(552 921)**
Loss before tax		**(1 343 555)**	**(4 371 923)**
Tax expense	30	(52 917)	1 273 885
Net loss		**(1 396 472)**	**(3 098 038)**
Other comprehensive income			
items which will not be reclassified into profit or loss		**(1 641)**	**15 821**
Fair value measurement of investment property as at the date of reclassification		*-*	*19 532*
Actuarial gains and losses		*(2 015)*	
Deferred tax		*374*	*(3 711)*
items which will be reclassified into profit or loss under certain conditions		**(147 000)**	**72 439**
Hedge instruments		*(206 799)*	*95 314*
Foreign exchange differences on subsidiaries from consolidation		*26 783*	*(4 764)*
Deferred tax		*33 016*	*(18 111)*
		(148 641)	**88 260**
Total net comprehensive income		**(1 545 113)**	**(3 009 778)**
Net profit/(loss) attributable to		**(1 396 472)**	**(3 098 038)**
equity owners of the parent		*(1 394 590)*	*(3 097 830)*
non-controlling interest		*(1 882)*	*(208)*
Total comprehensive income attributable to		**(1 545 113)**	**(3 009 778)**
equity owners of the parent		*(1 543 231)*	*(3 009 570)*
non-controlling interest		*(1 882)*	*(208)*
Net profit/(loss) and diluted net profit/(loss) per share attributable to equity owners of the parent (in CZK per share)		(7,70)	(17,08)

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 146-206.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

Consolidated statement of cash flows

	2013	2012 (restated)
Cash flows - operating activities		
Net loss	**(1 396 472)**	**(3 098 038)**
Adjustments for:		
Depreciation and amortisation	2 415 318	2 807 100
Foreign exchange (gain)/loss	5 950	(6 617)
Interest and dividends, net	245 569	262 543
(Profit)/Loss on investing activities	(88 745)	4 370 251
Change in provisions	735 299	341 367
Tax expense	52 918	(1 273 885)
Income tax (paid)	(188 652)	(146 654)
Other adjustments	(258 167)	(887 570)
Change in working capital	(1 223 398)	(393 606)
inventories	(435 660)	1 038 627
receivables	(941 672)	(633 551)
liabilities	153 934	(798 682)
Net cash provided by operating activities	**299 620**	**1 974 891**
Cash flows - investing activities		
Acquisition of property, plant and equipment and intangible assets	(1 727 733)	(1 352 247)
Disposal of property, plant and equipment and intangible assets	34 071	64 754
Settlement of financial derivatives	6 632	242 025
Proceeds/(Outflows) from loans granted	(504)	3 632
Other	(154)	120 725
Net cash used in investing activities	**(1 687 688)**	**(921 111)**
Cash flows - financing activities		
Change in loans and borrowings	1 882 861	(201 426)
Repayment of bonds issued	(2 000 000)	-
Interest paid	(283 611)	(325 070)
Payments of liabilities under finance lease agreements	(3 143)	(7 555)
Dividends paid to non-controlling shareholders	(235)	(340)
Other	(179 440)	87 525
Net cash used in financing activities	**(583 568)**	**(446 866)**
Net increase/(decrease) in cash and cash equivalents	**(1 971 636)**	**606 916**
Effect of exchange rate changes	13 896	(2 984)
Cash and cash equivalents, beginning of the period	3 074 487	2 470 555
Cash and cash equivalents, end of the period	**1 116 747**	**3 074 487**

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 146-206.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

Consolidated statement of changes in equity

	Equity attributable to equity owners of the parent								
	Share capital	Statutory reserves	Hedging reserve	Foreign exchange differences on subsidiaries from consolidation	Revaluation reserve	Retained earnings	Total	Non-controlling interest	Total equity
1 January 2013	18 133 476	2 584 286	(16 510)	(9 644)	68 023	9 091 741	29 851 372	(7 031)	29 844 341
Net loss	-	-	-	-	-	(1 394 590)	(1 394 590)	(1 882)	(1 396 472)
Items of other comprehensive income	-		(173 781)	26 783	(58 126)	56 483	(148 641)	-	(148 641)
Total net comprehensive income	**-**	**-**	**(173 781)**	**26 783**	**(58 126)**	**(1 338 107)**	**(1 543 231)**	**(1 882)**	**(1 545 113)**
Allocation of profit	-	59 563	-	-	-	(59 563)	-	-	-
31 December 2013	**18 133 476**	**2 643 849**	**(190 291)**	**17 139**	**9 897**	**7 694 071**	**28 308 141**	**(8 913)**	**28 299 228**
1 January 2012	18 133 476	2 554 809	(93 715)	(4 880)	52 203	12 219 049	32 860 942	(6 823)	32 854 119
Net loss	-	-	-	-	-	(3 097 830)	(3 097 830)	(208)	(3 098 038)
Items of other comprehensive income	-	(679)	77 205	(4 764)	15 820	678	88 260	-	88 260
Total net comprehensive income	**-**	**(679)**	**77 205**	**(4 764)**	**15 820**	**(3 097 152)**	**(3 009 570)**	**(208)**	**(3 009 778)**
Allocation of profit	-	30 156	-	-	-	(30 156)	-	-	-
31 December 2012	**18 133 476**	**2 584 286**	**(16 510)**	**(9 644)**	**68 023**	**9 091 741**	**29 851 372**	**(7 031)**	**29 844 341**

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 146-206.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

ACCOUNTING PRINCIPLES AND OTHER EXPLANATORY NOTES

1. DESCRIPTION OF THE COMPANY

Establishment of the Company
UNIPETROL, a.s. (the “Company”, “parent”, “parent company”) is a joint stock company established by the National Property Fund of the Czech Republic by a foundation agreement dated 27 December 1994. The Company was registered in the Register of Companies at the Regional Commercial Court in Prague on 17 February 1995. The Company is listed and registered on the Prague Stock Exchange.

Identification number of the Company
616 72 190

Registered office of the Company
UNIPETROL, a.s.
Na Pankraci 127
140 00 Praha 4
Czech Republic

Principal activities
The Company operates as a holding company covering and administering a group of companies (hereinafter the “Group”). The principal business activities of the Group include oil and petroleum products processing, production of commodity chemicals, polymer materials, mineral lubricants, plastic lubricants, road and insulation bitumen, special refinery and petrochemical products. Furthermore, the Group is engaged in the distribution of fuels and operation of gas stations.
In addition to these principal activities, the Group is engaged in other activities that are necessary to support the principal activities, such as production, distribution and sale of heat and electricity, operation of railway tracks and railway transportation, advisory services relating to research and development, environmental protection, software and hardware advisory services and other services.

Ownership structure
The shareholders as at 31 December 2013 are as follows:

POLSKI KONCERN NAFTOWY ORLEN S.A.	63%
Investment funds and other minority shareholders	37%

Statutory and supervisory bodies
Members of the statutory and supervisory bodies of UNIPETROL, a.s. as at 31 December 2013 were as follows:

	Position	Name
Board of Directors	Chairman	Marek Świtajewski
	Vice-chairman	Piotr Wielowieyski
	Member	Martin Durčák
	Member	Mirosław Kastelik
	Member	Andrzej Kozłowski
	Member	Artur Paździor
Supervisory Board	Chairman	Dariusz Krawiec
	Vice-chairman	Ivan Kočárník
	Vice-chairman	Sławomir Jędrzejczyk
	Member	Piotr Kearney
	Member	Zdeněk Černý
	Member	Krystian Pater
	Member	Rafał Sekuła
	Member	Piotr Chełminski
	Member	Bogdan Dzudzewicz

Changes in the board of directors till 31 December 2013 were as follows:

Position	Name	Change	Date of change
Member	Mariusz Kędra	Recalled from the office	6 February 2013
Member	Mirosław Kastelik	Elected into the office	6 February 2013
Chairman	Piotr Chełmiński	Recalled from the office	8 April 2013
Chairman	Marek Świtajewski	Elected into the office	8 April 2013
Member	Andrzej Kozłowski	Elected into the office	9 April 2013

Changes in the supervisory board during the year 2013 were as follows:

Position	Name	Change	Date of change
Member	Rafał Sekuła	Co-opted as a substitute member	6 February 2013
Member	Andrzej Kozłowski	Recalled from the office	8 April 2013
Member	Rafał Sekuła	Elected into the office	24 June 2013
Member	Piotr Chełminski	Elected into the office	24 June 2013
Member	Zdeněk Černý	Elected into the office	30 June 2013
Member	Krystian Pater	Elected into the office	30 June 2013

2. STATEMENTS OF THE MANAGEMENT BOARD

The Management Board of UNIPETROL hereby declares that to the best of their knowledge the foregoing consolidated financial statements and comparative data were prepared in compliance with the accounting principles applicable to the Group in force (disclosed in note 3) and that they reflect true and fair view on financial position and financial result of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Principles of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations approved by the International Accounting Standards Board (IASB) which were adopted by the European Union (EU) and were in force as at 31 December 2013.

The consolidated financial statements are compliant with all requirements of IFRSs adopted by the EU and present a true and fair view of the Group's financial position as at 31 December 2013, results of its operations and cash flows for the year ended 31 December 2013.

The consolidated financial statements of the Group for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred as the "Group") and the Group's interest in jointly controlled entities.

These consolidated financial statements have been prepared on a going concern basis. As at the date of approval of the statements there is no indication that the Group will not be able to continue as a going concern in the foreseeable future.
The financial statements, except for statement of cash flows, are prepared on the accrual basis of accounting.

3.2. Impact of IFRS amendments and interpretations on consolidated financial statements of the Group

3.2.1 Binding amendments and interpretations to IFRSs

The following new standards, amendments and interpretations to existing standards came in force from 1 January 2013 until the date of publication of these consolidated financial statements:

- Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income (early adopted by the Group in 2012),
- Amendments to *IFRS 1 First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*,
- Amendments to *IFRS 1 First-time Adoption of International Financial Reporting Standards- Government Loans*
- Amendments to *IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities,*
- IFRS 13 Fair Value Measurement,
- Amendments to *IAS 12 Income taxes- Deferred tax: Recovery of Underlying Assets*,
- Amendments to *IAS 19 Employee Benefits*,
- Interpretation *IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine*,
- *Improvements to International Financial Reporting Standards 2009-201*.

The aforementioned standards, amendments and interpretations to IFRSs had no significant impact on the foregoing consolidated financial statements. Application of *IFRS 13 Fair Value Measurement* increased scope of disclosures in the notes to the consolidated financial statements.

3.2.2 IFRSs, amendments and interpretations to IFRSs endorsed by European Union, not yet effective

Early adoption of new standards

As at 31 December 2013 the Group had early adopted amendments to *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* before the effective date in relation to ceasing to meet the criteria of presentation as assets held for sale. Detailed information regarding this issue is included in Note 6.

Adoption according to the effective date

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group but which the Group has not early adopted. The Group intends to adopt new standards and amendments to IFRSs that are published but not effective as at 31 December 2013, in accordance with their effective dates. In 2013, the Group did not take the decision for early adoption on a voluntarily basis of amendments and interpretations to the standards, except for adoption of amendments to *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* Those new standards which may be relevant to the Group are set out below.

- *IFRS 10 Consolidated Financial Statements* (effective for annual periods beginning on or after 1January 2014)

  IFRS 10 replaces IAS 27 Consolidated and separate financial statements, in scope of consolidation and SIC 12 interpretation Special Purpose Entities.

  IFRS 10 provides a new single model to be applied in the control analysis for all investees, including those that currently are Special Purpose Entities in the scope of SIC-12.

  Under the new single control model, an investor controls an investee when: it is exposed or has rights to variable returns from its involvements with the investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns.

  The Group does not expect the new standard when initially applied to have an impact on the financial statements, since the assessment of control over its current investees under the new standard is not expected to change the conclusion regarding the Group's control over its investees.

3.2.2. IFRSs, amendments and interpretations to IFRSs endorsed by European Union, not yet effective (continued)

- *IFRS 11 Joint Arrangements* (effective for annual periods beginning on or after 1 January 2014)

  IFRS 11, Joint Arrangements, supersedes and replaces IAS 31, Interest in Joint Ventures and SIC-13 Jointly Controlled Entities – Non Monetary Contributions by Venturers.
  IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed in IFRS 10. Under the new Standard, joint arrangements are divided into two types, each having its own accounting model defined as follows:
  - A *joint operation* is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operations will be accounted for on the basis of the Group's interest in those assets and liabilities.
  - A *joint venture* is one whereby the jointly controlling parties, known as joint ventures, have rights to the net assets of the arrangement. Joint ventures will be equity-accounted.

  The Group does not expect the new standard when initially applied to have an impact on the consolidated financial statements, since the assessment of the joint arrangements under the new standard is not expected to result in a change in the accounting treatment of existing joint arrangements.

- *IFRS 12 Disclosures of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2014)
  IFRS 12 requires additional disclosures relating to significant judgments and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.

  The Group expects that the new standard when initially applied will increase the extent of disclosures in the financial statements.

- *Transition Guidance* (*Amendments to IFRS 10, IFRS 11 and IFRS 12)* (effective for annual periods beginning on or after 1 January 2014)
  The amendments:
  - define the date of initial application of IFRS 10 as the beginning of the annual period in which the standard is applied for the first time (1 January 2013 unless early adopted). At this date, an entity tests whether there is a change in the consolidation conclusion for its investees;
  - limit the restatement of comparatives to the period immediately preceding the date of initial application; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged;
  - requires disclosure of the impact of the change in accounting policy only for the period immediately preceding the date of initial application (i.e. disclosure of impact on the current period is not required);
  - will remove the requirement to present comparative information disclosures related to unconsolidated structured entities for any periods before the first annual period for which IFRS 12 is applied.

  The Group expects that amendments to standards will not have an impact on items presented in future consolidated financial statements.

- *Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities* (effective for annual periods beginning on or after 1 January 2014)
  The Amendments provide an exception to the consolidation requirements in IFRS 10 and require qualifying investment entities to measure their investments in controlled entities, associates and joint ventures at fair value through profit or loss, rather than consolidating them.
  The consolidation exemption is mandatory (i.e. not optional), with the only exception being that subsidiaries that are considered as an extension of the investment entity's investing activities, must still be consolidated.
  An entity qualifies as an investment entity if it meets all of the essential elements of the definition of an investment entity, i.e. it obtains funds from investors to provide those investors with investment management services, it commits to its investors that its business purpose is to invest for returns solely from appreciation and/or dividend income and measures and evaluates the performance of substantially all of its investments on a fair value basis. The amendments also set out disclosure requirements for investment entities.

  The Group expects that amendments to standards will not have an impact on future consolidated financial statements as they are not applicable to the Group.

- *Amendment to IAS 27 Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2014)
  IAS 27 (2011) was modified in relation to issuance of IFRS 10 Consolidated Financial Statement and carries forward the existing accounting and disclosure requirements for separate financial statements. For that reason requirements of IAS 28 (2008) and IAS 31 relating to separate financial statements will be incorporated to IAS 27. The above amendment will have no impact on the financial statements, since it does not results in a change in the Group's accounting policy.

3.2.2. IFRSs, amendments and interpretations to IFRSs endorsed by European Union, not yet effective (continued)

- *Amendments to IAS 28 – Investments in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2014)

  Adopted amendment:
  - applies in case when portion of an investment in an associate or a joint venture was classified as held for sale (under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations). For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture,
  - in relation to changes in interests held in associates and joint ventures. Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured.

  The Group expects that the above amendment when initially applied will have no material impact on the future consolidated financial statements, as the Group holds no investments in associates or joint ventures that are classified as held for sale.

- *Amendments to IAS 32 – Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after 1 January 2014)

  The Amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify and define precisely the offsetting criteria. The entity has a legally enforceable right to offset if that right is not contingent on a future event and is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

  The Group expects that the above amendment when initially applied will have no material impact on the future consolidated financial statements.

- *Amendments to IAS 36 Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets* (effective for annual periods beginning on or after 1 January 2014)

  The Amendments clarify that recoverable amount should be disclosed only for individual assets (including goodwill) or cash-generated units for which an impairment loss was recognized or reversed during the period.

  The Amendments also require the following additional disclosures when impairment for individual assets (including goodwill) or cash-generated units has been recognized or reversed in the period and recoverable amount is based on fair value less costs to sell:
  - the level within which the fair value measurement of the asset or cash-generating unit is categorized under IFRS 13 Fair value hierarchy;
  - for fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation techniques used and any changes in that valuation technique together with the reason for making them;
  - for fair value measurements categorized within Level 2 and Level 3, each key assumption (i.e. assumption to which recoverable amount is most sensitive) used in determining fair value less costs to sell. If fair value less costs to sell is measured using a present value technique, discount rate(s) used both in current and previous measurement should be disclosed.

  The Group expects that the above amendment when initially applied will have no material impact on future consolidated financial statements, since it does not result in a change in the Group‘s accounting policy.

- *Amendments to IAS 39 Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting* (effective for annual periods beginning on or after 1 January 2014)

  The Amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty, when the following criteria are met:
  - the novation is made as a consequence of laws or regulations
  - a clearing counterparty becomes a new counterparty to each of the original counterparties of the derivative instrument
  - changes to the terms of the derivative are limited to those necessary to replace the counterparty.

  The Group expects that the above amendment when initially applied will have no material impact on future consolidated financial statements, since the Group does not apply novation of derivatives.

3.2.3 Standards and interpretations adopted by International Accounting Standards Board (IASB), waiting for approval of EU

Those new standards which may be relevant to the Group are set out below.

- *New standard and amendments to IFRS 9 Financial Instruments* (effective for annual periods beginning on or after 1 January 2015)
  The new Standard replaces the guidance in *IAS 39 Financial Instruments: Recognition and Measurement*, regarding classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories held to maturity, available for sale and loans and receivables.
  Financial assets will be classified into one of two categories on initial recognition: financial assets measured at amortized cost; or financial assets measured at fair value.
  The 2010 amendments to IFRS 9 replace the guidance in *IAS 39 Financial Instruments: Recognition and Measurement* mainly in relation to liabilities designated as fair value through profit or loss in case of changes in fair value, attributable to changes in credit risk of that liability. The standard requires changes in fair value to be presented directly in other comprehensive income (OCI). Amounts presented in OCI are not subsequently reclassified to profit or loss but may be transferred within equity.
  New standard eliminates the requirement of separation the embedded derivatives from host contract. It requires the hybrid (combined) contract measured at amortised cost or fair value.
  Additionally amendments change the disclosure and restatement requirements relating to the initial application of IFRS 9 Financial Instruments.

  The Group does not expect the standard when initially applied to have an impact on measurement of financial instruments. Based on the standard, a classification of financial assets into respective categories will change.
- *Amendments to IFRS 9 Financial Instruments* and *IFRS 7 Financial Instruments: Disclosures* (effective for annual periods beginning on or after 1 January 2015)
  These Amendments change the disclosure and restatement requirements relating to the initial application of IFRS 9 Financial Instruments (2009) and IFRS 9 Financial Instruments (2010).
  The amended IFRS 7 requires to disclose more details about the effect of the initial application of IFRS 9 when an entity does not restate comparative information in accordance with the amended requirements of IFRS 9. If an entity adopts IFRS 9 on or after 1 January 2013, then it will no longer be required to restate comparative information for periods prior to the date of initial application. If an entity would adopt IFRS 9 in 2012, then it had a choice either to restate comparative information or to provide the enhanced disclosures as required by the amended IFRS 7. If an entity early adopted IFRS 9 prior to 2012, then neither restatement of comparative information nor provision of the enhanced disclosures under the amended IFRS 7 was required.

  The Group does not expect the amendment to have an impact on future consolidated financial statements. Based on initial application of IFRS 9 assets will be assigned to changed financial instruments categories.
- *IFRIC Interpretation 21 Levies* (effective for annual periods beginning on or after 1 January 2014)
  The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability to pay a levy imposed by government and to the timing of recognizing such liability. In accordance with the Interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognized when this event occurs. The liability to pay a levy is recognized progressively if the obligating event occurs over a period of time. If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognised when that minimum activity threshold is reached. The Interpretation sets out that an entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period.

  The Group does not expect the amendment to have an impact on future consolidated financial statements.
- *Amendments to IAS 19 Employee Benefits- Defined Benefit Plans: Employee Contributions* (effective for annual periods beginning on or after 1 January 2014)
  The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

  The Group does not expect the amendment to have an impact on future consolidated financial statements, since the Group does not have such employee contributions.

3.2.3 Standards and interpretations adopted by International Accounting Standards Board (IASB), waiting for approval of EU (continued)

- *Improvements to IFRS (2010-2012)* (effective for annual periods beginning on or after 1 July 2014)
  The Improvements contain 8 amendments to 7 standards, with consequential amendments to other standards and interpretations. The main changes were to:
  - clarify the definition of 'vesting conditions' in Appendix A of *IFRS 2 Share-based Payment* by separately defining a 'performance condition' and a 'service condition'
  - clarify certain aspects of accounting for contingent consideration in a business combination
  - amend paragraph 22 of *IFRS 8* to require entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated. This is to supplement the current disclosure requirements in paragraph 22(a) of IFRS 8.
  - amend paragraph 28(c) of *IFRS 8 Operating Segments* to clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed, if that amount is regularly provided to the chief operating decision maker. This proposed amendment is consistent with the requirements in paragraphs 23 and 28(d) in IFRS 8.
  - clarify the IASB's rationale for removing paragraph B5.4.12 of *IFRS 9 Financial Instruments* and paragraph AG79 of *IAS 39 Financial Instruments: Recognition and Measurement* as consequential amendments from *IFRS 13 Fair Value Measurement*.
  - clarify the requirements for the revaluation method in *IAS 16 Property, Plant and Equipment* and *IAS 38 Intangible Assets* to address concerns about the calculation of the accumulated depreciation or amortisation at the date of the revaluation.
  - make an entity providing management services to the reporting entity a related party of the reporting entity.

  The Group does not expect the improvements to have material impact on future consolidated financial statements of the Group.
- *Improvements to IFRS (2011-2013)* (effective for annual periods beginning on or after 1 July 2014)
  The Improvements contain 4 amendments to standards, with consequential amendments to other standards and interpretations. The main changes were to:
  - clarify the meaning of 'each IFRS effective at the end of an entity's first IFRS reporting period' as used in paragraph 7 of *IFRS 1 First-time Adoption of IFRSs*.
  - clarify that the scope exemption in paragraph 2(a) of *IFRS 3 Business Combinations* excludes the formation of all types of joint arrangements as defined in *IFRS 11 Joint Arrangements* from the scope of IFRS 3; and applies only to the financial statements of the joint venture or the joint operation itself.
  - clarify that the portfolio exception included in paragraph 48 of IFRS 13 applies to all contracts within the scope of *IAS 39 Financial Instruments*: *Recognition and Measurement* or *IFRS 9 Financial Instruments*, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in *IAS 32 Financial Instruments: Presentation*,
  - clarify that judgement is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgment is based on the guidance in IFRS 3.

  The Group does not expect the improvements to have material impact on future consolidated financial statements of the Group.

3.3 Functional and presentation currency

These consolidated financial statements are presented in Czech crowns (CZK), which is the Group's functional currency. All financial information presented in CZK has been rounded to the nearest thousand.

3.4 Accounting policies applied by the Group

3.4.1 Foreign currency

(i) Transactions in foreign currency

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items including units of currency held by the Group as well as receivables and liabilities due in defined or definable units of currency are translated using the closing rate, i.e. spot exchange rate as at the end of the reporting period,
- non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in the previous financial statements are recognized as financial income or expense in the period in which they arise in the net amount, except for monetary items hedging currency risk, that are accounted for in accordance with cash flows hedge accounting.

(ii) Financial statements of foreign operations

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Czech crown, which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

Financial statements of foreign entities, for consolidation purposes, are translated into CZK using the following methods:

- assets and liabilities of each presented statement of financial position are translated at the closing rate published by the Czech National bank ("CNB") at the end of the reporting period;
- respective items of statement of profit or loss and other comprehensive income and statement of cash flows are translated at average exchange rates published by the CNB.

All resulting exchange differences are recognized in equity, as foreign exchange differences on revaluation of subsidiaries. These differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the balance sheet date.

3.5 Principles of consolidation

The consolidated financial statements of the Group include data of UNIPETROL, a.s., its subsidiaries and jointly controlled entities (joint ventures) prepared as at the end of the same reporting period as the unconsolidated financial statements of UNIPETROL, a.s. and using uniform accounting principles in relation to similar transactions and other events in similar circumstances.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The non-controlling interest is presented in equity separately from equity attributable to equity holders of the parent. Net profit attributable to non-controlling interest is presented in the statement of profit or loss and other comprehensive income.

(ii) Equity accounted investees

Equity accounted investees are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised profits or losses and other comprehensive income of Equity accounted investees on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

(iii) Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's proportionate share of the entities' assets, liabilities, revenues and expenses with items of a similar nature on a line by line basis, from the date that joint control commences until the date that joint control ceases.

(iv) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with Equity accounted investees and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.5.1 Business combinations

An entity shall account for each business combination by applying the acquisition method. Applying the acquisition method requires:

- identifying the acquirer,
- determining the acquisition date,
- recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree and
- recognising and measuring goodwill or a gain from a bargain purchase.

Business combinations under common control (within the Group) are accounted by applying the acquisition method or uniting of interest method, choosing the method that adequately reflects the economic nature of the transaction.
The fair value of assets, liabilities and contingent liabilities for the purpose of allocating the acquisition cost is determined in accordance with principles set in attachment B to IFRS 3.

3.5.2 Change in accounting policies, estimates and prior period errors

An entity shall change an accounting policy only if the change:

- is required by an IFRS or
- results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the financial position, financial performance or cash flows.

In case of change in accounting policy it is assumed that the new policy had always been applied. The amount of the resulting adjustment is made to the equity. For comparability, the entity shall adjust the financial statements (comparative information) for the earliest prior period presented as if the new accounting policy had always been applied, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change.

Items of financial statements based on an estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience. The effects of changes in estimates are accounted prospectively in the statement of profit or loss and other comprehensive income.

The correction of a material prior period error is made to the equity. When preparing the financial statements it is assumed that the errors were corrected in the period when they occurred by restating the comparative amounts for the prior period presented; or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

3.5.3 Operating segments

The operations of the Group are divided into the following segments:

- the Refinery Segment comprises crude oil processing and wholesale, oil production and sales as well as primary logistics,
- the Retail Segment comprises trade in refinery products and secondary logistics,
- the Petrochemical Segment encompasses production and sales of petrochemicals as well as supporting production,

and Corporate Functions includes mainly administration and other supporting functions and activities not allocated to any other segment.

