Annual Report 2014 of UNIPETROL, a.s.

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Content

Profile of 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 Unipetrol Group.

Mission

We process natural resources to fuel the future.

Values

Values of 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 tons of crude oil,
- 3 polyolefin units with an annual capacity of 595,000 tons,
- steam cracker with an annual capacity of 544,000 tons,
- 339 fuel filling stations,
- broad range of transport services.

Two core business segments

- downstream (combining refining and petrochemicals),
- retail distribution of fuels.

Main subsidiaries of Unipetrol Group

As of 24 March 2015:

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. – the 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 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 Unipetrol Group.

In all spheres of activity 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. 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 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 Unipetrol Group.

Application of corporate governance rules

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 and number of members, the 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. The 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 tons 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 points of view.

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 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.

2014

On 31 January 2014 the transaction of acquisition of 16.335% stake in Česká rafinérská from Shell Overseas Investments B.V. was successfully completed resulting in increase of Unipetrol's stake in Česká rafinérská from 51.22% to 67.555%.

Another key event was an execution of company's pre-emptive right to purchase remaining 32.445% stake in Česká rafinérská from Eni International B.V. The acceptance of the offer was announced on 3 July 2014 and the acquisition was approved by the Czech Antimonopoly Office (ÚOHS) on 19 December 2014, however the decision is not yet effective. After the transaction closing Unipetrol will become the sole shareholder of Česká rafinérská with 100.00% stake.

Last but not least, on 12 November 2014 strategic cooperation with the University of Chemistry and Technology in Prague (Vysoká škola chemicko-technologická – VŠCHT) was signed, which further strengthened the long-term cooperation through the new Educational and Learning Centre VŠCHT – Unipetrol which represents a unique connection of the industrial sector and educational sector at the college level. Such intense cooperation will allow students to use the scientific and research facilities in the UniCRE research and education center in Chempark Záluží center with maximum possible interconnection between research and educational activities.

Introduction by the Chairman of the Supervisory Board

Ladies and Gentlemen,

The year 2014 can be characterized as a very busy and quite successful period for Unipetrol Group. Recovery of the Czech economy, which began at the end of 2013, brought better market conditions which positively affected the company's results. In addition to this Unipetrol managed to preserve a solid stable financial position with a safe level of financial gearing.

The key event of 2014 was undoubtedly the completion of acquisition of additional 16.335% stake in Česká rafinérská from Shell Overseas Investments B.V. in January followed by acceptation of the bona fide offer from Eni International B.V. announced in July based on which Unipetrol will acquire remaining 32.445% stake in Česká rafinérská. After completion of the transaction Unipetrol will become the sole shareholder. Gaining full control over Česká rafinérská fully in line with the Strategy announced in June 2013 and will further help Unipetrol to optimize the usage of the production assets of the Group, costs of products as well as energy consumption and fixed costs in the company.

Looking at the retail segment, it also delivered targets set in the announced Strategy 2013-2017, with an increase of market share to the level of 15%. Unipetrol also achieved higher non-fuel sales thanks to shop and bistro concept development and well thought out and targeted marketing. And let me not forget all the Operational Excellence initiatives running through Unipetrol Group which helped to improve results over CZK 1 bn in 2014 compared to 2013.

Looking at Unipetrol Group from the financial perspective, revenues reached CZK 124.2 bn in 2014. Operating profitability improved compared with 2013, and if not taken into account the one-off effect of gain on acquisition booked in the first quarter 2014 and impairment of refining assets booked in the second quarter 2014, EBITDA LIFO for 2014 amounted to CZK 6,637 m. This profound improvement was due to better margins, both refining and petrochemical, higher sales volumes in both downstream and retail segments and, of course, thanks to internal improvements of operations and efficiency. It is worth mentioning that the petrochemical business, with EBITDA LIFO of CZK 5,402 m, accounted for the major part of the Group operating profit, which again proved that the integration of the refining and petrochemical business is the key competitive advantage of Unipetrol Group. All in all, despite overall challenging macro conditions especially in the refining sector, management preserved financial stability of the Group with the financial gearing ratio on the sound level of 9.7% at the end of 2014.

Apart from fulfilling the Strategy and Operational Excellence initiatives, among the main achievements in 2014 I would like to point out the amendment to the contract with Transpetrol for crude oil transportation through Slovak branch of the Druzba Pipeline for the period 2015-2016 signed in June which strengthened the long-term cooperation and at the same time it maintained the transportation conditions of the year 2014. And, of course, I have to mention a conference on Czech-Polish relations which took place in Prague in January. Main findings of the 'Poland-Czech Republic-Germany: Mutual Relations, Cooperation and Growth' survey conducted by the Institute of Public Affairs in Warsaw were presented at the conference followed by panel discussion among representatives of Unipetrol, PKN Orlen and other representatives from public life. The key message of this event which I strongly believe was that stronger business relations among our three countries could have a great effect on all of us, as well as on the EU's economy in general.

The Supervisory Board maintained its close cooperation and continuous support to the Board of Directors during the course of the whole year 2014, 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 to 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 past year 2014 was again a period of several major events for Unipetrol Group. First and foremost, in January we successfully completed the acquisition of 16.335% stake in Česká rafinérská from Shell Overseas Investments B.V after which the Unipetrol's stake on the Česká rafinérská's share capital increased from 51.22% to 67.555%. This transaction, fully in line with Strategy announced in June 2013, affected the company's performance for the rest of the year. In the middle of the year Unipetrol also accepted the bona fide offer from Eni to acquire the remaining stake in Česká rafinérská which still needs to be approved by the Czech Antimonopoly Office. After the completion of this transaction Unipetrol will become the sole shareholder.

In 2014 Czech economy recovered from recession with annual GDP growth at 2.4% according to last available OECD statistical data, refining margins recovered in the second half of the year compared with 2013, petrochemical margins remained strong and the grey zone on the fuels market was significantly reduced due to legislative changes valid since October 2013.

On the contrary, difficult macro conditions in refining sector especially during the first half of 2014, continuing surplus of refining production capacities and oversupply of refining products on the European market were the major indicators for recognizing an impairment allowance of CZK 4.7 bn. This one-off item caused the net loss of CZK 556 m for the full year 2014.

Total capital investments (CAPEX) reached the level of CZK 2,007 m. With capital spent on the additional stake in Česká rafinérská, the investments reached the level of CZK 2,554 m. At the same time, despite challenging external macro environment especially in refining sector, we managed to maintain strong financial position with a financial gearing ratio of 9.7% at the end of 2014.

Looking at our two business segments, i.e. downstream and retail, the downstream segment (combining refining and petrochemicals) was the key profit maker of the Group with the positive operating profit of CZK 2,422 m (after impairment) based on the EBITDA LIFO indicator. It was driven by better margins, both refining and petrochemical (with Unipetrol's refining margin of 1.4 USD per barrel in 2014 compared to 1.0 USD per barrel in 2013 and combined petrochemical margin of 662 EUR per ton in 2014 versus 621 EUR per ton in 2013), better sales volumes in both businesses, and internal efficiency improvements within Operational Excellence initiatives. The retail segment recorded a significant improvement with a very good result in the fourth quarter of 2014 and overall achieved operating profit of 0.7 bn EBITDA LIFO. This result was mainly driven by better fuel margins due to reduction of the grey zone, higher fuel sales volumes and non-fuel sales thanks to the GDP growth and marketing activities of Benzina.

From the operational performance point of view it was a very good year evidenced by refining utilization ratio at the level of 89% and steam cracker utilization ratio at the level of 90%. On the contrary, company faced a negative effect of two unplanned shutdowns which affected sales volumes. In May the steam cracker in Litvínov had to be shut down due to unexpected technical difficulties and in September the operations of the FCC unit at Kralupy refinery had to be stopped due to leakage on the FCC unit equipment.

On the contrary the very challenging environment of the European refining industry remained in the first half of the year and Unipetrol was forced to face very tough competition from other regions. That is why many Operational Excellence initiatives were executed within Unipetrol Group and many others are still ongoing. Within the downstream segment, the refinery business mainly focused on wholesale optimization, production costs savings and feedstock purchases optimizations. Within the petrochemical business the optimizations focused on energy efficiency projects or polypropylene distribution, logistics and sale. Looking at the retail segment the main effort was directed into marketing activities and promotions to fight the tough competition on the Czech retail market, to gain new customers and also to increase non-fuel sales through Stop Cafe Bistro concept. Moreover Paramo subsidiary executed several initiatives to increase energy efficiency of production plants and marketing activities to fight the competition on the market. Thanks to these Operational Excellence initiatives across all our business the overall improvement was over CZK 1 bn compared to 2013.

Additionally, Česká rafinérská signed an amendment to the contract with Transpetrol for crude oil transportation through Slovak branch of the Druzba Pipeline for the period 2015-2016 which strengthened the long-term cooperation and at the same time it maintained transportation conditions of the year 2014.

Last but not least, I would like to mention that our long term strategic cooperation with the University of Chemistry and Technology in Prague (Vysoká škola chemicko-technologická – VŠCHT) was significantly strengthened through the new Educational and Learning Centre VŠCHT – Unipetrol which represents a unique connection of the industrial sector and educational sector at the college level. Such intense cooperation will allow students to use the scientific and research facilities in the center with maximum possible interconnection between research and educational activities.

As well as in previous year, I would like to thank our shareholders, business partners and other stakeholders for their trust in Unipetrol during 2014 which can be again characterized as a 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 the top management. A big thank you belongs 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 diligent work from all of us will further improve our financial performance in the following, undoubtedly challenging, but exciting period.

Sincerely,

Marek Świtajewski

Chairman of the Board of Directors and Chief Executive Office

UNIPETROL, a.s.

Expected development and strategy for 2015

Unipetrol operations and results are heavily impacted by the global economic development. The recent trend of decreasing prices of crude oil visible since mid-2014 improves the situation of refineries to some extent by improving their margins and consumption of their products. The structural situation of the refinery business in Europe remains still challenging though. It still faces relatively weak demand and has to face increasing competition from other regions. Also the economic growth is not booming in Europe, which influences the demand for all of the Unipetrol Group products. Hence, taking into consideration the market situation, Unipetrol plans in general to follow directions defined as the key pillars of its Strategy published in 2013 with excellence in operations considered as the main guidepost for its work.

Unipetrol's main goal in the downstream segment is the completion of the consolidation of shares in Česká rafinérská under the ownership of Unipetrol Group by concluding the transaction with Eni, following the buy of stake from Shell early in 2014. The closure of such major development is the pivotal point for a number of other actions considered by the company.

From the Unipetrol's perspective the complete ownership of the refinery asset is the only solution to perform the full optimization of usage of the production assets of the Group and, as a consequence, to deliver cost optimized products to its clients in the Czech Republic and in the region. It will allow to decrease energy consumption and fixed costs in the company. Unipetrol will be also able to further improve the safety, technical and operational standards under which its production assets function. Company shall be close to having a consolidated, flexible production facility out of an integrated refinery and a petrochemical plant. Taking over the full responsibility for Česká rafinérská will also allow to perform further optimization of the Unipetrol Group structure.

In terms of wholesale activities, potential additional volumes after closure of the transaction with Eni will naturally require further intensification of efforts in the sales area. Unipetrol Group will be strengthening its position on the domestic and export markets. Apart from that, the company will continue in the optimization of internal processes leading to the best possible product and service portfolio structure.

Unipetrol's management considers the logistics area and its optimization to have the key influence on value creation in the company's value chain. The company pays close attention to the current market developments and reacts accordingly in order to assure the security of product delivery to its clients under any market scenario.

The company's operations are naturally influenced by the Czech and European legislative environment. Unipetrol supports the continuation of a positive trend in legislative changes that improve the quality of competition on the market, for example reducing the grey zone in fuel sales and decreasing of energy prices which however still remain a big burden for many industrial segments.

In retail, Unipetrol's Benzina remains the largest network in the Czech Republic, being a good basis for further growth aimed at the expanding domestic market share to 20% in 2017. The company is acting towards the increase of its market share by organic growth. Benzina is also a good platform to participate in further potential market consolidation. There are a number of improvement programs conducted in the company in terms of modern software solutions, operating model, and costs and sales effectiveness. The company expects to observe further positive effects of these actions in the coming periods. The company does also aim to remain the strongest fuel retail brand in the modern communication channels.

The area of energy is considered to be of key interest for the operational and financial performance of the company in the coming years. It is an indispensable lever for company's development and growth. Initiatives in this area will focus on ensuring of energy security for the company's production plants with the lowest possible costs and energy efficiency in operations within the Group with careful monitoring and responding to situation on the energy market.

Unipetrol is increasing its engagement in research and development activities which support its refining and petrochemical production. UniCRE, one of the most modern research centers in the country, connects research capacities with top educational activity and industrial application, focusing on research, development, innovation and education in the area of refining and petrochemical technologies, environmental technology and processes for efficient use of renewable sources. Unipetrol has signed a close cooperation agreement with the University of Chemistry and Technology in Prague (Vysoká škola chemicko-technologická – VŠCHT). The cooperation includes an opening of UniCRE facilities for students enabling early practical contact with actual business challenges and environment, for example.

Highlights of 2014 and 2015 up to the Annual Report approval date

Highlights of 2014

15 January

A conference on Czech – Polish relations took place in Prague, where the representatives of Unipetrol, PKN Orlen and other representatives of public life presented results of a study called “Poland – Czech Republic – Germany: Mutual Relations, Cooperation and Growth” which was compiled by the independent Institute of Public Affairs in Warsaw for PKN Orlen.

31 January

The acquisition of 16.335% shareholding in Česká rafinérská from Shell Overseas Investments B.V. was completed. Based on the successful completion of the transaction Unipetrol’s stake in Česká rafinérská’s share capital has increased from 51.22% to 67.555%.

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

The Fulfilled Wishes Project which is traditionally organized before Christmas for Unipetrol Group employees raised CZK 109,070. While the employees donated half of this amount, the company matched their contribution. The raised money was donated to non-profit organizations in the Most region and in Pardubice and Prague.

14 February

Anna Wydrzyńska was elected to the office of Chairman of the Board of Directors of Česká rafinérská. She also holds the position of Chief Executive Officer (CEO) from this date.

28 March

Unipetrol RPA and PKN Orlen signed an annex to the crude oil supplies agreement, which provides a monthly increase of crude oil deliveries to Unipetrol by 50 thousand tons of REBCO crude oil. The annex is valid from 1 April 2014 to 30 June 2016 and secures additional Unipetrol’s needs for crude oil deliveries in relation with Unipetrol‘s ownership rights in Česká rafinérská.

28 April

Artur Paździor resigned from his office of the Member of the Board of Directors of UNIPETROL, a.s. and also from his position of Chief Petrochemical Officer.

26 May

Annual General Meeting of UNIPETROL, a.s. was held and approved financial statements of the company for 2013 and the Report of the Company’s Board of Directors on Business Activities of the Company and State of its Property for 2013.

The Supervisory Board of UNIPETROL, a.s. elected Łukasz Piotrowski to office of Member of the Board of Directors of Unipetrol with effect as of 11 June 2014. He also holds the position of Chief Petrochemical Officer of UNIPETROL, a.s. from this date.

24 June

Representatives of Unipetrol Group and the University of Chemistry and Technology in Prague (VŠCHT) signed a deed of gift for the year 2014. A mutual partnership in the field of chemistry popularization and promotion of education continues without interruption for thirteen years. In 2014, Unipetrol supported selected school projects with the amount of CZK 800,000.

25 June

Česká rafinérská and Transpetrol signed a contract which represents an amendment to the contract for crude oil transportation through Slovak branch of the Druzba Pipeline for the period 2015-2016 and which strengthens the long-term cooperation and at the same time it maintains transportation conditions of year 2014.

3 July

Unipetrol based on its pre-emptive right accepted the bona fide offer from Eni International B.V. based on which it will acquire 32.445% of Eni’s shares in Česká rafinérská with the acquisition price for the shares in the amount of EUR 30 million.

1 August

The Board of Directors of UNIPETROL, a.s. approved a change in the competencies of the individual Board Members. Based on a signed resolution, wholesales and logistics of the refining and petrochemical products were shifted into the area of responsibilities of Piotr Wielowieyski. To the area supervised by Łukasz Piotrowski the responsibility for the entire production - both refining and petrochemical – was shifted. Martin Durčák became responsible for the development and energy area. The tasks pertaining to the areas of responsibilities of Mirosław Kastelik and Andrzej Kozłowski remained unchanged.

25 September

Unipetrol again supported development of municipalities in the Ústí Region with financial gifts. A total of twelve municipalities and cities in the region shared CZK 1,140,000. The money was in particular used for the renewal of the local infrastructure, cultural events and development of sporting activities for young people.

30 September

Three companies of Unipetrol Group were given again a certificate of responsible approach to chemical business that is issued by the Association of Chemical Industry of the Czech Republic. The companies such as Unipetrol, Unipetrol Doprava and Unipetrol RPA can use the Responsible Care logo until October 2017. The company Unipetrol Services was given this certificate for the first time in 2014 and has been incorporated into the list of partners within the Responsible Care Partnership Program.

12 November

Strategic cooperation with the University of Chemistry and Technology in Prague (Vysoká škola chemicko-technologická – VŠCHT) was signed, which significantly strengthened the cooperation through the new Educational and Learning Centre VŠCHT – Unipetrol which represents a unique connection of the industrial sector and educational sector at the college level. Such intense cooperation will allow students to use the scientific and research facilities in the UniCRE research and education center in Chempark Záluží with maximum possible interconnection between research and educational activities.

19 December

The Czech Antimonopoly Office (ÚOHS) approved the acquisition of 32.445% stake in Česká rafinérská from Eni International B.V., however the decision is not yet effective. After the transaction closing Unipetrol will become the sole shareholder of Česká rafinérská with 100.00% stake.

Highlights of 2015 up to Annual Report approval date

20 March 2015

UNIPETROL, a.s. repaid CZK 2 billion out of total CZK 4 billion mid-term loan received from its majority shareholder – PKN ORLEN S.A. (which holds 62.99% of the Unipetrol shares) under a loan agreement entered into on 12 December 2013.

Selected data of Unipetrol Group

	2009	2010	2011	2012 restated	2013	2014
Structure of assets and liabilities (in CZK million)						
Total assets	58,249	61,471	57,176	50,948	49,999	48,517
Non-current assets	38,061	36,351	31,918	26,171	25,665	22,173
Current assets	20,188	25,120	25,258	24,777	24,334	26,344
Equity	37,871	38,800	32,854	29,844	28,300	28,462
Liabilities	20,378	22,671	24,322	21,104	21,699	20,055
Structure of profit / loss (in CZK million)						
Revenues	67,387	85,967	97,428	107,160	99,415	124,229
Gross profit	2,157	4,334	1,876	3,116	2,303	5,986
EBITDA [1)]	2,778	5,174	-2,263	-1,012	1,522	1,273
EBIT [2)]	-654	1,678	-5,370	-3,819	-893	-997
Net finance costs	-564	-492	-574	-553	-450	-365
Profit / loss before tax	-1,218	1,186	-5,944	-4,372	-1,343	-1,362
Net profit / loss	-840	937	-5,914	-3,098	-1,396	-556
Earnings / loss per share (CZK)	-4.63	5.17	-32.61	-17.08	-7.70	-3.07
Structure of cash flows (in CZK million)						
Operating cash flow	3,881	4,656	413	1,975	300	737
Investing cash flow	-1,812	-937	-3,024	-921	-1,688	-1,918
Financing cash flow	-1,836	-144	327	-447	-583	1,728
Total cash flow	234	3,575	-2,284	607	-1,971	547
Operating indicators (in thousand tons)						
Crude oil throughput [3)]	4,110	4,352	3,942	3,927	3,607	5,130
Sales of refining products, including retail distribution of fuels (Benzina filling stations network) [4)]	3,409	3,548	3,438	3,283	3,151	4,268
Sales of petrochemical products [5)]	1,825	1,805	1,668	1,771	1,578	1,773

[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 that bears responsibility for its conduct and supports activities that have a positive impact on the environment, the municipalities in its vicinity and other groups involved. This is why it carries out its corporate social responsibilities in the regions and municipalities where it operates its activities. With regard to its position as a leader in the chemical industry, it helps young talents and supports education in areas that help the development and evolution of the chemical sector in the Czech Republic. Unipetrol Group tirelessly works with and supports many projects and institutions in areas that belong to the four primary pillars of the social responsibility strategy:

- Education
- Volunteering
- Donation
- Environmental protection

Education

Unipetrol concentrates on development in the area of science and education particularly through a strategic partnership with the University of Chemistry and Technology in Prague (VŠCHT). This partnership in the field of popularizing chemistry and supporting education has thus existed without interruption for thirteen years. Last year, Unipetrol supported selected projects at the university with CZK 800,000. These were primarily traditional educational projects that met with a very favourable response from students and teachers in previous years. In particular, there is the Summer and Winter School for secondary and elementary school teachers, the Hour of Modern Chemistry project in the Ústí region, and rewards for the best diploma theses from VŠCHT students.

Within cooperation, Unipetrol focuses on young talents, offering them the possibility of gaining experience through work and study programs, internships and research.

Last year, Unipetrol also continued its partnership in the national “Golden Amos” project, which rewards the most popular teachers in the Czech Republic, elected by means of a vote among students. Cooperation with Unipetrol also includes the announcement of a new nation-wide category called “Chemistry Teacher of the Year.”

Volunteering

Unipetrol is a responsible neighbour who takes care of the environment and also cooperates intensively with social organizations in the regions where it operates. In accordance with this philosophy, the company involves its employees in Volunteer Days which are organized every year. These employees devote their normal working day to non-profit organizations, for which they perform work and projects which the organization cannot arrange itself due to a lack of resources.

On the occasion of celebrating Earth Day last year, 71 volunteers from Unipetrol and Česká rafinérská went to clean up the mess around the Nechranice Dam and in the Krušné Mountains. In total, they worked more than 500 hours, managed to fill several hundred bags with garbage, and helped clear out broken trees or liquidate fallen branches and trees.

The number of Unipetrol and Česká rafinérská employees who participate in volunteering increases every year.

Donations

The Fulfilled Dreams fundraiser organized by Unipetrol Group for its employees every year brought in more than CZK 236,000 in 2014. Half of this amount was donated by the employees and the company then matched the contribution. The collected money was shared by the children’s home in Most and the Early Care Centre in Pardubice. The children’s home cares for children who for various reasons cannot grow up in their own family environment. The contribution was used mainly to purchase a laptop to control the interactive board, but also to buy tables, chairs, gymnastic balls and yoga mats. The Early Care Centre in Pardubice aims to support the development of children with physical, mental or combined handicaps from birth until the age of 7, and also provides support to their families. Unipetrol also helps develop other minor charity projects that support regional non-profit organizations.

Another pillar of the social responsibility strategy is regional sponsoring. In 2014, the subsidiary UNIPETROL RPA, s.r.o. contributed a total of CZK 1,140,000 to 12 cities and municipalities in the Ústí region. The money was used mainly to renew local infrastructure, for cultural events and the development of sporting activities for youths.

The City of Most used the total donation of CZK 300,000 to implement 10 projects, including the support of its efforts to win the title of “European City of Sport.” Litvínov used the donation of CZK 150,000 to support education, specifically the equipping of school and preschool yards with equipment for playing. Within the framework of support, the municipality of Meziboří obtained CZK 150,000 for the local children’s sports teams. Český Jiřetín used the donation to reconstruct its sports field, as did the municipality of Brandov. Lom used CZK 60,000 to repair the roof over the stands at the sports grounds.

A significant part of the projects supported by Unipetrol consists of the building of local infrastructure and social projects. The town of Hora Svaté Kateřiny, for instance, contributed the donated CZK 60,000 to constructing public lighting.

In 2014, Benzina took part in the Konto Bariéry (Barriers Account) campaign “Help with Humour”. From September 2014, drivers at Benzina filling stations were able to fill up, and also buy a clown nose to support handicapped individuals. A total of 37,501 clown noses were sold at filling station tills, which represents almost two third of all the noses sold during the campaign. Thanks to its customers, Benzina could send a sum of CZK 1,875,050 to handicapped people, by far the most of all the seven partners.

Environment

Within the framework of long-term association with the Czech Fishing Union, Unipetrol releases a new batch of fish into the Bílina River every year to support a clean environment along the riverbed. The annual contribution to this activity is CZK 50,000. The program continued in 2014. During the spring and autumn fish planting of the river, 600 kilograms of fish were released into nature.

Other environmental activities of Unipetrol in 2014 include the financing of a study, the aim of which was to map the occurrence of river otter near the Bílina watercourse. The study also included a proposal of measures to increase the population of this species near the river.

Sport sponsorship

The support of the hockey club in Litvínov by Unipetrol’s subsidiary BENZINA, s.r.o. as the main partner has an extensive tradition. As the owner of the club, Unipetrol has provided long-term support not only to the professional team, but also to the youth categories and the hockey development of children and teenagers in Litvínov and the area. The entire club is an important element of the regional sports infrastructure. In 2014, the club entered the 56th season of the domestic major league.

Unipetrol also has a long tradition of partnership with automobile racing, in particular through its subsidiary PARAMO, a.s. – Pardubice Golden Helmet, Rallye Šumava Klatovy, Rallye Bohemia, Rallye Český Krumlov. Other sponsoring activities of PARAMO, a.s. include support of the HC ČSOB Pardubice hockey club and the TJ Sokol Pardubice floorball team.

In 2014, the subsidiary BENZINA, s.r.o also became a partner to the traditional Barum Czech Rallye Zlín automobile race.

Unipetrol's governing bodies and management

Board of Directors

The Board of Directors is the company's governing body, managing its activity and representing it. Pursuant to the Articles of Association as in force as of 1 January 2015, 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 24 March 2015

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, 21 years of experience;

He is 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 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 JAN 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, 36 years of experience;

He is currently also responsible for the Wholesales and Logistics of the refining and petrochemical products.

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, 22 years of experience;

He is currently the company's Chief Financial Officer (CFO) as well.

Career overview:

Over the preceding years, he 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, 18 years of experience;

He is currently assigned with responsibilities in the area of Strategy and M&A.

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

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 in Poland and American Management Systems in Portugal, Germany and USA.

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, 23 years of experience;

He is currently responsible for the Energy and Development area and also the Member of the Board of Directors of HC VERVA Litvínov, a.s.

Career overview:

Over the preceding years, he 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 that, he worked as Project Manager at ARAL ČR and as Controlling Director at ARAL ČR and Aral Poland.

Education:

Technical University in Ostrava, PhD study of Marketing/Controlling

ŁUKASZ PIOTROWSKI

Born on 11 May 1978;

Member of the Board of Directors since 11 June 2014 (current term of office will expire on 11 June 2017);

University education, 11 years of experience;

He is currently responsible for the Refining and Petrochemical Production and he is also a Chief Executive of UNIPETROL RPA, s.r.o.

Career overview:

Over the preceding years, he held the position of Chief Operation Officer and Member of the Board of Directors at Axtone Sp. z o.o. (2009-2011), General Affairs Director and Member of the Board of Directors at ČESKÁ RAFINÉRSKÁ, a.s. (2011-2012), Production and Maintenance Director and Vice-Chairman of the Board of Directors at ČESKÁ RAFINÉRSKÁ, a.s. (2013-2014), Vice-Chairman of the Board of Directors and Chief Operations Officer at ČESKÁ RAFINÉRSKÁ, a.s. (2014). He does not hold any of these positions any longer.

Education:

Poznan University of Management and Banking - Master's Degree in Logistics, Materials, and Supply Chain Management and in Finance and Financial Management Services

Program Management, ICMI – Harvard Business School

Warsaw Polytechnic – Chemical and Process Engineering

Board of Directors – Changes in 2014 and in 2015 up to the Annual Report approval date

As of 1 January 2014, members of the Board of Directors were Messrs. Marek Świtajewski – Chairman, Piotr Wielowieyski – Vice Chairman, Martin Durčák, Mirosław Kastelik, Andrzej Kozłowski, Artur Paździor – members.

The Supervisory Board at its meeting on 29 April 2014 resolved the resignation of Mr. Artur Paździor from his office of a Member of the Board of Directors with the effect as of 30 April 2014. The Supervisory Board at its meeting on 26 May 2014 elected Mr. Łukasz Piotrowski to office of Member of the Board of Directors with the effect as of 11 June 2014.

Thus, as of 31 December 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 Łukasz Piotrowski as members.

There were no changes in the composition of the Board of DIrectors in 2015 up to the date of approval of the Annual Report on 24 March 2015.

Supervisory Board

The Supervisory Board supervises the activities of the Board of Directors and activities of the company. 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 2015, 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 24 March 2015

DARIUSZ JACEK KRAWIEC

Born on 23 September 1967;

Member of the Supervisory Board (since 26 June 2008, current term of office will expire on 1 July 2017);

Chairman of the Supervisory Board (since 11 December 2008, reelected to office of Chairman of the Supervisory Board on 3 July 2014);

University education, 23 years of professional experience;

Outside 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 1997, 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, current term of office will expire on 1 July 2017);

Vice-Chairman of the Supervisory Board (since 11 December 2008 till 30 June 2011, reelected to office of the vice-chairman of the supervisory board on 3 July 2014);

University education, 21 years of professional experience;

Outside 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 Telekomunikacja Polska S.A. From 2003 to 2005 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.

He graduated from the Łódź University of Technology, specialization in Telecommunications (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, 46 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 of ČSFR (1990 – 1992). Before, he worked as Director of the research department of Federal 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, 40 years of professional experience;

Outside 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.

He graduated from 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, 24 years of professional experience;

Currently, he is PKN ORLEN’s general counsel (since September 2008) and a Member of the Board of Directors of TriOil Resources Ltd., Canada.

He previously worked as a senior lawyer at Linklaters (2003 – 2004) as well as running a private practice (2004 – 2008). Before that, 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).

He studied at the faculty of Law of the Adam Mickiewicz University in Poznań and the Law Faculty, Central European University in Budapest. He is a member of the Regional chamber of commercial lawyers in Warsaw.

PIOTR ROBERT KEARNEY

Born on 4 October 1969;

Member of the Supervisory Board (since 8 June 2005, current term of office will expire on 1 July 2017);

University education, 20 years of professional experience;

He currently works as Director of Mergers and Acquisitions Department in PKN ORLEN and he is also a member of Supervisory Board of ORLEN Lietuva and 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 was a Member of the Supervisory Board of ORLEN Deutschland GmBH (2003 – 2004), Rafineria Trzebinia S.A. (2003 − 2004), Inowrocławskie Kopalnie Soli Solino S.A. (2003 − 2004), Polkomtel S.A. (2008).

He 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, 23 years of experience;

Currently, outside Unipetrol Group, he is a Member of the Board of Directors of PKN ORLEN S.A. responsible for Business Development and Power and Heat Generation. 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, 26 years of professional experience;

Outside Unipetrol Group, he is a Member of the Board of Directors responsible for Production 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 Płock.

Prior to his current role, he worked in PKN ORLEN S.A. as an Executive Director responsible for Refining Production (2006 – 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).

Mr. K. Pater 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 Płock 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, 18 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.

He 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). He is an coach ICC.

Supervisory Board – Changes in 2014 and in 2015 up to the Annual Report approval date

As of 1 January 2014, the Members of the Supervisory Board were Messrs. Dariusz Jacek Krawiec – Chairman, Sławomir Robert Jędrzejczyk – Vice-Chairman, Ivan Kočárník – Vice-Chairman, and Piotr Robert Kearney, Krystian Pater, Zdeněk Černý, Bogdan Dzudzewicz, Piotr Chełmiński and Rafał Sekuła – members.

The General Meeting of UNIPETROL, a.s. on 26 May 2014 elected to the office of Members of the Supervisory Board for another term Messrs. Dariusz Jacek Krawiec, Sławomir Robert Jędrzejczyk and Piotr Robert Kearney with the effect as of 1 July 2014.

As of 31 December 2014, the Members of the Supervisory Board were Messrs. Dariusz Jacek Krawiec as the Chairman, Sławomir Robert Jędrzejczyk as a Vice-Chairman, Ivan Kočárník as a Vice-Chairman, and Piotr Robert 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 2015 up to the date of approval of the Annual Report on 24 March 2015.

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 of Energy and Development Division, Chief of Production Division, and Chief of Sales Division.

Managers as of 24 March 2015

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 of Energy and Development Division

Martin Durčák	since 1 August 2014

Chief of Production Division

Łukasz Piotrowski	since 1 August 2014

Chief of Sales Division

Piotr Wielowieyski	since 1 August 2014

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, Łukasz Piotrowski, 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 of Energy and Development Division, Chief of Production Division and Chief of Sales Division, at UNIPETROL, a.s. and the Persons exercising the office of an Executive in subsidiaries have agreement of exercise of the office 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 the sub-chapter “Emoluments”.

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;

(f) Comment on a proposal of change in the position of Director of Internal Audit.

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

University education, 29 years of experience;

Outside 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 that, 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 (reelected to office on 24 June 2013) and Chairman of the Audit Committee (since 26 August 2013);

University education, 19 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 the 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.

Election rules

The Board of Directors has 7 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 two 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 9 members who are elected and recalled by the General Meeting. If the number of Supervisory Board members did not decrease under the half, the Supervisory Board may appoint substitute members until the next General Meeting. The re-election of Supervisory Board members is possible.

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 24 June 2013) on the basis of general meeting there was a change in remuneration police of members of Supervisory Board and their amounts of emoluments were raised.

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 2014. 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 a 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 2014, 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 applies.

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

The 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. The 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 the 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	Krystian 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 2014 to 31 December 2014

	Income in money	Income in kind	Total
Board of Directors – income tied to membership in the company's statutory body	CZK 3,007 ths	CZK 0 ths	CZK 3,007 ths
Board of Directors – income tied to management contract	CZK 30,378 ths	CZK 1,017 ths	CZK 31,395 ths
Supervisory Board – income tied to membership in the company's statutory body	CZK 7,422 ths	CZK 0 ths	CZK 7,422 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 1,140 ths	CZK 0 ths	CZK 1,140 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 689 ths	CZK 0 ths	CZK 689 ths
Supervisory Board – income tied to membership in the company's statutory body	CZK 263 ths	CZK 0 ths	CZK 263 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 124.2 bn in 2014, a 25% increase compared with 2013, stemming from higher sales volumes of both refining and petrochemical products as well as from quite good margins in both refining and petrochemical businesses. Brent crude oil reached the average price level in 2014 of 99 USD/bbl with a steep decrease mainly in the fourth quarter 2014 which means a 9% decline compared with 109 USD/bbl in 2013.

The operating profit increased to CZK 3,102 m in 2014 from CZK 1,589 m in 2013 according to the EBITDA LIFO indicator and if not taken into account the one-off effect of gain on acquisition of CZK 1,186 m booked in the first quarter and impairment of refining assets of CZK 4,721 m booked in the second quarter 2014, the operating profit increased to CZK 6,637 m. This profound improvement of the operating profit was driven by positive GDP dynamics in the Czech economy as well as in the Eurozone, an increase in both refining and petrochemical margins and a sales volumes increase in both segments. Unipetrol model refining margin slightly increased to 1.4 USD/bbl from 1.0 USD/bbl in 2013. Brent-Ural differential, at an average level of 1.7 USD/bbl, was also higher in comparison with 2013. Additionally, the fuels grey zone in the Czech Republic connected to tax frauds decreased thanks to legislative measures valid since October 2013.

From the production point of view, the company had a quite good year evidenced by refining utilization ratio at the level of 89% and steam cracker utilization ratio at the level of 90%. On the contrary, company faced a negative effect of two unplanned shutdowns which affected sales volumes. In May the steam cracker in Litvínov had to be shut down due to unexpected technical difficulties and in September the operations of the FCC unit at the Kralupy refinery had to be stopped due to unexpected leakage on the FCC unit equipment.

Looking at each segment, there was a significant improvement of results of the downstream segment (combining refining and petrochemicals) with EBITDA LIFO at the level of CZK 2 422 m. This improvement was mainly driven by better refining margins in the second half of the year, higher Brent-Ural differential and higher petrochemical margins, both olefin and polyolefin and also internal efficiency improvements. From the sales efficiency point of view, the Group managed to increase sales volumes of both petrochemical and refining products. This was mainly driven by the operation of higher refining capacity in Česká rafinérská.

The retail segment recorded a significant improvement with a very good result in the fourth quarter 2014 and overall it achieved operating profit of CZK 705 m EBITDA LIFO. This result was mainly driven by better fuel margins, higher fuel sales volumes and non-fuel sales thanks to GDP growth and marketing activities of Benzina as well as legislative changes mitigating the grey zone on the fuels market.

The net loss reached CZK 556 m in 2014, a better result compared to the loss of CZK 1,396 m in 2013, however if not taken into the account one-off gain on acquisition of CZK 1,186 m booked in the first quarter in relation to the completion of acquisition of additional stake in Česká rafinérská and impairment of refining assets of CZK 4,721 m booked in the second quarter, the company recorded full year net profit of CZK 2,979 m which was an improvement by almost CZK 4.4 bn, overall corresponding to the operating performance improvement last year.

The operating cash flow reached CZK 737 m and the free cash flow reached a negative level of CZK 1,181 m, representing an improvement vis-à-vis 2013 due to the better operating performance. Total CAPEX achieved the level of CZK 2,007 m, with downstream segment CAPEX of 1,773 m (refining business CAPEX of CZK 480 m and petrochemical business CAPEX of CZK 1,293 m) and retail segment CAPEX of CZK 187 m, and the remaining part dedicated to corporate functions CAPEX of CZK 47 m. At the same time Unipetrol Group maintained its financial gearing ratio on the solid level of 9.7%, corresponding to net debt at the level of CZK 2,701 m CZK at the end of 2014.

Unipetrol Group continued to fulfil the Strategy 2013-2017 announced in June 2013, which defined the key development directions for the next couple of years. The most important event which affected the company's business the most was the successful completion of acquisition of additional 16.335% stake in Česká rafinérská from Shell at the end of January followed by two other contracts with Shell. The first one was for the purchase of Shell's hydrocarbon inventories and the second one was a product supply agreement for supplying fuels to Shell Czech Republic. The acquisition, fully in line with the Strategy, brought the company higher refining capacity, which enabled to process more crude oil and thus increased security of feedstock for petrochemical business as well as it increased sales volumes of refining products.

Additionally Unipetrol also accepted bona fide offer from Eni to acquire the remaining stake in Česká rafinérská at the beginning of July and after the completion of this transaction it will become the sole shareholder. This consolidation of shares in Česká rafinérská will allow the company to perform the full optimization of usage of the production assets of the Group and to deliver cost optimized products as well as to optimize energy consumption and fixed costs in the company.

The very challenging environment of the European refining industry pertained in the first half of the year and Unipetrol was forced to face very tough competition from other regions. That is why many Operational Excellence initiatives were executed within Unipetrol Group and many of them are still ongoing. Within the downstream segment, the refinery business focused mainly on wholesale optimization, production costs savings and feedstock purchases optimizations. In the petrochemical business the optimization focused on energy efficiency projects or polypropylene distribution, logistics and sale. Looking at the retail segment, the main effort was directed to marketing and promotions to fight the tough competition on the Czech retail market, to gain new customers and also to increase non-fuel sales through the Stop Cafe Bistro concept. Last but not least, Paramo subsidiary executed several initiatives to increase energy efficiency of its production plants and marketing activities to fight the competition on the market. Thanks to these initiatives the overall improvement was over CZK 1 billion compared to 2013.

Apart from fulfilling the Strategy and Operational Excellence initiatives, among the main achievements in 2014 were the amendment to the contract with Transpetrol for crude oil transportation through Slovak branch of the Druzba Pipeline for the period 2015-2016 signed in June which strengthened the long-term cooperation and at the same time it maintained the transportation conditions of year 2014 and last but not least, Unipetrol significantly strengthened its strategic cooperation with the University of Chemistry and Technology in Prague (Vysoká škola chemicko-technologická – VŠCHT), which was confirmed by signing of an agreement in November and resulted in Educational and Learning Centre VŠCHT – Unipetrol in Litvínov which represents a unique connection of the industrial sector and educational sector at the college level.

Key financial and non-financial data

Key financial data

in CZK million	2013	2014
Revenues	99,415	124,229
Gross profit	2,303	5,986
EBITDA LIFO	1,589	3,102
EBITDA	1,521	1,273
EBIT LIFO	-826	831
EBIT	-893	-997
Downstream segment		
EBITDA LIFO	1,143	2,422
EBITDA	1,070	653
EBIT LIFO	-862	558
EBIT	-934	-1,210
of which Refining		
EBITDA LIFO	-1,143	-2,980
EBITDA	-1,270	-4,086
EBIT LIFO	-1,614	-3,335
EBIT	-1,741	-4,440
of which Petrochemicals		
EBITDA LIFO	2,285	5,402
EBITDA	2,340	4,739
EBIT LIFO	752	3,893
EBIT	807	3,230
Retail segment		
EBITDA LIFO	509	705
EBITDA	514	645
EBIT LIFO	180	382
EBIT	185	322
Corporate functions		

EBITDA	-62	-25
EBIT	-144	-109
Net finance costs	-450	-365
Loss before tax	-1,343	-1,362
Tax expense	-53	806
Net loss	-1,396	-556
Earnings per share (CZK)	-7.70	-3.07
Operating cash flow	300	737
Free cash flow	-1,388	-1,181
CAPEX	2,404	2,007
Net working capital	5,785	9,244
Net debt	1,423	2,701
Net debt / (equity – hedging reserve)	5.0%	9.7%
Net debt / EBITDA	0.9	0.6

- 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 includes cash pool liabilities
- Net debt / EBITDA – EBITDA in 2014, adjusted for gain on acquisition of CZK 1,186 m and for impairment of the refining assets of CZK 4,721 m at CZK 4,808 m

External environment

	2013	2014
Brent crude price, USD/bbl	109	99
Brent-Ural differential, USD/bbl	1.0	1.7
Unipetrol model refining margin, USD/bbl 1)	1.0	1.4
Unipetrol model petrochemical olefin margin, EUR/t 2)	369	388
Unipetrol model petrochemical polyolefin margin, EUR/t 3)	252	275
Unipetrol model combined petrochemical margin, EUR/t 4)	621	662

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 (in thousand tons)

	2013	2014

Crude oil throughput	3,607	5,130
Refining utilization ratio [1)]	80%	89%
Refining segment sales volumes, including retail segment (Benzina network)	3,151	4,268
Petrochemical segment sales volumes	1,578	1,773

[1)] Conversion capacity till 2Q2012 was 5.1 mt/y (Česká rafinérská – Kralupy 1.642 mt/y, Česká rafinérská – Litvínov 2.813 mt/y, Paramo 0.675 mt/y). From 3Q2012 till 4Q2013 conversion capacity was 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). From 1Q2014 conversion capacity is 5.9 mt/y after completion of acquisition of Shell's 16.335% stake in Česká rafinérská, corresponding to Unipetrol's total stake of 67.555% (Česká rafinérská – Kralupy 2.166 mt/y, Česká rafinérská – Litvínov 3.710 mt/y).

Downstream segment

Financial result of the downstream segment

in CZK million	2013	2014
EBITDA LIFO	1,142	2,422
EBITDA	1,070	653
EBIT LIFO	-862	558
EBIT	-934	-1,210

Key highlights of 2014

- The acquisition of 16.335% shareholding in Česká rafinérská from Shell Overseas Investments B.V. was completed in January. Based on the successful completion of the transaction Unipetrol's stake on the Česká rafinérská share capital increased from 51.22% to 67.555%.
- Unipetrol based on its pre-emptive right accepted the bona fide offer from Eni International B.V. based on which will acquire 32.445% of Eni's shares in Česká rafinérská with the acquisition price for the shares in the amount of EUR 30 million.
- Česká rafinérská and Transpetrol signed a contract which represents an amendment to the contract for crude oil transportation through Slovak branch of the Druzba Pipeline for the period 2015-2016 and which strengthens the long-term cooperation and at the same time it maintains transportation conditions of year 2014.
- A long-term agreement on ammonia supplies with a fertilizer producer was signed for the period 2015-2017.
- Record high sales of high-density polyethylene (HDPE) at the level of 322 kt and polypropylene (PP) at the level of 270 kt thanks to higher sales of HDPE and PP in all key territories (the Czech Republic, the D-A-CH region, Slovakia), but as well in other, more distanced regions such as Spain and Italy.
- Introduction of a new catalytic system for polyethylene copolymers production which fully complies with the new REACH regulation valid from February 2015.
- Participation at the Fakuma Fair in Friedrichshafen in Germany - international trade fair for plastics processing focused mainly on the D-A-CH region, not only though (45,689 expert visitors from 117 countries and 1,772 exhibitors from 36 nations).
- Strategic cooperation with the University of Chemistry and Technology in Prague (Vysoká škola chemicko-technologická – VŠCHT) was signed which significantly strengthened the cooperation through the new Educational and Learning Centre VŠCHT – Unipetrol.
- Paramo subsidiary's Mogul brand was awarded the "Brand of the Year" title by the Czech Superbrands organization.

External environment

Refining business

External environment of the refining business

	2013	2014
Brent crude price, USD/bbl	109	99
Brent-Ural differential, USD/bbl	1.0	1.7
Unipetrol model refining margin, USD/bbl [1)]	1.0	1.4

[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

The Brent oil price recorded a significant decrease in 2014. Till the end of July the Brent oil was moving within the range from 104 USD per barrel to 110 USD per barrel with the highest level of 115 USD per barrel in June. The price stability of crude oil during the first half of the year was due to lower market sensitivity to actual or potential impending oil supply disruptions.

Closing of investors' long positions, steep growth of shale oil production in the US, an increase in crude oil reserves in the US, geopolitical factors (such as improvement in the US-Iranian relations, averting a military strike in Syria), a decrease in crude oil consumption in the US, and also higher level of crude oil production in the United Arab Emirates were the main reasons for a steep decline of the crude oil price to the level of 55 USD per barrel at end of 2014. Crude oil prices were also negatively affected by slower growth of the global economy at the level of 2.7% compared to growth of 3.3% expected at the beginning of the year.

The European quotations of automotive gasoline maintained from the end of March till the end of November at relatively high level compared with the crude oil price. The annual average of gasoline crack spread, i.e. the price quotation difference between gasoline and Brent crude oil, was at the level of 171 USD per ton. The diesel prices at world markets were at a significantly lower level compared to gasoline prices, with diesel crack spread to Brent at the level 107 USD per ton. The development and the level of gasoline crack spread were driven by the market situation in the US, supply-demand relation and timing of planned shutdowns of refineries. The relatively low level of diesel crack spread was due to the worldwide sufficient production capacities, the ongoing modernization program of Russian refineries producing diesel in the EURO 5 quality and an increase in export capacities on the Arabian Peninsula.

Refining margins

The performance of the European refining sector was slightly better compared to 2013. In the environment of zero economic growth and structural problems of several national economies, the refining sector was again in 2014 dealing with overcapacity of production capacities but it reached a slightly better utilization rate than the 78% reached in 2013.

Unipetrol's model refining margin reached the average level of 1.4 USD per barrel in 2014, which represents an increase by 0.4 USD from the level of 1.0 USD per barrel in 2013. The average price differential between Russian crude REBCO and Brent, the Brent-Ural differential, was equal to 1.7 USD per barrel.

Petrochemical business

External environment of the petrochemical business

	2013	2014
Unipetrol model petrochemical olefin margin, EUR/t [1)]	369	388
Unipetrol model petrochemical polyolefin margin, EUR/t [2)]	252	275
Unipetrol model combined petrochemical margin, EUR/t [3)]	621	662

[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

Among the events with a direct influence on the European petrochemical market, there was one which protruded over the others. It was the steep decline of the crude oil and virgin naphtha prices in the 4Q2014. At the end of 2014 Brent oil was sold for less than 55 USD/bbl, and the prices of virgin naphtha were close to 400 USD/t. The last time the prices were at a lower level was in 2Q2009. This situation allowed the steam crackers operators to produce with high margins since the monomers prices decline did not fully follow the feedstock prices decline. Petrochemical margins were at the lowest level since the 2Q2012.

From the perspective of ethylene and propylene market situation, the year 2014 can be divided in two periods. The first five months when both monomers markets were developing differently and the rest of the year when the development of both markets was similar. The first period was characterized by an oversupply on the ethylene market on the one hand and by the tight propylene market on the other hand. The ethylene oversupply was reduced by exports to Asia, which also helped to maintain steam crackers utilization at a higher level. This was desirable because of the limited availability of propylene on the market which was due to a strong demand from the polypropylene producers, production issues, cracking of lighter feedstock and also because of high prices of propylene in the US which helped to improve the competitiveness of European derivatives of propylene on the global market.

