# Annual Report 2015 of UNIPETROL, a.s.

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# Content

# Profile of Unipetrol Group

## Profile

The Unipetrol refinery and petrochemical group constitutes an important part of the Czech industry. It is the only crude oil processor in the Czech Republic, one of the most important producers of plastics and the owner of the largest network of filling stations. In the field of refinery and petrochemical production, it is also a major player in Central and Eastern Europe. It has been part of the PKN Orlen refinery 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 8.7 million tons of crude oil,
- 3 polyolefin units with an annual capacity of 595,000 tons,
- steam cracker unit 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 15 March 2016:

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

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

ČESKÁ RAFINÉRSKÁ, a.s. – the company operates refineries in Litvínov and Kralupy with a total conversion capacity of 8.7 million tons of crude oil per year

## 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 at 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 per year 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 from the Strategy 2013-2017, the acquisition of 16.335% stake in Česká rafinérská from Shell Overseas Investments B.V. signed on 7 November 2013 and successfully completed on 31 January 2014 is worth mentioning. Unipetrol's stake in Česká rafinérská increased from 51.22% to 67.555% and Unipetrol 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 was not yet effective. The decision became effective as at 6 January 2015.

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.

## 2015

On 30 April 2015, the transaction of acquisition of 32.445% stake in Česká rafinérská from Eni International B.V. was successfully completed. Following the completion of the transaction Unipetrol's stake in the Česká rafinérská's share capital increased from 67.555% to 100.00%. Unipetrol thus became the sole shareholder of Česká rafinérská.

On 10 September 2015, an EPC (engineering, procurement and construction) contract was sign with Technip Italy S.p.A. on construction of the new polyethylene unit (PE3) at Litvínov plant. Production process and technology for PE3 unit will be based on the license agreement signed with INEOS in October 2013. PE3 unit will be among the most advanced units of this type in Europe. Its construction is the key investment project within Unipetrol Group Strategy 2013-2017 announced in June 2013.

In November 2015, the mergers of Benzina and Polymer Institute Brno with Unipetrol RPA were announced. These are part of a bigger process of streamlining of Unipetrol Group's structure which is currently expected to be finished during the year 2016. Within the process the holding company Unipetrol shall keep selected corporate functions, the rest of the functions and employees shall be transferred to Unipetrol RPA which shall create the integrated operational core of Unipetrol Group.

# Introduction by the Vice-Chairman of the Supervisory Board

Ladies and Gentlemen,

The year 2015 can be characterized as a very busy and successful one for Unipetrol Group. Growth of the Czech economy was the third highest in the European Union according to the latest data and it brought very positive conditions. The last year was also exceptional from the macro environment point of view. The crude oil prices dropped significantly which supported refining and petrochemical margins. Both the economic growth and very favourable downstream macro environment strongly affected the Group's financial results.

Unipetrol Group continued to deliver its strategic goals and targets set in its mid-term Strategy 2013-2017. In the downstream segment the main goal is to continuously develop synergies between refineries and petrochemical units. Among many important steps and events, there were two, which I would like to highlight. The first one was undoubtedly gaining full control over Česká rafinérská in May. Thanks to this important milestone the company further secured a stable source of feedstock for its petrochemical production and also a fuel provider for its wholesale and retail activities. The second one, which took place in September, was signing of a contract with Technip Italy for construction of a new polyethylene unit (PE3). By expanding the petrochemical production, the company reacts to the global trend of a growing demand for high-density polyethylene (HDPE) and the new PE3 will also contribute to high utilization of the steam cracker unit.

The retail segment also delivered targets set in the mid-term Strategy. The market share of the retail brand Benzina increased to the level of 15.8% and at the very beginning of the year 2016 the company prepared space for further growth after the announcement of the acquisition of 68 filling stations from the OMV retail network. Thanks to the positive development of Czech economy, the company focus on shop and bistro concept development, and well-thought targeted marketing of Unipetrol Group, the company achieved higher both fuel and non-fuel sales volumes, compared to the previous year.

Thanks to a very low crude oil price and economic growth Unipetrol Group significantly improved its financial results. In 2015, revenues reached CZK 108.9 bn, EBITDA LIFO amounted to CZK 10.9 bn, and net profit reached the level of CZK 7.0 bn. Unfortunately, the company was not able to fully utilize exceptionally favorable macro conditions due to the accident of the steam cracker unit which occurred in August 2015 and which ceased the production for the rest of the year. Thanks to external feedstock deliveries of ethylene and partially propylene, the company was able to restart polymers production at limited extent. Therefore the main goals of the year 2016 are, among others, the reconstruction and restoration of the steam cracker unit production.

The Supervisory Board continued to maintain its close cooperation with and support to the Board of Directors during the course of the whole year 2015, 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 good strategic relations with business partners and other stakeholders.

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,

Sławomir Robert Jędrzejczyk

Vice-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 2015 was again a period of several major events for Unipetrol Group. The overall macroeconomic situation in Czech economy was very supportive with relatively high GDP growth. This positive development corresponded with the high and stable level of business confidence and further increase in consumer confidence.

In the downstream segment, after a few years, refining margins recovered and remained very high for the whole year and petrochemical margins reached record high levels. The main reason was a significant drop of crude oil price throughout the whole year 2015 with a yearly average Brent crude oil price at the level of 52.6 USD per barrel, which represents a decline by 47%, compared to the previous year.

During the year 2015, we successfully completed the acquisition of a remaining stake in Česká rafinérská which made Unipetrol the sole shareholder with a 100% share. The transaction helped us significantly increase our refining sales volumes and better utilize our refining assets. We also signed the EPC contract (engineering, procurement and construction) with Technip Italy for construction of a new polyethylene unit (PE3) at the Litvínov plant. This is a key project of our Strategy 2013-2017 and it represents the biggest investment in history of Czech petrochemical industry.

Among other achievements in the year 2015, the company secured its crude oil transportation. We signed an amendment to the contract with Transpetrol which prolonged the cooperation till the year 2020 while it maintains the same transportation conditions and we also signed a new contract with Čepro for product pipeline logistics services. On the top of that, we signed a new contract with MERO, which adjusts the crude oil transportations conditions and at the moment the negotiations of a new transportation tariff are still ongoing. Last but not least, at the very beginning of the year 2016 a conclusion of an agreement with OMV on the acquisition of 68 filling stations was announced, which will significantly strengthen Unipetrol's position on the Czech retail market.

From the financial perspective, both our business segments – downstream and retail – achieved much better financial results. The downstream segment was the key profit maker of the Group with positive operating profit of CZK 10.2 bn based on the EBITDA LIFO. It was driven by very good margins, higher sales volumes of refining products in wholesale and retail markets, and internal efficiency improvements within Operational Excellence Initiatives with a positive effect of almost CZK 1.7 bn. The retail segment recorded another improvement with a very good result in the year 2015 and achieved an overall operating profit of over CZK 0.8 bn measured by 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. The retail market share of the Benzina brand increased to 15.8% (as at the end of October 2015).

On the other hand, petrochemical production and sales volumes were negatively affected by the accident on the steam cracker unit which occurred on 13 August 2015 and which forced us to shut down the steam cracker unit for the rest of the year. Thanks to our great efforts and help from our business partners, we managed to restart polymers production at Litvínov – polyethylene and polypropylene – at limited extent using external feedstock deliveries of ethylene and partially propylene.

Finally, let me give you a brief update regarding the steam cracker unit situation. Still in the past year, we signed contracts with Linde Engineering and Technip for reconstruction works and delivery of technological components. Based on current estimations, the steam cracker unit will be restarted at limited capacity utilization (ca 65%) in July 2016, and maximum capacity utilization will be achieved in October 2016.

As in previous year, I would like to thank our shareholders, business partners and other stakeholders for putting their trust in Unipetrol during the year 2015 which had its successes and challenging periods. A tremendous effort across the whole Unipetrol Group was made by all of our employees - workers at production units, middle managers and top management. A big thank you also belongs to them. And finally, I would like to thank the members of the Supervisory Board for their strong cooperation and support. I 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 2016

Since the middle of 2014 the trend of decreasing prices of crude oil improved the situation of refinery and petrochemical industry. Lower costs and improving economic growth were recently helping to enjoy the profits after the years of minimal margins. However, as Unipetrol is indicating at many occasions, the structural situation of the refinery business in Europe, especially in Central Europe, still remains very challenging. Given this, 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. Nevertheless, investments opportunities will be also closely monitored and followed if they promise attractive return to shareholders, as it has been visible already during the year 2015.

Unipetrol completed taking over the full ownership of Česká rafinérská last year, becoming in consequence a sole operator of refinery capacities in the Czech Republic. Full control over integrated production assets creates a great platform for further increasing of operational excellence, in many dimensions. The positive impact of integration was visible even during the most difficult moment for Unipetrol in recent history, namely after the fire of steam cracker unit in August 2015. Integration allows for maximally efficient operations even during extraordinary circumstances. Unipetrol will continue to improve the usage of synergies that were triggered after acquisition of full control over production in its plants.

One of the key directions will be further optimization of the Unipetrol Group structure. Unipetrol RPA will become a new operational center of the Group, covering the core business activities. The process has already achieved some major milestones during the last year, when Benzina and Polymer Institute Brno, separate entities so far, had become a part of Unipetrol RPA.

An element of crucial importance for the Unipetrol Group is restoration of the steam cracker unit. Cooperation with the most respected services providers was established. The team of Unipetrol's and contractors' specialists is using all the best possible technical means to limit the time of the outage. At the same time, the construction of the key investment in the new polyethylene unit (PE3) is progressing according to schedule and is not affected by the repair works on steam cracker. The year 2016 will bring a significant progress for the construction of PE3.

In terms of wholesale activities, Unipetrol Group will be strengthening its position on the domestic and export markets. One of the possible options is to open entities directly at export markets. Such entities allow for closer contact and improved cooperation with local customers. First such entity was already established in Hungary. 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. After a good developments of negotiations with ČEPRO, a state-owned pipeline logistics provider for refinery products, Unipetrol is looking to establish a long-term relationship also with MERO, a state owned crude oil pipelines operator.

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. Unipetrol is also an important partner in regulatory discussions related to development of bio and emission norms for fuels, supporting achievement of environment, consumer and market friendly solutions.

In retail, Unipetrol's Benzina network is strengthening its positions as the largest network in the Czech Republic, being a good basis for further growth aimed at the expanding domestic market share. At the beginning of 2016, a conclusion of an agreement of taking over 68 stations from OMV was announced and is subject to anti-monopoly approval of authorities. In 2016, acquired stations will be subject to integration with the current network. The larger sales network will help improve distribution of the Verva premium fuels and expansion of the Stop Cafe & Bistro fast food concept. The company does also aim to remain the strongest fuel retail brand in the modern communication channels. The stations of Benzina will be subject to further improvement of standards of service and non-fuel offer to serve best to the requirements of clients.

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 is developing activities stemming from the signed close cooperation agreement with the University of Chemistry and Technology in Prague (UCT). The cooperation includes an opening of UniCRE facilities for students enabling early practical contact with actual business challenges and environment, for example. In April 2015, there was opened a University Center UCT - Unipetrol in production areal in Litvínov. This is a first such institution present within an actual industrial area in the Czech Republic. Students of Bachelor, Master and PhD level will be using the facilities of the Center with a support from Unipetrol Group.

# Highlights of 2015 and 2016 up to the Annual Report approval date

## Highlights of 2015

### 11 February

Within the fourth year of charity collection “Fulfilled Wishes” employees of Unipetrol Group donated CZK 118,447. Unipetrol Group doubled the collected amount, thus the total contribution to nonprofit organizations reached the amount of CZK 236,894.

### 20 March

Unipetrol 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.

### 23 March

The Supervisory Board of Unipetrol re-elected Mr. Piotr Wielowieyski to office of Member of the Board of Directors of Unipetrol. On the next day, 24 March, the Board of Directors of Unipetrol re-elected Mr. Wielowieyski to the positon of Vice-Chairman of the Board of Directors of Unipetrol with effect as at 28 March 2015.

### 23 April

Players of ice-hockey club HC VERVA Litvínov, majority owned by Unipetrol RPA, won the championship title of the highest ice-hockey league. It happened for the first time in the 70-year history of the club.

### 30 April

The acquisition of 32.445% shareholding in Česká rafinérská from Eni International B.V. was completed. Based on the successful completion of the transaction Unipetrol’s stake on Česká rafinérská’s share capital increased from 67.555% to 100.00%. Unipetrol became the sole shareholder of Česká rafinérská.

Unipetrol RPA and PKN Orlen signed a second annex to the crude oil supplies agreement, which provides a monthly increase of crude oil deliveries to Unipetrol RPA by 120 thousand tons of REBCO crude oil. The annex is valid from 1 May 2015 to 30 June 2016 and secures additional Unipetrol’s needs for crude oil deliveries in relation with Unipetrol‘s ownership rights in Česká rafinérská.

### 2 June

The Supervisory Board of Unipetrol re-elected Mr. Marek Świtajewski to office of Member of the Board of Directors of Unipetrol and on the next day, 3 June, the Board of Directors of Unipetrol re-elected Mr. Świtajewski to office of Chairman of the Board of Directors of Unipetrol with effect as at 25 June 2015. Mr. Świtajewski has continued in the office of CEO of Unipetrol.

### 8 June

Unipetrol RPA signed a new contract with Čepro for providing pipeline and logistics services. Contract was signed for indefinite period with a 12-month notice period.

### 25 June

Unipetrol repaid the remaining part of CZK 2 billion of the loan received from its majority shareholder – PKN Orlen under a mid-term loan agreement entered into on 12 December 2013.