The Group determines and presents operating segments based on the information that is internally provided to the Management of the Group.
Segment revenue is the revenue reported in the consolidated statement of profit or loss and other comprehensive income, earned from sales to external customers or from inter-segment transactions that is directly attributable or reasonably allocable to a segment. Segment expenses include expenses relating to sales to external customers and inter-segment transactions that result from operating activities and are directly attributable to the segment and the relevant portion of the expenses that is reasonably allocable to a segment. Segment expenses do not include: income tax expense, interest, including interest incurred on advances or loans from other segments, unless the segment's operations are primarily of a financial nature, losses on sales of investments or losses on extinguishment of debt unless the segment's operations are primarily of a financial nature, administrative expenses and other expenses arising at the level of the Group as a whole, unless they are directly attributable to the segment and can be allocated to the segment on a reasonable basis. The segment result is determined at the level of profit from operations.
Segment assets (liabilities) are those operating assets (liabilities) that are employed by that segment in operating activity (result from operating activity) and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. In particular financial assets and liabilities and income tax items are not allocated to reportable segments. The revenues, result, assets and liabilities of a given segment are defined before inter-segment adjustments are made, after adjustments within a given segment.

Sales prices used in transactions between segments are close to market prices.

3.5.4 Property, plant and equipment

Property, plant and equipment are assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one period (one year or the operating cycle, if longer than one year).

(i) Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use.

The cost of an item of property, plant and equipment includes also estimated costs of dismantling and removing the item and restoring the site/land on which it is located, the obligation for which is connected with acquisition or construction of an item of property, plant and equipment and capitalized borrowing costs, i.e. costs directly attributable to the acquisition, construction or production of a qualifying asset, e.g. interest, commissions are part of the initial cost.

Depreciation of an item of property, plant and equipment begins when it is available for use that is from the month it is in the location and condition necessary for it to be capable of operating in the manner intended by the management, over the period reflecting their estimated economic useful life, considering the residual value.

Components of property, plant and equipment which are material for the whole item are depreciated separately in accordance with their economic useful life. Depreciation is charged so as to write off the cost or valuation of assets to their residual values, other than land, over their estimated useful lives, using the straight-line method.

The following standard economic useful lives are used for property, plant and equipment:

Buildings and constructions	10-40 years
Machinery and equipment	4-35 years
Vehicles and other	2-20 years

The cost of significant repairs and regular maintenance programs is recognized as property, plant and equipment and depreciated in accordance with their economic useful lives. The costs of current maintenance of property, plant and equipment are recognized as an expense during the period when they are incurred.

Major spare parts and stand-by equipment are capitalized as property, plant and equipment when an entity expects to use them during more than one period. Similarly, if the spare parts and servicing agreement can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment. In both cases spare parts are depreciated over the shorter of the useful life of the spare part and the remaining life of the related item of property, plant and equipment

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between sales proceeds and the carrying amount of the asset. The difference is recognized in the statement of profit or loss and other comprehensive income.

The residual value, estimated useful life and depreciation methods are reassessed annually.

Property, plant and equipment are tested for impairment, when there are indicators or events that may imply that the carrying amount of those assets may not be recoverable.

(ii) Leased assets

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to the statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. In calculating the present value of the minimum lease payments the discount factor is the interest rate implicit in the lease. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

(iii) Subsequent expenditure

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the statement of profit or loss and other comprehensive income as an expense as incurred.

3.5.5 Investment property

An investment property shall be measured initially at its cost. Transaction costs shall be included in the initial measurement. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes and other transaction costs. For internally constructed investment property the cost is set at the date of construction completion when the asset is brought into use, in accordance with rules set for property, plant and equipment.

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. After initial recognition investment property shall be measured at fair value. Gains and losses resulting from changes in fair value of investment property are presented in the statement of profit or loss and other comprehensive income in the period which they arise. The Group determines fair value without any deduction for transaction costs it may incur on sale or other disposal.

If the Group determines that the fair value of an investment property is not reliably determinable on a continuing basis, the Group shall measure that investment property at cost in accordance with rules set for property, plant and equipment.

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

3.5.6 Intangible assets

Intangible assets include identifiable non-monetary assets without physical substance. An asset is identifiable if it is either separable, i.e. is capable of being separated or divided from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, or arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the Group.

Intangible assets are recognized if it is probable that the expected future economic benefits that are attributable to the assets will flow to the entity and the cost of the asset can be measured reliably.

An intangible asset arising from development (or from development phase of an internal project) shall be recognised if, and only if, the Group can demonstrate all of the following: the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to compete the intangible asset and use or sell it, its ability to use or sell the intangible asset, how the intangible asset will generate probable future economic benefits, among other things, the Group can demonstrate the existence of a market for the output of the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset, the availability of adequate technical, financial and other resources to complete the development and to use of sell the intangible asset, its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are measured at acquisition or at construction cost less amortization and impairment allowances. Intangible assets with a finite useful life are amortized when it is available for use that is when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management over their estimated economic useful life. Appropriateness of the applied amortization periods and rates is periodically reviewed, at least at the end of the reporting year, and potential adjustments to amortization allowances are made in the subsequent periods. Intangible assets with an indefinite useful life are not amortized. Their value is decreased by the eventual impairment allowances. Additionally, the useful life of an intangible asset that is not being amortized shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, e.g. interest, commissions, are part of the initial cost.

The following standard economic useful lives are used for intangible assets:

Acquired licenses, patents, and similar intangible assets	2-15 years
Acquired computer software	2-10 years
Capitalized development	4 years

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the statement of profit or loss and other comprehensive income as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development.

(ii) Computer software

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and which will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include employee costs of the software development team and an appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognized as a capital improvement and added to the original cost of the software.

Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives, not exceeding a period of five years.

3.5.6 Intangible assets (continued)

(iii) Other intangible assets

Expenditure to acquire patents, trademarks and licenses is capitalized and amortized using the straight-line method over their useful lives, except for licenses related to the purchase of production technologies, which are amortized over the estimated useful life of the technologies purchased. Expenditure on internally generated goodwill and brands is recognized in the statement of profit or loss and other comprehensive income as an expense as incurred.

(iv) Subsequent expenditure

Subsequent expenditure on capitalized intangible assets is capitalized only if it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

3.5.6.1 Goodwill

Goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, (or groups of cash-generating units), that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

The acquirer shall recognise goodwill as of the acquisition date measured as the excess of a) over b) where:
the value of a) corresponds to the aggregate of:

- the consideration transferred, which generally requires acquisition-date fair value,
- the amount of any non-controlling interest in the acquire, and
- in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

the value of b) corresponds to the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Occasionally, an acquirer will make a bargain purchase, which is a business combination in which the amount in point (b) exceeds the aggregate of the amounts specified in point (a). If that excess remains, after reassessment of correct identification of all acquired assets and liabilities, the acquirer shall recognise the resulting gain in profit or loss on the acquisition date as other operating profit for the period.

The acquirer shall measure goodwill in the amount recognised at the acquisition date less any accumulated impairment allowances.
A cash-generating unit to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired. The annual impairment test may be performed at any time during an annual period, provided the test is performed at the same time every year.
A cash-generating unit to which no goodwill has been allocated shall be tested for impairment only when there are indicators that the cash-generating unit might be impaired.
An impairment loss recognised for goodwill shall not be reversed in a subsequent period.
If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the acquirer shall also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

3.5.6.2 Carbon dioxide emission allowances

By the virtue of The Kyoto Protocol, the countries, which decided to ratify the Protocol, obliged themselves to reduce emissions of greenhouse gases, i.e. carbon dioxide (CO_2).

In the European Union countries, the plants and companies, which reach productivity exceeding 20 MW and some other industrial plants were obliged to participate in emissions trading system. All mentioned entities are allowed to emit CO_2 in specified amount and are obliged to amortise those rights in the amount of the emissions of the given year.

CO_2 emission rights are initially recognised as intangible assets, which are not amortised (assuming the high residual value), but tested for impairment.

Granted emission allowances should be presented as separate items as intangible assets in correspondence with deferred income at fair value as at the date of registration (grant in scope of IAS 20). Purchased allowances should be presented as intangible assets at purchase price.

If the allowances in a given year were not registered on the account under the date resulting from regulations, they should be presented as receivable at the reporting date in correspondence with deferred income (as separate items) in the fair value of allowances due at the reporting date. The receivable is settled at the moment of allowances registration in the subsequent period by the disclosure of intangible assets at fair value (allowances granted). Deferred income should also be revaluated.

For the estimated CO_2 emission during the reporting period, a provision should be created in operating activity costs (taxes and charges).

Grants should be recognised on a systematic basis to ensure proportionality with the related costs which the grants are intended to compensate. Consequently, the cost of recognition of the provision in the separate statement of profit or loss and other comprehensive income is compensated by a decrease of deferred income (grants) with taking into consideration the proportion of the estimated quantity of emission (accumulated) to the quantity of estimated annual emission.

Granted/purchased CO_2 emission allowances are amortised against the book value of provision, at its settlement. Outgoing of allowances is recognised using FIFO method (First In, First Out) within the individual types of rights (EUA - European Union Allowances, ERU – Emission Reductions Units, CER – Certified Emission Reduction).

3.5.7 Borrowing costs

Borrowing costs consist of interest and other costs that are incurred in connection with the borrowing of funds.

The Group capitalizes borrowing costs attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset, until the time when the assets are substantially ready for their intended use or sale. Qualifying assets are the assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Borrowing costs which are not connected with qualifying assets are recognized in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

The commencement date for capitalization of the borrowing costs is the date when all of the following conditions are met: expenditures for the asset are incurred, borrowing costs are incurred and activities necessary to prepare the asset for its intended use or sale are undertaken.

After putting an asset into use, the capitalized borrowing costs are depreciated/amortized over the period reflecting economic useful life of the asset as part of the cost of the asset.

3.5.8 Impairment

The carrying amounts of the Group's assets, other than inventories, investment property and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any external or internal indication exists, the asset's recoverable amount is estimated.

For intangible assets that are not yet available for use and intangible assets with indefinite useful lives and for goodwill the recoverable amount is estimated at each balance sheet date.

The recoverable amount of other assets is the higher of the fair value less costs to sell and value in use.

Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs to sell.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of profit or loss and other comprehensive income.

Assets that do not generate the independent cash flows are grouped on the lowest level on which cash flows, independent from cash flows from other assets, are generated (cash generating units).

3.5.8 Impairment (continued)

To the cash generating unit the following assets are assigned:
- goodwill, if it may be assumed, that the cash generating unit benefited from the synergies associated to a business combination with another entity,
- corporate assets, if they may be allocated on a reasonable and coherent basis.

The impairment loss shall be allocated to the carrying amount of the assets of the unit in the following order:
- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

At the end of each reporting period an assessment shall be made whether an impairment loss recognized in prior periods for an asset shall be partly or completely reversed. Indications of a potential decrease in an impairment loss mainly mirror the indications of a potential impairment loss in prior periods. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized as income. An impairment loss recognized in respect of goodwill is not reversed in subsequent periods.

3.5.9 Inventories

Inventories are assets held for sale in the ordinary course of business, or in the process of production for such sale, or in the form of materials or supplies to be consumed in the production process or in the rendering of services. Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost of inventories is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. For finished goods, costs comprise of related fixed and variable indirect costs for ordinary production levels, excluding external financing costs.

The production costs do not include costs incurred as a consequence of low production or production losses, or general and administrative expenses that are not directly attributable to bringing the inventories to the condition and location at the moment of measurement, or storage costs of finished goods, semi-finished products and work in progress, unless these costs are necessary in the production process, or distribution expenses.

As at the end of the reporting period merchandise and raw materials are measured at the lower of cost and net realizable value, considering any allowances. Write-down to net realizable value concerns raw materials and merchandise that are damaged or obsolete.

Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. However, when a decline in the price of materials indicates that the cost of the finished products exceeds net realisable value, the materials are written down to net realisable value.

Expenses and revenues connected with inventories write-offs or establishment and release of allowances are included in cost of sales.

The Group uses commodity derivative contracts to hedge crude oil purchases. Gains or losses on commodity derivative contracts are included in cost of sales.

3.5.10 Trade and other receivables

Trade and other receivables are recognized initially at the present value of the expected proceeds and are stated in subsequent periods at amortized cost using the effective interest method less any impairment losses.

3.5.11 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and in a bank account, bank deposits and short-term highly liquid investments with original maturities of three months and less. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3.5.12 Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale.
Non-current assets are classified as held for sale when the following criteria are met
- A decision on initiation of the sale was adopted by the Group's management;
- The assets are available for an immediate sale in their present condition;
- An active program to locate a buyer has been initiated;
- The sale transaction is highly probable and can be completed within 12 months following the sale decision.
- The selling price is reasonable in relation to its current fair value
- It is unlikely that significant changes to the sales plan of these assets will be introduced.

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, investment property, which continue to be measured in accordance with the Group's accounting policies. While a non-current asset is classified as held for sale it shall not be depreciated (or amortised). Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

3.5.13 Equity

Equity is recorded in accounting books by type, in accordance with legal regulations and the parent company's articles of association. Equity comprises:

3.5.13.1 Share capital

The share capital is paid by shareholders and is stated at nominal value in accordance with the parent company's articles of association and the entry in the Commercial Register.

3.5.13.2 Statutory reserves

In accordance with the Czech Commercial Code, joint stock companies are required to establish a reserve fund for possible future losses and other events and cannot be distributed to shareholders. Contributions must be a minimum of 20% of the profit for the period in the first year in which profits are generated and 5% of profit each year thereafter until the fund reaches at least 20% of the issued capital.

3.5.13.3 Hedging reserve

Hedging reserve relates to valuation and settlement of hedging instruments that meet the criteria of cash flow hedge accounting.

3.5.13.4 Revaluation surplus

Revaluation surplus comprises revaluation of items, which, according to the Group's regulations, relates to the revaluation surplus, including particularly:

- change of the fair value of the available-for-sale financial assets
- differences between the net book value and the fair value of the investment property at the date of reclassification from the property occupied by the Group to the investment property.

3.5.13.5 Foreign exchange differences on subsidiaries from consolidation

Foreign exchange differences on subsidiaries from consolidation result mainly from translation of financial statements of subsidiaries into functional and presentation currency of the Group.

3.5.13.6 Retained earnings

Retained earnings include:

- the undistributed result for prior periods,
- the current period profit/loss,
- the effects (profit/loss) of prior period errors,
- changes in accounting principles,
- other reserve capital as additional payments to equity.

3.5.14 Liabilities

Liabilities, including trade liabilities, are initially stated at fair value increased by transaction cost and subsequently amortized cost using the effective interest method.

3.5.15 Accruals

Accruals are liabilities due for goods or services received/provided or formally agreed with the seller, together with amounts due to employees. Accruals relate among others to: uninvoiced services, untaken holidays, investment liabilities.

Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much lower than it is for provisions.

3.5.16 Social security and pension schemes

Contributions are made to the Czech government's health retirement and unemployment schemes at the statutory rates in force during the year based on gross salary payments. The cost of security payments is charged to the statement of profit or loss and other comprehensive income in the same period as the related salary cost. The Group has no pension or post-retirement commitments.

3.5.17 Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured reliably. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation the provision is reversed. The provision is used only for expenditures for which the provision was originally recognized.

When the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation. If the discounting method is applied, the increase of provisions with time is recognised as financial expenses.

The Group establishes provisions for environmental damages, legal disputes, penalties, estimated expenditures related to the fulfilment of obligations as a result of warranty claims, CO_2 emission allowances and jubilee bonuses and post-employment benefits. No provisions are established in respect of environmental damages which occurred prior to establishment of the Group as the Czech government contractually committed to reimburse the Group for clean-up costs. Provisions are not recognised for the future operating losses.

3.5.17.1 Shield programs

A Shield programs provision (provision for restructuring) is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. Future operating costs are not provided for.

3.5.17.2 Environmental provision

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognized when the land is contaminated. A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

3.5.17.3 CO_2 emissions costs

The Group creates provision for the estimated CO_2 emission during the reporting period in operating activity costs (taxes and charges).

3.5.17.4 Jubilee bonuses and post employment benefits

Retirement benefits and jubilee bonuses

Under the Group's remuneration plans, its employees are entitled to jubilee bonuses and retirement benefits. The jubilee bonuses are paid to employees after elapse of a defined number of years in service. The retirement benefits are paid once at retirement. The amount of retirement benefits and jubilee bonuses depends on the number of years of service and an employee's average remuneration. The Group creates a provision for future retirement benefits and jubilee bonuses in order to allocate costs to relevant periods.

The jubilee bonuses are other long-term employee benefits, whereas retirement and pension benefits are classified as post-employment defined benefit plans.

The present value of those liabilities is estimated at the end of each reporting period and adjusted if there are any material indications impacting the value of the liabilities. The accumulated liabilities equal discounted future payments, considering employee rotation. Demographic data and information on employee rotation are based on historical records. Actuarial gains and losses from:

- post employment benefits are recognized in the other comprehensive income,
- other employment benefits, including jubilee bonuses, are recognized in profit and loss.

3.5.18 Government grants

Government grants are transfers of resources to the Group by government, government agencies and similar bodies whether local, national or international in return for past or future compliance with certain conditions relating to the activities of the entity.

Government grants are recognized in the statement of financial position as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions attached to it.

Grants related to costs are presented as compensation to the given cost at the period they are incurred. The surplus of the received grant over the value of the given cost is presented as other operating income.

If the government grants relates to assets, it is presented net with the related asset and is recognized in profit or loss on a systematic basis over the useful life of the asset through the decreased depreciation charges, the treatment regarding Carbon dioxide emission allowances granted is described in Note 3.5.6.2.

3.5.19 Revenues

Revenues from sales are recognized when it is probable that the economic benefits associated with the sale transaction will flow to the Group and can be measured reliably and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.5.19.1 Revenue from sales of finished goods, merchandise, and raw materials

Revenues from sale of finished goods, merchandise, and raw materials are recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods. Revenues are measured at fair value of the consideration received or receivable decreased by the amount of any discounts, value added tax (VAT), excise tax and fuel charges.

Revenues and expenses relating to services for which the start and end dates fall within different reporting periods are recognized based on the percentage of completion method, if the outcome of a transaction can be measured reliably, i.e. when total contract revenue can be measured reliably, it is probable that the economic benefits associated with the contract will flow to the Group and the stage of completion can be measured reliably. If those conditions are not met, revenues are recognized up to the cost incurred, but not greater than the cost which are expected to be recovered by the Group.

When the Group acts as an agent for its customers and buys and sells goods for a fixed margin without controlling purchase and selling prices, it does not report the revenue and cost from the sale of goods on a gross basis. It reports a net margin in the statement of profit or loss and other comprehensive income.

Revenues are measured at fair value of the received or due payments. Revenues realized on settlement of financial instruments hedging cash flows adjust revenues from sale of inventories and services.

3.5.19.2 Revenue from licenses, royalties and trade marks

Revenue from licenses, royalties and trade mark are recognized on an accrual basis in accordance with the substance of the relevant agreements. Prepayments, referring to agreements concluded in the current period by the Group are recognized as deferred income and settled in the periods when economic benefits are realized according to the agreements.

3.5.19.3 Franchise revenues

Franchise revenues are recognized in accordance with the substance of the relevant agreement, in a way reflecting the reasons for charging with franchise fees.

3.5.19.4 Rental income

Rental income from investment property is recognized in the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income to be received.

3.5.20 Costs

The Group recognizes costs in accordance with accrual basis and prudence principle.

3.5.20.1 Cost of sales

Cost of sales comprises costs of finished goods sold and costs of services sold, including services of support functions and cost of merchandise and raw materials sold.

3.5.20.2 Distribution expenses

Distribution expenses include selling brokerage expenses, trading expenses, advertising and promotion expenses as well as distribution expenses.

3.5.20.3 Administrative expenses

Administrative expenses include expenses relating to management and administration of the Group as a whole.

3.5.21 Other operating income and expenses

Other operating income in particular includes income from liquidation and sale of non-financial non-current assets, surplus of assets, return of court fees, penalties earned, surplus of grants received to revenues over the value of costs, assets received free of charge, reversal of receivable impairment allowances and provisions, compensations earned and revaluation gains, gain on sale of investment property.

Other operating expenses include in particular costs of liquidation and sale of non-financial non-current assets, shortages of assets, court fees, contractual penalties and fines, penalties for non-compliance with environmental protection regulations, cash and tangible assets transferred free of charge, impairment allowances (except those that are recognized as financial expenses or cost of sales), compensations paid, write-off of construction in progress which have not produced the desired economic effect, cost of recovery of receivables and revaluation losses, loss on sale of investment property.

3.5.22 Finance income and finance expenses

Finance income includes, in particular, income from the sale of shares and other securities, dividends received, interest earned on cash in bank accounts, term deposits and loans granted, increase in the value of financial assets and net foreign exchange gains.
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Finance expenses include, in particular, loss on sale of shares and securities and costs associated with such sale, impairment losses relating to financial assets such as shares, securities and interest receivables, net foreign exchange losses, interest on bonds and other securities issued, interest on finance lease, commissions on bank loans, borrowings, guarantees and interest costs.

3.5.23 Income tax expenses

Income tax comprises current tax and deferred tax.
Current tax is determined in accordance with the relevant tax law based on the taxable profit for a given period.
Current tax liabilities represent the amounts payable at the reporting date. If the amount of the current income tax paid exceeds the amount due the excess is recognized as a receivable.
Taxable profit differs from net profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rate valid as at the first date of the reporting period.
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method.
Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences, tax losses and tax relieves carried forward to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.
Taxable temporary differences are temporary differences that will result in increasing taxable amounts of future periods when the value of the asset or liability at the end of the reporting period is recovered or settled.
Taxable temporary differences arise when the carrying amount of an asset at the end of reporting period is higher than its tax base or when the carrying amount of a liability is lower than its tax base.
Deductible temporary differences are temporary differences that will result in reducing taxable amounts of future periods when the carrying amount of the asset or liability is recovered or settled. Deductible temporary differences arise when the carrying amount of an asset is lower than its tax base or when the carrying amount of a liability is higher than its tax base.
Deductible and taxable temporary differences may also arise in connection with items not recognized in the accounting records as assets or liabilities. Tax base is determined in relation to expected recovery of assets or settlement of liabilities.
The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.
Deferred tax assets and liabilities are recognized regardless of when the timing difference is likely to be realized.
Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the statement of profit or loss and other comprehensive income.
The deferred tax assets and liabilities are measured at the end of each reporting period using enacted tax rates binding for the year in which the tax obligation arises, based on tax rates published in tax law.
Deferred tax assets and liabilities are not discounted.
Deferred tax assets and liabilities relating to transactions settled directly in equity are recognised in other comprehensive income. Deferred tax assets and liabilities are accounted for as non-current assets or long-term liabilities in the statement of financial position.
Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends and is able to settle its current tax assets and liabilities on a net basis.

3.5.24 Earnings per share

Basic earnings per share for each period are calculated by dividing the net profit for a given period by the weighted average number of shares outstanding during that period.

Diluted earnings per share for each period are calculated by dividing the net profit for a given period adjusted by changes of the net profit resulting from conversion of the dilutive potential ordinary shares by the weighted average number of shares.

3.5.25 Consolidated statement of cash flows

The statement of cash flows is prepared using indirect method.
Cash and cash equivalents presented in the statement of cash flows include cash and cash equivalents less bank overdrafts, if they form an integral part of the Group's cash management.
The Group discloses components of cash and cash equivalents and reconciliation between amounts disclosed in the statement of cash flows and respective lines of statement of financial position.
Non-cash transactions are excluded from statement of cash flows.
Dividends received are presented in cash flows from investing activities.
Dividends paid are presented in cash flows from financing activities.
Interest received from finance leases, loans granted, short-term securities and cash pooling system are presented in cash flows from investing activities. Other interests received are presented in cash flows from operating activities.
Interest paid and provisions on bank loans and borrowings received, cash pool facility, debt securities issued and finance leases are presented in cash flows from financing activities. Other interests paid are presented in cash flows from operating activities.
Cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short are reported on a net basis in the statement of cash flows.
Cash received or paid due to term agreements i.e. futures, forward, options, swap is presented in cash flows from investing activities, unless the agreements are held by the Group for trading or cash received or paid is presented in financing activities.
If the contract is accounted as hedge of a given position, cash flows from such contract are classified in the same way as the cash flows resulting from the position hedged.

3.5.26 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.5.26.1 Recognition and derecognition in the consolidated statement of financial position

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A regular way purchase or sale of financial assets is recognised by the Group as at trade date.

The Group derecognises a financial asset from the statement of financial position when and only when:
- the contractual rights to the cash flows from the financial asset expire, or
- it transfers the financial asset to another party.

The Group derecognises a financial liability (or part of financial liability) from its statement of financial position when, and only when it is extinguished - that is when the obligation specified in the contract:
- is discharged, or
- is cancelled, or
- expired.

3.5.26.2 Measurement of financial assets and liabilities

When a financial asset or liability is recognised initially, the Group measures it at its fair value plus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs comprise particularly fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and security exchanges and transfer of taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

For the purpose of measuring a financial asset at the end of the reporting period or any other date after initial recognition, the Group classifies financial assets into the following four categories:
- financial assets at fair value through profit or loss,
- held-to-maturity investments,
- loans and receivables,
- available-for-sale financial assets.

Regardless of characteristics and purpose of a purchase transaction, the Group classifies initially selected financial assets as financial assets at fair value through profit or loss, when doing so results in more relevant information.

A financial asset at fair value through profit or loss is a financial asset that has been designated by the Group upon initial recognition as at fair value through profit or loss or classified as held for trading if it is:
- acquired principally for the purpose of selling or repurchasing in the near term, or
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit making, or
- a derivative (except for a derivative that is an effective hedging instrument).

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market.

Available-for-sale financial assets are those non-derivative financial assets that are designated by the Group as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

3.5.26.2.1 Fair value measurement of financial assets

The Group measures financial assets at fair value through profit or loss, including derivative financial assets and available-for-sale financial assets at their fair value, without any deduction for transaction costs that may be incurred on sale or other disposal.

Fair value of financial assets is determined in the following way:

- for instruments quoted on an active market based on current quotations available as at the end of the reporting period,
- for debt instruments unquoted on an active market based on discounted cash flows analysis,
- for forward and swap transactions based on discounted cash flows analysis.

If the fair value of investments in equity instruments (shares) that do not have a quoted market price on an active market is not reliably measurable, the Group measures them at cost, that is the acquisition price less any accumulated impairment losses.