The spot prices of propylene during this period in many cases exceeded the values of the valid contract. An average difference between the contract price and the spot price was higher than 260 USD/t (22%) during the first five months of 2014. For many players this was a sign of a badly functioning market. The different situation on both markets led to the fact that both monomers contract prices were moving in different directions, for the first time since August 2011. While the propylene contract from April strengthened by 10 EUR/t, the ethylene contract lost 15 EUR/t. The same situation was spotted again in May. From June both monomers markets were behaving in the same way, and after two months of growth the contract prices began to decline and by the end of the year they lost more than 400 EUR/t. The December ethylene contract price was the lowest since the end of 2010, and the propylene contract price has been at a lower level for the last time in July 2012. The continuous decline of crude oil and virgin naphtha prices was the main reason for the weakening of prices in the second half of the year. The drop in prices continued during the autumn season when planned shutdowns of production units took place, and even the strengthening of the US dollar, which increased competitiveness of European products in the export markets and limited imports options into Europe, did not provide much support. Even the unplanned shutdown of the second biggest steam cracker in Europe in Moerdijk in the Netherlands did not bring any difference.

As it was in the past years, the European benzene market was characterized by high prices volatility, the difference between the highest and lowest contract price was at the level of 313 EUR/t, and the difference between the spot prices was at the level of 895 USD/t. This difference was between the historically highest European spot price at which benzene was sold in January (1,560 USD/t, CIF ARA) and the price at which the benzene was sold before the end of the year (665 USD/t, CIF ARA). The European market was relatively balanced during the whole year, mainly due to the exchange of benzene and pyrolysis gasoline between the Europe and US and Asian markets. The mutual interconnection of these markets again influenced the pricing in these territories. A key factor for the development of the European market was the drop of the crude oil and virgin naphtha prices in the second half of the year, which consequently led to the lowest benzene contract price since December 2011. The lower availability of pyrolysis gasoline was one of the other reasons. The operators of flexible steam crackers preferred cracking of lighter feedstock and therefore limited its production. This move, however, had a logical explanation – margins coming from cracking lighter feedstock were higher than margins coming from cracking virgin naphtha during the whole year, on average by more than 110 EUR per ton of ethylene produced.

The sufficient supply of ammonia and a weak demand from the USA were behind the relatively stable market at the beginning of the year and led to a slight decrease in prices. The beginning of the spring application season in the USA together with the lower production of ammonia in the North Africa because of the limited natural gas supplies and civil unrest led to the price growth. The growth continued and it was supported by the fights in the Crimea which led to an increase in the price of natural gas supplied from Russia to Ukraine by 80%, which led to a significant cost increase for Ukrainian producers. The positive effect was also due to an increase in demand from Europe and the USA. The decision of some producers to prioritize the sale of ammonia instead of its further processing to urea, the sale of which was at the time less profitable, increased the availability of ammonia on the market and led to the following price decrease. The sanctions imposed by the EU and the USA on Russia, planned and unplanned shutdowns of units, limited production in Trinidad further increased ammonia prices between August and October by more than 160 USD/t and shifted the level of the European prices to 660 USD/t, CFR NWE. During the last two month of 2014 because of a decrease in demand and better supply of ammonia in Yuzhny and the Baltics the price began to weaken and returned to the level of 500 USD/t, CFR NWE, which is the level where they were at the end of July.

Unipetrol's model olefin margin reached 388 EUR/t in 2014, which represents a 5% increase compared with 2013, when the margin reached 368 EUR/t.

Polyolefins

After previous not very successful years, the year 2014 was a really good one for polyolefins with respect to demand. The macro development was not as volatile as, for example, 2012, but for sure the development of crude oil prices in the second half of the year influenced the polymers market as well as other sectors of business. Overall, despite of the falling crude the demand for polymers remained good till November and just in December a downward tendency was registered.

The overall demand and material balance in Europe was also positively influenced by limited imports to old continent as the result of the introduction of higher import duties on products imported by the GCC countries (Gulf Cooperation Council) in January 2014 (Middle Eastern suppliers saw their margins erode and found better netbacks elsewhere). On the other hand the exports out of Europe strengthen significantly within 2014 thanks to the strong dollar.

Unipetrol's model polyolefin margin reached 275 EUR/t in 2014, which represents a 9% increase compared with 2013, when the margin reached 252 EUR/t. Unipetrol's model combined petrochemical margin (olefins plus polyolefins) reached a high level of 662 EUR/t in 2014, which represents ca. an 7% increase compared with 2013, when the combined margin reached 621 EUR/t.

Crude oil purchases

For Unipetrol, the year 2014 was characterized by continued strategic co-operation with Unipetrol´s majority shareholder, PKN Orlen, as part of which crude oil has been supplied through the Druzba and TAL-IKL oil pipelines under long-term contracts since 2006.

In the course of 2014, supplies of Russian Export Blend Crude Oil (REBCO) via the Druzba pipeline under the 3-year contract signed between PKN Orlen and Rosneft in 2013 were stable without supply outages. On top of Druzba supplies, 310 kt of seaborne REBCO were delivered via the TAL and IKL pipelines.

In regard to the 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 the Kralupy refinery. Azeri Light crude was blended with CPC Blend crude from Kazakhstan at an optimum ratio. On some occasions, CPC Blend crude was also supplied to the Litvínov refinery to achieve a better yield of lighter products. Alternatively, Zarzaitine and Zueitina (both of Libyan) were delivered for processing in the Kralupy and Litvínov refineries 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 the Kralupy refinery continued in 2014 on the basis of long-term business relationships. These amounted to approx. 2.5% of the total crude processed by Unipetrol.

Crude oil purchases in 2014 (in thousand tons)

REBCO-Druzba & REBCO-IKL	2,908	56.0%
Seaborne low-sulphur crude supplies for the Kralupy and Litvínov refineries	2,159	41.5%
Moravian crude oil	129	2.5%
Total	**5,196**	**100.0%**

Production

Crude oil throughput and refining utilization ratio

	2013	2014
Crude oil throughput (in thousand tons)	3,607	5,130
Refining utilization ratio [1)]	80%	89%

[1)] Conversion capacity till 2Q2012 was 5.1 mt/y (Česká rafinérská – Kralupy 1.642 mt/y, Česká rafinérská – Litvínov 2.813 mt/y, Paramo 0.675 mt/y). From 3Q2012 till 4Q2013 conversion capacity was 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 the Paramo refinery (Česká rafinérská – Kralupy 1.642 mt/y, Česká rafinérská – Litvínov 2.813 mt/y). From 1Q2014 conversion capacity is 5.9 mt/y after completion of acquisition of Shell’s 16.335% stake in Česká rafinérská, corresponding to Unipetrol’s total stake of 67.555% (Česká rafinérská – Kralupy 2.166 mt/y, Česká rafinérská – Litvínov 3.710 mt/y).

In 2014 5,130 thousand tons of crude oil were processed for Unipetrol in the production facilities of Česká rafinérská, which is significantly higher by 42% compared with 2013. Refining utilization ratio reached the level of 89%. The main reasons for the greater processed volume were an operation of higher refining capacities in Česká rafinérská due to the acquisition of the additional stake, a high demand for petrochemical products which resulted in the necessity to secure a sufficient volume of feedstock for the petrochemical business within the refinery production, and also good sales volumes of motor fuels especially during the second half of the year.

High utilization of crude oil processing was also driven by a good reliability of the conversion units. There was no major planned turnaround such as the one of the Kralupy refinery in 2013. Nevertheless there was an unplanned shutdown in September of the FCC unit (Fluid Catalytic Cracking) at the Kralupy refinery which had to be stopped due to leakage on the FCC unit equipment which affected the sales volumes.

In 2014 several optimization projects of refining production units took place to maximize the yield of valuable products and to utilize the existing units more economically. One of the investment projects modification of a propylene column which was implemented already in 2013 – allowed to use additives in the catalytic converter to obtain higher yields of propylene, thus a higher upgrade of refined raw materials. Due to this project the volume of propylene production increased in 2014 compared with the situation when no additives were used. Also the use of the synergy between the petrochemical business and refinery business continued by the means of using of aromatic fractions from the refinery for benzene production or processing petrochemical fractions for the production of motor fuels at the refinery, for example.

Paramo subsidiary developed production of lubricant oils, and bitumen both on the Czech and European markets. The production of base oils and lubricant oils was based at the plant in Kolín. The production of oils is based on hydrogenates processing, blending and finalization of motor oils of all performance categories, gear, hydraulic and other industrial oils. Oil hydrogenates from Unipetrol RPA are the feedstock. The production of process oils for the rubber industry and production of special industry oils and liquids was concentrated at the Pardubice plant. Vacuum distillates from the PKN Orlen refinery in Płock are the feedstock material.

Paramo subsidiary's production of bitumen and bitumen products was 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. The distributor of these is ORLEN Asfalt Česká republika. The feedstock is provided by Unipetrol RPA. Paramo was 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

Refining business

Market development

Based on the latest figures presented by the Czech Statistical Office, the Czech market showed a yearly consumption increase in gasoline of 0.4% and in diesel of 5%. The diesel market continued to grow representing already 75% on the overall motor fuels consumption and squeezing gasoline share down to 25%.

A set of new legislative measures adopted in October 2013 lead to elimination of massive tax frauds in 2014. The grey zone influenced significantly the Czech motor fuels market in previous years. The size of the grey zone is now estimated to be below 5% of the total market. This significant improvement of the market environment helped to increase sales volumes on the domestic market and to achieve fair sales margins.

Market position

The most important events in the year 2014 were connected to acquisition of higher share in Česká rafinérská:

- completion of an acquisition of Shell's stake on 31 January 2014 which increased the refining capacity from 51.222% to 67.555%,
- activities leading to takeover of the remaining Eni stake of 32.445% with expected completion in 2015.

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

thousand tons	2013	2014
Total refining sales volumes, including retail segment	**3,151**	**4,268**
Diesel, including retail segment	1,701	2,293
Gasoline, including retail segment	782	1,052
JET	69	144
LPG	88	112
Fuel oils	124	152
Naphtha	5	9
Bitumen	222	308
Lubricants	33	36
Rest of refining products	128	161

Domestic motor fuels sales

In 2014 Unipetrol sold 2,230 kt of motor fuels (gasoline and diesel) on the domestic market, which means a 29% increase compared to 2013. Together with the acquisition of the Shell's stake in Česká rafinérská, Unipetrol signed a five-year contract for supplies of motor fuels to the Shell's Czech retail network. During 2014 the company also enlarged its customer portfolio and closed contracts with a number of new customers in order to fully utilize its increased refining capacity. At the same time the company managed to win tenders and thus renew contracts with the Czech Railways, Tesco Stores and other key customers. Besides that the company continued in optimization projects mainly in the areas of bio-components and logistics.

Export motor fuels sales

The company continued to develop export activities in the neighboring markets, giving the highest priority to the intragroup cooperation. Unipetrol Slovakia continued its successful operation covering both Slovakian and Hungarian markets. In Germany, the company maximized deliveries for Orlen Deutschland reaching out a major supply of its Saxony petrol stations. The company also extended cooperation with Unipetrol Deutschland focusing on small/mid-sized partners located near its terminals. Seasonal trends or production difficulties with both a negative and a positive effect were promptly tackled with import, resp. export, of motor fuels from, resp. to PKN Orlen. The company was also able to further increase sales to Austria using the southern ČEPRO terminals for direct fuel supply.

Other refining product sales

In LPG sales the company significantly increased supplies for the domestic market by 43% compared to 2013, which was due to several factors: planned/unplanned shutdowns of production units taking place in 2013 which meant lower year production, acquisition of Shell’s stake in Česká rafinérská at the beginning of 2014, and LPG wholesale market situation in Europe. The European LPG recorded historical moments. The situation in Ukraine caused worse availability of a typical lower-value product coming from Russia, which led to the higher prices of this source. This enabled the company to place more products on the Czech market and to reach better prices at the same time.

Heavy fuel oil sales lowered because of a decrease in the industry usage due to environmental as well as economic reasons. Placing the product for bunkering business in northern markets remained the majority outlet for the heavy fuels, nevertheless using extensive market research the company managed to place the product also in various industry areas, heading directly towards primary consumption.

Paramo subsidiary market position and sales

Paramo’s market share in the Czech Republic exceeded 35% in oils sales to some retail chains and bitumen products sales. More than 60% of Paramo’s production was exported, mainly base and process oils.

Marketing support was focused predominantly on finished oils. The MOGUL EXTREME motor oils are the flagship of the company. They meet the highest demands on performance of the most modern engines. 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 were developed. Motor oils for trucks are represented by the oil series MOGUL DIESEL which meets the strict emission limits EURO 4 and 5. They guarantee very long service intervals. Paramo offers also the comprehensive oils series MOGUL ALFA for garden equipment.

Paramo supplemented its product portfolio by new generation 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 through 2014. 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. The main export market was Slovakia where Paramo was represented by its subsidiary Mogul Slovakia. Hungary and states of the former Yugoslavia were other important territories. Paramo also managed to develop and increase sales on Eastern European markets.

The company managed to keep its presence in retail chains and industry companies such as OKD, ArcelorMittal Ostrava and Třinecké železárny. The company was present in the Mountfield service network, also supplied oils and greases to the Czech Railways and hydraulic oils for the Army of Czech Republic. Paramo also supplied the AutoKelly network by the Starline brand and produced oils for the Czech company Zetor.

Petrochemical business

From the internal operations perspective, the company had to face a negative impact of an unplanned shutdown of the steam cracker in the Litvínov plant in May 2014 which occurred due to unexpected technical difficulties.

Both polyolefins productions (polypropylene and polyethylene) were running without significant problems, which confirmed the production figures which are at the highest level for the whole history of Unipetrol RPA. The total volume produced was 596 kt (14% above the volume produced in 2013).

Sales volumes of petrochemical products

Thousand tons	**2013**	**2014**
Total petrochemical sales volumes	**1,578**	**1,773**
Ethylene	140	163
Benzene	189	228
Propylene	31	44
Urea	5	0
Ammonia	186	214
C4 fraction	79	86
Butadiene	58	64
Polyethylene	280	322
Polypropylene	231	270
Rest of petrochemical products	380	382

Olefins and chemicals

In the area of olefins and chemicals, the 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. There were no major changes in the structure of portfolio of clients, and the domestic share of sales remained similar as in the past years.

The Czech Republic continued to be the key market for the steam cracker products. Monomers, C4 fraction and benzene were either processed captively at the Unipetrol RPA's plants or carried to the strategic customers (Spolana, Butadien Kralupy and Synthos) through the existing product pipelines. By-products of steam cracker were supplied primarily to the Czech, Central European and Western European markets. As in previous years, the domestic market was the destination for most of the ammonia produced by Unipetrol RPA. The main reason for this was a long-term ammonia supply contract with the largest fertilizer producer in the country.

The sales of the carbon black Chezacarb, used primarily for modifying electric conductivity of plastics and for producing thermoplastic mixtures and concentrates, geotextiles, and geomembranes, was in the forefront of interest in the past year. Compared to the past years, the sales of carbon black were significantly lower due to the decline in demand.

Polyolefins

Unipetrol RPA, which belongs to Unipetrol Group, 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 RPA's high-density polyethylene (HDPE) capacity greatly exceeded the domestic market's consumption, and therefore approximately two thirds of the HDPE produced were exported from the Czech Republic. Conversely, the polypropylene consumption on the domestic market exceeds the overall polypropylene production capacity, which is why the share for export was well below one half of the polypropylene produced. In addition, for certain applications, in particular in the automotive industry, carmakers themselves require certain specific materials or use compounds made abroad, and so the company cannot increase its share on the Czech market arbitrarily.

The activities in logistically distant countries such as Italy and Spain slightly increased in 2014 thanks to higher availability of polymers compared to the plan due to higher production. The Czech Republic and Germany are the key markets for polyolefin sales. For Germany and the entire D-A-CH region, the company heavily relied on the services of its subsidiary Unipetrol Deutschland.

The company continued in activities leading to customer portfolio optimization with the clear aim of margin potential improvement during 2014. And as it was already mentioned, the year 2014 was excellent for the polyolefins business from both sales volumes, which were record high, and margins.

This result was combination of good demand for polyolefins in Europe, as described in the paragraphs above, and of course there were almost no troubles on the production side. Just one difficulty occurred in autumn 2014 when there was

1-hexene comonomer unavailability due to force majeure on the supplier's side. This meant that the company had limited volumes available for sale of certain hexane based polyethylene copolymers in the period from September till middle of November 2014.

Final sales volumes of polyolefins were on level of 322 kt of high-density polyethylene (HDPE) and 270 kt of polypropylene (PP). Compared to 2013 the company sold approximately 81 kt more (polyethylene +42.5 kt and polypropylene +38.5 kt).

Expected development in 2015

Refining business

As expected, the excess of supply over demand will keep the crude oil prices at low levels in 2015 – 2016. For 2015, the crude oil price is expected to move within the range of 50 – 60 USD per barrel. Due to the lower crude prices there will be less pressure on the European refining sector, however it will remain challenging due to an imbalance between the supply and demand of motor fuels (gasoline and diesel) on the market, a lower but remaining competitive advantage of the North American refineries, completion of export refineries in the Middle East and Far East and ongoing modernization program of the Russian refineries producing diesel in the EURO 5 quality.

Under the current economic conditions of the Eurozone and economic changes implemented by the Czech government, the growth of the Czech GDP is expected in 2015 which will positively affect domestic demand for motor fuels. The company also expects an ongoing positive effect of the mitigated grey zone thanks to legislative measures valid since October 2013.

Unipetrol will focus further on the speed-up of Operational Excellence initiatives execution in Česká rafinérská as well as in the whole Group and will be further investing in synergies between refining and petrochemical businesses which will continue to be the key competitive advantage of Unipetrol Group.

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

- lubricant oils and greases,
- bitumen and bitumen products,
- continuous energy efficiency and production performance enhancement.

Petrochemical business

Olefins and chemicals

A key factor of the year 2015 will be the crude oil and virgin naphtha prices. According to most predictions, a quick return of the crude oil price to the level of 100 USD/bbl cannot be expected. There is still a sufficiency of oil on the market and OPEC refuses to reduce its crude oil production for now. By this OPEC seeks to limit new investments into the oil industry with the aim to keep its share on the global crude oil market. Lower feedstock prices could improve the competitiveness of some European derivatives. Although important investments into the shale gas production and into the related chemical industry will continue to expand the ethylene production and its derivatives in the US, the lower price level and high transportation costs will lower the export. While the average difference between the European and the US contract prices of ethylene was above the level of 400 EUR/t (without the transportation costs the difference was above the level of 230 EUR/t), in 2015, according to the CMAI company prediction, the difference should not even cover the transportation costs. The cracking of lighter feedstock will reduce the availability of propylene, butadiene and aromatics in 2015. Consumers on the European market will continue to purchase the products for direct consumption and low level of stock will further decrease their flexibility to react to unplanned shutdowns of production plants. Petrochemical margins should not reach the level which they reached in the 4Q2014.

The ethylene and propylene market should remain balanced with a tendency for a demand surplus in the first half of 2015. Many planned shutdowns of production plants and the restart of derivative production plants in Moerdijk in the Netherlands will help to keep the market balanced.

As it was in the past years, the benzene market should remain volatile in 2015. Due to significantly lower prices of crude oil and virgin naphtha, the price range fluctuation should not be as extensive as it was in the past period. The mutual interdependence of price fluctuations on the European, US an Asian markets will remain essential, especially after a significant increase in availability of benzene in Asia due to the beginning of operation of new production capacities in the second half of 2014.

The trend observed in the last two months of 2014 should continue as well at the beginning of 2015, and the ammonia prices should continue to decrease. The agricultural and industrial sector demand should remain weak, and the oversupply should outlast. The resumption of gas supplies from Russia to Ukraine which occurred before the end of 2014 is also the cause of higher availability of ammonia. The subsequent demand recovery should stabilize the price level.

Polyolefins

No significant changes in 2015 compared to 2014 are expected. The market/demand will be still highly influenced by feedstock development, but limited imports to Europe are still predicted, so the demand for European producers should remain good. This is also confirmed by the demand collected from clients in 4Q2014 which was for both products (polyethylene and polypropylene) higher than company's capacities in 2015.

The polyolefins business unit still continues in optimization activities like 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. A key part of the strategy is certain balance between spot and long-term business with price formulas which is needed for stability of production, as well as acquisitions of new processors, higher production and sales of the more sophisticated products, close cooperation with clients leading to better understanding of their needs when it comes to products and services.

The polyolefins business unit started already to support the sales of the products of Unipetrol RPA's subsidiary company – Polymer Institute Brno – the aim of the support is to combine the sales of polymers with masterbatches.

Retail segment

Financial result of the retail segment

CZK million	**2013**	**2014**
EBITDA LIFO	509	705
EBITDA	514	645
EBIT LIFO	180	382
EBIT	185	322

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 2014

- Implementation of the “Customer View” program to improve younger generation customers’ perception and their loyalty to the Benzina filling stations network represented by the “Live Life to the Fullest” campaign and presentation in social media
- Benzina has extended its offer to include the gas alternative CNG at 10 filling stations already
- New contractual relations with filling station partners

External environment

Factors both of macroeconomic and technical nature affected fuel consumption in the Czech Republic over the whole of 2014. The macroeconomic factors included GDP growth and a lower level of unemployment, and also in this context, increased performance in sectors which have high diesel consumption demands, and also a greater willingness on the part of households to spend, exhibiting itself in higher demand for gasoline. Factors of the technical nature included replacement of the vehicle fleet with gasoline engines by those with diesel engines with lower consumption and also the fact that new cars which are launched onto the market with gasoline engines are displaying lower consumption levels.

Higher performance in the case of international road transportation in 2014 also had a positive impact with international transit carriers returning to the territory of the Czech Republic to purchase fuel.

The drop in the crude oil price in the second half of 2014 and subsequently also a decrease in fuel prices at filling stations had an impact on increased demand for fuels as did the mild winter which meant that individual car use among individuals was not limited.

An absolutely distinct category is that of tax evasion and the effects of its negative impact on income for the state budget, the economic management of companies and the competitive environment throughout the whole portfolio. This is why a series of measures were adopted to improve this situation on the market in the Czech Republic. These measures were approved in the new legislation and had an effective impact throughout the whole of 2014. The new legislation and other control systems thus contributed significantly towards improvement of the competitive environment in business with motor fuels.

Another field of interest on the part of consumers is increased demand for alternative liquid fuels with a high level of added bio-components (E85, B30, B100) which are offered at a final price with significant tax relief which thus motivates consumers to buy or create their own cheaper mixtures using bio-fuels. The spread of high-volume bio-fuels also serves fictitiously to meet the bio-content obligation and allows greater use of fuels without bio-components.

A significant increase was also registered in the use of the gas alternative CNG. Apart from an increased number of cars, the number of filling stations offering CNG also increased. This type of alternative also enjoys tax relief.

The summary of factors provided above was decisive for the development of demand for fuel on the domestic market in 2014, which in comparison with 2013 was characterized by growth in the consumption of gasoline by 0.4% and consumption of diesel by 5%.

Market position and sales

Market position

The retail company from Unipetrol Group, BENZINA, s.r.o., is the operator of the largest network of filling stations in the Czech Republic. As at 31 December 2014, it operated 339 filling stations offering a wide range of fuels with additives. The selected filling station segment offers a collection of premium VERVA fuels and also a wide range of other goods, refreshments and services. This network was gradually renovated, in particular in the period 2006 – 2010, and is currently profiled in three segments, the premium segment represented on the domestic market by 117 BENZINA Plus filling stations, the standard portfolio of BENZINA filling stations and the self-service filling station segment under the Expres 24 brand. As at the end of 2014, BENZINA operated 3 Expres 24 self-service filling stations. Overall, the total of 95% of the network of filling stations was modernized in all segments.

The market share of Benzina in 2014 as compared to 2013 grew from 14.5% to 15%.

Fuel sales

Benzina's key activity is the sale of fuel and other goods and services at filling stations. The structure of sales confirmed the long-term trend towards a higher share of diesel and also a slight year on year growth in the share of gasoline sold.

Structure of fuel sales at filling stations (%)

	2013	2014
Gasoline	35.9	36.4
Diesel	64.1	63.6

Overall sales of diesel in the Benzina network registered growth of 6.7% for 2014 in comparison with 2013. Both the standard TOP Q diesel with additives (+6.3%) and also the premium VERVA diesel (+11.7%) contributed towards this growth in the range of types of diesel sold.

Overall sales of gasoline registered the growth of 8.8% compared to 2013. The main type continued to be Natural 95 gasoline which made up 95.4% of the overall composition of gasoline sold and registered year-on-year growth of 8%. Sales of the high-octane VERVA 100 gasoline increased year on year by 30%. Its share has grown since its introduction in 2006 and in 2014 the premium gasoline achieved a share of 4% in overall gasoline sales.

In terms of nationwide monitoring of the quality of fuel sold in public filling station networks performed by the Czech Trade Inspection Authority and publication of these results on the website of the CTIA, the Benzina network of filling stations had only two minor discrepancies in a case of diesel. All premium fuels checked were alright. In terms of the internal "Seal of Quality" program ("Pečeť kvality"), an independent accredited laboratory checked 1,868 samples in the network and 99.8% were free from defects.

A combination of increases in fuel sales at filling stations in 2014, including an increase in the share of premium fuels with higher added value, in relation to a drop in the pricing level of all types of fuel sold, marketing support and savings on operational costs constitutes the main list of factors which contributed significantly to the very good financial result in the retail segment. Improvement of the competitive environment on the market also had a positive impact on the results achieved, as did the favorable effects of macroeconomic factors on demand for both gasoline and diesel.

Non-fuel sales

Overall revenues from sales within the non-fuel segment of goods in 2014 increased by 5.4% in comparison with 2013. Positive dynamics were in particular registered within the sub-segment gastronomy, revenue in which grew by 15.9% year on year. It was in particular development of the fast food concept in Stop Cafe outlets where customers can enjoy high quality coffee, tea and hot dogs which contributed towards this positive development.

Expected development in 2015

In the current economic conditions of the Eurozone and economic reforms in the Czech Republic, in particular adoption of measures to promote growth on the part of the Czech government, a growth in the Czech economy can again be expected with a quantification of +2% GDP and with a positive impact on growth in demand for fuel on the domestic market, this in particular being via increased performance in sectors which have high diesel consumption demands. Bio-fuel and CNG which enjoy tax relief will continue to reinforce their permanent place on the market. This in particular holds true in the case of consumers with a lower purchasing power and carriers which will be focusing on precisely these cheaper bio-fuels, mixtures or types regardless of the condition of their vehicle fleet or recommendations of the manufacturer, this always being to the detriment of conventional taxed fuels. This development will be influenced by the further development of crude oil prices and listed prices of bio-components and other conclusions of the notification process in support of bio-fuels and legislation in the field of the environment and meeting of CO_2 emissions. Great pressure will be exerted on the profit margin from fuels in the fierce competitive environment of filling stations this year too, in particular in the struggle to maintain or increase of throughputs and sensitive perception of prices.

New legislation for doing business in the field of distribution and sale of fuels will in 2015 continue to have an effect on more marked curtailment of unfair practices and tax fraud. The grey zone should gradually be pushed further out of the market in favor of reputable competitors. Further expansion of the offer of alternatives such as CNG or fast charging stations for electric vehicles can be expected. Alternative large-volume bio-fuels will continue to find a place on the filling station market and the remaining free space on the market will be utilized by filling stations in the self-service and low-cost category.

Company priorities in terms of the Strategy for 2013-2017 which has been adopted remain growth in the market share in fuel sales, increase in the average throughput per filling stations and also increase in sales in the non-fuel segment including extension and consolidation of the gastro offer. Benzina will also strive to ensure further strengthening of customer confidence in the company with a focus on the younger generation. In the field of capital investment, completion of remodeling of the network and modernization of car washes will continue according to plan. Evaluation of the pilot project for Expres 24 self-service filling stations will be performed. This concept can only be expanded in suitable locations. The “Live Life to the Fullest” campaign will also be the key feature of marketing in 2015 and social networks will be used for communication of the brand, product offer of fuels, goods and services to potential customers. The company is also preparing continuation of attractive marketing promo events with the aim of supporting sales of fuels, including goods and services of a non-fuel nature, and last but not least also positive perception of the Benzina brand on the market across the whole customer spectrum.

The company is also preparing a modern collection of its own new card products offering greater convenience to a wider range of customers and allowing to increase and stabilize the share of card customers.

According to development of the market, the state of modernization of the vehicle fleet and new technologies for fuel combustion in cars, the filling stations will continue to extend the offer of fuels in range to include premium types of fuels and CNG as well as extension of high-volume bio-fuels for certain customers and extension of the offer to include the environment-friendly Ad Blue operating fluid using dispensing technology.

Investments

Investments in the petrochemical business in 2014 were mainly focused on maintaining operating reliability, safety and on meeting the requirements of the environmental legislation and increasing effectiveness of operations, especially energy efficiency. The major investment projects focused on the revamp of the power plant T700, reliability including regular refurbishments of the steam cracker pyrolysis furnaces, fulfilment of integrated permits mainly sewage water segregation 3rd and 4th stage and overhauls of the process equipment including second stage of reconstruction of distribution room R200. From the modernization projects LPG unloading on rail 234b has been finalized.

Unipetrol RPA started tender for the new polyethylene unit (PE3). Project preparation and analysis related to the operation of the new unit are still ongoing.

Major investment of VÚAnCh subsidiary 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 completion is expected in 2015.

The refinery business invested mainly in maintenance, environmental protection, reliability and availability of the installations. Major investments in 2014 were related to environmental protection, namely reconstruction of oil drainage system in Kralupy and waste water treatment in Kralupy.

The Unipetrol Doprava main project, which started in 2013, was safeguarding appliance in Kralupy which is outdated and technical conditions would not allow to operate it. The project was successfully completed at the end of 2014.

Continuation of the project for solvent exchange was the main investment project at Paramo. Cooperation with ČEPRO related to connection of Paramo fuel terminal to ČEPRO distribution pipeline net started in 2014.

The 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 acquired a new fuel station in Staré Město and started activities to build one new station in Opava.

Other segment investments comprised mainly IT related projects. The main IT projects in 2014 were focused mainly on hardware replacement and license purchase. Except for IT projects also the purchase and installation of new bagging line for the PP unit was finalized.

Unipetrol Group CAPEX overview according to investment category and business part in 2014 and plan for 2015 (CZK million)

Investment category/ Business part		Refining	Petrochemicals	Retail	Other	Total
2014	Development	38	566	123	25	752
	Maintenance/refurbishment	264	641	53	21	979
	Environment	116	59	2	0	177
	Safety	62	27	9	1	99
	Total	**480**	**1,293**	**187**	**47**	**2,007**
2015	Development	146	1,973	148	40	2,307
	Maintenance/refurbishment	507	1,249	56	35	1,847
	Environment	269	21	2	1	293
	Safety	46	47	6	0	99
	Total	**968**	**3,290**	**212**	**76**	**4,546**

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

Research and development

Research and development of Unipetrol is focused on three principal fields - plastics, petrochemicals and refining. Research in the field of plastic materials is conducted by Polymer Institute Brno, spol. s r.o. (PIB), petrochemical and refinery research is carried out by Research Institute of Inorganic Chemistry (Výzkumný ústav anorganické chemie, a.s - VÚAnCh) in Ústí nad Labem. Besides the above mentioned institutions Unipetrol very closely cooperates with universities, especially the University of Chemistry and Technology in Prague (Vysoká škola chemicko-technologická - VŠCHT). The results of research and development are applied within the technical support of production, creation of individual strategies, or they are directly reflected in the introduction of new products in the product range.

Since 2010, VÚAnCh, a subsidiary company of UNIPETROL, a.s., has been building the new modern Unipetrol Centre for Research and Education – UniCRE for the field of industrial chemistry in the Chempark Záluží in Litvínov. The centre will focus on the research, development, innovations and education in the area of refinery and petrochemical technologies, environmental technologies and processes for efficient use of renewable resources and energy. During 2014, after installation of the office and laboratory equipment, the main, laboratory building of UniCRE started to be used. In the middle of the year, refurbishment of the experimental base was started, which should be completed by May 2015. In 2014, a great part of the device equipment was also purchased.

The total costs of the project, which was supported by the European Union by the amount of nearly CZK 600 million, are estimated to amount to approx. CZK 800 million. The project implementation period will last until 31December 2015.

Refining business

Research work in the refinery business focused on maximization of conversion of crude oil to motor fuel and high-quality feedstock for the petrochemical business without negative influences on the quality of dark product production.

In 2014, Unipetrol cooperated with the Research Institute of Inorganic Chemistry in three basic areas:

In the area of light fractions petroleum process streams with a higher content of aromatics were mapped with the aim to assess their potential for petrochemical use.

In the area of middle distillates solutions for reinforcement of production and quality of diesel fuel by the use of hydrogenation capacities of middle distillates and by optimization of operation of conversion units were continued. The research in this area also comprised mapping of processing possibilities of external raw materials - possibility to process products of pyrolysis of waste plastic, tyres etc.

In the area of dark products the research was focused on processing of thermal cracking residues with enhanced conversion. Similarly, the quality of bitumen production was monitored and tests of additives for its improvement were conducted. For quality improvement of heating oil production monitoring of all potential components (incl. petrochemical) for mixing was conducted and their influences on the quality of final heating oils were assessed.

In the year ahead, development work on utilization of heavy crude oil residues, use of heavy petrochemical fractions in heating oils, enhancement of production and quality of diesel fuel constituents and petrochemical use of petrol fractions with a higher content of aromatics will continue. Research work will be extended to treatment and improvement of the quality of refinery fractions that serve as the feedstock for the steam cracker. Another area where research activities will expand is the area of biofuel production and use.

Petrochemical business

Olefins and chemicals

The research and development in the area of olefins and chemicals is carried out by Research Institute of Inorganic Chemistry in Ústí nad Labem (VÚAnCh). The long-term goals in the area of petrochemistry are quality improvements of the product range and increasing the production efficiency.

The main topics in 2014 were valuation of the secondary products of ethylene pyrolysis – preparation of a study for the production of blowing agents from the pyrolysis C5 fraction and research of possible use of pyrolysis heating oil for the production of demanded petrochemical products. Further, the possibilities of influencing the yield of the desired products of ethylene pyrolysis by a suitable composition of the processed raw material were examined. Within the complex of the refinery and petrochemical plant research work was done with the aim to optimize the production of aromatic hydrocarbons with regard to maximum efficiency and the lowest possible price of the products. In the area of aromatic hydrocarbons work was also started aimed at implementation of production of pure naphthalene instead of the naphthalene concentrate.

Also, ways of using new raw materials for the POX process were investigated. A considerable amount of work was spent on the research of possibilities of increasing the added value of the Chezacarb product. New progressive methods were investigated in the field of material analysis with the aim to monitor and control the production of technical carbon black in such a way to be able to permanently produce a product with optimum conductivity. The possibilities of production of demetallized Chezacarb were also investigated in detail

In 2014, development projects were also implemented which focused on economical and environment-friendly reuse of used catalysts and a great deal of work was done in the field of energy savings.

Polyolefins

In the area of polyolefins, Unipetrol is developing its production processes and products. In 2014, the research work carried out by Polymer Institute Brno, spol. s r.o. (PIB) was concentrated on the research of new catalytic systems, mainly phthalateless catalysts and catalysts complying with the REACH requirements. Possibilities of using catalyst mixtures positively influencing the characteristics of new polymers were also investigated. Research work also focused on the area of additive recipes for polymeric products.

In 2014, new possibilities of preparation of polypropylene copolymers (PP) with enhanced utility characteristics and innovation of existing polymer types were investigated with the aim to reduce production costs. On the basis of the results of the research of Polymer Institute Brno spol. s r.o. a catalytic system complying with the REACH requirements from February 2015 on in the area concerning limitations of using some types of phthalates was successfully tested and introduced for the production of block copolymers in the polypropylene production plant.

The research projects also comprised the issues of polypropylene (PP) and polyethylene (PE) production. Projects related to production support were implemented where Polymer Institute Brno cooperated with Unipetrol RPA on production process improvement.

A common project that was conducted last year dealt with the possibilities of using Chezacarb as a filler of polymeric materials produced by Unipetrol RPA.

Besides research work, Polymer Institute Brno also provides Unipetrol with specialized technical services through the customer support.

In 2015, in the area of plastic research work focusing on the development of new types of catalytic systems, copolymers will continue. The development of innovated types of polymers will also go on.

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 the best results and therefore support a positive development of the whole Group.

Unipetrol Group was among the biggest companies in the region with its 3 670 employees in 2014.

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. The company paid attention to maintaining the employees´ competence and development.

Total number of employees of Unipetrol Group (persons) as of 31 December 2014

Company	2014
BENZINA, s.r.o.	86
Butadien Kralupy a.s. (51%) [1)]	10
ČESKÁ RAFINÉRSKÁ, a.s. (67,555%) [1)]	412
PARAMO, a.s.	459
PETROTRANS, s.r.o.	144
POLYMER INSTITUTE BRNO, spol. s r.o.	91
UNIPETROL, a.s.	52
UNIPETROL DEUTSCHLAND GmbH	16
UNIPETROL DOPRAVA, s.r.o.	415
UNIPETROL RPA, s.r.o.	1,524
UNIPETROL SERVICES, s.r.o.	296
UNIPETROL SLOVENSKO, s.r.o.	10
Výzkumný ústav anorganické chemie, a.s.	131
MOGUL SLOVAKIA, s.r.o.	14
HC VERVA Litvínov, a.s.	11
CELKEM	**3,671**

[1)] Number of employees in Butadien Kralupy, a.s. (100%) was 18.5 and in ČESKÁ RAFINÉRSKÁ, a.s. (100%) was 610.

Education of employees

Education of Unipetrol Group´s employees in 2014 was primarily focused on maintaining the level of qualification of employees in production and additional qualified development of company's specialists.

In the area of company's education, 7,197 persons received mandatory training, 1,552 persons attended professional or vocational seminars and 332 persons attended foreign language courses as at December 2014.

The employees of financial departments attended the International financial reporting standards (IFRS) training.

Trainings on specialized topics in the area of project management were organized for selected employees of Unipetrol Group.

Workforce structure

Workforce structure in 2014 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 favoured within the managerial and leadership positions.

As one of the biggest employers, Unipetrol Group 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 “10–20 years” followed by “20–30 years” group.

Employment structure of Unipetrol Group as of 31 December 2014

Employment structure by education	
Primary	5%
Vocational	29%
Secondary	**45%**
Higher	21%
Employment structure by gender	
Men	**73%**
Women	27%
Employment structure by length of employment	
<5	23%
(5-10>	16%
(10-20>	**24%**
(20-30>	23%
>30	14%
Employment structure by age	
<31	9%
(31-40>	21%
(40-50>	**35%**
(50-60>	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.

The 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 fulfil 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 the HR department takes action towards the highest possible synergies.

The 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. The HR department's activities focus on:

- an efficient recruitment and adaptation process which allows to choose employees with desirable competencies,
- 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.

The 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 2014, non-current assets of Unipetrol Group amounted to CZK 22,173 million. In 2014, the Group acquired tangible assets worth CZK 1,866 million and intangible assets worth CZK 126 million.

Based on performed analysis, the impairment allowance of CZK 4,989 million was recognized during the year 2014 in relation to non-current assets of refining CGU (cash generating unit). Impairment charges of CZK 4,882 million were allocated to plant, property and equipment, and CZK 107 million to intangible assets and these were recorded in other operating costs.

The impairment charges recognized in refinery CGU related to non-current assets of the following entities: ČESKÁ RAFINÉRSKÁ, a.s., PARAMO, a.s., UNIPETROL RPA, s.r.o. in amounts: CZK 4,911 million; CZK 51 million; CZK 27 million respectively.

Looking at investments, most of them went into the downstream segment, namely to the petrochemical business (CZK 1,293 million) and the refining business (CZK 480 million), followed by investments in the retail segment (CZK 187 million).

Changes in current assets

Total current assets amounted to CZK 26,344 million as of 31 December 2014 and were higher by approximately CZK 2,010 million compared to the previous year, especially due to hedging operations.

The profound decline of crude oil prices was the main cause of the decrease in inventories compared to 2013 (inventories decreased by CZK 385 million).

Changes in equity

Total equity increased from CZK 28,300 million in 2013 to CZK 28,462 million in 2014 due to the Hedging reserve increase which resulted from the revaluation of financial derivatives.

Changes in liabilities

Borrowings

Current Loans and borrowings decreased by CZK 157 million compared to 2013. The company also received the second tranche of the mid-term loan from its majority shareholder PKN ORLEN S.A. in the amount of CZK 2 billion in January 2014.

Trade liabilities

The main reason for the decrease of CZK 3,731 million in trade liabilities compared to the previous year was decrease of crude oil price in the 4Q2014.

Provisions

Compared to 2013, provisions increased by CZK 265 million, which was mainly caused by higher provision recognized for estimated CO_2 emissions.

Consolidated statement of profit or loss and other comprehensive income

The Group's revenues for 2014 amounted to CZK 124,229 million and were 25% higher than in 2013, stemming from higher sales volumes in both downstream and retail segment as well as from better margins in both refining and petrochemical business.

The Group's loss from operations of CZK 997 million on EBIT level for 2014 was negatively influenced by challenging macro environment during the first half of 2014 which resulted in recognition of impairment allowance in refining business. The Group's operating loss of CZK 893 million on EBIT level for 2013 resulted mainly from challenging macro environment, especially in refining sector. The operating result of the Group in 2014, excluding two one-off items recognized during the year, i. e. gain on bargain purchase in amount of CZK 1,186 m and impairment in total amount of CZK 4,989 m, amounted to CZK 2,806 m.

In 2014 the Czech economy recovered from recession with annual GDP growth at 2.4% according to last available OECD statistical data, refining margins recovered in the second half of the year compared with 2013, petrochemical margins remained strong and the grey zone on the fuels market was significantly reduced due to legislative changes valid since October 2013. On the contrary, difficult macro conditions in refining sector especially during the first half of 2014, continuing surplus of refining production capacities and oversupply of refining products on the European market were the major indicators for recognizing an impairment allowance of CZK 4,989 million during the whole year 2014. The above reasons caused the Group's net loss of CZK 556 million. The net result excluding one-off items amounted to positive level of CZK 3,247 m.

Consolidated statement of cash flows

Net cash provided by the Group's operating activities amounted to CZK 737 million in 2014.

At the same time, investing activities resulted in cash outflow in the amount of CZK 1,918 million and financing activities resulted in cash inflows in the amount of CZK 1,728 million.

The increase in cash compared to the 2013 level resulted primarily from higher cash flow from operating activities, as well as from higher cash flows from financing activities in 2014 compared to 2013.

The Group's financial position was still strong and on good levels at the end of the year as the net debt amounted to CZK 2,701 million and financial gearing, defined as the ratio of net debt and equity, amounted to 9.7%.

Revenues

Trends in revenues for own products and services

	2014	2013	2012	2011	2010
	CZK million	CZK million	CZK million	CZK million	CZK million
Revenues	124,229	99,415	107,160	97,428	85,967

In 2014 Unipetrol Group generated total revenues of CZK 124,229 million, which is 25% more than in 2013.

Structure of revenues by business segments

Business segment	2014	2013	2012	2011	2010
	Revenues in %	Revenues in %	Revenues in %	Revenues in %	Revenues in %
Downstream	91	89	91	90	90
Retail	9	11	9	10	9
Other	0	0	0	0	1

External revenues in the downstream segment went up by CZK 24,066 million in 2014 compared to the previous year and amounted to CZK 112,947 million. The increase is mainly attributable to higher sales volumes in downstream segment as well as due to better margins in both refining and petrochemical business.

External revenues in the retail segment, amounting to CZK 11,190 million in 2014, were by CZK 737 million higher than in the previous year as a result of the new legislative valid since October 2013 mitigating the fuels grey zone, which caused the positive impact on fuel margins and fuel sales.

The share of segments' revenues in Unipetrol Group's overall structure of revenues changed slightly in comparison with the previous year. The share of the downstream segment increased from 89% to 91%, meanwhile the share of the retail segment decreased from 11% to 9%. The change was due acquisition od Shell's stake in Česká rafinérská which resulted in increase in share of wholesale.

Structure of sales revenues by area

Area	2014	2013	2012	2011	2010
	Revenues in %	Revenues in %	Revenues in %	Revenues in %	Revenues in %
Czech Republic	67	69	71	71	69
Other European countries	31	29	27	27	28
Other countries	2	2	2	2	3

Compared to 2013, the territorial structure of the Group's revenues remained stable when the majority was directed toward the EU countries.

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

(CZK million)	2014	2013	2012	2011	2010
Profit for distribution	328	938	404	-230	512
Allocation to the social fund	--[1)]	--	--	--	--
Allocation to the reserve fund	--[1)]	47	20	--	26
Number of profit-bearing shares	181,334,764	181,334,764	181,334,764	181,334,764	181,334,764
Profit/loss per share	1.81	5.17	2.23	-1.27	2.82
Dividend per share (CZK/share) paid from retained profit of previous years	--[1)]	--	--	--	--
Total for distribution	328	891	384	-230	487
Profit brought forward as of 31 December	6,331	6,050	5,132	4,716	4,972

[1)] Dividend policy is not formally established. The decision on the distribution of the profit 2014 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, a part of which is 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 2014 year was the receiving of the second tranche (in amount of CZK 2 billion) of an intercompany mid-term loan agreement between PKN ORLEN and UNIPETROL, a.s. of CZK 4 billion. The purpose of the loan was the diversification of Unipetrol's funding sources and extension of maturity.

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

The level of short-term bank loans available to Unipetrol increased to amount CZK 15,219 million in 2014 (including separate open credit line for Unipetrol RPA in amount of CZK 150 million).

Thanks to the implementation of new cash pooling structure, which means that Unipetrol Group chose two main reputable banks for cash management, the efficiency of operating financing has improved significantly.

Within the scope of operating financing of the parent company UNIPETROL, a.s. the bank guarantees in the total amount of CZK 821 million were provided for Unipetrol RPA's liabilities (CZK 761 million), Unipetrol Services (CZK 7 million), Benzina's liabilities (CZK 29 million), and Paramo's liabilities (CZK 24 million).

Other bank guarantees were provided for Unipetrol Slovensko (CZK 541 million), Česká rafinérská (CZK 81 million), Unipetrol Deutschland (CZK 93 million) and Unipetrol RPA (CZK 7 million).

Additionally, UNIPETROL, a.s. issued a guarantee for UNIPETROL RPA, s.r.o. in favour 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 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 are authorized to carry out as 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.

The applicable financial risk management policy is based on the principle that the Group companies act as conservative entities which on no account use their funds or positions for speculative purposes.

Key environmental activities

The activities of Unipetrol Group in the area of environmental protection in 2014 focused mostly on securing new obligations arising from the implementation of the directive on industrial emissions and furthermore on monitoring, assessment and preparation of measures for new or amended legal regulations on the level of both the Czech Republic and the EU.

In 2013, within the implementation of the provisions of the directive on industrial emissions, an amendment to the Act on Integrated Prevention was issued together with its implementing decree. In 2014, operators of facilities that use, produce or emit dangerous substances representing an environmental hazard for the soil and underground water in the area of the facility were obliged to secure the processing of a background report or reports through a professional entity. All production companies in Unipetrol Group fulfilled this obligation and presented the basic reports to the appropriate regional offices together with a request for the change of integrated permits. Based on an agreement between the production companies, so-called facility reports were processed for the production facilities in Litvínov and Kralupy nad Vltavou; these provide a complete overview of the state of soil and underground water pollution within these facilities.

Companies within Unipetrol Group have either directly or through unions and non-government organizations participated in the preparation and reviewing process of other new legal regulations of the Czech Republic and the EU as well as of follow-up documents (e.g. BREF documents). In 2014, the BREF document for refining of mineral gases and oils was finalized and the conclusions on BAT were issued in the form of a European Commission decision. At the same time, work on the BREF documents for large combustion facilities, large-volume organic chemicals and cleaning of waste water and gas continued.

Development of selected indicators of the environmental performance of Unipetrol Group

Carbon dioxide emissions based on the EU Emissions Trading System (EU ETS)

The commencement of the second trading period from 1 January 2008 was connected with stricter conditions for monitoring and reporting of greenhouse gas emissions after the end of certain exceptions valid in the first period. Within the new allocation plan issued within Government Decree No. 80/2008 for the trading period of 2008 - 2012, allowances were also issued to Unipetrol Group companies. The third trading period, which will last until 2020, began in 2013. The third trading period saw a significant increase in the number of monitored sources of CO_2 emissions and a change in the methods used to calculate, monitor and report the amount of CO_2 emissions. The calculation of freely allocated allowances also saw significant changes.

Allocation of allowances to Unipetrol Group companies based on the National Allocation Plan for 2005 - 2007 and 2008 - 2012, total allocation for 2013 - 2020 and actual CO_2 emissions between 2005 - 2014 (actual emissions - verified by an external company)

Allocation of allowances (ths units) Actual emissions (kt/y)	Unipetrol RPA	Česká rafinérská [1)]	Paramo	Unipetrol Group
Annual allocation based on NAP 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
Annual allocation based on NAP 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 for 2013-2020	**10,351** [2)]	**6,494**	**680**	**17,525**
2013: actual CO_2 emissions	3,062	772	47	3,881

2014: actual CO_2 emissions	3,138	877	37	4,052

[1)] 100% of Česká rafinérská.