### 13 August

The explosion and fire which erupted in the steam cracker unit at the Chempark Záluží plant in Litvínov caused the shutdown of the whole petrochemical production. The polymer units started operating partially in the following weeks. According to the plan, the steam cracker unit should start operating partially in July 2016 and it should be operating at full capacity in October 2016.

### 10 September

Unipetrol RPA and Technip Italy S.p.A. signed an EPC contract (engineering, procurement and construction) on construction of the new polyethylene unit (PE3) at Litvínov plant. Production process and technology for PE3 unit will be based on the license agreement signed with INEOS in October 2013. Total capital expenditure for the whole PE3 unit project including the already purchased license will be approximately CZK 8.5 billion.

### 8 October

Unipetrol became a new member of Czech Hydrogen Technology Platform (CHTP). Its goal is closer cooperation and better coordination of activities leading to the development of the hydrogen economy and technology in the Czech Republic.

### 10 November

Unipetrol RPA established a new subsidiary in Hungary - Unipetrol RPA Hungary Kft. The scope of the operation of the company will be wholesale of solid, liquid and gaseous fuels and related products and retail sale of automotive fuel in specialized stores. By establishing the entity in Hungary, Unipetrol would like to further improve the quality of services rendered locally and be able to address flexibly the new groups of customers.

### 18 November

Unipetrol Group announced planned changes in its subsidiaries' structure. First step of the process which will continue in 2016 were mergers of Benzina and Polymer Institute Brno with Unipetrol RPA. The aim of the streamlining process is to simplify the organizational and administrative structure of Unipetrol Group which shall bring savings and further improvement in business operational excellence.

### 26 November

The Supervisory Board of Unipetrol re-elected Mr. Martin Durčák to office of Member of the Board of Directors of Unipetrol with effect as of 5 December 2015.

### 17 December

Česká rafinérská and Transpetrol signed an annex to the agreement on crude oil transportation via Druzhba pipeline. Both partners agreed on current conditions of crude oil transportation till the year 2020.

### 21 December

Mr. Dariusz Jacek Krawiec, Chairman of Supervisory Board of Unipetrol, submitted a letter of resignation from his office of Member of the Supervisory Board. In accordance with a Commercial Corporations Act, Mr. Krawiec's office of Member of the Supervisory Board of Unipetrol terminated one month after announcement of his resignation to Unipetrol, i.e. on 21 January 2016.

### 30 December

On 30 December 2015 BENZINA, s.r.o. concluded an agreement with OMV to acquire 68 of its filling stations in the Czech Republic. Completion of the transaction is subject to the fulfilment of certain pre-conditions, among others, obtaining the necessary approval from the antitrust authorities.

## Highlights of 2016 up to Annual Report approval date

### 1 January 2016

The contract between ČESKÁ RAFINÉRSKÁ, a.s, and MERO ČR, a.s., on storage and transportation of crude oil via the IKL and Druzba pipelines entered into validity on 1 January 2016. Both sides further extended its negotiations on a new transportation tariff for supplies through pipelines Druzba and IKL till 31 March 2016.

### 13 January 2016

The Supervisory Board of Unipetrol re-elected Mr. Mirosław Kastelik to office of Member of the Board of Directors of Unipetrol with effect as of 6 February 2016.

### 11 February 2016

Mr. Rafał Sekuła, Member of Supervisory Board of Unipetrol, submitted a letter of resignation from his office of Member of the Supervisory Board. In accordance with a Commercial Corporations Act, Mr. Sekuła's office of Member of the Supervisory Board of Unipetrol terminated one month after announcement of his resignation to Unipetrol, i.e. on 11 March 2016.

# Selected data of Unipetrol Group

| | 2010 | 2011 | 2012 restated | 2013 | 2014 reclassified | 2015 |
|---|---|---|---|---|---|---|
| **Structure of assets and liabilities (in CZK million)** | | | | | | |
| Total assets | 61,471 | 57,176 | 50,948 | 49,999 | 48,517 | 54,499 |
| Non-current assets | 36,351 | 31,918 | 26,171 | 25,665 | 22,173 | 22,575 |
| Current assets | 25,120 | 25,258 | 24,777 | 24,334 | 26,344 | 31,924 |
| Equity | 38,800 | 32,854 | 29,844 | 28,300 | 28,462 | 35,509 |
| Liabilities | 22,671 | 24,322 | 21,104 | 21,699 | 20,055 | 18,990 |
| **Structure of profit / loss (in CZK million)** | | | | | | |
| Revenues | 85,967 | 97,428 | 107,160 | 99,415 | 123,938 | 108,907 |
| Gross profit | 4,334 | 1,876 | 3,116 | 2,303 | 5,735 | 12,763 |
| EBITDA [1)] | 5,174 | -2,263 | -1,012 | 1,522 | 1,022 | 10,643 |
| EBIT [2)] | 1,678 | -5,370 | -3,819 | -893 | -1,248 | 8,716 |
| Net finance costs | -492 | -574 | -553 | -450 | -114 | -47 |
| Profit / loss before tax | 1,186 | -5,944 | -4,372 | -1,343 | -1,362 | 8,669 |
| Net profit / loss | 937 | -5,914 | -3,098 | -1,396 | -556 | 7,036 |
| Earnings / loss per share (CZK) | 5.17 | -32.61 | -17.08 | -7.70 | -3.07 | 38.80 |
| **Structure of cash flows (in CZK million)** | | | | | | |
| Operating cash flow | 4,656 | 413 | 1,975 | 300 | 737 | 14,931 |
| Investing cash flow | -937 | -3,024 | -921 | -1,688 | -1,918 | -6,340 |
| Financing cash flow | -144 | 327 | -447 | -583 | 1,728 | -4,385 |
| Total cash flow | 3,575 | -2,284 | 607 | -1,971 | 547 | 4,206 |
| **Operating indicators (in thousand tons)** | | | | | | |
| Crude oil throughput [3)] | 4,352 | 3,942 | 3,927 | 3,607 | 5,130 | 6,495 |
| Sales of refining products, including retail distribution of fuels (Benzina filling stations network) [4)] | 3,548 | 3,438 | 3,283 | 3,151 | 4,268 | 5,800 |
| Sales of petrochemical products [5)] | 1,805 | 1,668 | 1,771 | 1,578 | 1,773 | 1,445 |

[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 and sport sponsorship

## Corporate social responsibility

As a socially responsible company Unipetrol feels inextricably linked with the regions in which it operates. It therefore supports activities that improve the environment and have a positive impact on the villages and towns around its plants. Besides, it uses its leading position in the chemical industry to educate and support young talents in areas that foster the development of chemistry in the Czech Republic. Unipetrol activities in the field of social responsibility can be divided into four main pillars:

- Education
- Volunteering
- Donation
- Environmental protection

### Education

UCT Prague

Unipetrol considers the fields of science, research and education important and has been supporting their development for past several years. It continues in a fifteen year old strategic partnership with the University of Chemistry and Technology, Prague (UCT) to popularize chemistry and support education in this field as its main objective. Last year, Unipetrol has supported selected school projects with the amount of CZK 800,000; concentrating on proven and popular projects that students and teachers enjoyed in the past. In particular, these included The Summer and Autumn School for teachers of primary and secondary schools, the project called A Lesson of Modern Chemistry in the Ústí Region and awards for quality theses of the UCT students. The company is also a traditional partner of the Chemistry Olympics. In addition Unipetrol offers internships to young talents to give them an opportunity to gain much needed experience and expertise.

University Centre UCT Prague – Unipetrol

University of Chemistry and Technology, Prague has opened its branch in Most already in 2004. The aim of the cooperation between the school and Unipetrol is not only to train new students, but also to deepen the knowledge of specialists and employees through tailor-made programs. In February 2015, the branch moved into refurbished premises in Záluží in Litvínov, where the students can get a hand-on experience in the industrial complex and participate directly in the newly built research and education centre UniCRE. This is the first and only project of its kind that offers a unique interconnection of top bachelor's, master's and doctoral studies with projects, tasks and challenges of manufacturing operations of refinery and petrochemical complex. The centre allows students to obtain professional practice and industrial experience and it also organizes activities referred to as a Third role, e.g. a lifelong learning.

Zlatý Ámos

Unipetrol continued supporting the national project Zlatý Ámos also last year, under which the most popular Czech teachers selected by the students receive awards. The poll, announced by the Domino Club, a Children's Press Agency of which prime mission is the popularization of teachers who in the opinion of pupils and students contribute notably in shaping good relationship between teachers and their charges was held for the twenty third time last year. Unipetrol supported it as a silver partner for the third time. Unipetrol also participates in the nationwide event Učitel chemie roku (Chemistry teacher of the year), of which last year's winner together with his whole class undertook an excursion to UniCRE in Záluží in Litvínov.

### Volunteering

Unipetrol and its employees are aware that financial support to the regions is not enough. Through an activity referred to as Volunteers days they are assisting social organizations and are engaged in the environment improvement projects. For example, instead of a usual working day they devote their time to work for non-profit organizations which could not afford a similar activity due to a lack of resources. In 2015, seven dozen volunteers participated in cleaning the banks of Nové vody in the Most region, painted the premises of an asylum in Minice u Kralup, cleaned up the Kralupy orphanage garden or produced educational materials to support the development of children with disabilities in Pardubice. Volunteer days are organized by Unipetrol since 2012.

## Donations

Collection Fulfilled Dreams

In 2015 Unipetrol organized another year of the Fulfilled Dreams collection, which this time collected over CZK 326,000. Half of the amount was donated by the employees the other half traditionally by the company. Some of the money supported the Early Care Centre in Pardubice, which cares for children with physical, mental and multiple disabilities, and another amount supported the children home in Most. Thanks to this support the home was able to provide, for example, birthday gifts, school supplies and clothing for children, or furniture and sports equipment. A family type children home in Kralupy was also supported and as a result was able to send their wards to a ski resort and provide them with other leisure activities.

Project Marrow 4 Tomorrow (Jedu na dřeň)

In 2015, Paramo became the principal partner of the project “Marrow 4 Tomorrow” which aim is to find new donors of bone marrow. Some of the places where the new potential donors could register were at the square in Zlín and the service zone during the Barum Rally, where a total of 571 people registered. One of the ambassadors of this project is a multiple champion of the Czech Republic in rally Roman Kresta, with whom Paramo has been cooperating for several years.

Financial support for municipalities in the Ústí region

A direct financial support for selected villages and towns in the Ústí region where most of the company activities are concentrated is a matter of principle to Unipetrol. In 2015, it contributed an amount of CZK 1,200,000 to 13 villages and towns. The money was used mainly to rebuild local infrastructure, to cover the cost of cultural events and the development of sport activities for young people. The largest amount was traditionally received by the City of Most, which will use the received amount of CZK 300,000 for example to ensure the functioning of the local hospice, to support the local youth sports activities or the local allowance organizations. Unipetrol also supported Meziboří and Litvínov towns by equal amount of CZK 150,000, where the money will go mainly to nursery and primary schools and their educational elements and games. The town of Lom in the Most region will use the received amount of CZK 60,000 towards the care for seniors for whom it will organize a stay at a curative resort.

Memorial in Záluží in Litvínov

Unipetrol unveiled on Wednesday, 3 June 2015 a memorial, which is located outside the main entrance to its premises in Záluží. Presentation of the memorial, which was inspired by the technique of riveting, was attended by dozens of participants, including veterans. It commemorates thousands of civilians, prisoners of war and forced labourers who died during the construction of a factory in Záluží in Litvínov and during the bombings of the plant by the Allies. Their relatives and descendants thus gained a dignified place where they can honour their memory. The memorial, which is open to the public, was designed by Markéta Oplištilová, a student of the Faculty of Art and Design of UJEP (Jan Evangelista Purkyně University in Ústí nad Labem).

Help with humour

Benzina was again involved in 2015 in the campaign of Konto Bariéry "Help with humour". From October the drivers were able to buy a clown red nose and support people with disabilities. Altogether 31,355 clown noses were sold at Benzina filling stations. Thanks to its customers Benzina could send to people with disabilities CZK 1,567,750.

## Environmental protection

Stocking fish in Bílina river

Unipetrol has been cooperating with the Czech Fishing Union on a long term basis in stocking fish in selected sections of the Bílina river. There are hundreds of pieces of fish with a total weight of tens of kilograms released into the river. The effort bears results; the fish in the river, of which purity has greatly improved does not only survive but some species also naturally reproduce. Unipetrol contributes every year with the amount of CZK 50,000. Thanks to stocking, which takes place every spring and autumn, almost 700 kg of fish was introduced to the river so far.

# Sport sponsorship

Unipetrol continued supporting the Litvínov hockey club; Benzina brand name, which belongs to the Unipetrol Group, is its main partner. However, Unipetrol Group goes beyond looking after the HC Litvínov professional team; it also takes care of the young sport talents - it supports the youth hockey category and the development of children in Litvínov and surroundings. In 2015, Unipetrol donated towards the youth hockey a total of CZK 2,171,355. The whole club is an important element of the sport infrastructure in the region, in 2015, it lived to see the historic success for the first time in its history the team become a champion of the domestic major league.

In 2015, the Czech Republic hosted a major sporting event - the IIHF World Ice Hockey Championship and Benzina was one of the official partners of the event.

Unipetrol also has a long tradition of partnership with car races mainly through its subsidiary PARAMO, a.s - Zlatá Přilba Pardubice (Golden Helmet Pardubice), Rally Šumava Klatovy, Rally Bohemia, Rally Český Krumlov and Barum Czech Rally Zlín. Paramo became partner of teams who use Mogul oils in their racing machines thus demonstrating the oils quality. The long-term collaborators of the project are the rally drivers Roman Kresta, multiple champion of the Czech Republic and Roman Častoral, European champion. Cooperation with a talented young racing driver Jan Černý began in 2015. Also the Benzina brand name was in 2015 a recurring partner of the traditional motor competition Barum Czech Rally Zlín.