Financial assets designated as hedging items are measured in accordance with the principles of hedge accounting.

A gain or loss on a financial asset classified as at fair value through profit or loss are recognised through profit or loss.

A gain or loss on an available-for-sale financial asset are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses that are recognised in profit or loss.

In case of debt financial instruments interest calculated using the effective interest method is recognised in profit or loss.

3.5.26.2.2 Amortized cost measurement of financial assets

The Group measures loans and other receivables, including trade receivables, as well as held-to-maturity investments at amortized cost using the effective interest method. Effective interest is the rate which precisely discounts estimated future cash flows or payments made in expected periods until financial instrument expiration, and in grounded situations in shorter period, up to net book value of asset or financial liability.

3.5.26.2.3 Fair value measurement of financial liabilities

As at the end of the reporting period or other dates after the initial recognition the Group measures financial liabilities at fair value through profit or loss (including particularly derivatives which are not designated as hedging instruments). Regardless of characteristics and purpose of a purchase transaction, the Group classifies initially selected financial liabilities as financial liabilities at fair value through profit or loss, when doing so results in more relevant information. The fair value of a financial liability is the current price of instruments quoted on an active market.

If there is no active market for a financial instrument, the fair value of the financial liabilities is established by using the following techniques:

- using recent arm's length market transactions between knowledgeable, willing parties,
- reference to the current fair value of another instrument that is substantially the same, or
- discounted cash flow analysis.

3.5.26.2.4 Amortized cost measurement of financial liabilities

The Group measures other financial liabilities at amortized cost using the effective interest rate method.

Financial guarantee contracts, that are contracts that require the Group (issuer) to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument, not classified as financial liabilities at fair value through profit or loss are measured at the higher of:

- the amount determined in accordance with principles relating to valuation of provisions, or
- the amount initially recognised less, when appropriate, cumulative amortization.

3.5.26.3 Transfers

The Group:

- shall not reclassify a financial instrument, including derivative, into or out of fair value through profit or loss category while it is held or issued, if at initial recognition it has been designated by the Group as measured at fair value through profit and loss, and
- may, if a financial asset is no longer held for the purpose of selling or repurchasing it in the near term (notwithstanding that the financial asset may have been acquired or incurred principally for the purpose of selling or repurchasing it in the near term), reclassify that financial asset out of the fair value through profit or loss category in limited circumstances. In case of loans and receivables (if at initial recognition financial assets were not classified as held for trading) a financial asset can be reclassified out of fair value through profit or loss category, if an entity has intention and possibility to hold a financial asset in a foreseeable future or to maturity.

3.5.26.4 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective indicator that a financial asset or group of financial assets is impaired.

If there is an objective indicator that an impairment loss on loans and other receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. effective interest rate determined at initial recognition).

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised in profit or loss as revenue.

If there is an objective indicator that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

If there is an objective indicator that an impairment loss has been incurred on an available-for-sale financial asset, the cumulative loss that had been recognised in statement of comprehensive income is removed from equity and recognised in profit or loss.

Impairment losses for an investment in an equity instrument classified as available for sale are not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

3.5.26.5 Hedge accounting

Derivatives designated as hedging instruments whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a hedged item are accounted for in accordance with fair value or cash flow hedge accounting, if all of the following conditions are met:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge,
- the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship,
- for cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss,
- the effectiveness of the hedge can be reliably measured,
- the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

The Group does not apply hedge accounting in case when embedded derivative instrument is separated from the host contract.

The Group assesses effectiveness at the inception of the hedge and later, at minimum, at each reporting date. The Group assesses hedge as effective, for external reporting purposes only if the actual results of the hedge are within a range of 80% - 125%. The Group uses statistical methods, in particular regression analysis, to assess effectiveness of the hedge. The Group uses simplified analytical methods, when a hedged item and a hedging instrument are of the same nature i.e. maturity dates, amounts, changes affecting fair value risk or cash flow changes.

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. A firm commitment is a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.

If a fair value hedge is used, it is accounted for as follows:

- the gain or loss from remeasuring the hedging instrument at fair value is recognised in profit or loss, and
- the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit or loss (this applies also if the hedged item is an available-for-sale financial asset, whose changes in value are recognised in other comprehensive income).

The Group discontinues fair value hedge accounting if:

- the hedging instrument expires, is sold, terminated or exercised (for this purpose, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the Group's documented hedging strategy),
- the hedge no longer meets the criteria for hedge accounting, or
- the Group revokes the designation.

3.5.26.5 Hedge accounting (continued)

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. A forecast transaction is an uncommitted but anticipated future transaction.

If a cash flow hedge is used, it is accounted for as follows:

- the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income, and
- the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive income are reclassified to profit or loss in the same period or periods during which the asset acquired or liability assumed affect profit or loss. However, if the Group expects that all or a portion of a loss recognised in other comprehensive income will not be recovered in one or more future periods, it reclassifies to profit or loss the amount that is not expected to be recovered.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group removes the associated gains and losses that were recognised in the other comprehensive income and includes them in the initial cost or other carrying amount of the asset or liability.

The Group discontinues cash flow hedge accounting if:

- the hedging instrument expires, is sold, terminated or exercised - in this case, the cumulative gain or loss on the hedging instrument recognised in other comprehensive income remain separately recognised in equity until the forecast transaction occurs,
- the hedge no longer meets the criteria for hedge accounting - in this case, the cumulative gain or loss on the hedging instrument recognised in other comprehensive income remain separately recognised in equity until the forecast transaction occurs,
- the forecast transaction is no longer expected to occur, in which case any related cumulative gain or loss on the hedging instrument recognised in other comprehensive income are recognised in profit or loss,
- the designation is revoked – in this case the cumulative gain or loss on the hedging instrument recognised in other comprehensive income remain separately recognised in equity until the forecast transaction occurs or is no longer expected to occur

Net investment in a foreign operation is the amount of the reporting entity's interest in the net assets of that operation.

Hedges of a net investment in a foreign operation, including hedge of monetary item that is accounted for as a part of the net investment, shall be accounted for similarly to cash flow hedges:

- the portion of the gain or loss on the hedging instrument that is determined to be effective hedge shall be recognised in other comprehensive income, and
- the ineffective portion shall be recognised in profit or loss.

The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment on a disposal of the foreign operations.

A hedge of a foreign currency risk of a firm commitment may be accounted for as a fair value hedge or cash flow hedge.

3.5.27 Contingent assets and liabilities

Contingent liabilities are defined as possible obligations that arise from past events and which are dependent on occurrence or non-occurrence of some uncertain future events not wholly within the control of the Group or present obligations that arise from past events but is not recognised because it is not probable that an outflow of resource embodying economic benefits will be required to settle the obligations or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognized in the statement of financial position however the information on contingent liabilities is disclosed unless the probability of outflow of resources relating to economic benefits is remote. Contingent liabilities acquired as the result of a business combination are recognized as provisions in the statement of financial position.

Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent assets are not recognized in the statement of financial position as it may lead to recognition of the income, which will never be gain; however the respective information on the contingent receivable is disclosed if the inflow of assets relating to economic benefits is probable.

3.5.28 Subsequent events after the reporting date

Subsequent events after the reporting date are those events, favourable and unfavourable that occur between end of the reporting period and date of when the financial statements are authorized for issue. Two types of subsequent events can be identified:

- those, that provide evidence of conditions that existed as the end of the reporting period (events after the reporting period requiring adjustments in the foregoing consolidated financial statements) and
- those that are indicative of conditions that arose after the reporting period (events after the reporting period not requiring adjustments in the foregoing consolidated financial statements).

4. APPLICATION OF PROFESSIONAL JUDGMEMENT AND ASSUMPTIONS

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In the matters of considerable weight, the Group’s management bases its estimates on opinions of independent experts.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in notes: 8 Property, plant and equipment, 10 Intangibles assets in relation to impairment and 30 Income tax.

The accounting policies described above have been applied consistently to all periods presented in these consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

5. THE PARENT COMPANY AND STRUCTURE OF THE CONSOLIDATED GROUP

The following table shows subsidiaries and jointly controlled entities forming the consolidated group of UNIPETROL, a.s., and the parent company's interest in the capital of subsidiaries and jointly controlled entities held either directly by the parent company or indirectly by the consolidated subsidiaries and allocation of subsidiaries into the Operating segments (information as of 31 December 2013).

Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries	Operating segment	Website
Parent company				
UNIPETROL, a.s. Na Pankráci 127, 140 00 Praha 4, Czech Republic			Corporate function	www.unipetrol.cz
Subsidiaries				
BENZINA, s.r.o. Na Pankráci 127, 140 00 Praha 4, Czech Republic	100.00%	--	Retail	www.benzinaplus.cz
PARAMO, a.s. Přerovská 560, 530 06 Pardubice, Czech Republic	100.00%	--	Refinery	www.paramo.cz
UNIPETROL RPA, s.r.o. Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00%	--	Refinery Petrochemical Corporate function	www.unipetrolrpa.cz
UNIPETROL SERVICES, s.r.o. Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00%	--	Corporate function	www.unipetrolservices.cz
UNIPETROL DOPRAVA s.r.o. Litvínov - Růžodol č.p. 4, 436 70 Litvínov, Czech Republic	0.12%	99.88%	Refinery	www.unipetroldoprava.cz
UNIPETROL Deutschland GmbH Paul Ehrlich Str. 1/B , 63225 Langen/Hessen, Germany	0.10%	99.90%	Petrochemical	www.unipetrol.de
PETROTRANS, s.r.o. Střelničná 2221, 182 00 Praha 8, Czech Republic	0.63%	99.37%	Retail	www.petrotrans.cz
UNIPETROL SLOVENSKO s.r.o. Panónská cesta 7, 850 00 Bratislava, Slovak Republic	13.04%	86.96%	Refinery	www.unipetrol.sk
POLYMER INSTITUTE BRNO, spol. s r.o. Tkalcovská 36/2, 656 49 Brno, Czech Republic	1.00%	99.00%	Petrochemical	www.polymer.cz
Paramo Oil s.r.o. (dormant entity) Přerovská 560, 530 06 Pardubice, Czech Republic	--	100.00%	Refinery	
Výzkumný ústav anorganické chemie, a.s. Revoluční 84/č.p. 1521, Ústí nad Labem, Czech Republic	100.00%	--	Petrochemical	www.vuanch.cz
UNIPETROL RAFINÉRIE, s.r.o. (dormant entity) Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00%	--	Refinery	
HC VERVA Litvínov, a.s. Litvínov , S.K. Neumanna 1598, Czech Republic	--	70.95%	Corporate function	www.hokej-litvinov.cz
CHEMOPETROL, a.s. (dormant entity) Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	--	100.00%	Petrochemical	
MOGUL SLOVAKIA s.r.o. Hradiště pod Vrátnom, U ihriska 300, Slovak Republic	--	100.00%	Refinery	www.mogul.sk
UNIPETROL AUSTRIA HmbH in Liquidation Vídeň, Apfelgasse 2, Austria	100.00%	--	Petrochemical	
Jointly controlled entities				
ČESKÁ RAFINÉRSKÁ, a.s. Záluží 2, 436 70 Litvínov, Czech Republic	51.22%	--	Refinery	www.ceskarafinerska.cz
Butadien Kralupy a.s. O. Wichterleho 810, 278 01 Kralupy nad Vltavou, Czech Republic	51.00%	--	Petrochemical	

The ownership interests and allocation of subsidiaries into the operating segments as at 31 December 2012 were the same as it is presented in the table above except for the change described below.

5. THE PARENT COMPANY AND STRUCTURE OF THE CONSOLIDATED GROUP (CONTINUED)

Changes in structure of the Group

Liquidation of UNIPETROL TRADE Group

CHEMAPOL (SCHWEIZ) AG was put under liquidation on 1 June 2010 due to the restructuring process of UNIPETROL TRADE Group. The liquidation of CHEMAPOL (SCHWEIZ) AG was completed on 12 June 2013. The liquidation process of UNIPETROL AUSTRIA HmbH is ongoing.

Acquisition of 16.335% stake in ČESKÁ RAFINÉRSKÁ, a.s. from Shell

On 31 January 2014 UNIPETROL, a.s. acquired from Shell 152 701 shares of ČESKÁ RAFINÉRSKÁ, a.s. amounting to 16.335% of the Česká rafinérská's share capital. As a result of the transaction Unipetrol's stake on the Česká rafinérská's share capital has increased from 51.22% to 67.555%. Details of the transactions are described in Note 40 Significant Post Balance Sheet Events.

6. CHANGES IN DISCLOSURE OF COMPARATIVE PERIOD

The Group has changed disclosure in respect of selected data in comparative period in Consolidated statement of financial position, Consolidated statement of comprehensive income, Consolidated statement of cash flows and Consolidated statement of changes in equity to ensure consistent approach with data presentation in 2013. The changes were incorporated in presentation of certain positions in financial statements to provide users of financial statements with better information concerning operations of the Group. In addition, the names of certain items in financial statements has been changed.

The changes incorporated in the Consolidated statement of financial position, Consolidated statement of comprehensive income and Consolidated statement of cash flows were connected with presentation of assets held for sale as at 31 December 2012.

As at 31 December 2012 following the intention of UNIPETROL, a.s.'s management to sell 100% shares in PARAMO, a.s. and PARAMO, a.s.'s 100% shareholding in MOGUL SLOVAKIA s.r.o and 100% shareholding in Paramo Oil s.r.o. the Group presented assets and liabilities of these subsidiaries as disposal group held for sale. Additionally in 2012 an impairment charge of CZK 315 848 thousand was recorded to the carrying amount of the disposal group. In 2013 financial statements, following the Group´s management decision to change the status of the assets to no longer held for sale, the Group ceased to present assets and liabilities of PARAMO, a.s and its subsidiaries as disposal group and restated the comparative financial statements in accordance with requirements of IFRS 5 *Non- current assets held for sale and discontinued operations*.

As the classification to assets held for sale was done as at 31 December 2012 there was no need to restate earlier periods. Impact of the change is disclosed under point 1 on following pages under *presentation of assets and liabilities held for sale.*

The Group has changed disclosure in respect of selected data in comparative period of Consolidated statement of financial position, Consolidated statement of comprehensive income and Consolidated statement of cash flows to ensure consistent approach with data presentation in 2013, based on changes in detail of presentation adopted since 1 January 2013. Particular items from the Consolidated statement of financial position, Consolidated statement of comprehensive income and Consolidated statement of cash flows were presented either in bigger detail or were grouped into condensed categories. Impact is disclosed in the tables on following pages under 2 *changes in detail of presentation of assets / liabilities.* The Management believes that current detail of disclosures provides readers of financial statements with better presentation.

Cash pool liabilities from entities of PKN Orlen group were reclassified from position Loans, borrowings and debt securities to Other financial liabilities in the Statement of financial position with corresponding presentation in the Statement of cash flows as it provides better information to users of financial statements on external sources of financing. Impact is disclosed in the tables on following pages under point 3 *presentation of cash pool.*

Finance lease liabilities were reclassified from position Loans, borrowings and debt securities to Other financial liabilities in the Statement of financial position. Impact is disclosed in the tables on following pages under point 4 presentation of *finance lease*.

Discounts agreed in advance are presented as decrease of revenues not financial costs, which provides better information on revenues achieved by the Group and is still in line with IAS18. Impact is disclosed in the tables on following pages under point 5 *presentation of discounts.*

In 2013 the Group gained reasonable assurance in relation to the receipt of the government grants for research projects in chemical area and decided to follow the allowed alternative under IAS 20 and net the income from grant with the related costs which the grant is intended to compensate as they wouldn't be incurred if the grant was not given. To ensure consistency 2012 presentation was adjusted. Impact is disclosed in the tables on following pages under point 6 *net presentation of grants.*

Impairment losses on financial investments, property plant and equipment and intangible assets were reclassified under operating activities adjustments from separate position of adjustments to position Profit/ Loss on investing activities. Impact is disclosed in the tables on following pages under point 7 *presentation of impairment losses.*

Prepayments connected with investing activities were reclassified from operating to investing activities which corresponds with the prepayments purpose. Impact is disclosed in the tables on following pages under point 8 *presentation of prepayments.*

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

6. CHANGES IN DISCLOSURE OF COMPARATIVE PERIOD (CONTINUED)

The changes in Consolidated statement of financial position as at 31 December are presented in the following table:

	previously stated	presentation of as assets and liabilities held for sale (1)	changes in detail of presentation of assets / liabilities (2)	presentation of cash pool (3)	presentation of finance lease (4)	31/12/2012 (restated)
ASSETS						
Non-current assets						
Property, plant and equipment	23 326 243	33 405				23 359 648
Investment property	383 725	39 624				423 349
Intangible assets	1 978 326	44 456				2 022 782
Financial assets available for sale	-		522			522
Deferred tax assets	307 230	1 518				308 748
Other non-current assets	55 595	490	(522)			55 563
	26 051 119	**119 493**	**-**	**-**	**-**	**26 170 612**
Current assets						
Inventories	9 893 415	675 407				10 568 822
Trade and other receivables	10 574 595	361 899	130 537			11 067 031
Other financial assets	32 703					32 703
Prepayments and other current assets	130 537		(130 537)			-
Current tax receivables	34 188					34 188
Cash and cash equivalents	3 058 211	16 276				3 074 487
Assets classified as held for sale	857 225	(857 225)				-
	24 580 874	**196 357**	**-**	-	**-**	**24 777 231**
Total assets	**50 631 993**	**315 850**	**-**	**-**	**-**	**50 947 843**
EQUITY AND LIABILITIES						
EQUITY						
Share capital	18 133 476					18 133 476
Statutory reserves	2 584 286					2 584 286
Other funds	41 869		(41 869)			-
Hedging reserve	-		(16 510)			(16 510)
Revaluation reserve	-		68 023			68 023
Foreign exchange differences on subsidiaries from consolidation	-		(9 644)			(9 644)
Retained earnings	8 775 893	315 848				9 091 741
Total equity attributable to equity owners of the parent	**29 535 524**	**315 848**	**-**	**-**	**-**	**29 851 372**
Non-controlling interest	**(7 031)**	**-**	**-**	**-**	**-**	**(7 031)**
Total equity	**29 528 493**	**315 848**	**-**	**-**	**-**	**29 844 341**
LIABILITIES						
Non-current liabilities						
Loans, borrowings and debt securities	2 261				(2 261)	-
Provisions	372 495	908				373 403
Deferred tax liabilities	387 982	119				388 101
Other non-current liabilities	184 115	10 020			2 261	196 396
	946 853	**11 047**	**-**	**-**	**-**	**957 900**
Current liabilities						
Trade and other liabilities	15 928 623	622 611	(96 687)		3 164	16 457 711
Loans, borrowings and debt securities	2 836 348			(1 653)	(3 164)	2 831 531
Current tax liabilities	55 742					55 742
Provisions	508 461	16 760				525 221
Deferred income	-	339	96 687			97 026
Other financial liabilities	148 248	28 470		1 653		178 371
Liabilities classified as held for sale	679 225	(679 225)				-
	20 156 647	**(11 045)**	**-**	**-**	**-**	**20 145 602**
Total liabilities	**21 103 500**	**2**	**-**	**-**	**-**	**21 103 502**
Total equity and liabilities	**50 631 993**	**315 850**	**-**	**-**	**-**	**50 947 843**

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

6. CHANGES IN DISCLOSURE OF COMPARATIVE PERIOD (CONTINUED)

The changes in Consolidated statement of profit or loss and other comprehensive income for year ended 31 December 2012 are presented in the following table:

	previously stated	presentation of as assets and liabilities held for sale (1)	presentation of discounts (5)	net presentation of grants (6)	2012 (restated)
Statement of profit or loss					
Revenues	107 280 986		(121 200)		107 159 786
Cost of sales	(104 111 144)			67 390	(104 043 754)
Gross profit on sales	**3 169 842**		**(121 200)**	**67 390**	**3 116 032**
Distribution expenses	(1 944 982)				(1 944 982)
Administrative expenses	(1 249 831)				(1 249 831)
Other operating income	859 920		(1)	(67 390)	792 529
Other operating expenses	(4 848 598)	315 848			(4 532 750)
Loss from operations	**(4 013 649)**	**315 848**	**(121 201)**	**-**	**(3 819 002)**
Finance income	1 886 245				1 886 245
Finance costs	(2 560 367)		121 201		(2 439 166)
Net finance costs	**(674 122)**	**-**	**121 201**	**-**	**(552 921)**
Loss before tax	**(4 687 771)**	**315 848**	**-**	**-**	**(4 371 923)**
Tax expense	1 273 885				1 273 885
Net loss	**(3 413 886)**	**315 848**	**-**	**-**	**(3 098 038)**

The changes in consolidated statement of cash flows for year ended 31 December 2012 are presented in the following table:

	previously stated	presentation of as assets and liabilities held for sale (1)	changes in detail of presentation of assets / liabilities (2)	presentation of cash pool (3)	presentation of impairment losses (7)	presentation of prepayments (8)	2012 (restated)
Cash flows - operating activities							
Net loss	**(3 413 886)**	**315 848**					**(3 098 038)**
Adjustments for:							
Depreciation and amortisation	2 807 100						2 807 100
Foreign exchange (gain)/loss	(6 617)						(6 617)
Interest and dividends, net	264 929			(2 386)			262 543
(Profit)/Loss on investing activities	(4 443)		58 400		4 316 294		4 370 251
Change in provisions	341 367						341 367
Tax expense	(1 273 885)						(1 273 885)
Income tax (paid)	(146 654)						(146 654)
Other adjustments	-		(887 570)				(887 570)
Impairment losses on financial investments, property plant and equipment and intangible assets	4 615 866	(299 572)			(4 316 294)		-
CO2 allowances grant derecognition	(338 521)		338 521				-
Change in deferred income related to CO2 allowances grant	(742 756)		742 756				-
Net (gain)/loss from financial derivatives	32 535		(32 535)				-
Change in working capital	(182 466)	-	(219 572)	2 386	-	6 046	(393 606)
Inventories	1 038 627						1 038 627
Receivables	(640 528)		6 977				(633 551)
Liabilities	(580 565)		(226 549)	2 386		6 046	(798 682)
Net cash provided by operating activities	**1 952 569**	**16 276**	**-**	**-**	**-**	**6 046**	**1 974 891**
Cash flows - investing activities							
Acquisition of property, plant and equipment and intangible assets	(1 346 201)					(6 046)	(1 352 247)
Disposal of property, plant and equipment and intangible assets	64 754						64 754
Acquisition of securities and deposits	(102 442)		102 442				-
Disposal of securities and deposits	102 442		(102 442)				-
Proceeds/(Outflows) from loans granted	2 141			1 491			3 632
Other	-		10 682	110 043			120 725
Settlement of financial derivatives	252 033		(10 008)				242 025
Proceed from disposal of PARAMO ASFALT s.r.o.	116 100		(116 100)				-
Change in loans granted	111 534			(111 534)			-
Cash and cash equivalents in subsidiaries sold	(115 426)		115 426				-
Net cash used in investing activities	**(915 065)**	**-**	**-**	**-**	**-**	**(6 046)**	**(921 111)**
Cash flows - financing activities							
Change in loans and borrowings	(201 426)						(201 426)
Change in cash pool liabilities	87 525			(87 525)			-
Interest paid	(325 070)						(325 070)
Payments of liabilities under finance lease agreements	(7 555)						(7 555)
Dividends paid to non-controlling shareholders	(340)						(340)
Other	-			87 525			87 525
Net cash used in financing activities	**(446 866)**	**-**	**-**	**-**	**-**	**-**	**(446 866)**
Net increase/(decrease) in cash and cash equivalents	**590 640**	**16 276**					**606 916**
Effect of exchange rate changes	(2 984)						(2 984)
Cash and cash equivalents, beginning of the period	2 470 555						2 470 555
Cash and cash equivalents, end of the period	**3 058 211**	**16 276**					**3 074 487**

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. OPERATING SEGMENTS

7.1 Revenues and financial result by operating segments

2013	Note	Refining segment	Retail segment	Petrochemical segment	Corporate Functions	Adjustments	Total
Total external revenues	*26*	52 847 999	10 452 743	36 032 736	81 312	-	99 414 790
Transactions with other segments		22 487 308	212 782	1 893 657	549 530	(25 143 277)	-
Total segment revenue		75 335 307	10 665 525	37 926 393	630 842	(25 143 277)	99 414 790
Operating expenses		(77 125 993)	(10 484 242)	(37 013 663)	(786 561)	25 143 277	(100 267 182)
Other operating income	*28.1*	77 655	30 826	59 773	19 672	(114)	187 812
Other operating expenses	*28.2*	(28 292)	(26 740)	(165 338)	(8 494)	114	(228 750)
Segment operating profit/(loss)		**(1 741 323)**	**185 369**	**807 165**	**(144 541)**	**-**	**(893 330)**
Net finance costs	*29*						(450 225)
Loss before tax							**(1 343 555)**
Tax expense	*30*						(52 917)
Net loss							**(1 396 472)**
Depreciation and amortisation	*27.2*	**(471 502)**	**(329 216)**	**(1 532 653)**	**(81 946)**	**-**	**(2 415 318)**
Additions to non-current assets	*8,10*	**690 306**	**156 721**	**1 485 199**	**71 863**	**-**	**2 404 089**

2012	Note	Refining segment	Retail segment	Petrochemical segment	Corporate Functions	Adjustments	Total
Total external revenues	*26*	59 523 797	10 269 864	37 291 783	74 342	-	107 159 786
Transactions with other segments		23 256 233	222 436	1 553 036	538 227	(25 569 932)	-
Total segment revenue		82 780 030	10 492 300	38 844 819	612 569	(25 569 932)	107 159 786
Operating expenses		(82 998 198)	(10 366 669)	(38 726 756)	(716 876)	25 569 932	(107 238 567)
Other operating income	*28.1*	182 019	207 176	373 011	30 704	(381)	792 529
Other operating expenses	*28.2*	(4 161 070)	(126 110)	(200 479)	(45 472)	381	(4 532 750)
Segment operating profit/(loss)		**(4 197 219)**	**206 697**	**290 595**	**(119 075)**	**-**	**(3 819 002)**
Net finance costs	*29*						(552 921)
Loss before tax							**(4 371 923)**
Tax expense	*30*						1 273 885
Net loss							**(3 098 038)**
Depreciation and amortisation	*27.2*	**(873 541)**	**(335 065)**	**(1 511 674)**	**(86 820)**	**-**	**(2 807 100)**
Additions to non-current assets	*8,10*	**352 888**	**237 773**	**698 709**	**56 025**	**-**	**1 345 395**

7.2 Other segment data

7.2.1 Assets by operating segment

	31/12/2013	31/12/2012
Refining segment	20 074 320	18 927 970
Retail segment	6 021 201	6 313 143
Petrochemical segment	22 547 053	23 022 035
Segment assets	**48 642 594**	**48 263 148**
Corporate Functions	1 355 535	2 684 695
	49 998 129	**50 947 843**

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

7.2.2 Recognition and reversal of impairment allowances

	Recognition		Reversal	
	2013	2012	2013	2012
Refining segment	(169 988)	(4 510 725)	150 500	150 184
Retail segment	(19 807)	(80 321)	6 167	21 860
Petrochemical segment	(279 785)	(425 623)	178 441	382 627
Impairment allowances by segments	**(469 580)**	**(5 016 669)**	**335 108**	**554 671**
Corporate Functions	(1 206)	(23 385)	298	14 767
	(470 786)	**(5 040 053)**	**335 406**	**569 438**

including Impairment allowances of property, plant, equipment and intangible assets:

	Recognition		Reversal	
	2013	2012	2013	2012
Refining segment	(1 493)	(4 124 381)	21 154	9 929
Retail segment	(18 351)	(63 242)	4 360	15 500
Petrochemical segment	(82 783)	(137 674)	-	5 649
Impairment allowances by segments	**(102 627)**	**(4 325 297)**	**25 514**	**31 079**
Corporate Functions	-	(5 800)	-	-
	(102 627)	**(4 331 097)**	**25 514**	**31 079**

Impairment allowances of assets by segment include items recognized in the consolidated statement of profit or loss and other comprehensive income i.e.: receivables allowances, inventories allowances, non-current assets impairment allowances.