[2)] 2013-2020 saw a significant increase of the number of sources of greenhouse gas emissions included in EU ETS. Allocation may change in the future due to changes in the operation of facilities.

Based on the verification of the annual reports for 2014, it can be said that the assigned amount of allowances per year in Unipetrol RPA covers ca 42% of its annual emissions. The deficit in the number of allowances in 2014 was partially covered by the remaining allowances from the previous period, while the remainder of the deficit was covered by usage of allocation of allowances for the next year.

Development of emissions of selected pollutants

Emissions of pollutants into the environment were stabilized over the past four years on the level achieved after the massive environmental investments implemented within the previous decade. The reduction of SO_2 emissions in Česká rafinérská and Unipetrol RPA in comparison with 2011 and 2012 was caused by carrying out extensive repairs of facilities for the production of liquefied sulphur and their subsequent problem-free operation.

Sulphur dioxide emissions in Group companies (t/year)

Year	2009	2010	2011	2012	2013	2014
Unipetrol Group	14,260	11,070	14,648	13,760	7,084	6 307

COD pollutant emissions in Group companies (t/year)

Year	2009	2010	2011	2012	2013	2014
Unipetrol Group	983	729	519	459	431	432

BOD pollutant emissions in Group companies (t/year)

Year	2009	2010	2011	2012	2013	2014
Unipetrol Group	220	175	112	107	90	73

Prevention of serious accidents in compliance with Act No. 59/2006 Coll.

In 2014, the companies within Unipetrol Group did not experience any accidents classified by Act No. 59/2006 Coll. as a serious accident. A fine of CZK 350 thousand was issued and paid in relation to an exceptional event caused by the overflowing of the VR10 tank with diesel on 17 October 2013 in Paramo. Within the integrated inspection as per Act No. 59/2006 Coll. on 5 and 6 November 2014, the inspecting body (Czech Environmental Inspectorate - CEI) was informed of the performance of the partial measures specified in the Final Report on the Occurrence of a Serious Accident. It was stated that the adopted measures were being implemented and that they were functional. At the same time, the joint protocol from the integrated protocol presented the disagreement of Paramo with the incorrect methodological assessment of the event which led to the classification of the event under the Act on Prevention of Serious Accidents.

Other operating accidents that occurred during the year were handled with our own resources or with the help of the company's fire-fighting and emergency forces, and were followed up by adequate reactions to remove their consequences and ensure that they are not repeated. The effects of minor operating accidents did not extend beyond the premises of the companies of the Group.

Mitigation of old environmental burdens

Based on the government decree of the Czech government on privatization, companies within Unipetrol Group have concluded with the Ministry of Finance of the Czech Republic the following contracts on the resolution of environmental obligations from before their privatization (the Environmental Contract):

UNIPETROL, a.s., (the successor of CHEMOPETROL Group, a.s.) concluded contract no. 14/94, as amended by amendment no. 3 of 25 January 2005; UNIPETROL, a.s., (successor of KAUČUK Group, a.s.) concluded contract no. 32/94, as amended by amendment no. 1 of 4 July 2001; PARAMO, a.s., concluded contract no. 39/94 as amended by amendment no. 2 of 4 July 2001 and contract no. 58/94 as amended by amendment no. 3 of 26 September 2008; BENZINA, s.r.o., concluded contract no. 184/97 as amended by amendment no. 7 of 18 January 2007.

Active sanitation work in the production facilities of Litvínov took place in 2014 in the form of sanitation of underground water and draining of underground drains. The construction of a sanitation drain continued in the areas of the former lagoons in Růžodol. Water from the sanitation system in the area of the former phenol production plant was drained. Preparation works and finalization of project documentation for the period until 2016 took place in the other areas of the Litvínov facility. Work on processing of the updated analysis of risks in the facility and its surroundings continued.

Protective redevelopment pumping of plume E continued in the Kralupy nad Vltavou facility. The feasibility study for sanitation work in the Kralupy facility was completed and approved. UNIPETROL, a.s. requested the CEI to issue a decision defining the conditions for the sanitation of the facility. Pre-sanitation monitoring of the effects of the landfill on underground and surface water continued at the Nelahozeves landfill. A tender for the sanitation of the Nelahozeves landfill was cancelled due to process errors.

The sanitation of underground water took place in Paramo (HS Pardubice facility), and the drainage of sanitation drains was carried out in U Trojice. The sanitation of the Nová Ves landfill was carried out, along with the protective sanitation drainage of the Časy landfill and the LIDL site. Sanitation of underground water took place in HS Kolín.

Maintenance sanitation work (protective sanitation drainage) took place in Benzina, specifically in the distribution warehouses of Nový Bohumín, Šumperk and Točník. Sanitation work is under way on the Čáslav filling station and in-site sanitation was completed on the Mikulov - Brněnská filling station. The physical part of sanitation work was completed in the filling stations of Tachov, Nová Ves, Frýdek-Místek – Beskydská and Zábřeh. The final inspection day will be announced soon, which will also include the completion of the final report for the CEI. Other sites are in the phases of survey completion, processing of sanitation projects, tenders for protective draining, monitoring or post-sanitation monitoring.

An overview of MF ČR financial guarantees and utilization of financial resources in Unipetrol Group (CZK million)

	Unipetrol Litvínov	Unipetrol Kralupy	Paramo Kolín	Paramo Pardubice	Benzina	Group total
MF ČR financial guarantee	6,012	4,244	1,907	1,241	1,349	**14,753**
Costs covered by MF ČR in 2014	180	2	34	21	13	**250**
Costs covered by MF since the start of the works	3,868	51	1,728	500	471 [1)]	**6,618**
Expected costs for future work	2,839	766	277	2,815	888	**7,585**
Total (estimated) remediation costs	**6,707**	**817**	**2,005**	**3,315**	**1,359**	**14,203**
Balance of MF's financial guarantees	-695	3,427	-99 [2)]	-2,073 [2)]	-10	**550**

[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 for environmental protection

Environmental investments

Environmental investments are defined as investment events directly caused by the requirements of legal regulations for the protection of the environment and which are closely related to the application of integrated prevention of pollution in practice. The following significant environmental investments were realized in Unipetrol Group in 2014:

Česká rafinérská

Česká rafinérská implemented environmental investment projects totalling CZK 177.1 million. These primarily include:

- Reconstruction of the wastewater treatment plant in Kralupy – in 2013, the execution of the project of the reconstruction of the wastewater treatment plant in Kralupy required in the valid IPPC began. The project is managed with the objective to secure the 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. The parts of the sewerage with the possible occurrence of MTBE were selected as preferential and they have been addressed first. This project has already been executed and completed. The second project which addresses the reconstruction of the remaining part of the sewerage is currently in the project documentation preparation stage. Its completion is planned for 2015.
- The project for the expansion of sanitation system at the tank farm in Jiřetín and the road terminal at the Litvínov refinery began in 2014. The completion of the project is planned in 2015.
- The reconstruction of the Visbreaker unit sewerage began in 2014. Its completion is planned for 2015.
- Modernization of the MEA system in Litvínov – the project for the modernization of the amine units purifying gases including regeneration has started. The main part of the project will be conducted during the planned turnaround in 2016.
- The project for the reconstruction of a gas boiler at the LPG warehouse in the Kralupy refinery was implemented.
- The preparation of a project for the reconstruction of a runoff system in the New Refinery Litvínov has been launched.

Unipetrol RPA

Unipetrol RPA realized investments projects in the area of environmental protection with a total cost of CZK 63.1 million. This includes especially:

- Segregation of waste water, 3rd and 4th stage
- Preparation of installation of DENOx technology at the T700 heating plant
- Redevelopment of sewage water system including shafts in the area of the steam cracker
- Securing of water engineering aspects in manipulation areas of the steam cracker
- Construction of a facility for the cleaning of tanks of the final mechanical cleaning station
- Replacement of filters on homogenization silos of the polypropylene production plant
- Procession of feasibility study for the reconstruction of the energy center of the steam cracker

A range of other measures with a positive impact on the environment was realized within the operating costs for facility maintenance.

Paramo

Paramo realized investments projects in the area of environmental protection with a total cost of CZK 9.8 million. This includes especially:

- Completion of redevelopment of the VR52 tank at the P02 unit (HS Pardubice),
- Change of solvent at the selective refining unit (HS Pardubice), from original cresol to the more environment-friendly N-Methyl 2-Pyrrolidon (compliance with BAT)

Benzina

Benzina realized projects in the area of environmental protection with a total cost of CZK 2.0 million. This includes especially:

- Replacement of unsatisfactory ORL within redevelopment of filling station 126 Dobřany.
- New connection of waste water systems into the public sewage water network at the filing stations Úvaly and Telč.
- Replacement of old single-coating piping by dual-coating piping with continuous indication of the inter-case at the filling stations Pelhřimov, Nová Paka, Písek and Stará Ves nad Ondřejnicí.

- Continuation of the project for the change of the method used to remove rainwater, in various phases of realization ranging from feasibility studies to commencement of construction processes. This project includes 50 Benzina filling stations.

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

Year	2009	2010	2011	2012	2013	2014
Unipetrol Group	200	153	281	213	117	252

Environmental operating costs

Costs associated with the operation of facilities for the protection of air purity, cleaning of waste water, waste management, operation of environmental management systems, monitoring of substances released into the environment, assessment of environmental impacts (EIA process), integrated prevention of pollution and other related environmental activities are all jointly referred to as environmental operating costs.

The development of environmental operating costs in 2009 - 2014 is provided in the following overview.

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

Year	2009	2010	2011	2012	2013	2014
Unipetrol Group	808	902	841	734	679	617

Total environmental costs

Total environmental costs in Unipetrol Group include costs for environmental investments, operating costs for environmental protection, costs for the sanitation of old environmental damages as well as fees for air pollution, discharge of waste water, storage of waste on landfills, creation of reserves for recultivation of landfills and compensation for imission damage to forests.

The development of total environmental costs in 2009 - 2014 is provided in the following overview.

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

Year	2009	2010	2011	2012	2013	2014
Unipetrol Group	1,538	1,820	1,576	1,434	1,317	1,163

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

The Responsible Care program (hereinafter RC) is a voluntary global initiative of the chemical industry that focuses on supporting its sustainable development through increasing the security of operated facilities, transportation of products, improved protection of human health and the environment. The program represents a long-term strategy coordinated by the International Council of Chemical Associations (ICCA) and in Europe by the European Chemical Industry Council (CEFIC). The contribution of the RC program to sustainable development was awarded the U.N. Environment Award on the international summit in Johannesburg.

The national version of the RC program is called Responsible Business in Chemistry (Odpovědné podnikání v chemii). It was officially announced in October 1994 by the Ministry of Industry and Trade and the President of the Association of Chemical Industry of the Czech Republic (SCHP ČR), and complies with the conditions of the Responsible Care Global Charter since 2008.

In 2014, the right to use the logo of the Responsible Care program was once again granted to UNIPETROL, a.s., UNIPETROL RPA, s.r.o., UNIPETROL DOPRAVA, s.r.o., and for the first time also to UNIPETROL SERVICES, s.r.o. based on successful defense proceedings. Česká rafinérská, a.s. and PARAMO, a.s. continue to adhere to the principles of the program, but do not utilize the right to use the RC logo since they are no longer members of SCHP ČR.

Detailed information on the achieved results in the area of environmental protection is available in a separate "Joint report on work safety, the protection of health and environmental protection in Unipetrol Group" and on the company's website www.unipetrol.cz.

Structure of the Group

UNIPETROL, a.s. is the parent 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 2014	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") are 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 6 refineries: 3 in Poland (Płock, Trzebinia, and Jedlicze), 2 in the Czech Republic (Litvínov and Kralupy) and 1 in Lithuania (Mazeikiu). The integrated refinery and petrochemical complex in Płock is among the most advanced European operations of this type. 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.

In 2014 PKN ORLEN made consistent progress on its development projects in the upstream and power segments. In December 2014, PKN launched the construction of a 596 MWe CCGT unit in Płock by signing a turn-key delivery contract. The project is planned to come on stream at the end of 2017 and is expected to be an important contributor to the downstream segment's operational excellence. During 2014 PKN ORLEN proceeded on schedule with the construction of a 463 MWe unit in Włocławek. Start-up of production is planned at the end of 2015. In 2014 in the upstream segment PKN ORLEN acquired new production assets in Canada - Birchill Exploration LP. Through consistent development of its presence on the Canadian market, PKN ORLEN increased its aggregate oil and gas reserves in Canada to ca. 49.5 mboe (2P) as at the end of 2014.

PKN ORLEN S.A.

PKN ORLEN S.A. is the parent 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 2014

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 15 May 2014.

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 2013, item 1,382) 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
ORLEN Asfalt Sp. z o.o.	Płock	Poland	100.00%	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

The main operations of ORLEN Lietuva are crude oil processing, production of refining products and wholesale of company's products on the local market as well as inland export and seaborne though seacoast terminal Klajpedos Nafta.

In July 2014 PKN ORLEN acquired AB VENTUS Nafta (which was in ORLEN Lietuva Group), which operates in retail sales on the Lithuanian market.

ANWIL S.A.

ANWIL Group is a producer of nitrogen fertilizers, plastics (PVC, PVC granules and PVC sheets) and chemicals for manufacturing industry and for agriculture (ammonium, chlorine, nitric acid, industrial salt and caustic soda).

ORLEN Asfalt Sp. z o.o.

Operations of ORLEN Asfalt Sp. z o.o. are: production and sales of road asphalt, modified, multi-type, industrial and asphalt specifics.

ORLEN Deutschland GmbH

ORLEN Deutschland GmbH conducts mainly retail sales and wholesales of fuels in Germany.

ORLEN GAZ Sp. z o.o.

ORLEN GAZ Sp. z o.o. is operating in the wholesales of liquid petroleum gas (LPG), specializes in distribution of gas cylinders and realization of installations for liquid gas.

ORLEN Paliwa Sp. z o.o.

ORLEN Paliwa Sp. z o.o. is the market operator dealing with bulk liquid fuel sales produced by PKN ORLEN.

ORLEN PetroTank Sp. z o.o.

ORLEN PetroTank Sp. z o.o. provides wholesale distribution and sales of liquid fuels, warehousing services for PKN ORLEN and logistic services.

Rafineria Trzebinia S.A.

The business activity of the company composes of: crude oil processing, production and sales of biofuels and oils, logistic and warehousing services.

In December 2014 Extraordinary General Meeting of Rafineria Trzebinia S.A. and Rafineria Nafty Jedlicze S.A. decided to merge the companies. On 5 January 2015 merge of the companies was registered by a court. The new company changed the name to ORLEN Południe S.A.

Unipetrol Group

Unipetrol Group consists of companies operating in the refinery processing of crude oil, in the petrochemical industry, and in fuels distribution. In 2014 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 2014, 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 GmbH, in liquidation. It was also the majority shareholder of ČESKÁ RAFINÉRSKÁ, a.s. with 67.555% stake.

The Group also included companies in which its subsidiaries were the sole or majority owners. As of 31 December 2014 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.

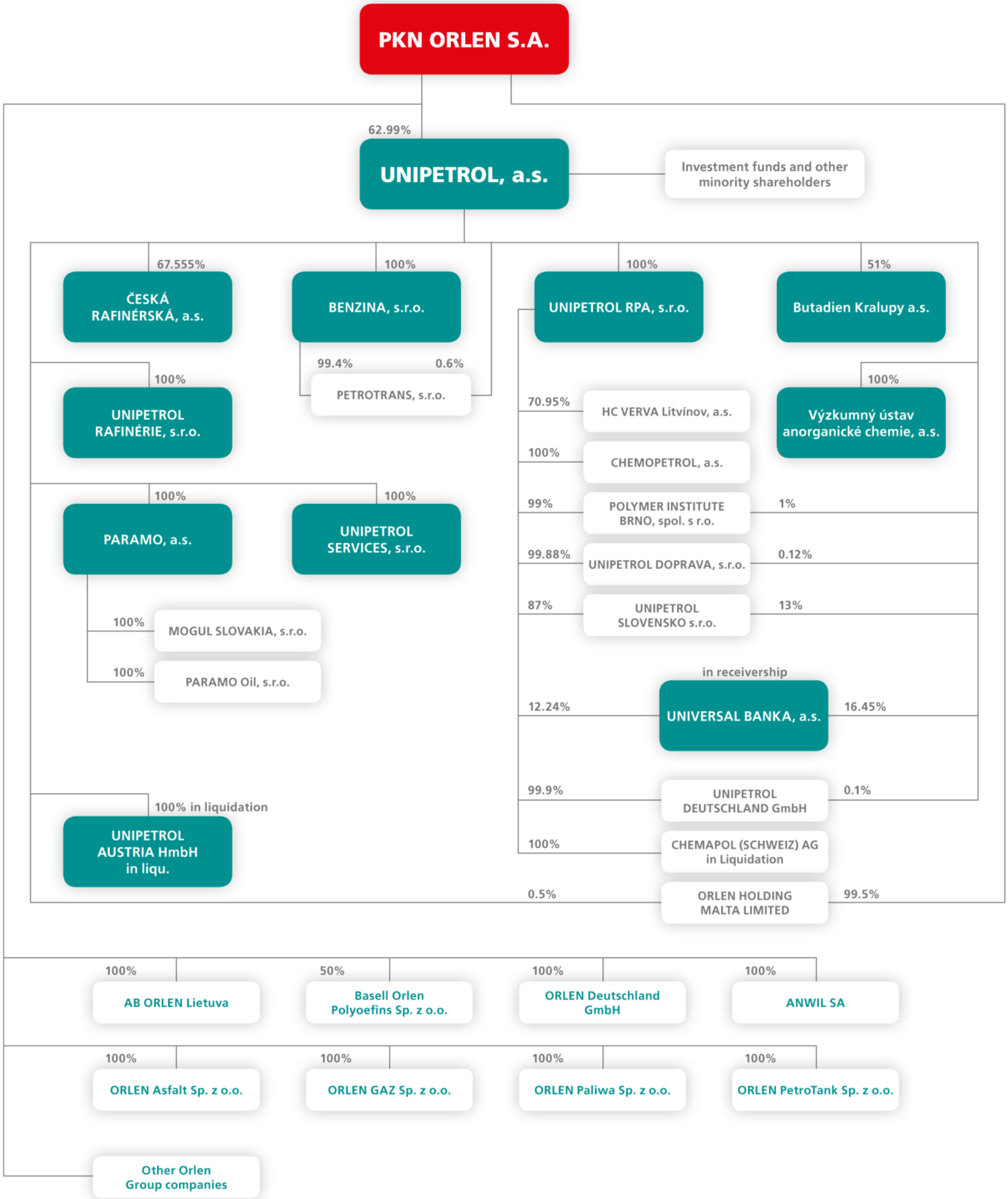
Other selected companies of the ORLEN Group

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
ORLEN Południe S.A.[1)]	crude processing, production and marketing of fuels
Inowrocławskie Kopalnie Soli SOLINO S.A.	oil and fuels warehousing, packaging of salt and salt products, brine extraction
Trading companies	
Petrolot 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

[1)] ORLEN Południe S.A. was established due to merger of Rafineria Nafty Jedlicze S.A. and Rafineria Trzebinia S.A.

Structure of the Group

As of the Annual Report approval date:



Ownership interests

Changes in ownership interests of Unipetrol Group

Ownership interests of parent company UNIPETROL, a.s.

On 6 August 2014, UNIPETROL, a.s. ("Unipetrol") signed a share purchase agreement (SPA) with Eni International B.V., ("Eni") regarding Eni's 32.445% ownership interest on the share capital of ČESKÁ RAFINÉRSKÁ, a.s. ("Česká rafinérská").

The liquidation process of UNIPETROL AUSTRIA GmbH is ongoing.

There were no other changes during 2014 and during 2015 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 2014 and during 2015 till the Annual Report approval date on 24 March 2015.

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 2014 and during 2015 till the Annual Report approval date on 24 March 2015.

Ownership interests held by UNIPETROL, a.s. as of 31 December 2014

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, Svítkov Přerovská 560	48173355	CZK 2,036,078,000	100.00
ČESKÁ RAFINÉRSKÁ, a.s.	Litvínov, Záluží 2	62741772	CZK 9,348,240,000	67.555
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 GmbH, 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 2014 and 24 March 2015: 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 a steam cracker, 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 the ownership rights of UNIPETROL, a.s., with a specific focus on the requirements of the downstream production processes in 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 (PP, HDPE).

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 and 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)	2014	2013	2012 [2)]	2011	2010
Total assets	36,839,738	35,111,715	34,594,261	36,233,751	35,666,150
Equity	8,923,348	6,352,795	8,066,486	7,713,879	12,564,248
Registered capital	11,147,964	11,147,964	11,147,964	11,147,964	11,147,964
Liabilities	27,916,390	28,758,920	26,527,775	28,519,871	23,101,901
Total revenues	115,784,644	91,177,542	99,205,899	91,768,413	78,640,994
Operating profit / (loss)	1,923,628	(1,689,361)	(361,396)	(4,734,976)	563,583
Profit before tax	1,811,678	(1,667,932)	(423,155)	(4,991,055)	290,075
Profit for the accounting period	1,847,933	(1,538,452)	280,319	(4,788,086)	242,716

[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 2014 and 24 March 2015: 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)	2014	2013	2012	2011	2010
Total assets	6,079,132	6,040,761	6,573,407	6,836,877	6,694,078
Equity	3,442,606	3,164,703	3,168,229	3,226,785	3,113,757
Registered capital	1,860,779	1,860,779	1,860,779	1,860,779	1,860,779
Liabilities	2,636,526	2,876,058	3,405,178	3,610,092	3,580,321
Total revenues [2)]	11,263,960	10,543,572	10,445,125	9,892,207	8,624,493
Operating profit / (loss)	324,517	142,452	130,013	292,960	483,265
Profit before tax	328,731	(11,044)	(36,256)	127,976	312,188
Profit for the accounting period	277,906	(3,515)	1,278	113,028	263,501

[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 2014:

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

Ownership structure as of 24 March 2015:

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)	2014	2013	2012	2011	2010
Total assets	9,267,190	15,628,933	16,541,481	24,146,521	25,189,572
Equity	4,056,052	9,558,379	10,733,316	17,054,888	18,216,007
Registered capital	9,348,240	9,348,240	9,348,240	9,348,240	9,348,240
Liabilities	5,211,138	6,070,553	5,808,166	7,091,632	6,973,564
Total revenues	9,131,850	8,834,447	9,711,405	9,051,131	9,731,963
Operating profit / (loss)	(6,165,710)	748,240	(7,470,600)	273,994	528,331
Profit before tax	(6,165,040)	754,045	(7,449,411)	293,324	551,150
Profit for the accounting period	(4,998,903)	625,067	(6,046,688)	238,892	436,654

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, Svítkov, 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 2014 and 24 March 2015: 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 the Pardubice refinery. Paramo focuses on oils business, production of special bitumen and bitumen products after the 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 the 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 its 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)	2014	2013	2012	2011	2010
Total assets	1,446,947	1,502,250	1,264,618	2,430,892	4,730,104
Equity	156,746	368,490	(139,906)	445,497	2,116,805
Registered capital	2,036,078	2,036,078	1,330,078	1,330,078	1,330,078
Liabilities	1,290,201	1,133,760	1,404,524	1,985,395	2,613,300
Total revenues	3,247,132	2,988,433	5,494,934	11,816,243	11,417,414
Operating profit / (loss)	(205,621)	(195,354)	(384,239)	(1,962,263)	(174,471)
Profit before tax	(211,618)	(192,807)	(287,462)	(1,978,497)	(198,978)
Profit for the accounting period	(211,618)	(197,542)	(585,403)	(1,671,307)	(161,987)

[1)] Unconsolidated under IFRS

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 2014 include, without limitation, the following laws, and the company's Articles of Association as amended:

- Act No. 90/2012 on Trading Companies and Co-operatives (on Business Corporations)
- Act No. 455/1991, the Trade Licensing Act
- Act No. 563/1991 on Accounting
- Act No. 256/2004 on Business on the Capital Market
- Act No. 89/2012, 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
- Act No. 304/2013 on Public Registers of Legal Entities and Individuals
- Articles of Association of UNIPETROL, a.s.

Major agreements

Companies of 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 2014 is shown in the following tables:

BENZINA, s.r.o.

Company	Sale/purchase/other	Subject matter
Česká pošta Security, s.r.o.	Framework agreement	Goods distribution through ČS EUROOIL, OMV and BENZINA

PARAMO, a.s.

Company	Sale/purchase/other	Subject matter
ADRALES s.r.o.	Purchase agreement	Property sale
České dráhy, a.s.	Purchase agreement	Lubricant supplies
BCH Solutions Limited	Framework purchase agreement	Oils and lubricant supplies
ČEZ, a.s.	Sale agreement	Bitumen supplies
LTD, VibroSpetzTechnika	Framework purchase agreement	Oil supplies
REPARE TRUTNOV s.r.o.	Framework purchase agreement	Cationic emulsion supplies
APT - CZ s.r.o.	Framework purchase agreement	Cationic emulsion supplies
ORLEN OIL Sp. z.o.o.	Purchase agreement	Fats supplies
Správa a údržba silnic Plzeňského kraje	Framework purchase agreement	Cationic emulsion supplies
Silnice LK a.s.	Sale agreement	Bitumen emulsion supplies
Správa a údržba silnic Královéhradeckého kraje	Purchase agreement	Katebit supplies
Krajská správa a údržba silnic Vysočina, příspěvková organizace	Purchase agreement	Liguafalt supplies
OMA CZ, a.s.	Framework purchase agreement	Bitumen product supplies
ČNES dopravní stavby, a.s.	Framework purchase agreement	Emulsion supplies
KOVOMONT s.r.o.	Contract for work	Connection to terminal

UNIPETROL DOPRAVA, s.r.o.

Company	Sale/purchase/other	Subject matter
Česká pojišťovna a.s.	Insurance policy	Insurance policy no. 23537711-28 – Collective liability insurance (liability insurance for professional indemnity).
ČESKÁ RAFINÉRSKÁ, a.s.	Agreement on the shipping	Addendum no. 29 – Agreement on the shipping of goods from 1.1.2002 – a list of leased railway cars for 1.1.- 31.3.2014.
ČESKÁ RAFINÉRSKÁ, a.s.	Agreement on the shipping	Addendum no. 30 – Agreement on the shipping of goods from 1.1.2002 – transport and delivery charges for 1.1.- 31.3.2014.
ČESKÁ RAFINÉRSKÁ, a.s.	Agreement on the shipping	Addendum no. 31 – Agreement on the shipping of goods from 1.1.2002 – short-term lease of 30 railway cars for HFO.
QBE INSURANCE (EUROPE) LIMITED, branch	Insurance policy	Insurance policy no. 7-863-000435/14. 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, and net financial loss.
ČESKÁ RAFINÉRSKÁ, a.s.	Agreement on the shipping	Addendum no. 32 – Agreement on the shipping of goods from 1.1.2002 – a list of leased railway cars for 1.4.- 31.3.2014.
UNIPETROL SERVICES, s.r.o.	Service contract (SLA)	Addendum no. 13 – Service contract – SLA – an update of annexes and determination of annual budgeted fee for 2014. Price reduction of CZK 1.662 m/year.
DOSTAV Praha, a.s.	A property lease agreement	Addendum no. 5 – Agreement on property lease no. 2/02/056 – contract extension till 31.12.2020.
Česká pojišťovna a.s.	Insurance policy	Insurance policy no. 899-20504-14 – Liability insurance for damage caused by the operation of railway transportation of goods.

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 a.s.	Sale agreement	Sale of ammonia
Synthos S.A.	Sale agreement	Sale and supplies of benzene
Synthos S.A.	Sale agreement	Sale and supplies of ethylene
Lovochemie, a.s.	Sale agreement	Sale of ammonia
Momentive Specialty Chemicals, a.s.	Sale agreement	Sale of propylene
Spolana a.s.	Sale agreement	Sale of ethylene
Grupa Azoty (ZAK) S.A.	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

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
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
AVIA Diesel Kft.	Sale agreement	Sale of motor fuels
Auchan Magyarország Kft.	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)	2014 Consolidated	2014 Non-consolidated
Audit fees [1)]	6,726	855
Fees for consulting services and translation [1)]	0	0

[1)] Without VAT.

Auditor for 2014

Name:	KPMG Česká republika Audit, s.r.o.
Partner:	Karel Růžička
License 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 the General Meetings. Shareholders are entitled to take part in the General Meetings, vote at the 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 2014, 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. The employees demanded reward of approx. CZK 1.8 million. UNIPETROL RPA, s.r.o. as the defendant did not agree and offered the reward amounting to approx. CZK 1.4 million, based on experts' valuations. In 2005 the 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. The trial was not completed yet.

An experts' valuation ordered by the court confirmed the amount of the reward payable to the employees in the amount of CZK 1,603,991. 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. In 2014, the courts were dealing with the municipal jurisdiction in order to decide the dispute, and the decision was that the competent court to decide was the District Court in Ostrava. Furthermore, proceedings took place before the District Court in Ostrava during which the court addressed the question of the authenticity of a claim of UNIPETROL RPA, s.r.o. against the company I.P. – 95, s.r.o. The District Court in Ostrava found for UNIPETROL RPA, s.r.o. (which proved that the claim of UNIPETROL RPA, s.r.o. against the company I.P. 95, s.r.o. had already existed at the time of the first request for the opening of insolvency proceedings against the company I.P. – 95, s.r.o.).

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.

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.

On 18 November 2014 UNIPETROL RPA, s.r.o. and SDP Logistics sklady, a.s. concluded a settlement agreement under which the blocked goods were released while all petitions filed were withdrawn.

The request of minority shareholders against UNIPETROL, a.s. and PARAMO, a.s. for a review of the inadequacy of consideration in connection with squeeze out of PARAMO, a.s. shares.

On 1 January 2009, UNIPETROL a.s. effected a squeeze out of PARAMO, a.s. shares (i.e. the statutory squeeze-out of minority shareholders) pursuant to § 183i of the Commercial Code and hereby became the sole owner 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 mentioned 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 has been transferred to the Company on 4 March 2009 upon expiration of one month from the above mentioned publication and UNIPETROL, a.s. gained the title of ownership to the remaining shares.

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 the compensation within the meaning of the Czech Commercial Code. The case was assigned to the Municipal Court in Prague. The plaintiffs appealed against this decision and filed a constitutional complaint to the Constitutional Court of the Czech Republic for the violation of their right to the particular judge. The Czech Constitutional Court returned the case to the High Court in Prague for reconsideration of the case. The court case concerning minority shareholders claim for a review of the inadequacy of consideration is currently being heard by the Regional Court in Hradec Králové.

Furthermore some former minority shareholders of PARAMO, a.s. requested the Regional Court in Hradec Králové to declare the nullity 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. General Meeting, the Regional Court in Hradec Králové (branch in Pardubice) on 2 February 2010 decided in behalf (favour) of PARAMO, a.s. and rejected the minority shareholders' petition for declaration of nullity of the PARAMO, a.s. General Meeting resolution.

The minority shareholders filed an appeal against the decision of the Regional Court in Hradec Králové on 2 March 2010. The High Court in Prague with its decision from 26 January 2012 confirmed the decision of the Regional Court in Hradec Králové by which this court rejected the petition of minority shareholders concerning the nullity of General Meeting resolution. Some of minority shareholders filed an appeal against the decision of the Regional Court in Hradec Králové to 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 rejected by the District Court for Prague 4 in favour of the Czech National Bank and UNIPETROL, a.s. The plaintiffs appealed against this decision to the Municipal Court in Prague, and this proceeding is still running.

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.

By the resolution of the Supreme Court dated 19 December 2013 was rejected a plaint of minority shareholders for the nullity of general meeting resolution. Another legal appeal against this resolution is not possible.

In the context of ongoing proceedings for the inadequacy of consideration, the court ordered the preparation of a third expert opinion carried out by the Institute of Property Valuation at the Faculty of Economics VSB - Technical University of Ostrava that valuated by an expert opinion also PARAMO, a.s. shares as follows:

a) 1,161.52 CZK - price per 1 share on the date 6 January 2009 (the date of the General Meeting of PARAMO, a.s., where the statutory squeeze-out of minority shareholders was approved);

b) 1,1471.57 CZK - the price per 1 share on the date 4 March 2009 (the date when the shares of minority shareholders of PARAMO, a.s. were transferred to the company UNIPETROL, a.s.).

The price per share according to the most recent valuation is higher than CZK 977 per share, as it was originally paid by UNIPETROL, a.s. at the statutory squeeze-out of minority shareholders.

UNIPETROL, a.s. commissioned the company PricewaterhouseCoopers (PwC) to appreciate the PARAMO shares to the date 6 January 2009 and 4 March 2009 (i.e. to the dates of valuation by an expert opinion). The results of valuation of shares carried out by PwC are as follows:

a) CZK 937 price per share on the date 6 January 2009

b) CZK 888 per share on the date 4 March 2009

On 3 November 2014 UNIPETROL, a.s. submitted to the court the above valuation of shares carried out by PwC and also its objections to the manner and methodology of valuation of shares.

The Court held a hearing on 26 February 2015. Next hearing is expected to be scheduled for end of April 2015.

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 a protection against unlawful intervention

At its hearing on 16 October 2013 the Regional Court in Ústí nad Labem decided to partly dismiss the UNIPETROL RPA, s.r.o. complaint for a protection against unlawful intervention during the first instance tax proceedings carried out by the Tax Authority in Litvínov in 2010. The court decided that the appellate tax proceedings carried out by the Tax Directorate in Ústí 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 the Regional Court in Ústí nad Labem stating that the appellate tax proceedings carried out by the Tax Directorate in Ústí 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.

UNIPETROL RPA, s.r.o. filed a constitutional appeal against the judgment of the Czech High Administration Court in which it sought confirmation that its right to a fair trial was violated by the decision of the Czech High Administration Court. On the 16 October 2014 the Constitutional Court of the Czech Republic rejected the constitutional appeal filed by UNIPETROL RPA, s.r.o.

Following the decision of the Constitutional Court of the Czech Republic, the Regional Court in Ústí nad Labem by the judgement on 8 December 2014 rejected the complaint for a protection against unlawful intervention.

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

At oral hearing on 11 December 2013 the Regional Court in Ústí nad Labem decided to decline both (i) the decision of the Tax Authority in Litvínov issued in 2010 on the tax corporate income obligation of UNIPETROL RPA, s.r.o. of approximately CZK 325 million, and (ii) the decision of the Tax Directorate in Ústí nad Labem (in position as appellate authority) on the UNIPETROL RPA, s.r.o. appeal against the decision of the Tax Authority 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 Ústí nad Labem and requested the court to decline both tax decision of the both tax authorities due to these being null and therefore non-existing. The declaration of the decision null and non-existing would enhance UNIPETROL RPA, s.r.o. position towards the tax authorities.

The Czech High Administration Court by its decision on 19 March 2014 decided on the cassation appeals of both parties. The Czech High Administration Court dismissed the judgement of the Regional Court in Ústí nad Labem from 11 December 2013 and returned it to the Regional Court in Ústí nad Labem for further procedure. The Czech High Administration Court also dismissed the cassation appeal of Unipetrol RPA, s.r.o.

Information on the interruption of business

The issuer did not interrupt its business in 2014.

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 25 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), J&T Group[1] with ownership interest of 23.70% and Poštová banka, a.s. (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.

Unipetrol was informed that as of 18 March 2014 PAULININO LIMITED increased its share in the total number of votes at the Shareholders' Meeting of UNIPETROL, a.s. from 0.00% to 23.70%. From these votes, 7.81% votes were held directly by PAULININO LIMITED and 15.89% votes were counted in accordance with § 122 Act on Business Activities on the Capital Market, no. 256/2004 Coll.

Unipetrol was informed that as of 19 March 2014 PAULININO LIMITED increased its share of votes held directly at the Shareholders' Meeting of UNIPETROL, a.s. from 7.81% to 17.97% and decreased its share of votes counted in accordance with § 122 Act on Business Activities on the Capital Market, no. 256/2004 Coll. from 15.89% to 5.73%. The total number of votes at the Shareholder's Meeting of UNIPETROL, a.s. held by PAULININO LIMITED remained unchanged.

Unipetrol was informed that as of 19 March 2014 the company NEEVAS INVESTMENT LIMITED decreased its share in the total number of votes at the Shareholders' Meeting of UNIPETROL, a.s. from 6.19% to 1.69%.[2]

Until the end of 2014 and during 2015 up to the Annual Report closing date, Unipetrol was not informed about any other change of stake in the share capital.

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 2014

The General Meeting of UNIPETROL, a.s. held on 26 May 2014 decided pursuant to item 14 of the agenda pursuant to Article 12 (2) (a) of the Articles of Association on the changes to the Articles of the Association. New version of the Articles of Association is shown in Appendix 1 of the text part of this annual report.

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,

[1] As of 19 March 2014 (last available data) - According to notification received on 31 March 2014 J&T Group holds 23.70% share of votes through following companies: PAULININO LIMITED, EGNARO INVESTMENTS LIMITED, LEVOS LIMITED, LCE COMPANY LIMITED, NEEVAS INVESTMENT LIMITED, UPRECHT INVESTMENT LIMITED, MUSTAND INVESTMENT LIMITED.

[2] For more on the announcements listed above see regulatory announcement no. 9/2014 available on Unipetrol's website: http://www.unipetrol.cz/en/InvestorRelations/RegulatoryAnnouncements/Pages/Change-in-share-of-voting-rights-of-UNIPETROL.aspx

- arranging of financing and development of financing systems in the companies within the concern,
- development of human resources and a system of human resource management in the companies within the concern,
- administration, acquisition of and disposal with ownership interests and other assets of the Company, in particular:
  (i) establishing of business corporations, participation in their foundation and other acquisitions of ownership interests in business of other legal entities,
  (ii) exercising of shareholder’s and similar rights within directly or indirectly controlled companies,
  (iii) renting of real estate and provision of basic services for due functioning of real estate.

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

- Provision of services in the field of occupational health and safety
- Manufacture, trade and services not specified in the annexes 1 – 3 of the Trade Licensing Act

Object of business as per the current Certificate of Incorporation:

- Provision of services in the field of occupational health and safety
- Manufacture, trade and services not specified in the annexes 1 – 3 of the Trade Licensing Act

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 2014 (in millions of CZK) is as follows:

Share capital	18,133
Statutory reserves	1,719
Revaluation reserve	503
Retained earnings	6,331
Total equity	26,686

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%,
- J&T Group[3] - shareholding (direct or indirect) in the amount of 23.70%.

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.

Unipetrol was informed that as of 18 March 2014 PAULININO LIMITED increased its share in the total number of votes at the Shareholders' Meeting of UNIPETROL, a.s. from 0.00% to 23.70%. From these votes, 7.81% votes were held directly by PAULININO LIMITED and 15.89% votes were counted in accordance with § 122 Act on Business Activities on the Capital Market, no. 256/2004 Coll.

Unipetrol was informed that as of 19 March 2014 PAULININO LIMITED increased its share of votes held directly at the Shareholders' Meeting of UNIPETROL, a.s. from 7.81% to 17.97% and decreased its share of votes counted in accordance with § 122 Act on Business Activities on the Capital Market, no. 256/2004 Coll. from 15.89% to 5.73%. The total number of votes at the Shareholder's Meeting of UNIPETROL, a.s. held by PAULININO LIMITED remained unchanged.

Unipetrol was informed that as of 19 March 2014 the company NEEVAS INVESTMENT LIMITED decreased its share in the total number of votes at the Shareholders' Meeting of UNIPETROL, a.s. from 6.19% to 1.69%.[4]

Until the end of 2014 and during 2015 up to the Annual Report closing date, Unipetrol was not informed about any other change of stake in the share capital.

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[3] As of 19 March 2014 (last available data) - According to notification received on 31 March 2014 J&T Group holds 23.70% share of votes through following companies: PAULININO LIMITED, EGNARO INVESTMENTS LIMITED, LEVOS LIMITED, LCE COMPANY LIMITED, NEEVAS INVESTMENT LIMITED, UPRECHT INVESTMENT LIMITED, MUSTAND INVESTMENT LIMITED.

[4] For more on the announcements listed above see regulatory announcement no. 9/2014 available on Unipetrol's website: http://www.unipetrol.cz/en/InvestorRelations/RegulatoryAnnouncements/Pages/Change-in-share-of-voting-rights-of-UNIPETROL.aspx

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 the 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. 12–14 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. 15–17 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 2014):

ad a) Krystian Pater (chairman), Bogdan Dzudzewicz (vice-chairman), Zdeněk Černý, Rafał Sekuła

ad b) Sławomir Robert Jędrzejczyk (chairman), Ivan Kočárník, Piotr Kearney, Piotr Chełmiński (vice-chairman)

The position, remit, composition, decision-making and also the procedural rules of the Supervisory Board's Committees are contained in art. 16–17 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 VII. 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. 8–11 of the company's Articles of Association.

Information about corporate governance codes

The governance and management of 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 Unipetrol Group.

In 2014 the Internal Audit Department performed audits in the following areas in accordance with the plan approved by the Board of Directors and Audit Committee of UNIPETROL, a.s.:

- Quality management
- Maintenance management
- Safety of work
- Spare parts management
- Sale of heavy fuel oils
- Fuel stations management
- Hedging of crude oil prices
- Procurement
- Human resources (HR)

ARTICLES OF ASSOCIATION

U N I P E T R O L, a. s.

I.
G e n e r a l p r o v i s i o n s

1.
Business name and registered office

1.1 UNIPETROL, a.s. (the "Company") is a business corporation established in the form of joint-stock company.

1.2 The business name of the Company is:

UNIPETROL, a.s.

1.3 The registered office of the Company is Prague.

2.
Scope of Company´s Business

2.1 The scope of business of the Company is as follows:

- Provision of services in the field of occupational health and safety
- Manufacture, trade and services not specified in the annexes 1 – 3 of the Trade Licensing Act

2.2 The fundamental mission of the Company is as follows:

- strategic management of development for group of companies directly or indirectly controlled by the Company
- coordination and procurement of matters of common interest of group of companies directly or indirectly controlled by the Company
- arranging of financing and development of financing systems in companies within the holding
- development of human resources and systems of human resources development in companies within the holding
- administration, acquisition of and disposal with ownership interests and other assets of the Company, in particular:
  (i) establishing of business corporations, participation in their foundation and other acquisitions of ownership interests in business of other legal entities,
  (ii) exercising of shareholder´s and similar rights within directly or indirectly controlled companies,
  (iii) renting of real estate and provision of basic services for due functioning of real estate.

3.
Acting on behalf of the Company

3.1 The Company´s Board of Directors acts on behalf of the Company in all matters, provided that the Board of Directors shall always act through two of its members together while one of them shall be the chairman or the vice-chairman of the Board of Directors. Signing on behalf of the Company shall be performed in such way that the members of the Board of Directors authorized to act on behalf of the Company attach their signatures to the business name of the Company.

II.
R e g i s t e r e d c a p i t a l a n d s h a r e s o f t h e C o m p a n y

4.
Registered capital of the Company

4.1 Registered capital of the Company is CZK 18,133,476,400 (in words: eighteen billion one hundred and thirty three million four hundred and seventy six thousand four hundred Czech crowns).

5.
Shares of the Company

5.1 The registered capital of the Company is divided into 181.334.764 (in words: one hundred and eighty one million three hundred and thirty four thousand seven hundred and sixty four) common shares, each having the same nominal value of CZK 100. All Company´s shares are bearer shares.

5.2 The shares have been issued as book-entered shares and have been admitted to trading on a regulated market.

6.
Rights and obligations of shareholders

6.1 The shareholder is entitled to participate, pursuant to the law and the Articles of Association of the Company, in the management and profits thereof and in the liquidation balance if the Company is wound up with liquidation.

6.2 The shareholder is entitled to attend the General Meeting and vote there. The shareholder is entitled to request and receive from the Company at the General Meeting explanation to matters pertaining to the Company or the persons controlled by it if such explanation is necessary in order to consider the contents of the matters included in the agenda of the General Meeting or to exercise his/her/its shareholder rights at the General Meeting. The explanation of the matters pertaining to the current General Meeting shall be provided to the shareholder by the Company directly at the General Meeting. If this is not possible due to the complexity of the explanation the Company shall provide it to the shareholders within 15 days of the date of the General Meeting, even if it is no longer necessary in order to consider the contents of the matters included in the agenda of the General Meeting or to exercise the shareholder rights at the General Meeting. The information included in the explanation must be unambiguous and must provide adequate and true picture of the facts asked about. The explanation may be provided in the form of an aggregate answer to multiple questions with similar content. A shareholder shall be deemed to have received the explanation also when the information was published on the Company's website no later than the day preceding the date of the General Meeting and is available to the shareholders at the place of the General Meeting. The Board of Directors or the person convening the General Meeting may refuse to provide the explanation or any part thereof if (i) the provision of the explanation may cause harm to the Company or persons controlled by the Company; (ii) it involves inside information or classified information pursuant to applicable legal regulation, or (iii) the requested explanation is publicly available. Fulfillment of the conditions for refusal to provide explanation shall be assessed by the Board of Directors which shall communicate the reasons to the shareholder. The communication of the refusal to provide explanation shall be included in the minutes from the General Meeting. In the case of a refusal to provide explanation, the shareholder may proceed according to Section 360 (2) and (3) of the Act on Corporations.

6.3 The shareholder is entitled to make proposals and counterproposals on the matters included in the agenda of the General Meeting. If a shareholder intends to make a counterproposal on the matters included in the agenda of the General Meeting he/she/it shall deliver it to the Company within a reasonable time period prior to the date of the General Meeting; this shall not apply if it concerns proposals of certain persons for membership in the Company's bodies. Details shall be governed by Sections 361 through 364 of the Act on Corporations.

6.4 The rights of qualified shareholders are regulated in Sections 365 through 374 of the Act on Corporations.

6.5 The shareholder is entitled to the share in the Company's profits, which have been approved by the General Meeting to be distributed among the shareholders. This share in profits shall be determined according to the shareholder's share in the registered capital. The decisive date for exercising the right to the share in profits shall be the decisive date for participation at the General Meeting, which decided on the payment of the share in profits. The Company shall pay the share in profits, at its own cost and risk, in the manner determined by the General Meeting.; details of manner of payment of the share in profits determined by the General meeting shall be set forth by the Board of Directors in accordance with generally binding legal regulations.

6.6 Upon winding-up of the Company with liquidation, every shareholder is entitled to a share in the liquidation balance. The entitlement to the share in the liquidation balance arises as of the date of cancellation of the Company's shares registered in the registry of book-entered shares of central depository based on the liquidator's instruction.

6.7 In addition to other obligations, the shareholder is obliged to:

a) pay within the set period and in duly manner the issue price of the shares subscribed by him/her/it; and
b) comply with the Articles of Association of the Company.

III.
C o m p a n y ´s o r g a n i z a t i o n

7.
Structure of the Company

7.1 The Company establishes a dualistic system of its internal structure.

7.2 The Company´s bodies are:

a) the General Meeting
b) the Board of Directors
c) the Supervisory Board
d) the Audit Committee

IV.
G e n e r a l M e e t i n g

8.
Status and powers of the General Meeting

8.1 The General Meeting is the supreme body of the Company.

8.2 The powers of the General Meeting include the following:

a) deciding on amendments of the Articles of Association, unless such change results from an increase in the registered capital by the authorized Board of Directors or such change is made by virtue of other legal facts;
b) deciding on changes of the amount of the registered capital and authorization of the Board of Directors to increase the registered capital;
c) deciding on the possibility of a set-off of a monetary receivable from the Company against a receivable to pay an issue price;
d) deciding on increase in the registered capital by non-monetary contributions;
e) deciding on issuance of convertible or priority bonds;
f) deciding on exclusion or restriction of shareholders´ pre-emptive right to obtain convertible or priority bonds or to subscribe for new shares of the company in relation to increase of Company´s registered capital;
g) deciding on change in form or class of shares and on change of rights assigned with a certain class of shares, decision on consolidation of shares;
h) deciding on acquisition of own shares by the Company, where such decision is required by applicable laws;
i) electing and recalling of members of the Supervisory Board;
j) approving of annual, extraordinary or consolidated financial statements and, in cases stipulated by law, also interim financial statements;
k) deciding on distribution of profits or other own resources or settlement of losses;
l) deciding on filing of an application for admission of Company´s participating securities to trading on a European regulated market or withdrawal of such securities from trading on a European regulated market;
m) deciding on winding up of the Company with liquidation;
n) deciding on appointing and recalling of the liquidator;
o) approving of a proposal on liquidation balance distribution;
p) approving of a transfer or a pledge of enterprise or such part thereof, which would substantially change the current structure of the enterprise or which would substantially change the scope of business of the Company;
q) deciding on undertaking of consequences of acts made on behalf of the Company prior its incorporation;
r) approving of an agreement on silent partnership, including amending and cancelling thereof;
s) deciding on a merger, division, transfer of assets to a shareholder, conversion of legal form, or cross-border moving of the registered office;

t) appointing and recalling of members of the Audit Committee;
u) approving of an agreement on performance of the office of a member of the Supervisory Board and the Audit Committee, including remuneration of members of the Supervisory Board and the Audit Committee and rules of providing discretionary benefits to members of the Supervisory Board and the Audit Committee;
v) deciding on auditor for auditing financial statements of the Company and consolidated financial statements of the Company, as well as, for verifying other documents, if such verification is required by applicable laws;
w) approving of the rules of procedure of the General Meeting, as well as, adopting of organizational measures concerning the course of the General Meeting;
x) decision on acquisition of assets by the Company from its founders or shareholders pursuant to Section 255 of Act on Corporations;
y) other decisions delegated to the powers of the General Meeting by this Articles of Association or by law.