As part of its long-term image campaign "Live life to the fullest", Benzina cooperated with the organizers of the extreme running race Red Bull 400 at the ski jump-ramp in Harrachov.

# 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 2016, 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.

### Members of the Board of Directors as at 15 March 2016

#### MAREK ŚWITAJEWSKI

Born on 16 November 1969;

Member of the Board of Directors since 25 June 2012, re-elected to office with effect as of 25 June 2015 (current term of office will expire on 25 June 2018), Chairman of the Board of Directors since 8 April 2013, re-elected to the office with effect as of 25 June 2015;

University education, 22 years of experience;

He is currently the company’s Chief Executive Officer (CEO) as well.

Mr. Marek Świtajewski is Authorized Executive of UNIPETROL RPA, s.r.o.

*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, re-elected to office with effect as of 28 March 2015 (current term of office will expire on 28 March 2018), Vice-Chairman of the Board of Directors since 28 March 2012, re-elected to office with effect as of 28 March 2015;

University education, 37 years of experience;

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

Mr. Piotr Wielowieyski is Executive in Charge of Sales of UNIPETROL RPA, s.r.o.

*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; re-elected to office with effect as of 6 February 2016 (current term of office will expire on 6 February 2019);

University education, 23 years of experience;

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

Mr. Mirosław Kastelik is Executive in Charge of Financial Affairs of UNIPETROL RPA, s.r.o.

*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, 19 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 ORLEN Upstream Canada Ltd. in Canada.

Mr. Andrzej Kozłowski is Executive in Charge of Strategy, Mergers and Acquisitions of UNIPETROL RPA, s.r.o.

*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 the 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; re-elected to office with effect as of 5 December 2015 (current term of office will expire on 5 December 2018);

University education, 24 years of experience;

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

Mr. Martin Durčák is Executive in Charge of Energetics and Development of UNIPETROL RPA, s.r.o.

*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, 12 years of experience;

He is currently responsible for the Refining and Petrochemical Production.

Mr. Łukasz Piotrowski is Executive in Charge of Production 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 2015 and in 2016 up to the Annual Report approval date

As at 1 January 2015, members of the Board of Directors were Messrs. Marek Świtajewski – Chairman, Piotr Wielowieyski – Vice-Chairman, Martin Durčák, Mirosław Kastelik, Andrzej Kozłowski, Łukasz Piotrowski – members.

The Supervisory Board at its meeting on 23 March 2015 elected Mr. Piotr Wielowieyski to office of a Member of the Board of Directors with the effect as of 28 March 2015.

The Supervisory Board at its meeting on 2 June 2015 elected Mr. Marek Świtajewski to office of Member of the Board of Directors with the effect as of 25 June 2015.

The Supervisory Board at its meeting on 26 November 2015 elected Mr. Martin Durčák to office of Member of the Board of Directors with the effect as of 5 December 2015.

Thus, as at 31 December 2015, 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.

In 2016 up to the approval date of the Annual report, 15 March 2016, there was a following change in the Board of Directors – the Supervisory Board at its meeting on 13 January 2016 elected Mr. Mirosław Kastelik to office of Member of the Board of Directors with the effect as of 6 February 2016.

# 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 2016, 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.

## Members of the Supervisory Board as at 15 March 2016

### DARIUSZ JACEK KRAWIEC

Born on 23 September 1967;

Member of the Supervisory Board (since 26 June 2008)

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

Mr. Dariusz Jacek Krawiec submitted a letter of resignation from his office of Member of the Supervisory Board on 21 December 2015. His office of Member of the Supervisory Board terminated on 21 January 2016.

University education, 24 years of professional experience;

Outside Unipetrol Group, Mr. Dariusz Jacek Krawiec was a Member and the Chairman of the Board of Directors of PKN ORLEN S.A. He was recalled from this position on 16 December 2015.

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, re-elected to office of the Vice-Chairman of the Supervisory Board on 3 July 2014);

University education, 22 years of professional experience;

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. Since 1 January 2014 he is a Member of the Board of Directors of ORLEN Upstream Canada Ltd. in Canada.

From 2005 to June 2008 he served as President of the Management Board and CEO of Emitel. Earlier he headed the Controlling Division at the Telekomunikacja Polska S.A., he was a Member of the Management Board and CFO at Impexmetal S.A. and he also worked in the Audit and Business Advisory Department of Price Waterhouse.

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, re-elected to office of a Member of the Supervisory Board on 25 June 2015, current term of office will expire on 25 June 2018); Vice-Chairman of the Supervisory Board since 16 September 2015

University education, 47 years of professional experience;

He has been 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 in Prague (1975 – 1985) and in the Research Institute of Financial and Loan System (1966 - 1974).

Graduated from the University of Economics in 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, 41 years of professional experience;

Outside Unipetrol Group, he has been Chairman of the Supervisory Board of Vykáň a.s. (until 30 June 2006) and 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.

Mr. Zdeněk Černý is a Member of the Supervisory Board of ČEZ, a.s. since 27 June 2014.

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, re-elected to office on 25 June 2015, current term of office will expire on 25 June 2018);

University education, 25 years of professional experience;

Currently, he is PKN ORLEN's general counsel (since September 2008) and a Member of the Board of Directors of ORLEN Upstream Canada Ltd. in Canada and also a Member of the Supervisory Board of ORLEN Ochrona Sp. z o.o. and Orlen Upstream Sp. z o.o.

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, 21 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 and a Member of Board of Directors of FX Energy, Inc.

He has been working in 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, 24 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.

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 the Board of Directors and CEO at UNIPETROL, a.s. He currently serves as Chairman of the Supervisory Board of ANWIL S.A. and Vice-Chairman of the Supervisory Board of Basell Orlen Polyolefins Sp. z o.o.

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 the 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, 27 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, a Chairman of the Supervisory Board of ORLEN Południe S.A., 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)

Mr. Rafał Sekuła submitted a letter of resignation from his office of Member of the Supervisory Board on 11 February 2016. His office of Member of the Supervisory Board terminated on 11 March 2016.

University education, 19 years of professional experience;

In ORLEN Group, he was 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 a coach ICC.

### Supervisory Board – Changes in 2015 and in 2016 up to the Annual Report approval date

As at 1 January 2015, 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 2 June 2015 elected to the office of Members of the Supervisory Board for another term Messrs. Bogdan Dzudzewicz and Ivan Kočárník with the effect as of 25 June 2015.

As at 31 December 2015, 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.

In 2016 up to the approval date of the Annual report, 15 March 2016, there were following changes in the Supervisory Board – Mr. Dariusz Jacek Krawiec's office of Member of the Supervisory Board terminated on 21 January 2016 and Mr. Rafał Sekuła's office of Member of the Supervisory Board terminated on 11 March 2016.

# 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 at 15 March 2016

### 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 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) monitors the procedure of the preparation of financial statements and consolidated financial statements;

(b) monitors the efficiency of the company's internal controls, risk management and internal audit system, if the internal audit function is established;

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

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

(e) recommends the statutory auditor to the Supervisory Board with proper justification;

(f) comments 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 three 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. Most members of the Audit Committee must be independent 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 (re-elected to office on 24 June 2013) and Vice-Chairman of the Audit Committee (since 26 August 2013);

University education, 30 years of experience;

Outside Unipetrol Group, he is currently the director responsible for reporting and impact measuring in the company Valores Fund and he is also a consultant specialized in CSR/ESG area for corporations and funds. Since 1988, he is a member of the Chartered Institute of Management Accounting (CIMA). He was 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 (re-elected to office on 24 June 2013) and Chairman of the Audit Committee (since 26 August 2013);

University education, 20 years of experience;

Rafał Warpechowski has been the Executive Director for Planning and Reporting in the PKN Orlen Group since 2008. Mr. Rafał Warpechowski is a Member of the Supervisory Board of Orlen Paliwa Sp z o.o. and a Chairman of the Supervisory Board of ORLEN Centrum Usług Korporacyjnych Sp. z o.o.

Between years 2003-2008 he held the post of the Accounting and Financial Reporting Division Director at Telekomunikacja Polska Group, between years 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.

### STANISŁAW WACŁAW URBAN

Born on 26 April 1951;

Independent Member of the Audit Committee (elected to office on 2 June 2015);

University education, 41 years of experience;

Stanisław Wacław Urban currently works as Financial Officer of IMS Polska Sp. z o.o. since 2011.

In years 2010-2011 he worked as a President/Liquidator in Europower Sp. z o.o. and in years 2009-2010 he worked as a consultant in Pareto Management Solutions Sp. z o.o.

In 2001 he started to work as a Corporate Controller in Telekomunikacja Polska S.A. In the folowing years he worked for Telekomunikacja Polska S.A. as a Director of Accounting and Financial Reporting and Deputy Chief Financial Officer.

In years 1989-1991 he worked for Howington Northern as a Controller & Treasurer and in years 1974-1989 he worked as Office Managing Director/Auditor for Coopers & Lybrand.

## 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 50% 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 2015. 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;
- accommodation costs, eventually costs associated with relocation;
- air tickets expenditures according to contracts;
- fuel consumption for private purposes;
- health care.

### 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 2015, involving more than 140 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 and it is around 45 – 55 percent. 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<br>Chairman since 2 December 2010 – until now |
| **Vice-Chairman** | Bogdan Dzudzewicz | Member since 24 September 2010<br>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 – till 11 March 2016 |

**Amount of payments provided by the issuer in the last accounting period from 1 January 2015 to 31 December 2015**

| | Income in money | Income in kind | Total |
|---|---|---|---|
| Board of Directors – income tied to membership in the company's statutory body | CZK 34,085 ths | CZK 851 ths | CZK 34,936 ths |
| Supervisory Board – income tied to membership in the company's statutory body | CZK 7,409 ths | CZK 0 ths | CZK 7,409 ths |
| Audit Committee – income tied to membership in the company's statutory body | CZK 1,002 ths | CZK 0 ths | CZK 1,002 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 1,088 ths | CZK 0 ths | CZK 1,088 ths |
| Supervisory Board – income tied to membership in the company's statutory body | CZK 220 ths | CZK 0 ths | CZK 220 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 109 bn in 2015, which is lower by 12% compared with 2014, stemming from the significantly lower crude oil price and, partially, due to lower production and sales volumes of petrochemical products as a consequence of the accident and following shutdown of the steam cracker unit since 13 August 2015. The downstream macro environment was exceptionally favorable in 2015. Both refining and petrochemical margins reached very high levels driven by a drop in crude oil prices. Brent crude oil reached the average price of 53 USD/bbl in 2015, which is by 47% lower compared with 2014. The average Unipetrol's model refining margin significantly increased to 5.2 USD/bbl in 2015 from 1.4 USD/bbl in 2014. The model combined petrochemical margins reached record high levels, with an average of 816 EUR/t. The Brent-Ural differential, at an average level of 1.8 USD/bbl, was also slightly higher in comparison with 2014.

The operating profit increased to CZK 10.9 bn in 2015 from CZK 2.9 bn in 2014 based on EBITDA LIFO. This profound improvement was driven by positive GDP dynamics in the Czech economy as well as in the Eurozone, by very strong both refining and petrochemical margins supported by a drop in crude oil prices, by an increase of refining products sales volumes as well as by internal improvements within the Operational Excellence Initiatives of CZK 1.7 bn.

From the production point of view, there was one event which considerably influenced utilization of production units. On 13 August, an explosion and consequent fire at the steam cracker unit at the Chempark Záluží plant in Litvínov led to the steam cracker unit shutdown for the rest of the year. The operation of Litvínov refinery as a main provider of feedstock for the steam cracker unit was limited. Polymer units (polyethylene and polypropylene) were put back into operation at limited extent thanks to external deliveries of ethylene and, partially, of propylene. As a result of the accident the refining utilization ratio dropped to the level of 84%.

Looking at each segment, the downstream segment significantly improved its results with EBITDA LIFO at the level of CZK 10.2 bn. This great result was achieved mainly thanks to much better macro conditions stemming from the GDP growth and a drop in crude oil prices, and much higher sales of refining products driven by operating of a 100% stake in Česká rafinérská from 1 May 2015.

The retail segment recorded a very good result as well and overall it achieved operating profit of CZK 0.8 bn based on EBITDA LIFO. The 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.

The net profit reached CZK 7.0 bn in 2015 which is a profound improvement compared to the year 2014 with a net loss of almost CZK 0.6 bn. The operating cash flow increased significantly to the level of CZK 14.9 bn and the free cash flow reached the level of CZK 8.6 bn. Total CAPEX achieved the level of CZK 3.3 bn, out of which the amount of CZK 3.0 bn was allocated to the downstream segment, CZK 0.2 bn to the retail segment, and the remaining CZK 0.1 bn was dedicated to corporate functions. At the same time Unipetrol Group kept its financial gearing ratio on the negative level of (-) 16.7%, corresponding to the net cash position at the level of CZK 5.9 bn at the end of 2015.

Unipetrol Group continued to fulfil its Strategy announced in June 2013, which defined the key development directions for the years up to 2017. In the year 2015, the company successfully completed the acquisition of the remaining 32.445% stake in Česká rafinérská from Eni which made Unipetrol the sole shareholder with a 100% stake. The acquisition, fully in line with the Strategy, brought the company higher refining capacity, which enabled to process more crude oil, and thus to increase security of feedstock for petrochemical business and refining products for both the wholesale and retail sales activities.

In September, the company signed an EPC contract with Technip Italy for the construction of a new polyethylene unit (PE3) at the Litvínov plant. The PE3 unit will be among the most advanced units of this type in Europe. Total capital expenditures for the whole PE3 unit will be approximately CZK 8.5 billion, i.e. it is the biggest investment in the history of the Czech petrochemical industry.