In 2012 in a refinery segment impairment charge in amount of CZK 4 075 234 thousand was recognised by the Group relating to non-current assets and goodwill of its jointly controlled entity ČESKÁ RAFINÉRSKÁ, a.s.

Other impairment allowances recognitions and reversals were recorded in relation to CO2 allowances and petrol stations, inventory, overdue receivables, uncollectible receivables or receivables in court.

7.2.3 Geographical information

	Revenues		Non-current assets	
	2013	2012	2013	2012
Czech Republic	68 773 482	76 078 564	25 340 150	25 793 931
Germany	10 097 380	9 280 483	1 440	1 467
Poland	1 574 134	1 808 447	-	-
Slovakia	10 190 698	9 349 291	10 154	10 380
Other countries	8 779 096	10 643 001	-	-
	99 414 790	**107 159 786**	**25 351 744**	**25 805 779**

No other country than Czech Republic, Germany and Slovakia accounted for more than 10% of consolidated revenues. No other country than the Czech Republic accounted more than 10% of consolidated assets. Revenues are based on the country in which the customer is located. Total non-current assets are based on location of the assets and consist of property, plant and equipment, intangible assets and investment property.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

7.3 Revenues from major products and services

The following is an analysis of the Group's external revenues from its major products and services:

	2013	2012
Refining segment	**52 848 000**	**59 523 797**
Diesel	27 220 219	30 523 111
Gasoline	12 551 658	13 928 359
JET	1 352 900	1 916 583
LPG	1 404 244	2 266 935
Fuel OILS	1 236 984	1 382 533
Bitumen	2 344 277	2 661 088
Lubricants	1 056 871	1 093 752
Other refinery products	1 953 499	1 862 974
Services	3 727 350	3 888 460
Retail segment	**10 452 743**	**10 269 864**
Refinery products	10 186 118	10 032 517
Services	266 625	237 347
Petrochemical segment	**36 032 736**	**37 412 983**
Ethylene	4 144 887	4 525 306
Benzene	4 664 033	4 802 081
Propylene	851 746	1 084 510
Urea	34 197	1 360 040
Ammonia	1 832 210	1 357 638
C4 fraction	1 381 254	1 392 923
Butadiene	1 224 058	1 438 229
Polyethylene (HDPE)	8 645 928	8 905 186
Polypropylene	7 102 599	7 145 097
Other petrochemical products	4 845 337	4 033 045
Services	1 306 487	1 247 729
Corporate Functions	**81 312**	**74 342**
	99 414 790	**107 159 786**

7.4 Information about major customer

Revenues from none of the operating segments' individual customers represented 10% or more of the Group's total revenues.

8. PROPERTY, PLANT AND EQUIPMENT

	31/12/2013	31/12/2012
Land	810 177	811 199
Buildings and constructions	10 486 380	10 763 664
Machinery and equipment	10 185 564	10 108 866
Vehicles and other	813 836	985 789
Construction in progress	880 738	690 130
	23 176 695	**23 359 648**

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

8. PROPERTY PLANT AND EQUIPMENT (CONTINUED)

Changes in property, plant and equipment by class

	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Total
Gross book value						
1 January 2013	1 161 292	24 459 290	41 119 415	3 015 627	874 080	70 629 704
Investment expenditures	-	41 076	139 408	53 769	1 821 520	2 055 773
Other increases	-	30 864	-	28	-	30 892
Reclassifications	1 021	176 271	1 628 116	63 488	(1 560 419)	308 477
Sale	(1 637)	(153)	(4 577)	(96 115)	-	(102 482)
Liquidation	-	(9 941)	(408 108)	(92 470)	-	(510 519)
Other decreases	(278)	-	(40 234)	(2 913)	(5 502)	(48 927)
Foreign exchange differences	150	1 577	488	755	-	2 970
31 December 2013	**1 160 548**	**24 698 984**	**42 434 508**	**2 942 169**	**1 129 679**	**72 365 888**
Accumulated depreciation, impairment allowances and settled government grants						
1 January 2013	350 093	13 669 753	30 993 469	2 029 838	151 847	47 195 000
Depreciation	-	477 482	1 554 086	251 199	-	2 282 767
Other increases	-	30 864	-	28	-	30 892
Impairment allowances	278	27 223	102 384	(652)	(48 838)	80 395
Reclassifications	-	(13 647)	(13 509)	7 770	-	(19 386)
Sale	-	(448)	(4 298)	(88 283)	-	(93 029)
Liquidation	-	(7 222)	(395 236)	(72 742)	-	(475 200)
Other decreases	-	-	(13 218)	(2 912)	-	(16 130)
Government grants - settlement	-	1 241	3 398	970	-	5 609
Foreign exchange differences	-	876	488	638	-	2 002
31 December 2013	**350 371**	**14 186 122**	**32 227 564**	**2 125 854**	**103 009**	**48 992 920**
Gross book value						
1 January 2012	1 159 185	24 186 625	39 802 353	3 031 998	1 242 441	69 422 602
Investment expenditures	-	18 461	95 470	93 098	1 062 159	1 269 188
Other increases	-	106 024	286 657	9	-	392 690
Reclassifications	(976)	170 217	1 149 798	99 100	(1 430 055)	(11 916)
Sale	(236)	(17 449)	(3 909)	(133 129)	(229)	(154 952)
Liquidation	-	(37 443)	(231 310)	(76 494)	-	(345 247)
Change in Group structure	1 664	15 812	45 701	1 291	2 550	67 018
Other decreases	-	-	(30 652)	(2)	(2 786)	(33 440)
Foreign exchange differences	1 655	17 043	5 307	(244)		23 761
31 December 2012	**1 161 292**	**24 459 290**	**41 119 415**	**3 015 627**	**874 080**	**70 629 704**
Accumulated depreciation, impairment allowances and settled government grants						
1 January 2012	350 093	11 244 502	26 742 920	1 945 913	197 693	40 481 121
Depreciation	-	530 999	1 833 885	273 207	-	2 638 091
Other increases	-	106 024	286 657	-	-	392 681
Impairment allowances	-	1 792 364	2 281 802	2 915	(45 846)	4 031 235
Reclassifications	-	(707)	(11 103)	11 810	-	-
Sale	-	-	(3 924)	(131 238)	-	(135 162)
Liquidation	-	(21 955)	(185 135)	(73 688)	-	(280 778)
Change in Group structure	-	9 225	38 704	1 102	-	49 031
Other decreases	-	-	(30)	-	-	(30)
Government grants - settlement	-	1 027	4 403	-	-	5 430
Foreign exchange differences	-	8 274	5 290	(183)	-	13 381
31 December 2012	**350 093**	**13 669 753**	**30 993 469**	**2 029 838**	**151 847**	**47 195 000**
Government grants						
1 January 2013	-	25 873	17 080	-	32 103	75 056
31 December 2013	-	26 482	21 380	2 479	145 932	196 273
1 January 2012	-	26 900	21 483	-	-	48 383
31 December 2012	-	25 873	17 080	-	32 103	75 056
Net book value						
1 January 2013	811 199	10 763 664	10 108 866	985 789	690 130	23 359 648
31 December 2013	810 177	10 486 380	10 185 564	813 836	880 738	23 176 695
1 January 2012	809 092	12 915 223	13 037 950	1 086 085	1 044 748	28 893 098
31 December 2012	811 199	10 763 664	10 108 866	985 789	690 130	23 359 648

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8. PROPERTY PLANT AND EQUIPMENT (CONTINUED)

According to IAS 23 the Group capitalizes those borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, as part of the cost of that asset. Borrowing costs capitalized in the year ended 31 December 2013 amounted to CZK 1 644 thousand (31 December 2012: CZK 665 thousand).

In 2013 the Group reclassified spare parts with expected economic useful lives longer than 1 year in amount of CZK 328 773 thousand from Inventories to Machinery and equipment.

Changes in impairment allowances of property, plant and equipment

	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Total
1 January 2013	350 093	3 734 273	4 356 765	72 761	151 847	8 665 739
Recognition	-	29 998	69 192	3 337	100	102 627
Reversal	-	(13 028)	(11 006)	(1 480)	-	(25 514)
Usage	-	(11)	-	-	-	(11)
Reclassifications	320	10 436	46 990	34	(43 446)	14 334
Other increases/(decreases)	(42)	(172)	(2 792)	(2 543)	(5 492)	(11 041)
	350 371	3 761 496	4 459 149	72 109	103 009	8 746 134
increase/(decrease) net*	278	27 223	102 384	(652)	(48 838)	80 395
1 January 2012	350 093	1 941 909	2 074 963	69 846	197 693	4 634 504
Recognition	-	1 809 350	2 305 073	4 077	(45 362)	4 073 138
Reversal	-	(16 876)	(4 565)	(386)	(484)	(22 311)
Other increases/(decreases)	-	(110)	(18 706)	(776)	-	(19 592)
	350 093	3 734 273	4 356 765	72 761	151 847	8 665 739
increase/(decrease) net*	-	1 792 364	2 281 802	2 915	(45 846)	4 031 235

*Increase/(decrease) net - includes recognition, reversal, usage and reclassifications.

Impairment allowances disclosed in the property, plant and equipment movement table are equal to the amount by which the carrying amount of assets exceeded their recoverable amount. Recognition and reversal of impairment allowances for property, plant and equipment are recognized in other operating activities. In 2012 an impairment charge of CZK 3 975 622 thousand was recognized in relation to property, plant and equipment of the refinery segment - ČESKÁ RAFINÉRSKÁ, a.s.

The Group reviews economic useful lives of property, plant and equipment and introduces adjustments to depreciation charge prospectively according to its accounting policy. Should the depreciation policy from the previous year be applied, the depreciation expense for 2013 would be higher by CZK 45 798 thousand.

Other information regarding property, plant and equipment

	31/12/2013	31/12/2012
The gross book value of all fully depreciated property, plant and equipment still in use	12 197 768	12 271 749
The net book value of temporarily idle property, plant and equipment	16 789	8 551
The net book value of leased non-current assets	324 402	315 640

The Group obtained in 1994 a government grant from the German Ministry for Environmental Protection and Safety of Reactors in amount of CZK 260 030 thousand. This environmental project targeted at limiting cross-border pollution, in connection with the reconstruction of the T-700 power station and its desulphurization. The carrying amount of the asset financed from the grant was CZK 38 564 thousand as at 31 December 2013 (31 December 2012: CZK 42 952 thousand).

The Group obtained a support grant from the European Regional Development Fund (ERDF) and the Czech national budget for the new research and education centre UniCRE construction for CZK 592 437 thousand. The resources provided will be used mainly for restoration of research laboratories, conference and education areas and the purchase of modern equipment and laboratory equipment. The carrying amount of the asset financed from the grant was CZK 145 932 thousand (in 2012: 32 103 thousand).

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9. INVESTMENT PROPERTY

Investment property at 31 December 2013 comprised the land and buildings owned by the Group and leased to third parties. The changes recorded during the year 2013 are presented in the following table:

	2013	2012
At beginning of the period	423 349	395 891
Reclassification from and to property, plant, equipment	(2 606)	1 811
Purchase	17 347	5 796
Fair value measurement	(10 608)	19 851
increase	220	19 960
decrease	(10 828)	(109)
	427 482	**423 349**

Rental income amounted to CZK 50 742 thousand in 2013 (2012: CZK 47 132 thousand). Operating costs related to the investment property in reporting period amounted to CZK 10 828 thousand in 2013 (2012: CZK 7 532 thousand). Information concerning valuation of investment property is included in notes 3.5.5 and 32.

10. INTANGIBLE ASSETS

	31/12/2013	31/12/2012
Internally generated intangible assets	**28 663**	**-**
Assets under development	28 663	-
Other intangible assets	**1 718 904**	**2 022 782**
Software	143 156	138 727
Licences, patents and trade marks	778 991	849 431
Assets under development	341 671	66 369
CO2 emission allowance	365 803	858 429
Other intangible assets	89 283	109 826
	1 747 567	**2 022 782**

10.1 Changes in internally generated intangible assets

In the year 2013 the Group recognized internally generated intangible assets amounted to CZK 28 663 thousand, which includes research studies.

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10.2 Changes in other intangible assets

	Software	Licences, patents and trade marks	Goodwill	Assets under development	CO2 emission allowances	Other intangible assets	Total
Gross book value							
1 January 2013	1 010 876	2 080 982	51 595	79 779	1 180 882	506 737	4 910 851
Investment expenditures	164	-	-	319 489	4 447	-	324 100
Other increases	35 217	-	-	-	-	-	35 217
Reclassifications	50 949	(440)	-	(48 272)	-	(1 295)	942
Liquidation	(2 056)	(5 201)	-	-	-	(18 073)	(25 330)
Other decreases	-	-	-	(875)	(662 180)	-	(663 055)
Foreign exchange differences	141	-	-	-	-	-	141
31 December 2013	**1 095 291**	**2 075 341**	**51 595**	**350 121**	**523 149**	**487 369**	**4 582 866**
Accumulated amortisation, impairment allowances and settled government grants							
1 January 2013	872 148	1 231 551	51 595	13 411	322 453	396 911	2 888 069
Amortization	44 026	70 000	-	-	-	18 525	132 551
Other increases	35 217	-	-	-	-	-	35 217
Impairment allowances	2 027	(81)	-	(5 523)	(165 107)	721	(167 963)
Liquidation	(2 056)	(5 120)	-	-	-	(18 071)	(25 247)
Government grants - settlement	123	-	-	-	-	-	123
Foreign exchange differences	108	-	-	-	-	-	108
31 December 2013	**951 592**	**1 296 350**	**51 595**	**7 888**	**157 346**	**398 086**	**2 862 858**
Gross book value							
1 January 2012	970 809	2 077 843	51 595	97 496	1 324 668	523 660	5 046 071
Investment expenditures	299	-	-	75 908	-	-	76 207
Other increases	-	-	-	-	844 704	-	844 704
Reclassifications	41 461	(10 030)	-	(89 194)	-	62 073	4 310
Sale	-	-	-	-	(9 075)	-	(9 075)
Liquidation	(4 427)	(2 141)	-	(484)	-	(79 547)	(86 599)
Change in Group structure	2 400	15 310	-	-	-	551	18 261
Other decreases	-	-	-	(3 947)	(979 415)	-	(983 362)
Foreign exchange differences	334	-	-	-	-	-	334
31 December 2012	**1 010 876**	**2 080 982**	**51 595**	**79 779**	**1 180 882**	**506 737**	**4 910 851**
Accumulated amortisation, impairment allowances and settled government grants							
1 January 2012	797 456	1 141 530	-	10 271	173 865	414 481	2 537 603
Amortization	47 652	80 124	-	-	-	41 234	169 010
Impairment allowances	28 872	11 623	51 595	3 140	148 588	5 373	249 191
Reclassifications	-	(14 894)	-	-	-	14 894	-
Liquidation	(4 427)	(2 142)	-	-	-	(79 547)	(86 116)
Change in Group structure	2 251	15 310	-	-	-	477	18 038
Foreign exchange differences	344	-	-	-	-	(1)	343
31 December 2012	**872 148**	**1 231 551**	**51 595**	**13 411**	**322 453**	**396 911**	**2 888 069**
Government grants							
1 January 2013	-	-	-	-	-	-	-
31 December 2013	542	-	-	562	-	-	1 104
Net book value							
1 January 2013	138 728	849 431	-	66 368	858 429	109 826	2 022 782
31 December 2013	143 156	778 991	-	341 671	365 803	89 283	1 718 904
1 January 2012	173 353	936 313	51 595	87 225	1 150 803	109 179	2 508 468
31 December 2012	138 728	849 431	-	66 368	858 429	109 826	2 022 782

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10.3 Changes in impairment allowances of other intangible assets

	Software	Licences, patents and trade marks	Goodwill	Assets under development	CO2 emission allowance	Other intangible assets	Total
1 January 2013	31 518	199 084	51 595	13 411	322 453	20 968	639 029
Usage	-	(81)	-	-	(165 107)	-	(165 188)
Reclassifications	2 027	-	-	(5 523)	-	723	(2 773)
Other increases/(decreases)						(2)	(2)
	33 545	199 003	51 595	7 888	157 346	21 689	471 066
increase/(decrease) net*	2 027	(81)	-	(5 523)	(165 107)	721	(167 963)
1 January 2012	2 646	187 461	-	10 271	173 865	15 595	389 838
Recognition	27 820	11 268	51 595	7 877	157 840	1 559	257 959
Reversal	-	-	-	484	(9 252)	-	(8 768)
Reclassifications	1 052	355	-	(5 221)	-	3 814	-
	31 518	199 084	51 595	13 411	322 453	20 968	639 029
increase/(decrease) net*	28 872	11 623	51 595	3 140	148 588	5 373	249 191

*Increase/(decrease) net - includes recognition, reversal, usage and reclassifications.

Recognition and reversal of impairment allowances for intangible assets are recognized in other operating activities.

Other information regarding intangible assets

	31/12/2013	31/12/2012
The gross book value of all fully depreciated intangible assets still in use	1 687 918	1 638 344
The net book value of intangible assets with indefinite useful life	12 709	11 835

In 2012 the major part of the impairment recognized by the Group related to intangible assets of the refinery CGU - ČESKÁ RAFINÉRSKÁ, a.s. (CZK 48 017 thousand).

The increase of assets under development in 2013 includes new PE3 licence – project study in amount of CZK 260 101 thousand.
Other intangible assets include development costs with a carrying amount of CZK 88 417 thousand as of 31 December 2013 (31 December 2012: CZK 105 874 thousand).

The Group reviews economic useful lives of intangible assets and introduces an adjustment to amortization charge prospectively according to its accounting policy. Should the amortization rates from the previous year be applied, amortization expense for 2013 would be higher by CZK 17 211 thousand.

10.4 Goodwill

The goodwill of CZK 51 595 thousand resulted from the acquisition of a 0.221% share in the registered capital of ČESKÁ RAFINÉRSKÁ, a.s. during the year ended 31 December 2007.
As at 31 December 2012 in connection with an impairment charge recognized in relation to non-current assets of the refinery CGU - ČESKÁ RAFINÉRSKÁ, a.s. the carrying amount of goodwill was decreased to zero.

10.5 CO2 emission allowances

Based on Czech National Allocation Scheme for the years 2013-2020 the Group was to obtain CO2 allowances free of charge. As at 31 December 2013 the Group did not obtain any CO2 allowances on its account and recognized the receivable for estimated amount of CO2 allowances grant in amount of CZK 254 601 thousand which is included in Trade and other receivables as at 31 December 2013. In February 2014 the Group obtained allowances for carbon dioxide emissions for the year 2013 in amount of 1 918 086 tons which is in line with previous estimates based on which the receivable was created.

On 21 February 2012 the Group received CO2 allowances of 3 775 436 tons relating to emissions in 2012. On that day the market value of one CO2 allowance was EUR 8.98.

	31/12/2013		31/12/2012	
	Value	Quantity (in tonnes)	Value	Quantity (in tonnes)
Emission allowance at 1 January	858 429	4 700 373	1 150 803	3 679 891
Emission allowances granted for the year	-	-	844 704	3 775 436
Settled emission allowances for previous periods	(662 179)	(2 477 018)	(979 415)	(2 714 395)
Utilisation (recognition) of impairment to CO2 allowances	165 106	-	(148 588)	-
Purchased/(Sold) emission allowances	4 447	45 566	(9 075)	(40 559)
Emission allowances at 31 December	**365 803**	**2 268 921**	**858 429**	**4 700 373**
Estimated annual consumption	513 569	3 409 626	495 934	2 472 204
Estimated grant of CO2 for 2013	254 601	1 918 086	-	-

As at 31 December 2013 the market value of one EUA allowance (European Union Emission Allowance) amounted to EUR 4.84 (as at 31 December 2012: 6.43 EUR).

The emission allowances acquired and sold by the Group are included in the statement of consolidated cash flows respectively under investing activities in Acquisition of property, plant and equipment and intangible assets and Proceeds from disposals of property, plant and equipment and intangible assets respectively.

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11. JOINTLY CONTROLLED ENTITIES

The Group has a 51.221% interest in a jointly controlled entity ČESKÁ RAFINÉRSKÁ, a.s. which is involved in the refining of crude oil and the production and distribution of petroleum based products. The following amounts represent the Group's 51.221% share of the assets and liabilities, sales and results of the jointly controlled entity (after effects of the impairment charges recognized in 2012 at the Group level as outlined in Note 8) and are included in the consolidated Statement of financial position and Statement of profit or loss and other comprehensive income:

	31/12/2013	31/12/2012
Non-current assets	4 143 998	4 032 768
Current assets	3 861 298	4 439 944
Total assets	**8 005 296**	**8 472 712**
Non-current liabilities	42 781	49 556
Current liabilities	3 066 617	2 925 444
Total liabilities	**3 109 398**	**2 975 000**

	2013	2012
Revenues	4 525 092	4 974 279
Cost of sales	(3 986 533)	(4 576 032)
Gross profit on sales	**538 559**	**398 247**
Administrative expenses	(163 846)	(179 742)
Other operating income and expenses, net	8 542	(4 045 020)
Profit/ (loss) from operations	**383 255**	**(3 826 515)**
Net finance income (costs)	2 973	10 853
Profit/ (loss) before tax	**386 228**	**(3 815 662)**
Tax expense	(66 064)	718 489
Net profit/ (loss)	**320 164**	**(3 097 173)**
Net cash provided by/(used in) operating activities	735 342	857 655
Net cash provided by/(used in) investing activities	(539 462)	(333 088)

The Group has a 51% interest in a jointly controlled entity Butadien Kralupy, a.s. The company, which is a producer of butadiene, commenced operations in 2010.

The following amounts represent the Group's 51% share of the assets and liabilities and sales and results of the jointly controlled entity and are included in the consolidated Statement of financial position and Statement of profit or loss and other comprehensive income:

	31/12/2013	31/12/2012
Non-current assets	536 018	572 226
Current assets	574 430	653 368
Total assets	**1 110 448**	**1 225 594**
Non-current liabilities	123 018	334 652
Current liabilities	408 383	420 932
Total liabilities	**531 401**	**755 584**

	2013	2012
Revenues	2 940 935	3 289 997
Cost of sales	(2 799 292)	(3 088 146)
Gross profit on sales	**141 643**	**201 851**
Administrative expenses	(3 510)	(3 904)
Other operating income and expenses, net	(89)	26
Profit from operations	**138 044**	**197 973**
Net finance income (costs)	(3 408)	(6 127)
Profit before tax	**134 636**	**191 846**
Tax expense	(25 599)	(38 187)
Net profit	**109 037**	**153 659**
Net cash provided by/(used in) operating activities	227 500	145 088
Net cash provided by/(used in) investing activities	(8 573)	(90 891)

12. FINANCIAL ASSETS AVAILABLE FOR SALE

	31/12/2013	31/12/2013
Unquoted shares		
GK Orlen Holding Malta LTD	522	552
	522	**552**

The Group had equity investments of CZK 522 thousand as at 31 December 2013 (31 December 2012: CZK 522 thousand) which represent ownership interests in companies that do not have a quoted market price and whose fair value cannot be reliably measured and therefore are carried at acquisition cost less any impairment losses.

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13. OTHER NON-CURRENT ASSETS

	31/12/2013	31/12/2013
Loans granted	5 692	12 316
Other non-current receivables	44 317	39 478
Financial assets	**50 009**	**51 794**
Prepayments	3 217	3 769
Non-financial assets	**3 217**	**3 769**
	53 226	**55 563**

The Group has provided financing to ČESKÁ RAFINÉRSKÁ, a.s. for reconstruction of the production unit. Part of this receivable eliminated as an intergroup transaction. The receivable will be repaid by ČESKÁ RAFINÉRSKÁ, a.s. in 2016 and bears interest at 1M PRIBOR increased by mark up. The receivable as at 31 December 2013 amounted to CZK 24 193 thousand (31 December 2012: CZK 39 478 thousand). The short term part in amount of CZK 15 279 thousand is presented under current receivables. The management considers that the carrying amount of receivables approximates their fair value.

14. IMPAIRMENT OF NON-CURRENT ASSETS

Impact of impairment allowances of non-current assets on consolidated statement of profit or loss and other comprehensive income for the period ended 31 December 2013

	Recognition	Reversal	Total
Buildings and constructions	(29 998)	13 028	(16 970)
Machinery and equipment	(69 192)	11 006	(58 186)
Vehicles and other	(3 337)	1 480	(1 857)
Construction in progress	(100)	-	(100)
	(102 627)	**25 514**	**(77 113)**

Information about the amount of recognition and reversal of impairment for each group of non-financial assets are set out in note 28.

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). In the UNIPETROL group CGUs are 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 Cash Generating Units (CGUs) based on updated financial projections for the years 2013-2016.
Based on the results of the analysis, impairment allowance of CZK 4 075 234 thousand was recognized in 2012 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.

As at 31 December 2013 UNIPETROL group has not identified any new impairment indicators.