8.3 The Company shall bear costs related to organization of the General Meeting; shareholders shall not be entitled to compensation of costs of their attendance at the General Meeting.

9.
Presence at the General Meeting

9.1 Each shareholder of the Company may attend the General Meeting personally or through a representative. If a shareholder represents another person regarding certain shares, he is entitled to exercise voting rights attached to such shares in a different way.

9.2 The power of attorney for representing at the General Meeting shall be in writing and shall include whether it has been granted for representing at one or more General Meetings. It is deemed that a person registered in the records of investment securities as a trustee or as a person authorized to perform the rights attached to the shares, is authorized to perform on behalf of a shareholder all rights attached to the shares registered on a particular account, including the right to vote at the General Meeting. The power of attorney form shall be available to shareholders of the Company from a moment of publication of an invitation to the General Meeting in the registered office of the Company and on the web pages of the Company. Each shareholder may notify the Company by electronic means of a granted power of attorney for his representing at the General Meeting, as well as, of recalling of a power of attorney by the principal. The notification may be performed by delivery of an e-mail message by the shareholder to the e-mail address *valna.hromada@unipetrol.cz* or *general.meeting@unipetrol.cz* with the attachment of the readable electronic copy (scan or photo picture via digital camera) of (a) a written power of attorney of the shareholder signed by the shareholder and saved in pdf, jpg or xps form, or (b) a written recall of a power of attorney signed by the shareholder and saved in pdf, jpg or xps form. In case that the e-mail message or its attachment containing the power of attorney or its recall is not readable, the Company shall request the shareholder to deliver a flawless written power of attorney or its recall again by electronic means provided that such request shall be sent by the Company to the e-mail address of the shareholder, from which the e-mail message with the defected power of attorney or its recall has been sent. In case that the written power of attorney or its recall is not readable, such power of attorney or its recall shall not be regarded as duly granted or recalled. Further potential details on notifying the Company of granting of power of attorney or its recall by electronic means may be specified in the invitation to the General Meeting pursuant to applicable law. The notification on granting of the power of attorney shall not affect the obligation of the shareholder or his representative to identify himself at the General Meeting by documents specified in the provision 9.3 hereof, except for the power of attorney.

9.3 The shareholder – an individual shall identify himself by a valid identity document. The shareholder – legal entity represented at the General Meeting by its statutory body or its member(s) or representative under power of attorney is further obliged to submit an shareholder – legal entity excerpt from the commercial register no older than three (3) months before the date of holding of the General Meeting. Shareholder´s representative is obliged to prove his identity by a written power of attorney containing the extent of the representative's authority unless the granting of the power of attorney was notified to the Company by electronic means pursuant to section 9.2 hereof. In case of a power of attorney granted by the shareholder to a representative - legal entity, the representative is further obliged to submit an excerpt from the commercial register of such entity (proxy) no older than three (3) months before the date of holding of the General Meeting. The affected persons are obliged to hand over to the Company the powers of attorney and excerpts from the commercial register pursuant to this provision 9.3 hereof. The authorization of persons registered in the records of investment securities as a trustee or as a person authorized to exercise rights attached to shares kept at a particular account shall be proved by the excerpt from the records of investment securities which shall be arranged by the Company for purposes of the holding of the General Meeting.

9.4 Members of the Board of Directors, members of the Supervisory Board and members of the Audit Committee shall attend the General Meeting. The General Meeting may be also attended by auditors and notaries in cases required by applicable law, persons proposed by the Board of Directors into bodies of the General Meeting, persons proposed into bodies of the company, legal advisors of the company and other persons specified by the

Board of Directors. Other persons may attend the General Meeting only subject to the consent of General Meeting; the General Meeting shall not be attended by the public.

9.5 The decisive day for attendance at the General Meeting of the Company is always the seventh (7.) calendar day preceding the day of the General Meeting.

10.
Convening of the General Meeting

10.1 The General Meeting shall be convened by publishing of an invitation to the General Meeting on Company´s web site *www.unipetrol.cz*, web site *www.patria.cz* and in the Commercial Gazette. Publishing of the invitation to the General Meeting in the Commercial Gazette substitutes sending of an invitation to the shareholder´s address pursuant to the provision 406 (1) of the Act on Corporations.

10.2 If the General Meeting is convened by the Board of Directors, the convocation and the proposed agenda shall be notified to the Supervisory Board, and the Board of Directors shall supplement the agenda in accordance with requests of the Supervisory Board, which shall be submitted in a time in order to keep time limits for convocation of the General Meeting in accordance with applicable law. If the General Meeting is convened by the Supervisory Board, the convocation and the proposed agenda shall be notified to the Board of Directors. The Supervisory Board shall supplement the agenda in accordance with requests of the Board of Directors which shall be submitted in a time in order to keep time limits for convocation of the General Meeting in accordance with applicable law. Together with the invitation to the General Meeting, however, not later than within the period for convocation of the General Meeting pursuant to applicable law, the convenor of the General Meeting shall submit to the other body also written materials on individual items of the agenda of the General Meeting proposed by the convenor.

10.3 The organization of the General Meeting shall be arranged by the Board of Directors. If the Board of Directors is not elected or is inactive for a long period, the organization of the General Meeting shall be arranged by its convenor.

11.
Acting and decision-making of the General Meeting

11.1 The General Meeting may adopt decisions provided that the General Meeting is attended by shareholders owning shares with the nominal value representing more than a half (1/2) of the registered capital of the Company.

11.2 If the General Meeting is not able to adopt decisions after a lapse of one (1) hour from its scheduled commencement, the Board of Directors shall, if it is necessary, convene in accordance with applicable law a substitute General Meeting with the same agenda.

11.3 One (1) vote is attached to each share of nominal value of one hundred Czech crowns (CZK 100). Total number of votes at the Company is 181,334,764.

11.4 A voting shall be carried out by ballot papers, unless the General Meeting decides otherwise.

11.5 A voting shall be carried out upon an instruction of the chairman of the General Meeting. At first a proposal of a convenor of the General Meeting shall be voted on. If such proposal is not approved, then counterproposals in the order of their submission shall be voted on.

11.6 A decision of the General Meeting shall be adopted by the majority of votes of attending shareholders, unless these Articles of Association or applicable law stipulate different majority.

11.7 The qualified majority of two thirds (2/3) of votes of attending shareholders is required for adoption of a decision of the General Meeting:

a) on approving of a transfer or a pledge of enterprise or such part thereof, which would substantially change the current structure of the enterprise or which would substantially change the scope of business of the Company,
b) on amendments of the Articles of Association,
c) by virtue of which the Articles of Association are changed,
d) on authorization of the Board of Directors to increase the registered capital,
e) on the possibility of a set-off of a monetary receivable from the Company against a receivable to pay an issue price,
f) on issuance of convertible or priority bonds, and

g) on winding up of the Company with liquidation and on distribution of liquidation balance.

11.8 Apart from qualified or, if applicable, simple majority of votes of attending shareholders also a majority of at least two thirds (2/3) of votes of attending shareholders of each class of shares whose rights are affected by such decision is required for a decision of the General Meeting on:

a) approving of a transfer or a pledge of enterprise or such part thereof, which would substantially change the current structure of the enterprise or which would substantially change the scope of business of the Company, and
b) change of the amount of registered capital.

11.9 Apart from qualified or, if applicable, simple majority of votes of attending shareholders also a majority of at least three quarters (3/4) of votes of attending shareholders having such shares is required for a decision of the General Meeting on:

a) change of class or form of shares,
b) change of rights attached to certain class of shares,
c) restriction on transferability of registered shares or book-entered shares, and
d) withdrawal of participating securities from trading on a European regulated market.

11.10 A majority of at least three quarters (3/4) of votes of attending shareholders is required for a decision of the General Meeting on:

a) exclusion or restriction of pre-emptive rights to obtain priority or convertible bonds,
b) possibility to distribute profits to other persons than shareholders pursuant to the provision 34 (1) of the Act on Corporations,
c) exclusion or restriction of pre-emptive rights of shareholder in case of increasing of the registered capital by subscription of new shares, and
d) increase of the registered capital by non-monetary contributions.

If the Company issued different classes of shares, a majority of at least three quarters (3/4) of votes of attending shareholders of each class of shares is required for a decision. This shall not apply if such decision would not affect owners of such classes of shares.

11.11 A decision on consolidation of shares shall also require consent of all shareholders whose shares should be consolidated.

V.
B o a r d o f D i r e c t o r s

12.
Status and powers of the Board of Directors

12.1 The Board of Directors is Company´s statutory body.

12.2 The Board of Directors shall decide on all matters of the Company, except for matters entrusted by applicable law or by these Articles of Association to powers of other bodies of the Company.

12.3 The Board of Directors is responsible particularly for:

a) business management;
b) furnishing of a due bookkeeping;
c) convening Company's General Meetings;
d) furnishing preparation of annual, extraordinary, consolidated or, if applicable, interim financial statements including proposal for distribution of profits or settlement of losses and submitting them for a review by the Supervisory Board and for an approval by the General Meeting;
e) preparing report on business activities of the Company and on state of its property and other reports required by applicable laws;
f) carrying out resolutions of the General Meeting.

12.4 The Board of Directors shall ask the Supervisory Board of the Company for its prior consent to the following acts:

a) encumbrance, disposal or renting of Company´s property if the book value of such property exceeds under one agreement or, if applicable, several related agreements the amount of CZK 200,000,000;
b) issuance of bonds, if their issuance does not require the consent of the General Meeting;
c) provision of a loan or other financial indebtedness by the Company to other person or reception of a loan or other financial indebtedness by the Company from other person, if such loan or indebtedness exceeds in each individual case the amount of CZK 300,000,000;
d) realization of investment with financial costs under one agreement or, if applicable, under several related agreements exceeding the amount of CZK 300,000,000;
e) provision of an indemnification, guarantee or other security for undertakings of third parties; this shall not apply to a case when the Company provides an indemnification, guarantee or other security for undertakings of persons controlled by the Company, unless the value of such undertakings, indemnifications, guarantees or other security exceeds the amount of CZK 150,000,000;
f) provision of sponsoring and donations exceeding in each particular case the amount of CZK 1,000,000;
g) establishment or dissolution of a foreign organizational unit of the Company;
h) (1) adoption, conclusion and changes of a founding legal act, including articles of association and an agreement on establishment of corporation, foundation, association, interest association or other legal entity (including entities with registered offices outside the Czech Republic), or (2) conclusion and changes of an agreement on acquisition, pledging or disposal of ownership interests in other legal entities, including legal acts or agreements on contributions in corporation, foundation or other legal entity (including entities with registered offices outside the Czech Republic);
i) exercising voting rights at general meetings of corporations which are directly controlled by the Company, *i.e.*, in such corporations in which the Company holds directly an ownership interest amounting to at least fifty per cent (50%) in their registered capital and which according to their most recent annual financial statements or consolidated annual financial statements (if such corporations prepare consolidated annual financial statements) attained a turnover of at least CZK 15,000,000 (in words: fifteen million Czech crowns) ("<u>Directly Controlled Corporations</u>"), in the following matters:

    - deciding on election, appointment and recall of members of statutory and supervisory bodies of Directly Controlled Corporations; this shall not apply in case of Directly Controlled Corporations in which the Company as a shareholder or a member holds an ownership interest amounting to at least fifty per cent (50%) in their registered capital and where the Company concluded with other shareholders or members of such Directly Controlled Corporation a shareholders´ or similar agreement provided that the proposal for election, appointment or recall was submitted by another shareholder or member of such Directly Controlled Corporation in accordance with such shareholders´ or similar agreement; if it is necessary to recall a member of a statutory body of a Directly Controlled Corporation without undue delay, the consent of the Supervisory Board may be granted subsequently,
    - deciding on transformations of Directly Controlled Corporations,
    - deciding on amendments of articles of association or a founding legal act of a Directly Controlled Corporation,
    - deciding on distribution of net profits on the basis of the non-consolidated annual financial statements of a Directly Controlled Corporation,
    - deciding on winding up of a Directly Controlled Corporation, and
    - deciding on transfer, lease or pledge of enterprise of a Directly Controlled Corporation or such part thereof, which would substantially change the current structure of the enterprise or the scope of business or activity of a Directly Controlled Corporation.

j) setting the Company's strategy and setting the Company's long-term business plan, annual business plan and mid-term business plan, including resources and means for their securing and mechanisms for controlling of their performance;
k) adopting and amending of the rules of procedure of the Board of Directors;
l) documents submitted by the Board of Directors to the General Meeting, and
m) proposals of the Board of Directors for increasing of the registered capital by a decision of the Board of Directors pursuant to section 511 et seq. of the Act on Corporations;
n) conclusion of employment relationship with the Chief Executive Officer of the Company and recalling him from this function.

13.
Board of Directors composition and terms of office

13.1 The Board of Directors shall have seven (7) members, which shall be elected and recalled by the Supervisory Board.

13.2 The term of office of each member of the Board of Directors shall be three (3) years. Member of the Board of Directors may be re-elected.

13.3 The Board of Directors shall elect a chairman and two (2) vice-chairmen from its members. Each of the vice-chairmen individually shall fully substitute the chairman in performance of his office.

13.4 A member of the Board of Directors shall not:

a) carry out a business activity within a scope of business of the Company, (even in favour of other persons) or intermediate business with the Company for a third person,
b) be a member of statutory body or a person in a similar position in other legal entity, unless such entity is a member of the same holding group,
c) participate in a business activity of other corporation as a member with unlimited liability or as a person controlling other person with the same or similar scope of business.

13.5 A member of the Board of Directors shall notify in writing to the Supervisory Board any event under Section 13.4 of these Articles of Association, if such an event occurs in the course of his/her performance of the position of the member of the Board of Directors. In such case the Supervisory Board shall proceed in line with Section 442 of the Act on Business Corporations.

14.
Decision-making of the Board of Directors

14.1 In case of decision-making of the Board of Directors on its meeting, the Board of Directors may adopt decisions if there are present more than a half (1/2) of all members of the Board of Directors. Decision shall be adopted by the simple majority of votes of all members, unless applicable law requires a qualified majority. Each member of the Board of Directors shall have one (1) vote.

14.2 If all elected or appointed members of the Board of Directors agree so, the meetings of the Board of Directors may take place via communication means, i.e., via videoconference or teleconference:

(a) A consent of the member of the Board of Directors to holding of the particular meeting of the Board of Directors via communication means may be provided either verbally at the preceding meeting of the Board of Directors, or any time before the holding of the respective meeting in writing or through an e-mail sent from a company e-mail address assigned to the member of the Board of Directors, at latest, however, at the very beginning of the respective meeting in verbal form (which includes also the videoconference or teleconference communication).

(b) The member of the Board of Directors attending the meeting via communication means shall introduce himself/herself and other members present at the meeting shall confirm his/her identity by clearly stating his full name; rules of procedure of Board of Directors may allow for other suitable manner of verification of identity of the members of the Board of Directors. Such verification of the identity shall be recorded in the minutes of the meeting.

(c) Members of the Board of Directors attending the meeting via communication means are deemed to be present at the meeting and shall be recorded in the attendance list attached to the minutes of the meeting. In case of interruption of connection in the course of the meeting the respective member of the Board of Directors affected by such interruption shall be deemed not to be present from the moment of interruption of connection until the moment of eventual re-connection to the meeting via communication means. The occurrence of the interruption of connection must be recorded in the minutes of the meeting.

(d) The meetings of the Board of Directors held via communication means may be attended only by members of the Board of Directors and persons invited to such meeting of the Board of Directors. Persons attending the meeting of the Board of Directors via communication means must be mutually audible.

(e) On the meeting of the Board of Directors held via communication means, any voting shall be performed in the way that the Chairman asks step by step all individual members of the Board of Directors on their voting on a particular resolution and the members of the Board of Directors expressly state whether they vote for, against, or abstain; rules of procedure of Board of Directors may allow for other suitable manner of voting on the meeting of the Board of Directors held via communication means. At the meeting of the Board of Directors held via communication means a secret voting may not be performed.

(f) Other conditions for holding of the meeting of the Board of Directors by communication means may be stipulated in the rules of procedure of the Board of Directors.

(g) The provision 14.1 hereof shall be used accordingly.

14.3 The Board of Directors may adopt a decision outside of the meeting of the Board of Directors through a voting in writing or through a voting by communication means (particularly through e-mail, teleconference or videoconference). Other conditions of *per rollam* voting may be stipulated in the rules of procedure of the Board of Directors. The provision 14.1 hereof shall be used accordingly.

14.4 If a meeting of the Board of Directors takes place, the *per rollam voting* may be applied to members of the Board of Directors not attending the meeting.

14.5 Details on decision-making of the Board of Directors may be stipulated in the rules of procedure of the Board of Directors. The rules of procedure of the Board of Directors and amendments thereof shall be adopted by the Board of Directors with prior consent of the Supervisory Board.

VI.
S u p e r v i s o r y B o a r d

15.
Status and powers of the Supervisory Board

15.1 The Supervisory Board is Company´s controlling body, which supervises performance of powers by the Board of Directors and functioning of the Company.

15.2 The Supervisory Board is responsible particularly for:

a) reviewing of performance of powers by the Board of Directors, particularly reviewing of fulfillment of tasks assigned to the Board of Directors by the General Meeting, observing of the Articles of Association and applicable law within Company's activities, reviewing of Company's business activity, state of assets, receivables, obligations and proper and verifiable accounting. The Supervisory Board shall submit results, conclusions and recommendations of its controlling activity to the General Meeting;
b) reviewing of annual, extraordinary, consolidated or, if applicable, interim financial statements and proposal for distribution of profits or settlement of losses and submitting of its standpoints to the General Meeting;
c) discussing of all proposals of the Board of Directors submitted to the General Meeting and potentially submitting of its standpoints on the respective matters to the General Meeting;
d) asking the Board of Directors for insertion of an item into the agenda of General Meeting;
e) electing and recalling of members of the Board of Directors;
f) approving of agreements on performance of the office with individual members of the Board of Directors;
g) approving of managerial agreements or other agreements regarding wages and other benefits provided by the Company to individual members of the Board of Directors or their close persons;
h) setting a subject-matter, content and deadline for submission by the Board of Directors of annual financial plans, long term financial plans and plans of Company´s development strategy;
i) exercising other powers which are entrusted to the Supervisory Board by applicable law or by these Articles of Association.

15.3 The Supervisory Board is authorised to grant its prior consent to:

a) acting and acts of the Board of Directors pursuant to the provision 12.4 hereof; and
b) benefits to be provided by the Company to a member of the Board of Directors which are not granted by law or approved agreement on performance of an office, any agreement pursuant to the provision 15.2 g) hereof or by internal regulation approved by the Supervisory Board;

15.4 Each member of the Supervisory Board is entitled to nominate a member of the Board of Directors or propose recalling of a member of the Board of Directors. A voting on election or recalling of a member of the Board of Directors shall be carried out by a secret voting of the Supervisory Board; *Per rollam* voting shall not be possible in this case.

16.
Supervisory Board composition and terms of office

16.1 The Supervisory Board shall have nine (9) members, which shall be elected and recalled by the General Meeting.

16.2 The term of office of each member of the Supervisory Board shall be three (3) years. Member of the Supervisory Board may be re-elected.

16.3 Unless the number of members of the Supervisory Board decreased bellow one half, the Supervisory Board may appoint substitute members till the next General Meeting.

16.4 The Supervisory Board shall elect a chairman and two (2) vice-chairmen from its members. Each of the vice-chairmen individually shall fully substitute the chairman in performance of his office.

16.5 A member of the Supervisory Board shall not:

a) carry out a business activity within a scope of business of the Company, (even in favour of other persons) or intermediate business with the Company for a third person,
b) be a member of statutory body or a person in a similar position in other legal entity with the same or similar scope of business, unless such entity is a member of the same holding group,
c) participate in a business activity of other corporation as a member with unlimited liability or as a person controlling other person with the same or similar scope of business.

16.6 The Supervisory Board may, on the basis of its decision, establish committees of the Supervisory Board to support realization of Company´s strategic goals through submitting of standpoints and recommendations to the Supervisory Board. Only members of the Supervisory Board shall be members of the Committees of the Supervisory Board. A decision of the Supervisory Board on establishment of a particular committee shall stipulate committee´s composition and powers in a way that the powers of other Company´s bodies would not be affected. Details on meetings of a committee of the Supervisory Board and its powers shall be stipulated in rules of procedure of a committee of the Supervisory Board, which shall be approved by the Supervisory Board.

17.
Decision-making of the Supervisory Board

17.1 In case of decision-making of the Supervisory Board on its meeting, the Supervisory Board may adopt decisions if there are present more than half of all members of the Supervisory Board. Decision shall be adopted by the simple majority of votes of all members, unless applicable law requires qualified majority. Each Supervisory Board member shall have one (1) vote.

17.2 If a simple majority of all elected or appointed members of the Supervisory Board agree so, the meetings of the Supervisory Board may take place via communication means, i.e., via videoconference or teleconference:

(a) A consent of the member of the Supervisory Board to holding of the particular meeting of the Supervisory Board via communication means may be provided either verbally at the preceding meeting of the Supervisory Board, or any time before the holding of the respective meeting in writing or through an e-mail sent from a company e-mail address assigned to the member of the Supervisory Board, at latest, however, at the very beginning of the respective meeting in verbal form (which includes also the videoconference or teleconference communication).

(b) The member of the Supervisory Board attending the meeting via communication means shall introduce himself/herself and shall confirm his/her identity by clearly stating his full name; rules of procedure of Supervisory Board may allow for other suitable manner of verification of identity of the members of the Supervisory Board. Such verification of the identity shall be recorded in the minutes of the meeting.

(c) Members of the Supervisory Board attending the meeting via communication means are deemed to be present at the meeting and shall be recorded in the attendance list attached to the minutes of the meeting. In case of interruption of connection in the course of the meeting the respective member of the Supervisory Board affected by such interruption shall be deemed not to be present from the moment of interruption of connection until the moment of eventual re-connection to the meeting via communication means. The occurrence of the interruption of connection must be recorded in the minutes of the meeting.

(d) The meetings of the Supervisory Board held via communication means may be attended only by members of the Supervisory Board and persons invited to such meeting of the Supervisory Board. Persons attending the meeting of the Supervisory Board via communication means must be mutually audible.

(e) On the meeting of the Supervisory Board held via communication means, any voting shall be performed in the way that the Chairman asks step by step all individual members of the Supervisory Board on their voting on a particular resolution and the members of the Supervisory Board expressly state whether they vote for, against, or abstain; rules of procedure of Supervisory Board may allow for other suitable manner of voting on the meeting of the Supervisory Board held via communication means. At the meeting of the Supervisory Board held via communication means a secret voting may not be performed.

(f) Other conditions for holding of the meeting of the Supervisory Board by communication means may be stipulated in the rules of procedure of the Supervisory Board.

(g) The provision 17.1 hereof shall be used accordingly.

17.3 The Supervisory Board may adopt a decision outside of the meeting of the Supervisory Board through a written voting or through a voting by communication means (particularly through e-mail, teleconference or videoconference). Other conditions of *per rollam* voting may be stipulated in the rules of procedure of the Supervisory Board. The provision 17.1 hereof shall be used accordingly.

17.4 If a meeting of the Supervisory Board takes place, the *per rollam voting* may be applied to members of the Supervisory Board not attending the meeting.

17.5 Details on Supervisory Board´s acting and performance of controlling activity shall be stipulated in the rules of procedure of the Supervisory Board. The rules of procedure of the Supervisory Board and its amendments shall be approved by the Supervisory Board.

VII.
A u d i t C o m m i t t e e

18.
Status and powers of the Audit Committee

18.1 The Audit Committee is Company´s body, which, without affecting liability of members of the Board of Directors or the Supervisory Board, performs particularly the following:

a) supervises a procedure of preparation of financial statements and consolidated financial statements;
b) evaluates an efficiency of inner controlling within the Company, inner audit and, if applicable, risk management system;
c) supervises a process of obligatory audit of financial statements and consolidated financial statements;
d) evaluates independence of statutory auditor and auditing company, in particular provision of auxiliary services to the Company;
e) recommends an auditor for verification of financial statements and consolidated financial statements;
f) comments on a proposal of change of director of internal audit.

18.2 Members of the Audit Committee shall attend the General Meeting and shall inform the General Meeting on results of its activity.

19.
Audit Committee composition and terms of office

19.1 The Audit Committee shall have four (4) members, which shall be appointed from members of the Supervisory Board or third persons. Members of the Audit Committee shall be appointed and recalled by the General Meeting. Members of the Audit Committee shall not perform an office of a member of the Board of Directors or a procurator. At least one (1) member of the Audit Committee shall be independent of the Company and shall have at least three years of practical experience in the field of accounting or obligatory audit.

19.2 The term of office of each member of the Audit Committee shall be three (3) years. Member of the Audit Committee may be re-elected.

19.3 The Audit Committee shall elect a chairman and a vice-chairman from its members. The vice-chairman shall fully substitute the chairman in performance of his office.

19.4 Unless the number of members of the Audit Committee decreased bellow one half, the Supervisory Board may appoint substitute members of the Audit Committee till the next General Meeting. Only a substitute member of the Audit Committee independent of the Company may be appointed to a vacant position of member of the Audit Committee independent of the Company.

20.
Decision-making of the Audit Committee

20.1 In case of decision-making of the Audit Committee on its meeting, the Audit Committee may adopt decisions if there are present more than half of all members of the Audit Committee. Decision shall be adopted by the simple majority of votes of all members, unless applicable law requires qualified majority. Each member of the Audit Committee shall have one (1) vote. In the case of equal votes the vote of the chairman shall be decisive.

20.2 If all elected or appointed members of the Audit Committee agree so, the meetings of the Audit Committee may take place via communication means, i.e., via videoconference or teleconference:

(a) A consent of the member of the Audit Committee to holding of the particular meeting of the Audit Committee via communication means may be provided either verbally at the preceding meeting of the Audit Committee , or any time before the holding of the respective meeting in writing or through an e-mail sent from a company e-mail address assigned to the member of the Audit Committee , at latest, however, at the very beginning of the respective meeting in the oral form (which includes also the videoconference or teleconference communication).

(b) The member of the Audit Committee attending the meeting via communication means shall introduce himself/herself and shall confirm his/her identity by clearly stating his full name; rules of procedure of Audit Committee may allow for other suitable manner of verification of identity of the members of the Audit Committee. Such verification of the identity shall be recorded in the minutes of the meeting.

(c) Members of the Audit Committee attending the meeting via communication means are deemed to be present at the meeting and shall be recorded in the attendance list attached to the minutes of the meeting. In case of interruption of connection in the course of the meeting the respective member of the Audit Committee affected by such interruption shall be deemed not to be present from the moment of interruption of connection until the moment of eventual re-connection to the meeting via communication means. The occurrence of the interruption of connection must be recorded in the minutes of the meeting.

(d) The meetings of the Audit Committee held via communication means may be attended only by members of the Audit Committee and persons invited to such meeting of the Audit Committee. Persons attending the meeting of the Audit Committee via communication means must be mutually audible.

(e) On the meeting of the Audit Committee held via communication means, any voting shall be performed in the way that the Chairman asks step by step all individual members of the Audit Committee on their voting on a particular resolution and the members of the Audit Committee expressly state whether they vote for, against, or abstain; rules of procedure of Audit Committee may allow for other suitable manner of voting on the meeting of the Audit Committee held via communication means. At the meeting of the Audit Committee held via communication means a secret voting on any of the proposed resolutions may not be performed.

(f) Other conditions for holding of the meeting of the Audit Committee by communication means may be stipulated in the rules of procedure of the Audit Committee.

(e) The provision 20.1 hereof shall be used accordingly.

20.3 The Audit Committee may adopt a decision outside of the meeting of the Audit Committee through a voting in writing or through a voting by communication means (particularly through e-mail, teleconference or videoconference). Other conditions of *per rollam* voting may be stipulated in the rules of procedure of the Audit Committee. The provision 20.1 hereof shall be used accordingly.

20.4 If a meeting of the Audit Committee takes place, the *per rollam voting* may be applied to members of the Audit Committee not attending the meeting.

20.5 Details on Audit Committee´s acting and performance of controlling activity shall be stipulated in the rules of procedure of the Audit Committee, which shall be approved by the Audit Committee.

VIII.
O t h e r p r o v i s i o n s

21.
Distribution of profits, settlement of losses and creating of funds

21.1 Profits may, in accordance with a decision of the General Meeting, be used particularly for: a distribution among shareholders, an increase of the registered capital from Company´s own resources, voluntary contributions to reserve or other funds of the Company (provided that such funds were created), a determination of royalties of members of the Board of Directors and the Supervisory Board of the Company, royalties of Company´s employees and other purposes allowed by law, or potentially a settlement of losses or a transfer to a retained profits account. The previous sentence hereof shall be used similarly on a decision of the General Meeting on method of distribution of retained profits from previous periods.

21.2 The Company's duty to create and supplement the reserve fund as such duty was regulated in Section 217 of the Act No. 513/1991 Coll., the Commercial Code, valid as of 31 December 2013, is hereby cancelled. The right to decide on disposing of the reserve fund in the extent in which it was created as of 26 May 2014 is vested within the powers of the Board of Directors; this shall not affect the right of the General Meeting to decide on the distribution of this reserve fund among the shareholders

21.3 The Board of Directors may decide on establishment of reserve or other funds of the Company and disposing with them.

21.3 Company´s losses may, in accordance with a decision of the General Meeting, be covered from retained profits from previous periods, share premium, reserve or other funds (provided that such funds were created), by a decrease of the registered capital, or potentially by a settlement of losses from results of future business activity by their transferring to account of losses from previous periods.

22.
Submission under Commercial Corporations Act

22.1 By adoption of these Articles of Association the Company submits itself under the regime of the Act No. 90/2012 Coll., the Commercial Corporations Act (the "Act on Corporations") as a whole.

22.2 Rights and obligations not expressly regulated by these Articles of Association shall be governed by the applicable law.

22.3 These Articles of Association were adopted on 26.5.2014.

………………………………..	…………………………………………
Marek Świtajewski	Piotr Wielowieyski
Chairman of the Board of Directors	Vice-Chairman of the Board of Directors

KPMG Česká republika Audit, s.r.o.
Pobřežní 648/1a
186 00 Praha 8
Česká republika

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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.

Separate Financial Statements

On the basis of our audit, on 3 March 2015 we issued an auditor's report on the Company's separate financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying separate financial statements of UNIPETROL, a.s., which comprise the separate statement of financial position as of 31 December 2014, and the separate statement of profit or loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and the notes to these separate financial statements including a summary of significant accounting policies and other explanatory notes. Information about UNIPETROL, a.s. is set out in Note 1 to these separate financial statements.

Statutory Body's Responsibility for the Separate Financial Statements

The statutory body of UNIPETROL, a.s. is responsible for the preparation of separate 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 separate 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 separate 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 separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate 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 separate 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 separate 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 separate financial statements give a true and fair view of the financial position of UNIPETROL, a.s. as of 31 December 2014, 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."

Consolidated Financial Statements

On the basis of our audit, on 3 March 2015 we issued an auditor's report on the Company's consolidated 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 2014, 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 UNIPETROL, a.s. 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 2014, 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

We have reviewed the factual accuracy of the information disclosed in the report on relations between the controlling entity and the controlled entity and between the controlled entity and entities controlled by the same controlling entity of UNIPETROL, a.s. for the year ended 31 December 2014 prepared in accordance with the applicable provisions of Act No. 90/2012 Coll., on Companies and Cooperatives. 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 the controlling entity and the controlled entity and between the controlled entity and entities controlled by the same controlling entity of UNIPETROL, a.s. for the year ended 31 December 2014 contains material misstatements.

Consolidated Annual Report

We have audited the consistency of the consolidated annual report with the abovementioned sets of 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 abovementioned sets of 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 abovementioned sets of financial statements is, in all material respects, consistent with the respective 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 abovementioned sets of financial statements.

Prague
24 March 2015

KPMG Česká republika Audit

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

Karel Růžička
Partner
Registration number 1895

UNIPETROL, a.s.

SEPARATE FINANCIAL STATEMENTS
Translation from the Czech original

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

FOR THE YEAR 2014

Index

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

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

Separate statement of profit or loss and other comprehensive income

	NOTE	2014	2013
Statement of profit or loss			
Revenues	6	155	141
Cost of sales	7.1	(86)	(85)
Gross profit on sales		**69**	**56**
Administrative expenses	7.2	(202)	(204)
Other operating income	8.1	22	3
Other operating expenses	8.2	(1)	(1)
Loss from operations		**(112)**	**(146)**
Finance income	9.1	549	1 319
Finance costs	9.2	(104)	(233)
Net finance income		**445**	**1 086**
Profit before tax		**333**	**940**
Tax expense	10	(5)	(2)
Net profit		**328**	**938**
Total net comprehensive income		**328**	**938**
Net profit and diluted net profit per share (in CZK per share)	18.6	1,81	5,17

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 111-150.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

Separate statement of financial position

	NOTE	31/12/2014	31/12/2013
ASSETS			
Non-current assets			
Property, plant and equipment	11	9	10
Investment property	12	1 156	1 156
Shares in related parties	13	14 542	13 991
Other non-current assets	14	1 472	1 520
		17 179	**16 677**
Current assets			
Trade and other receivables	15	165	151
Other financial assets	16	15 058	12 689
Current tax receivables		12	25
Cash and cash equivalents	17	516	158
		15 751	**13 023**
Total assets		**32 930**	**29 700**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	18.1	18 133	18 133
Statutory reserves	18.2	1 719	1 672
Revaluation reserve	18.3	503	503
Retained earnings	18.4	6 331	6 050
Total equity		**26 686**	**26 358**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	19	4 000	2 000
Deferred tax liabilities	10	113	112
		4 113	**2 112**
Current liabilities			
Trade and other liabilities	20	135	137
Loans and borrowings	19	21	268
Other financial liabilities	21	1 975	825
		2 131	**1 230**
Total liabilities		**6 244**	**3 342**
Total equity and liabilities		**32 930**	**29 700**

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 111-150.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

Separate statement of changes in equity

	Share capital	Statutory reserves	Revaluation reserve	Retained earnings	Total equity
1 January 2014	18 133	1 672	503	6 050	26 358
Net profit	-	-	-	328	328
Total net comprehensive income	**-**	**-**	**-**	**328**	**328**
Allocation of profit	-	47	-	(47)	-
31 December 2014	**18 133**	**1 719**	**503**	**6 331**	**26 686**
1 January 2013	18 133	1 652	503	5 132	25 420
Net profit	-	-	-	938	938
Total net comprehensive income	**-**	**-**	**-**	**938**	**938**
Allocation of profit	-	20	-	(20)	-
31 December 2013	**18 133**	**1 672**	**503**	**6 050**	**26 358**

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 111-150.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

Separate statement of cash flows

	Note	2014	2013
Cash flows - operating activities			
Net profit		**328**	**938**
Adjustments for:			
Depreciation and amortisation	7	1	2
Foreign exchange gain		(19)	(7)
Interest and dividends, net		(448)	(1 073)
Profit on investing activities		-	(17)
Tax expense	10	5	2
Income tax (paid)		9	(10)
Change in working capital		(14)	15
receivables		(13)	41
liabilities		(1)	(26)
Net cash used in operating activities		**(138)**	**(150)**
Cash flows - investing activities			
Acquisition of property, plant and equipment and intangible assets		-	(7)
Disposal of property, plant and equipment and intangible assets		-	1
Acquisition of shares in ČESKÁ RAFINÉRSKÁ, a.s.		(551)	-
Interest received		192	379
Dividends received		359	968
Proceeds/(Outflows) from loans granted		(2 076)	(195)
Proceeds/(Outflows) from cash pool granted		(249)	(1 734)
Net cash used in investing activities		**(2 325)**	**(587)**
Cash flows - financing activities			
Proceeds from loans and borrowings		7 057	2 266
Repayments of loans and borrowings		(5 323)	(17)
Repayment of bonds granted		-	(2 000)
Proceeds/(Outflows) from cash pool received		1 150	(390)
Interest paid		(76)	(259)
Other		(4)	(6)
Net cash provided by / (used in) financing activities		**2 804**	**(406)**
Net increase/(decrease) in cash and cash equivalents		**341**	**(1 143)**
Effect of exchange rate changes		17	7
Cash and cash equivalents, beginning of the year		158	1 294
Cash and cash equivalents, end of the year	**17**	**516**	**158**

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 111-150.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions 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 2014 are as follows:

	Number of shares	Nominal value of shares (in CZK)	Share in share capital
POLSKI KONCERN NAFTOWY ORLEN S.A.	114 226 499	11 422 649 900	62,99%
J&T Group *	42 976 339	4 297 633 900	23,70%
Investment funds and other minority shareholders	24 131 926	2 413 192 600	13,31%
	181 334 764	**18 133 476 400**	**100%**

** As of 19 March 2014 (last available data) - According to notification received on 31 March 2014 J&T Group holds 23,70% share of votes through following companies: PAULININO LIMITED, EGNARO INVESTMENTS LIMITED, LEVOS LIMITED, LCE COMPANY LIMITED, NEEVAS INVESTMENT LIMITED, UPRECHT INVESTMENT LIMITED, MUSTAND INVESTMENT LIMITED.*

Statutory and supervisory bodies
Members of the statutory and supervisory bodies of UNIPETROL, a.s. as at 31 December 2014 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	Lukasz Piotrowski
Supervisory Board	Chairman	Dariusz Jacek 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

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

1. DESCRIPTION OF THE COMPANY (CONTINUED)

Changes in the board of directors during the year 2014 were as follows:

Position	Name	Change	Date of change
Member	Artur Paździor	Resigned	30 April 2014
Member	Lukasz Piotrowski	Elected into the office	11 June 2014

Changes in the supervisory board during the year 2014 were as follows:

Position	Name	Change	Date of change
Member	Dariusz Jacek Krawiec	Reelected to the office	1 July 2014
Member	Piotr Kearney	Reelected to the office	1 July 2014
Member	Sławomir Jędrzejczyk	Reelected to the office	1 July 2014

2. STATEMENTS OF THE MANAGEMENT BOARD

The Management Board of UNIPETROL, a.s. hereby declares that to the best of their knowledge the foregoing separate (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. ACCOUNTING PRINCIPLES

3.1 Principles of preparation of financial statements

The separate financial statements (hereinafter also “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 2014. Financial statements have been prepared based on historical cost, except for: derivatives, financial instruments at fair value through profit and loss, financial assets available for sale, and investment properties stated at fair value.

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 2014, results of its operations and cash flows for the year ended 31 December 2014.

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 amendments to standards and IFRS interpretations, in force from 1 January 2014 until the date of publication of these separate financial statements had no impact on the foregoing separate financial statements.

3.2.2 IFRSs and their interpretations, announced and adopted by the European Union, not yet effective

The Company intends to adopt new standards and amendments to the standards and interpretations to IFRSs listed below that are published by the International Accounting Standards Board, but not effective as at the date of publication of these financial statements, in accordance with their effective date.

- IFRIC Interpretation 21 - Levies (effective for annual periods beginning on or after 17 June 2014)
- It is expected that the interpretation, when initially applied, will have no material impact on the separate financial statements of the Company, since it does not result in a change in the Company‘s accounting policy regarding levies.
- Amendments to IAS 19 - Employee Benefits entitled Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 February 2015)
- It is expected that the amendment, when initially applied, will have no material impact on the separate financial statements of the Company, since the Company does not have such employee contributions.
- Annual Improvements to IFRSs 2010-2012 cycle (effective for annual periods beginning on or after 1 February 2015)
- Annual Improvements to IFRSs 2011-2013 cycle (effective for annual periods beginning on or after 1 January 2015)

It is expected that the aforementioned improvements to standards, when initially applied, will have no material impact on the separate financial statements of the Company.

3.2.3 Standards and interpretations adopted by International Accounting Standards Board (IASB), waiting for approval of EU

- New standard IFRS 9 - Financial Instruments
- New standard IFRS 14 - Regulatory Deferral Accounts
- New standard IFRS 15 - Revenue from Contracts with Customers
- Amendments to IFRS 11 - Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture: Agriculture: Bearer Plants
- Amendments to IAS 27 - Separate Financial Statements: Equity Method in Separate Financial Statements
- Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Annual Improvements to IFRSs 2012-2014 cycle
- Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities and IAS 28 - Investments in Associates and Joint Ventures: Investment Entities: Applying the Consolidation Exception
- Amendments to IAS 1 - Presentation of Financial Statements: Disclosure initiative

It is expected that the aforementioned standards, amendments and interpretation to standards, when initially applied, will have no material impact on the separate financial statements of the Company.

Based on the new standard IFRS 9, classification of financial assets into respective categories will change. In addition, the impact of the initial application of the new standard IFRS 15 will depend on the specific facts and circumstances of the contracts with customers to which the Company will be a party.

3.3 Functional and presentation currency

These non-consolidated financial statements are presented in Czech crowns (CZK), which is the Company's functional and presentation currency. All financial information presented in CZK has been rounded to the nearest million. In prior year the financial information were presented in CZK thousands. In current year the Company changed the presentation to CZK million and performed corresponding changes in prior year figures.

3.4 Accounting policies applied by the Company

3.4.1 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 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.

3.4.2 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.

3.4.3 Revenues

Revenues from sales (from operating activity) comprise revenues that relate to core activity, i.e. activity for which the Company was founded, revenues are recurring and are not of incidental character.

3.4.3.1 Revenue from sales of finished goods, merchandise, materials and services

Revenues from sale of finished goods, merchandise, materials and services are recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the sale transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenues from sale of finished goods, merchandise, raw materials and services are recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. 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 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.

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.

3.4.3.2 Revenue from licenses, royalties and trade marks

Revenues from licences, royalties and trade mark arise from the use of entity's assets by other business entities.

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.

3.4.3.3 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.

3.4.3.4 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.

3.4.4 Costs

Costs (relating to operating activity) comprise costs that relate to core activity, i.e. activity for which the Company was founded, costs are recurring and are not of incidental character. Particularly costs that are connected to purchase of raw materials, their processing and distribution, that are fully under Company's control.

3.4.4.1 Cost of sales

Cost of sales comprises costs of finished goods, merchandise and raw materials sold, including services of support functions.

3.4.4.2 Distribution expenses

Distribution expenses include selling brokerage expenses, trading expenses, advertising and promotion expenses as well as distribution expenses.

3.4.4.3 Administrative expenses

Administrative expenses include expenses relating to management and administration of the Company as a whole.

3.4.5 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 some provisions, compensations earned and revaluation gains, gain on sale of investment property.

Other operating expenses include in particular loss on 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 costs and 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.

3.4.6 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.

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, net foreign exchange losses, interest on own bonds and other securities issued, interest on finance lease, commissions on bank loans, borrowings, guarantees.

3.4.7 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.

Tax liabilities for current and prior periods 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 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 carrying amount of the asset or liability 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.

3.4.7. Income tax expenses (continued)

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 equity. Deferred tax assets and liabilities are accounted for as non-current assets or non-current liabilities.

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.

3.4.8 Earnings per share

Basic earnings per share are calculated by dividing the net profit for a given period which is attributable to ordinary shareholders of the parent company by the weighted average number of shares outstanding during the 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.

Profit or loss attributable to ordinary shareholders of the Parent Company is increased by the after-tax amounts of dividends and interest for the period, attributable to the dilutive potential ordinary shares adjusted by all other changes of income and expense, which would result from the conversion of dilutive potential ordinary shares.

The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period; a reasonable approximation of the weighted average is adequate in many circumstances.

For the purpose of calculating diluted earnings per share, the number of ordinary shares shall be the weighted average number of ordinary shares, plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

3.4.9 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).

Property, plant and equipment include both fixed assets (assets that are in the condition necessary for them to be capable of operating in the manner intended by management) as well as construction in progress (assets that are in the course of construction or development necessary for them to be capable of operating in the manner intended by management).

Property, plant and equipment are initially stated at cost, including grants related to assets. The cost of an item of property, plant and equipment comprises its purchase price, including any costs directly attributable to bringing the asset into 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.

3.4.9 Property, plant and equipment (continued)

Property, plant and equipment are stated in the statement of financial position prepared at the end of the reporting period at the carrying amount, including grants related to assets. The carrying amount is the amount at which an asset is initially recognised (cost) after deducting any accumulated depreciation and accumulated impairment losses.

Depreciation of an item of property, plant and equipment begins when it is available for use that is from the month when 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 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 useful life.

The following standard 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 residual value, estimated useful life and depreciation methods are reassessed annually, the adjustments to depreciation expenses are accounted for in next period (prospectively).

The cost of significant repairs and regular maintenance programs is recognized as property, plant and equipment and depreciated in accordance with their useful lives. The costs of current maintenance of property, plant and equipment is recognized as an expense when is incurred.

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.

3.4.10 Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both.

Investment property shall be recognized as an asset when, and only when:

- it is probable that the future economic benefits that are associated with the investment property will flow to the Company, and
- the cost of the investment property can be measured reliably.

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.

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 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.

3.4.11 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, regardless of whether the Company intends to do so, or arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the Company or from other rights and obligations.

Intangible assets are recognized if it is probable that the expected future economic benefits that are attributable to the assets will flow to the Company and the cost of the asset can be measured reliably.

3.4.11 Intangible assets (continued)

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 complete 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 or sell the intangible asset, its ability to measure reliably the expenditure attributable to the intangible asset during its development.

If the definition criteria of an intangible asset are not met, the cost incurred to acquire or self develop an asset are recognised in profit or loss when incurred. If an asset was acquired in a business combination it is part of a goodwill as at acquisition date.

An intangible asset shall be measured initially at cost, including grants related to assets. An intangible asset that is acquired in a business combination, is recognised initially at fair value.

After initial recognition, an intangible asset shall be presented in the financial statements in its net carrying amount, including grants related to assets.

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 useful life. The depreciable amount of an asset with a finite useful life is determined after deducting its residual value. Excluding particular cases, the residual value of an intangible asset with a finite useful life shall be assumed to be zero.

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 useful lives are used for intangible assets:

Acquired licenses, patents, and similar intangible assets	2-15 years
Acquired computer software	2-10 years

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.

3.4.11.1 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 acquire;
- 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.

3.4.11.1 Goodwill (continued)

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.

3.4.11.2 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).

3.4.12 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. 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.

Borrowing costs are capitalized based on net investment expenditures which means assets in the process of construction not funded through the use of investment commitments, but using other sources of external financing. Borrowing costs may include:

- interest expense calculated using the effective interest method as described in IAS 39 Financial Instruments: Recognition and Measurement,
- finance charges in respect of finance leases recognised in accordance with IAS 17 Lease, and
- exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Upper limit of the borrowing cost eligible for capitalization is the value of borrowing cost actually born by the entity.

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.

Capitalising of borrowing costs is ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Necessity to perform additional administrative or decoration works or some adaptation requested by the buyer or user are not the basis for the capitalization.

After putting an asset into use, the capitalized borrowing costs are depreciated/amortized over the period reflecting useful life of the asset as part of the cost of the asset.

3.4.13 Impairment of assets

At the end of each reporting period the Company assess whether there is any indication that an asset or cash generating unit (CGU) may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset (CGU).

The recoverable amount of other assets is the higher of the fair value less costs to sell and value in use.

Fair value less costs to sell is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, less costs to sell.

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.

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).

To the cash generating unit following assets are allocated:

- 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.

If there are external or internal indicators that the carrying amount of an asset as at the end of the reporting period may not be recoverable, the impairment tests are carried out. The tests are carried out also annually for intangible assets with the indefinite useful life and for goodwill.

When carrying amount of an asset or a cash generating unit exceeds its recoverable amount, the carrying amount is decreased to the recoverable amount by an adequate impairment allowance charged against cost in profit or loss. The recoverable amount is the higher of its fair value less costs to sell and its value in use.

3.4.13 Impairment of assets (continued)

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.

A reversal of an impairment loss for an asset other than goodwill shall be recognised immediately in profit or loss, unless the asset is carried at revalued amount in accordance with another standard.

3.4.14 **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 comprise products, semi-finished products and work in progress, merchandise and materials.

Finished goods, semi-finished products and work in progress are measured initially at production cost. Production costs include costs of materials and costs of conversion for the production period. Costs of production include also a systematic allocation of fixed and variable production overheads estimated for normal production level.

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.