Among other achievements in 2015, the contract with Transpetrol for crude oil transportation through Slovak branch of the Druzba Pipeline was prolonged till 2020, preserving the same transportation conditions. A new contract with Čepro for product pipeline logistics services was signed. A new contract with MERO adjusts the conditions for the storage and transportation of crude oil via the IKL and Druzba pipelines since the beginning of 2016. At the very beginning of the year 2016, a conclusion of an agreement with OMV on the acquisition of 68 filling stations from OMV's filling station network was announced. The transaction will further strengthen the Benzina brand position on the Czech retail market.

During the year 2015, Unipetrol Group launched a strategic project aiming at optimization of the capital group structure through the merger of Benzina and Polymer Institute Brno with Unipetrol RPA. The goal of the whole project, which will continue also in 2016, is to simplify the organizational and administrative structure of Unipetrol Group which should results in savings and further improvement in business operational excellence.

## Key financial and non-financial data

### Key financial data

| in CZK million | 2014 reclassified | 2015 |
|---|---|---|
| Revenues | 123,938 | 108,907 |
| Gross profit | 5,735 | 12,763 |
| EBITDA LIFO | 2,851 | 10,879 |
| EBITDA | 1,022 | 10,643 |
| EBIT LIFO | 580 | 8,952 |
| EBIT | -1,248 | 8,716 |
| Downstream segment | | |
| EBITDA LIFO | 2,171 | 10,166 |
| EBITDA | 402 | 9,930 |
| EBIT LIFO | 307 | 8,598 |
| EBIT | -1,461 | 8,362 |
| Retail segment | | |
| EBITDA LIFO | 705 | 829 |
| EBITDA | 645 | 829 |
| EBIT LIFO | 382 | 501 |
| EBIT | 322 | 501 |
| Corporate functions | | |
| EBITDA | -25 | -116 |
| EBIT | -109 | -147 |
| Net finance costs | -114 | -47 |
| Profit/loss before tax | -1,362 | 8,669 |
| Tax expense/credit | 806 | -1,633 |
| Net profit/loss | -556 | 7,036 |
| Earnings per share (CZK) | -3.07 | 38.80 |
| Operating cash flow | 737 | 14,931 |
| Free cash flow | -1,181 | 8,591 |
| CAPEX | 2,007 | 3,344 |
| Net working capital | 9,244 | 5,941 |
| Net debt / net cash | 2,701 | -5,857 |
| Net debt / (equity – hedging reserve) | 9.7% | -16.7% |
| Net debt / EBITDA | 0.6 | -0.5 |

- 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 of CZK 4,557 m - adjusted for gain on acquisition of CZK 1,186 m and for impairment of the refining assets of CZK 4,721 m, EBITDA in 2015 of CZK 10,967 m adjusted for gain on acquisition of CZK 429 m, impairment of steam cracker assets of CZK 597 m and other costs related to steam cracker accident of CZK 156 m.

### External environment

| | 2014 | 2015 |
|---|---|---|
| Brent crude price, USD/bbl | 99 | 53 |
| Brent-Ural differential, USD/bbl | 1.7 | 1.8 |
| Unipetrol model refining margin, USD/bbl [1)] | 1.4 | 5.2 |
| Unipetrol model petrochemical olefin margin, EUR/t [2)] | 388 | 351 |
| Unipetrol model petrochemical polyolefin margin, EUR/t [3)] | 275 | 464 |
| Unipetrol model combined petrochemical margin, EUR/t [4)] | 662 | 816 |

[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)

| | 2014 | 2015 |
|---|---|---|
| Crude oil throughput | 5,130 | 6,495 |
| Refining utilization ratio [1)] | 89% | 84% |
| Refining segment sales volumes, including retail segment (Benzina network) | 4,268 | 5,800 |
| Petrochemical segment sales volumes | 1,773 | 1,445 |

[1)] Conversion capacity of Unipetrol's refineries = 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 till 1Q2015 conversion capacity was 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 2Q15 conversion capacity increased to 7.8 mt/y driven by operation of Eni's 32.445% stake in Česká rafinérská from May. From 3Q15 conversion capacity is 100% of Česká rafinérská, i.e. 8.7 mt/y (Česká rafinérská – Kralupy 3.206 mt/y, Česká rafinérská – Litvínov 5.492 mt/y).

## Downstream segment

**Financial result of the downstream segment**

| in CZK million | 2014 | 2015 |
|---|---|---|
| EBITDA LIFO | 2,171 | 10,166 |
| EBITDA | 402 | 9,930 |
| EBIT LIFO | 307 | 8,598 |
| EBIT | -1,461 | 8,362 |

### Key highlights of 2015

- The acquisition of 32.445% shareholding in Česká rafinérská from Eni International B.V. was completed in April. Unipetrol thus became the sole shareholder.
- Unipetrol RPA signed a new contract with Čepro for providing product pipeline logistics services. Contract was signed for indefinite period with a 12-month notice period.
- Česká rafinérská and Transpetrol signed an annex to the agreement on crude oil transportation via Druzhba pipeline. Both partners agreed on current conditions of crude oil transportation till the year 2020.
- Unipetrol RPA established a new subsidiary company in Hungary.
- University Centre UCT Prague – Unipetrol in Chempark Záluží started its activities.
- An explosion and a consequent fire of the steam cracker unit in Chemapark Záluží significantly affected the production and sales volumes of the segment.
- Record high sales volumes of high-density polyethylene (HDPE) of 189 kt and polypropylene (PP) of 169 kt in the first seven months achieved in all core markets the rest of the year was affected by the steam cracker accident.
- Unipetrol RPA and Technip Italy signed a contract on construction of the new polyethylene unit in Chempark Záluží.
- 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**

| | 2014 | 2015 |
|---|---|---|
| Brent crude price, USD/bbl | 99 | 53 |
| Brent-Ural differential, USD/bbl | 1.7 | 1.8 |
| Unipetrol model refining margin, USD/bbl [1)] | 1.4 | 5.2 |

[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 crude oil price was very volatile in 2015 and was moving within the range from 36 USD per barrel to 67 USD per barrel with the average price level of 53 USD per barrel. From the end of February till the end of the year, the automotive gasoline prices remained at relatively high levels 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 173 USD per ton. The diesel prices at world markets were at significantly lower levels compared to gasoline prices, the annual average level of diesel crack spread to Brent was 103 USD per ton. The development and the level of gasoline crack spread resulted from 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, moderate increase in export capacities on the Arabian Peninsula and mild beginning of winter at the end of the year 2015.

### Refining margins

The refining margins were at good levels in 2015. The utilization rate of the European refineries over 85% represents significant increase compared to 78% reached in 2014. The European refineries were benefiting from increase in gasoline consumption in the USA. Even though the year 2015 was very good year for refining industry, the structural problems of European refining sector still persist.

Unipetrol's model refining margin reached the average level of 5.2 USD per barrel in 2015, which represents an increase by 3.8 USD from the level of 1.4 USD per barrel in 2014. The average price differential between Brent and Russian crude REBCO, the Brent-Ural differential, was equal to 1.8 USD per barrel.

## Petrochemical business

#### External environment of the petrochemical business

| | 2014 | 2015 |
|---|---|---|
| Unipetrol model petrochemical olefin margin, EUR/t [1)] | 388 | 351 |
| Unipetrol model petrochemical polyolefin margin, EUR/t [2)] | 275 | 464 |
| Unipetrol model combined petrochemical margin, EUR/t [3)] | 662 | 816 |

[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

As in the previous year, the key factors in European petrochemical market were low prices of crude oil and virgin naphtha. The average price level of Brent crude oil in 2015 was only slightly above 50 USD per barrel, and the prices of virgin naphtha were slightly above 460 USD per ton. In December the average price of virgin naphtha was the lowest since January 2009 and the average price of crude oil was the lowest since June 2004. The low prices of crude oil were caused by a global oversupply, the extremely high grow of stock, noticeable especially in the USA, and OPEC's continuing extensive production (especially Saudi Arabia and Iraq). This situation enabled the operators of steam cracker units to produce with record high margins, because the decrease in the prices of monomers did not fully reflect the drop in the prices of feedstock. In August the petrochemical margins were at the highest level since the end of 2008 and in a yearly comparison the margins were the highest ever. An important factor for European producers of derivatives was also the significant strengthening of the dollar against the euro, which limited import to Europe and also promoted export.

The prices of monomers followed the trend of the second half of 2014 a continued to decrease. In the first two months there was a decrease of another 200 EUR per ton. Apart from the falling prices of feedstock, a significant oversupply was also distinctive at the beginning of the year. The subsequent grow in demand from the producers of polymers and a few planned and unplanned shutdowns resulted in an increase in prices which stopped at the end of the first half of the year. Limited import from the USA and low levels of stock across the whole chain which needed to be restocked had also a positive effect. The increases in prices of both monomers in this period reached together 300 EUR per ton. The rise of spot prices was even more significant because the prices were higher than the value of the valid contract during the whole second quarter. In respect of ethylene, it was up to by 20%. For the rest of the year the prices decreased. Apart from the constantly falling prices of feedstock, the situation on the market was also influenced by the renewed operation of the long-term shutdown units in Moerdijk in the Netherlands and in Lavera in France. The situation was opposite to the situation in the first half of the year, because a more significant decrease was noticeable in the spot prices. This meant that discounting returned to black numbers. In respect to propylene, the discounting exceeded 40%, which reflected the different situation on the propylene and ethylene markets. In December, this situation resulted in the greatest spread ever between both monomers in the amount of 258 EUR per ton. The situation on the ethylene market was relatively good and the drop in prices was caused mainly by the falling prices of crude oil and virgin naphtha, whereas the propylene market was significantly oversupplied which resulted in production being restricted in some European steam cracker units. The reason was a low demand from the related sectors which was caused by the highest prices of propylene in Europe (in comparison with the rest of the world). These prices lowered significantly the competiveness of European producers of non-polymer derivatives on export markets. The only exception was the demand from polypropylene producers which remained very good during the whole period.

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 299 EUR per ton, and the difference between the spot prices was at the level of 350 USD per ton. The high prices volatility is proven by the fact that in the course of the year, two instances of a month-to-month decrease in contract prices by 200 EUR per ton or more and also two instances of increase in contract prices by 130 EUR per ton or more. The first decrease occurred at the very beginning of the year because of low prices of crude oil and virgin naphtha, a low demand from related sectors and a relatively good availability of benzene on the market. A significant change happened at the beginning of the second quarter. At the beginning the market was stable but the market moved to a position with a noticeable demand overhang due to a few planned and unplanned shutdowns, limited availability of pyrolysis gasoline for extraction, and benzene export from Europe to the USA. This caused a considerable increase in the contract price, which rose by nearly 280 EUR per ton in two months. Because of unplanned shutdowns of styrene units and an overall lower demand from the related sectors, the availability of benzene on the market improved and the market started to weaken again. This resulted in a decrease in the September contract price by 260 EUR per ton. The spot prices were in September also at their lowest level in six years. The low prices in Europe subsequently opened an arbitrage to the USA which helped to lower the benzene oversupply on the market. This together with a better demand from related sectors, especially from styrene producers, resulted in a slight increase in prices. The lower availability of pyrolysis gasoline was also a factor. Once again, the operators of flexible steam crackers preferred cracking of lighter feedstock which generated high margins. These margins were much higher than margins from cracking of virgin naphtha during the whole year, on average by nearly 100 EUR per ton of produced ethylene.

The continuing low demand from agricultural and industrial sectors and better availability of ammonia in Yuzhny and the Baltics caused a decrease in ammonia prices at the beginning of the year. The prices dropped by 50 USD per ton and reached the level of around 450 USD per ton, CFR NWE. The prices remained at a similar level until the end of September, with smaller exceptions. There was no significant response to the spring application season in the USA, to the consequent restocking in the same sphere, to planned and unplanned shutdowns in Russia and Ukraine, to the limited supply of natural gas in Trinidad, to a lower demand from North Africa or to a lower price level of natural gas approved for Ukrainian producers. A significant change in the price level occurred in the last quarter during which the prices dropped by nearly 120 USD per ton. The main reasons were a significant oversupply in the global market and a seasonal decrease in demand.

Unipetrol’s model olefin margin reached 351 EUR per ton in 2015, which represents a 9% decrease compared with 2014, when the margin reached 388 EUR per ton.

## Polyolefins

The beginning of the year was relatively stable, the prices of polyolefins followed the trend from the second half of 2014 and continued to drop. The processors, expecting a further decrease in prices, bought products only for immediate consumption and operated with only a minimal level of stock. The low prices were not attractive enough for import to Europe, and the products from the Middle East and North America were exported to territories with higher prices. The demand in Europe was low, and the producers tried to improve the situation with export. The strengthening dollar against the euro also helped the exporters.

A market turn co-occurred with a drop in crude oil prices. The buyers of polyolefins started returning to the market in effort to refill their restock, a tension started to occur on the market and rose quite quickly. The demand for high-density polyethylene (HDPE) and polypropylene (PP) was very strong. Many production units whose utilization was below the optimal level experienced problems which in some cases resulted in unplanned shutdowns of the units. In 2015 in Western Europe, a total of 11 force majeures were declared in PP units and 8 force majeures in HDPE units. From the total of 19, 14 occurred in the first half of the year. This resulted in a steady increase in prices of polyolefins which stopped in summer at the highest level ever. The contract prices of HDPE rose until the end of July by more than 570 EUR per ton, and the spot prices rose even by more than 580 EUR per ton. The spot prices of some HDPE applications were higher than the value of the valid contract from February until May. A similar situation occurred on the polypropylene market as well. Between January and June, the increase in contract prices of PP exceeded 470 EUR per ton, and the increase in spot prices nearly reached 450 EUR per ton.