The recoverable amounts of CGUs are estimated based on their value in use. The period of analysis is established on the basis of remaining useful life of the essential assets for the particular CGU. The analyses are performed based on 5 year financial projections adjusted to exclude the impact of capital expenditures enhancing the assets’ performance.
For determining the value in use as at given balance sheet date forecasted cash flows are discounted using the discount rates after taxation reflecting the risk levels specific for particular sectors to which the CGU belongs.
The anticipated fixed annual growth rate of cash flows after 5 year period is assumed at the level of the long term inflation rate for Czech Republic.

The structure of the discount rates applied in the testing for impairment of assets of individual operating segments as at 31 December 2012

	Refining segment	Petrochemical segment	Retail segment
cost of capital	10.92%	10.99%	9.53%
cost of debt after tax	3.37%	3.37%	3.37%
capital structure	61.76%	76.67%	45.12%
Nominal discount rate	**8.03%**	**9.22%**	**6.15%**
Long term inflation rate	2.50%	2.50%	2.50%

Cost of debt includes the average level of credit margins and expected market value of money for the Czech Republic.

Cost of equity is determined by the profitability of the government bonds that are considered to be risk-free, with the level of market and operating segment risk premium (beta). The discount rate is calculated as the weighted average cost of capital. The sources of macroeconomic indicators necessary to determine the discount rate were the publications of prof. Aswath Damodoran (source: http://pages.stern.nyu.edu) of officially listed government bonds and agencies rating available at 31 December 2012.

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14. IMPAIRMENT OF NON-CURRENT ASSETS (CONTINUED)

Periods of analysis adopted for the analysis of the operating segments as at 31 December 2012

	2012
Refining segment	25
Petrochemical segment	20
Retail segment	15

The Group's future financial performance is based on a number of factors and assumptions in respect of macroeconomic development, such as foreign exchange rates, commodity prices, interest rates, partially outside the Group's control. The change of these factors and assumptions might influence the Group's financial position, including the results of the impairment tests of non-current assets, and consequently might lead to changes in the financial position and performance of the Group.

Sensitivity analysis of the value in use as at 31 December 2012

The crucial elements influencing the value in use of assets within individual units responsible for generating cash flows are: operating profit before depreciation and amortization (known as EBITDA) and the discount rate.

The effects of impairment sensitivity in relation to changes in these factors are presented below.

	in CZK million	EBITDA		
	change	-5%	0%	5%
DISCOUNT RATE	-0,5 p.p.	increase of impairment 89	decrease of impairment (407)	decrease of impairment (908)
	0,0 p.p.	increase of impairment 1 365	no impact	decrease of impairment (477)
	+0,5 p.p.	increase of impairment* 2 679	increase of impairment 629	decrease of impairment (80)

* Implementation of the above assumptions would result in an additional impairment allowance in the refining and the petrochemical segment as well as corporate functions

15. INVENTORIES

	31/12/2013	31/12/2012
Raw materials	3 970 818	3 619 971
Work in progress	1 567 387	1 660 423
Finished goods	3 942 012	3 654 949
Merchandise	295 867	443 050
Spare parts	929 174	1 190 429
Inventories, net	**10 705 258**	**10 568 822**
Impairment allowances of inventories to net realizable value	386 394	506 086
Inventories, gross	**11 091 652**	**11 074 908**

Change in impairment allowances to net realizable value

	2013	2012
At the beginning of the period	506 086	573 680
Recognition	356 026	659 364
Usage	(170 549)	(212 763)
Reversal	(305 172)	(514 195)
	386 394	**506 086**

Changes in the net realizable value allowances for inventories amount to CZK 50 854 thousand and are included in cost of sales (CZK 145 169 thousand in 2012) presented in note 27.

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16. TRADE AND OTHER RECEIVABLES

	31/12/2013	31/12/2012
Trade receivables	11 364 006	10 573 479
Receivables for CO2 allowances	254 601	-
Other	231 437	123 244
Financial assets	**11 850 044**	**10 696 723**
Excise tax and fuel charge receivables	359 837	204 574
Other taxation, duty, social security receivables	23 871	33 703
Advances for construction in progress	322	9 758
Prepayments and deferred costs	159 083	122 273
Non-financial assets	**543 113**	**370 308**
Receivables, net	**12 393 157**	**11 067 031**
Receivables impairment allowance	637 408	648 091
Receivables, gross	**13 030 565**	**11 715 122**

Trade receivables result primarily from sales of finished goods and sales of merchandise. The management considers that the carrying amount of trade receivables approximates their fair value. The average credit period on sales of goods is 33 days. No interest is charged on the trade receivables for the first 4 days after the due date. Thereafter, interest is based on terms agreed in the selling contracts.

The Group exposure to credit and currency risk related to trade and other receivables is disclosed in note 31.5 and detailed information about receivables from related parties is presented in note 36.

Movement in the impairment loss allowance

	31/12/2013	31/12/2012
At the beginning of the period	648 091	860 787
Recognition	12 133	49 592
Reversal	(4 720)	(24 164)
Usage	(24 618)	(242 952)
Foreign exchange differences	6 521	4 828
	637 408	**648 091**

The Group sets impairment charges based on analysis of customers' creditworthiness and ageing of receivables. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management considers that there is no further credit risk allowance required in excess of the allowance for impairment charges.

Increases and reversals of impairment allowances in respect of principal amount of trade and other receivables are included in other operating expense or income and in respect of interest for delayed payments in finance costs or income.

17. OTHER SHORT-TERM FINANCIAL ASSETS

	31/12/2013	31/12/2012
Cash flow hedge instruments		
foreign currency forwards	10 892	18 739
cross currency swap	-	2 628
Derivatives not designated as hedge accounting		
foreign currency forwards	36	2 998
commodity swaps	18 383	-
Loans granted	7 196	7 488
Cash pool	12 218	850
	48 725	**32 703**

Loans

The Group provided short-term loans to related entities and to operators of fuel stations. The carrying amount of the loans amounted CZK 7 196 thousand as at 31 December 2013 (31 December 2012: CZK 7 488 thousand). The interest rates are variable and are based on appropriate inter-bank rates and the fair value of the loans approximated its carrying amount as at 31 December 2013. Information regarding cash flow hedge instruments and derivatives not designed as hedge accounting is presented in note 31.3.

18. CASH AND CASH EQUIVALENTS

	31/12/2013	31/12/2012
Cash on hand and in bank	1 116 747	3 074 487
	1 116 747	**3 074 487**
incl. restricted cash	157 982	50 829

Cash includes the restricted cash regarding to the funds received for land restoration and government grants. The carrying amount of these assets approximates their fair value.

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19. SHAREHOLDERS' EQUITY

19.1 Share capital

The issued capital of the Company as at 31 December 2013 amounted to CZK 18 133 476 thousand (2012: CZK 18 133 476 thousand). This represents 181 334 764 (2012: 181 334 764) bearer ordinary shares, each with a nominal value of CZK 100. All issued shares have been fully paid and bear equal voting rights. The Company's shares are listed on the Prague stock exchange.

19.2 Statutory reserves

In accordance with the Czech Commercial Code, joint stock companies are required to establish a reserve fund for possible future losses and other events. Contributions must be a minimum of 20% of the profit for the period in the first year in which profits are generated and 5% of profit each year thereafter until the fund reaches at least 20% of the issued capital. The balance of the Statutory reserve fund as at 31 December 2013 amounted to CZK 2 643 849 thousand (31 December 2012: CZK 2 584 286 thousand).

19.3 Hedging reserve

The amount of the hedging reserve of CZK (190 291) thousand as at 31 December 2013 resulted from the valuation of derivatives meeting the requirements of cash flow hedge accounting (31 December 2012: CZK (16 510) thousand).

19.4 Revaluation reserve

Revaluation reserve comprises the difference between the net book value and fair value of the property as at the date of reclassification of the property occupied by the Group and recognised as an investment property.

19.5 Foreign exchange differences on subsidiaries from consolidation

The amount of reserve is adjusted by foreign exchange differences resulting from translation of the financial statements of foreign entities belonging to the Group from foreign currencies into CZK. The balance of this reserve as at 31 December 2013 amounted to CZK 17 139 thousand (31 December 2012: CZK (9 644) thousand).

19.6 Retained earnings

Dividends
In accordance with appropriate Czech law, dividends can be paid from unconsolidated profit of the parent company. The Annual General Meeting of UNIPETROL, a.s. held on 24 June 2013 decided, pursuant to Article 12 (2) (v) of the Articles of Association of UNIPETROL, a.s., on distribution of the Company's profit generated on non-consolidated basis in 2012 in amount of CZK 403 972 thousand. Based on the decision the amount of CZK 20 199 thousand was allocated to the Company's Reserve Fund and CZK 383 774 thousand was transferred to retained earnings.

19.7 Capital management policy

Capital management is performed on the Group level in order to protect the Group's ability to continue its operations as a going concern while maximizing returns for shareholders.
The Group monitors equity debt ratio (net financial leverage). As at 31 December 2013 and 31 December 2012 Group´s financial leverage amounted to 5.02% and (0.72)%, respectively;

Net financial leverage = net debt / equity (calculated using the average balance for the period) x 100%
Net debt = long-term loans and borrowings + short-term loans and borrowings + cash pool liabilities - cash and cash equivalents

19.8 Earnings per share

Basic earnings per share

	2013	2012
Loss for the period attributable to equity holders (in CZK '000)	(1 396 472)	(3 098 038)
Weighted average number of shares	181 334 764	181 334 764
Earnings per share (in CZK)	**(7,70)**	**(17,08)**

Diluted earnings per share
Diluted earnings per share are the same as basic earnings per share.

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20. LOANS, BORROWINGS AND DEBT SECURITIES

	Long-term		Short-term		Total	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Bank loans	-	-	504 781	621 351	504 781	621 351
Borrowings	2 000 000	-	1 850	175 598	2 001 850	175 598
Debt securities	-	-	-	2 034 582	-	2 034 582
	2 000 000	**-**	**506 631**	**2 831 531**	**2 506 631**	**2 831 531**

Loan granted by PKN Orlen S.A.
On 12 December 2013 the Group signed a mid-term loan agreement with its majority shareholder PKN ORLEN S.A. Based on the Agreement, the Group will receive a mid-term loan in the amount of CZK 4 000 000 thousand. The purpose of the loan is the diversification of Group's funding sources and extension of their maturity.
The loan has been divided into two tranches of CZK 2 billion each. First tranche was received 17 December 2013 and second tranche in January 2014.
The loan has a 3-year maturity, i.e. each tranche 36 months from its reception. Interests will be paid semi-annually and will be based on 6 months PRIBOR plus fixed margin. Pricing is in line with currently prevailing market conditions for 3-year loans provided in CZK.

Unsecured bonds issued

In 1998 the Group issued 2 000 bonds at a total nominal value of CZK 2 000 000 thousand. The bonds matured in 2013 at their nominal value of CZK 2 000 000 thousand. The interest rate was 0 % p.a. for the first two years and 12.53 % p.a. in subsequent years. The effective interest rate was 9.82 %. Interest was payable on an annual basis. Interest expense was accrued using the effective interest rate method. The bonds were repaid in December 2013.

Analyses of bank loans

- by currency (translated into CZK)

	31/12/2013	31/12/2012
CZK	443 001	596 706
EUR	42 627	16 950
USD	19 153	470
Other	-	7 226
	504 781	**621 351**

- by interest rate

	31/12/2013	31/12/2012
PRIBOR	443 001	596 706
EURIBOR	42 627	16 950
LIBOR	19 153	470
Other	-	7 226
	504 781	**621 351**

Short-term bank loans are subject to variable interests and their carrying amounts approximate fair values. Average effective interest rate as at 31 December 2013 was 0.73% (31 December 2012: 1.17%).

Disclosures resulting from IFRS 7 relating to loans and borrowings are included in note 31 and are presented jointly with other financial instruments.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

21. PROVISIONS

	Long-term		Short-term		Total	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Environmental provision	339 854	332 968	-	-	339 854	332 968
Jubilee bonuses and post-employment benefits provision	57 343	25 075	-	-	57 343	25 075
Provisions for legal disputes	7 129	8 334	15 447	6 163	22 576	14 497
Shield programs provision	-	-	-	3 431	-	3 431
Provision for CO2 emission	-	-	513 569	495 934	513 569	495 934
Other provision	28 800	7 026	12 439	19 693	41 239	26 719
	433 126	**373 403**	**541 455**	**525 221**	**974 581**	**898 624**

Change in provisions in 2013

	Environmental provision	Jubilee bonuses and post-employment benefits provision	Provisions for legal disputes	Shield programs provision	Provision for CO2 emission	Other provision	Total
1 January 2013	332 968	25 075	14 497	3 431	495 934	26 719	898 624
Recognition	3 500	36 170	15 477	9 000	514 849	29 609	608 605
Discounting	7 636	-	-	-	-	-	7 636
Utilization of provision	(825)	-	(1 682)	(3 431)	(497 073)	(8 061)	(511 072)
Release of provision	(3 425)	(3 902)	(6 512)	(9 000)	(141)	(7 056)	(30 036)
F/X differences	-	-	796	-	-	28	824
	339 854	**57 343**	**22 576**	**-**	**513 569**	**41 239**	**974 581**

Change in provisions in 2012

	Environmental provision	Jubilee bonuses and post-employment benefits provision	Provisions for legal disputes	Shield programs provision	Provision for CO2 emission	Other provision	Total
1 January 2012	319 050	28 432	145 056	22 977	977 965	43 204	1 536 684
Recognition	3 500	3 180	1 317	3 431	496 584	14 312	522 324
Discounting	11 241	-	-	-	-	-	11 241
Utilization of provision	(368)	-	-	(22 977)	(978 548)	(15 711)	(1 017 604)
Release of provision	(455)	(6 537)	(131 876)	-	(67)	(15 378)	(154 313)
F/X differences	-	-	-	-	-	292	292
	332 968	**25 075**	**14 497**	**3 431**	**495 934**	**26 719**	**898 624**

21.1 Environmental provision

Under environmental provision the Group had the provision for land restoration created as a result of the legal obligation to restore the fly-ash dump after it is discontinued, which is expected to happen after 2043. The provision amounted to CZK 327 854 thousand as at 31 December 2013 (31 December 2012: CZK 320 944 thousand). Additionally the Group had provision for compensation of damages to Lesy Česká republika in amount CZK 12 000 thousand included as at 31 December 2013 (31 December 2012: CZK 10 500 thousand).

21.2 Provisions for jubilee bonuses and retirement benefits

The companies of the Group realize the program of paying out retirement benefits and jubilee bonuses in line with remuneration policies in force. The jubilee bonuses are paid to employees after elapse of a defined number of years in service. The retirement benefits are paid as one-time payments at retirement. The amount of retirement benefits as well as jubilee bonuses depends on the number of years of service. The base for the calculation of provision for an employee is expected benefit which the Group is obliged to pay in accordance with internal regulation.

The present value of these obligations is estimated at the end of each reporting year and adjusted if there are any material indications impacting the value of the obligations. The accrued liabilities equal discounted future payments, considering employee rotation.

Employment benefit provisions for retirement and anniversary benefits received by employees were created using discount rate in the range 0.59% - 2.9% p.a. in 2013 (2012: 2.2% - 3.75%), assumptions used were based on Collective agreement.

Should the prior year’s assumptions be used, the provision for the jubilee bonuses and post-employment benefits would be higher by CZK 1 978 thousand.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

21.2 Provision from jubilee bonuses and retirement benefits (continued)

Change in employee benefits 2013

	Provision for jubilee bonuses	Post-employment benefits	Total
1 January 2013	732	24 343	25 075
Current service costs	146	2 022	2 168
Interest costs	35	901	935
Actuarial gains and losses net	3	2 015	2 018
financial assumptions	*(45)*	*2 015*	*1 970*
other issues	*48*	*-*	*48*
Past employment costs	1 759	25 388	27 147
	2 674	**54 669**	**57 343**

Change in employee benefits 2012

	Provision for jubilee bonuses	Post-employment benefits	Total
1 January 2012	2 934	25 497	28 432
Actuarial gains and losses net	(2 202)	-	(2 202)
demographic assumptions	*(2 202)*	*-*	*(2 202)*
Past employment costs	-	(1 155)	(1 155)
	732	**24 343**	**25 075**

Division of post-employee liability by employees

	Active employees		Pensioners		Total	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Czech Republic	57 343	25 075	-	-	57 343	25 075
					57 343	**25 075**

Geographical division of post-employment liability

	Provision for jubilee bonuses		Post-employment benefits		Total	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Czech Republic	2 674	732	54 669	24 343	57 343	25 075
					57 343	**25 075**

Sensitivity analysis of actuarial assumptions

Actuarial assumptions	Assumed variations as at 31/12/2013	Czech Republic: Influence on provision for jubilee 2013	Czech Republic: Influence on post-employment benefits 2013
Demographic assumptions (+)		(60)	(2 503)
mortality	*0,50%*	*(6)*	*(133)*
staff turnover rates, disability and early retirement	*0,50%*	*(54)*	*(2 371)*
Financial assumptions (+)		(54)	(2 398)
discount rate	*0,50%*	*(54)*	*(2 398)*
level of future remuneration	*0,50%*	-	-
		(114)	**(4 901)**
Demographic assumptions (-)		66	2 720
mortality	*-0,50%*	*9*	*133*
staff turnover rates, disability and early retirement	*-0,50%*	*57*	*2 587*
Financial assumptions (-)		57	2 633
discount rate	*-0,50%*	*57*	*2 633*
level of future remuneration	*-0,50%*	-	-
		123	**5 353**

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21.2 Provision from jubilee bonuses and retirement benefits (continued)

Duration of post-employment benefits liabilities

	Provision for jubilee bonuses		Post-employment benefits		Total	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Less than one year	569	86	3 621	1 437	4 190	1 523
Between one and three years	823	205	7 012	3 204	7 835	3 409
Between three and five years	374	144	6 070	4 698	6 444	4 842
Later than five years	908	297	37 966	15 004	38 874	15 300
	2 674	**732**	**54 669**	**24 343**	**57 343**	**25 075**
Weighted average duration of liability			15.18	20.13	15.18	20.13

Division of costs to Profit or loss and Other comprehensive income

	2013	2012
In profit or loss		
Current service costs	(2 168)	-
Interest expense	(935)	-
Actuarial gains and losses net	(3)	2 202
demographic assumptions	*-*	*2 202*
financial assumptions	*45*	*-*
other issues	*(48)*	*-*
Past employment costs	(27 147)	1 155
	(30 253)	**3 357**
In components of other comprehensive income		
Gains and losses arising from changes	(2 015)	-
financial assumptions	*(2 015)*	*-*
	(2 015)	**-**
	(32 268)	**3 357**

	2013	2012
Cost of sales	(14 913)	506
Distribution expenses	(9 914)	(34)
Administrative expenses	(5 427)	2 885
	(30 253)	**3 357**

Based on current legislation, the Group is obliged to pay contributions to the national pension insurance. These costs are recognized as expenses on social security and health insurance. The Group does not have any other commitments in this respect. Additional information about the post-employment benefits is in note 3.4.14.4.

21.3 Provisions for legal disputes

The provision for legal disputes is created for expected future outflows arising from legal disputes with third parties where the Group is the defendant. During year 2012 the Group released the provision for a penalty imposed by the Antimonopoly Office for a breach of the Economic Competition Protection Act in the amount of CZK 131 021 thousand, out of which CZK 98 000 thousand was the nominal amount and CZK 33 021 thousand accrued interests.

21.4 Provision for CO2 emissions

The provision for CO2 emissions is created for estimated CO2 emissions in the reporting period.

21.5 Other provisions

The Group created other provisions in respect of future liabilities related to dismantling costs connected with liquidation of unused assets and severance payments.

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22. OTHER NON-CURRENT LIABILITIES

	31/12/2013	31/12/2012
Investment liabilities	1 097	1 283
Financial lease liabilities	1 384	2 261
Other	34 474	18 145
Financial liabilities	**36 955**	**21 689**
Guarantee received	165 380	174 707
Non-financial liabilities	**165 380**	**174 707**
	202 335	**196 396**

The Group received cash advance from business partners presented as Guarantee received in connection with operation of fuel stations.

23. TRADE AND OTHER LIABILITIES

	31/12/2013	31/12/2012
Trade liabilities	11 186 676	11 435 519
Investment liabilities	870 908	319 631
Dividends	34 905	35 140
Financial lease liabilities	1 123	3 163
Other	55 781	35 462
Financial liabilities	**12 149 393**	**11 828 915**
Prepayments for deliveries	17 264	15 738
Payroll liabilities	272 931	324 387
Excise tax and fuel charge	3 886 164	3 334 636
Value added tax	791 074	771 216
Other taxation, duties, social security and other benefits	84 652	97 041
Accruals	111 119	85 778
holiday pay accrual	18 326	27 713
customers´ discounts and rebates	-	277
wages accrual	92 793	57 788
Non-financial liabilities	**5 163 204**	**4 628 796**
	17 312 597	**16 457 711**

The management considers that the carrying amount of trade and other payables and accruals approximate their fair value.

24. DEFERRED INCOME

	31/12/2013	31/12/2012
Government grants received from European Regional Development Fund	104 291	93 004
Other	4 405	4 022
	108 696	**97 026**

The information about the government grants is presented in Note 8.

25. OTHER SHORT TERM FINANCIAL LIABILITIES

	31/12/2013	31/12/2012
Cash flow hedge instruments		
foreign currency forwards	245 817	39 119
Derivatives not designated as hedge accounting		
foreign currency forwards	3 704	64 129
commodity swaps	66 745	45 000
Cash pool	32 941	30 123
	349 207	**178 371**

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

26. REVENUES

	2013	2012
Sales of finished goods	86 332 398	96 087 588
Sales of services	5 380 706	5 446 058
Revenues from sales of finished goods and services, net	**91 713 104**	**101 533 646**
Sales of merchandise	6 657 734	4 672 895
Sales of raw materials	1 043 953	953 245
Revenues from sales of merchandise and raw materials, net	**7 701 686**	**5 626 140**
	99 414 790	**107 159 786**

27. OPERATING EXPENSES

27.1 Cost of sales

	2013	2012
Cost of finished goods and services sold	(89 760 643)	(98 699 518)
Cost of merchandise and raw materials sold	(7 350 785)	(5 344 236)
	(97 111 428)	**(104 043 754)**

27.2 Cost by nature

	2013	2012
Materials and energy	(80 501 774)	(88 078 521)
Cost of merchandise and raw materials sold	(7 350 785)	(5 344 236)
External services	(7 373 901)	(7 439 484)
Employee benefits	(2 432 593)	(2 480 006)
Depreciation and amortisation	(2 415 318)	(2 807 100)
Taxes and charges	(351 165)	(92 130)
Other	(537 360)	(4 863 139)
	(100 962 896)	**(111 104 616)**
Change in inventories	466 957	(666 918)
Cost of products and services for own use	7	217
Operating expenses	**(100 495 932)**	**(111 771 317)**
Distribution expenses	1 963 457	1 944 982
Administrative expenses	1 192 297	1 249 831
Other operating expenses	228 750	4 532 750
Cost of sales	**(97 111 428)**	**(104 043 754)**

27.3 Employee benefits costs

2013	Employees	Key Management	Audit Committee	Board of Directors	Supervisory Board	Total
Wages and salaries	(1 564 925)	(158 668)	(747)	(3 078)	(6 565)	(1 733 983)
Social and health insurance	(515 266)	(36 835)	(155)	(489)	(2 006)	(554 751)
Social expense	(95 438)	(18 168)	-	-	-	(113 606)
Change of employee benefits provision	(30 253)	-	-	-	-	(30 253)
	(2 205 882)	**(213 671)**	**(902)**	**(3 567)**	**(8 571)**	**(2 432 593)**
Number of employees average per year*	3 567	62				3 629
Number of employees as at balance sheet day*	3 582	65				3 647

2012	Employees	Key Management	Audit Committee	Board of Directors	Supervisory Board	Total
Wages and salaries	(1 599 502)	(193 518)	(960)	(2 949)	(5 640)	(1 802 569)
Social and health insurance	(533 258)	(39 865)	(326)	(388)	(1 918)	(575 755)
Social expense	(89 357)	(15 682)	-	-	-	(105 039)
Change of employee benefits provision	3 273	84	-	-	-	3 357
	(2 218 844)	**(248 981)**	**(1 286)**	**(3 337)**	**(7 558)**	**(2 480 006)**
Number of employees average per year*	3 737	85				3 822
Number of employees as at balance sheet day*	3 668	83				3 751

*In case of jointly controlled entities the relevant consolidation percentage is used.

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28. OTHER OPERATING INCOME AND EXPENSES

28.1 Other operating income

	2013	2012
Profit on sale of non-current non-financial assets	18 506	32 197
Reversal of provisions	25 920	147 709
Reversal of receivables impairment allowances	4 720	24 164
Reversal of impairment allowances of property, plant and equipment and intangible assets	25 514	31 079
Penalties and compensations earned	46 267	77 932
Income from disposals of PARAMO ASFALT s.r.o.	-	85 731
Other	66 885	393 717
	187 812	**792 529**

The line "Other" in 2013 and 2012 included the effect of the settlement of the CO2 emission rights received free of charge in relation to actual emissions in amount of CZK 5 190 thousand and CZK 338 521 thousand respectively.