Finished goods, semi-finished products and work in progress shall be measured at the end of the reporting period at the lower of cost and net realisable value, after deducting any impairment losses.

Outgoings of finished goods, semi-finished products and work in progress is determined based on the weighted average cost formula, the cost of each item is determined from the weighted average of the cost of similar items produced during the reporting period.

Merchandise and materials are measured initially at acquisition cost.

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. Outgoings of merchandise and raw materials is determined based on the weighted average acquisition cost or production cost formula. Impairment tests for specific items of inventories are carried out on a current basis during an annual reporting period. Write-down to net realizable value concerns raw materials and merchandise that are damaged or obsolete.

Raw materials 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.

3.4.15 Trade and other receivables

Trade and other receivables are recognized initially at the fair value increased by transaction costs and subsequently at amortized cost using the effective interest method less impairment allowances.

3.4.16 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 and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3.4.17 **Non-current assets held for sale and discontinued operation**

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 simultaneously met:

- the sales were declared by the appropriate level of 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 settled 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.

The classification of asset into this category is made in the reporting period when the classification criteria are met. If the criteria for classification of a non-current asset as held for sale are met after the reporting period, an entity shall not classify a non-current asset as held for sale in those financial statements when issued.

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 (excluding financial assets) 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). A gain is recognised for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been previously recognised.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations,
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

The Company shall re-present the disclosures presented with refer to discontinued operation for prior periods presented in the non-consolidated financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.

If the Company ceases to classify a discontinued operation, the results of operations previously presented in discontinued operations shall be reclassified and included in the results from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented

3.4.18 Equity

Equity is recorded in accounting books by type, in accordance with legal regulations and the Company's articles of association. Equity comprises:

3.4.18.1 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. Declared but not paid share capital is presented as outstanding share capital contributions. The Company's own shares and outstanding shares capital contributions decrease the equity.

3.4.18.2 Statutory reserves

The Company established a reserve to cover possible future losses. Based on the articles of association of the parent company, the right to decide on disposing of the reserve fund in the extent in which it was created is vested within the powers of the Board of Directors; this shall not affect the right of the General Meeting to decide on the distribution of this reserve among the shareholders.

3.4.18.3 Hedging reserve

Hedging reserve relates to valuation and settlement of hedging instruments that meet the criteria of cash flow hedge accounting.

3.4.18.4 Revaluation reserve

Revaluation reserve comprises revaluation of items, which, according to the Company's regulations, relates to the revaluation reserve, 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.

3.4.18.5 Retained earnings

Retained earnings include:
- the amounts arising from profit distribution/loss cover,
- 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,
- the actuarial gains and losses from retirement benefits.

Non repayable additional payments to equity with non-confirmed repayment date are presented in equity of receiving entity with a corresponding entry as investment in shares of entity making the additional payments.

Repayable additional payments to equity are presented in entity receiving payment as current or non-current liabilities based on the repayment date. Repayable additional payments to equity are presented as current or non-current receivables in entity transferring payment based on the repayment date i.e. up to 12 months as current and above 12 months as non-current, initially recognized at fair value.

3.4.19 Liabilities

Liabilities, including trade liabilities, are initially stated at fair value increased by transaction cost and subsequently amortized cost using the effective interest method.

3.4.20 Accruals

Accruals are liabilities due for goods or services received/provided, but not paid, invoiced or formally agreed with the seller, together with amounts due to employees.

Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much lower than it is for provisions.

3.4.21 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 fulfilment of obligations as a result of warranty claims, CO_2 emission allowances and jubilee bonuses and retirement 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.

3.4.21.1 Shield programs

Shield programs provision (restructuring provision) is created when the Company started to implement the restructuring plan or announced the main features of the restructuring plan to those affected by it in a sufficiently specific manner to raise a valid expectation in them that the restructuring will be carried out. A restructuring provision shall include only the direct expenditures arising from the restructuring, i.e. connected with the termination of employment (paid leave payments and compensations), termination of lease contracts, dismantling of assets.

3.4.21.2 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 Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

3.4.21.3 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).

3.4.21.4 Jubilee bonuses and retirement 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 retirement defined benefit plans.

The provision for jubilee bonuses, retirement and pension benefits is created in order to allocate costs to relevant periods.

The present value of those liabilities is estimated at the end of each reporting period by an independent actuary and adjusted if there are any material indications impacting the value of the liabilities. The accumulated liabilities equal discounted future payments, considering the demographic and financial assumption including employee rotation, planned increase of remuneration and relate to the period ended at the last day of the reporting year. Actuarial gains and losses from:

- retirement benefits are recognized in components of other comprehensive income,
- other employment benefits, including jubilee bonuses, are recognized in the statement of profit and loss.

3.4.21.5 Business risk

Business risk provision is created after consideration of all available information, including opinions of independent experts. If on the basis of such information it is more likely than not that a present obligation exists at the end of the reporting period, the Company recognises a provision (if the recognition criteria are met).

If it is more likely that no present obligation exists at the end of the reporting period, the Company discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.

3.4.22 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 relates to assets, it is presented net with the related asset and is recognized in statement of 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 3.4.11.2.

3.4.23 Non-consolidated statement of cash flows

The non-consolidated statement of cash flows is prepared using indirect method.
Cash and cash equivalents presented in the non-consolidated statement of cash flows include cash and cash equivalents less bank overdrafts, if they form an integral part of the Company's cash management.
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 pool 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.

3.4.24 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.

3.4.24.1 Recognition and derecognition in the non-consolidated 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.

3.4.24.2 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 or financial liability. 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, holding costs or marketing 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.

3.4.24.3 Measurement of financial assets at fair value

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 compliance with fair value measurement principle.

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 in the statement of 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 the statement of profit or loss.

3.4.24.4 Measurement of financial assets at amortized cost

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.

3.4.24.5 Measurement of financial liabilities at fair value

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 incurred financial liability is measured in accordance with the principles of fair value measurement.

3.4.24.6 Measurement of financial liabilities at amortized cost

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.

3.4.24.7 Transfers

The Company:

- shall not reclassify a financial instrument out of fair value through profit or loss category, 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 from 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.

3.4.24.8 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 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 income.

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 the statement of profit or loss.

3.4.24.9 Embedded derivatives

A derivative is a financial instrument or with all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract,
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors, and
- it is settled at a future date.

If the Company is a party of a hybrid (combined) instrument that includes embedded derivative, an embedded derivative shall be separated from the host contract and accounted for as a separate derivative in line with requirements for investments measured at fair values through profit or loss if, and only if the instrument meets all following requirements:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the combined (hybrid) instrument is not measured at fair value with changes in fair value recognised in the statement of profit or loss (i.e. a derivative that is embedded in a financial asset or financial liability at fair value through profit or loss is not separated).

The Company assesses the need to separate an embedded derivative from the host contract and to present it as a derivative, when it becomes a party of a hybrid instrument for the first time. Reassessment is made only in case, when subsequent changes are introduced to the hybrid contract that substantially modify cash flows required by the contract.

3.4.24.10 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 impact 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 impact 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 impact 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.

If a hedge of a forecast transaction results in recognition of revenues from sales of finished goods, merchandise, materials and services the Company removes the associated gains and losses that were recognised in the other comprehensive income and adjusts these revenues.

3.4.24.10 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 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.

3.4.25 Fair value measurement

At initial recognition, the transaction price of the acquired asset or liability incurred in exchange transaction for that asset or liability is the price paid to acquire the asset or received for the liability (an entry price). The fair value of asset or liability is the price that would be received to sell an asset or paid to transfer the liability (exit price).

If the Company measures an asset or liability initially received to sell on at fair value and transaction price differs from fair value, the difference is recognized in profit or loss, unless the IFRS specifies otherwise.

A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs either:

- on the principal market for the asset or liability or
- in the absence of the principal market, in the most advantageous market for the asset or liability.

In the absence of any directly observable input, i.e. the quoted prices (unadjusted) in active markets for identical assets or liabilities to which the Company can access at the measurement date, the fair value is determined on the basis of the adjusted directly observable inputs.

The adjusted input include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in market that are not active;
- input data other than quoted prices that are observable for the given asset or liability;
- market-corroborated inputs.

In the case, when the observable (directly or indirectly) inputs are not available, fair value is measured on the basis unobservable inputs of the developed by the Company using appropriate valuation techniques.

A fair value measurement of non-financial asset takes into account market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of liability reflects the effect of non-performance risk. Non-performance risk includes, but may not be limited to, the entity's own credit risk. When measuring fair value of the liability, the entity should take into account effect of its own credit risk (credit standing) and any other factors that might influence the likelihood that the obligation will not be fulfilled.

The Company maximises the use of relevant observable inputs and minimize the use of unobservable inputs to meet the objective of fair value measurement into account, which is to estimate the price at which an orderly transaction to transfer the liability or equity instrument would take place between market participants as at the measurement date under current market conditions.

3.4.25 Far value measurement (continued)

Assets and liabilities that are measured at fair value in the statement of financial position or are not measured at fair value, but information about them is disclosed, the Company classifies according to a hierarchy of fair value at the three levels of inputs, depending on the assessment of their availability:

- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities, that the entity can access as at the measurement date;
- level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either indirectly or directly;
- level 3 inputs are unobservable inputs for the asset or liability.

In the cases, when inputs used to measure the fair value of the asset or liability might be categorized within different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of fair value hierarchy as its data input from the lowest level inputs that is significant to the entire measurement.

3.4.26 Lease

A lease is an agreement whereby a lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

Leases of property, plant and equipment where the Company has substantially transferred all the risks and rewards of ownership are classified as finance leases.

Transfer of risks and rewards within the finance lease agreements includes i.e. the following situations:

- the lease transfers ownership of the asset at or by the end of the lease term,
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised,
- the lease term is for the major part of the useful life of the asset even if title is not transferred,
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset,
- the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

If the Company uses an asset based on the finance lease, the asset is recognised as an item of property, plant and equipment or an intangible asset. The leased asset is measured at the lower of its fair value or the present value of the minimum lease payments that is the present (discounted) value of payments over the lease term that the lessee is or can be required to make.

The present value of the minimum lease payments is recognised in the statement of financial position as financial liability with the division into short and long-term part. The minimum lease payments are discounted and apportioned between finance charge and the reduction of the outstanding liability using interest rate implicit in the lease, that is the discount rate that, at the inception of the lease, causes the aggregate present value of the minimum lease payments, the unguaranteed residual value to be equal to the sum of the fair value of the leased asset and the initial direct costs if this is impossible to determine, the lessee's incremental borrowing rate, that is the rate, the lessee would have to pay on the similar lease agreement or – if that is not determinable, the rate that, at the inception of the lease, the lessee would incur to borrow over a similar term, with a similar security, the funds necessary to purchase the leased asset for the similar period of time and with similar guarantees.

Depreciation methods for assets leased under the finance lease as well as methods of determining impairment losses in respect of assets leased under the finance lease are consistent with policies applied for the Company's owned assets. If there is a reasonable uncertainty that the lessee will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of: the lease term or useful life.

If the Company conveyed to another entity the right to use an asset under the finance lease, the present value of the minimum lease payments and unguaranteed residual value is recognised in the statement of financial position as receivables with the division into short and long-term part. The minimum lease payments and unguaranteed residual value are discounted using interest rate implicit in the lease.

Assets used under the operating lease, that is under the agreement that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee, are recognised as assets of the lessor.

Lease payments from the operating lease are recognised by lessor as revenues from sales of products, while by lessee as costs in profit or loss.

3.4.27 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 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 gained; however the respective information on the contingent receivable is disclosed if the inflow of assets relating to economic benefits is probable the Company discloses respective information on the contingent asset in the additional information to financial statements and if practicable, estimates the influence on financial results, as according to accounting principles for valuation of provisions.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, an entity discloses the contingent asset.

3.4.28 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) and
- those that are indicative of conditions that arose after the reporting period (events after the reporting period not requiring adjustments).

4. APPLICATION OF PROFESSIONAL JUDGEMENTS AND ASSUMPTIONS

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, equity, revenues 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: 10 Tax expense,11 Property, plant and equipment in relation to impairment, 12 Investment property.

The accounting policies descibed above have been applied consistently to all periods presented in these financial statements.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

5. THE PARENT COMPANY AND STRUCTURE OF THE CONSOLIDATED GROUP

The following table shows subsidiaries and joint operations forming the consolidated Group of UNIPETROL, a.s., and the parent company's interest in the capital of subsidiaries and joint operations 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 2014).

Name and place of business	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 functions	www.unipetrol.cz
Subsidiaries consolidated in full method				
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%	--	Downstream	www.paramo.cz
UNIPETROL RPA, s.r.o. Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00%	--	Downstream Corporate functions	www.unipetrolrpa.cz
UNIPETROL SERVICES, s.r.o. Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00%	--	Corporate functions	www.unipetrolservices.cz
UNIPETROL DOPRAVA s.r.o. Litvínov - Růžodol č.p. 4, 436 70 Litvínov, Czech Republic	0.12%	99.88%	Downstream	www.unipetroldoprava.cz
UNIPETROL Deutschland GmbH Paul Ehrlich Str. 1/B , 63225 Langen/Hessen, Germany	0.10%	99.90%	Downstream	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%	Downstream	www.unipetrol.sk
POLYMER INSTITUTE BRNO, spol. s r.o. Tkalcovská 36/2, 656 49 Brno, Czech Republic	1.00%	99.00%	Downstream	www.polymer.cz
Paramo Oil s.r.o. (dormant entity) Přerovská 560, 530 06 Pardubice, Czech Republic	--	100.00%	Downstream	
Výzkumný ústav anorganické chemie, a.s. Revoluční 84/č.p. 1521, Ústí nad Labem, Czech Republic	100.00%	--	Downstream	www.vuanch.cz
UNIPETROL RAFINÉRIE, s.r.o. (dormant entity) Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00%	--	Downstream	
HC VERVA Litvínov, a.s. Litvínov, S.K. Neumanna 1598, Czech Republic	--	70.95%	Corporate functions	www.hokej-litvinov.cz
CHEMOPETROL, a.s. (dormant entity) Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	--	100.00%	Downstream	
MOGUL SLOVAKIA s.r.o. Hradiště pod Vrátnom, U ihriska 300, Slovak Republic	--	100.00%	Downstream	www.mogul.sk
UNIPETROL AUSTRIA HmbH in Liquidation Vídeň, Apfelgasse 2, Austria	100.00%	--	Downstream	
Joint operations consolidated based on shares in assets and liabilities				
ČESKÁ RAFINÉRSKÁ, a.s. Záluží 2, 436 70 Litvínov, Czech Republic	67.56%	--	Downstream	www.ceskarafinerska.cz
Butadien Kralupy a.s. O. Wichterleho 810, 278 01 Kralupy nad Vltavou, Czech Republic	51.00%	--	Downstream	

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 from Shell Overseas Investments B.V.

On 31 January 2014 UNIPETROL, a.s. ("Unipetrol") completed the transaction of the 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 a share purchase agreement on 7 November 2013. The acquisition price for the shares in amount of USD 27,2 million was settled in 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 the 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%. In line with Articles of Association of Česká rafinérská, adoption of decision on all important matters requires consent of all shareholders.

Acquisition of 32,445% stake in Česká rafinérská from Eni International B.V.

On 3 July 2014 UNIPETROL, a.s. ("Unipetrol") exercised its pre-emptive right and accepted the offer from Eni International B.V. ("Eni"), based on which Unipetrol will acquire from Eni 303 301 shares of ČESKÁ RAFINÉRSKÁ, a.s. ("Česká rafinérská") amounting to 32,445% of the Česká rafinérská's share capital ("Transaction"). The acquisition price for the shares in the amount of EUR 30 million, subject to additional adjustments before Transaction completion, will be financed from own financial sources of Unipetrol.

Transaction is an opportunistic acquisition with the aim to gain full control over Česká rafinérská, be a sole decision-maker regarding capital investments, perform deeper restructuring of the company, further increase security of petrochemical feedstock supplies for continuation of Unipetrol's petrochemical business development, as well as strengthen long-term presence of Unipetrol Group on the Czech market.

On 19 December 2014, the Czech Competition Office (CCO) issued a merger clearance for Unipetrol to take over the 32,445% in Česká rafinérská from Eni International B.V. Unipetrol, since the merger clearance was granted without any commitments or objections, Unipetrol did not appeal the CCO decision. SČS - Unie nezávislých petrolejářů, z.s. (UNIE) appealed the CCO merger clearance decision on 5 January 2015; UNIE claims that its right to appeal is stemming from a judgment of Regional Court in Prague in Litvínovská uhelná, a.s. case. Unipetrol claims that UNIE had no right to appeal the merger clearance decision and therefore, their filing of 5 January 2015 does not form an appeal capable of delaying the merger clearance decision coming into force. The matter is now pending with the Chairman of CCO for review and decision. Unipetrol is requesting the Chairman to reject the UNIE filing of 5 January 2015.

(in millions of CZK)

EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS

6. REVENUES

	2014	2013
Fees for use of lands	114	113
Other services	41	28
	155	**141**

6.1 Geographical information

All revenues were realized in the Czech Republic.

6.2 Major customers

The Company has individual customers who accounted for 10% or more of the Company's total revenues. These customers are entities related to UNIPETROL, a.s.

7. OPERATING EXPENSES

7.1 Cost of sales

	2014	2013
Cost of services sold	(86)	(85)
	(86)	**(85)**

7.2 Cost by nature

	2014	2013
Materials and energy	(2)	(2)
External services	(97)	(110)
Employee benefits	(146)	(163)
Depreciation and amortisation	(1)	(2)
Taxes and charges	(19)	(10)
Repairs and maintenance	(1)	(1)
Insurance	(2)	(1)
Other	(21)	(1)
Operating expenses	**(289)**	**(290)**
Administrative expenses	202	204
Other operating expenses	1	1
Cost of sales	**(86)**	**(85)**

7.3 Employee benefits

	2014	2013
Payroll expenses	(104)	(115)
Social security expenses	(25)	(26)
Other employee benefits expenses	(17)	(22)
	(146)	**(163)**

(in millions of CZK)

7.3.1 Employee benefits – additional information

2014	Employees	Key Management	Audit Committee	Board of Directors	Supervisory Board	Total
Wages and salaries	(52)	(41)	(1)	(3)	(7)	(104)
Social and health insurance	(15)	(7)	-	(1)	(2)	(25)
Social expense	(10)	(7)	-	-	-	(17)
	(77)	**(55)**	**(1)**	**(4)**	**(9)**	**(146)**
Number of employees average per year						46,67
Number of employees as at balance sheet day						52

2013	Employees	Key Management	Audit Committee	Board of Directors	Supervisory Board	Total
Wages and salaries	(63)	(41)	(1)	(3)	(7)	(115)
Social and health insurance	(17)	(7)	-	-	(2)	(26)
Social expense	(12)	(10)	-	-	-	(22)
	(92)	**(58)**	**(1)**	**(3)**	**(9)**	**(163)**
Number of employees average per year						41,42
Number of employees as at balance sheet day						47

8. OTHER OPERATING INCOME AND EXPENSES

8.1 Other operating income

	2014	2013
Profit on sale of non-current non-financial asets	-	1
Reversal of receivables impairment allowances	21	-
Other	1	2
	22	**3**

8.2 Other operating expenses

	2014	2013
Donations	(1)	(1)
	(1)	**(1)**

9. FINANCE INCOME AND FINANCE COSTS

9.1 Finance income

	2014	2013
Interest	184	331
Dividends received	359	968
Reversal of impairment to financial assets	-	16
Other	6	4
	549	**1 319**

9.2 Finance costs

	2014	2013
Interest	(95)	(227)
Net foreign exchange loss	-	(2)
Other	(9)	(4)
	(104)	**(233)**

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

10. TAX EXPENSE

	2014	2013
Income tax expense in the statement of profit or loss		
Current income tax	(4)	(3)
Deferred income tax	(1)	1
	(5)	**(2)**

Domestic income tax is calculated in accordance with Czech tax regulations at the rate of 19% in 2014 (2013: 19%) of the estimated taxable income for the year. The deferred tax has been calculated using tax rate approved for years 2015 and forward i.e. 19%.

10.1 The differences between income tax expense recognized in profit or loss and the amount calculated based on profit before tax

Reconciliation of tax effective

	2014	2013
Profit for the year	328	938
Total income tax expense	(5)	(2)
Profit before tax	333	940
Income tax using domestic income tax rate	(63)	(179)
Non-deductible expenses	(9)	(9)
Tax exempt income	69	184
Under (over) provided in prior periods	(2)	-
Other differences	-	2
Total income tax expense	**(5)**	**(2)**
Effective tax rate	**(1,46%)**	**(0,24%)**

10.2 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 2015 and onward).

	31/12/2013	Deferred tax recognized in statement of profit or loss	31/12/2014
Deferred tax assets			
Employee benefit costs	7	(1)	6
	7	**(1)**	**6**
Deferred tax liabilities			
Investment property	(119)	-	(119)
	(119)	**-**	**(119)**
	(112)	**(1)**	**(113)**

(in millions of CZK)

11. PROPERTY, PLANT AND EQUIPMENT

	31/12/2014	31/12/2013
Land	9	9
Vehicles and other	-	1
	9	**10**

Changes in property, plant and equipment:

	Land	Machinery and equipment	Vehicles and other	Construction in progress	Total
Gross book value					
1 January 2014	9	3	9	-	21
31 December 2014	**9**	**3**	**9**	**-**	**21**
Accumulated depreciation, impairment allowances					
1 January 2014	-	3	8	-	11
Depreciation	-	-	1	-	1
31 December 2014	**-**	**3**	**9**	**-**	**12**
Gross book value					
1 January 2013	9	3	15	-	27
Investment expenditures	-	-	-	7	7
Reclassifications	-	-	-	(7)	(7)
Sale	-	-	(6)	-	(6)
31 December 2013	**9**	**3**	**9**	**-**	**21**
Accumulated depreciation, impairment allowances					
1 January 2013	-	3	12	-	15
Depreciation	-	-	2	-	2
Sale	-	-	(6)	-	(6)
31 December 2013	**-**	**3**	**8**	**-**	**11**
Net book value					
1 January 2014	9	-	1	-	10
31 December 2014	9	-	-	-	9
1 January 2013	9	-	4	-	13
31 December 2013	9	-	1	-	10

Other information regarding property, plant and equipment

	2014	2013
The gross book value of all fully depreciated property, plant and equipment still in use	6	5

12. INVESTMENT PROPERTY

Investment property at 31 December 2014 comprised the lands owned by the Company and leased to subsidiaries of the Company and third parties. The changes recorded during the year 2014 are presented in the following table:

	2014	2013
At the beginning of year	1 156	1 149
Reclassification from property, plant, equipment	-	7
	1 156	**1 156**

Rental income amounted to CZK 114 million in 2014 (2013: CZK 113 million). Operating costs related to the investment property in reporting period amounted to CZK 22 million in 2014 (2013: CZK 14 million).
Information concerning valuation of investment property is included in note 3.4.10 and 23.

(in millions of CZK)

13. SHARES IN RELATED PARTIES

Shares in related parties as at 31 December 2014 were as follows:

Name of the entity	Registered office	Cost of investment	Ownership percentage	Impairment	Carrying amount	Dividend income for the year
Subsidiaries consolidated in full method						
UNIPETROL RPA, s.r.o.	Litvínov	7 360	100,00	-	7 360	-
Výzkumný ústav anorganické chemie, a.s.	Ústí nad Labem	59	100,00	8	51	-
BENZINA, s.r.o.	Praha 4	4 181	100,00	1 922	2 259	-
PARAMO, a.s.	Pardubice	1 251	100,00	1 073	178	-
UNIPETROL SERVICES, s.r.o.	Litvínov	100	100,00	-	100	11
UNIPETROL RAFINÉRIE, s.r.o.	Praha 4	0,4	100,00	-	0,4	-
UNIPETROL AUSTRIA HmbH	Vídeň	3	100,00	-	3	-
Joint operations consolidated based on shares in assets and liabilities						
ČESKÁ RAFINÉRSKÁ, a.s.	Litvínov	4 423	67,56	-	4 423	338
Butadien Kralupy a.s.	Kralupy	162	51,00	-	162	-
Other investments						
ORLEN MALTA HOLDING	La Valeta	1	-	-	1	-
Spolek pro chemickou a hutní výrobu, akciová společnost	Ústí nad Labem	0,0002	-	-	0,0002	-
UNIPETROL DOPRAVA, s.r.o.	Litvínov	2	0,12	-	2	0,2
UNIPETROL SLOVENSKO s.r.o.	Bratislava	0,1	13,04	-	0,1	10
PETROTRANS, s.r.o.	Praha 4	1	0,63	-	1	0,2
POLYMER INSTITUTE BRNO, spol. s r.o.	Brno	1	1,00	-	1	0,2
UNIPETROL DEUTSCHLAND GmbH	Langen/Hessen	0,1	0,10	-	0,1	-
Total		**17 545**	**-**	**3 003**	**14 542**	**359**

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 consolidated in full method						
UNIPETROL RPA, s.r.o.	Litvínov	7 360	100,00	-	7 360	-
Výzkumný ústav anorganické chemie, a.s.	Ústí nad Labem	59	100,00	8	51	-
BENZINA, s.r.o.	Praha 4	4 181	100,00	1 922	2 259	-
PARAMO, a.s.	Pardubice	1 251	100,00	1 073	178	-
UNIPETROL SERVICES, s.r.o.	Litvínov	100	100,00	-	100	45
UNIPETROL RAFINÉRIE, s.r.o.	Praha 4	0,4	100,00	-	0,4	-
UNIPETROL AUSTRIA HmbH	Vídeň	3	100,00	-	3	-
Joint operations consolidated based on shares in assets and liabilities						
ČESKÁ RAFINÉRSKÁ, a.s.	Litvínov	3 872	51,22	-	3 872	922
Butadien Kralupy a.s.	Kralupy	162	51,00	-	162	-
Other investments						
ORLEN MALTA HOLDING	La Valeta	1	-	-	1	-
Spolek pro chemickou a hutní výrobu, akciová společnost	Ústí nad Labem	0,0002	-	-	0,0002	-
UNIPETROL DOPRAVA, s.r.o.	Litvínov	2	0,12	-	2	0,3
UNIPETROL SLOVENSKO s.r.o.	Bratislava	0,1	13,04	-	0,1	-
PETROTRANS, s.r.o.	Praha 4	1	0,63	-	1	0,3
POLYMER INSTITUTE BRNO, spol. s r.o.	Brno	1	1,00	-	1	0,1
UNIPETROL DEUTSCHLAND GmbH	Langen/Hessen	0,1	0,10	-	0,1	0,1
Total		**16 993**	**-**	**3 003**	**13 991**	**968**

The Company had equity investments of CZK 14 542 million as at 31 December 2014 and CZK 13 991 million as at 31 December 2013 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.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

14. OTHER NON-CURRENT ASSETS

	31/12/2014	31/12/2013
Loans granted	1 472	1 520
Financial assets	**1 472**	**1 520**

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 million. 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 2014 the Company had non-current loan in amount of CZK 72 million (31 December 2013: CZK 120 million) granted to its jointly controlled entity Butadien Kralupy a.s. The loan is repayable by regular fixed instalments over next 3 years and interest rates are based on 6M PRIBOR. The fair value of loan approximates its carrying amount.

15. TRADE AND OTHER RECEIVABLES

	31/12/2014	31/12/2013
Trade receivables	160	145
Other	3	3
Financial assets	**163**	**148**
Prepayments and deffered costs	2	3
Non-financial assets	**2**	**3**
Receivables, net	**165**	**151**
Receivables impairment allowance	100	121
Receivables, gross	**265**	**272**

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 22 and detailed information about receivables from related parties is presented in note 27.

Movement in the impairment loss allowance

	2014	2013
At the beginning of the year	121	121
Reversal	(21)	-
	100	**121**

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.

16. OTHER FINANCIAL ASSETS

	31/12/2014	31/12/2013
Loans granted	12 172	10 052
Cash pool	2 886	2 637
	15 058	**12 689**

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.

The current loans provided to subsidiaries are not collateralised. The current loans to subsidiaries as at 31 December 2014 included the portion of non-current loans due within one year in amount of CZK 49 million.

The analysis of current loans by currency of denomination is presented in the note 22.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

17. CASH AND CASH EQUIVALENTS

	31/12/2014	31/12/2013
Cash on hand and in bank	516	158
	516	**158**

The carrying amount of these assets approximates their fair value.

18. SHAREHOLDERS' EQUITY

18.1 Share capital

The issued capital of the Company as at 31 December 2014 amounted to CZK 18 133 million (2013: CZK 18 133 million). This represents 181 334 764 (2013: 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.

18.2 Statutory reserves

The Company's duty to create and supplement the reserve fund as such duty was regulated in Section 217 of the Act No. 513/1991 Coll., the Commercial Code, valid as of 31 December 2013, was cancelled. The right to decide on disposing of the reserve fund in the extent in which it was created as of 26 May 2014 is vested within the powers of the Board of Directors; this shall not affect the right of the General Meeting to decide on the distribution of this reserve fund among the shareholders. The balance of the Statutory reserve fund as at 31 December 2014 amounted to CZK 1 719 million (31 December 2013: CZK 1 672 million).

18.3 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.

18.4 Retained earnings

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 26 May 2014 decided, pursuant to Article 12 (2) (v) of the Articles of Association of UNIPETROL, a.s., on transfer of the Company's profit generated on non-consolidated basis in 2013 in amount of CZK 938 million. Based on the decision the amount of CZK 47 million was allocated to the Company's Reserve Fund and CZK 891 million was transferred to retained earnings.

The decision regarding appropriation of 2014 profit will be made on the annual meeting of shareholders, which will be held in May / June 2015.

18.5 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 2014 and 31 December 2013 Company´s financial leverage amounted to 20,54% and 11,14%, 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

18.6 Earnings per share

Basic earnings per share

	2014	2013
Profit for the year	328	938
Weighted average number of shares	181 334 764	181 334 764
Earnings per share (in CZK per share)	**1,81**	**5,17**

Diluted earnings per share
Diluted earnings per share are the same as basic earnings per share.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

19. LOANS, BORROWINGS

	Long-term		Short-term		Total	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Bank loans	-	-	-	266	-	266
Borrowings	4 000	2 000	21	2	4 021	2 002
	4 000	**2 000**	**21**	**268**	**4 021**	**2 268**

Bank loans and cash pool agreements

During the year 2014 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 million to CZK 4 000 million 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 has received a mid-term loan in the amount of CZK 4 000 million. 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 in 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.

Analyses of bank loans

- by currency (translated into CZK)

	31/12/2014	31/12/2013
CZK	-	204
EUR	-	43
USD	-	19
	-	**266**

- by interest rate

	31/12/2014	31/12/2013
PRIBOR	-	204
EURIBOR	-	43
LIBOR	-	19
	-	**266**

Short-term bank loans are subject to variable interests and their carrying amounts approximate fair values. Average effective interest rate as at 31 December 2014 was 0,758 % (31 December 2013: 0,73%).

Disclosures resulting from IFRS 7 relating to loans and borrowings are included in note 22 and are presented jointly with other financial instruments.

Analyses of borrowings

- by currency (translated into CZK)

	31/12/2014	31/12/2013
CZK	4 021	2 002
	4 021	**2 002**

- by interest rate

	31/12/2014	31/12/2013
PRIBOR	4 021	2 002
	4 021	**2 002**

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

20. TRADE AND OTHER LIABILITIES

	31/12/2014	31/12/2013
Trade liabilities	38	29
Dividends	35	35
Other	14	15
Financial liabilities	**87**	**79**
Payroll liabilities	6	11
Value added tax	7	7
Other taxation, duties, social security and other benefits	4	5
Accruals	31	35
holiday pay accrual	1	2
wages accrual	30	33
Non-financial liabilities	**48**	**58**
	135	**137**

The management considers that the carrying amount of trade and other payables and accruals approximate their fair value.

21. OTHER FINANCIAL LIABILITIES

The Company had cash pool liabilities to subsidiaries and related entities in amount of CZK 1 975 million as at 31 December 2014 (CZK 825 million as at 31 December 2013). The description of cash pool agreements is presented in note 16.

22. FINANCIAL INSTRUMENTS

22.1 Financial instruments by category and class

Financial assets

31/12/2014		Financial instruments by category	
Financial instruments by class	Note	Loans and receivables	Total
Trade receivables	*15*	160	160
Borrowings granted	*14 ,16*	13 644	13 644
Cash pool	*16*	2 886	2 886
Cash and cash equivalents	*17*	516	516
Other financial assets	*15*	3	3
		17 209	**17 209**

31/12/2013		Financial instruments by category	
Financial instruments by class	Note	Loans and receivables	Total
Trade receivables	*15*	145	145
Borrowings granted	*14,16*	11 572	11 572
Cash pool	*16*	2 637	2 637
Cash and cash equivalents	*17*	158	158
Other financial assets	*15*	3	3
		14 515	**14 515**

Financial liabilities

31/12/2014		Financial instruments by category	
Financial instruments by class	Note	Financial liabilities measured at amortised cost	Total
Non-current borrowings	*19*	4 000	4 000
Current borrowings	*19*	21	21
Trade liabilities	*20*	38	38
Cash pool	*21*	1 975	1 975
Other financial liabilities	*20*	49	49
		6 083	**6 083**

31/12/2013		Financial instruments by category	
Financial instruments by class	Note	Financial liabilities measured at amortised cost	Total
Non-current borrowings	*19*	2 000	2 000
Current borrowings	*19*	2	2
Current loans	*19*	266	266
Trade liabilities	*20*	29	29
Cash pool	*21*	825	825
Other financial liabilities	*20*	50	50
		3 172	**3 172**

(in millions of CZK)

22.2 Income and costs, gain and loss in the statement of profit or loss and other comprehensive income

2014	Financial instruments by category			
	Loans and receivables	Financial assets available for sale	Financial liabilities measured at amortised cost	Total
Interest income	184	-	-	184
Interest costs	-	-	(95)	(95)
Foreign exchange gain/(loss)	(1)	-	1	-
Recognition/reversal of receivables impairment allowances recognized in:				
other operating income/(expenses)	21	-	-	21
Other	6	-	(9)	(3)
	210	**-**	**(103)**	**107**
other, exluded from the scope of IFRS 7				
Dividends				359
				359

2013	Financial instruments by category			
	Loans and receivables	Financial assets available for sale	Financial liabilities measured at amortised cost	Total
Interest income	331	-	-	331
Interest costs	-	-	(227)	(227)
Foreign exchange gain/(loss)	3	-	(5)	(2)
Valuation of financial assets available for sale	-	16	-	16
Other	4	-	(4)	-
	338	**16**	**(236)**	**118**
other, exluded from the scope of IFRS 7				
Dividends				968
				968

22.3 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.

22.4 Credit risk

The Company has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Loans granted (note 14 and note 16) and receivables (note 15) principally consist of amounts due from subsidiaries and joint operations. 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 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

	31/12/2014	31/12/2013
Group I	163	148
Group II	-	-
	163	**148**

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.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

22.5 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 2014 and 31 December 2013 the maximum available credit facilities relating to bank loans amounted to CZK 13 485 million and CZK 10 750 million respectively, of which as at 31 December 2014 and 31 December 2013 CZK 12 664 million and CZK 10 482 million respectively remained unused. The description of the loans and guarantees drawn from credit facilities are presented in notes 19 and 25.

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 financial liabilities

		31/12/2014			
	Note	Up to 1 year	From 1 to 3 years	Total	Carrying amount
Borrowings - undiscounted value	*19*	87	4 087	4 174	4 021
Cash pool - undiscounted value	*21*	1 975	-	1 975	1 975
Trade and other liabilities	*20*	87	-	87	87
		2 149	**4 087**	**6 236**	**6 083**

		31/12/2013			
	Note	Up to 1 year	From 1 to 3 years	Total	Carrying amount
Loans - undiscounted value	*19*	266	-	266	266
Borrowings - undiscounted value	*19*	45	2 087	2 132	2 002
Cash pool - undiscounted value	*21*	825	-	825	825
Trade and other liabilities	*20*	79	-	79	79
		1 215	**2 087**	**3 302**	**3 172**

22.6 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.

22.6.1 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 denominated in foreign currency as at 31 December 2014

	EUR	USD	Total after translation to CZK
Financial assets			
Borrowings granted	4	-	122
Cash pool	-	11	257
Cash and cash equivalents	5	-	155
	9	**11**	**534**
Financial liabilities			
Cash pool	5	11	409
Trade and other liabilities	-	-	3
	5	**11**	**412**

(in millions of CZK)

22.6.1 Currency risk (continued)

Currency structure of financial instruments denominated in foreign currency as at 31 December 2013

	EUR	USD	Total after translation to CZK
Financial assets			
Trade receivables	-	-	2
Cash pool	3	1	106
Cash and cash equivalents	-	7	133
	3	**8**	**241**
Financial liabilities			
Loans	2	1	62
Cash pool	2	7	174
Trade and other liabilities	-	-	8
	4	**8**	**244**

<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.

	Influence on profit before tax			
2014	Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/CZK	15%	18	15%	(18)

	Influence on profit before tax			
2013	Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/CZK	15%	(1)	15%	1

22.6.2 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		Carrying amount	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Financial assets								
Borrowings granted	13 522	11 572	122	-	-	-	13 644	11 572
Cash pool	2 629	2 531	-	86	257	20	2 886	2 637
	16 151	**14 103**	**122**	**86**	**257**	**20**	**16 530**	**14 209**
Financial liabilities								
Loans	-	204	-	43	-	19	-	266
Borrowings	4 021	2 002	-	-	-	-	4 021	2 002
Cash pool	1 566	651	150	44	259	130	1 975	825
	5 587	**2 857**	**150**	**87**	**259**	**149**	**5 996**	**3 093**

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		Influence on profit before tax		Influence on hedging reserve		Total	
	31/12/2014	31/12/2013	2014	2013	2014	2013	2014	2013
EURIBOR	+0,5 pp	+0,5 pp	-	-	-	-	-	-
LIBOR	+0,5 pp	+0,5 pp	-	(1)	-	-	-	(1)
PRIBOR	+0,5 pp	+0,5 pp	53	56	-	-	53	56
			53	**55**	**-**	**-**	**53**	**55**

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 2014 and 31 December 2013. The influence of interest rates changes was presented on annual basis.

(in millions of CZK)

23. FAIR VALUE DETERMINATION

	Note	31/12/2014 Fair value	31/12/2014 Carrying amount	31/12/2013 Fair value	31/12/2013 Carrying amount
Financial assets					
Trade receivables	*15*	160	160	145	145
Borrowings granted	*14,16*	13 644	13 644	11 572	11 572
Cash pool	*16*	2 886	2 886	2 637	2 637
Cash and cash equivalents	*17*	516	516	158	158
Other financial assets	*15*	3	3	3	3
		17 209	**17 209**	**14 515**	**14 515**
Financial liabilities					
Loans	*19*	-	-	266	266
Borrowings	*19*	4 021	4 021	2 002	2 002
Trade liabilities	*20*	38	38	29	29
Cash pool	*21*	1 975	1 975	825	825
Other financial liabilities	*20*	49	49	50	50
		6 083	**6 083**	**3 172**	**3 172**

23.1 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 2014 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 million as at 31 December 2014 (31 December 2013: CZK 1 156 million). 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.

The movements in the assets classified to the Level 3 fair values were as follows:

	31/12/2014	31/12/2013
At the beginning of the year	1 156	1 149
Transfer from Property, plant and equipment	-	7
	1 156	**1 156**

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 by	Level 3 Total impact	Level 3 Decrease by	Level 3 Total impact
Change in discount rate	+1 pp	(90)	-1 pp	90

As at 31 December 2014 the Company held unquoted shares in entities amounting to CZK 14 542 million (31 December 2013: CZK 13 991 million), 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 acquisitioncost less impairment allowances. As at 31 December 2014 there are no binding decisions relating to the means and dates of disposal of those assets.

(in millions of CZK)

24. LEASES

24.1 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:

	31/12/2014	31/12/2013
Less than one year	7	6
Between one and five years	20	27
	27	**33**

The Company leases vehicles and offices under operating leases. The vehicle leases typically run for a two year period. Lease payments are adjusted annually to reflect market conditions. None of the leases includes contingent rentals.

Payments recognized as an expense were as follows:

	2014	2013
Non-cancellable operating lease	1	5

Finance lease

At the balance sheet date the Company did not possess any finance lease arrangements as a lessee.

24.2 The Company as lessor

As at 31 December 2014 and as at 31 December 2013 the Company did not possess any finance or operating lease agreements as a lessor.

25. CONTINGENT LIABILITIES

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 Králové.

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 Králové 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.

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.

Within the adequacy of compensation proceedings, the court ordered preparation of a third expert's valuation (Ústav oceňováni majetku při Ekonomické fakultě Vysoké školy báňské – Technické univerzity Ostrava, i.e. an institute established by the Faculty of Economy of the Technical University in Ostrava was appointed by the court to carry out the valuation).

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

25. CONTINGENT LIABILITIES (CONTINUED)

UNIPETROL appointed Pricewaterhousecoopers to provide a valuation of PARAMO shares.

The Court scheduled the next hearing in the adequacy of compensation proceedings for April 2015.

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.'s 2014 financial statements.

Guarantees issued

As part of the operational financing of UNIPETROL, a.s. , the bank guarantees in amount of CZK 821 million were provided for the companies: Unipetrol RPA, s.r.o. (in amount of CZK 761 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 24 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.

26. 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. Funds up to CZK 10 256 million are provided to cover cost actually incurred in relation to settlement of 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:

	Total amount of funds to be provided	Used funds as at 31/12/2014	Unused funds as at 31/12/2014
UNIPETROL, a.s. / premises of UNIPETROL RPA, s.r.o.	6 012	3 868	2 144
UNIPETROL, a.s. / premises of SYNTHOS Kralupy a.s.	4 244	51	4 193
	10 256	**3 919**	**6 337**

	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**

27. RELATED PARTIES

27.1 Material transactions concluded by the Company with related parties

In year 2014 and in 2013 there were no transactions concluded by the Company with related parties on other than arm´s length.

27.2 Transactions with key management personnel

In year 2014 and in 2013 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 2014 and in 2013 there were no significant transactions concluded with members of the Board of Directors, Supervisory Board, their spouses, siblings, descendants, ascendants or their other relatives.

27.3 Transaction with related parties concluded by key management personnel of the Company

In year 2014 and in 2013 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.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

27.4 Transactions and balances of settlements of the Company with related parties

Parent and ultimate controlling party

During 2014 and 2013 a majority (62,99%) of the Company's shares were in possession of POLSKI KONCERN NAFTOWY ORLEN S.A.

2014	PKN Orlen	Entities under control or significant influence of UNIPETROL, a.s.	Entities under control or significant influence of PKN Orlen
Sales	-	132	-
Purchases	3	41	-
Finance income, including	-	547	-
dividends	-	359	-
Finance costs	86	-	-

31/12/2014	PKN Orlen	Entities under control or significant influence of UNIPETROL, a.s.	Entities under control or significant influence of PKN Orlen
Long term receivables and loans granted	-	1 472	-
Short term financial assets	-	15 058	-
Trade and other receivables	-	109	-
Trade and other liabilities, including loans	4 023	1 981	-

2013	PKN Orlen	Entities under control or significant influence of UNIPETROL, a.s.	Entities under control or significant influence of PKN
Sales	-	118	-
Purchases	2	38	-
Finance income, including	-	1 304	-
Dividends	-	968	-
Finance costs	2	-	-

31/12/2013	PKN Orlen	Entities under control or significant influence of UNIPETROL, a.s.	Entities under control or significant influence of PKN
Long term receivables and loans granted	-	1 520	-
Short term financial assets	-	12 689	-
Trade and other receivables	-	103	-
Trade and other liabilities, including loans	2 002	830	-

28. 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.

	2014		2013	
	Short-term benefits	Termination benefits	Short-term benefits	Termination benefits
Remuneration of current period	67	2	69	2
Paid for previous year	15	-	14	-
Potentially due to be paid in the following year	15	-	14	-

Further detailed information regarding remuneration of key management personnel is included in note 7.3.

28.1 Bonus system for key executive personnel of the Company

In 2014 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.

28.2 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.

29. SUBSEQUENT EVENTS AFTER THE REPORTING DATE

The Company's management is not aware of any other events that have occurred since end of the reporting period that would have any material impact on the financial statements as at 31 December 2014.

30. APPROVAL OF THE FINANCIAL STATEMENTS

These non-consolidated financial statements were authorized by the Board of Directors' meeting held on 3 March 2015.

Signature of statutory representatives

Marek Świtajewski

Marek Świtajewski	Mirosław Kastelik
Chairman of the Board of Directors	Member of the Board of Directors

UNIPETROL, a.s.

CONSOLIDATED
FINANCIAL STATEMENTS
Translation from the Czech original

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

FOR THE YEAR 2014

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ACCOUNTING PRINCIPLES AND OTHER EXPLANATORY NOTES

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

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

Consolidated statement of profit or loss and other comprehensive income

	NOTE	2014	2013
Statement of profit or loss			
Revenues	8	124 229	99 415
Cost of sales	9.1	(118 243)	(97 112)
Gross profit on sales		**5 986**	**2 303**
Distribution expenses	9.2	(2 090)	(1 963)
Administrative expenses	9.2	(1 274)	(1 192)
Other operating income	10.1	1 645	188
Other operating expenses	10.2	(5 264)	(229)
Loss from operations		**(997)**	**(893)**
Finance income	11.1	1 272	1 076
Finance costs	11.2	(1 637)	(1 526)
Net finance costs		**(365)**	**(450)**
Loss before tax		**(1 362)**	**(1 343)**
Tax credit / (expense)	12	806	(53)
Net loss		**(556)**	**(1 396)**
Other comprehensive income			
items which will not be reclassified into profit or loss		**(10)**	**(2)**
Actuarial gains and losses		*(12)*	*(2)*
Deferred tax		*2*	*-*
items which will be reclassified into profit or loss under certain conditions		**728**	**(145)**
Hedging instruments		*899*	*(206)*
Foreign exchange differences on subsidiaries from consolidation		*-*	*28*
Deferred tax		*(171)*	*33*
		718	**(147)**
Total net comprehensive income		**162**	**(1 543)**
Net loss attributable to		**(556)**	**(1 396)**
equity owners of the parent		*(556)*	*(1 394)*
non-controlling interest		*-*	*(2)*
Total comprehensive income attributable to		**162**	**(1 543)**
equity owners of the parent		*162*	*(1 541)*
non-controlling interest		*-*	*(2)*
Net profit/(loss) and diluted net profit/(loss) per share attributable to equity owners of the parent (in CZK per share)	24.8	(3,07)	(7,70)

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 158-214.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

Consolidated statement of financial position

	NOTE	31/12/2014	31/12/2013
ASSETS			
Non-current assets			
Property, plant and equipment	13	18 893	23 177
Investment property	14	419	427
Intangible assets	15	1 792	1 748
Financial assets available for sale	17	1	1
Deferred tax assets	12.2	1 039	259
Other non-current assets	18	29	53
		22 173	**25 665**
Current assets			
Inventories	20	10 320	10 705
Trade and other receivables	21	12 506	12 393
Other financial assets	22	1 764	49
Current tax receivables		72	70
Cash and cash equivalents	23	1 682	1 117
		26 344	**24 334**
Total assets		**48 517**	**49 999**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	24.1	18 133	18 133
Statutory reserves	24.2	2 703	2 643
Hedging reserve	24.3	538	(190)
Revaluation reserve	24.4	10	10
Foreign exchange differences on subsidiaries from consolidation	24.5	18	18
Retained earnings	24.6	7 069	7 695
Total equity attributable to equity owners of the parent		**28 471**	**28 309**
Non-controlling interest		**(9)**	**(9)**
Total equity		**28 462**	**28 300**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	25	4 000	2 000
Provisions	26	457	433
Deferred tax liabilities	12.2	203	226
Other non-current liabilities	27	185	202
		4 845	**2 861**
Current liabilities			
Trade and other liabilities	28	13 582	17 313
Loans and borrowings	25	350	507
Current tax liabilities		8	19
Provisions	26	782	541
Deferred income	29	76	109
Other financial liabilities	30	412	349
		15 210	**18 838**
Total liabilities		**20 055**	**21 699**
Total equity and liabilities		**48 517**	**49 999**

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 158-214.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

Consolidated statement of 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 2014	18 133	2 643	(190)	18	10	7 695	28 309	(9)	28 300
Net loss	-	-	-	-	-	(556)	(556)	-	(556)
Items of other comprehensive income	-		728	-	-	(10)	718	-	718
Total net comprehensive income	**-**	**-**	**728**	**-**	**-**	**(566)**	**162**	**-**	**162**
Allocation of profit	-	60	-	-	-	(60)	-	-	-
31 December 2014	**18 133**	**2 703**	**538**	**18**	**10**	**7 069**	**28 471**	**(9)**	**28 462**
1 January 2013	18 133	2 583	(16)	(10)	68	9 092	29 850	(7)	29 843
Net loss	-	-	-	-	-	(1 394)	(1 394)	(2)	(1 396)
Items of other comprehensive income	-	-	(174)	28	(58)	57	(147)	-	(147)
Total net comprehensive income	**-**	**-**	**(174)**	**28**	**(58)**	**(1 337)**	**(1 541)**	**(2)**	**(1 543)**
Allocation of profit	-	60	-	-	-	(60)	-	-	-
31 December 2013	**18 133**	**2 643**	**(190)**	**18**	**10**	**7 695**	**28 309**	**(9)**	**28 300**

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 158-214.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

Consolidated statement of cash flows

	NOTE	2014	2013
Cash flows - operating activities			
Net loss		**(556)**	**(1 396)**
Adjustments for:			
Depreciation and amortisation	9	2 270	2 415
Foreign exchange (gain)/loss		7	6
Interest and dividends, net		105	246
(Profit)/Loss on investing activities including impairment charge and profit from financial derivatives		4 371	(89)
Change in provisions		807	735
Tax expense	12	(805)	53
Income tax (paid)		(124)	(189)
Gain on bargain purchase	5	(1 186)	-
Other adjustments including change from financial instruments and movements in deffered income		(1 125)	(257)
Change in working capital		(3 027)	(1 224)
inventories		548	(436)
receivables		559	(942)
liabilities		(4 134)	154
Net cash provided by operating activities		**737**	**300**
Cash flows - investing activities			
Acquisition of property, plant and equipment and intangible assets		(2 093)	(1 728)
Disposal of property, plant and equipment and intangible assets		39	34
Acquisition of share in Česká rafinérská		(547)	-
Cash acquired in acquisition of share in Česká rafinérská		141	-
Settlement of financial derivatives		533	7
Proceeds/(Outflows) from loans granted		29	(1)
Other		(20)	-
Net cash provided used in investing activities		**(1 918)**	**(1 688)**
Cash flows - financing activities			
Proceeds/(Outflows) from loans and borrowings		1 824	1 883
Repayment of bonds issued		-	(2 000)
Proceeds/(Outflows) from cash pool liabilities		-	(176)
Interest paid		(90)	(284)
Payments of liabilities under finance lease agreements		(1)	(3)
Other		(5)	(3)
Net cash provided by/(used in) financing activities		**1 728**	**(583)**
Net increase/(decrease) in cash and cash equivalents		**547**	**(1 971)**
Effect of exchange rate changes		18	14
Cash and cash equivalents, beginning of the year		1 117	3 074
Cash and cash equivalents, end of the year	**23**	**1 682**	**1 117**

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 158-214.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions 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 2014 are as follows:

	Number of shares	Nominal value of shares (in CZK)	Share in share capital
POLSKI KONCERN NAFTOWY ORLEN S.A.	114 226 499	11 422 649 900	62,99%
J&T Group *	42 976 339	4 297 633 900	23,70%
Investment funds and other minority shareholders	24 131 926	2 413 192 600	13,31%
	181 334 764	**18 133 476 400**	**100%**

** As of 19 March 2014 (last available data) - According to notification received on 31 March 2014 J&T Group holds 23,70% share of votes through following companies: PAULININO LIMITED, EGNARO INVESTMENTS LIMITED, LEVOS LIMITED, LCE COMPANY LIMITED, NEEVAS INVESTMENT LIMITED, UPRECHT INVESTMENT LIMITED, MUSTAND INVESTMENT LIMITED.*

Statutory and supervisory bodies
Members of the statutory and supervisory bodies of UNIPETROL, a.s. as at 31 December 2014 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	Lukasz Piotrowski
Supervisory Board	Chairman	Dariusz Jacek 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 in 2014 were as follows:

Position	Name	Change	Date of change
Member	Artur Paździor	Resigned	30 April 2014
Member	Lukasz Piotrowski	Elected into the office	11 June 2014

Changes in the supervisory board in 2014 were as follows:

Position	Name	Change	Date of change
Member	Dariusz Jacek Krawiec	Re-elected into the office	1 July 2014
Member	Piotr Kearney	Re-elected into the office	1 July 2014
Member	Sławomir Jędrzejczyk	Re-elected into the office	1 July 2014

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 applicable accounting principles binding in the Group (disclosed in note 3) and that they reflect true and fair view on financial position and financial result of the Group, including basic risks and exposures.