Apart from the contract prices of polyolefins, the margins and size of the spread between polyolefins and monomers were also at the highest level ever. In August the margins generated by the production of polyolefins exceeded 1,330 EUR per ton in PE and 900 EUR per ton in PP (according to ICIS). The size of the spread between both groups of products exceeded significantly 500 EUR per ton. In such a situation, some producers of polyolefins tried to re-negotiate the valid contracts based on the formulated prices fixed to monomers. Even though the demand remained strong for the rest of the year, the tension started to gradually decrease and prices to drop. This was caused by renewed operation of shutdown units and imports which were brought by very high prices in the European market. The demand was also at a lower level in comparison with the third quarter. At the end of the year the prices once again rose.

Unipetrol’s model polyolefin margin reached 464 EUR per ton in 2015, which represents a 69% increase compared with 2014, when the model margin reached 275 EUR/t. Unipetrol’s model combined petrochemical margin (olefins plus polyolefins) reached a very high level of 816 EUR/t in 2014, which represents 23% increase compared with 2014, when the model combined margin reached 662 EUR/t.

## Crude oil purchases

For Unipetrol, the year 2015 was characterized by ongoing strategic co-operation with Unipetrol’s majority shareholder, PKN Orlen, within which crude oil has been supplied through Druzhba and TAL-IKL pipelines under long-term supply agreement since 2006.

In the course of 2015, supplies of Russian Export Blend Crude Oil (REBCO) via Druzhba pipeline under the 3-year supply agreement between PKN Orlen and Rosneft were stable without supply outages. On top of Druzhba supplies, seaborne REBCO spot cargoes was delivered to Trieste for further transportation via the TAL and IKL pipelines.

Concerning supplies of low-sulphur crude oils via TAL and IKL pipelines, Azeri Light from Azerbaijan remained to be a mainstream grade and the key feedstock for processing in Kralupy refinery. Azeri Light Crude Oil was blended with CPC Blend Crude Oil from Kazakhstan at an optimum ratio. On occasions, CPC Blend was also supplied to Litvínov refinery for blending with REBCO in order to achieve more attractive yield of lighter products and refining margin improvement.

Domestic pipeline and railway supplies from various Moravian crude oil deposits to Kralupy refinery continued during 2015 on the basis of long-term supply agreements. The share of domestic supplies reached approx. 1.8% of the total crude purchased by Unipetrol during 2015.

**Crude oil purchases in 2015 (in thousand tons)**

| | | |
|---|---|---|
| REBCO-Druzhba & REBCO-IKL | 3,670 | 54.8% |
| Seaborne low-sulphur crude supplies for the Kralupy and Litvínov refineries | 2,909 | 43.4% |
| Moravian crude oil | 120 | 1.8% |
| **Total** | **6,699** | **100.0%** |

## Production

**Crude oil throughput and refining utilization ratio**

| | 2014 | 2015 |
|---|---|---|
| Crude oil throughput (in thousand tons) | 5,130 | 6,495 |
| Refining utilization ratio [1)] | 89% | 84% |

[1)] Conversion capacity of Unipetrol’s refineries = 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 till 1Q2015 conversion capacity was 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 2Q15 conversion capacity increased to 7.8 mt/y driven by operation of Eni’s 32.445% stake in Česká rafinérská from May. From 3Q15 conversion capacity is 100% of Česká rafinérská, i.e. 8.7 mt/y (Česká rafinérská – Kralupy 3.206 mt/y, Česká rafinérská – Litvínov 5.492 mt/y).

In 2015, nearly 6.5 million tons of crude oil were processed in the production units of Česká rafinérská for Unipetrol, which is a 27% increase compared to 2014. High utilization of refinery units until July was mainly driven by Unipetrol’s increased stake in Česká rafinérská, and by the successful acquisition of full stake in Česká rafinérská from May 2015, by good sales volumes of motor fuels and by a higher demand for petrochemical products which required the necessity to secure a sufficient volume of feedstock for petrochemical production from the products of refinery production.

An accident in the steam cracker unit had a significant effect on the operation of the refineries. Despite the absence of supplies for petrochemical business, which is a significant outlet for a part of the refinery production, the Litvínov refinery was successfully kept in operation. The unrealized production was partially compensated by maximized processing in the Kralupy refinery in the second half of 2015.

The key units had good reliability. At the end of March 2015, a short planned turnaround was realized in the Kralupy refinery in order to regenerate the catalytic conventor in the catalytic reforming unit (CCR) and to replace the catalytic conventor in the gas oil hydrogenation unit. In October/November 2015, planned turnarounds were carried out in Litvínov in the visbreaker unit because of regular cleaning, in Chamber 5/6 and Chamber 12 in order to exchange the catalytic conventors, and in the atmospheric and vacuum oil distillation units.

In 2015 several optimization projects took place. One of them, Advanced Process Control, in the hydrocrack unit in Litvínov helped significantly with the operation of the unit in terms of both the yield structure and the stability of operation. After the full acquisition of Česká rafinérská, the great use of the synergies between the petrochemical and refinery businesses continued.

Paramo subsidiary in 2015 further developed production of lubricant oils and bitumen. Production of base oils and lubricant oils is based at the plant in Kolín. Production of lubricants is based on hydrogenates from Unipetrol RPA that are further processed and blended to the final production of the motor oils of all performance categories, gear oils, hydraulic and other industrial oils. Production of process oils for the rubber industry and production of special industry oils and liquids was concentrated at Pardubice plant.

Paramo production of bitumen and bitumen products is located at the plant in Pardubice. Paramo produces a wide range of industrial bitumen products intended predominantly for construction purposes and special hard road bitumen products. Paramo was also providing storage and dispatch services for diesel and gasoline, for Unipetrol RPA and Administration of State Material Reserves – Czech Republic (ASMR).

## Market position and sales

### Refining business

#### Market development

Based on the latest available data, there was slight increase in gasoline consumption by 1% and a 5% increase in diesel consumption on the Czech market compared to the year 2014. The increased demand for fuels was mainly driven by economic growth in the Czech Republic and also by continuing fall of crude oil prices during the year 2015, which was subsequently reflected in the fuels prices.

#### Market position

The most important event of the year 2015 was the completion of the acquisition of Eni’s stake in Česká rafinérská from 1 May 2015, which led to an increase of the refining capacity from 67.555% to 100%. Therefore, the company had to make great efforts to ensure the sale of the additional volumes.

Even without the corresponding contractual options the company was able to sell additional volumes on the domestic market and abroad. Sales volumes of refining products increased by 36% compared to the year 2014. Unfortunately, just 3.5 months after taking over the additional refining capacity the company had to face a shutdown of the steam cracker unit and the associated restrictions on crude oil processing. Many new business activities were restricted and the company had to focus all their efforts to cope with the unexpected situation. With the help of all business partners - suppliers and customers – the company maintained its refinery in limited operation mode without major problems.

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

| thousand tons | 2014 | 2015 |
|---|---:|---:|
| **Total refining sales volumes, including retail segment** | **4,268** | **5,800** |
| Diesel, including retail segment | 2,293 | 3,093 |
| Gasoline, including retail segment | 1,052 | 1,483 |
| JET | 144 | 179 |
| LPG | 112 | 195 |
| Fuel oils | 152 | 200 |
| Naphtha | 9 | 92 |
| Bitumen | 308 | 354 |
| Lubricants | 36 | 35 |
| Rest of refining products | 161 | 169 |

### Domestic motor fuels sales

Until the steam cracker unit shutdown and the associated restrictions on crude oil processing in the Litvínov refinery company managed within the set strategy to expand its customer portfolio with the aim to reduce activities of its key competitors. Unfortunately due to the limited availability of diesel in the second half of the year 2015, the company was not able to continue in the set strategy. On the other side the company concluded several new contracts with key white pumpers. After takeover of additional stake in Česká rafinérská, the company also focused on increasing of the transparency of the pricing policy.

### Export motor fuels sales

At the beginning of the year 2015, the company managed to sign several new contracts, as it was already counting with the takeover of Eni's stake in Česká rafinérská. This approach enabled the company smooth transition to the increased refining capacity since May 2015. On the other hand, the company was negatively influenced by the petrochemical production shutdown which limited also fuels sales. Thanks to the appropriate combination of long-term contracts and spot sales, the company managed to overcome all problems that occurred during the year.

The company strengthened its cooperation with Orlen Group and in cooperation with partner companies in Slovakia, Poland and Germany it successfully continued to sell its products. Unipetrol Slovakia continued in selling activities in Slovakia and Hungary using supplies from the Czech and Polish refineries and terminals. On the German market, the company benefited from the partnership with Orlen Deutschland and compared with the year 2014 it further increased deliveries from Kralupy and Litvínov refineries. Unipetrol Deutschland stabilized its position on the wholesale market and continuously responded to the constantly changing market environment. The deliveries to Austria were carried out in accordance with production potential of the company.

### Other refining product sales

The company continued to optimize the internal consumption of LPG within the petrochemical segment and its external sales due to the increased consumption of LPG in the steam cracker unit after the LPG railway unloading intensification. On the other hand, the takeover of additional stake in Česká rafinérská in the year 2015 brought increase in LPG production, moreover supported by the higher availability of LPG during the summertime. The steam cracker unit accident forced the company to sell all the LPG from both the Kralupy and Litvínov refinery on the market. It was managed thanks to good cooperation of the production, sale and logistic department.

The company used various sales channels for heavy fuel oil (HFO 1%) from the Kralupy refinery and it smoothly adapted to the higher production from the mid-year 2015. Compared with the years 2013 and 2014, the market offered many more opportunities, especially in the Balkan countries but also in the industrial or bunker sector in Germany. Seasonal production of heavy fuel oil (HFO 3%) in the Litvínov refinery continued without problems. New measures adopted in the heavy fuel oil production increasing its reliability and quality helped to sell the product as planned.

### Paramo subsidiary market position and sales

Paramo is the market leader in oils and bitumen sales in the Czech Republic with market share exceeding 35 %. More than 60% of Paramo's production is exported, mainly base and process oils.

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.

Paramo maintained deliveries of the process oils to the Continental Group which extended cooperation for the year 2016 and with other rubber industry companies. The cooperation continued with additives producers and also new foreign customers for sale of wide range of the base oils group I, II and III.

Finished oils and greases were exported into 26 countries. The main export market is Slovakia where Paramo was represented by its subsidiary Mogul Slovakia. Paramo developed a strong position in Hungary and states of the former Yugoslavia. Paramo managed also to develop and increase sales to the Eastern European markets.

## Petrochemical business

As a result of the accident and the subsequent shutdown of the steam cracker unit from the mid-August 2016, the production and sales of petrochemical products significantly dropped. The production of polymers – polyethylene and polypropylene – was restarted at limited extent thanks to external supplies of ethylene and partially propylene. Total sales volumes of petrochemical products reached the level of 1,445 kt which is by 18% lower compared to the year 2014.

**Sales volumes of petrochemical products**

| Thousand tons | 2014 | 2015 |
|---|---|---|
| **Total petrochemical sales volumes** | **1,773** | **1,445** |
| Ethylene | 163 | 107 |
| Benzene | 228 | 145 |
| Propylene | 44 | 36 |
| Ammonia | 214 | 230 |
| C4 fraction | 86 | 51 |
| Butadiene | 64 | 49 |
| Polyethylene | 322 | 255 |
| Polypropylene | 270 | 227 |
| Rest of petrochemical products | 382 | 345 |

## Olefins and chemicals

The sale of steam cracker products and ammonia is the core business of Business Unit Monomers and Chemicals. The most important steam cracker products include ethylene, propylene, C4 fraction and benzene. The explosion and subsequent fire in the production facility in Litvínov in August had a significant effect on the sales. This caused the shutdown of the steam cracker unit and related production of polyolefins. Basically, this meant a complete interruption of all sales of steam cracker unit products in the last four months of 2015. However, until then the sales volumes and the structure of portfolio of clients were similar to the situation in the previous 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 through the existing product pipelines.

By-products of steam cracker were supplied primarily to the Czech, Central European and Western European markets. The steam cracker unit is expected to start partially operating at the beginning of the second half of 2016. The outage of production resulted in a smaller market share in the Czech Republic, but the changes were not significant. Most major consumers were not able to replace the missing product with import because of logistic limitations and so they had to lower their production. Most of the imported monomers was used in the polyolefin production in Unipetrol RPA.

The ammonia production was not influenced by the explosion in August and its sales were even slightly higher than sales in the previous year. Because of a long-term contract with the biggest producer of fertilizers in the Czech Republic, the territorial division of sales did not change. As in previous years, the domestic market was the destination for most of the ammonia produced by Unipetrol RPA.

In the forefront of interest were also the sales of the carbon black Chezacarb AC, used primarily for modifying electromagnetic characteristics, electric and thermal conductivity of plastics, coating materials and rubber, for pigmentation of paints and colouring of plastics and rubber. It can be also used as sorbents in the environmental sphere. Compared to the past year, the sales volumes of carbon black increased and nearly reached the amount of 2,000 tons because of an increased demand, especially from Asia.

## Polyolefins

Unipetrol RPA 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.