28.2 Other operating expenses

	2013	2012
Loss on sale of non-current non-financial assets	(24 619)	(27 754)
Recognition of provisions	(57 586)	(22 560)
Recognition of receivables impairment allowances	(12 133)	(49 592)
Recognition of impairment allowances of property, plant and equipment and intangible assets	(102 627)	(4 331 097)
Donations	(5 432)	(8 608)
Other	(26 353)	(93 139)
	(228 750)	**(4 532 750)**

29. FINANCE INCOME AND FINANCE COSTS

29.1 Finance income

	2013	2012
Interest	41 399	51 433
Settlement and valuation of financial instruments	1 032 588	1 833 504
Other	1 828	1 308
	1 075 815	**1 886 245**

29.2 Finance costs

	2013	2012
Interest	(247 166)	(316 362)
Foreign exchange loss	(266 872)	(220 091)
Settlement and valuation of financial instruments	(974 484)	(1 866 039)
Other	(37 518)	(36 674)
	(1 526 040)	**(2 439 166)**

30. TAX EXPENSE

	2013	2012
Tax expense in the statement of profit or loss		
Current income tax	(123 446)	(203 337)
Deferred income tax	70 529	1 477 222
	(52 917)	**1 273 885**
Tax expense in other comprehensive income		
Tax on hedge instruments	40 764	(18 111)
Tax on actuarial gains and losses	374	-
Tax on fair value measurement of investment property as at the date of reclassification	-	(3 711)
	41 138	**(21 822)**
	(11 779)	**1 252 063**

Domestic income tax is calculated in accordance with Czech tax regulations at the rate of 19% in 2013 (2012: 19%) of the estimated taxable income for the year. The deferred tax has been calculated using tax rate approved for years 2013 and forward i.e. 19%. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

30.1 The differences between income tax expense recognized in profit or loss and the amount calculated based on profit before tax

Reconciliation of effective tax rate

	2013	2012
Loss for the year	(1 396 472)	(3 098 038)
Total income tax credit (expense)	(52 918)	1 273 885
Loss excluding income tax	(1 343 554)	(4 371 923)
Income tax using domestic income tax rate	255 275	830 665
Effect of tax rates in foreign jurisdictions	10 040	12 783
Non-deductible expenses	(33 359)	(9 217)
Tax exempt income	12 941	25 143
Recognition of previously unrecognized deferred tax related to tax losses	-	569 721
Change in not recognized deferred tax assets	(292 986)	(146 805)
Under (over) provided in prior periods	(4 827)	(8 406)
Total income tax credit (expense)	**(52 917)**	**1 273 884**
Effective tax rate	**(3.94%)**	**29.1%**

Line “Change in not recognized deferred tax assets” includes impact of not recognized deferred tax assets from tax losses of 2013 in amount of CZK 57 190 thousand and impact of deferred tax assets from tax losses created in prior periods, derecognized due to low probability of utilisation or their expiry in amount of CZK 235 796 thousand.

30.2 Deferred tax assets and liabilities

Deferred income taxes result from future tax benefits and costs related to the differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. The deferred income taxes have been calculated using the tax rate expected to apply to periods when the respective asset is realized or liability is settled (i.e. 19% in 2012 and onward).

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) recognized by the Group during the year is as follows:

	31/12/2012	Deferred tax recognized in statement of Profit or loss	Deferred tax recognized in Other comprehensive income	FX differences	31/12/2013
Deferred tax assets					
Property, plant and equipment	36 936	81 918	-	31	118 885
Provisions	111 538	85 824	-	-	197 362
Unused tax losses carried forward	911 452	694	-	-	912 146
10% investment relief	560	-	-	-	560
Financial instruments valuation	3 872	-	40 764	-	44 636
Other	251 957	3 296	361	-	255 614
	1 316 315	**171 732**	**41 125**	**31**	**1 529 203**
Deferred tax liabilities					
Property, plant and equipment	(983 753)	(47 188)	1	-	(1 030 940)
Inventory	(294 372)	(2 201)	-	-	(296 573)
Provisions	(34 815)	8 909	12	-	(25 894)
Finance lease	(77 159)	10 665	-	-	(66 494)
Other	(5 568)	(71 388)	-	-	(76 956)
	(1 395 667)	**(101 203)**	**13**	**-**	**(1 496 857)**
	(79 352)	**70 529**	**41 138**	**31**	**32 346**

Deferred income tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority.

Deferred income tax assets are recognized for tax loss and deductible temporary differences carried forward to the extent that realization of the related tax benefit through the future taxable profit is probable based on financial projections for years 2014 - 2018.
In the calculation of deferred tax assets as at 31 December 2013 the Group has not recognized unused tax losses in amount of CZK 3 156 026 thousand due to the unpredictability of future taxable income (CZK 2 288 707 thousand at 31 December 2012). These unrecognised tax losses will expire till end of 2018.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2013 (in thousands of CZK)

31. FINANCIAL INSTRUMENTS

31.1 Financial instruments by category and class

Financial assets
as at 31 December 2013

Financial instruments by class	Note	Financial instruments by category: Financial assets at fair value through profit of loss	Loans and receivables	Financial assets available for sale	Hedging financial instruments	Total
Unquoted shares	12	-	-	522	-	522
Trade receivables	16	-	11 850 044	-	-	11 850 044
Borrowings granted	17	-	25 106	-	-	25 106
Financial derivatives and hedging instruments	17	18 419	-	-	10 892	29 311
Cash and cash equivalents	18	-	1 116 747	-	-	1 116 747
Other	17	-	44 317	-	-	44 317
		18 419	**13 036 214**	**522**	**10 892**	**13 066 047**

as at 31 December 2012

Financial instruments by class	Note	Financial instruments by category: Financial assets at fair value through profit of loss	Loans and receivables	Financial assets available for sale	Hedging financial instruments	Total
Unquoted shares	12	-	-	522	-	522
Trade receivables	16	-	10 696 723	-	-	10 696 723
Borrowings granted	17	-	20 654	-	-	20 654
Financial derivatives and hedging instruments	17	5 626	-	-	18 739	24 365
Cash and cash equivalents	18	-	3 074 487	-	-	3 074 487
Other	17	-	39 478	-	-	39 478
		5 626	**13 831 342**	**522**	**18 739**	**13 856 229**

Financial liabilities
as at 31 December 2013

Financial instruments by class	Note	Financial instruments by category: Financial liabilities at fair value through profit of loss	Financial liabilities measured at amortised cost	Hedging financial instruments	Liabilities excluded from the scope of IAS 39	Total
Non-current loans and borrowings	20	-	2 000 000	-	-	2 000 000
Other non-current liabilities	22	-	1 097	-	-	1 097
Current loans and borrowings	20	-	506 631	-	-	506 631
Trade and other payables and accruals	23	-	12 148 269	-	-	12 148 269
Other financial liabilities	25	70 449	296 649	245 817	2 507	615 422
		70 449	**14 952 646**	**245 817**	**2 507**	**15 271 419**

as at 31 December 2012

Financial instruments by class	Note	Financial instruments by category: Financial liabilities at fair value through profit of loss	Financial liabilities measured at amortised cost	Hedging financial instruments	Liabilities excluded from the scope of IAS 39	Total
Other non-current liabilities	22	-	1 283	-	-	1 283
Current loans and borrowings	20	-	2 831 531	-	-	2 831 531
Trade and other payables and accruals	23	-	11 824 376	-	-	11 824 376
Other financial liabilities	25	109 129	262 983	39 119	5 424	416 655
		109 129	**14 920 173**	**39 119**	**5 424**	**15 073 845**

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31.2 Income and costs, gain and loss in the consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2013

	Financial instruments by category				
	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Financial liabilities measured at amortised cost	Liabilities excluded from the scope of IAS 39	Total
Interest income	-	41 399	-	-	41 399
Interest costs	-		(246 930)	(236)	(247 166)
Foreign exchange gain/(loss)	-	198 651	(465 523)	-	(266 872)
Recognition/reversal of receivables impairment allowances recognized in:					-
other operating income/(expenses)	-	(7 413)	-	-	(7 413)
Settlement and valuation of financial instruments	58 105	-	-	-	58 105
Other	-	1 828	(29 883)	-	(28 055)
	58 105	**234 465**	**(742 335)**	**(236)**	**(450 001)**
other, excluded from the scope of IFRS 7					
Provisions discounting					(7 636)
					(7 636)

For the year ended 31 December 2012

	Financial instruments by category				
	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Financial liabilities measured at amortised cost	Liabilities excluded from the scope of IAS 39	Total
Interest income	-	51 433	-	-	51 433
Interest costs	-	-	(315 698)	(664)	(316 362)
Foreign exchange gain/(loss)	-	(248 140)	28 048	-	(220 091)
Recognition/reversal of receivables impairment allowances recognized in:					
other operating income/(expenses)	-	(8 089)	-	-	(8 089)
Settlement and valuation of financial instruments	(32 535)	-	-	-	(32 535)
Other	-	1 309	(146 634)	-	(145 326)
	(32 535)	**(203 487)**	**(434 284)**	**(664)**	**(670 971)**
other, excluded from the scope of IFRS 7					
Provisions discounting					(11 241)
					(11 241)

31.3 Hedge accounting

The Group hedges its cash flows from operating revenues due to sale of petrochemical and refinery products as well as operating expenses due to purchases of crude oil against changes in exchange rates (EUR/CZK for sale and USD/CZK for purchases and sale). Foreign exchange forwards are used as hedging instruments.

The Group has derivative financial instruments, which serve as a hedging instrument pursuant to the Group's risk management strategy. Changes in the fair value of derivatives that do not meet the hedge accounting criteria are included in derivatives held for trading and their fair value changes are reported in the Statement of profit or loss and other comprehensive income.

The fair value of derivative instruments are designated as hedging instruments according to the cash flow hedge accounting planned realization date and the planned date of the influence on the result of the hedged cash flow as well as the net fair value which will be recognized in the profit or loss at the realization date:

Planned realization date of hedged cash flows	31/12/2013	31/12/2012
Currency operating exposure		
2013	-	(20 380)
2014	(234 925)	-
Total	**(234 925)**	**(20 380)**

31.4 Financial risk management

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the risks outlined below relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other market price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using natural hedging and derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess funds. Compliance with policies and exposure limits is reviewed by the internal auditors on a regular basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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31.5 Credit risk

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Statement of financial position are net of impairment losses, estimated by the Group's management based on prior experience and their assessment of the credit status of its customers.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of dealing only with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers.

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management. Before accepting any new customer, the Group uses own or external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. As at 31 December 2013 none of the customers represented more than 5% of the total balance of consolidated trade receivables.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of debtors and, where appropriate, credit guarantee insurance cover is purchased or sufficient collateral on debtor's assets obtained.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of financial position.

Based on the analysis of loans and receivables the counterparties were divided into two groups:

- I group – counterparties with good or very good history of cooperation in the current year,
- II group – other counterparties.

	31/12/2013	31/12/2012
Group I	12 644 882	12 763 047
Group II	-	-
	12 644 882	**12 763 047**

Aging of loans and receivables past due, not impaired:

	31/12/2013	31/12/2012
Up to 1 month	349 292	921 123
From 1 to 3 months	15 976	22 812
From 3 to 6 months	4 358	2 095
From 6 to 12 months	4 630	2 456
Above 1 year	17 076	119 809
	391 332	**1 068 295**

The maximum exposure to credit risk for financial assets at the reporting date was as follows:

	Note	31/12/2013	31/12/2012
Unquoted shares	*12*	522	522
Trade receivables	*16*	11 850 044	10 696 723
Borrowings granted	*13,17*	25 106	20 654
Financial derivatives and hedging instruments	*17*	29 311	24 365
Cash and cash equivalents	*18*	1 116 747	3 074 487
Other	*13,17*	44 317	39 478
		13 066 047	**13 856 229**

The Management of the Group believes that the risk of impaired financial assets is reflected by recognition of an impairment. Information about impairment allowances of particular classes of assets is disclosed in the note 14.

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31.6 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate liquid funds, borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at 31 December 2013 and 31 December 2012 the maximum available credit facilities relating to bank loans amounted to CZK 10 900 000 thousand and CZK 10 935 000 thousand respectively, of which as at 31 December 2013 and 31 December 2012 CZK 10 395 219 thousand and CZK 10 313 649 thousand respectively remained unused.

Liquidity risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities using the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Contractual maturity of non-derivative financial liabilities

		31/12/2013					
	Note	up to 1 year	from 1 to 3 years	from 3 to 5 years	above 5 years	Total	Carrying amount
Loans	20	550 044	2 086 827	-	-	2 636 871	2 506 631
Finance lease	23	1 123	1 384	-	-	2 507	2 507
Trade liabilities	23	12 148 269	-	-	-	12 148 269	12 148 269
Investment liabilities	23	-	1 097	-	-	1 097	1 097
Financial derivatives and hedging instruments	25	316 266	-	-	-	316 266	316 266
Other	25	296 649	-	-	-	296 649	296 649
		13 312 351	**2 089 308**	**-**	**-**	**15 401 659**	**15 271 419**

		31/12/2012					
	Note	up to 1 year	from 1 to 3 years	from 3 to 5 years	above 5 years	Total	Carrying amount
Loans	20	2 831 531	-	-	-	2 831 531	2 831 531
Trade liabilities	23	11 823 000	1 376	-	-	11 824 376	11 824 376
Investment liabilities	23	-	503	503	277	1 283	1 283
Financial derivatives and hedging instruments	25	148 248	-	-	-	148 248	148 248
Other	25	262 983	-	-	-	262 983	262 983
		15 068 925	**4 140**	**503**	**277**	**15 073 845**	**15 073 845**

31.7 Market risk

The Group is exposed to commodity price risk resulting from the adverse changes in raw material, mainly crude oil prices. Management addresses these risks by means of a commodity, supplier and client risk management. The Group analyses the exposure and enters to a minor extent into derivative commodity instruments to minimize the risk associated with the purchase of crude oil.

The Group's activities are exposed to the risks of changes in foreign currency exchange rates, and interest rates. The Group can enter into financial derivative contracts to manage its exposure to interest rate and currency risk.

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31.7.1 Currency risk

The currency risk arises most significantly from the exposure of trade payables and receivables denominated in foreign currencies, and the foreign currency denominated loans and borrowings. Foreign exchange risk regarding trade payables and receivables is mostly covered by natural hedging of trade payables and receivables denominated in the same currencies. Hedging instruments (forwards, currency swaps) also could be used, to cover significant foreign exchange risk exposure of trade payables and receivables not covered by natural hedging.

Currency structure of financial instruments as at 31 December 2013

Financial instruments by class	CZK	EUR	USD	Other currencies after translation to CZK	Total after translation to CZK
Financial assets					
Unquoted shares	-	522	-	-	522
Trade receivables	6 857 419	4 483 734	503 773	5 118	11 850 044
Loans granted	12 889	10 145	2 072	-	25 106
Financial derivatives and hedging instruments	10 928	-	18 383	-	29 311
Cash and cash equivalents	776 635	209 452	130 498	162	1 116 747
Other	44 317	-	-	-	44 317
	7 702 188	**4 703 853**	**654 726**	**5 280**	**13 066 047**
Financial liabilities					
Loans	2 444 851	42 627	19 153	-	2 506 631
Trade liabilities	4 971 161	1 699 090	5 461 963	6 241	12 138 455
Investment liabilities	1 097	-	-	-	1 097
Financial derivatives and hedging instruments	249 521	-	66 745	-	316 266
Other	273 523	30 997	1 944	-	306 464
	7 942 660	**1 772 714**	**5 549 805**	**6 241**	**15 271 419**

Currency structure of financial instruments as at 31 December 2012

Financial instruments by class	CZK	EUR	USD	Other currencies after translation to CZK	Total after translation to CZK
Financial assets					
Unquoted shares	-	522	-	-	522
Trade receivables	6 275 449	4 257 211	164 061	2	10 696 723
Loans granted	19 804	850	-	-	20 654
Financial derivatives and hedging instruments	24 365	-	-	-	24 365
Cash and cash equivalents	2 771 538	261 779	12 404	28 766	3 074 487
Other	39 478	-	-	--	39 478
	9 130 634	**4 520 362**	**176 465**	**28 768**	**13 856 229**
Financial liabilities					
Loans	2 776 706	45 469	2 130	7 226	2 831 531
Trade liabilities	4 787 476	937 265	6 085 913	5 217	11 815 871
Investment liabilities	1 283	-	-	-	1 283
Financial derivatives and hedging instruments	103 248	-	45 000	-	148 248
Other	271 488	-	-	-	271 488
	7 945 625	**982 734**	**6 133 043**	**12 443**	**15 073 845**

Foreign currency sensitivity analysis

The influence of potential changes in carrying amounts of financial instruments as at 31 December 2013 and 2012 arising from hypothetical changes in exchange rates of relevant currencies in relation to functional currency on profit before tax and hedging reserve:

	Influence on profit before tax			
2013	**Increase of exchange rate**	**Total influence**	**Decrease of exchange rate**	**Total influence**
EUR/CZK	15%	439 671	15%	(439 671)
USD/CZK	15%	(734 262)	15%	734 262
		(294 591)		**294 591**

	Influence on profit before tax			
2012	**Increase of exchange rate**	**Total influence**	**Decrease of exchange rate**	**Total influence**
EUR/CZK	15%	530 644	15%	(530 644)
USD/CZK	15%	(893 487)	15%	893 487
		(362 843)		**362 843**

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31.7.1 Currency risk (continued)

	Influence on hedging reserve			
2013	**Increase of exchange rate**	**Total influence**	**Decrease of exchange rate**	**Total influence**
EUR/CZK	15%	(718 246)	15%	718 246
USD/CZK	15%	74 014	15%	(74 014)
		(644 232)		**644 232**

	Influence on hedging reserve			
2012	**Increase of exchange rate**	**Total influence**	**Decrease of exchange rate**	**Total influence**
EUR/CZK	15%	(681 878)	15%	681 878
USD/CZK	15%	80 192	15%	(80 192)
		(601 686)		**601 686**

Variations of currency rates described above were calculated based on historical volatility of particular currency rates and analysts' forecasts.

Sensitivity of financial instruments for currency risk was calculated as a difference between the initial carrying amount of financial instruments (excluding derivative instruments) and their potential carrying amount calculated using assumed increases/(decreases) in currency rates. In case of derivative instruments, the influence of currency rate variations on fair value was examined at constant level of interest rates. The fair value of foreign currency forward contracts is determined based on discounted future cash flows of the transactions, calculated based on the difference between the forward rate and the transaction price.

31.7.2 Interest rate risk

The Group is exposed to the risk of volatility of cash flows arising from interest rate loans, bank loans and cash pool based on floating interest rates.

Interest rate structure of financial instruments as at 31 December 2013:

	PRIBOR	EURIBOR	LIBOR	Total after translation to CZK
Financial assets				
Loans granted	12 888	10 145	2 072	12 008
	-	**3 461**	**8 547**	**12 008**
Financial liabilities				
Loans	2 444 851	91 136	22 092	2 558 079
Cash pool	-	30 997	1 944	32 941
	2 444 851	**73 624**	**21 097**	**2 539 572**

Interest rate structure of financial instruments as at 31 December 2012:

	PRIBOR	EURIBOR	LIBOR	Total after translation to CZK
Financial assets				
Loans granted	19 804	850	-	20 654
	-	**850**	**-**	**20 654**
Financial liabilities				
Loans	596 708	45 469	2 130	644 307
Cash pool	-	28 463	1 660	30 123
	596 708	**73 932**	**3 790**	**674 430**

Interest rate sensitivity analysis

The influence of financial instruments on profit before tax and hedging reserve due to changes in significant interest rates:

	Assumed variation (in basis points)		Influence on profit before tax	
Interest rate	**2013**	**2012**	**2013**	**2012**
Financial assets:				
EURIBOR	50	50	101	8
LIBOR	50	50	21	-
PRIBOR	50	50	64	99
			187	**108**
Financial liabilities:				
EURIBOR	50	50	611	370
LIBOR	50	50	120	19
PRIBOR	50	50	12 224	3 861
			12 955	**4 250**

The above interest rates variations were calculated based on observations of interest rates fluctuations in the current and prior year as well as on the basis of available forecasts.

The sensitivity analysis was performed on the basis of instruments held as at 31 December 2013 and 31 December 2012. The influence of interest rates changes was presented on annual basis.

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31.7.3 The risk of commodity prices and oil products

The Group is exposed to commodity price risk resulting from the adverse changes in raw material, mainly crude oil prices. Management addresses these risks by means of a commodity, supplier and client risk management. The Group analyses the exposure and enters to a minor extent into derivative commodity instruments to minimize the risk associated with the purchase of crude oil.

Sensitivity analysis of changes in crude oil, diesel oil, gasoline, bitumen and heating oil prices

Analysis of the influence of potential changes in the book values of financial instruments on profit before tax and hedging reserve in relation to a hypothetical change in prices of crude oil:

	Influence on financial result			
2013	**Increase of rate by**	**Total influence**	**Decrease of exchange rate by**	**Total influence**
Crude oil USD/BBL	5 USD/BBL	252 128	5 USD/BBL	(252 128)

	Influence on financial result			
2012	**Increase of rate by**	**Total influence**	**Decrease of exchange rate by**	**Total influence**
Crude oil USD/BBL	5 USD/BBL	126 972	5 USD/BBL	(126 972)

31.7.4 Emission allowances risk

The Group monitors the emission allowances granted to the Group under the National Allocation Plan and CO_2 emissions planned. The Group might enter into transactions on emission allowances market in order to cover for shortages or utilize the excess of obtained emission allowances over the required amount.

32. FAIR VALUE DETERMINATION

32.1 Financial instrument for which fair value cannot be measured reliably

As at 31 December 2013 and 31 December 2012 the Group held unquoted shares in entities amounting to CZK 522 thousand, for which fair value cannot be reliably measured, due to the fact that there are no active markets for these entities and no comparable transactions in the same type of instruments. Above mentioned shares were recognized as financial assets available for sale and measured at acquisition cost less impairment allowances. As at 31 December 2013 there are no binding decisions relating to the means and dates of disposal of those assets.

32.2 Methods applied in determining fair values of financial instruments (fair value hierarchy)

Fair value of shares quoted on active markets is determined based on market quotations (so called Level 1). In other cases, fair value is determined based on other input data, apart from market quotations, which are directly or indirectly possible to observe (so called Level 2) and data to valuation, which aren't based on observable market data (Level 3).

The Group measures derivative instruments at fair value using valuation models for financial instruments based on generally available exchange rates, interest rates, forward and volatility curves for currencies and commodities quoted on active markets. As compared to the previous reporting period the Group has not changed valuation methods concerning derivative instruments.

The fair value of derivative instruments is based on discounted future cash flows of the transactions, calculated based on the difference between the forward rate and the transaction. Forward exchange rate is not modelled as a separate risk factor, but is derived from the relevant spot rate and forward interest rate for foreign currencies in relation to CZK.

Derivative instruments are presented as assets, when their valuation is positive and as liabilities, when their valuation is negative. Gains and losses resulting from changes in fair value of derivative instruments, for which hedge accounting is not applicable, are recognized in a current year profit or loss.

Derivative instruments presented as financial assets in amount of CZK 29 311 thousand as at 31 December 2013 (CZK 24 365 thousand as at 31 December 2012) and derivative instruments presented as financial liabilities in amount of CZK 316 266 thousand as at 31 December 2013 (CZK 148 248 thousand as at 31 December 2012) belong to Level 2 as defined by IFRS. The carrying amount of remaining financial assets and liabilities approximates their fair value.

In the year ended 31 December 2013 and the comparative period in the Group were no transfers between Levels 1, 2 and 3.

Investment property

As at 31 December 2013 and 31 December 2012 the Group possessed under non-financial assets the investment property, which fair value was estimated depending on the characteristics based on comparison or revenue approach.

The comparison approach was applied assuming, that the value of assessed property was equal to the market price of a similar property. The Group presented Investment property in carrying amount of CZK 116 826 thousand as at 31 December 2013 (31 December 2012: CZK 126 294 thousand) for which the fair value was estimated using comparison approach. Such assets belong to Level 3 as defined by IFRS 7.

In the revenue approach the calculation was based on the discounted cash flow method. 10 year period forecasts were applied in the analysis. The discount rate used reflects the relation, as expected by the buyer, between yearly revenue from an investment property and expenditures required to purchase investment property. Forecasts of discounted cash flows relating to the property consider arrangements included in all rent agreements as well as external data, e.g. current market rent charges for similar property, in the same location, technical conditions, standard and designed for similar purposes. The Group applied the revenue approach to investment property with carrying amount of CZK 310 657 thousand as at 31 December 2013 (31 December 2012: 297 055 thousand). The investment property valued under revenue approach is classified as the Level 3 defined by IFRS 7.

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32.2 Methods applied in determining fair values of financial instruments (fair value hierarchy) (continued)

The movements in the assets classified to the Level 3 fair values were as follows:

	2013	2012
Beginning of the period	297 055	296 243
Transfer from Property plant and equipment	17 347	491
Transfer to Property plant and equipment	(2 606)	-
Sum in profit or loss for the period	(1 139)	321
	310 657	**297 055**

Sensitivity analysis of changes in fair value of investment property classified under Level 3 fair value

Analysis of the influence of potential changes in the fair value of investment property on profit before tax in relation to a hypothetical change in discount rate:

	Increase by	Total influence	Level 3 Decrease by	Total influence
change in discount rate	+1pp	(18 065)	-1pp	18 065
		(18 065)		**18 065**

33. LEASES

33.1 The Group as lessee

Operating lease

At the balance sheet date, the Group possessed non-cancellable operating lease arrangements as a lessee.

Future minimum lease payments under non-cancellable operating lease arrangements were as follows:

	31/12/2013	31/12/2012
No later than one year	56 668	50 403
Later than one year and not later than five years inclusive	204 598	192 744
Later than five years	290 256	160 922
	551 522	**404 069**

The Group leases vehicles and offices under operating leases. The vehicle leases typically run for a two year period. Lease payments are increased annually to reflect market conditions. None of the leases includes contingent rentals.

Payments recognized as an expense were as follows:

	2013	2012
Non-cancellable operating lease	54 935	63 767
Cancellable operating lease	121 345	89 651
	176 280	**153 418**

Finance lease

At the balance sheet date, the Group possessed finance lease arrangements as a lessee.

Future minimum lease payments under finance lease arrangements were as follows:

	31/12/2013	31/12/2012
Less than one year	1 168	3 408
Between one and five years	1 430	2 409
	2 598	**5 817**

Present value of minimum lease payments under finance lease arrangements were as follows:

	31/12/2013	31/12/2012
Less than one year	1 123	3 163
Between one and five years	1 384	2 261
	2 507	**5 424**

The difference between total value of future minimum lease payments and their present value results from discounting of lease payments by the interest rate implicit in the agreement.

All leases are on a fixed repayment basis and no arrangements for contingent rental payments exist. The fair value of the Group's lease obligations approximates their carrying amount. All lease obligations are denominated in Czech crowns.

Net carrying amount of leased assets was as follows:

	31/12/2013	31/12/2012
Machinery and equipment	237 666	205 606
Vehicles and other	86 735	110 034
	324 401	**315 640**

33.2 The Group as lessor

As at 31 December 2013 and as at 31 December 2012 the Group did not possess any financial or operating lease agreements as a lessor.

34. INVESTMENT EXPENDITURE INCURRED AND CONTINGENT LIABILITIES FROM SIGNED INVESTMENT CONTRACTS

The total value of investment expenditure with borrowing costs amounted to CZK 2 404 089 thousand to 31 December 2013 and CZK 1 345 395 thousand to 31 December 2012, included to environmental expenditures of CZK 26 068 thousand and CZK 57 152 thousand.

As at 31 December 2013 the value of future liabilities resulting from contracts signed until this date amounted to CZK 826 363 thousand (as at 31 December 2012: CZK 336 501 thousand).