3. ACCOUNTING PRINCIPLES

3.1 Principles of preparation of financial statements

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 2014. Financial statements have been prepared based on historical cost, except for: derivatives, financial instruments at fair value through profit and loss, financial assets available for sale, and investment properties stated at fair value.

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 2014, results of its operations and cash flows for the year ended 31 December 2014.

The consolidated financial statements of the Group for the year ended 31 December 2014 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 uncertainty 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 standards, which are significant for the preparation of these consolidated financial statements became effective on 1 January 2014: IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS 12 - Disclosure of Interest in Other Entities as well as changes in standards: IAS 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures. According to IFRS 10 the Company performed evaluation of control over its subsidiaries, based on the analyses there were no changes in conclusions as to the Company's control over those entities.

The application of IFRS 11 Joint Arrangements did not have an impact on the consolidated financial statements, since the assessment of the joint arrangements under this standard has not resulted in a change of the accounting treatment of existing joint arrangements. In accordance with IFRS 11 entities belonging to the Group - Ceska Rafinerska and Butadien Kralupy were classified as a joint operations and as at 31 December 2014 are accounted based on the share in owned assets, liabilities, generated revenue and incurred costs. Implementation of IFRS 11 in relation to the above entities had no impact on the consolidated net result of the Group.

Adoption of IFRS 12 standard by the Group from January 2014 resulted in increased disclosures for investments in other entities.

The amendments to other than above mentioned standards and IFRS interpretations, in force from 1 January 2014 until the date of publication of these consolidated financial statements had no impact on the foregoing consolidated financial statements.

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

The Group intends to adopt new standards and amendments to the standards and interpretations to IFRSs listed below that are published by the International Accounting Standards Board, but not effective as at the date of publication of these financial statements, in accordance with their effective date.

- IFRIC Interpretation 21 - Levies
- Amendments to IAS 19 - Employee Benefits entitled Defined Benefit Plans: Employee Contributions
- Improvements to IFRS (2010-2012)
- Improvements to IFRS (2011-2013)

It is expected that the aforementioned standards and amendments to standards, when initially applied, will have no material impact on future consolidated financial statements of the Group.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

3.2.3 Standards, amendments and interpretations adopted by International Accounting Standards Board (IASB), waiting for approval of European Union

Those new standards and amendments which may be relevant to the Group are set out below:

- New standard IFRS 9 - Financial Instruments
- New standard IFRS 14 - Regulatory Deferral Accounts
- New standard IFRS 15 - Revenue from Contracts with Customers
- Amendments to IFRS 11 - Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture: Agriculture: Bearer Plants
- Amendments to IAS 27 - Separate Financial Statements: Equity Method in Separate Financial Statements
- Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Improvements to IFRS (2012-2014)
- Amendments to IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities and IAS 28 - Investments in Associates and Joint Ventures: Investment Entities: Applying the Consolidation Exception
- Amendments to IAS 1 - Presentation of Financial Statements: Disclosure initiative

It is expected that the aforementioned standards, amendments and interpretation to standards, when initially applied, will have no material impact on future consolidated financial statements of the Group, however, when the new standard IFRS 9 will be initially applied, financial assets will be assigned to changed financial instruments categories.

The impact of the initial application of the new standard IFRS 15, effective for annual periods beginning on or after 1 January 2017 will depend on the specific facts and conditions of the contracts with customers in which the Group will be a party.

3.3. Functional currency and presentation currency of financial statements and methods applied to translation of financial data for consolidation purposes

3.3.1 Functional and presentation currency

These consolidated financial statements are presented in Czech crowns (CZK), which is the Group’s presentation and Company’s functional currency. All financial information presented in CZK has been rounded to the nearest million. In prior year the financial information were presented in CZK thousands. In current year the Company changed the presentation to CZK million and performed corresponding changes in prior year figures.

3.3.2 Methods applied to translation of data for consolidation purposes

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. 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.

Currency	Average exchange rate for the reporting period 2014	2013	Exchange rate as at the end of reporting period 2014	2013
CZK/EUR	27,533	25,974	27,730	27,425
CZK/USD	20,746	19,565	22,797	19,894

3.4. Accounting policies applied by the Group

3.4.1 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 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.

Starting from 1 January 2014 the Group has applied hedge accounting in relation to commodity swaps on crude oil. The accounting principles were applied in accordance with the note 3.4.26.10 Hedge accounting. Consequently, the result of commodity swaps settlement is included in operating part of the statement of profit or loss and other comprehensive income, not financial part as previously. In accordance with IFRSs the change was applied prospectively.

3.4.2 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.

3.4.3 Principles of consolidation

The consolidated financial statements of the Group include financial statements of a group in which assets, liabilities, equity, income, expenses and cash flows of the Parent Company (further Parent) and its subsidiaries and joint arrangements (jointly controlled entities) are presented as those of a single economic entity and are prepared as at the same reporting period as separate financial statements of the Parent and using uniform accounting principles in relation to similar transactions and other events in similar circumstances.

3.4.3.1 Investments in subsidiaries

Subsidiaries are entities under the parent's control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
Subsidiaries are consolidated using the full consolidation method.
Non-controlling interests shall be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the Parent.

3.4.3.2 Investments in joint arrangements (jointly controlled entities)

A joint arrangement (jointly controlled entity) is a joint venture or a joint operation, in which the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. An arrangement can be a joint arrangement even though not all of its parties have joint control of the arrangement, for this reason it is distinguished between parties that have joint control of a joint arrangement (joint operators or joint ventures) and parties that participate in, but do not have joint control of, a joint arrangement.
A joint arrangement is an arrangement of which two or more parties have joint control.
A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture requires the establishment of a legal person, partnership or other entity in which each venturer has participated. Such an entity operates on the same basis as other entities, except that the contractual arrangements between the operators of the arrangement establish joint control on the economic activity of the entity.
A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

3.4.3.3 Investments in associates

Investments in associates relate to entities over which investor has significant influence and that are neither controlled nor jointly controlled.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

If entity holds directly or indirectly (e.g. through subsidiaries), 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds, directly or indirectly (e.g. through subsidiaries), less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated.

3.4.3.4 Consolidation procedures

Consolidated financial statements are prepared using line by line and joint operation accounts for related assets, liabilities, revenues and expenses. Entities, over which investor has significant influence are accounted for using equity method.

In preparing consolidated financial statements using line by line method, an entity combines the financial statements of the Parent and its subsidiaries line by line by adding together like items of assets, liabilities, equity, income and expenses and then performs adequate consolidation procedures, including mainly:

- the carrying amount at the day of acquisition of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated;
- non-controlling interests in the profit or loss of consolidated subsidiaries for the reporting period are identified;
- non-controlling interests in the net assets of consolidated subsidiaries are identified and presented separately from the parent's ownership interests in them;
- intra group balances are eliminated;
- unrealized profits or losses from intra group transactions are eliminated;
- intra group revenues and expenses are eliminated;
- intra group cash flow should be eliminated.

A joint operator recognizes:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

A joint operator shall account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

A joint venturer shall recognise its interest in a joint venture as an investment and shall account for that investment using the equity method.

Investments in associates are accounted for using the equity method, based on the financial data derived from the financial statements of those entities.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the profit or loss of the investee is recognised in the investor's profit or loss as other operating activity. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for a change in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The investor's share of those changes is recognised in other comprehensive income of the investor.

3.4.4 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.

Assets, liabilities and contingent liabilities for the purpose of allocating the acquisition cost is determined in the fair value at the acquisition date with following exceptions:

- deferred assets and liabilities arising from the assets acquired and liabilities assumed in a business combination are recognized according to general principles deferred tax,
- assets and liabilities related to the acquiree’s employee benefit arrangements are recognized according to general principles of IAS 19 Employee benefits,
- non-current assets (or disposal group) that is classified as held for sale at the acquisition date are recognized according to general principles for non-current assets held for sale.

3.4.5 Operating segments

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

The operating activities of the Group are divided into the following segments:

- the downstream segment which includes integrated refining, petrochemical and energy production activities,
- the retail segment which comprises trade in refinery products and secondary logistics, andcorporate functions, constitute as agreement position which include activities related to management and administration, support functions as well as remaining activities not allocated to separate operating segments.

Segment revenues are revenues from sales to external customers and revenues from transactions with other operating segments, which are directly attributable to the segment.

Segment expenses are expenses relating to sales to external customers and expenses relating to transactions with other operating segments, which result from the operating activities of a segment that are directly attributable to the segment and the relevant portion of the Group's expenses that can be allocated on a reasonable basis 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 operating result.

Segment assets are those operating assets that are employed by that segment in operating activity and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. In particular income tax items are not allocated to reportable segments.

Sales prices used in transactions between segments are close to market prices.

3.4.6 Revenues

Revenues from sales (from operating activity) comprise revenues that relate to core activity, i.e. activity for which the Group was founded, revenues are recurring and are not of incidental character.

3.4.6.1 Revenue from sales of finished goods, merchandise, materials and services

Revenues from sale of finished goods, merchandise, materials and services are recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the sale transaction will flow to the Group and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenues from sale of finished goods, merchandise, raw materials and services are recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. 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 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.

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.

3.4.6.2 Revenue from licenses, royalties and trade marks

Revenues from licences, royalties and trade mark arise from the use of entity's assets by other business entities.

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.

3.4.6.3 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.

3.4.6.4 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.

3.4.7 Costs

Costs (relating to operating activity) comprise costs that relate to core activity, i.e. activity for which the Group was founded, costs are recurring and are not of incidental character. Particularly costs that are connected to purchase of raw materials, their processing and distribution, that are fully under Group's control.

3.4.7.1 Cost of sales

Cost of sales comprises costs of finished goods, merchandise and raw materials sold, including services of support functions.

3.4.7.2 Distribution expenses

Distribution expenses include selling brokerage expenses, trading expenses, advertising and promotion expenses as well as distribution expenses.

3.4.7.3 Administrative expenses

Administrative expenses include expenses relating to management and administration of the Group as a whole.

3.4.8 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 some provisions, compensations earned and revaluation gains, gain on sale of investment property.

Other operating expenses include in particular loss on 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 costs and 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.

3.4.9 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.

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, net foreign exchange losses, interest on own bonds and other securities issued, interest on finance lease, commissions on bank loans, borrowings, guarantees.

3.4.10 Income tax expense

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.

Tax liabilities for current and prior periods 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 carrying amount of the asset or liability 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.

3.4.10 Income tax expense (continued)

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 equity. Deferred tax assets and liabilities are accounted for as non-current assets or non-current liabilities.
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.

3.4.11 Earnings per share

Basic earnings per share are calculated by dividing the net profit for a given period which is attributable to ordinary shareholders of the parent company by the weighted average number of shares outstanding during the 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.
Profit or loss attributable to ordinary shareholders of the Parent Company is increased by the after-tax amounts of dividends and interest for the period, attributable to the dilutive potential ordinary shares adjusted by all other changes of income and expense, which would result from the change of dilutive ordinary shares.
The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back or issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period; a reasonable approximation of the weighted average is adequate in many circumstances.
For the purpose of calculating diluted earnings per share, the number of ordinary shares shall be the weighted average number of ordinary shares, plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.
Potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

3.4.12 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).

Property, plant and equipment include both fixed assets (assets that are in the condition necessary for them to be capable of operating in the manner intended by management) as well as construction in progress (assets that are in the course of construction or development necessary for them to be capable of operating in the manner intended by management).

Property, plant and equipment are initially stated at cost, including grants related to assets. The cost of an item of property, plant and equipment comprises its purchase price, including any costs directly attributable to bringing the asset into 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.
Property, plant and equipment are stated in the statement of financial position prepared at the end of the reporting period at the carrying amount, including grants related to assets. The carrying amount is the amount at which an asset is initially recognised (cost) after deducting any accumulated depreciation and accumulated impairment losses.
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 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 useful life.

The following standard 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 residual value, estimated useful life and depreciation methods are reassessed annually, the adjustments to depreciation expenses are accounted for in next period (prospectively).

The cost of significant repairs and regular maintenance programs is recognized as property, plant and equipment and depreciated in accordance with their useful lives. The costs of current maintenance of property, plant and equipment is recognized as an expense when is incurred.
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.

3.4.13 Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both.
Investment property shall be recognized as an asset when, and only when:

- it is probable that the future economic benefits that are associated with the investment property will flow to the Group, and
- the cost of the investment property can be measured reliably.

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.

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.

3.4.14 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, regardless of whether the Group intends to do so, or arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the Group or from other rights and obligations.

Intangible assets are recognized if it is probable that the expected future economic benefits that are attributable to the assets will flow to the Group 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 complete 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 or sell the intangible asset, its ability to measure reliably the expenditure attributable to the intangible asset during its development.

If the definition criteria of an intangible asset are not met, the cost incurred to acquire or self develop an asset are recognised in profit or loss when incurred. If an asset was acquired in a business combination it is part of a goodwill as at acquisition date.

An intangible asset shall be measured initially at cost, including grants related to assets. An intangible asset that is acquired in a business combination, is recognised initially at fair value.

After initial recognition, an intangible asset shall be presented in the financial statements in its net carrying amount, including grants related to assets.

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 useful life. The depreciable amount of an asset with a finite useful life is determined after deducting its residual value. Excluding particular cases, the residual value of an intangible asset with a finite useful life shall be assumed to be zero.

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 useful lives are used for intangible assets:

Acquired licenses, patents, and similar intangible assets	2-15 years
Acquired computer software	2-10 years

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.

3.4.14.1 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 acquire;
  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 at (b) above exceeds the aggregate of the amounts specified at (a) above. 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.

3.4.14.2 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).

3.4.14.3 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. 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.

Borrowing costs are capitalized based on net investment expenditures which means assets in the process of construction not funded through the use of investment commitments, but using other sources of external financing.

Borrowing costs may include:

- interest expense calculated using the effective interest method as described in IAS 39 Financial Instruments: Recognition and Measurement,
- finance charges in respect of finance leases recognised in accordance with IAS 17 Lease, and
- exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Upper limit of the borrowing cost eligible for capitalization is the value of borrowing cost actually born by the entity

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.

Capitalising of borrowing costs is ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Necessity to perform additional administrative or decoration works or some adaptation requested by the buyer or user are not the basis for the capitalization.

After putting an asset into use, the capitalized borrowing costs are depreciated/amortized over the period reflecting useful life of the asset as part of the cost of the asset.

3.4.15 Impairment of assets

At the end of each reporting period Group assess whether there is any indication that an asset or cash generating unit (CGU) may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset (CGU).

The recoverable amount of other assets is the higher of the fair value less costs to sell and value in use.

Fair value less costs to sell is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, less costs to sell.

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.

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).

To the cash generating unit following assets are allocated:

- 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.

If there are external or internal indicators that the carrying amount of an asset as at the end of the reporting period may not be recoverable, the impairment tests are carried out. The tests are carried out also annually for intangible assets with the indefinite useful life and for goodwill.

When carrying amount of an asset or a cash generating unit exceeds its recoverable amount, the carrying amount is decreased to the recoverable amount by an adequate impairment allowance charged against cost in profit or loss. The recoverable amount is the higher of its fair value less costs to sell and its value in use.

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.

A reversal of an impairment loss for an asset other than goodwill shall be recognised immediately in profit or loss, unless the asset is carried at revalued amount in accordance with another standard.

3.4.16 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 comprise products, semi-finished products and work in progress, merchandise and materials.

Finished goods, semi-finished products and work in progress are measured initially at production cost. Production costs include costs of materials and costs of conversion for the production period. Costs of production include also a systematic allocation of fixed and variable production overheads estimated for normal production level.

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.

Finished goods, semi-finished products and work in progress shall be measured at the end of the reporting period at the lower of cost and net realisable value, after deducting any impairment losses.

Outgoings of finished goods, semi-finished products and work in progress is determined based on the weighted average cost formula, the cost of each item is determined from the weighted average of the cost of similar items produced during the reporting period.

Merchandise and materials are measured initially at acquisition cost.

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. Outgoings of merchandise and raw materials is determined based on the weighted average acquisition cost or production cost formula. Impairment tests for specific items of inventories are carried out on a current basis during an annual reporting period. Write-down to net realizable value concerns raw materials and merchandise that are damaged or obsolete.

Raw materials 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.

3.4.17 Trade and other receivables

Trade and other receivables are recognized initially at the fair value increased by transaction costs and subsequently at amortized cost using the effective interest method less impairment allowances.

3.4.18 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 and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3.4.19 Non-current assets held for sale and discontinued operation

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 simultaneously met:

- the sales were declared by the appropriate level of 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 settled 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.

The classification of asset into this category is made in the reporting period when the classification criteria are met. If the criteria for classification of a non-current asset as held for sale are met after the reporting period, an entity shall not classify a non-current asset as held for sale in those financial statements when issued.

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 (excluding financial assets) 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). A gain is recognised for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been previously recognised.

3.4.19 Non-current assets held for sale and discontinued operation (continued)

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations,
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

The Group shall re-present the disclosures presented with refer to discontinued operation for prior periods presented in the consolidated financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.

If the Group ceases to classify a discontinued operation, the results of operations previously presented in discontinued operations shall be reclassified and included in the results from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented.

3.4.20 Equity

Equity is recorded in accounting books by type, in accordance with legal regulations and the parent company's articles of association. Equity comprises:

3.4.20.1 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. Declared but not paid share capital is presented as outstanding share capital contributions. The parent Company's own shares and outstanding shares capital contributions decrease the equity.

3.4.20.2 Statutory reserves

The Company established a reserve to cover possible future losses. Based on the articles of association of the parent company, the right to decide on disposing of the reserve fund in the extent in which it was created is vested within the powers of the Board of Directors; this shall not affect the right of the General Meeting to decide on the distribution of this reserve among the shareholders.

3.4.20.3 Hedging reserve

Hedging reserve relates to valuation and settlement of hedging instruments that meet the criteria of cash flow hedge accounting.

3.4.20.4 Revaluation reserve

Revaluation reserve comprises revaluation of items, which, according to the Group's regulations, relates to the revaluation reserve, 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.

3.4.20.5 Foreign exchange differences on subsidiaries from consolidation

Foreign exchange differences on subsidiaries from consolidation result mainly from translation of financial statements of subsidiaries into presentation currency of the Group.

3.4.20.6 Retained earnings

Retained earnings include:

- the amounts arising from profit distribution/loss cover,
- 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,
- the actuarial gains and losses from retirement benefits.

Non repayable additional payments to equity with non-confirmed repayment date are presented in equity of receiving entity with a corresponding entry as investment in shares of entity making the additional payments.
Repayable additional payments to equity are presented in entity receiving payment as current or non-current liabilities based on the repayment date. Repayable additional payments to equity are presented as current or non-current receivables in entity transferring payment based on the repayment date i.e. up to 12 months as current and above 12 months as non-current, initially recognized at fair value.

3.4.21 Liabilities

Liabilities, including trade liabilities, are initially stated at fair value increased by transaction cost and subsequently amortized cost using the effective interest method.

3.4.22 Accruals

Accruals are liabilities due for goods or services received/provided, but not paid, invoiced or formally agreed with the seller, together with amounts due to employees.
Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much lower than it is for provisions.

3.4.23 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, CO2 emission allowances and jubilee bonuses and retirement 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.

3.4.23.1 Shield programs

Shield programs provision (restructuring provision) is created when the Group started to implement the restructuring plan or announced the main features of the restructuring plan to those affected by it in a sufficiently specific manner to raise a valid expectation in them that the restructuring will be carried out. A restructuring provision shall include only the direct expenditures arising from the restructuring, i.e. connected with the termination of employment (paid leave payments and compensations), termination of lease contracts, dismantling of assets.

3.4.23.2 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.

3.4.23.3 CO2 emissions costs

The Group creates provision for the estimated CO_2 emission during the reporting period in operating activity costs (taxes and charges).

3.4.23.4 Jubilee bonuses and retirement 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 retirement defined benefit plans.

The provision for jubilee bonuses, retirement and pension benefits is created in order to allocate costs to relevant periods.

The present value of those liabilities is estimated at the end of each reporting period by an independent actuary and adjusted if there are any material indications impacting the value of the liabilities. The accumulated liabilities equal discounted future payments, considering the demographic and financial assumption including employee rotation, planned increase of remuneration and relate to the period ended at the last day of the reporting year. Actuarial gains and losses from:

- post employment benefits are recognized in components of other comprehensive income,
- other employment benefits, including jubilee bonuses, are recognized in the statement of profit and loss.

3.4.23.5 Business risk

Business risk provision is created after consideration of all available information, including opinions of independent experts. If on the basis of such information it is more likely than not that a present obligation exists at the end of the reporting period, the Group recognises a provision (if the recognition criteria are met).

If it is more likely that no present obligation exists at the end of the reporting period, the Group discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.

3.4.24 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 statement of 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 3.4.14.2.

3.4.25 Consolidated statement of cash flows

The consolidated statement of cash flows is prepared using indirect method.

Cash and cash equivalents presented in the consolidated statement of cash flows include cash and cash equivalents less bank overdrafts, if they form an integral part of the Group's cash management.

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.

3.4.26 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.

3.4.26.1 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.

3.4.26.2 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 or financial liability. 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, holding costs or marketing 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).

3.4.26.2 Measurement of financial assets and liabilities (continued)

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.

3.4.26.3 Measurement of financial assets at fair value

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 compliance with fair value measurement principle.

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 in the statement of 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 the statement of profit or loss.

3.4.26.4 Measurement of financial assets at amortized cost

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.

3.4.26.5 Measurement of financial liabilities at fair value

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 incurred financial liability is measured in accordance with the principles of fair value measurement.

3.4.26.6 Measurement of financial liabilities at amortized cost

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.

3.4.26.7 Transfers

The Group:

- shall not reclassify a financial instrument out of fair value through profit or loss category, 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 from 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.

3.4.26.8 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 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 income.

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 the statement of profit or loss.

3.4.26.9 Embedded derivatives

A derivative is a financial instrument or with all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract,
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors, and
- it is settled at a future date.

If the Group is a party of a hybrid (combined) instrument that includes embedded derivative, an embedded derivative shall be separated from the host contract and accounted for as a separate derivative in line with requirements for investments measured at fair values through profit or loss if, and only if the instrument meets all following requirements:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the combined (hybrid) instrument is not measured at fair value with changes in fair value recognised in the statement of profit or loss (i.e. a derivative that is embedded in a financial asset or financial liability at fair value through profit or loss is not separated).

The Group assesses the need to separate an embedded derivative from the host contract and to present it as a derivative, when it becomes a party of a hybrid instrument for the first time. Reassessment is made only in case, when subsequent changes are introduced to the hybrid contract that substantially modify cash flows required by the contract.

3.4.26.10 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 impact 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.

3.4.26.10 Hedge accounting (continued)

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 impact 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.

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 impact 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.
If a hedge of a forecast transaction results in recognition of revenues from sales of finished goods, merchandise, materials and services the Group removes the associated gains and losses that were recognised in the other comprehensive income and adjusts these revenues.

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.

3.4.27 Fair value measurement

At initial recognition, the transaction price of the acquired asset or liability incurred in exchange transaction for that asset or liability is the price paid to acquire the asset or received for the liability (an entry price).The fair value of asset or liability is the price that would be received to sell an asset or paid to transfer the liability (exit price).

If the Group measures an asset or liability initially received to sell on at fair value and transaction price differs from fair value, the difference is recognized in profit or loss, unless the IFRS specifies otherwise.

A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs either:

- on the principal market for the asset or liability or
- in the absence of the principal market, in the most advantageous market for the asset or liability.

In the absence of any directly observable input, i.e. the quoted prices (unadjusted) in active markets for identical assets or liabilities to which the Group can access at the measurement date, the fair value is determined on the basis of the adjusted directly observable inputs.

The adjusted input include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in market that are not active;
- input data other than quoted prices that are observable for the given asset or liability;
- market-corroborated inputs.

In the case, when the observable (directly or indirectly) inputs are not available, fair value is measured on the basis unobservable inputs of the developed by the Group using appropriate valuation techniques.

A fair value measurement of non-financial asset takes into account market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of liability reflects the effect of non-performance risk. Non-performance risk includes, but may not be limited to, the entity’s own credit risk. When measuring fair value of the liability, the entity should take into account effect of its own credit risk (credit standing) and any other factors that might influence the likelihood that the obligation will not be fulfilled.

The Group maximises the use of relevant observable inputs and minimize the use of unobservable inputs to meet the the objective of fair value measurement into account, which is to estimate the price at which an orderly transaction to transfer the liability or equity instrument would take place between market participants as at the measurement date under current market conditions.

Assets and liabilities that are measured at fair value in the statement of financial position or are not measured at fair value, but information about them is disclosed, the Group classifies according to a hierarchy of fair value at the three levels of inputs, depending on the assessment of their availability:

- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities, that the entity can access as at the measurement date;
- level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either indirectly or directly;
- level 3 inputs are unobservable inputs for the asset or liability.

In the cases, when inputs used to measure the fair value of the asset or liability might be categorized within different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of fair value hierarchy as its data input from the lowest level inputs that is significant to the entire measurement.

3.4.28 Lease

A lease is an agreement whereby a lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

Leases of property, plant and equipment where the Group has substantially transferred all the risks and rewards of ownership are classified as finance leases.

Transfer of risks and rewards within the finance lease agreements includes i.e. the following situations:

- the lease transfers ownership of the asset at or by the end of the lease term,
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised,
- the lease term is for the major part of the useful life of the asset even if title is not transferred,
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset,
- the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

If the Group uses an asset based on the finance lease, the asset is recognised as an item of property, plant and equipment or an intangible asset. The leased asset is measured at the lower of its fair value or the present value of the minimum lease payments that is the present (discounted) value of payments over the lease term that the lessee is or can be required to make.

The present value of the minimum lease payments is recognised in the statement of financial position as financial liability with the division into short and long-term part. The minimum lease payments are discounted and apportioned between finance charge and the reduction of the outstanding liability using interest rate implicit in the lease, that is the discount rate that, at the inception of the lease, causes the aggregate present value of the minimum lease payments, the unguaranteed residual value to be equal to the sum of the fair value of the leased asset and the initial direct costs if this is impossible to determine, the lessee’s incremental borrowing rate, that is the rate, the lessee would have to pay on the similar lease agreement or – if that is not determinable, the rate that, at the inception of the lease, the lessee would incur to borrow over a similar term, with a similar security, the funds necessary to purchase the leased asset for the similar period of time and with similar guarantees.

3.4.28 Lease (continued)

Depreciation methods for assets leased under the finance lease as well as methods of determining impairment losses in respect of assets leased under the finance lease are consistent with policies applied for the Group's owned assets. If there is a reasonable uncertainty that the lessee will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of: the lease term or useful life.

If the Group conveyed to another entity the right to use an asset under the finance lease, the present value of the minimum lease payments and unguaranteed residual value is recognised in the statement of financial position as receivables with the division into short and long-term part. The minimum lease payments and unguaranteed residual value are discounted using interest rate implicit in the lease.

Assets used under the operating lease, that is under the agreement that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee, are recognised as assets of the lessor.

Lease payments from the operating lease are recognised by lessor as revenues from sales of products, while by lessee as costs in profit or loss.

3.4.29 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 gained; however the respective information on the contingent receivable is disclosed if the inflow of assets relating to economic benefits is probable the Group discloses respective information on the contingent asset in the additional information to financial statements and if practicable, estimates the influence on financial results, as according to accounting principles for valuation of provisions.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, an entity discloses the contingent asset.

3.4.30 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) and.
- those that are indicative of conditions that arose after the reporting period (events after the reporting period not requiring adjustments).

4. APPLICATION OF PROFESSIONAL JUDGEMENT AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, equity, revenues 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: 5 The parent company and structure of the consolidated group 12 Tax credit / (expense), 13 Property, plant and equipment, 14 Investment property, 15 Intangible assets in relation to impairment and 19 Impairment of non-current assets.

The accounting policies described above have been applied consistently to all periods presented in these consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

5. THE PARENT COMPANY AND STRUCTURE OF THE CONSOLIDATED GROUP

The following table shows subsidiaries and joint operations forming the consolidated group of UNIPETROL, a.s., and the parent company's interest in the capital of subsidiaries and joint operations 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 2014).

Name and place of business	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 functions	www.unipetrol.cz
Subsidiaries consolidated in full method				
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%	--	Downstream	www.paramo.cz
UNIPETROL RPA, s.r.o. Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00%	--	Downstream Corporate functions	www.unipetrolrpa.cz
UNIPETROL SERVICES, s.r.o. Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00%	--	Corporate functions	www.unipetrolservices.cz
UNIPETROL DOPRAVA s.r.o. Litvínov - Růžodol č.p. 4, 436 70 Litvínov, Czech Republic	0.12%	99.88%	Downstream	www.unipetroldoprava.cz
UNIPETROL Deutschland GmbH Paul Ehrlich Str. 1/B , 63225 Langen/Hessen, Germany	0.10%	99.90%	Downstream	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%	Downstream	www.unipetrol.sk
POLYMER INSTITUTE BRNO, spol. s r.o. Tkalcovská 36/2, 656 49 Brno, Czech Republic	1.00%	99.00%	Downstream	www.polymer.cz
Paramo Oil s.r.o. (dormant entity) Přerovská 560, 530 06 Pardubice, Czech Republic	--	100.00%	Downstream	
Výzkumný ústav anorganické chemie, a.s. Revoluční 84/č.p. 1521, Ústí nad Labem, Czech Republic	100.00%	--	Downstream	www.vuanch.cz
UNIPETROL RAFINÉRIE, s.r.o. (dormant entity) Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00%	--	Downstream	
HC VERVA Litvínov, a.s. Litvínov , S.K. Neumanna 1598, Czech Republic	--	70.95%	Corporate functions	www.hokej-litvinov.cz
CHEMOPETROL, a.s. (dormant entity) Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	--	100.00%	Downstream	
MOGUL SLOVAKIA s.r.o. Hradiště pod Vrátnom, U ihriska 300, Slovak Republic	--	100.00%	Downstream	www.mogul.sk
UNIPETROL AUSTRIA HmbH in Liquidation Vídeň, Apfelgasse 2, Austria	100.00%	--	Downstream	
Joint operations consolidated based on shares in assets and liabilities				
ČESKÁ RAFINÉRSKÁ, a.s. Záluží 2, 436 70 Litvínov, Czech Republic	67.56%	--	Downstream	www.ceskarafinerska.cz
Butadien Kralupy a.s. O. Wichterleho 810, 278 01 Kralupy nad Vltavou, Czech Republic	51.00%	--	Downstream	

In comparison to prior period the allocation of subsidiaries into the operating segments was changed as described in note 6 Changes in disclosure of comparative period. The Group has 70,95% interest in HC VERVA LITVÍNOV, a.s., remaining non-controlling interest in this company is owned by municipality Litvínov.

The ownership interests as at 31 December 2013 were the same as it is presented in the table above except for the changes described below.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

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 from Shell*

On 31 January 2014 UNIPETROL, a.s. ("Unipetrol") completed the 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 a share purchase agreement on 7 November 2013. The acquisition price for the shares in amount of USD 27,2 million was settled in 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 the 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 treats its investment in Česká rafinerská as joint operation in accordance with the principles of control and joint control set out in IFRSs. Contractual arrangements between the shareholders require unanimous consent of all shareholders in case of certain decisions of significant importance for the relevant activities of the entity.

As a result of the settlement of the transaction Unipetrol recognized in the consolidated statement of profit or loss and other comprehensive income a gain on bargain purchase (a result of the excess of fair value of net assets purchased by Unipetrol over the price paid) in amount of CZK 1 186 milion. The result was calculated in line with the accounting principles described in note 3.4.4 Business combinations and 3.4.14.1 Goodwill in Group accounting principles and policies included in the consolidated financial statements of the Group as at and for the year ended 31 December 2014 based on the financial data of ČESKÁ RAFINÉRSKÁ, a.s. used for UNIPETROL Group consolidation purposes as at 31 January 2014.

The recognition of the amount above was preceded by the verification of completeness and accuracy of the values of the identified assets and liabilities purchased as part of the transaction and determining the fair value of identified assets and liabilities.

The fair value of identifiable assets and liabilities of ČESKÁ RAFINÉRSKÁ, a.s. as at the acquisition day:

	Book value as at the acquisition day	Adjustments to fair value	Fair value
Non-current assets	8 056	(117)	7 939
Current assets	7 095	1 225	8 320
Total assets	**15 151**	**1 108**	**16 259**
Non-current liabilities	80	-	80
Current liabilities	5 570	-	5 570
Total liabilities	**5 650**	**-**	**5 650**
Identifiable net assets at fair value	**9 501**	**1 108**	**10 609**
Share acquired			16,34%
Share on identifiable net assets at fair value			**1 733**
Cash paid/outflows on acquisition of shares			(547)
Gain on bargain purchase			**1 186**

Acquisition of 32,445% stake in Česká rafinérská from Eni

On 3 July 2014 UNIPETROL, a.s. ("Unipetrol") exercised its pre-emptive right and accepted the offer from Eni International B.V. ("Eni"), based on which Unipetrol will acquire from Eni 303 301 shares of ČESKÁ RAFINÉRSKÁ, a.s. ("Česká rafinérská") amounting to 32,445% of the Česká rafinérská's share capital ("Transaction"). The acquisition price for the shares in the amount of EUR 30 million, subject to additional adjustments before Transaction completion, will be financed from own financial sources of Unipetrol.

Transaction is an opportunistic acquisition with the aim to gain full control over Česká rafinérská, be a sole decision-maker regarding capital investments, perform deeper restructuring of the company, further increase security of petrochemical feedstock supplies for continuation of Unipetrol's petrochemical business development, as well as strengthen long-term presence of Unipetrol Group on the Czech market.

5. THE PARENT COMPANY AND STRUCTURE OF THE CONSOLIDATED GROUP (CONTINUED)

On 19 December 2014, the Czech Competition Office (CCO) issued a merger clearance for UNIPETROL, a.s. to take over the 32.445% in ČESKÁ RAFINÉRSKÁ, a.s. from Eni International B.V. Since the merger clearance was granted without any commitments or objections, UNIPETROL, a.s. did not appeal the CCO decision. SČS - Unie nezávislých petrolejářů, z.s. (UNIE) appealed the CCO merger clearence decision on 5 January 2015; UNIE claims that its right to appeal is stemming from a judgment of Regional Court in Prague in Litvínovská uhelná, a.s. case. UNIPETROL, a.s. claims that UNIE had no right to appeal the merger clearence decision and therefore, their filing of 5 January 2015 does not form an appeal capable of delaying the merger clearence decision coming into force. The matter is now pending with the Chairman of CCO for review and decision. UNIPETROL, a.s. is requesting the Chairman to reject the UNIE filing of 5 January 2015.

Unipetrol currently treats its investment in Česká rafinerská as joint operation. After obtaining relevant merger clearances and completion of the Transaction, Unipetrol, would obtain control over Česká rafinérská and would adopt full method of consolidation.

As at the date of authorizing these consolidated financial statements for publication the impact of the Transaction on the consolidated financial statements is not known. It will be recognized in the consolidated financial statements of Unipetrol at the date on which Unipetrol will obtain control over Česká rafinérská (the acquisition date) and will depend on the fair value of the identifiable assets and liabilities on that day.

The impact will be calculated based on the accounting principles described in notes 3.4.4 Business combinations and 3.4.14.1 Goodwill in Group accounting principles and policies.

6. CHANGES IN DISCLOSURE OF COMPARATIVE PERIOD

During the year 2014 the Group implemented changes in management of operating activities in order to improve their effectiveness and integration. The organizational structure was adjusted by implementation of changes in competences of the particular Management Board members. As a result presentation of the Group's operating segments was updated including merger of refining and petrochemical segment into integrated operating segment: Downstream. As a consequence, the segments' comparative data were adjusted for the year 2013 as well as at 31 December 2013. Detailed information is presented in note 7.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO OPERATING SEGMENTS

7. OPERATING SEGMENTS

7.1 Revenues and financial result by operating segments

2014	Note	Downstream Segment	Retail Segment	Corporate Functions	Adjustments	Total
Total external revenues	*8*	112 947	11 190	92	-	124 229
Transactions with other segments		9 651	251	568	(10 470)	-
Total segment revenue		122 598	11 441	660	(10 470)	124 229
Operating expenses		(120 200)	(11 085)	(792)	10 470	(121 607)
Other operating income	*10.1*	1 584	31	30	-	1 645
Other operating expenses	*10.2*	(5 192)	(65)	(7)	-	(5 264)
Segment operating profit/(loss)		**(1 210)**	**322**	**(109)**	**-**	**(997)**
Net finance costs	***11***					(365)
Loss before tax						**(1 362)**
Tax credit	*12*					806
Net loss						**(556)**
Depreciation and amortisation	***13,15***	**(1 863)**	**(323)**	**(84)**	**-**	**(2 270)**
EBITDA*		**653**	**645**	**(25)**	**-**	**1 273**
Additions to non-current assets	***13,14,15***	**1 773**	**187**	**47**	**-**	**2 007**

2013	Note	Downstream Segment	Retail Segment	Corporate Functions	Adjustments	Total
Total external revenues	*8*	88 881	10 453	81	-	99 415
Transactions with other segments		9 131	213	550	(9 894)	-
Total segment revenue		98 012	10 666	631	(9 894)	99 415
Operating expenses		(98 889)	(10 485)	(787)	9 894	(100 267)
Other operating income	*10.1*	137	31	20	-	188
Other operating expenses	*10.2*	(194)	(27)	(8)	-	(229)
Segment operating profit/(loss)		**(934)**	**185**	**(144)**	**-**	**(893)**
Net finance costs	***11***					(450)
Loss before tax						**(1 343)**
Tax expense	*12*					(53)
Net loss						**(1 396)**
Depreciation and amortisation	***13,15***	**(2 004)**	**(329)**	**(82)**	**-**	**(2 415)**
EBITDA*		**1 070**	**514**	**(62)**	**-**	**1 522**
Additions to non-current assets	***13,14,15***	**2 175**	**157**	**72**	**-**	**2 404**

*Operating profit before tax, depreciation and amortisation

7.2 Impact of new segment division on revenues and financial result presented in previous year

2013	Downstream Segment	Refining Segment	Petrochemical Segment	Retail Segment	Corporate Functions	Adjustments	Total
Total external revenues	88 881	(52 848)	(36 033)	-	-	-	-
Transactions with other segments	9 131	(22 487)	(1 893)	-	-	15 249	-
Total segment revenue	98 012	(75 335)	(37 926)	-	-	15 249	-
Operating expenses	(98 889)	77 124	37 014	-	-	(15 249)	-
Other operating income	137	(77)	(60)	-	-	-	-
Other operating expenses	(194)	29	165	-	-	-	-
Segment operating profit/(loss)	**(934)**	**1 741**	**(807)**	**-**	**-**	**-**	**-**
Net finance income (costs)							-
Loss before tax							-
Tax expense							-
Net loss							-

Changes in segment division are described in note 6.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

7.3 Other segment data

7.3.1 Assets by operating segment

	31/12/2014	31/12/2013
Downstream Segment	38 138	42 357
Retail Segment	5 835	6 021
Segment assets	**43 973**	**48 378**
Corporate Functions	5 355	2 551
Adjustments	(811)	(930)
	48 517	**49 999**

7.3.2 Impact of new segment division on assets allocation in segments presented in previous year

	31/12/2013 published	impact of change in segment division	31/12/2013 after change in segment divison
Refining Segment	20 074	(20 074)	-
Petrochemical Segment	22 547	(22 547)	-
Downstream	-	42 357	42 357
Retail Segment	6 021	-	6 021
Segment assets	**48 642**	**(264)**	**48 378**
Corporate Functions	2 550	1	2 551
Adjustments	(1 193)	263	(930)
	49 999	**-**	**49 999**

Changes in segment division are described in note 6.

7.3.3 Recognition and reversal of impairment allowances

	Recognition		Reversal	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Downstream Segment	(5 851)	(450)	271	329
Retail Segment	(61)	(20)	17	6
Impairment allowances by segments	**(5 912)**	**(470)**	**288**	**335**
Corporate Functions	(1)	(1)	22	-
Impairment allowances in operating activities	**(5 913)**	**(471)**	**310**	**335**
	(5 913)	**(471)**	**310**	**335**

including Impairment allowances of property, plant, equipment and intangible assets:

	Recognition		Reversal	
	2014	2013	2014	2013
Downstream Segment	(4 986)	(85)	45	21
Retail Segment	(58)	(18)	16	4
Impairment allowances by segments	**(5 044)**	**(103)**	**61**	**25**
	(5 044)	**(103)**	**61**	**25**

The 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.

Other impairment allowances recognitions and reversals were recorded in relation to CO_2 allowances and petrol stations, inventory, overdue receivables, uncollectible receivables or receivables in court.

7.3.4 Geographical information

	Revenues		Non-current assets	
	2014	2013	31/12/2014	31/12/2013
Czech Republic	83 405	68 774	21 094	25 341
Germany	13 555	10 097	1	1
Poland	2 624	1 574	-	-
Slovakia	10 721	10 191	9	10
Other countries	13 924	8 779	-	-
	124 229	**99 415**	**21 104**	**25 352**

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 2014 (in millions of CZK)

7.4 Revenues from major products and services

The following is an analysis of the Group's external revenues from its major products and services:

	2014	2013
Downstream Segment	**112 947**	**88 881**
Diesel	37 588	27 629
Gasoline	17 366	12 569
JET	2 808	1 353
LPG	1 936	1 533
Fuel OILS	1 710	1 521
Bitumen	3 281	2 416
Lubricants	1 156	1 057
Other refinery products	2 576	2 606
Ethylene	4 727	4 145
Benzene	5 969	4 664
Propylene	1 304	852
Urea	-	34
Ammonia	2 040	1 860
C4 fraction	1 545	1 381
Butadiene	1 350	1 224
Polyethylene (HDPE)	10 301	8 646
Polypropylene	9 136	7 103
Other petrochemical products	2 859	2 557
Others	517	697
Services	4 778	5 034
Retail Segment	**11 190**	**10 453**
Refinery products	10 849	10 186
Services	341	267
Corporate Functions	**92**	**81**
	124 229	**99 415**

7.5 Information about major customer

Revenues from none of the operating segments' individual customers represented 10% or more of the Group's total revenues.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

NOTES TO STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

8. REVENUES

	2014	2013
Sales of finished goods	112 562	86 332
Sales of services	5 210	5 381
Revenues from sales of finished goods and services, net	**117 772**	**91 713**
Sales of merchandise	5 598	6 658
Sales of raw materials	859	1 044
Revenues from sales of merchandise and raw materials, net	**6 457**	**7 702**
	124 229	**99 415**

9. OPERATING EXPENSES

9.1 Cost of sales

	2014	2013
Cost of finished goods and services sold	(112 057)	(89 761)
Cost of merchandise and raw materials sold	(6 186)	(7 351)
	(118 243)	**(97 112)**

9.2 Cost by nature

	2014	2013
Materials and energy	(100 984)	(80 502)
Cost of merchandise and raw materials sold	(6 186)	(7 351)
External services	(7 911)	(7 374)
Employee benefits	(2 500)	(2 433)
Depreciation and amortisation	(2 270)	(2 415)
Taxes and charges	(433)	(351)
Other	(5 629)	(537)
	(125 913)	**(100 963)**
Change in inventories	(958)	467
Operating expenses	**(126 871)**	**(100 496)**
Distribution expenses	2 090	1 963
Administrative expenses	1 274	1 192
Other operating expenses	5 264	229
Cost of sales	**(118 243)**	**(97 112)**

9.3 Employee benefits costs

	2014	2013
Payroll expenses	(1 801)	(1 734)
Future benefits expenses	(7)	(30)
Social security expenses	(582)	(555)
Other employee benefits expenses	(110)	(114)
	(2 500)	**(2 433)**

2014	Employees	Key Management	Audit Committee	Board of Directors	Supervisory Board	Total
Wages and salaries	(1 632)	(157)	(1)	(3)	(8)	(1 801)
Social and health insurance	(545)	(34)	-	(1)	(2)	(582)
Social expense	(96)	(14)	-	-	-	(110)
Change of employee benefits provision	(7)	-	-	-	-	(7)
	(2 280)	**(205)**	**(1)**	**(4)**	**(10)**	**(2 500)**
Number of employees average per year*	3 624	50				3 674
Number of employees as at balance sheet day*	3 622	49				3 671

*In case of joint operations the relevant share is used.