The company's high-density polyethylene (HDPE) capacity greatly exceeded the domestic market's consumption, and approximately two thirds of the HDPE produced were therefore exported from the Czech Republic. Conversely, the PP consumption on the domestic market exceeds the overall PP 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 Czech Republic and Germany were the key markets for polyolefin sales. Market share of polyolefins was influenced by steam cracker unit accident in mid-August. The accident significantly influenced the HDPE and PP capacity as well as product portfolio. Limited availability of ethylene and propylene caused the shutdown the one of the polyethylene unit (PE2) and therefore there was a lack of polyethylene injection moulding grades and reduced output and product portfolio of polypropylene. Due to this limitation the company significantly lost its market share on the Czech market while on

German market and other European markets the loss was not so high. Some shutdowns announced during the first half of the year across Western Europe helped Unipetrol to decrease market share losses on those markets. For Germany and the entire D-A-CH region, the company relied heavily on the services of its subsidiary Unipetrol Deutschland.

The general situation on European market was very favourable for European producers mainly because of supply interruptions (a lot of unplanned production stoppages and force majeure incidents across Europe) and export supporting EUR/USD exchange rate development. Also relatively healthy economic situation in Europe created robust situation on demand side.

However, from mid-August due to the steam cracker unit accident, the company could not utilize in full the favourable macro environment because of the limited production capacity. Total sales volumes of polyolefins were on the level of 255 kt of high-density polyethylene (HDPE) and 227 kt of polypropylene (PP). Compared to 2014 the company sold approximately 67 kt less in case HDPE and 43 kt less in case of PP.

## Expected development in 2016

### Refining business

As expected, the excess of supply over demand of 700 thousand barrels per day will keep the crude oil prices at low levels in 2016. Balancing of supply and demand is expected at the turn of the years 2016 and 2017 which should support a moderate recovery of crude oil prices in 2017. For the year 2016 the crude oil price is expected to move within the range 25 – 59 USD per barrel, with an average level around 40 USD per barrel. The average level of crude oil price in the year 2017 is expected around 50 USD per barrel.

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 2016 which will positively affect domestic demand for motor fuels.

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 the Paramo subsidiary will be still based on the four pillars:

- lubricant oils production and sales supported by marketing activities,
- bitumen and bitumen products production and sales,
- continuous energy efficiency and production performance enhancement, and
- further products development.

### Petrochemical business

#### Olefins and chemicals

A key factor in 2016 will be the price level of crude oil and virgin naphtha. The prices of crude oil and virgin naphtha are generally expected to remain low. The market is still oversupplied, and moreover the OPEC meeting at the end of 2015 showed the organization continues to refuse to limit the production of crude oil. The oil market will have to face two fundamental changes which will come against a rise in prices. The first one is the lift of economic sanctions against Iran on the part of the USA, the EU and the UN, which occurred in January 2016 and which will result in more millions barrels of crude oil on the market. The second one is the lift of the ban on the export of crude oil from the USA, which could consequently help to American companies exploiting crude oil from shale deposits. The expected low prices of feedstock could improve the competitiveness of some European derivatives on the export markets. The cracking of lighter feedstock will reduce the availability of propylene, butadiene and aromatics in 2016. In respect of the low prices of feedstock, the petrochemical margins should continue to remain relatively high, however, they should not be as high as they were in summer 2015.

The ethylene market should become balanced, the noticeable drop in prices in the second half of 2016 should continue in the first quarter. The prices should then start rising. The difference between the contract prices of ethylene and propylene should remain high, but the relatively balanced ethylene market will face the oversupplied global propylene market. Especially non-polymer derivatives of propylene should face the pressure of competition from Asia and the USA. The attempt to use the potential of low feedstock prices and good conditions on the ethylene market will make producers adjust the operation of ethylene units in favour of ethylene so as to maximize their profit from the high level of petrochemical margins. Simultaneously, the structure of propylene sales should adapt accordingly. The increase in the spot sales of propylene at the expense of contracts should guarantee greater flexibility in sales to the producers.

As it was in the past years, the benzene market should remain volatile in 2016, however, the fluctuation range should not be as significant as in the previous period. This is because a relatively stable prices of crude oil and virgin naphtha. The benzene prices should remain low in the first quarter as well, and the import from the Middle East and India should keep the European market oversupplied. The subsequent decrease in availability of feedstock necessary for benzene production caused by shutdowns of steam cracker units should result in a certain tension in the market and a rise in prices. Shutdowns of units in related sectors will be less significant in comparison in terms of capacity volumes. The higher prices will attract import and will probably result in a slight drop in prices. Apart from the low prices of feedstock, the mutual interconnection between markets in Europe, the USA and Asia will also be vital for the development in 2016.

The ammonia prices should continue to decrease in the first two month of 2016. The agricultural and industrial sector demand should remain weak, and the oversupply should be evident. This situation should be improved by the rise in demand from the USA at the end of the first quarter, and the market should be also stimulated by a decrease in production in some units in Russia and Ukraine. Since the end of the first quarter, the prices should rise and reach the level where they were for the most part of the previous year. Low prices of feedstock will hinder any significant rise in prices.

## Polyolefins

The situation on the European polyolefin market may differ in 2016 from the situation in the previous twelve months. With a respect to polyolefins, 2015 was a record year. Not only polyolefin prices and margins were at the highest level ever, but also the spreads between polyolefins and monomers.

In 2016 the prices should return to standard levels. The contract prices of high-density polyethylene (HDPE) should return to the level of about 1,450 EUR per ton, polypropylene (PP) should gradually sell for prices higher than 1,200 EUR per ton.

In regard to the low prices of feedstock, the petrochemical margins should remain at a high level. The tension on the market which was visible throughout the whole previous year should start to ease. This will not be caused by a lower demand, which should remain at a very good level at least in the first half of the year, but by better availability of the products. The production of polyolefins in Europe should increase, and there should not be the same situation as in 2015 when there were nearly twenty production units in Western Europe shutdown because of force majeures.

A higher number of imports into the European market are expected as well. A significant increase should be visible in respect of polypropylene, which will be imported to Europe from the Middle East, Russia, Africa and Asia. The import of polypropylene should increase by one third in comparison with 2015. It remains uncertain what effect the new large capacity polyethylene units put into production in the Middle East and North America will have. In the second half of the year, especially in the fourth quarter, a drop in prices may be expected.

# Retail segment

**Financial result of the retail segment**

| CZK million | **2014** | **2015** |
|---|---|---|
| EBITDA LIFO | 705 | 829 |
| EBITDA | 645 | 829 |
| EBIT LIFO | 383 | 501 |
| EBIT | 322 | 501 |

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 2015

- An image campaign "Live life to the fullest" was implemented to strengthen the brand name and to improve the younger generation customer perception and their loyalty to Benzina filling stations.
- Opening of another BENZINA self-service filling station Expres 24 in Kopřivnice.
- BENZINA continued expanding its fuels range by adding gaseous alternative CNG and premium fuels as well as implementing the Stop Cafe project at a number of sites.
- In order to optimize the structure of Unipetrol Group, BENZINA, s.r.o., merged with UNIPETROL RPA, s.r.o., as of 1 January 2016. The brand name BENZINA will be retained for the filling stations in the Czech Republic
- In January 2016, the acquisition of 68 OMV filling stations was announced. The filling stations will be operated under the BENZINA brand name. The completion of the transaction is expected during the next two years.

## External environment

The fuel consumption in the Czech Republic in the entire year 2015 was influenced by macroeconomic and technical factors. Among the macroeconomic factors were the growth of GDP, lower unemployment rate, and in this context the increased performance of many sectors with intensive use of diesel, and the willingness of households to spend more manifested itself in a higher demand for gasoline. The technical factors include car fleet conversion from gasoline to diesel engines with lower fuel consumption and also the fact that the new cars have lower gasoline consumption.

Higher performance of international road transport in 2015 helped to transfer diesel purchases of international transit haulers back to the Czech Republic.

The increased demand for fuel was influenced by the falling prices of crude oil throughout 2015, consequently influencing the prices of fuels at filling stations. Another positive factor causing the growing demand for fuels was a very mild winter, which did not inhibit individual car travelling during the standard winter months.

Tax evasions and related negative impacts on the state budget, corporate economics and the competitive environment were dealt with by adopting a series of appropriate measures leading to improved conditions on the Czech market. The measures were enforced through new legislation and operated effectively throughout 2015. Thus the positive legislative changes and other control systems significantly improved the competitive environment of the fuel sales business.

Another area of consumer interest in 2015 was the increased demand for alternative liquid fuels with a high content of the bio-component (E85, B30, B100) which are offered with a significant tax advantage in the end-user price, motivating consumers to purchase or create their own various less expensive fuel blends with the use of biofuels. Expanding the high-volume biofuels was also used for fictitious fulfilment of the bio obligations and allowed greater use of the bio-component free fuels. Increasing the excise tax on the high-concentrated biofuels with effect from January 2016 through adopted amendment of the Act removes these inequalities. Probably, this measure will cause a significant reduction in demand for biofuels.

Dramatic growth was recorded also in gaseous alternative CNG along with increased number of CNG driven cars and the growing number of filling stations offering CNG. This type of alternative is also a subject to tax concessions.

The factors listed above were crucial for the development of demand for fuels on the domestic market in 2015, which when compared to 2014 is characterized by 1% increase in gasoline consumption and by 5% increase in diesel consumption. So far higher increases in consumption of fossil fuels determine all other alternatives that are subject to tax concessions.

According to updated report of the MIT of the Czech Republic on filling stations registration in the retail segment on the Czech Republic market there is a total of 3,844 public filling stations as at 31 December 2015, showing growth of 1.3% year-on-year. The semi-public sector of filling stations with restricted access also rose to 637 stations, i.e. a year-on-year increase of 3.7%.

## Market position and sales

### Market position

The retail company of Unipetrol Group, BENZINA, s.r.o., operated the largest network of filling stations in the Czech Republic in 2015. As at 31 December 2015, the network comprised of 339 filling stations with a wide range of fuels with additives; the selected segment of filling stations offers a range of VERVA premium fuels and a wide collection of other goods, refreshments and services. The network was gradually renovated and upgraded between the years 2006 and 2010 and is currently profiled into three segments: premium, represented on the domestic market by BENZINA Plus filling stations, the standard brand portfolio of BENZINA filling stations and the self-service filling station segment under the brand name Expres 24. The fourth Expres 24 filling station was opened at the end of 2015 in Kopřivnice. Overall, 95% of the whole BENZINA network was modernized.

Compared to 2014 Benzina market share in 2015 increased from 15% to 16%.

### Fuel sales

Benzina's core business is the sale of fuels and other goods and services at filling stations. Sales structure confirmed the long-term trend of a higher proportion of diesel fuel, which continued in 2015.

**Structure of fuel sales at filling stations (%)**

| | 2014 | 2015 |
|---|---|---|
| Gasoline | 36.4 | 35.5 |
| Diesel | 63.6 | 64.5 |

Compared with 2014 sales of diesel in the Benzina network recorded a growth of 10% in 2015. The range of diesel fuels contributing to the growth included both, the standard TOP Q diesel (+5.5%) as well as the premium VERVA diesel (+30%).

Compared with 2014 the total sales of the range of gasoline fuels recorded a growth of 5.9% in 2015. The main contributor remained Natural 95, which accounted for 94% of total composition of gasoline sold and showed a year-on-year increase of 4%. The sales of the high-octane VERVA 100 gasoline increased in year-on-year by 53%. Since its introduction in 2006 its share of gasoline sold grew and in 2015 achieved 6% of the total gasoline sales.

As part of nationwide monitoring of the quality of fuel sold at public filling stations carried out by the Czech Trade Inspection Authority and publication of the results by the CTIA there was only one slight discrepancy in case of diesel out of the whole Benzina network of filling stations. All other controlled premium fuels were found to be compliant. Within the internal program "Seal of Quality" an independent accredited laboratory checked 1,875 samples from the Benzina network and 99.7% were free of defects.

The higher sales of fuel at filling stations in 2015, including the increased share of the premium fuels with higher added value combined with the decrease in the prices of all types of fuels sold, business strategy, marketing support and operating cost savings have all contributed to very good financial results of the retail segment. Positive impact on the results was also supported by the improved competitiveness of the market environment and favourable macroeconomic factors positively influencing the demand for both gasoline and diesel. The highly competitive environment in the retail market was in 2015 again attributable to a large number of filling stations in the Czech Republic.

### Non-fuel sales

Total revenues from sales within the non-fuel segment increased notably by 9.6% in 2015 compared to 2014 results. Higher dynamics was recorded within the sub-segment of gastronomy, of which revenue grew by 14.5%. This positive development was mainly due to the introduction of the Stop Cafe fast food concept, where customers can enjoy quality coffee, tea and hot dogs.

## Expected development in 2016

In the current economic conditions of the Eurozone and economic reforms in the Czech Republic, in particular the adoption of measures promoting growth by the Czech government, the modest growth of the Czech economy can be expected with a positive impact on growth in demand for fuels on the domestic market, mainly through increased performance of sectors with intensive diesel consumption. The tax-advantageous CNG will further strengthen its stabile position on the market. The new tax legislation applicable to highly concentrated biofuels will significantly reduce the demand for it, which will now shift to the standard fossil fuels. In the strongly competitive market environment of the filling stations the pressure exerted on fuel profit margins will also persist this year.

Expected is an approval of the new stricter legislation by an amendment to the Act on Fuels and Filling Stations, for fair and controlled business in the area of filling stations and fuel sales, including the harmonization of European legislation in the infrastructure of alternative fuels, which will bring in future years greater restrictions of unfair practices in the sector. Categories of filling stations which do not meet legislative requirements should be gradually squeezed out of the market in favour of serious market players. The gasoline and diesel assortment available in 2017 will depend on the conditions defined by the environmental legislation determining the level of binding obligations for reducing $CO_2$ emissions of fossil fuels in terms of the bio-component content with lower emission footprint in years 2017-2020. In addition, it can be expected further expansion of the range of fossil fuels with additives, alternatives such as CNG or fast charging points at filling stations for charging electric cars. The remaining market space will be filled by low-cost, self-serviced filling stations.