35. CONTINGENT LIABILITIES

Contingent liabilities and commitments related to the sale of shares in KAUČUK, a.s. (currently SYNTHOS Kralupy a.s.)

On 30 January 2007, UNIPETROL, a.s., as seller, and FIRMA CHEMICZNA DWORY S.A., with its registered office at ul. Chemików 1, 32-600 Oświęcim, Poland, KRS No.: 38981 ("Dwory"), as purchaser, executed the Share Purchase Agreement (the "Share Purchase Agreement") on sale of 100% shares of SYNTHOS Kralupy a.s., with its registered office at Kralupy nad Vltavou, O. Wichterleho 810, District Mělník, Postal Code: 278 52, Czech Republic, Id. No: 25053272.

Determination of Liability for the Impacts of the Operation of SYNTHOS Kralupy a.s. on the Environment

The environmental audit of plots of land owned by UNIPETROL, a.s. and used by SYNTHOS Kralupy a.s. was performed for the purpose of determining the liability of contractual parties arising from the existing or future impacts of SYNTHOS Kralupy a.s.´s operation on the environment.

The Share Purchase Agreement provides that liability for the environmental conditions originating prior to the closing of the transaction lies with UNIPETROL, a.s. and liability for the environmental conditions originating after the closing of the transaction lies with Dwory. Liability of the contractual parties for the environmental conditions is limited up to 10 % of the purchase price paid by Dwory for the shares in SYNTHOS Kralupy a.s. and the claim notice period available to Dwory was 5 years from closing of the transaction.

The Group's management, based on available information and current knowledge of the situation, does not expect any additional expense / payment related to the described issue.

Execution of an Agreement on Pre-emptive Right to Plots of Land Owned by UNIPETROL, a.s. and Used by SYNTHOS Kralupy a.s. for Its Operations

On 10 July 2007, UNIPETROL, a.s. and SYNTHOS Kralupy a.s. executed the agreement pursuant to which UNIPETROL, a.s. undertook to create in favour of SYNTHOS Kralupy a.s. the pre-emptive right and other rights to certain plots of land owned by UNIPETROL, a.s. in an industrial area in Kralupy nad Vltavou which are used by SYNTHOS Kralupy a.s. for its operations.

The share purchase agreement anticipates that the sale of the subject plots of land will be realized after satisfaction of all administrative, operational and legal conditions necessary for a split of parts of industrial area in Kralupy nad Vltavou.

Apart from the foregoing, the sale of shares of SYNTHOS Kralupy a.s. owned by UNIPETROL, a.s. to Dwory was based on the following major principles, among others:

- uninterrupted operation of the present butadiene unit;
- contractual satisfaction of supplies of energies, steam, water and other services within the industrial area in Kralupy nad Vltavou which are at present provided by SYNTHOS Kralupy a.s. to ČESKÁ RAFINÉRSKÁ, a.s.; and
- continuation of all important agreements with the companies of Unipetrol Group and further operation of the energy unit.

The Group's management, based on available information and current knowledge of the situation, does not expect any additional expense / payment related to the described issue.

Contingent liabilities related to the sale of shares in SPOLANA a.s.

The purchase price, in accordance with the share purchase agreement entered into in 2006 between UNIPETROL, a.s., and Zakłady Azotowe ANWIL Spółka Akcyjna (further Anwil), may be subject to price adjustments which would result mainly on the occurrence of any of the following events:

- Environmental guarantees provided by the National Property Fund of the Czech Republic will not be sufficient for compensation of costs for the environmental damage remediation of the Old Amalgam Electrolysis project.
  In this case UNIPETROL, a.s. will be obligated to financially indemnify Anwil up to 40 % of the purchase price provided that all necessary steps will have been taken by Anwil and SPOLANA a.s. without success for obtaining additional funds for this purpose.
- Other potential obstacles in the future operation of SPOLANA a.s. In this case UNIPETROL, a.s. will be obligated to financially indemnify Anwil up to 1-3 % of the purchase price.

The Group's management, based on available information and current knowledge of the situation, does not expect any additional expense / payment related to the described issue.

Purchase of shares of PARAMO, a.s.

In January 2009 UNIPETROL, a.s. effected a squeeze out of PARAMO, a.s. shares within the meaning of Sections 183i et seq. of the Commercial Code and became sole shareholder of PARAMO, a.s.

In accordance with the resolutions of the Extraordinary General Meeting of PARAMO, a.s. of 6 January 2009, all other shares in PARAMO, a.s were transferred to the Company and the Company provided to the other shareholders of PARAMO, a.s. and/or pledges, the monetary consideration of CZK 977 per share of PARAMO, a.s. On 4 February 2009 the registration of the above resolution of the Extraordinary General Meeting was published in the Czech Commercial Register.

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35. CONTINGENT LIABILITIES (CONTINUED)

Pursuant to the Czech Commercial Code, the ownership title to shares of the other shareholders passed to the Company on 4 March 2009 upon expiration of one month from the above publication and UNIPETROL, a.s. became the sole shareholder of PARAMO, a.s.
In connection with the squeeze-out, certain minority shareholders of PARAMO, a.s. filed a petition with the Regional Court in Hradec Králové for a review of the adequacy of compensation within the meaning of the Czech Commercial Code. The case is now pending at the Regional Court in Hradec Kralové.

Furthermore some former minority shareholders of PARAMO, a.s. requested the Regional Court in Hradec Králové to declare the invalidity of PARAMO, a.s. general meeting resolution dated 6 January 2009 and the District Court in Prague 4 to review the decision of 28 November 2008 by which the Czech National Bank granted in accordance with Section 183n(1) of the Czech Commercial Code its previous approval with the monetary consideration provided under the above squeeze-out. Regarding the case for declaration of invalidity of the PARAMO, a.s., the Regional Court in Hradec Kralove dismissed the petition for declaration of invalidity of the PARAMO, a.s. general meeting resolution dated 6 January 2009. Certain minority shareholders filed an extraordinary appeal against this decision and the case is now pending before the Supreme Court of the Czech Republic. The cassation appeal of certain minority shareholders concerning the invalidity of the General Meeting resolution was dismissed by the Supreme Court though the resolution dated 19 December 2013. The Supreme Court´s resolution is final and unappealable.

In the case of the proceedings concerning the previous approval of the Czech National Bank, the action was dismissed by the District Court for Prague 4 in favor of the Czech National Bank and UNIPETROL, a.s. The proceedings are pending before the Municipal Court in Prague.

With respect to the above described facts regarding determination of the consideration value, the Czech National Bank decision and approval of the Extraordinary General Meeting of PARAMO, a.s., UNIPETROL, a.s. considers that the petition for review of reasonableness of consideration is unfounded.

Transportation contracts
The transportation of crude oil supplies through pipelines for UNIPETROL RPA, s.r.o. is provided by MERO ČR, a.s. and TRANSPETROL, a.s. via ČESKÁ RAFINÉRSKÁ, a.s. As at 31 December 2013, ČESKÁ RAFINÉRSKÁ, a.s. held a contract for transportation with TRANSPETROL, a.s., covering years 2013 and 2014. Due to complicated and lengthy negotiations, there is no transportation contract in place with MERO ČR, a.s. Transportation of crude oil is provided by MERO ČR, a.s. on a regular basis with no disruptions; transportation is based on conditions and transportation tariff of the previous contract.

The Group management does not expect any impact on the business activities caused by non-existence of long-term contract with MERO ČR, a.s. The effect on financial statements is currently not measurable.

36. GUARANTEES AND SECURITIES

Guarantees
Based on the Group’s request the bank guarantees relating to the security of customs debt, excise tax at customs offices and other purposes were issued. The total balance of guarantees related to excise tax amounted to CZK 1 261 864 thousand as at 31 December 2013 (31 December 2012: CZK 1 845 301 thousand) and to other purposes amounted to CZK 22 935 thousand (31 December 2012: CZK 13 394 thousand).

Past environmental liabilities
The Group is the recipient of funds provided by the National Property Fund of the Czech Republic for settling environmental liabilities relating to historic environmental damage.
An overview of funds provided by the National Property Fund (currently administered by the Ministry of Finance) for the environmental contracts is provided below:

In CZK million	Total amount of funds to be provided	Used funds as at 31/12/2013	Unused funds as at 31/12/2013
UNIPETROL, a.s./ premises of UNIPETROL RPA, s.r.o.	6 012	3 688	2 324
UNIPETROL, a.s./ premises of SYNTHOS Kralupy a.s.	4 244	49	4 195
BENZINA, s.r.o.	1 349	458*	891
PARAMO, a.s./ premises in Pardubice	1 241	479	762
PARAMO, a.s./ premises in Kolín	1 907	1 694	213
	14 753	**6 368**	**8 385**

In CZK million	Total amount of funds to be provided	Used funds as at 31/12/2012	Unused funds as at 31/12/2012
UNIPETROL, a.s./ premises of UNIPETROL RPA, s.r.o.	6 012	3 395	2 617
UNIPETROL, a.s./ premises of SYNTHOS Kralupy a.s.	4 244	48	4 196
BENZINA, s.r.o.	1 349	430*	919
PARAMO, a.s./ premises in Pardubice	1 241	387	854
PARAMO, a.s./ premises in Kolín	1 907	1 651	256
	14 753	**5 911**	**8 842**

* Without the costs of the already completed rehabilitation of the petrol stations network of the former Kpetrol 1995-1999 of CZK 40 million and clean-up costs spent before 1997 in amount of approximately of CZK 500 million.

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37. RELATED PARTIES

37.1 Material transactions concluded by the Group Companies with related parties

In year ended 31 December 2013 and in 2012 there were no transactions concluded by the Group with related parties on other than arm's length terms.

37.2 Transactions with key management personnel

In year ended 31 December 2013 and in 2012 the Group companies did not grant to key management personnel and their relatives any advances, loans, guarantees and commitments or other agreements obliging them to render services to Group companies and related parties. In year ended 31 December 2013 and in 2012 there were no significant transactions concluded with members of the Board of Directors, Supervisory Board, their spouses, siblings, descendants, ascendants or their other relatives.

37.3 Transaction with related parties concluded by key management personnel of the Group companies

In year ended 31 December 2013 and in 2012 members of the key management personnel of the parent company and the Group companies submitted statements that they have not concluded any transaction with related parties.

37.4 Transactions and balances of settlements of the Group companies with related parties

Parent and ultimate controlling party

During 2013 and 2012 a majority (62.99%) of the Company's shares were in possession of POLSKI KONCERN NAFTOWY ORLEN S.A.

2013	PKN Orlen	Jointly-controlled entities	Entities under control or significant influence of PKN Orlen
Sales	467 939	2 416 363	5 176 424
Purchases	57 010 298	3 257 955	2 753 853
Finance income, including	-	452 153	-
dividends	-	449 729	-
Finance costs	2 689	30	22 742

31/12/2013	PKN Orlen	Jointly-controlled entities	Entities under control or significant influence of PKN Orlen
Long term receivables	-	24 201	-
Short term financial assets	-	-	12 217
Trade and other receivables	24 355	389 276	610 615
Trade and other liabilities, loans	6 923 050	356 638	389 630

2012	PKN Orlen	Jointly-controlled entities	Entities under control or significant influence of PKN Orlen
Sales	252 540	3 472 628	2 546 193
Purchases	60 942 489	2 385 297	2 399 323
Finance income, including	-	72 697	116 095
dividends	-	68 680	-
Finance costs	19 489	306	12 449

31/12/2012	PKN Orlen	Jointly-controlled entities	Entities under control or significant influence of PKN Orlen
Long term receivables	-	39 486	-
Short term financial assets	-	-	848
Trade and other receivables	69	310 801	273 717
Trade and other liabilities, loans	5 853 280	369 414	222 951

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38. REMUNERATION PAID AND DUE OR POTENTIALLY DUE TO MANAGEMENT BOARD, SUPERVISORY BOARD AND OTHER MEMBERS OF KEY EXECUTIVE PERSONNEL OF PARENT COMPANY AND THE GROUP COMPANIES IN ACCORDANCE WITH IAS 24

The Management Board's, the Supervisory Board's and other key executive personnel's remuneration includes short term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits paid, due and potentially due during the period.

38.1 Key management personnel and statutory bodies' members' compensation

Further detailed information regarding remuneration of key management personnel is included in note 27.3.

	2013		2012	
	Short-term benefits	Termination benefits	Short-term benefits	Termination benefits
Remuneration of current period	219 140	7 571	250 835	10 327
Paid for previous year	49 450	1 065	45 365	-

38.2 Bonus system for key executive personnel of the Group

In 2013 the key executive personnel was participating in the annual MBO bonus system (management by objectives). The regulations applicable to Management Board, directors directly reporting to Management Boards of entities and other key positions have certain common features. The persons subject to the above mentioned systems are remunerated for the accomplishment of specific goals set at the beginning of the bonus period, by the Supervisory Board for the Management Board Members and by the Management Board members for the key executive personnel. The bonus systems are structured in such way, so as to promote the cooperation between individual employees in view to achieve the best possible results for the Group. The goals so-said are qualitative or quantitative (measurable) and are accounted for following the end of the year for which they were set, on the rules adopted in the applicable Bonus System Regulations. Regulation gives the possibility to promote employees, who significantly contribute to results generated by the Group.

39. INFORMATION CONCERNING SIGNIFICANT PROCEEDINGS IN FRONT OF COURT, BODY APPROPRIATE FOR ARBITRATION PROCEEDINGS OR IN FRONT OF PUBLIC ADMINISTRATION BODIES

Claims regarding reward for employees' intellectual work

In the year 2001 the court case commenced regarding the reward for the employees' intellectual work between UNIPETROL RPA, s.r.o. and its two employees. Employees demanded reward of approx. CZK 1.8 million. UNIPETROL RPA, s.r.o. as defendant did not agree and offered the reward amounting to approx. CZK 1.4 million, based on experts' valuations. In 2005 Employees plaintiffs filed the next petition to the court to extend the action to an amount of approx. CZK 82 million. The first instance hearing was held on 18 October 2011. An experts´ valuation ordered by the court confirmed the amount of the reward payable to the employees in the amount of CZK 1.6 million. One of the employees accepted payment of his share in the reward confirmed by the expert in the expert valuation order by the court.

Claims on compensation of damages filed by I.P. – 95, s.r.o. against UNIPETROL RPA, s.r.o.

On 23 May 2012 UNIPETROL RPA, s.r.o., having its registered office at Záluží 1, 436 70, Litvínov, Business ID no.: 27597075,, the subsidiary of UNIPETROL, a.s., received a petition from the District Court Ostrava, file no. 30 C 66/2010.

Claimant – I.P. - 95, s.r.o., having its registered office at Těšínská 202/225, 716 00 Ostrava-Radvanice, Business ID no.: 64085694 is claiming compensation of damages totalling CZK 1 789 million. I.P. – 95, s.r.o. claims that it incurred damages as a result of an unjustified insolvency filing against I.P. – 95, s.r.o. made by UNIPETROL RPA, s.r.o. on 24 November 2009. I.P. – 95, s.r.o. assigned part of the receivable in question of CZK 1 742 million, to NESTARMO TRADING LIMITED, having its registered office at Diagorou 4, Fermia Building, 6th floor, office no. 601, 1097 Nicosia, Cyprus, Company ID no.: HE 246733; following the assignment, I.P. – 95, s.r.o. filed a motion regarding NESTARMO TRADING LIMITED joining the proceedings as a claimant. UNIPETROL RPA, s.r.o. is one of eight respondents against whom the petition was filed.

UNIPETROL RPA, s.r.o. does not recognize the alleged claim and considers the claim as unjustified and unfounded. UNIPETROL RPA, s.r.o. is taking all legal actions to defend itself against this claim. The case is pending at the Regional Court in Ostrava.

During the twelve month period ended 31 December 2013 there were no material changes in relation to the issue.

39. INFORMATION CONCERNING SIGNIFICANT PROCEEDINGS IN FRONT OF COURT, BODY APPROPRIATE FOR ARBITRATION PROCEEDINGS OR IN FRONT OF PUBLIC ADMINISTRATION BODIES (CONTINUED)

Claims for compensation of damages filed by SDP Logistics sklady a.s against UNIPETROL RPA, s.r.o.
On 9 July 2012 UNIPETROL RPA, s.r.o. received a petition filed by SDP Logistics sklady a.s. for compensation of damages.
UNIPETROL RPA, s.r.o. concluded on 21 March 2010 with SDP Logistics sklady a.s. ("SDP") a contract relating to storage ("Contract") for a definite period of time - until 31 July 2011. SDP claims that UNIPETROL RPA, s.r.o. failed to remove all stored products before the contract termination date.
SDP claims CZK 25 million as a contractual penalty payable to SDP as a result of not making the storage space available for a new client. SDP additionally claims CZK 120 million as loss of profit caused by not being able to provide the contracted storage capacity to a new SDP client after 1 August 2011. Furthermore SDP has blocked the goods of UNIPETROL RPA, s.r.o. (stored in the warehouse) until the said damages are covered by UNIPETROL RPA, s.r.o.
UNIPETROL RPA, s.r.o. does not recognize the alleged claim and considers the claim as unjustified and unfounded.
During the twelve month period ended 31 December 2013 there were no material changes in relation to the issue. The next hearing is scheduled for 29 April 2014.

Tax proceeding - UNIPETROL RPA s.r.o., acting as a legal successor of CHEMOPETROL a.s., is a party in a tax proceeding related to validity of investment tax relief for 2005. UNIPETROL RPA s.r.o. claims the return of income tax paid in 2006 for the fiscal year 2005 by CHEMOPETROL a.s. The claim concerns unused investment relief attributable to CHEMOPETROL a.s. The total value of claim amounts to approximately CZK 325,000 thousand.

a) UNIPETROL RPA, s.r.o. complaint for unlawful intervention
At its hearing on 16 October 2013 the Regional Court in Usti nad Labem decided to dismiss the UNIPETROL RPA, s.r.o. complaint for unlawful intervention during the first instance tax proceedings carried out by the Tax Authority in Litvinov in 2010. The court decided that the appellate tax proceedings carried out by the Tax Directorate in Usti nad Labem in 2010 was an unlawful intervention with UNIPETROL RPA, s.r.o. rights. UNIPETROL RPA, s.r.o. filed a cassation appeal against the part of the judgment of the court regarding dismissal of the complaint with respect to the first instance tax proceedings to the Czech High Court.

On 21 January 2014 the Czech High Administration Court resolved to (i) decline the decision of Regional Court in Usti nad Labem stating that the appellate tax proceedings carried out by the Tax Directorate in Usti nad Labem in 2010 was an unlawful intervention with UNIPETROL RPA, s.r.o. rights and returned this part of the case to the Regional Court in Prague for further hearing and decision; and (ii) dismissed the cassation appeal filed by UNIPETROL RPA, s.r.o.

b) UNIPETROL RPA, s.r.o. complaint for dismissal of the tax authority decisions
At its hearing on 11 December 2013 the Regional Court in Usti nad Labem decided to decline both (i) the decision of the Tax Authority in Litvinov issued in 2010 on the tax corporate income obligation of UNIPETROL RPA, s.r.o. of approximately CZK 325mil, and (ii) the decision of the Tax Directorate in Usti nad Labem (in its position as appellate tax authority) on the UNIPETROL RPA, s.r.o. appeal against the tax decision under point (i). The court ruled both decisions of tax authorities to be unlawful. The court returned the case to the tax authority for further procedure.

UNIPETROL RPA, s.r.o. filed a cassation appeal against the decision of the Regional Court in Usti nad Labem and requested the court to decline both tax decision due to these being null and therefore non existing. In situation where the court declares the decision null and non existing, this would enhance UNIPETROL RPA, s.r.o. position towards the tax authorities.

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40. SIGNIFICANT POST BALANCE SHEET EVENTS

Acquisition of 16.335% stake in ČESKÁ RAFINÉRSKÁ, a.s. from Shell

On 31 January 2014 UNIPETROL, a.s. ("Unipetrol") completed the transaction of acquisition of 152 701 shares of ČESKÁ RAFINÉRSKÁ, a.s. ("Česká rafinérská") amounting to 16.335% of the Česká rafinérská's share capital from Shell Overseas Investments B.V. ("Shell") following the conclusion of share purchase agreement on 7 November 2013. The acquisition price for the shares in amount of USD 27.2 million was settled by cash. The transaction was an opportunistic acquisition fully in line with Unipetrol Group Strategy 2013-2017 announced in June 2013 and supporting its execution thanks to: increasing security of petrochemical feedstock supplies, faster implementation of Operational Excellence initiatives and strengthening long-term presence on the Czech market.

Based on the completion of the transaction Unipetrol's stake on the Česká rafinérská's share capital has increased from 51.22% to 67.555%.

Unipetrol based on regulations included in IFRSs will continue to account for its investment in Ceska rafinerska as jointly controlled entity due to existence of collective control of all shareholders. Contractual arrangements between shareholders require unanimous consent of all shareholders in case of certain decision of significant importance for relevant activities of the entity.

As at the date of authorizing these consolidated financial statements for publication the impact of the transaction is being estimated. It will be recognized in the consolidated financial statements of the Group in 2014. The impact will be calculated based on the accounting principles described under point 3.5.1 Business combinations and 3.5.6.1 Goodwill in Group accounting principles and policies. Based on data of ČESKÁ RAFINÉRSKÁ, a.s. used for UNIPETROL Group consolidation purposes as at 31 December 2013 the Group expects as a result of the transaction an increase of net consolidated assets approximately in amount of CZK 1 billion. The actual result will be calculated based on data as at day of the transaction and can differ from current estimate.

The Group's management is not aware of any other events that have occurred since the balance sheet date that would have any material impact on the financial statements as at 31 December 2013.

41. APPROVAL OF THE FINANCIAL STATEMENT

The consolidated financial statements were authorized for issue by the Board of directors meeting of the Company held on 12 March 2014.

Signature of statutory representatives	12 March 2014
Marek Switajewski	
Marek Świtajewski	Mirosław Kastelik
Chairman of the Board of Directors	Member of the Board of Directors

Significant post financial statements events

Completion of Transaction – Acquisition of 16.335% stake in Česká rafinérská from Shell

On 31 January 2014, the transaction of acquisition of 152,701 shares of ČESKÁ RAFINÉRSKÁ, a.s. ("Česká rafinérská") amounting to 16.335% of the Česká rafinérská's share capital from Shell Overseas Investments B.V. with the acquisition price for the shares in the amount of USD 27.2 million was completed. Based on the successful completion of the transaction, the stake of UNIPETROL, a.s. on the Česká rafinérská's share capital has increased from 51.22% to 67.555%

Purchase of hydrocarbon inventories from Shell

On 31 January 2014, UNIPETROL RPA, s.r.o. ("UNIPETROL RPA"), 100% owned subsidiary of UNIPETROL, a.s., signed an agreement with Shell Czech Republic a.s. ("Shell Czech Republic") based on which UNIPETROL RPA acquired Shell Czech Republic's inventories of crude oil and refining products for the total price of CZK 1,751 m including VAT related to the Shell Overseas Investments B.V.'s 16.335% shareholding interest of the share capital of ČESKÁ RAFINÉRSKÁ, a.s.

Product supply agreement with Shell

On 31 January, 2014 UNIPETROL RPA, s.r.o. ("UNIPETROL RPA"), 100% owned subsidiary of UNIPETROL, a.s., signed a product supply agreement with Shell Czech Republic a.s. ("Shell Czech Republic") based on which UNIPETROL RPA will be supplying fuels to Shell Czech Republic. Agreement is signed for the period of up to five years with a monetary value of up to approximately CZK 44 bn, based on the current fuels quotations and CZK/USD exchange rate and depending on the actual duration of the agreement. Shell Czech Republic has been granted option rights to gradually reduce fuel off-takes from UNIPETROL RPA starting from 2015.

Report on relations between the controlling and the controlled person, and on relations between the controlled person and other persons controlled by the same controlling person („Related Persons“)

This report is prepared as „report on relations“ in accordance with article 66a (9) of the Act No. 513/1991 Coll., the Commercial Code, as ammended as of 31 December 2013.

Controlled Person

UNIPETROL, a.s., registered office at Na Pankráci 127, 140 00 Praha 4, IC 61672190 (hereinafter "Company")

UNIPETROL, a.s. is the controlling person of the UNIPETROL business group, whose organizational chart is shown in Appendix 1.

Controlling Person

POLSKI KONCERN NAFTOWY Orlen S.A., registered office at ul. Chemików 7, 09 - 411 Płock

Other Related Persons

Companies controlled by the Controlling Person, POLSKI KONCERN NAFTOWY Orlen S.A. are the other related persons. Detailed overview of the other related persons is shown in Appendix 2 - POLSKI KONCERN NAFTOWY Orlen S.A. Business Group Organizational Chart.

In 2013, the following relations were established between the Company, Controlling Person and Other Related Persons.

Part I.

Agreements concluded between the Company, Controlling Person and Other Related Persons in 2013

and

performances (counter-performances) provided (received) in 2013 in virtue of agreements concluded in previous periods

Note:

a) Categorization of agreements follows the accounting methodology;

b) Conversion from foreign currencies follows the current Czech National Bank exchange rate as of the respective performance (counter-performance) day.

Controlling Person

POLSKI KONCERN NAFTOWY Orlen S.A.

Relation to the Company: Controlling Person

Relations in 2013 were based on the standard terms and conditions of business relations. The Company suffered no loss as a result of concluded contracts.

The following relations were established in 2013:

Based on the agreements concluded in the previous periods, the Company received services for which it provided payments amounting to CZK 2 035 thousand in 2013. The price for the services was contractually agreed at arm’s length basis.

The Company further provided services for which it received the payment in amount of CZK 388 thousand.

Bases on the agreement the Company further received long-term loan in amount of CZK 2 000 000 thousand in 2013 for which it provided performance in amount of interest of CZK 1 850 thousand.

In previous periods, the Company concluded an agreement on confidentiality. No performance has been provided and received in virtue of this agreement.

<u>Other Related Persons</u>

SPOLANA a.s.

Relation to the Company: the company directly controlled by Anwil S.A.

Relations in 2013 were based on the standard terms and conditions of business relations. The Company suffered no loss as a result of concluded contracts.

The following relations were established in 2013:

Based on agreements concluded in the previous periods, the Company received services for which it provided payments amounting to CZK 2 thousand in 2013. The price for the services was contractually agreed at arm's length basis.

The Company further provided services for which it received the payment in amount of CZK 4 thousand.