2013	Employees	Key Management	Audit Committee	Board of Directors	Supervisory Board	Total
Wages and salaries	(1 565)	(159)	(1)	(3)	(6)	(1 734)
Social and health insurance	(515)	(37)	-	(1)	(2)	(555)
Social expense	(96)	(18)	-	-	-	(114)
Change of employee benefits provision	(30)	-	-	-	-	(30)
	(2 206)	**(214)**	**(1)**	**(4)**	**(8)**	**(2 433)**
Number of employees average per year*	3 567	62				3 629
Number of employees as at balance sheet day*	3 582	65				3 647

*In case of joint operations the relevant share is used.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

10. OTHER OPERATING INCOME AND EXPENSES

10.1 Other operating income

	2014	2013
Profit on sale of non-current non-financial asets	38	19
Reversal of provisions	13	26
Reversal of receivables impairment allowances	23	5
Reversal of impairment allowances of property, plant and equipment and intangible assets	61	25
Penalties and compensations earned	104	46
Gain on bargain purchase	1 186	-
Other	220	67
	1 645	**188**

The line „gain on bargain purchase" relates to the settlement of ČESKÁ RAFINÉRSKÁ, a.s. shares acquisition - additional information is presented in note 5.

In 2014 in the line „Other" the revaluation of receivables from the CO_2 grant is included in amount of CZK 95 million and CO_2 provision update in amount of CZK 41 million. There was neither revaluation of receivables from the CO_2 grant nor CO_2 provision update booked in 2013.

10.2 Other operating expenses

	2014	2013
Loss on sale of non-current non-financial assets	(15)	(25)
Recognition of provisions	(59)	(58)
Recognition of receivables impairment allowances	(27)	(12)
Recognition of impairment allowances of property, plant and equipment and intangible assets	(5 044)	(103)
Donations	(3)	(5)
Other	(116)	(26)
	(5 264)	**(229)**

In the line „Other" the CO_2 provision update is included in amount of CZK 78 milion and CZK 1 million in 2014 and 2013 respectively.

11. FINANCE INCOME AND FINANCE COSTS

11.1 Finance income

	2014	2013
Interest	48	41
Settlement and valuation of financial instruments	1 223	1 033
Other	1	2
	1 272	**1 076**

11.2 Finance costs

	2014	2013
Interest	(116)	(247)
Net foreign exchange loss	(825)	(267)
Settlement and valuation of financial instruments	(653)	(974)
Other	(43)	(38)
	(1 637)	**(1 526)**

12. TAX CREDIT / (EXPENSE)

	2014	2013
Income tax credit / (expense) in the statement of profit or loss		
Current income tax	(112)	(123)
Deferred income tax	918	70
	806	**(53)**
Income tax credit / (expense) in other comprehensive income		
Tax on effective portion of changes in fair value of cash flow hedges	(171)	42
Tax on actuarial gains or losses	2	-
	(169)	**42**
	637	**(11)**

Domestic income tax is calculated in accordance with Czech tax regulations at the rate of 19% in 2014 (2013: 19%) of the estimated taxable income for the year. The deferred tax has been calculated using tax rate approved for years 2015 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 2014 (in millions of CZK)

12.1 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

	2014	2013
Loss for the year	(556)	(1 396)
Total income tax credit (expense)	806	(53)
Loss before tax	(1 362)	(1 343)
Income tax using domestic income tax rate	259	255
Effect of tax rates in foreign jurisdictions	7	10
Non-deductible expenses	(6)	(33)
Tax exempt income	-	13
Recognition of previously unrecognized deferred tax asset related to tax losses	367	-
Change in not recognized deferred tax assets	(40)	(293)
Under (over) provided in prior periods	(1)	(5)
Gain on bargain purchase	225	-
Other differences	(5)	-
Total income tax credit (expense)	**806**	**(53)**
Effective tax rate	**(59,18%)**	**(3,94%)**

Line “Recognition of previously unrecognized deferred tax asset related to tax losses” includes impact of deferred tax assets from tax losses previously unrecognized in prior periods recognized in 2014 due to probability of utilisation.

12.2 Deferred tax assets and liabilites

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 2014 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:

	31/12/2013	Deferred tax recognized in statement of Profit or loss	Deferred tax recognized in Other comprehensive income	Transfers	Changes in Group structure	31/12/2014
Deferred tax assets						
Property, plant and equipment	119	767	-	-	54	940
Provisions	197	(27)	2	-	-	172
Unused tax losses carried forward	912	(178)	-	-	-	734
Financial instruments valuation	45	-	(171)	126	-	-
Inventory	-	139	-	-	-	139
Other	256	(138)	-	-	-	118
	1 529	**563**	**(169)**	**126**	**54**	**2 103**
Deferred tax liabilities						
Property, plant and equipment	(1 030)	(79)	-	-	-	(1 109)
Inventory	(297)	279	-	-	-	(18)
Provisions	(26)	26	-	-	-	-
Finance lease	(66)	52	-	-	-	(14)
Derivative instruments	-	-	-	(126)	-	(126)
Other	(77)	77	-	-	-	-
	(1 496)	**355**	**-**	**(126)**	**-**	**(1 267)**
	33	**918**	**(169)**	**-**	**54**	**836**

The above positions of deferred tax assets and liabilities are netted of on the level of particular financial statements of the Group´s companies for presentation purposes in the consolidated financial statement of UNIPETROL. As at 31 December 2014 deferred tax assets and liabilities amounted to CZK 1 039 million (CZK 259 million at 31 December 2013) and CZK 203 million (CZK 226 million at 31 December 2013).

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 2015 - 2019.

In the calculation of deferred tax assets as at 31 December 2014 the Group has not recognized unused tax losses in amount of CZK 1 571 million due to the unpredictability of future taxable income (CZK 3 156 million at 31 December 2013). These unrecognised tax losses will expire till end of 2019.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

NOTES TO STATEMENT OF FINANCIAL POSITION

13. PROPERTY, PLANT AND EQUIPMENT

	31/12/2014	31/12/2013
Land	820	810
Buildings and constructions	9 056	10 486
Machinery and equipment	7 656	10 186
Vehicles and other	582	814
Construction in progress	779	881
	18 893	**23 177**

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 2014	1 160	24 699	42 435	2 942	1 130	72 366
Investment expenditures	-	24	84	106	1 652	1 866
Other increases	-	-	1	-	-	1
Reclassifications	11	346	1 125	65	(1 550)	(3)
Sale	-	(15)	(11)	(175)	-	(201)
Liquidation	-	(5)	(340)	(51)	-	(396)
Change in Group structure	-	1 207	3 358	85	50	4 700
Other decreases	-	-	(57)	(4)	-	(61)
31 December 2014	**1 171**	**26 256**	**46 595**	**2 968**	**1 282**	**78 272**
Accumulated depreciation, impairment allowances and settled government grants						
1 January 2014	350	14 186	32 228	2 126	103	48 993
Depreciation	-	474	1 455	204		2 133
Other increases	-	-	1	-	-	1
Impairment allowances	1	2 182	3 501	232	249	6 165
Sale	-	(4)	(11)	(166)	-	(181)
Liquidation	-	(5)	(337)	(47)	-	(389)
Change in Group structure	-	307	1 930	38	-	2 275
Other decreases	-	-	(16)	(4)	-	(20)
Government grants - settlement	-	-	18	1	-	19
31 December 2014	**351**	**17 140**	**38 769**	**2 384**	**352**	**58 996**
Gross book value						
1 January 2013	1 161	24 460	41 119	3 016	874	70 630
Investment expenditures	-	41	139	54	1 822	2 056
Other increases	-	31	-	-	-	31
Reclassifications	1	176	1 628	63	(1 560)	308
Sale	(2)	-	(5)	(96)	-	(103)
Liquidation	-	(10)	(408)	(92)	-	(510)
Other decreases	-	-	(38)	(4)	(6)	(48)
Foreign exchange differences	-	1	-	1	-	2
31 December 2013	**1 160**	**24 699**	**42 435**	**2 942**	**1 130**	**72 366**
Accumulated depreciation, impairment allowances and settled government grants						
1 January 2013	350	13 670	30 993	2 030	152	47 195
Depreciation	-	477	1 554	251	-	2 282
Other increases	-	31	-	-	-	31
Impairment allowances	-	27	103	(1)	(49)	80
Reclassifications	-	(14)	(14)	8	-	(20)
Sale	-	-	(4)	(88)	-	(92)
Liquidation	-	(7)	(395)	(73)	-	(475)
Other decreases	-	-	(13)	(3)	-	(16)
Government grants - settlement	-	1	4	1	-	6
Foreign exchange differences	-	1	-	1	-	2
31 December 2013	**350**	**14 186**	**32 228**	**2 126**	**103**	**48 993**
Government grants						
1 January 2014	-	27	21	2	146	196
31 December 2014		60	170	2	151	383
1 January 2013	-	26	17	-	32	75
31 December 2013	-	27	21	2	146	196
Net book value						
1 January 2014	810	10 486	10 186	814	881	23 177
31 December 2014	820	9 056	7 656	582	779	18 893
1 January 2013	811	10 764	10 109	986	690	23 360
31 December 2013	810	10 486	10 186	814	881	23 177

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

13. 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 2014 amounted to less than CZK 1 million (31 December 2013: CZK 2 million).

In 2013 the Group reclassified spare parts with expected useful lives longer than 1 year in amount of CZK 329 million from Inventories to Machinery and equipment.

13.1 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 2014	350	3 761	4 460	72	103	8 746
Recognition	1	1 670	2 630	232	404	4 937
Reversal	-	(33)	(23)	-	-	(56)
Reclassifications	-	45	121	-	(167)	(1)
Change in Group structure	-	508	784	1	12	1 305
Other decreases	-	(8)	(11)	(1)	-	(20)
	351	5 943	7 961	304	352	14 911
increase/(decrease) net	1	2 182	3 501	232	249	6 165
1 January 2013	350	3 734	4 357	73	152	8 666
Recognition	-	30	70	3	-	103
Reversal	-	(13)	(11)	(1)	-	(25)
Reclassifications	-	10	47	-	(43)	14
Other decreases	-	-	(3)	(3)	(6)	(12)
	350	3 761	4 460	72	103	8 746
increase/(decrease) net	-	27	103	(1)	(49)	80

Detailed information regarding impairment recognized in 2014 is presented in note 19.

The Group reviews 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 2014 would be higher by CZK 80 million.

13.2 Other information regarding Property, plant and equipment

	31/12/2014	31/12/2013
The gross book value of all fully depreciated property, plant and equipment still in use	9 970	12 198
The net book value of temporarily idle property, plant and equipment	16	17
The net book value of leased non-current assets	276	324

The Group obtained in 1994 a government grant from the German Ministry for Environmental Protection and Safety of Reactors in amount of CZK 260 million. 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 35 million as at 31 December 2014 (31 December 2013: CZK 39 million).

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 million. 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 295 million (in 2013: CZK 146 million).

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

14. INVESTMENT PROPERTY

Investment property at 31 December 2014 comprised the land and buildings owned by the Group and leased to third parties. The changes recorded during the year 2014 are presented in the following table:

	2014	2013
At the beginning of the year	427	423
Reclassification to Property, plant, equipment	(3)	(3)
Transfer from Property, plant, equipment	-	17
Fair value measurement	(5)	(10)
increase	15	-
decrease	(20)	(10)
	419	**427**

Rental income amounted to CZK 46 million in 2014 (2013: CZK 51 million). Operating costs related to the investment property amounted to CZK 6 million in 2014 (2013: CZK 11 million).
Information concerning valuation of investment property is included in notes 3.4.13 and 32.

15. INTANGIBLE ASSETS

	31/12/2014	31/12/2013
Internally generated intangible assets	**50**	**29**
Assets under development	29	29
Other Internally generated intangible assets	21	-
Other intangible assets	**1 742**	**1 719**
Software	107	143
Licences, patents and trade marks	710	779
Goodwill	-	-
Assets under development	346	342
CO_2 emission allowance	520	366
Other intangible assets	59	89
	1 792	1 748

15.1 Changes in Internally generated intangible assets

In the year 2014, the Group recognized internally generated intangible assets in the amount of CZK 30 million, which include development studies (2013: CZK 29 million).

	Assets under development	Other intangible assets	Total
Gross book value			
1 January 2014	29	-	29
Investment expenditures	30	-	30
Reclassifications	(31)	31	-
Change in Group structure	1	-	1
31 December 2014	**29**	**31**	**60**
Accumulated amortisation, impairment allowances and settled government grants			
1 January 2014	-	-	-
Amortization	-	6	6
Impairment allowances	-	4	4
31 December 2014	**-**	**10**	**10**
Gross book value			
1 January 2013	-	-	-
Investment expenditures	29	-	29
31 December 2013	**29**	**-**	**29**
Net book value			
1 January 2014	29	-	29
31 December 2014	29	21	50
1 January 2013	-	-	-
31 December 2013	29	-	29

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15.2 Changes in impairment allowances of Internally generated intangible assets

	Assets under development	Other intangible assets	Total
1 January 2014	-	-	-
Recognition	4	-	4
Reclassifications	(4)	4	-
	-	4	4
increase/(decrease) net	-	4	4

15.3 Changes in Other intangible assets

	Software	Licences, patents and trade marks	Goodwill	Assets under development	CO_2 emission allowance	Other intangible assets	Total
Gross book value							
1 January 2014	1 095	2 076	52	349	523	488	4 583
Investment expenditures	-	-	-	96	2	-	98
Other increases	-	-	-	-	724	-	724
Reclassifications	66	9	-	(75)	-	5	5
Sale	(1)	-	-	-	-	-	(1)
Liquidation	(22)	(59)	-	-	-	(35)	(116)
Change in Group structure	150	68	-	8	1	4	231
Other decreases	-	-	(1)	-	(709)	-	(710)
31 December 2014	**1 288**	**2 094**	**51**	**378**	**541**	**462**	**4 814**
Accumulated amortisation, impairment allowances and settled government grants							
1 January 2014	951	1 297	52	7	157	399	2 863
Amortization	49	66	-	-	-	16	131
Impairment allowances	53	17	(1)	24	(136)	22	(21)
Sale	(1)	-	-	-	-	-	(1)
Liquidation	(22)	(59)	-	-	-	(35)	(116)
Change in Group structure	134	63	-	-	-	1	198
31 December 2014	**1 164**	**1 384**	**51**	**31**	**21**	**403**	**3 054**
Gross book value							
1 January 2013	1 011	2 081	52	79	1 181	507	4 911
Investment expenditures	-	-	-	319	4	-	323
Other increases	35	-	-	-	-	-	35
Reclassifications	51	-	-	(48)	-	(1)	2
Liquidation	(2)	(5)	-	-	-	(18)	(25)
Other decreases	-	-	-	(1)	(662)	-	(663)
31 December 2013	**1 095**	**2 076**	**52**	**349**	**523**	**488**	**4 583**
Accumulated amortisation, impairment allowances and settled government grants							
1 January 2013	872	1 232	52	13	322	397	2 888
Amortization	44	70	-	-	-	19	133
Other increases	35	-	-	-	-	-	35
Impairment allowances	2	-	-	(6)	(165)	1	(168)
Liquidation	(2)	(5)	-	-	-	(18)	(25)
31 December 2013	**951**	**1 297**	**52**	**7**	**157**	**399**	**2 863**
Government grants							
1 January 2014	1	-	-	-	-	-	1
31 December 2014	17	-	-	1	-	-	18
1 January 2013	-	-	-	-	-	-	-
31 December 2013	1	-	-	-	-	-	1
Net book value							
1 January 2014	143	779	-	342	366	89	1 719
31 December 2014	107	710	-	346	520	59	1 742
1 January 2013	139	849	-	66	859	110	2 023
31 December 2013	143	779	-	342	366	89	1 719

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15.4 Changes in impairment allowances of Other intangible assets

	Software	Licences, patents and trade marks	Goodwill	Assets under development	CO_2 emission allowance	Other intangible assets	Total
1 January 2014	34	199	52	7	157	22	471
Recognition	37	5	-	35	-	26	103
Reversal	-	-	-	-	-	(5)	(5)
Usage	-	-	-	-	(136)	-	(136)
Reclassifications	7	8	-	(14)	-	-	1
Change in Group structure	9	4	-	3	-	1	17
Other decreases	-	-	(1)	-	-	-	(1)
	87	216	51	31	21	44	450
increase/(decrease) net	53	17	(1)	24	(136)	22	(21)
1 January 2013	32	199	52	13	322	21	639
Usage	-	-	-	-	(165)	-	(165)
Reclassifications	2	-	-	(6)	-	1	(3)
	34	199	52	7	157	22	471
increase/(decrease) net	2	-	-	(6)	(165)	1	(168)

Recognition and reversal of impairment allowances for intangible assets are recognized in other operating activities. Detailed information regarding impairment recognized in 2014 is presented in note 19.

Other information regarding Other intangible assets

	31/12/2014	31/12/2013
The gross book value of all fully depreciated intangible assets still in use	1 748	1 688
The net book value of intangible assets with indefinite useful life	10	13

The increase of assets under development in 2014 includes new PE3 licence – project in amount of CZK 31 million. Other intangible assets include development costs with a carrying amount of CZK 79 million as of 31 December 2014 (31 December 2013: CZK 88 million).

The Group reviews 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 2014 would be higher by CZK 11 million.

15.5 CO_2 emission allowances

Based on Czech National Allocation Scheme for the years 2013-2020 the Group was to obtain CO_2 allowances free of charge. During the year ended 31 December 2014 the Group obtained CO_2 allowances in amount of 4 054 356 tons. As at 31 December 2013 the Group did not obtain any CO_2 allowances on its account and recognized the receivable for estimated amount of CO_2. 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.

	2014	
	Value	Quantity (in tonnes)
Emission allowance at 1 January	366	2 268 921
Emission allowances granted for the year	724	4 054 356
Settled emission allowances for previous periods	(709)	(3 631 199)
Purchased/(Sold) emission allowances	2	194 883
Change in Group structure	1	6 299
Decrease in CO_2 impairment allowances	136	-
Emission allowances at 31 December	**520**	**2 893 260**
Estimated annual consumption	707	3 777 898

As at 31 December 2014 the market value of one EUA allowance (European Union Emission Allowance) amounted to EUR 7,24 (as at 31 December 2013: 4,84 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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16. JOINT OPERATIONS

	Place of business	Ownership interest of the parent company in share capital	Principal activities	Method of consolidation
ČESKÁ RAFINÉRSKÁ, a.s.	Czech Republic	67,56%	Refining of crude oil and production, distribution of petroleum based products	Share in assets and liabilities
Butadien Kralupy a.s.	Czech Republic	51,00%	Production of butadiene	Share in assets and liabilities

The Group in accordance with IFRS 11 classified ČESKÁ RAFINÉRSKÁ, a.s. and Butadien Kralupy a.s. as joint operations. Detail information is described in note 3.4.3.2.

17. FINANCIAL ASSETS AVAILABLE FOR SALE

	31/12/2014	31/12/2013
Unquoted shares		
Orlen Holding Malta LTD	1	1
	1	**1**

The Group had equity investments of CZK 0,5 million as at 31 December 2014 (31 December 2014: CZK 0,5 million) 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.

18. OTHER NON-CURRENT ASSETS

	31/12/2014	31/12/2013
Loans granted	6	6
Other long term receivables	20	44
Financial assets	**26**	**50**
Prepayments	3	3
Non-financial assets	**3**	**3**
	29	**53**

19. IMPAIRMENT OF NON-CURRENT ASSETS

As at 30 June 2014 due to existence of indicators triggering impairment testing both of an internal and external character (deterioration of external refinery environment, performance of refinery activities below forecasted level in 2013 and in the first half of 2014, surplus of refinery production capacities and increased supply of products, updated macroeconomic assumptions for all Cash Generating Units (CGUs)) tests were carried out for all identified CGUs based on updated financial projections for the years 2014-2017.

As at 31 December 2014 the Unipetrol Group has not identified any new impairment indicators.

Based on performed analysis impairment allowance of CZK 4 989 million was recognized during the year 2014 in relation to non-current assets of refining CGU. Impairment charges of CZK 4 882 million were allocated to plant, property and equipment, and CZK 107 million to intangible assets and these were recorded in other operating costs.

The impairment charges recognized in refinery CGU related to non-current assets of the following entities: ČESKÁ RAFINÉRSKÁ, a.s., PARAMO, a.s., UNIPETROL RPA, s.r.o. in amounts: CZK 4 911 million, CZK 51 million, CZK 27 million respectively.

During development of assumptions to impairment tests the possibility of estimation of the fair value and value in use of individual assets was considered. Lack of number of market transactions for similar assets to those held by the Group which would allow to reliably estimate their fair value makes this method of valuation not possible to implement. As a result, it was concluded that the best estimate of the actual values of individual assets of the Group will be its value in use.

In the UNIPETROL group CGUs are established at the level of operating activities. The recoverable amounts of CGUs were estimated based on their value in use. The analyses were performed based on available projections for the years 2014-2017 adjusted to exclude the impact of capital expenditures enhancing the assets' performance.

The anticipated fixed annual growth rate of cash flows after 2017 year period is assumed at the level of the long term inflation rate for Czech Republic.

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 Group's future financial performance is based on a number of factors and assumptions in respect of macroeconomics 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 test of non-current assets, and consequently might lead to changes in the financial position and performance of the Group.

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19. IMPAIRMENT OF NON-CURRENT ASSETS (CONTINUED)

Impact of the impairment allowances of non-current assets on consolidated statement of profit or loss and other comprehensive income for the year 2014

	Recognition	Reversal	Total
Land	(1)	-	(1)
Buildings and constructions	(1 670)	33	(1 637)
Machinery and equipment	(2 630)	23	(2 607)
Vehicles and other	(232)	-	(232)
Construction in progress	(404)	-	(404)
Software	(37)	-	(37)
Licences, patents and trade marks	(5)	-	(5)
Goodwill	-	-	-
Assets under development	(45)	-	(45)
CO2 emission allowance	-	-	-
Other intangible assets	(26)	5	(21)
	(5 050)	**61**	**(4 989)**

Information about recognitions and reversals of impairment allowances for each category of non-current non-financial assets is presented in notes 13 and 15.

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 30 June 2014 and 31 December 2014

The structure of the discount rates applied in the testing for impairment of assets of individual CGUs as at 30 June 2014

	Refining CGU	Petrochemical CGU	Retail CGU
cost of equity	10,72%	9,10%	9,28%
cost of debt after tax	2,58%	2,58%	2,58%
capital structure	66,39%	86,69%	57,40%
Nominal discount rate	**7,99%**	**8,23%**	**6,43%**
Long term inflation rate	1,96%	1,96%	1,96%

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). Cost of debt includes the average level of credit margins and expected market value of money for Czech Republic. The period of analysis was established on the basis of remaining useful life of the essential assets for the particular CGU.

Periods of analysis adopted for the analysis of the individual CGUs as at 30 June 2014

	2014
Refining CGU	25
Petrochemical CGU	16
Retail CGU	15

Sensitivity analysis of the value in use as at 30 June 2014

The crucial elements influencing the value in use of assets within individual units responsible for generating cash flows are: operating profit plus 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	
DISCOUNT RATE	change	-5%	0%	5%
	-0,5 p.p.	increase of impairment 191	decrease of impairment 1 439	decrease of impairment 2 125
	-0,0 p.p.	increase of impairment 918	-	decrease of impairment 2 125
	+0,5 p.p.	increase of impairment 1 820	increase of impairment 76	decrease of impairment 1 469

* Decrease in forecasted EBIDTA and increase in discount rate would result in impairment allowance in the petrochemical and retail CGUs.

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20. INVENTORIES

	31/12/2014	31/12/2013
Raw materials	4 382	3 971
Work in progress	1 049	1 567
Finished goods	3 548	3 942
Merchandise	367	296
Spare parts	974	929
Inventories, net	**10 320**	**10 705**
Impairment allowances of inventories to net realisable value	957	386
Inventories, gross	**11 277**	**11 091**

Change in impairment allowances to net realizable value

	2014	2013
At the beginning of the year	386	506
Recognition	842	356
Usage	(95)	(171)
Reversal	(226)	(305)
Change in the Group structure	50	-
	957	**386**

Changes in the net realizable value allowances for inventories amount to CZK 617 million and are included in cost of sales (CZK 51 million in 2013) presented in note 9.

21. TRADE AND OTHER RECEIVABLES

	31/12/2014	31/12/2013
Trade receivables	11 951	11 364
Receivables CO2 rights	-	255
Other	18	231
Financial assets	**11 969**	**11 850**
Excise tax and fuel charge receivables	401	360
Other taxation, duty, social security receivables	24	24
Prepayments and deffered costs	112	159
Non-financial assets	**537**	**543**
Receivables, net	**12 506**	**12 393**
Receivables impairment allowance	623	637
Receivables, gross	**13 129**	**13 030**

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 34 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 37.

Movement in the impairment loss allowance

	2014	2013
At the beginning of the year	637	648
Recognition	27	12
Change in the Group structure	8	-
Reversal	(23)	(5)
Usage	(44)	(25)
Other	5	-
Foreign exchange differences	13	7
	623	**637**

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.

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22. OTHER FINANCIAL ASSETS

	31/12/2014	31/12/2013
Cash flow hedge instruments		
foreign currency forwards	15	11
commodity swaps	872	-
Derivatives not designated as hedge accounting		
foreign currency forwards	23	-
commodity swaps	165	18
Loans granted	6	7
Cash pool	36	13
Receivables from settled financial derivatives	647	-
	1 764	**49**

Information regarding cash flow hedge instruments and derivatives not designed as hedge accounting is presented in note 31.3.

The Group provided short-term loans to related entities and to operators of fuel stations. The carrying amount of the loans amounted CZK 6 million as at 31 December 2014 (31 December 2013: CZK 7 million). The interest rates are variable and are based on appropriate inter-bank rates and the fair value of the loans can be approximated by its carrying amount as at 31 December 2014.

23. CASH AND CASH EQUIVALENTS

	31/12/2014	31/12/2013
Cash on hand and in bank	1 682	1 117
	1 682	**1 117**

24. SHAREHOLDERS' EQUITY

24.1 Share capital

The issued capital of the Company as at 31 December 2014 amounted to CZK 18 133 million (2013: CZK 18 133 million). This represents 181 334 764 (2013: 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.

24.2 Statutory reserves

The Company established a reserve fund for possible future losses. The balance of the Statutory reserve fund as at 31 December 2014 amounted to CZK 2 703 million (31 December 2013: CZK 2 643 million).

24.3 Hedging reserve

The amount of the hedging reserve of CZK 538 million as at 31 December 2014 resulted from the valuation of derivatives meeting the requirements of cash flow hedge accounting (31 December 2013: CZK (190) million).

24.4 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.

24.5 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 2014 amounted to CZK 18 million (31 December 2013: CZK 18 million).

24.6 Retained earnings

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 26 May 2014 decided, pursuant to Article 12 (2) (v) of the Articles of Association of UNIPETROL, a.s., on transfer of the Company's profit generated on non-consolidated basis in 2013 in amount of CZK 938 million.

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24.7 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 2014 and 31 December 2013 Group´s financial leverage amounted to 9,49% and 5,02%, 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

24.8 Earnings per share

Basic earnings per share

	2014	2013
Loss for the year attributable to equity owners	(556)	(1 396)
Weighted average number of shares	181 334 764	181 334 764
Earnings per share (in CZK per share)	**(3,07)**	**(7,70)**

Diluted earnings per share
Diluted earnings per share are the same as basic earnings per share.

25. LOANS AND BORROWINGS

	Long-term		Short-term		Total	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Bank loans	-	-	327	505	327	505
Borrowings	4 000	2 000	23	2	4 023	2 002
	4 000	**2 000**	**350**	**507**	**4 350**	**2 507**

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 received a mid-term loan in the amount of CZK 4 000 million. The loan has been divided into two tranches of CZK 2 billion each. First tranche was received in December 2013 and second tranche in January 2014.
The loan had a 3-year maturity, i.e. each tranche 36 months from its reception. Interests are paid semi-annually and are based on 6 months PRIBOR plus fixed margin. Pricing is in line with currently prevailing market conditions for 3-year loans provided in CZK.

Analyses of bank loans

- by currency (translated into CZK)

	31/12/2014	31/12/2013
CZK	327	443
EUR	-	43
USD	-	19
	327	**505**

- by interest rate

	31/12/2014	31/12/2013
PRIBOR	327	443
EURIBOR	-	43
LIBOR	-	19
	327	**505**

Short-term bank loans are subject to variable interests and their carrying amounts approximate fair values. Average effective interest rate as at 31 December 2014 was 0,76% (31 December 2013: 0,73%).

Disclosures resulting from IFRS 7 relating to loans and borrowings are included in note 31 and are presented togerther with other financial instruments.

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26. PROVISIONS

	Long-term		Short-term		Total	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Environmental provision	350	340	-	-	350	340
Jubilee bonuses and retirement benefits provision	71	57	5	-	76	57
Provisions for legal disputes	7	7	19	15	26	22
Provision for CO_2 emission	-	-	707	514	707	514
Other provision	29	29	51	12	80	41
	457	**433**	**782**	**541**	**1 239**	**974**

Change in provisions in 2014

	Environmental provision	Jubilee bonuses and retirement benefits provision	Provisions for legal disputes	Shield programs provision	Provision for CO_2 emission	Other provision	Total
1 January 2014	340	57	22	-	514	41	974
Recognition	4	18	4	1	775	51	853
Discounting	7	-	-	-	-	-	7
Utilization of provision	(1)	(3)	-	-	(562)	(2)	(568)
Release of provision	-	-	-	(1)	(41)	(12)	(54)
Change in the Group structure	-	4	-	-	21	2	27
	350	**76**	**26**	**-**	**707**	**80**	**1 239**

Change in provisions in 2013

	Environmental provision	Jubilee bonuses and retirement benefits provision	Provisions for legal disputes	Shield programs provision	Provision for CO_2 emission	Other provision	Total
1 January 2013	333	25	14	3	496	27	898
Recognition	4	36	15	9	515	30	609
Discounting	8	-	-	-	-	-	8
Utilization of provision	(1)	-	(2)	(3)	(497)	(8)	(511)
Release of provision	(4)	(4)	(6)	(9)	-	(6)	(29)
Foreign exchange differences	-	-	1	-	-	(2)	(1)
	340	**57**	**22**	**-**	**514**	**41**	**974**

26.1 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 335 million as at 31 December 2014 (31 December 2013: CZK 328 million). Additionally the Group had provision for compensation of damages to Lesy Česká republika in amount CZK 15 million included as at 31 December 2014 (31 December 2013: CZK 12 million).

26.2 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 0,62% - 2,6% p.a. in 2014 (2013: 0,59% - 2,9%), assumptions used were based on Collective agreement.

Should the prior year's assumptions be used, the provision for the jubilee bonuses and retirement benefits would be lower by CZK 11 million.

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26.2 Provision from jubilee bonuses and retirement benefits (continued)

Change in employee benefits 2014

	Provision for jubilee bonuses	Retirement benefits	Total
1 January 2014	3	54	57
Current service cost	1	5	6
Interest expense	-	1	1
Actuarial gains and losses net	-	12	12
financial assumptions	-	*12*	*12*
Change in Group structure	-	3	3
Payments under program	(1)	(2)	(3)
	3	**73**	**76**

Change in employee benefits 2013

	Provision for jubilee bonuses	Retirement benefits	Total
1 January 2013	1	24	25
Current service cost	-	2	2
Interest expense	-	1	1
Actuarial gains and losses net	-	2	2
financial assumptions	-	*2*	*2*
Past employment costs	*2*	25	27
	3	**54**	**57**

Division of retirement liability by employees

	Active employees		Pensioners		Total	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Czech Republic	76	57	-	-	76	57
					76	**57**

Geographical division of retirement liability

	Provision for jubilee bonuses		Retirement benefits		Total	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Czech Republic	3	3	73	54	76	57
					76	**57**

Sensitivity analysis of actuarial assumptions

Actuarial assumptions	Assumed variations as at 31/12/2014	Czech Republic: Influence on provision for jubilee bonuses 2014	Czech Republic: Influence on retirement benefits 2014
Demographic assumptions (+)	0,5pp	-	(3)
staff turnover rates, disability and early retirement	*0,5pp*	-	*(3)*
Financial assumptions (+)	0,5pp	-	(3)
discount rate	*0,5pp*	-	*(3)*
		-	**(6)**
Demographic assumptions (-)	-0,5pp	-	3
staff turnover rates, disability and early retirement	*-0,5pp*	-	*3*
Financial assumptions (-)	-0,5pp	-	3
discount rate	*-0,5pp*	-	*3*
		-	**6**

Actuarial assumptions	Assumed variations as at 31/12/2013	Czech Republic: Influence on provision for jubilee bonuses 2013	Czech Republic: Influence on retirement benefits 2013
Demographic assumptions (+)	0,5pp	-	(3)
staff turnover rates, disability and early retirement	*0,5pp*	-	*(3)*
Financial assumptions (+)	0,5pp	-	(2)
discount rate	*0,5pp*	-	*(2)*
		-	**(5)**
Demographic assumptions (-)	-0,5pp	-	3
staff turnover rates, disability and early retirement	*-0,5pp*	-	*3*
Financial assumptions (-)	-0,5pp	-	2
discount rate	*-0,5pp*	-	*2*
		-	**5**

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26.2 Provision from jubilee bonuses and retirement benefits (continued)

Duration of retirement benefits liabilities

	Provision for jubilee bonuses		Retirement benefits		Total	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Less than one year	1	1	4	3	5	4
Between one and three years	1	1	9	7	10	8
Between three and five years	-	-	6	6	6	6
Later than five years	1	1	54	38	55	39
	3	**3**	**73**	**54**	**76**	**57**
Weighted average duration of liability (years)			15	15	15	15

Aging of employee benefits payments analysis

	Provision for jubilee bonuses		Retirement benefits		Total	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Less than one year	1	1	5	4	6	5
Between one and three years	1	1	9	8	10	9
Between three and five years	2	1	8	9	10	10
Later than five years	8	7	204	188	212	195
	12	**10**	**226**	**209**	**238**	**219**

Division of costs to Profit or loss and Other comprehensive income

	2014	2013
In profit and loss		
Current service cost	(6)	(2)
Interest expense	(1)	(1)
Past employment costs	-	(27)
	(7)	**(30)**
In components of other comprehensive income		
Gains and losses arising from changes	(12)	(2)
financial assumptions	*(12)*	*(2)*
	(12)	**(2)**
	(19)	**(32)**

Provisions for employee benefits recognized in profit or loss were accounted as follows:

	2014	2013
Cost of sales	(4)	(15)
Distribution expenses	-	(10)
Administrative expenses	(3)	(5)
	(7)	**(30)**

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 retirement benefits is in note 3.4.23.4.

26.3 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.

26.4 Provision for CO_2 emissions

The provision for CO_2 emissions is created for estimated CO_2 emissions in the reporting period.

26.5 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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27. OTHER NON-CURRENT LIABILITIES

	31/12/2014	31/12/2013
Investment liabilities	1	1
Financial lease liabilities	-	1
Other	20	34
Financial liabilities	**21**	**36**
Guarantee payment received	164	166
Non-financial liabilities	**164**	**166**
	185	**202**

The Group received cash advance from business partners presented as Guarantee received in connection with operation of fuel stations.

28. TRADE AND OTHER LIABILITIES

	31/12/2014	31/12/2013
Trade liabilities	7 404	11 187
Investment liabilities	580	871
Dividends	35	35
Financial lease liabilities	1	1
Other	49	56
Financial liabilities	**8 069**	**12 150**
Prepayments for deliveries	42	17
Payroll liabilities	283	273
Excise tax and fuel charge	3 987	3 886
Value added tax	1 003	791
Other taxation, duties, social security and other benefits	92	85
Accruals	106	111
holiday pay accrual	15	18
wages accrual	90	93
other	1	-
Non-financial liabilities	**5 513**	**5 163**
	13 582	**17 313**

The management considers that the carrying amount of trade and other payables and accruals approximate their fair value.

29. DEFERRED INCOME

	31/12/2014	31/12/2013
Government grants received from European Regional Development Fund	72	104
Other	4	5
	76	**109**

The information about the government grants is presented in note 13.

30. OTHER FINANCIAL LIABILITIES

	31/12/2014	31/12/2013
Cash flow hedge instruments		
foreign currency forwards	55	246
commodity swaps	169	-
Derivatives not designated as hedge accounting		
foreign currency forwards	-	3
commodity swaps	155	67
Cash pool	33	33
	412	**349**

Information regarding cash flow hedge instruments and derivatives not designed as hedge accounting is presented in note 31.3.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

NOTES TO FINANCIAL INSTRUMENTS

31. FINANCIAL INSTRUMENTS

31.1 Financial instruments by category and class

Financial assets
as at 31 December 2014

		Financial instruments by category			
Financial instruments by class	Note	Financial assets at fair value through profit or loss	Loans and receivables	Hedging financial instruments	Total
Trade receivables	21	-	11 951	-	11 951
Borrowings granted	18,22	-	6	-	6
Cash pool	22	-	36	-	36
Financial derivatives	22	188	-	887	1 075
Cash and cash equivalents	23	-	1 682	-	1 682
Receivables from settled financial derivatives	22	647	-	-	647
Other financial assets	18,21	-	44	-	44
		835	**13 719**	**887**	**15 441**

as at 31 December 2013

		Financial instruments by category			
Financial instruments by class	Note	Financial assets at fair value through profit or loss	Loans and receivables	Hedging financial instruments	Total
Trade receivables	21	-	11 364	-	11 364
Borrowings granted	18,22	-	13	-	13
Cash pool	22	-	13	-	13
Financial derivatives	22	18	-	11	29
Cash and cash equivalents	23	-	1 117	-	1 117
Other financial assets	18,21	-	530	-	530
		18	**13 037**	**11**	**13 066**

Financial liabilities
as at 31 December 2014

		Financial instruments by category				
Financial instruments by class	Note	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortised cost	Hedging financial instruments	Liabilities excluded from the scope of IAS 39	Total
Non-current borrowings	25	-	4 000	-	-	4 000
Other non-current liabilities	27	-	20	-	-	20
Current borrowings	25	-	23	-	-	23
Current loans	25	-	327	-	-	327
Trade liabilities	28	-	7 404	-	-	7 404
Investment liabilities	27,28	-	581	-	-	581
Cash pool	30	-	33	-	-	33
Financial derivatives	30	155		224	-	379
Other financial liabilities	28	-	84	-	1	85
		155	**12 472**	**224**	**1**	**12 852**

as at 31 December 2013

		Financial instruments by category				
Financial instruments by class	Note	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortised cost	Hedging financial instruments	Liabilities excluded from the scope of IAS 39	Total
Non-current borrowings	25	-	2 000	-	-	2 000
Other non-current liabilities	27	-	34	-	-	34
Current borrowings	25	-	2	-	-	2
Current loans	25	-	505	-	-	505
Trade liabilities	28	-	11 187	-	-	11 187
Investment liabilities	27,28	-	872	-	-	872
Cash pool	30	-	33	-	-	33
Financial derivatives	30	70	-	246	-	316
Other financial liabilities	28	-	91	-	2	93
		70	**14 724**	**246**	**2**	**15 042**

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

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 2014

	Financial instruments by category			
	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Financial liabilities measured at amortised cost	Total
Interest income	-	48	-	48
Interest costs	-	-	(116)	(116)
Foreign exchange gain/(loss)	-	229	(1 054)	(825)
Recognition/reversal of receivables impairment allowances recognized in:				
other operating income/(expenses)	-	(4)	-	(4)
Settlement and valuation of financial instruments	570	-	-	570
Other	-	1	(36)	(35)
	570	**274**	**(1 206)**	**(362)**
other, exluded from the scope of IFRS 7				
Provisions discounting				(7)
				(7)

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	Total
Interest income	-	41	-	41
Interest costs	-	-	(247)	(247)
Foreign exchange gain/(loss)	-	199	(466)	(267)
Recognition/reversal of receivables impairment allowances recognized in:				
other operating income/(expenses)	-	(7)	-	(7)
Settlement and valuation of financial instruments	59	-	-	59
Other	-	2	(30)	(28)
	59	**235**	**(743)**	**(449)**
other, exluded from the scope of IFRS 7				
Provisions discounting				(8)
				(8)

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 profit or loss.

The fair value of derivative instruments are designated as hedging instruments according to the hedging cash flow 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 flow	31/12/2014	31/12/2013
Currency operating exposure		
2014 (currency investment exposure)	-	(235)
2015 (currency investment exposure)	664	-
	664	**(235)**

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 2014 none of the customers represented more than 10% 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 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.

	31/12/2014	31/12/2013
Group I	11 143	11 503
Group II	442	-
	11 585	**11 503**

Aging of loans and receivables past due, not impaired:

	31/12/2014	31/12/2013
Up to 1 month	346	349
From 1 to 3 months	14	16
From 3 to 6 months	7	4
From 6 to 12 months	2	5
Above 1 year	41	17
	410	**391**

The maximum exposure to credit risk for financial assets at the reporting date was as follows:

	Note	31/12/2014	31/12/2013
Trade receivables	*21*	11 951	11 364
Borrowings granted	*18,22*	6	13
Cash pool	*22*	36	13
Financial derivatives	*22*	1 075	29
Cash and cash equivalents	*23*	1 682	1 117
Other financial assets	*18,21,22*	691	530
		15 441	**13 066**

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 notes 19 and 21.

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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 2014 and 31 December 2013 the maximum available credit facilities relating to bank loans amounted to CZK 15 219 million and CZK 13 769 million respectively, of which as at 31 December 2014 and 31 December 2013 CZK 13 340 million and CZK 11 980 million respectively remained unused. The description of the loans and guarantees drawn from credit facilities are presented in notes 25 and 36.

Liquidity risk tables

The following tables detail the Group's remaining contractual maturity for its 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 financial liabilities

		31/12/2014			
	Note	Up to 1 year	From 1 to 3 years	Total	Carrying amount
Loans - undiscounted value	*25*	327	-	327	327
Borrowings - undiscounted value	*25*	89	4 087	4 176	4 023
Cash pool - undiscounted value	*30*	33	-	33	33
Finance lease	*28*	1	-	1	1
Trade liabilities	*28*	7 404	-	7 404	7 404
Investment liabilities	*27,28*	580	1	581	581
Financial derivatives	*30*	379	-	379	379
Other financial liabilities	*27,28*	84	20	104	104
		8 897	**4 108**	**13 005**	**12 852**

		31/12/2013			
	Note	Up to 1 year	From 1 to 3 years	Total	Carrying amount
Loans - undiscounted value	*25*	505	-	505	505
Borrowings - undiscounted value	*25*	45	2 087	2 132	2 002
Cash pool - undiscounted value	*30*	33	-	33	33
Finance lease	*27,28*	1	1	2	2
Trade liabilities	*28*	11 187	-	11 187	11 187
Investment liabilities	*28*	871	1	872	872
Financial derivatives	*30*	316	-	316	316
Other financial liabilities	*27,28*	91	34	125	125
		13 049	**2 123**	**15 172**	**15 042**

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 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 denominated in main foreign currencies as at 31 December 2014

Financial instruments by class	EUR	USD	Total after translation to CZK
Financial assets			
Trade receivables	168	23	5 181
Cash pool	1	-	36
Financial derivatives	-	7	165
Cash and cash equivalents	13	-	373
	182	**30**	**5 755**
Financial liabilities			
Cash pool	1	-	33
Trade liabilities	51	112	3 970
Investment liabilities	8	-	225
Financial derivatives	-	7	155
	60	**119**	**4 383**

Currency structure of financial instruments denominated in main foreign currencies as at 31 December 2013

Financial instruments by class	EUR	USD	Total after translation to CZK
Financial assets			
Trade receivables	162	25	4 936
Cash pool	-	-	13
Financial derivatives	-	1	18
Cash and cash equivalents	8	7	340
	170	**33**	**5 307**
Financial liabilities			
Loans	2	1	62
Cash pool	1	-	33
Trade liabilities	50	274	6 836
Investment liabilities	10	-	270
Financial derivatives	-	3	67
	63	**278**	**7 268**

<u>Foreign currency sensitivity analysis</u>

The influence of potential changes in carrying amounts of financial instruments as at 31 December 2014 and 2013 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			
2014	**Increase of exchange rate**	**Total influence**	**Decrease of exchange rate**	**Total influence**
EUR/CZK	15%	508	15%	(508)
USD/CZK	15%	(302)	15%	302
		206		**(206)**

	Influence on profit before tax			
2013	**Increase of exchange rate**	**Total influence**	**Decrease of exchange rate**	**Total influence**
EUR/CZK	15%	440	15%	(440)
USD/CZK	15%	(734)	15%	734
		(294)		**294**

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31.7.1 Currency risk (continued)

2014	Influence on hedging reserve Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/CZK	15%	(927)	15%	927
USD/CZK	15%	44	15%	(44)
		(883)		**883**

2013	Influence on hedging reserve Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/CZK	15%	(718)	15%	718
USD/CZK	15%	74	15%	(74)
		(644)		**644**

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:

Interest rate	PRIBOR		EURIBOR		LIBOR		Carrying amount	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Financial assets								
Borrowings granted	6	13	-	-	-	-	6	13
Cash pool	-	-	34	11	2	2	36	13
	6	**13**	**34**	**11**	**2**	**2**	**42**	**26**
Financial liabilities								
Loans	327	443	-	43	-	19	327	505
Borrowings	4 023	2 002	-	-	-	-	4 023	2 002
Cash pool	-	-	33	31	-	2	33	33
	4 350	**2 445**	**33**	**74**	**-**	**21**	**4 383**	**2 540**

Interest rate sensitivity analysis

The influence of financial instruments on profit before tax due to changes in significant interest rates:

Interest rate	Assumed variation		Influence on profit before tax		Total	
	31/12/2014	31/12/2013	2014	2013	2014	2013
EURIBOR	+0,5 pp	+0,5 pp	-	-	-	-
LIBOR	+0,5 pp	+0,5 pp	-	-	-	-
PRIBOR	+0,5 pp	+0,5 pp	(22)	(12)	(22)	(12)
			(22)	**(12)**	**(22)**	**(12)**

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 2014 and 31 December 2013. 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.

Sensitivity analysis

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 hedging reserve			
2014	Increase of price by	Total influence	Decrease of price by	Total influence
Crude oil USD/BBL	5 USD/BBL	(218)	5 USD/BBL	218

	Influence on profit before tax			
2013	Increase of price by	Total influence	Decrease of price by	Total influence
Crude oil USD/BBL	5 USD/BBL	(252)	5 USD/BBL	252

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 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 1 075 million as at 31 December 2014 (CZK 29 million as at 31 December 2013) and derivative instruments presented as financial liabilities in amount of CZK 379 million as at 31 December 2014 (CZK 316 million as at 31 December 2013) 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 2014 and the comparative period there were no transfers between Levels 1, 2 and 3 in the Group.

Investment property

As at 31 December 2014 and 31 December 2013 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 117 million as at 31 December 2014 (31 December 2013: CZK 117 million) for which the fair value was estimated using comparison approach. Such assets belong to Level 2 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 302 million as at 31 December 2014 (31 December 2013: CZK 310 million). The investment property valued under revenue approach is classified as the Level 3 defined by IFRS 7.

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32.1 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:

	2014	2013
Beginning of the year	310	297
Transfer from Property, plant and equipment	-	17
Reclassification to Property, plant and equipment	(3)	(3)
Fair value measurement	(5)	(1)
	302	**310**

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 by	Total impact	Decrease by	Total impact
Change in discount rate	+1 pp	(19)	-1 pp	19

As at 31 December 2014 and 31 December 2013 the Group held unquoted shares in entities amounting to CZK 0,5 million, 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 2014 there are no binding decisions relating to the means and dates of disposal of those assets.

OTHER NOTES

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:

	31/12/2014	31/12/2013
Less than one year	56	57
Between one and five years	178	205
Later than five years	236	290
	470	**552**

The Group leases vehicles and offices under operating leases. The vehicle leases typically run for a two year period. Lease payments are adjusted annually to reflect market conditions. None of the leases includes contingent rentals.

Payments recognized as an expense were as follows:

	2014	2013
Non-cancellable operating lease	51	55

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:

	31/12/2014	31/12/2013
Less than one year	1	1
Between one and five years	-	1
	1	**2**

Present value of minimum lease payments under finance lease arrangements were as follows:

	31/12/2014	31/12/2013
Less than one year	1	1
Between one and five years	-	1
	1	**2**

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:

	31/12/2014	31/12/2013
Machinery and equipment	208	238
Vehicles and other	68	87
	276	**325**

33.2 The Group as lessor

As at 31 December 2014 and as at 31 December 2013 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 including borrowing costs amounted to CZK 2 007 million as at 31 December 2014 and CZK 2 404 million as at 31 December 2013, comprising environmental expenditures in amount of CZK 175 million and CZK 26 million respectively.

As at 31 December 2014 the value of future liabilities resulting from contracts signed until this date amounted to CZK 459 million (as at 31 December 2013: CZK 826 million).

35. CONTINGENT LIABILITIES

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 Králové.

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 Králové 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.

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.

Within the adequacy of compensation proceedings, the court ordered preparation of a third expert’s valuation (Ústav oceňováni majetku při Ekonomické fakultě Vysoké školy báňské – Technické univerzity Ostrava, i.e. an institute established by the Faculty of Economy of the Technical University in Ostrava was appointed by the court to carry out the valuation). UNIPETROL appointed Pricewaterhousecoopers to provide a valuation of PARAMO shares.

Next hearing is scheduled for April 2015.