Benzina's priorities within the framework of the adopted Strategy 2013-2017 remain and will continue in increasing the market share in fuel sales, an increase in average throughput per filling station as well as an increase in sales of the non-fuel segment, including the extension and integration of refreshment offerings. Benzina will also seek to further strengthen customer confidence. The capital investments will continue according to plan, which include the construction of new sites, incorporation of 68 OMV filling stations into Benzina network and standards, completing the network upgrading and modernization of the car wash units. After evaluating the commercial potential of other sites for the self-service filling stations Expres 24 the expansion of this concept will continue, especially in suitable locations. The company is also preparing a sequel of exciting marketing promotions to encourage sales of fuels, including goods and services of a non-fuel nature and, last but not least, to strengthen the positive perception of the Benzina brand name.

Part of the promotion offer will include a modern collection of new card products for a wide range of customers.

According to market development, the state of fleet modernization and new technologies of fuel combustion in cars the expansion at Benzina filling stations will continue to meet the new challenges and to improve the supply of fuel assortment of premium fuels, CNG and environment-friendly operating fluid Ad Blue.

# Investments

Investments in the downstream segment in 2015 were influenced by the extraordinary event that happened in August 2015 on steam cracker unit. Unipetrol also signed major contracts related to new polyethylene unit and major works started in fourth quarter of the year 2015. Due to the extraordinary event, Unipetrol RPA and Česká rafinérská were able to start preparation works related to turnaround 2016 already in 2015.

Other investments were mainly focused on maintaining operating reliability, safety, on meeting the requirements of the environmental legislation, and increasing effectiveness of operations, especially energy efficiency. Other major investment projects focused on the revamp of the power plant T700, environmental protection, namely reconstruction of oil drainage system and waste water treatment in Kralupy. In the year 2015, project on debottlenecking of polypropylene unit started and international ethylene pipeline reconstruction successfully finished.

The retail segment focused mainly on modernization and reconstruction of existing Benzina filling stations, replacement of security surveillance cameras, modernization of car washes, and refurbishment of wastewater treatment plants. During the year 2015, Benzina also invested into extension of Stop Café concept and Expres 24 fuel stations.

The corporate functions segment investments comprised mainly investment for VÚAnCh and IT related projects. 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.  Implementation of advance process control system related to POX unit has started in the year 2015.

**Unipetrol Group CAPEX overview according to investment category and business part for the year 2015 and plan for the year 2016 (CZK million)**

| Investment category/ Business part | | Downstream | Retail | Corporate functions | Total |
|---|---|---|---|---|---|
| 2015 | Development | 770 | 161 | 114 | 1,045 |
| | Maintenance/refurbishment | 1,908 | 57 | 19 | 1,984 |
| | Environment | 287 | 1 | 0 | 288 |
| | Safety | 24 | 3 | 0 | 27 |
| | **Total** | **2,989** | **222** | **133** | **3,344** |
| 2016 | Development | 4,543 | 124 | 8 | 4,675 |
| | Maintenance/refurbishment | 7,337 | 98 | 35 | 7,470 |
| | Environment | 77 | 3 | 0 | 80 |
| | Safety | 54 | 5 | 0 | 59 |
| | **Total** | **12,011** | **230** | **43** | **12,284** |

# Research and development

Research and development of Unipetrol is focused on three principal areas – plastic materials, petrochemicals and refining. Research in the area of plastic materials in 2015 was secured by Polymer Institute Brno, spol. s r.o. (PIB), while the petrochemical and refinery research was conducted by the Výzkumný ústav anorganické chemie, a.s. in Ústí nad Labem (VÚAnCh). Apart from the above stated institutions, in 2015, Unipetrol also very closely cooperated with universities and specifically with the University of Chemistry and Technology in Prague (UCT). Research and development results are applied within the frame of the production technical support, creation of individual strategies and/or direct introduction of new products into the production portfolio.

In 2015, VÚAnCh, a subsidiary of UNIPETROL, a.s., successfully completed the UniCRE project (reg. no. CZ.1.05/2.1.00/03.0071). This project was finances by European Union funds (particularly by the European Fund for Regional Development) and from the national budget of the Czech Republic. During the last year of the project, it was also managed to complete the reconstruction of the experimental base and to put it into operation. Moreover, the UniCRE project received the AFI Award for an important achievement in the investment area for 2014, awarded by Czech Invest and the Association for Foreign Investment (AFI).

VÚAnCh managed to acquire a project within the frame of the National Sustainability Program and a project in the area of research infrastructures CATPRO. A part of the research infrastructure was included in the Road Map of the Czech Republic of large infrastructures for research, experimental development and innovations for 2016 – 2022.

In cooperation with UCT, a unique project related to the establishment of a University Center on the premises of the Chempark in Litvínov Záluží was successfully implemented. Its objective is to raise and educate the UCT students.

## Refining business

Some of the main research activities focused on the processes related to the production of motor fuels and processing residual fractions. The objective was to suitably amend the traditional focus on technical support and scientific and research activities.

The following were the main research topics last year:

Processing crude oil residues with an emphasis on the latest trends in the area of the production of asphalt bonding agents with the objective to reduce processing temperatures and thus also emissions. The main objective was the research in the area of the current asphalt technologies for building roads, focusing on recycling as much of a material from road reconstruction as possible.

The ever more challenging requirements for the quality of motor fuels, arising from legislative requirements as well as the demands of motor manufacturers who require fuels of a better quality for their motors, the use of additives for motor fuels has become very important and forms a necessary part of their production. In compliance with the recommendations of individual manufacturers, additives are usually added to fuels in small amounts and their content has to be optimized. In 2015, a wide spectrum of additives for diesel fuels, which are used in the refinery area, was reexamined.

In relation to the obligation to reduce emissions of greenhouses gases by 6% by 2020, work on the issue of the use of various FAME types (fatty acid methyl esters) was performed, respectively FAME of various origins. The experimental part focused on comparing a winter class motor diesel with two different kinds of bio-components, rapeseed oil methyl ester and methyl ester of used kitchen oils.

## Petrochemical business

### Olefins and chemicals

Research and development in the area of olefins and chemicals is secured by the Research Institute of Inorganic Chemistry in Ústí nad Labem (VÚAnCh). The objective of the long-term plans in the petrochemical area is to improve the quality of the product portfolio and to increase production efficiency.

In 2015, the possibilities to utilize hydrocarbons incurred as a result of pyrolysis and their use for the production of blowing agents were also explored.

Furthermore, the possibilities to produce pure aromatic hydrocarbons (naphthalene) were also explored.

Individual research projects also focused on theoretical problems of pyrolysis and on determining other possible utilization of auxiliary product, on utilizing raw materials from renewable resources in petrochemical industry and on seeking opportunities for making the management process more efficient and improving the economy of petrochemical production by utilizing modern, instrumental and analytic methods.

Projects implemented within the frame of institutional financing of VÚAnCh focused on the issue of selective dehydrogenation of butane and butene to 1,3-butadien and on the issue of utilizing liquid products arisen from the pyrolysis of waste tires. Their results provide bases for new research projects.

It was also continued in the implementation of development projects that focus on economic and environmental utilization of used catalysts. A significant volume of work was devoted to the area of energy savings.

In the area of the development of the existing products, work on a project that aims to improve usable characteristics of sorption materials based on Chezacarb were performed. New possibilities to use carbon black from the POX production facility as filling for special tires were explored.

## Polyolefins

Unipetrol has been developing its production processes and products in the area of polyolefins. In 2015, the research activities conducted by Polymer Institute Brno, spol. s .r.o. (PIB) focused on introducing new catalytic systems.

PIB polyethylene (PE) production development activities focused on improving the usable characteristics of produced Liten, improving processing behavior of customer matrices and seeking production cost savings. To achieve the mentioned objectives, the PIB development activities focused on extending the use of the internal catalytic system under operational conditions and on searching for other, potentially suitable commercial catalysts. Their subsequent application can result in an improvement of the produced matrices and of the PE production economy.

The research in the area of polypropylene (PP) production in 2015 mainly focused on studying phthalate-free catalysts and catalysts that comply with the REACH directive. Based on the research outputs of Polymer Institute Brno, spol. s r.o., a new catalytic system for the production of block copolymers, which complies with the REACH directive, has been successfully introduced at the polypropylene production facility. New possibilities for preparing polypropylene (PP) copolymers with better usable characteristics and for innovating the existing polymer types were explored with the objective to reduce operation expenses.

Research activities also focused on the area of additive formulas for polymer products and research in the area of additives/stabilization of the produced polymer material.

As a part of individual research projects, the issue of polypropylene (PP) and polyethylene (PE) production was also addressed. Production support projects were implemented. In these projects, Polymer Institute Brno, together with Unipetrol RPA, worked on improving the production process and on eliminating critical technological points.

Yet another joint project implemented last year addressed the possibilities of the use of Chezacarb as a filling matter for polymer materials produced at Unipetrol RPA.

Apart from research activities, Polymer Institute Brno also provides specialized technical service to Unipetrol by the means of customer support.

During 2016, in the area of plastic materials, research activities focused on the development of new types of copolymer catalytic systems will continue. The development of innovated polymer types will also continue.

## Chezacarb

Last year, activities in this area included technical assistance with the application of electrically conductive Chezacarb soot in plastic materials, and exploring the existing and new possibilities of the use of Chezacarb in polyolefin materials produced by Unipetrol RPA and in engineered plastic materials.

# 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 3,820 employees in 2015.

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 2015**

| Company | 2015 |
|---|---:|
| BENZINA, s.r.o. | 83 |
| Butadien Kralupy a.s. (51%) [1)] | 10 |
| ČESKÁ RAFINÉRSKÁ, a.s. | 604 |
| PARAMO, a.s. | 440 |
| PETROTRANS, s.r.o. | 146 |
| POLYMER INSTITUTE BRNO, spol. s r.o. | 96 |
| UNIPETROL, a.s. | 47 |
| UNIPETROL DEUTSCHLAND GmbH | 17 |
| UNIPETROL DOPRAVA, s.r.o. | 409 |
| UNIPETROL RPA, s.r.o. | 1,522 |
| UNIPETROL SERVICES, s.r.o. | 286 |
| UNIPETROL SLOVENSKO s.r.o. | 10 |
| Výzkumný ústav anorganické chemie, a.s. | 125 |
| MOGUL SLOVAKIA, s.r.o. | 14 |
| HC VERVA Litvínov, a.s. | 11 |
| **TOTAL** | **3,820** |

[1)] Number of employees in Butadien Kralupy, a.s. (100%) was 20.5.

## Education of employees

Education of Unipetrol Group's employees in 2015 was primarily focused on maintaining the level of qualification of employees in production and additional qualified development of company's specialists. In January 2015, new Training Center was established in Unipetrol RPA, s.r.o. where two new training programs were opened. Program "Operator in training" helps to prepare new employees for their future position and program "Graduate", to which college graduates from chemistry areas are mainly accepted.

Corporate trainings this year attended 9,732 persons. Employees received mandatory trainings (7,493 persons), professional or vocational seminars (1,931 persons), and foreign language courses (308 persons).

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

## Workforce structure

Workforce structure in 2015 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.

### Employment structure of Unipetrol Group as of 31 December 2015

| | |
|---|---|
| **Employment structure by education** | |
| Primary | 4% |
| Vocational | 29% |
| **Secondary** | **46%** |
| Higher | 21% |
| **Employment structure by gender** | |
| **Men** | **74%** |
| Women | 26% |
| **Employment structure by length of employment** | |
| **<5** | **26%** |
| (5-10> | 14% |
| (10-20> | 22% |
| (20-30> | 23% |
| >30 | 15% |
| **Employment structure by age** | |
| <31 | 9% |
| (31-40> | 19% |
| **(40-50>** | **36%** |
| (50-60> | 29% |
| >60 | 7% |

## 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 at 31 December 2015, non-current assets of Unipetrol Group amounted to CZK 22,575 million. In 2015, the Group acquired tangible assets worth CZK 3,197 million and intangible assets worth CZK 142 million.

The impairment charges recognized in refinery CGU related to non-current assets of the following entities: ČESKÁ RAFINÉRSKÁ, a.s., PARAMO, a.s. in amounts: CZK 102 million; and CZK 23 million respectively.

As a consequence of the steam cracker unit accident which took place at the Chempark Záluží in Litvínov on 13 August 2015, the Group recognized an estimated impairment charge in the amount of CZK 597 million in relation to damaged assets. Impairment charges of CZK 508 million were allocated to machinery and equipment, and CZK 89 million to buildings and constructions and these were recorded in other operating costs. The amount of the impairment charge can be changed until the completion of technical works on the site.

Looking at investments, most of them went into the downstream segment (CZK 2,989 million) followed by investments in the retail segment (CZK 222 million).

### Changes in current assets

Total current assets amounted to CZK 31,924 million as at 31 December 2015 and were higher by approximately CZK 5,580 million compared to the previous year, especially due increase in cash and cash equivalents.

Comparing to the year 2014, inventories increased by CZK 70 million.

### Changes in equity

Total equity increased from CZK 28,462 million in the year 2014 to CZK 35,509 million in the year 2015 due to increase in net profit for the year 2015 in the amount of CZK 7,036 million.

### Changes in liabilities

*Trade liabilities*

The main reason for the increase of CZK 2,125 million in trade liabilities compared to the previous year was mainly increase in investment liabilities.

*Borrowings*

Current Loans and borrowings decreased by CZK 350 million compared to 2014. During the year 2015, the Group repaid the mid-term loan from its majority shareholder PKN ORLEN S.A. in the amount of CZK 4 billion.