Based on the "Agreement on insurance premiums payment" for liability insurance of the Board Members and the Supervisory Board Members, and the liability insurance for damage caused by a product in the given period, the Company covered for SPOLANA a.s. the corresponding portion of premiums in accordance with respective insurance agreements concluded with third persons. SPOLANA a.s. has consequently paid this amount (CZK 528 thousand) to the Company.

ORLEN Finance AB

Relation to the Company: the company directly controlled by POLSKI KONCERN NAFTOWY Orlen S.A.

Relations in 2013 were based on the standard terms and conditions of business relations. The Company suffered no loss as a result of concluded contracts.

The following relations were established in 2013:

The Company concluded, in given period loan agreement, based on which the Company opened bank accounts in Nordea Bank Finland Plc, Niederlassung Deutschland. The Company has not utilized a loan in that period.

Part II.

Other legal actions made in favour of Other Related Persons

There were no other legal actions made in favour of Other Related Persons in 2013.

Part III.

Other measures taken or realized in favour of or initiated by Other Related Persons

In 2013 there were no other measures taken or realized by the Company in favour or initiated by Other Related Persons.

Signature of statutory representatives **12 March 2014**

Marek Switajewski

Marek Świtajewski

Chairman of the Board of Directors

Mirosław Kastelik

Member of the Board of Directors

Annex no. 1

Business Group of UNIPETROL, a.s. – Controlled companies

1 January 2013 – 31 December 2013

Companies controlled by UNIPETROL, a.s.	Residence	Shares in directly and indirectly controlled companies in % of the capital		Note
Companies with a direct share held by UNIPETROL, a.s.				
Companies with an indirect share held by UNIPETROL, a.s.		**1.1.**	**31.12.**	
1. UNIPETROL RPA, s.r.o., IČ 275 97 075	Litvínov, Záluží 1	**100,00**	**100,00**	
1.1 HC VERVA Litvínov, a.s., IČ 640 48 098	Litvínov , S.K. Neumanna 1598	70,95	70,95	Other shareholders - Litvínov city owns 22,14% and HC Litvínov, o.s. owns 6,91%
1.2 CHEMOPETROL, a.s., IČ 254 92 110	Litvínov, Záluží 1	100,00	100,00	
1.3 POLYMER INSTITUTE BRNO, s.r.o., IČ 607 11 990	Brno, Tkalcovská 36/2	99,00	99,00	1% owned by UNIPETROL, a.s.
1.4 UNIPETROL DOPRAVA, s.r.o., IČ 640 49 701	Litvínov, Růžodol 4	99,88	99,88	0,12% owned by UNIPETROL, a.s.
1.5 UNIPETROL DEUTSCHLAND GmbH, IČ. HRB 34346	Langen, Germany, Paul-Ehrlich-Strasse 1B	99,90	99,90	0,1% owned by UNIPETROL, a.s.
1.6 CHEMAPOL (SCHWEIZ) AG, v likvidaci, IČ CH-270.3.000.762-9	Leimenstrasse 21, 4003 Basel, Switzerland	100,00	100,00	The liquidation was finished on 12.6.2013, we have applied for deletion from the Commercial Register.
1.7 UNIPETROL SLOVENSKO, s.r.o., IČ 357 77 087	Panónská cesta 7, Bratislava, Slovakia	86,96	86,96	13,04% owned by UNIPETROL, a.s.
2. UNIPETROL SERVICES, s.r.o., IČ 276 08 051	Litvínov, Záluží 1	**100,00**	**100,00**	
3. Výzkumný ústav anorganické chemie, a.s., IČ 622 43 136	Ústí nad Labem, Revoluční 84/č.p. 1521	**100,00**	**100,00**	
4. BENZINA, s.r.o., IČ 601 93 328	Prague 4, Na Pankráci 127	**100,00**	**100,00**	
4.1 PETROTRANS, s.r.o., IČ 251 23 041	Prague 8, Střelničná 2221	99,37	99,37	0,63% owned by UNIPETROL, a.s.
5. UNIPETROL RAFINÉRIE, s.r.o. IČ 278 85 429	Litvínov, Záluží 1	**100,00**	**100,00**	
6. ČESKÁ RAFINÉRSKÁ, a.s., IČ 627 41 772	Litvínov, Záluží 2	**51,22**	**51,22**	Other shareholders – Shell Overseas Investments B.V. owns 16,335 % and Eni International B.V. owns 32,445 %

7. UNIPETROL AUSTRIA, GmbH , v likvidaci, IČ 43 551	Vienna, Apfelgasse 2, Austria	**100,00**	**100,00**	
8. PARAMO, a.s., IČ 481 73 355	Pardubice, Přerovská čp. 560	100,00	100,00	
8.1 MOGUL SLOVAKIA, s.r.o., IČ 36 222 992	Hradiště pod Vrátnou, U ihriska 300, Slovensko	100,00	100,00	
8.2 PARAMO Oil, s.r.o., IČ 246 87 341	Pardubice, Přerovská čp. 560	100,00	100,00	
9. Butadien Kralupy a.s., IČ 278 93 995	Kralupy nad Vltavou, O. Wichterleho 810	51,00	51,00	49% shares owned by SYNTHOS Kralupy, a.s.
Other companies with shares held by UNIPETROL, a.s.				
1. UNIVERSAL BANKA, a.s, v konkursu, IČ 482 64 865	Prague 1, Senovážné náměstí 1588/4	16,45	16,45	12,24% shares owned by UNIPETROL RPA, s.r.o.
2. ORLEN HOLDING MALTA LIMITED, IČ C 39945	Malta, Level 1, 36, Strand Towers, The Strand, Sliema SLM 1022	0,5	0,5	99,5% shares owned by PKN ORLEN S.A.

Annex no. 2

Business Group of PKN ORLEN S.A. – Controlled companies

1 January 2013 – 31 December 2013

Companies controlled by PKN ORLEN S.A.	Residence	Shares in directly and indirectly controlled companies in % of the capital		Note
Companies with a direct share held by PKN ORLEN S.A.				
Companies with an indirect share held by PKN ORLEN S.A.		**1.1.**	**31.12.**	
1. UNIPETROL, a.s.	Prague	62,99	62,99	See separate list of the Capital Group of UNIPETROL
2. ORLEN Deutschland GmbH	Elmshorn	100,00	100,00	
3. ORLEN Budonaft Sp. z o.o.	Limanowa	100,00	100,00	On 1.1.2013 change of registered office
4. ORLEN Automatyka Sp. z o.o.	Płock	100,00	100,00	
5. ORLEN Asfalt Sp. z o.o.	Płock	82,46	82,46	17,54 % Rafineria Trzebinia S.A.
5.1. ORLEN Asfalt Ceska Republika s.r.o. (d. Paramo Asfalt)	Pardubice	100,00	100,00	
6. Inowrocławskie Kopalnie Soli "SOLINO" S.A.	Inowrocław	100,00	100,00	
7. ORLEN Gaz Sp. z o.o.	Płock	100,00	100,00	
8. ORLEN KolTrans Sp. z o.o.	Płock	99,85	99,85	
9. Orlen Laboratorium Sp. z o.o.	Płock	94,94	99,38	On 15.3.2013 Company bought 886 own shares, which were subsequently redeemed by Company's General Meeting
10. ORLEN Medica Sp. z o.o.	Płock	100,00	100,00	
10.1 Sanatorium Uzdrowiskowe "Krystynka" Sp. z o.o.	Ciechocinek, Poland	98,58	98,58	
11. ORLEN Ochrona Sp. z o.o.	Płock	100,00	100,00	
11.1 ORLEN Ochrona Sp. z o. o., organizační složka v České republice	Litvínov	100,00	100,00	Branch office registered on 27.06.2011 in CR
11.2 ORLEN Apsauga UAB	Juodeikiai	100,00	100,00	
12. ORLEN OIL Sp. z o.o.	Kraków	51,69	51,69	43,84 % Rafineria Trzebinia S.A. a 4,47% Rafineria Nafty Jedlicze
12.1. Platinum Oil Sp. z o.o.	Lublin	100,00	100,00	On 1.3.2012 Company merged with Platinum Oil Małopolskie Centrum Dystrybucji Sp. z o.o.

12.2. ORLEN OIL ČESKO, s. r. o.	Brno	100,00	100,00	
13. ORLEN Paliwa Sp. z o.o.	Plock	100,00	100,00	
14. ORLEN PetroTank Sp. z o.o.	Widełka	100,00	100,00	
14.1. Petro-Mawi Sp. z o.o. w likwidacji	Sosnowiec	60,00	60,00	
15. ORLEN Projekt S.A.	Płock	99,63	99,77	On 10.1.2013 PKN ORLEN purchased 20 shares from minority shareholders
16. ORLEN Transport Kraków Sp. z o.o. w upadlosci	Kraków	98,41	98,41	
17. ORLEN Transport Sp. z o.o.	Plock	100,00	100,00	
18. ORLEN Wir Sp. z o.o.	Płock	76,59	76,59	
19. Petrolot Sp. z o.o.	Warszawa	100,00	100,00	
20. Rafineria Nafty Jedlicze S.A.	Jedlicze	100,00	100,00	
20.1. „RAF-BIT” Sp. z o.o.	Jedlicze	100,00	100,00	
20.2. „RAF-KOLTRANS” Sp. z o.o.	Jedlicze	100,00	100,00	
20.3. „RAF-Służba Ratownicza” Sp. z o.o.	Jedlicze	100,00	100,00	
20.4. Konsorcjum Olejów Przepracowanych "ORGANIZACJA ODZYSKU" S.A.	Jedlicze	81,00	81,00	8 % Rafineria Trzebinia S.A.
20.5. "RAN-WATT" Sp. z o.o. w likwidacji	Toruń	51,00	51,00	
21. Rafineria Trzebinia S.A.	Trzebinia	86,35	86,35	
21.1. Fabryka Parafin NaftoWax sp. z o.o. - Trzebinia	Trzebinia	100,00	100,00	
21.2. Energomedia Sp. z o.o.	Trzebinia	100,00	100,00	
21.3. Euronaft Trzebinia Sp. z o.o.	Trzebinia	100,00	100,00	
21.4. EkoNaft Sp. z o.o.	Trzebinia	100,00	100,00	
21.5.Zakładowa Straż Pożarna Sp. z o.o.	Trzebinia	100,00	100,00	
22. Ship - Service S.A.	Warszawa	60,86	60,86	
23. ORLEN Centrum Serwisowe Sp. z o.o.	Opole	99,01	99,33	On 27.5.2013 Company bought 492 own shares, which were subsequently redeemed by Company’s General Meeting
24. Anwil S.A.	Włocławek	100,00	100,00	
24.1. Przedsiębiorstwo Inwestycyjno - Remontowe REMWIL Sp. z o.o.	Włocławek	99,98	100,00	On 19.3.2013 Anwil purchased 1 remaining share from Pro-Lab Sp. z o.o.
24.2. Przedsiębiorstwo Produkcyjno-Handlowo-Usługowe PRO-LAB Sp. z o.o.	Włocławek	99,32	99,32	
24.3. SPOLANA a.s.	Neratovice	100,00	100,00	

24.4. Przedsiębiorstwo Usług Specjalistycznych i Projektowych CHEMEKO Sp. z o.o.	Włocławek	55,93	77,97	On 13.05.2013 Anwil purchased 39 shares from private persons. Anwil owns 77,97, the rest (22,03%) is owned by REMWIL (100% subsidiary of Anwil).
24.5. Zakład Usługowo-Produkcyjny EKO-Dróg Sp. z o.o.	Włocławek	48,78	48,78	
24.6. Przedsiębiorstwo Usług Technicznych Wircom Sp. z o.o.	Włocławek	49,02	49,02	
24.7. Specjalistyczna Przechodnia Przemysłowa Prof-Med Sp. z o.o.	Włocławek	45,86	96,45	In 2013 Prof-Med redeemed 16 of its shares. Moreover, during the year Anwil purchased additional 64 shares from minority shareholders.
25. ORLEN EKO Sp. z o.o.	Plock	100,00	100,00	
26. ORLEN Administracja Sp. z o.o.	Plock	100,00	100,00	
27. ORLEN Upstream Sp. z o.o.	Warszawa	100,00	100,00	
27.1. ORLEN Upstream International B.V.	Amsterdam	0	100,00	The Company was established on 13.9.2013
27.1.1. TriOil Resources Ltd.	Calgary	0	100,00	On 14.11.2013 ORLEN Upstream International B.V. purchased 100% shares in TriOil Resources Ltd. with its subsidiary companies.
27.1.1.1. 1426628 Alberta Ltd.	Calgary	0	100,00	On 14.11.2013 ORLEN Upstream International B.V. purchased 100% shares in TriOil Resources Ltd. with its subsidiary companies.
27.1.1.2. OneEx Operations Partnership	Calgary	0	99,99	On 14.11. 2013 ORLEN Upstream International B.V. purchased 100% shares in TriOil Resources Ltd. with its subsidiary companies.
28. ORLEN Księgowość Sp. z o.o.	Plock	100,00	100,00	
29. ORLEN HOLDING MALTA Limited	Sliema, Malta	99,50	99,50	
29.1. ORLEN Insurance Ltd	Sliema, Malta	99,99	99,99	In 2013, the registered capital was increased. As a result of a shares acquisition, executed only by ORLEN HOLDING MALTA, the PKN stake in the Company's registered capital decreased by 0,00000585%.
30. AB ORLEN Lietuva	Juodeikiai	100,00	100,00	
30.1. AB Ventus Nafta	Vilnius	100,00	100,00	
30.2. UAB Mazeikiu Nafta Trading House (Litwa)	Vilnius, Lithuania	100,00	100,00	
30.2.1. SIA ORLEN Latvija	Riga, Latvia	100,00	100,00	
30.2.2. ORLEN Eesti OU	Tallin ,Estonia	100,00	100,00	

30.3. UAB Medikvita	Juodeikiai	100,00	0,00	The Company was sold on 1.8.2013
30.4. UAB Mazeikiu Nafta Paslaugos Tau	Juodeikiai	100,00	100,00	
30.5. UAB EMAS	Juodeikiai	100,00	100,00	
31. ORLEN Finance AB	Stockholm	100,00	100,00	
32. Basell Orlen Polyolefins Sp. z o.o.	Plock	50,00	50,00	50% owned by Basell Europe Holding B.V.
32.1. Basell Orlen Polyolefins Sp. z o.o. Sprzedaž Sp. z o.o.	Plock	100,00	100,00	
33. Płocki Park Przemyslowo-Technologiczny S.A.	Plock	50,00	50,00	50% owned by Plock Municipality
33.1.Centrum Edukacji Sp. z o.o.	Plock	69,43	69,43	
34. ORLEN International Exploration – Production Company BV	Amsterdam	100,00	100,00	
34.1. SIA Balin Energy Grupa OIE-PC BV	Lithuania	50,00	50,00	
35. Baltic Power Sp. z o.o.	Warszawa	100,00	100,00	
36. Baltic Spark Sp. z o.o.	Warszawa	100,00	100,00	

Glossary, financial terms and abbreviations

Glossary

Atmospheric distillation unit

A unit for atmospheric distillation of crude oil (=dividing crude oil into lighter fractions according to their boiling temperature) at slight positive pressure and temperatures up to 350-400 °C.

Azeri Light crude oil

Light, low sulphur crude oil from Azerbaijan.

Brent-Ural differential

Difference between Brent (mix of North Sea crude oils) quoted price and Ural (Russian export crude oil) quoted price.

COCO (Company Owned – Company Operated)

A filling stations operating model – filling stations are owned and operated by the same company.

CODO (Company Owned – Dealer Operated)

A filling stations operating model – filling stations are owned by the company and are operated by dealers under a contract with the company.

Compressed Natural Gas (CNG)

Natural gas (mainly composed of methane) stored at high pressure. CNG be used in place of gasoline, diesel fuel or propane.

Conversion capacity

A total amount of crude oil which can be processed in a refinery – usually stated in mt/y (million tons per year).

CPC Blend crude oil

Light crude oil from Western Kazakhstan which consists of several crude oil streams.

DACH region

German speaking countries (Deutschland, Austria, Schweiz).

DOFO (Dealer Owned – Franchise Operated)

A filling stations operating model operated under franchise – filling stations are not owned by the company.

Downstream

This sector of the oil and gas industry commonly refers to the refining of petroleum crude oil, and processing and purifying of raw natural gas, as well as to the marketing and distribution of the products derived from crude oil and natural gas.

Ethylene

Also known as **ethene** is a hydrocarbon produced in the petrochemical industry most often by steam cracking of crude oil products (ethane, LPG, naphtha). Ethylene is widely used in the chemical industry.

Fluid Catalytic Cracking (FCC)

Fluid catalytic cracking is one of the most important catalytic conversion processes used in petroleum refineries. It is widely used to convert the high-boiling, high-molecular-weight hydrocarbon fractions from petroleum crude oil (residues from atmospheric distillation, vacuum distillate) to more valuable and demanded products such as gasoline, unsaturated LPG, middle distillates and other products. The FCC process operates at high temperature and moderate pressure, with a fluidized powdered catalyst.

High density polyethylene (HDPE)

It is a polyethylene thermoplastic made from ethylene commonly used in the production of plastic bottles, corrosion-resistant piping, geomembranes and plastic lumber.

Hydrocracking

Hydrocracking is another important catalytic conversion process used in petroleum refineries. It is used for the conversion of high-boiling, high-molecular-weight hydrocarbon fractions from petroleum crude oil (vacuum distillate) to more valuable and demanded products such as diesel, gasoline, unsaturated LPG or synthetic oils by the addition of hydrogen under high pressure and in the presence of a catalyst.

Hydroskimming

It is one of the simplest types of refinery. It is defined as a refinery equipped with atmospheric distillation, naphtha reforming and necessary treating processes.

Ingolstadt-Kralupy-Litvínov pipeline (IKL)

The IKL pipeline is a crude oil pipeline in Central Europe. It allows to transport a crude oil from Germany to the Czech refineries in Kralupy and Litvínov.

Liquefied Petroleum Gas (LPG)

It is a flammable mixture of hydrocarbon gases, predominantly with three or four carbon atoms in a molecule, used as fuel in heating appliances and vehicles, as well as an aerosol propellant and refrigerant.

Olefin

Also known as **alkene** is an unsaturated hydrocarbon with one double bond between carbon atoms. Alkenes are produced during catalytic or thermal cracking without the presence of hydrogen.

Polyolefin

It is a polymer also known as **polyalkene**, produced from simple olefins. It is used for blown film and heatshrink electrical insulation sleeves, as well as under garments for wetsuits.

Petrochemical olefin margin (Unipetrol model)

Revenues from sold products (100% Products = 40% Ethylene + 20% Propylene + 20% Benzene + 20% Naphtha) minus costs (100% Naphtha). Product prices are according to benchmark quotations in euros per ton.

Petrochemical polyolefin margin (Unipetrol model)

Revenues from sold products (100% Products = 60% Polyethylene/HDPE + 40% Polypropylene) minus costs (100% input = 60% Ethylene + 40% Propylene). Product prices are according to benchmark quotations in euros per ton.

Polypropylene (PP)

Also known as **polypropene**, is a thermoplastic polymer used in a wide variety of applications, including packaging and labeling, plastic parts and reusable containers of various types, laboratory equipment, loudspeakers, automotive components, and polymer banknotes.

POX unit

A unit where the gasification of oil distillates (partial oxidation reaction) takes place. It is commonly used for the liquidation of the hardest unprocessable residues from refinery and it produces synthetic gas, consisting primarily of hydrogen and carbon monoxide. Yield of hydrogen can be increased in shift reactor by reaction of CO with steam. Pure hydrogen is used in refinery, for ammonia production.

Propylene

Also known as **propene** or **methyl ethylene** is an unsaturated organic compound. It is produced as a by-product during the pyrolysis of fossil fuels – mainly petroleum and natural gas.

Pyrolysis

It is a chemical reaction during which organic materials are thermally decomposed without the presence of any oxygen.

Pyrolysis gasoline

It is a high aromatic naphtha product which arises during the pyrolysis of naphtha or hydrocrackates in a steam cracker unit.

Refining margin (Unipetrol model)

Revenues from products sold (96% Products = Gasoline 17%, Naphtha 20%, JET 2%, Diesel 40%, Sulphur Fuel Oils 9%, LPG 3%, Other feedstock 5%) minus costs (100% input = Brent Dated). Product prices are according to benchmark quotations in dollars per barrel.

Steam cracker unit

Steam cracker units are facilities in which a feedstock such as naphtha, HCVD, liquefied petroleum gas (LPG), ethane, propane or butane are thermally cracked through the use of steam in a bank of pyrolysis furnaces to produce lighter hydrocarbons. The products (yield of ethylene, propylene, benzene, aromatics, butadiene) obtained depend on the composition of the feedstock, the hydrocarbon-to-steam ratio, and on the cracking temperature and furnace residence time.

Steam cracking

Steam cracking is a petrochemical process in which saturated hydrocarbons are broken down into smaller, often unsaturated, hydrocarbons. It is the principal industrial method for producing the lighter alkenes (or commonly olefins), including ethene (or ethylene) and propene (or polypropene).

Transalpine pipeline (TAL)

The Transalpine pipeline is a crude oil pipeline which connects Italy, Austria and Germany. It starts from the marine terminal in Trieste, runs through the Alps to Ingolstadt. It is connected with the IKL pipeline in Vohburg.

Vacuum distillation

Leftover from atmospheric distillation of crude oil (long residue) is often distillated in the second – vacuum – distillation under the lower pressure conditions (2 – 10 kPa). With lower pressure the boiling point of present compounds is also lower. Therefore it is possible to distillate crude oil (mazut) at temperatures to 360 - 400 °C and to get another fractions without any thermal degradation.

Financial terms

CAPEX

Capital expenditures

Financial gearing ratio

It is a ratio of net debt to equity.

Free Cash Flow (FCF)

Sum of operating and investing cash flow

Net debt

Difference between financial debt (interest-bearing liabilities) and cash

Net working capital

Sum of inventories and trade and other receivables less trade and other liabilities.

Operating profit – EBIT

Earnings before financial result and taxes

Operating profit – EBIT LIFO

Earnings before financial result and taxes; LIFO method used for inventories valuation (Last-In-First-Out)

Operating profit – EBITDA

Earnings before depreciation and amortization, financial result and taxes

Operating profit – EBITDA LIFO

Earnings before depreciation and amortization, financial result and taxes; LIFO method used for inventories valuation (Last-In-First-Out)

Abbreviations

a.s.

Public limited company (Czech Republic)

AG

Public limited company (Germany)

AVD

Atmospheric and Vacuum Distillation

B.V.

Limited liability company (Netherlands)

BA

Automotive gasoline

Bbl

Barrel

BCPP

Prague Stock Exchange

BU

Business unit

B2B

Business-to-Business

B2C

Business-to-Consumer

CSR

Corporate Social Responsibility

ČAPPO

Czech Association of Petroleum Industry and Trade (Česká asociace petrolejářského průmyslu a obchodu)

ČNB

Czech National Bank

ČOI

Czech Trade Inspection (Česká obchodní inspekce)

EIA

Environmental Impact Assessment

EMS

Environmental Management System

ERP System

Enterprise Resource Planning System

ESRA

European Synthetic Rubber Association

ETBE

Ethyl tert-butyl ether

EU

European Union

EU ETS

EU emissions trading scheme (regulating trading with carbon dioxide emission allowances)

FAME

Fatty Acid Methyl Esters

FTE

Full time equivalent number of employees

GmbH

Limited liability company (Germany)

HR

Human Resources

IČ

Identification number

IFRS

International Financial Reporting Standards

IPPC

Integrated Pollution Prevention and Control

IR

Investor Relations

IRZ

Integrated Pollution Registry

IT

Information Technology

Ltd.

Limited liability company (Great Britain)

MBO

Management by Objectives

MEŘO

Coleseed oil methyl ester

N.V.

Public limited liability corporation (Netherlands)

NGO

Non-governmental organisation

OECD

Organization for Economic Co-operation and Development

OHSAS

Occupational Health and Safety System

OPEC

Organization of the Petroleum Exporting Countries

PIB

POLYMER INSTITUTE BRNO, spol. s r.o.

PR

Public Relations

QMS

Quality Management System

R&D

Research and development

REACH

Registration, evaluation, authorization and restriction of chemicals. EU Regulation concerning chemicals.

REBCO/REB

Russian Export Blend Crude Oil

S.A.

Public liability company (Poland)

s.r.o.

Limited liability company (Czech Republic)

SCM

Supply Chain Management

SLA

Service level agreement (service contract for externally provided – outsourced services)

Sp. z o.o.

Limited liability company (Poland)

SSC

Shared Services Centre

UNEP

United Nations Environment Programme

UniCRE

Unipetrol Centre for Research and Education, currently under construction in Chempark Záluží in Litvínov

ÚOHS

Antimonopoly Office in the Czech Republic (Úřad pro ochranu hospodářské soutěže)

VÚAnCh

Research Institute of Inorganic Chemistry in Ústí nad Labem (Výzkumný ústav anorganické chemie v Ústí nad Labem)

Identification and contact information

Name:	UNIPETROL, a.s.
Registered office:	Na Pankráci 127, 140 00 Praha 4
Company number:	61672190
Tax ID:	CZ61672190
Bank:	The Royal Bank of Scotland N.V., foreign bank branch,
	P.O. Box 773, Jungmanova 745/24, Praha 1, 111 21, Account No. 29129/5400
Date of establishment:	27 December 1994 – established for an indeterminate period of time
Datum of incorporation:	Incorporated on 17 February 1995
Incorporation registration:	Municipal Court in Prague, Section B, File 3020
Legal form:	Public limited company, organized under Czech law
Tel.:	+420 225 001 417 (Investor Relations Department)
	+420 225 001 407 (Press Department)
Website:	www.unipetrol.cz
E-mail:	ir@unipetrol.cz
Auditor:	KPMG Česká republika Audit, s.r.o.

Law and legal regulation under which the issuer was established

Law:	Law of the Czech republic
Legal regulation:	Act No. 104/1990 on Public Limited Companies

The company is a member of the Unipetrol Consolidation Group.

The names of Unipetrol Group companies (UNIPETROL, a.s., BENZINA s.r.o., ČESKÁ RAFINÉRSKÁ, a.s., PARAMO, a.s., UNIPETROL RPA, s.r.o. and others) appear in this report also in their simplified form (Unipetrol, Benzina, Česká rafinérská, Paramo, Unipetrol RPA atd.).

The English language version of Unipetrol's Annual Report 2013 is a convenience translation. The version in the Czech language is the definitive version.

Annual Report 2013 of UNIPETROL, a.s. was approved for issue by the Board of Directors of UNIPETROL, a.s. on the meeting held on 26 March 2014.