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 2014, ČESKÁ RAFINÉRSKÁ, a.s. held a contract for transportation with TRANSPETROL, a.s., covering years 2014, 2015 and 2016. Due to complicated and lengthy negotiations, there is no framework 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.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

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 1 521 million as at 31 December 2014 (31 December 2013: CZK 1 261 million) and to other purposes amounted to CZK 31 million (31 December 2013: CZK 23 million).

The Group is the beneficiary of guarantees amounted CZK 1 464 million as at 31 December 2014 (31 December 2013: CZK 542 million).

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. Funds up to CZK 14 753 million are provided to cover cost actually incurred in relation to settlement of 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:

	Total amount of funds to be provided	Used funds as at 31/12/2014	Unused funds as at 31/12/2014
UNIPETROL, a.s. / premises of UNIPETROL RPA, s.r.o.	6 012	3 868	2 144
UNIPETROL, a.s. / premises of SYNTHOS Kralupy a.s.	4 244	51	4 193
BENZINA s.r.o.	1 349	471*	878
PARAMO, a.s. / premises in Pardubice	1 241	500	741
PARAMO, a.s. / premises in Kolin	1 907	1 728	179
	14 753	**6 618**	**8 135**

	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 Kolin	1 907	1 694	213
	14 753	**6 368**	**8 385**

* 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.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

37. RELATED PARTIES

37.1 Material transactions concluded by the Group Companies with related parties

In year 2014 and in 2013 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 2014 and in 2013 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 2014 and in 2013 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 2014 and in 2013 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 2014 and 2013 a majority (62,99%) of the Company's shares were in possession of POLSKI KONCERN NAFTOWY ORLEN S.A.

2014	PKN Orlen	Joint operations	Entities under control or significant influence of PKN Orlen
Sales	1 158	2 265	7 958
Purchases	77 075	3 070	2 839
Finance income, including	-	110	-
dividends	-	110	-
Finance costs	86	-	30

31/12/2014	PKN Orlen	Joint operations	Entities under control or significant influence of PKN Orlen
Long term receivables	-	6	-
Short term financial assets	-	-	36
Trade and other receivables	112	292	570
Trade and other liabilities, including loans and borrowings	6 272	358	211

2013	PKN Orlen	Joint operations	Entities under control or significant influence of PKN Orlen
Sales	468	2 416	5 176
Purchases	57 010	3 258	2 754
Finance income, including	-	452	-
dividends	-	450	-
Finance costs	3	-	23

31/12/2013	PKN Orlen	Joint operations	Entities under control or significant influence of PKN Orlen
Long term receivables	-	24	-
Short term financial assets	-	-	12
Trade and other receivables	24	389	611
Trade and other liabilities, including loans and borrowings	6 923	357	390

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, retirement benefits, other long-term employee benefits and termination benefits paid, due and potentially due during the period.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2014 (in millions of CZK)

38.1 Key management personnel and statutory bodies' members' compensation

	2014		2013	
	Short-term benefits	Termination benefits	Short-term benefits	Termination benefits
Remuneration of current year	213	7	219	7
Paid for previous year	46	2	49	1
Potentially due to be paid in the following year	43	2	43	2

Further detailed information regarding remuneration of key management personnel is included in note 9.3.

38.2 Bonus system for key executive personnel of the Group

In 2014 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 ordered by the court.

During the twelve month period ended 31 December 2014 there were no material changes in relation to the issue.

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.

In a relating court proceedings, the Upper (Vrchní) Court in Olomouc ruled that receivable of UNIPETROL RPA, s.r.o., which was claimed by UNIPETROL RPA, s.r.o. in the bankruptcy against I.P. – 95, s.r.o., was rightfull, justified and existing at the time of making the insolvency filing. On basis of applicable jurisprudence – claiming of justified receivable within a bankruptcy proceedings can not cause any damage to the debtor. Hence we expect that the damages compensation claim against UNIPETROL RPA, s.r.o. will be rejected by the relevant court.

On the basis of provisions of the Czech Insolvency Act, the proceedings has been suspended due to I.P.-95 s.r.o. becoming insolvent and the insolvency trustee failing to give consent for the proceedings to continue. I.P. – 95 s.r.o. gave consent with the proceedings to continue and therefore, as per the most recent decision of the court, the proceedings will continue with I.P. – 95 s.r.o. in its position as petitioner. The court has also submitted the case to the Czech Supreme Court to decide on local jurisdiction matters; Czech Supreme Court remanded the case District Court in Ostrava.

The Group´s management does not recognize the alleged claim and considers the claim as unjustified and unfounded. The Group´s management is taking all legal actions to defend itself against this claim.

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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.
On 18 December 2014 UNIPETROL RPA, s.r.o. signed a settlement agreement with SDP Logistics sklady, a.s. under which, among others:
SDP released all the blocked (arrested) goods to UNIPETROL RPA;
UNIPETROL RPA has withdrawn the petition in full.

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 million.

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.
The Czech Supreme Administrative Court´s issued a decision dated 19 March 2014 on the cassation appeals filed by the parties within the proceedings regarding declining of the tax authority decisions. The Czech Supreme Administrative Court annulled the Regional Court´s decision on annulment of the tax authorities' decisions and dismissed the cassation appeal filed by UNIPETROL RPA, s.r.o. The matter was returned to the Regional Court in Usti nad Labem.
UNIPETROL RPA, s.r.o. filed a petition with the Czech Constitutional Court claiming that by the decisions of the Czech Supreme Administrative Court its right for a fair trial was breached. Following filing of the petition with the Czech Constitutional Court, the Regional Court in Usti nad Labem suspended the proceedings regarding UNIPETROL RPA, s.r.o. complaint for dismissal of the tax authority decisions.
On 16 October 2014 the Czech Constitutional Court decided to reject the UNIPETROL RPA, s.r.o. 's constitutional complaint dated 7 April 2014.
On 8 December 2014 the Regional Court in Usti nad Labem, based on the legal opinion presented by the Czech Supreme Administrative Court in their decision of 19 March 2014, dismissed UNIPETROL RPA, s.r.o complaint for unlawful intervention filed against the tax authorities.

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 325million, 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.
The Czech Supreme Administrative Court´s issued a decision dated 19 March 2014 on the cassation appeals filed by the parties within the proceedings regarding declining of the tax authority decisions. The Czech Supreme Administrative Court annulled the Regional Court´s decision on annulment of the tax authorities' decisions and dismissed the cassation appeal filed by UNIPETROL RPA, s.r.o. The matter was returned to the Regional Court in Usti nad Labem.
The Regional Court in Usti nad Labem on a hearing hold on 25 February 2015 Court decided to dismiss the UNIPETROL RPA, s.r.o. complaint for abrogation of the tax authority decisions, UNIPETROL RPA, s.r.o. is now waiting to receive the Regional Court´s judgment in writing. UNIPETROL RPA, s.r.o. will consider filing a cassation appeal against the judgment of the Regional Court.

40. SUBSEQUENT EVENTS AFTER THE REPORTING DATE

The Group's management is not aware of any other events that have occurred since end of the reporting period that would have any material impact on the financial statements as at 31 December 2014.

41. APPROVAL OF THE FINANCIAL STATEMENT

The consolidated financial statements were authorized by the Board of directors meeting of the Company held on 3 March 2015.

Signature of statutory representatives

Marek Świtajewski

Marek Świtajewski	Mirosław Kastelik
Chairman of the Board of Directors	Member of the Board of Directors

Significant post financial statements events

Repayment of CZK 2 billion loan from PKN Orlen

On 20 March 2015 UNIPETROL, a.s. repaid CZK 2 billion out of total CZK 4 billion mid-term loan received from its majority shareholder – PKN ORLEN S.A. (which holds 62.99% of the Unipetrol shares) under a loan agreement entered into on 12 December 2013.

Report on relations between the controlling person and the controlled person and between the controlled person and other persons controlled by the same controlling person in 2014

in accordance with article 82 of the Act No. 90/2012 Coll., on Business Companies and Cooperatives (on Business Corporations), as amended (hereinafter the „Act on Business Corporations“)

Financial period from 1.1.2014 to 31.12.2014 is the vesting period for this Report on relations between the controlling person and the controlled person and between the controlled person and other persons controlled by the same controlling person (hereinafter the „Report on Relations“).

<u>The structure of relations between the entities</u>

Controlled Person

UNIPETROL, a.s., with registered office at Na Pankráci 127, 140 00 Praha 4, Corporate ID: 616 72 190, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Enclosure 3020 (hereinafter „UNIPETROL, a.s.“).

Controlling Persons

Polski Koncern Naftowy Spólka Akcyjna with registered office at Chemików 7, PŁOCK, Poland (hereinafter „Polski Koncern Naftowy Spólka Akcyjna“) is the majority shareholder (associate) of UNIPETROL, a.s.

Other Controlled Persons

The entities controlled by the Controlling Person – Polski Koncern Naftowy Spólka Akcyjna are members of business group „PKN ORLEN S.A.“, whose scheme is shown in Appendix No. 2.

The entities controlled by UNIPETROL, a.s. are members of PKN ORLEN S.A. business group and are also members of „UNIPETROL“ business group, whose scheme is shown in Appendix No. 1.

<u>The role of the Controlled Person</u>

- 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,
- arranging of financing and development of financing systems in the companies within the concern,
- development of human resources and a system of human resource management in the companies within the concern,
- administration, acquisition of and disposal with ownership interests and other assets of the Company, in particular:
  - (i) establishing of business corporations, participation in their foundation and other acquisitions of ownership interests in business of other legal entities,
  - (ii) exercising of shareholder´s and similar rights within directly or indirectly controlled companies,
  - (iii) renting of real estate and provision of basic services for due functioning of real estate.

<u>The method and means of controlling</u>

Polski Koncern Naftowy Spólka Akcyjna is the majority shareholder (associate) of UNIPETROL, a.s. and has direct influence in UNIPETROL, a.s.

<u>The list of actions undertaken in the last financial period made on instigation or in the interest of the Controlling Person or entities controlled by such entity, on condition such actions concern assets exceeding 10% of the controlled entity's equity capital identified in the last financial statements</u>

In the vesting period there were no actions carried out in accordance with article 82 (2d) of the Act on Business Corporations.

<u>The list of mutual agreements between the Controlled Person and the Controlling Person or between the Controlled Persons</u>

The mutual agreements between UNIPETROL, a.s. and Polski Koncern Naftowy Spólka Akcyjna and Other Controlled Persons were concluded on the standard terms, while agreed and provided performances or counter-performances were based on the standard terms of business relations.

The list of mutual agreements with the details is enclosed in Appendix No. 3.

<u>The conclusion</u>

The Board of Directors of UNIPETROL, a.s. based on available information declares that UNIPETROL, a.s. incurred no detriment, special advantage or disadvantage in accordance with the article 82 (4) of the Act of Business Corporations as a result of any contracts, acts or measures taken between entities in business group. No risks arise from the relations between entities in business group to UNIPETROL, a.s. except those arising from standard participation in international business group.

The company's Board of Directors prepared the Report on Relations based on information available on the date of the Report on Relations.

The Report on Relations is to be read in conjunction with the Appendix No. 1, 2 and 3.

Prague, 10 March 2015

On behalf of the Board of Directors of UNIPETROL, a.s.

Marek Świtajewski	Mirosław Kastelik
Chairman of the Board of Directors	Member of the Board of Directors

Appendix No. 1

BUSINESS GROUP OF UNIPETROL, a.s. – CONTROLLED ENTITIES

1.1.2014 – 31.12.2014

Entities controlled by UNIPETROL, a.s.	Residence	Shares in directly and indirectly controlled entities in % of the capital		Note
Entities with direct share of UNIPETROL, a.s. Entities with indirect share of UNIPETROL Group		**1.1.**	**31.12.**	
1. UNIPETROL RPA, s.r.o., IC 275 97 075	Litvínov, Záluží 1	**100,00**	**100,00**	
1.1 HC VERVA Litvínov, a.s., IC 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., IC 254 92 110	Litvínov, Záluží 1	100,00	100,00	
1.3 POLYMER INSTITUTE BRNO, s.r.o., IC 607 11 990	Brno, Tkalcovská 36/2	99,00	99,00	1% owned by UNIPETROL, a.s.
1.4 UNIPETROL DOPRAVA, s.r.o., IC 640 49 701	Litvínov, Růžodol 4	99,88	99,88	0,12% owned by UNIPETROL, a.s.
1.5 UNIPETROL DEUTSCHLAND GmbH, IC. HRB 34346	Langen, Germany, Paul-Ehrlich-Strasse 1B	99,90	99,90	0,1% owned by UNIPETROL, a.s.
1.6 CHEMAPOL (SCHWEIZ) AG, in liquidation, IC CH-270.3.000.762-9	Leimenstrasse 21, 4003 Basel, Schwitzerland	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., IC 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., IC 276 08 051	Litvínov, Záluží 1	**100,00**	**100,00**	
3. Výzkumný ústav anorganické chemie, a.s., IC 622 43 136	Ústí nad Labem, Revoluční 84/č.p. 1521	**100,00**	**100,00**	
4. BENZINA, s.r.o., IC 601 93 328	Praha 4, Na Pankráci 127	**100,00**	**100,00**	
4.1 PETROTRANS, s.r.o., IC 251 23 041	Praha 8, Střelničná 2221	99,37	99,37	0,63% owned by UNIPETROL, a.s.
5. UNIPETROL RAFINÉRIE, s.r.o., IC 278 85 429	Litvínov, Záluží 1	**100,00**	**100,00**	
6. ČESKÁ RAFINÉRSKÁ, a.s., IC 627 41 772	Litvínov, Záluží 2	**51,22**	**67,555**	Other shareholder – Eni International B.V. owns 32,445%.
7. UNIPETROL AUSTRIA, GmbH, in liquidation, IC 43 551	Vídeň, Apfelgasse 2, Austria	**100,00**	**100,00**	
8. PARAMO, a.s., IC 481 73 355	Pardubice, Svítkov, Přerovská čp. 560	100,00	100,00	
8.1 MOGUL SLOVAKIA, s.r.o., IC 36 222 992	Hradiště pod Vrátnou, U ihriska 300, Slovakia	100,00	100,00	
8.2 PARAMO Oil, s.r.o., IC 246 87 341	Pardubice, Přerovská čp. 560	100,00	100,00	
9. Butadien Kralupy a.s., IC 278 93 995	Kralupy nad Vltavou, O. Wichterleho 810	51,00	51,00	49% shares owned by SYNTHOS Kralupy, a.s.
Other entities with share of UNIPETROL, a.s.				
1. UNIVERSAL BANKA, a.s, in bankruptcy, IC 482 64 865	Praha 1, Senovážné náměstí 1588/4	16,45	16,45	12,24% shares owned by UNIPETROL RPA, s.r.o.
2. ORLEN HOLDING MALTA LIMITED, IC 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.

Appendix No. 2

BUSINESS GROUP OF PKN ORLEN S.A. – CONTROLLED ENTITIES

1.1.2014 – 31.12.2014

Entities controlled by PKN ORLEN S.A.	Residence	Shares in directly and indirectly controlled entities in % of the capital		Note
Entities with direct share of PKN ORLEN S.A. Entities with indirect share of PKN ORLEN S.A. Group		**1.1.**	**31.12.**	
1. UNIPETROL, a.s.	Praha	62,99	62,99	
2. ORLEN Deutschland GmbH	Elmshorn	100,00	100,00	
3. ORLEN Budonaft Sp. z o.o.	Limanowa	100,00	100,00	
4. ORLEN Automatyka Sp. z o.o.	Płock	100,00	100,00	
5. ORLEN Asfalt Sp. z o.o.	Płock	82,46	100,00	On 10.01.2014 PKN ORLEN S.A. purchased 17,54% stake in ORLEN Asfalt from Rafineria Trzebinia S.A.
5.1. ORLEN Asfalt Ceska Republika s.r.o.	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	99,38	99,38	
10. ORLEN Medica Sp. z o.o.	Płock	100,00	0	On 9.5.2014 PKN ORLEN S.A. sold its 100% stake in ORLEN Medica Sp. z o.o.
10.1 Sanatorium Uzdrowiskowe "Krystynka" Sp. z o.o.	Ciechocinek	98,58	0	On 9.5.2014 PKN ORLEN S.A.sold its 100% stake in ORLEN Medica Sp. z o.o.
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	
11.2 ORLEN Apsauga UAB	Juodeikiai	100,00	100,00	
12. ORLEN OIL Sp. z o.o.	Kraków	51,69	100,00	On 10.01.2014 PKN ORLEN S.A. purchased 43,84% stake in ORLEN Oil Sp. z o.o. from Rafineria Trzebinia S.A. and 4,47% stake from Rafineria Nafty Jedlicze S.A
12.1. Platinum Oil Sp. z o.o.	Lublin	100,00	100,00	
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	99,77	99,77	
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. w likwidacji	Jedlicze	100,00	0	On 19.09.2014 RAF-BIT w likwidacji was deleted from Polish Commercial Register.
20.2. „RAF-KOLTRANS" Sp. z o.o. w likiwdacji	Jedlicze	100,00	100,00	On 01.06.2014 liquidation proceeding of Raf-Koltrans Sp. z o.o. was open.
20.3. „RAF-Służba Ratownicza" Sp. z o.o. w likwidacji	Jedlicze	100,00	100,00	On 07.08.2014 liquidation proceeding of Raf-Służba Ratownicza Sp. z o.o. was open.
20.4. Konsorcjum Olejów Przepracowanych "ORGANIZACJA ODZYSKU OPAKOWAŃ I OLEJÓW" S.A.	Jedlicze	81,00	81,00	On 29.09.2014 new company's name Konsorcjum Olejów Przepracowanych "ORGANIZACJA ODZYSKU OPAKOWAŃ I OLEJÓW" S.A. (previous name Konsorcjum Olejów Przepracowanych "ORGANIZACJA ODZYSKU S.A.). Additional 8% stake owned by Rafineria Trzebinia S.A.

Entities controlled by PKN ORLEN S.A.	Residence	Shares in directly and indirectly controlled entities in % of the capital		Note
20.5. "RAN-WATT" Sp. z o.o. w likwidacji	Toruń	51,00	51,00	
21. Rafineria Trzebinia S.A.	Trzebinia	86,35	99,46	In October PKN ORLEN S.A. purchased 13,11% stake in Rafineria Trzebinia S.A. from minority shareholders.
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. zo.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	99,33	99,33	
24. Anwil S.A.	Włocławek	100,00	100,00	
24.1. Przedsiębiorstwo Inwestycyjno - Remontowe REMWIL Sp. z o.o.	Włocławek	100,00	100,00	
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	77,97	0	On 26.06. all shares of Przedsiębiorstwo Usług Specjalistycznych i Projektowych CHEMEKO Sp. z o.o. owned both by Anwil S.A. and Remwil Sp. z o.o. were sold to ORLEN Eko Sp. z o.o. Subsequently, on 31.10.2014 ORLEN Eko Sp. z o.o. acquired Przedsiębiorstwo Usług Specjalistycznych i Projektowych CHEMEKO Sp. z o.o.
24.5. Zakład Usługowo-Produkcyjny EKO-Dróg Sp. z o.o.	Włocławek	48,78	0	On 21.08.2014 Anwil S.A. sold its 48,78% stake in ZUP EKO-DRÓG Spółka z o.o.
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	96,45	0	On 12.05.2014 Anwil S.A. sold its 96,45% stake in Specjalistyczna Przechodnia Przemysłowa Prof-Med Sp. z o.o.
25. ORLEN EKO Sp. z o.o.	Plock	100,00	100,00	On 26.06.2014 ORLEN Eko Sp. Z o.o. purchased Przedsiębiorstwo Usług Specjalistycznych i Projektowych CHEMEKO Sp. z o.o. and subsequently on 31.10.2014 merged with Przedsiębiorstwo Usług Specjalistycznych i Projektowych CHEMEKO Sp. z o.o. by acqusition.
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	100,00	100,00	
27.1.1. TriOil Resources Ltd.	Calgary	100,00	100,00	
27.1.1.1. 1426628 Alberta Ltd.	Calgary	100,00	100,00	
27.1.1.2. OneEx Operations Partnership	Calgary	99,99	99,99	
27.2. ORLEN International Exploration –Production Company BV	Amsterdam	100,00	100,00	On 21.03.2014 PKN ORLEN S.A. sold its 100% stake in ORLEN International Exploration – Production Company BV to ORLEN Upstream Sp. z o.o.
27.2.1. SIA Balin Energy Grupa OIE-PC BV	Lithuania	50,00	50,00	
28. ORLEN Centrum Usług Korporacyjnych Sp. z o.o.	Plock	100,00	100,00	On 01.01.2014 new company's name ORLEN Centrum Usług Korporacyjnych Sp. z o.o. was registered (previous name ORLEN Księgowość Sp. z o.o.)
29. ORLEN HOLDING MALTA Limited	Sliema, Malta	99,50	99,50	
29.1. ORLEN Insurance Ltd	Sliema, Malta	99,99	99,99	
30. AB ORLEN Lietuva	Juodeikiai	100,00	100,00	

30.2. UAB Mazeikiu Nafta Trading House (Litwa)	Vilnius , Lithuania	100,00	100,00	

Entities controlled by PKN ORLEN S.A.	**Residence**	**Shares in directly and indirectly controlled entities in % of the capital**		**Note**
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 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. AB Ventus Nafta	Vilnius	100,00	100,00	On 31.07.2014 PKN ORLEN S.A. purchased 100% stake in AB Ventus Nafta from AB ORLEN Lietuva
35. Baltic Power Sp. z o.o.	Warszawa	100,00	100,00	
36. Baltic Spark Sp. z o.o.	Warszawa	100,00	100,00	

Appendix No. 3

THE LIST OF MUTUAL AGREEMENTS BETWEEN THE CONTROLLING AND CONTROLLED ENTITY OR BETWEEN THE CONTROLLED ENTITIES

No.	No. of agreement or purchase order	Contracting party	Subject of the agreement	Agreement date	Service by UNIPETROL, a.s.	Counter-service
1	137-2007	**BENZINA s.r.o.**	Loan agreement 1,4 bln. CZK	12.12.2013	Provision of loan	Payment for loan
2	-	**BENZINA s.r.o.**	Loan agreement – credit line max 1,3 bln. CZK	20.3.2007	Provision of loan	Payment for loan
3	-	**BENZINA s.r.o.**	Loans agreement – cash pool	10.7.2007	Provision of loan	Payment for loan
4	405-2008	**BENZINA, s.r.o.**	Agreement for future easement contract – sewage connection Litvínov	20.9.2010	Location of sewage connection	Payment
5	128-2008	**BENZINA, s.r.o.**	Contract for the management and maintenance of company cars	27.2.2009	Providing management and maintenance services	Payment for management and maintenance services
6	75-2009	**BENZINA, s.r.o.**	Contract for the provision of licenses for the use of SAP software and support	11.5.2009	Provision of licenses for the use of SAP software, and support	Payment
7	-	**BENZINA, s.r.o.**	Contract for the use of licenses mySAP.com and their maintenance program	20.12.2007	Usage of mySAP.com and maintenance	Payment
8	-	**BENZINA, s.r.o.**	CLA - Corporate Level Agreement	25.11.2008	Provision of services	Payment for services

No.	No. of agreement or purchase order	Contracting party	Subject of the agreement	Agreement date	Service by UNIPETROL, a.s.	Counter-service
9	-	**BENZINA, s.r.o.**	Framework contract to ensure the development and use of common information environment for monitoring UNIPETROL Group enviros	21.4.2008	Provision of services	Payment for services
10	19-2014	**BENZINA, s.r.o.**	Agreement No. 19-2014 for insurance and its administration	13.5.2014	Arrangement of insurance	Payment proportional part of insurance
11	-	**BENZINA, s.r.o.**	Frame agreement for usage of Benzina cards	2.12.2014	Payments for fuel and services	Provision of Benzina card
12	0125-2014	**Butadien Kralupy a.s.**	Contract no. 0125-2014 of insurance and its administration - liability insurance - first layer	1.5.2014	Arrangement of insurance	Payment proportional part of insurance
13	42-2010	**Butadien Kralupy a.s.**	Framework contract to ensure the development and use of common information environment for monitoring UNIPETROL Group enviros including subsequent amendments	21.4.2010	Provision of services	Payment for services
14	42-2010	**Butadien Kralupy a.s.**	Framework contract to ensure the development and use of common information environment for monitoring UNIPETROL Group enviros	1.5.2010	Provision of services	Payment for services
15	69-2010	**Butadien Kralupy a.s.**	Loans agreement	28.5.2010	Provision of loan	Payment for loan
16	70-2010	**Butadien Kralupy a.s.**	Loans agreement	28.5.2010	Provision of loan	Payment for loan

No.	No. of agreement or purchase order	Contracting party	Subject of the agreement	Agreement date	Service by UNIPETROL, a.s.	Counter-service
17	179-2008	**Butadien Kralupy a.s.**	Loans agreement including subsequent amendments	15.5.2008	Provision of loan	Payment for loan
18	-	**ČESKÁ RAFINERSKÁ, a.s.**	Agreement on cooperation in HSE field	1.9.2009	Provision of services	Payment of agreed price
19	-	**ČESKÁ RAFINERSKÁ, a.s.**	Maintenance fee for PIMS software	23.6.1996	Provision of services	Payment of agreed price
20	135-2008	**ČESKÁ RAFINERSKÁ, a.s.**	Usage of common information environment	1.1.2008	Provision of services	Payment of agreed price
21	-	**ČESKÁ RAFINERSKÁ, a.s.**	Liability insurance company's statutory bodies	8.7.2013	Provision of services	Payment of agreed price
22	337-2008	**ČESKÁ RAFINERSKÁ, a.s.**	Agreement on establishment of easement- Chvatěruby, Lobeček, Veltrusy	11.4.2000	Lease of lands	Payment of agreed price
23	334-2008	**ČESKÁ RAFINERSKÁ, a.s.**	Agreement on cancelation and establishment of easement- Veltrusy	30.10.2000	Lease of lands	Payment of agreed price
24	-	**ČESKÁ RAFINERSKÁ, a.s.**	Agreement on establishment of easement- Veltrusy, Zlončice	30.1.2001	Lease of lands	Payment of agreed price

No.	No. of agreement or purchase order	Contracting party	Subject of the agreement	Agreement date	Service by UNIPETROL, a.s.	Counter-service
25	-	**ČESKÁ RAFINERSKÁ, a.s.**	Agreement on establishment of easement- Chvatěruby, Zlončice, Veltrusy	1.1.2003	Lease of lands	Payment of agreed price
26	312-2008	**ČESKÁ RAFINERSKÁ, a.s.**	Agreement on establishment of easement- Dolní Jiřetín, Záluží u Litvínova	11.4.2000	Lease of lands	Payment of agreed price
27	349-2008	**ČESKÁ RAFINERSKÁ, a.s.**	Agreement on cancelation and establishment of easement- Dolní Jiřetín, Záluží u Litvínova	1.1.2003	Lease of lands	Payment of agreed price
28	-	**ČESKÁ RAFINERSKÁ, a.s.**	Agreement on cancelation and establishment of easement- Dolní Jiřetín, Záluží u Litvínova	1.1.2004	Lease of lands	Payment of agreed price
29	-	**ČESKÁ RAFINERSKÁ, a.s.**	Agreement on establishment of easement- Veltrusy	1.1.2006	Lease of lands	Payment of agreed price
30	-	**ČESKÁ RAFINERSKÁ, a.s.**	Agreement on establishment of easement- Veltrusy, Lobeček	1.1.2006	Lease of lands	Payment of agreed price
31	-	**ČESKÁ RAFINERSKÁ, a.s.**	Agreement on establishment of easement- Chvatěruby, Veltrusy, Lobeček, Zlončice	1.1.2007	Lease of lands	Payment of agreed price
32	-	**ČESKÁ RAFINERSKÁ, a.s.**	Agreement on cancelation and establishment - Záluží u Litvínova, Dolní Jiřetín	1.1.2006	Lease of lands	Payment of agreed price

No.	No. of agreement or purchase order	Contracting party	Subject of the agreement	Agreement date	Service by UNIPETROL, a.s.	Counter-service
33	-	**ČESKÁ RAFINERSKÁ, a.s.**	Agreement on establishment of easement - Dolní Jiřetín	1.1.2007	Lease of lands	Payment of agreed price
34	204-2008	**ČESKÁ RAFINERSKÁ, a.s.**	Agreement to easement contracts	15.5.2007	Lease of lands	Payment of agreed price
35	-	**ČESKÁ RAFINERSKÁ, a.s.**	Agreement on cancelation and establishment of easement - Chvatěruby, Veltrusy	1.1.2008	Lease of lands	Payment of agreed price
36	-	**ČESKÁ RAFINERSKÁ, a.s.**	Agreement on establishment of easement - Záluží u Litvínova	1.1.2009	Lease of lands	Payment of agreed price
37	-	**ČESKÁ RAFINERSKÁ, a.s.**	Agreement on establishment of easement – Chvatěruby	31.12.2008	Lease of lands	Payment of agreed price
38	421-2008	**ČESKÁ RAFINERSKÁ, a.s.**	Unipetrol - free use of wells	17.3.2009	Provision of services	
39	-	**ČESKÁ RAFINERSKÁ, a.s.**	Agreement on the level of services provided - providing audited and unaudited financial information	19.12.2013	Payment of agreed price	Provision of services
40	24-2012	**MOGUL SLOVAKIA, s.r.o.**	Loan agreement	17.3.2009	Provision of loan	Payment for loan

No.	No. of agreement or purchase order	Contracting party	Subject of the agreement	Agreement date	Service by UNIPETROL, a.s.	Counter-service
41	0150-2014	**PARAMO, a.s.**	Contract no. 0150-2014 of insurance and its administration - liability insurance - 2nd layer	1.5.2014	Arrangement of insurance	Payment for insurance
42	0127-2014	**PARAMO, a.s.**	Contract no. 0127-2014 of insurance and its administration - liability insurance – 1st layer	1.5.2014	Arrangement of insurance	Payment for insurance
43	30-2008	**PARAMO, a.s.**	Framework contract to ensure the development and use of common information environment for monitoring UNIPETROL Group enviros including subsequent amendments	28.4.2008	Provision of services	Payment for services
44	404-2008	**PARAMO, a.s.**	CLA agreement including subsequent contracts	1.1.2008	Provision of services	Payment for services
45	196-2007	**PARAMO, a.s.**	Frame contract on cost sharing	15.11.2007	Sharing of costs for legal services	Payment for costs
46	139-2007	**PARAMO, a.s.**	Loans agreement	23.7.2007	Provision of loan	Payment for loan
47	243-2008	**PARAMO, a.s.**	Loans agreement	16.6.2008	Provision of loan	Payment for loan
48	77-2009	**PARAMO, a.s.**	Contract for the provision of licenses (sublicences) for the use of SAP software and support including subsequent amendments	15.5.2009	Provision of services	Payment for services

No.	No. of agreement or purchase order	Contracting party	Subject of the agreement	Agreement date	Service by UNIPETROL, a.s.	Counter-service
49	417-2008	**PETROTRANS, s.r.o.**	CLA agreement including subsequent amendments	1.1.2008	Provision of services	Payment for services
50	97-2011	**POLYMER INSTITUTE BRNO, spol. s r.o.**	Loans agreement	1.10.2011	Provision of loan	Payment for loan
51	98-2011	**POLYMER INSTITUTE BRNO, spol. s r.o.**	Loans agreement (overdraft)	1.10.2011	Provision of loans	Payment for loans
52	81-2009	**POLYMER INSTITUTE BRNO, spol. s r.o.**	Contract for the provision of licenses (sublicences) for the use of SAP software and support	15.5.2009	Provision of services	Payment for services
53	76-2008	**POLYMER INSTITUTE BRNO, spol. s r.o.**	Framework contract to ensure the development and use of common information environment for monitoring UNIPETROL Group enviros	1.1.2008	Provision of services	Payment for services
54	0128-2014	**POLYMER INSTITUTE BRNO, spol. s r.o.**	Contract no. 0128-2014 of insurance and its administration - liability insurance - first layer	1.5.2014	Arrangement of insurance	Payment of the corresponding insurance
55	76-2008	**POLYMER INSTITUTE BRNO, spol. s r.o.**	Contract to ensure the development and use of common information environment for monitoring UNIPETROL Group enviros	10.4.2008	Provision of services	Payment for services
56	155-2007	**UNIPETROL DOPRAVA, s.r.o.**	Agreement on establishment of easement Kralupy nad Vltavou 155-2007	5.9.2007	Usage of lands in Kralupy nad Vltavou	Payment for services

No.	No. of agreement or purchase order	Contracting party	Subject of the agreement	Agreement date	Service by UNIPETROL, a.s.	Counter-service
57	143-2007	**UNIPETROL DOPRAVA, s.r.o.**	Loan agreement S200/127/07 (143-2007) – usage of cash pool services	10.8.2007	Payment of interest	The possibility of drawing loans
58	204-2007	**UNIPETROL DOPRAVA, s.r.o.**	Loan agreement – usage of cash pool services 204-2007	17.4.2007	Possibility of drawing loans from cash pool	Payment of interest
59	203-2007	**UNIPETROL DOPRAVA, s.r.o.**	Loan agreement S200/87/07 (203-2007)	16.7.2007	Possibility of drawing loans	Payment of interest
60	-	**UNIPETROL DOPRAVA, s.r.o.**	Agreement on usage of frame agreement with DELL S400/082/00	1.4.2000	Possible supply of IT goods	Payment of agreed price
61	15-2010	**UNIPETROL DOPRAVA, s.r.o.**	Contract for usage of goodwill Unipetrol	1.1.2008	Usage of trade marks, logos of Unipetrol	Payment of agreed price
62	408-2008	**UNIPETROL DOPRAVA, s.r.o.**	Contract for the provision of comprehensive services - strategic management, logistics support, sales promotion, PR, financial and economic services	20.11.2008	Provision of specified services	Payment of agreed price
63	-	**UNIPETROL DOPRAVA, s.r.o.**	Cooperation agreement in HSEQ area	5.10.2009	Cooperation	Cooperation (free of charge)
64	167-2009	**UNIPETROL DOPRAVA, s.r.o.**	Framework contract to ensure the development and use of common information environment for monitoring UNIPETROL Group enviros	1.1.2010	Insolvency monitoring and information database	Payment of agreed price

No.	No. of agreement or purchase order	Contracting party	Subject of the agreement	Agreement date	Service by UNIPETROL, a.s.	Counter-service
65	-	**UNIPETROL DOPRAVA, s.r.o.**	Agreement on Cooperation in the field of improving business performance (HSE)	23.10.2009	Cooperation	Cooperation (free of charge)
66	92-2013	**UNIPETROL DOPRAVA, s.r.o.**	Agreement on cancelation and establishment of easement č. 92-2013	13.9.2013	Usage of property	Not realized
67	-	**UNIPETROL DOPRAVA, s.r.o.**	Agreement on Cooperation in the field of improving business performance	2.11.2009	Cooperation	Cooperation (free of charge)
68	497-2011	**UNIPETROL DOPRAVA, s.r.o.**	Contract of conditions of buildings - revitalization of the catenary in Litvinov	25.8.2011	right implementation of the project	free of charge
69	107-2011	**UNIPETROL DOPRAVA, s.r.o.**	Agreement on site conditions - siding extensions in Kralupy nad Vltavou	29.8.2011	right implementation of the project	free of charge
70	106-2011	**UNIPETROL DOPRAVA, s.r.o.**	Contract of conditions of construction - modernization of signalling equipment on siding in Kralupy nad Vltavou	29.8.2011	right implementation of the project	free of charge
71	40-2012	**UNIPETROL DOPRAVA, s.r.o.**	Agreement on establishment of easement Chvatěruby	8.6.2012	Usage of lands	Payment of agreed price
72	-	**UNIPETROL DOPRAVA, s.r.o.**	Contract easement rights projects - modernization of signalling equipment siding in Kralupy nad Vltavou	29.9.2011	Right implementation of the project in the form of an easement	free of charge

No.	No. of agreement or purchase order	Contracting party	Subject of the agreement	Agreement date	Service by UNIPETROL, a.s.	Counter-service
73	-	**UNIPETROL DOPRAVA, s.r.o.**	Contract easement rights structures - siding extensions in Kralupy nad Vltavou	29.9.2011	Right implementation of the project in the form of an easement	free of charge
74	-	**UNIPETROL DOPRAVA, s.r.o.**	Contract easement rights structures - revitalization OCL Litvinov	29.9.2011	Right implementation of the project in the form of an easement	free of charge
75	529-2011	**UNIPETROL DOPRAVA, s.r.o.**	Contract of conditions of implementation of the project - a system of recycling of waste water to PSC in Litvinov	18.10.2011	Right implementation of the project	free of charge
76	8-2014	**UNIPETROL DOPRAVA, s.r.o.**	Insurance contract - insurance of non-technological equipment	1.1.2014	Insurance of equipment	Payment of agreed price
77	18-2014	**UNIPETROL DOPRAVA, s.r.o.**	Insurance contract - the insurance for members of statutory bodies	8.7.2013	Liability insurance	Payment of agreed price
78	-	**UNIPETROL RPA, s.r.o**	Providing a common information environment	1.1.2004	Providing a common information environment	Payment of agreed price
79	-	**UNIPETROL RPA, s.r.o**	Delegation of rights and obligations	25.8.2005	Free of charge	Delegation of rights and obligations
80	0148-2014	**UNIPETROL RPA, s.r.o**	Contract no. 0148-2014 of insurance and its administration - liability insurance - 2nd layer	1.5.2014	Liability insurance	Payment of insurance

No.	No. of agreement or purchase order	Contracting party	Subject of the agreement	Agreement date	Service by UNIPETROL, a.s.	Counter-service
81	-	**UNIPETROL RPA, s.r.o**	Spolana involvement in the project Salamanca and the need to share information	9.7.2014	Cooperation	Cooperation
82	0129-2014	**UNIPETROL RPA, s.r.o**	Contract no. 0129-2014 of insurance and its administration - liability insurance - first layer	1.5.2014	Liability insurance	Payment of insurance
83	-	**UNIPETROL RPA, s.r.o**	The contract for the supply of energy services and water	1.1.2014	Cash payment	supply of energy services and water
84	101-2012	**UNIPETROL RPA, s.r.o**	Cancellation of easement - on this land will be easement for SYNTHOS - according to the contract 77-2012. Establishment of easement - land were bought from Palivový kombinát, s.p. in order to unify the territory which uses Unipetrol RPA.	9.4.2013	Cancelation and establishment of easement	Cancelation of agreement
85	14-2010	**UNIPETROL RPA, s.r.o**	Agreement of usage of trade marks	1.1.2009	Provision of trade marks	Payment
86	126-2010	**UNIPETROL RPA, s.r.o.**	Agreement on establishment of easement	27.8.2010	Easement use of real estate	Payment
87	313-2008	**UNIPETROL RPA, s.r.o.**	Agreement on cancelation and establishment of easement	10.1.2001	Easement use of real estate., cancelation and establishment of easement	Payment

No.	No. of agreement or purchase order	Contracting party	Subject of the agreement	Agreement date	Service by UNIPETROL, a.s.	Counter-service
88	-	**UNIPETROL RPA, s.r.o.**	Agreement on easement contracts	27.12.1999	Condition of easement	Payment
89	79-2009	**UNIPETROL RPA, s.r.o.**	Agreement for SAP licence supplies	1.5.2009	SAP licence supplies	Payment for licence
90	-	**UNIPETROL RPA, s.r.o.**	Agreement replaced with the new conditions of the original contract on lease and services no. 084/2002 / NPM including amendments.	1.4.2009	Financial payment	Modification of leasehold – reduction by two offices
91	-	**UNIPETROL RPA, s.r.o.**	Determination of rights and responsibilities in administration of real estate owned by UNIPETROL, a.s.	1.1.2000	Financial payment	Determination of rights and responsibilities in administration of real estate owned by UNIPETROL, a.s.
92	-	**UNIPETROL RPA, s.r.o.**	Service agreement	18.12.2008	Advisory services	Payment
93	-	**UNIPETROL RPA, s.r.o.**	Agreement on cancelation and establishment of easement	12.5.2008	Change of price by inflation	Payment
94	244-2008	**UNIPETROL RPA, s.r.o.**	Increase of credit line from 7,5 bln. CZK to 9,75 bln. CZK	25.6.2008	Increase of credit line from 7,5 bln. CZK to 9,75 bln. CZK	Payment

No.	No. of agreement or purchase order	Contracting party	Subject of the agreement	Agreement date	Service by UNIPETROL, a.s.	Counter-service
95	22-2009	**UNIPETROL RPA, s.r.o.**	Renting space in st. 2838 including the provision of services - driveways	1.3.2008	Payment	Renting space in st. 2838 including the provision of services - driveways
96	-	**UNIPETROL RPA, s.r.o.**	Agreement on easement contracts	1.1.2008	Payment	Easement to listed real estate
97	21-2008	**UNIPETROL RPA, s.r.o.**	Framework contract to ensure the development and use of common information environment for monitoring UNIPETROL Group business unit enviros	1.1.2008	Rights and obligations in ensuring the development and use of a common information environment for monitoring around the Unipetrol Group and business unit	Payment
98	20-2008	**UNIPETROL RPA, s.r.o.**	Framework contract to ensure the development and use of common information environment for monitoring UNIPETROL Group enviros	1.1.2008	Rights and obligations in ensuring the development and use of a common	Payment
99	-	**UNIPETROL RPA, s.r.o.**	Agreement on cancelation and establishment of easement	1.12.2006	Cancelation of easement contracts	Establishment and cancelation of easement contract
100	-	**UNIPETROL RPA, s.r.o.**	The contract covers provision and protection of information in development of SSC	22.11.2006	Sharing of business information and obligation not to disclose further	Sharing of business information and obligation not to disclose further
101	-	**UNIPETROL RPA, s.r.o.**	Agreement on cancelation and establishment of easement	1.4.2006	Establishment and cancelation of easement contract	Establishment and cancelation of easement contract

No.	No. of agreement or purchase order	Contracting party	Subject of the agreement	Agreement date	Service by UNIPETROL, a.s.	Counter-service
102	-	**UNIPETROL RPA, s.r.o.**	Agreement on cancelation and establishment of easement	8.12.2004	Establishment and cancelation of easement contract	Establishment and cancelation of easement contract
103	-	**UNIPETROL RPA, s.r.o.**	Easement	11.3.2003	Establishment of easement contract	Free of charge
104	402-2008	**UNIPETROL RPA, s.r.o.**	CLA agreement, including subsequent amendments	1.1.2008	Provision of services	Payment for services
105	16-2010	**UNIPETROL SERVICES, s.r.o.**	Agreement for usage of GOODWILL UNIPETROL, including subsequent amendments	1.1.2009	Provision of goodwill	Payment for goodwill
106	401-2008	**UNIPETROL SERVICES, s.r.o.**	CLA agreement, including subsequent amendments	1.1.2008	Provision of services	Payment for services
107	27-2009	**UNIPETROL SERVICES, s.r.o.**	Cooperation agreement - HSE	1.2.2009	Cooperation between parties	Cooperation, provision of information, confidentiality
108	207–2007	**UNIPETROL SERVICES, s.r.o.**	Services contract, including subsequent amendments	1.4.2007	Provision of services	Payment for services
109	16-2008	**UNIPETROL SERVICES, s.r.o.**	Framework contract to ensure the development and use of common information environment for monitoring UNIPETROL Group enviros	1.1.2008	Provision of services	Payment for services

No.	No. of agreement or purchase order	Contracting party	Subject of the agreement	Agreement date	Service by UNIPETROL, a.s.	Counter-service
110	18-2009	**UNIPETROL SERVICES, s.r.o.**	Contract for sublease office space and related services from 1 February 2009	1.2.2009	Payment for sublease office space	Sublease office space
111	32-2012	**UNIPETROL SERVICES, s.r.o.**	Contract for vehicle lease	1.6.2012	Payment for vehicle lease	Vehicle lease
112	8.12	**UNIPETROL SERVICES, s.r.o.**	Contract for vehicle lease	20.2.2012	Payment for vehicle lease	Vehicle lease
113	57-2011	**UNIPETROL SERVICES, s.r.o.**	Contract for vehicle lease, including subsequent amendments	1.7.2011	Vehicle lease	Payment for vehicle lease
114	188-2007	**UNIPETROL SERVICES, s.r.o.**	Loan agreement	3.9.2007	Provision of loan	Payment of interest
115	78-2009	**UNIPETROL SERVICES, s.r.o.**	Contract for the provision of licenses (sublicences) for the use of SAP software and support, including subsequent amendments	15.5.2009	Provision of licences	Payment for licences
116	190-2007	**UNIPETROL SERVICES, s.r.o.**	Loan agreement	3.9.2007	Provision of loan	Payment of interest
117	2.11	**UNIPETROL SLOVENSKO, s.r.o.**	Agreement on usage benefits from trademarks, logos and other brands	1.1.2010	Provision of trade marks	Payment for trademarks and logos

No.	No. of agreement or purchase order	Contracting party	Subject of the agreement	Agreement date	Service by UNIPETROL, a.s.	Counter-service
118	406-2008	**UNIPETROL SLOVENSKO, s.r.o.**	CLA agreement, including subsequent amendments	1.1.2008	Provision of services	Payment for services
119	0131-2014	**Výzkumný ústav anorganické chemie, a.s.**	Contract no. 0131-2014 of insurance and its administration - liability insurance - first layer	1.5.2014	Arrangement of insurance	Payment for insurance
120	31-2008	**Výzkumný ústav anorganické chemie, a.s.**	Framework contract to ensure the development and use of common information environment for monitoring UNIPETROL Group enviros	1.1.2008	Provision of services	Payment for services
121	0126-2014	**ORLEN Asfalt Česká republika s.r.o.**	Contract no. 0126-2014 of insurance and its administration - liability insurance - first layer	1.5.2014	Arrangement of insurance	Payment for insurance
122	144-2010	**ORLEN Asfalt Sp. z o.o.**	Confidentiality agreement	25.10.2010	Confidentiality of the information provided	Confidentiality of the information provided
123	57-2012	**ORLEN FINANCE AB**	Agreement on accession, including subsequent amendments	30.6.2012	Join the group	Provision of cooperation to join the group
124	100-2010	**ORLEN Medica, Sp. z o.o.**	Contract for provision of health services	1.2.2010	Payment for services	Provision of health services
125	143-2010	**ORLEN OIL Sp. z o.o**	Confidentiality agreement	25.10.2010	Confidentiality of the information provided	Confidentiality of the information provided

No.	No. of agreement or purchase order	Contracting party	Subject of the agreement	Agreement date	Service by UNIPETROL, a.s.	Counter-service
126	225-2007	**Polski Koncern Naftowy ORLEN S.A.**	Agreement on cooperation in the framework of internal audit	31.8.2007	Provision of services	Payment for services
127	20-2009	**Polski Koncern Naftowy ORLEN S.A.**	Frame agreement	1.1.2009	Provision of services	Payment for services
128	112-2011	**Polski Koncern Naftowy ORLEN S.A.**	Agreement on mutual provision of personnel	1.1.2011	Provision of personnel	Payment for services
129	61-2013	**Polski Koncern Naftowy ORLEN S.A.**	Agreement on cooperation in the framework of internal audit	1.7.2013	Provision of information and confidentiality	Provision of information and confidentiality
130	13-2010	**Polski Koncern Naftowy ORLEN S.A.**	Cooperation agreement	1.2.2010	Cooperation	Cooperation
131	18-2012	**Polski Koncern Naftowy ORLEN S.A.**	Framework agreement for the provision of IT services	1.1.2012	Payment for IT services	Provision of IT services
132	15-2014	**Polski Koncern Naftowy ORLEN S.A.**	Loan agreement	12.12.2013	Payment for loan	Provision of loan
133	0171-2014	**Polski Koncern Naftowy ORLEN S.A., ANWIL S.A.**	Agreement on cooperation in the field of central procurement	24.10.2014	Payment of the contract price	Provision of business and market information

No.	No. of agreement or purchase order	Contracting party	Subject of the agreement	Agreement date	Service by UNIPETROL, a.s.	Counter-service
134	84-2013	**SPOLANA, a.s.**	Agreement on cooperation	1.8.2013	Provision of services	Payment for services

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) under slight positive pressure and temperatures up to 350-400 °C.

Azeri Light crude oil

Light, low sulphur crude oil from Azerbaijan.

Brent-Ural differential

The 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.

D-A-CH 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 the refinery and it produces synthetic gas, consisting primarily of hydrogen and carbon monoxide. Yield of hydrogen can be increased in the shift reactor by reaction of CO with steam. Pure hydrogen is used in the refinery and 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 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:	Česká spořitelna, a.s.
	Olbrachtova 1929/62, 140 00, Prague 4, Account No. 910952/0800
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 etc.).

The English language version of Unipetrol's Annual Report 2014 is a convenience translation. The version in the Czech language is the definitive version.

Annual Report 2014 of UNIPETROL, a.s. was approved for issue by the Board of Directors of UNIPETROL, a.s. on the meeting held on 24 March 2015.