*Provisions*

Compared to 2014, provisions increased by CZK 331 million, which was mainly caused by higher provision recognized for of remediation of historical ecological contamination and higher provision for estimated $CO_2$ emissions.

## Consolidated statement of profit or loss and other comprehensive income

The Group's revenues for the year 2015 amounted to CZK 108,907 million and were 12% lower than in the year 2014, due to low crude oil price and lower utilization of production capacity resulting from the steam cracker accident.

The Group's profit from operations of CZK 8,716 million on EBIT level for 2015 was influenced by very favorable macro environment and high refining and petrochemical margins. The Group's operating loss of CZK 1,248 million on EBIT level for 2014 resulted mainly from challenging macro environment, especially in refining sector.

In the year 2015, the Czech economy kept GDP growth above 4% according to last available statistical data. Strong refining and petrochemical margins for the whole year 2015 and favorable macro environment contributed to generation of the Group net profit at the level of CZK 7,036 million.

## Consolidated statement of cash flows

Net cash provided by the Group's operating activities amounted to CZK 14,931 million in 2015.

At the same time, investing activities resulted in cash outflow in the amount of CZK 6,340 million and financing activities resulted in cash outflows in the amount of CZK 4,385 million.

The increase in cash compared to the 2014 level resulted from significantly higher cash flow from operating activities in the year 2015.

The Group's financial position was still very strong at the end of the year 2015 as the net cash amounted to CZK 5,857 million and financial gearing, defined as the ratio of net debt and equity, amounted to (-) 16.7%.

## Revenues

### Trends in revenues for own products and services

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| | **CZK million** | **CZK million** | **CZK million** | **CZK million** | **CZK million** |
| **Revenues** | 108,907 | 123,938 | 99,415 | 107,160 | 97,428 |

In the year 2015 Unipetrol Group generated total revenues of CZK 108,907 million that is 12% lower than in the year 2014, due to low crude oil price.

### Structure of revenues by business segments

| Business segment | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| | **Revenues in %** | **Revenues in %** | **Revenues in %** | **Revenues in %** | **Revenues in %** |
| Downstream | 91 | 91 | 89 | 91 | 90 |
| Retail | 9 | 9 | 11 | 9 | 10 |

External revenues in the downstream segment declined by CZK 13,342 million in the year 2015 compared to the previous year and amounted to CZK 99,314 million. The decrease is mainly attributable to lower crude oil price, decline in sales volumes of petrochemical products, and lower utilization of production capacities resulting from the steam cracker accident.

External revenues in the retail segment, amounting to CZK 9,491 million in the year 2015, were by CZK 1, 699 million lower than in the previous year, due to lower gasoline and diesel prices a resulting from lower crude oil price compared to the year 2014.

The share of segments' revenues in Unipetrol Group's overall structure of revenues remained the same as in the previous year.

### Structure of sales revenues by area

| Area | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| | **Revenues in %** | **Revenues in %** | **Revenues in %** | **Revenues in %** | **Revenues in %** |
| Czech Republic | 64 | 67 | 69 | 71 | 71 |
| Other European countries | 35 | 31 | 29 | 27 | 27 |
| Other countries | 2 | 2 | 2 | 2 | 2 |

Compared to the year 2014, 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) | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Profit for distribution | 2,143 | 328 | 938 | 404 | -230 |
| Allocation to the reserve fund | -- | -- | 47 | 20 | -- |
| Number of profit-bearing shares | 181,334,764 | 181,334,764 | 181,334,764 | 181,334,764 | 181,334,764 |
| Profit/loss per share | 11.82 | 1.81 | 5.17 | 2.23 | -1.27 |
| Dividend per share (CZK/share) paid from retained profit of previous years | --[1)] | -- | -- | -- | -- |
| Total for distribution | 2,143 | 328 | 891 | 384 | -230 |
| Profit brought forward as of 31 December | 10,193 | 6,331 | 6,050 | 5,132 | 4,716 |

[1)] Dividend policy is not formally established. The decision on the distribution of the profit 2015 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 and underneath of the production facilities of SYNTHOS Kralupy, a.s. UNIPETROL, a.s., also owns several plots of land outside of these production facilities, a part of which is used by its subsidiaries and SYNTHOS Kralupy, a.s., 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.

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, an agreement benefiting SYNTHOS Kralupy, a.s., on the pre-emptive rights to specific in Chemical Production Complex Kralupy land used for its activities was executed. 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

Operating financing of the group 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.

In 2015 a mid-term loan was repaid between PKN ORLEN S.A. and UNIPETROL, a.s., in the amount of CZK 4 billion. Unipetrol's open credit lines from banks were also lowered to a total amount of CZK 9,650 million (including a separate open credit line for Unipetrol RPA in the amount of CZK 150 million).

Thanks to the implementation of a 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 1,351 million were provided for Unipetrol RPA's liabilities (CZK 1,095 million), Unipetrol Services (CZK 7 million), Benzina's liabilities (CZK 29 million), and Paramo's liabilities (CZK 220 million).

Other bank guarantees were provided for Unipetrol Slovensko (CZK 542 million), Česká rafinérská (CZK 120 million), Unipetrol Deutschland (CZK 432 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 environment protection focused in 2015 mainly on ensuring fulfilment of new obligations resulting from the implementation of the directive on industrial emissions, the ongoing revision of reference documents on best available techniques and on the monitoring, evaluation and preparation of measures for new or amended legislation at the level of the Czech Republic and the European Union.

The companies of Unipetrol Group were involved either directly or through industry associations and non-government organizations in the preparation and consultation process of the new legislation of the Czech Republic and the EU and related documents (e.g. BREF documents). In 2014, work was completed on the BREF document for the refining of mineral oil and gas and BAT conclusions were published as the European Commission Decision. At the same time, work continued on the BREF documents for large incineration plants, bulk organic chemicals, and wastewater and waste gas treatment.

Both refineries of Unipetrol Group, Česká rafinérská and Paramo, prepared in the year 2015 an analysis of compliance with the newly released BREF document and to started negotiations with the concerned authorities to review existing integrated permits. At the end of 2015 an amendment to the integrated permit for the Litvínov refinery was issued. Changes in the integrated permits for the Kralupy and Paramo refineries, production facilities in Kolín and Pardubice will be released in the first half of 2016.

## Development of selected indicators of the environmental performance of Unipetrol Group

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

The commencement of the second trading period from 1 January 2008 involved stricter conditions for monitoring and reporting on greenhouse gas emissions after the expiry of certain exemptions applicable in the first period. The new allocation plan issued in the form of the Government Decree No. 80/2008 for the trading period 2008-2012 made provision for allocating allowances also to the companies of Unipetrol Group. The third trading period began in 2013, which will last until 2020. In the third period there was a significant increase in the number of monitored $CO_2$ emission sources and a change in the method of calculation, monitoring and reporting of $CO_2$ emissions. A significant change took place also in the calculation of the allocation of freely allocated allowances.

**Allocation of allowances to Unipetrol Group companies in accordance with the National Allocation Plan for the period 2005-2007 and 2008-2012, the total allocation for the period 2013-2020 and the actual $CO_2$ emissions in the years 2005-2015** (actual emissions - verified by an external company)

| Allocation of allowances (ths units)<br>Actual emissions (kt/year) | Unipetrol RPA | Česká rafinérská [1] | Paramo | Unipetrol Group |
|---|---|---|---|---|
| **Annual allocations under 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 allocations under 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 the period 2013-2020** | **10,159** [2] | **6,494** | **445** | **17,098** |
| 2013: actual $CO_2$ emissions | 3,062 | 772 | 47 | 3,881 |
| 2014: actual $CO_2$ emissions | 3,138 | 877 | 37 | 4,052 |
| 2015: actual $CO_2$ emissions | 2,839 [3] | 888 | 36 | 3,763 |

[1] 100% of Česká rafinérská.

[2)] In the period 2013-2020 there was a significant increase in the number of sources of greenhouse gas emissions included in the EU ETS. Due to changes in the operation of the facility the allocation may change further.

[3)] Not verified emissions.

Based on the verification of the annual reports for 2015 it can be stated that the allocated annual amount of allowances to Unipetrol RPA covers about 46% of annual emissions; an increase compared to 2014 was due to lower $CO_2$ emissions, which were caused by the four-month shutdown of the steam cracker unit. To cover the deficit allowances in the period in 2015 a surplus allowances from the previous season was partially utilized, another part was covered with the allocation for the next year and the remaining deficit will be purchased. An examination was conducted in 2015 in Paramo (Pardubice plant) on the Decision on the amount of free allowances allocated under the allocation for 2013-2020 - confirmed compliance with the existing decision of the Ministry of Environment of the Czech Republic. Paramo long-term resources management shows significant excess of allowances from the previous allocation periods.

### Development of emissions of selected pollutants

Emissions of pollutants into the environment was stabilized over the last four years at the level achieved through massive environmental investments made in the previous decade. The reduction of the SO2 emissions in the Česká rafinérská and Unipetrol RPA in comparison with 2011 and 2012 is due to the extensive repairs of the facilities for the production of liquid sulphur and their subsequent problem-free operation.

**Sulphur dioxide emissions in the Group companies (t/year)**

| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|
| Unipetrol Group | 11,070 | 14,648 | 13,760 | 7,084 | 6,307 | 6,469 |

**COD pollutant emissions in the Group companies (t/year)**

| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|
| Unipetrol Group | 729 | 519 | 459 | 431 | 432 | 372 |

**BOD pollutant emissions in the Group companies (t/year)**

| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|
| Unipetrol Group | 175 | 112 | 107 | 90 | 73 | 43 |

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

In 2015, there was an accident at the steam cracker unit of Unipetrol RPA classified as a major accident. The accident was reported in accordance with legislative requirements and a written report of the major accident delivered within 24 hours to the Regional Office. Furthermore, a draft final report on the occurrence and impacts of the major accident was also prepared and submitted. An investigation by the Police of the Czech Republic was not completed yet as of the end of 2015. After the investigation by the Czech Police is completed the final draft report will be updated and submitted for approval to the Regional Office.

No accident classified as a major accident occurred in terms of the Act no. 59/2006 in any of the other companies of Unipetrol Group. Other plant accidents which occurred during the year were managed in-house or by the in-house (company's) fire brigades and the response to them was adequate to rectify the situation and prevent their recurrence. 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 decree of the Czech government in connection with the privatization by the Ministry of Finance the companies of Unipetrol Group concluded the following contracts on solving ecological commitments incurred before the privatization (Ecological Contract):

UNIPETROL, a.s., (the successor organization of the CHEMOPETROL Group, a.s.) concluded contract no. 14/94 as amended by amendment no. 3 of 25 January 2005; UNIPETROL, a.s., (the successor organization 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 the 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.

In 2015 proactive reclamation work took place in Litvínov production complex by way of groundwater decontamination, pumping of underground drains and excavation and subsequent biodegradation (or disposal) of contaminated soil. Decontamination systems were gradually replenished in individual contaminant clouds. The general redevelopment project was completed and approved for the period up to 31. 12. 2016. In the area of the former lagoons in Růžodol a construction of a remediation of the drain was completed and the plant was put into trial operation. Water pumping from the decontamination system on the territory of the former phenols production plant was implemented. Protective decontamination pumping of drainage water from lime sludge landfills was also carried out. Work continued on the processing of updated risk analysis of the complex and its surroundings.

The protective purifying of the contamination cloud E was completed on 31 August 2015 in the Kralupy nad Vltavou complex. The Czech Environmental Inspectorate (CEI) issued in January 2015 a decision imposing on UNIPETROL, a.s., measures to remedy the defective condition of the individual contamination clouds in Kralupy nad Vltavou. Based on the decision of the Supreme Administrative Court in Brno the decision of the CEI of 2011 was annulled. The CEI decision imposed on the UNIPETROL, a.s. measures to remedy the defective condition of the barrels stock-yard site in Nelahozeves. In force thus remains a previous decision of the CEI of 2003, supplemented by an order of the CEI of 2015, consisting in the carrying out of monitoring of the impact of the stock-yard on groundwater and surface water at the site, which in 2015 continued by three sampling rounds with a new contractor.

In Paramo (Pardubice plant) groundwater remediation proceeded and the pumping of decontamination drains continued at the site U Trojice. At the same time the remediation work continued at the Nová Ves stock pile as well as the protective decontamination pumping at the Časy stock-pile. Redevelopment of the LIDL site was completed in March 2015. The groundwater remediation proceeded in the Kolín plant complex.

Maintenance remedial work (protective remedial pumping) proceeded in Benzina at the distribution warehouses Nový Bohumín, Šumperk and Točník. The remedial work at the Čáslav petrol station has been physically completed, the final report submitted and the post-remedial monitoring started. The final inspection day took place at the Tachov filling station, where the termination of work was approved. A final report of CEI has been issued, the corrective measures completed and the disposal of wells approved. Phases of additional surveys, processing of redevelopment projects, tenders for protective pumping, monitoring or post-remedial monitoring are ongoing at the other sites.

**An overview of MF ČR financial guarantees and utilization of financial resources in Unipetrol Group (CZK millions incl. VAT)**

| | 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 2015 | 146 | 0.6 | 34 | 12 | 5.75 | **198.4** |
| Costs covered by MF ČR since the start of the work | 4,014 | 51 | 1,762 | 512 | 476 [1)] | **6,815** |
| Expected costs of future work | 2,688 | 882 | 243 | 2,802 | 882 | **7,497** |
| **Total (estimated) cost of remediation** | **6,702** | **933** | **2,005** | **3,315** | **1,358** | **14,313** |

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

## Costs for environmental protection

### *Environmental investments*

Environmental investments are defined as capital investment projects caused directly by legal requirements for environmental protection and closely linked with the implementation of integrated pollution prevention practices. In 2015, Unipetrol Group implemented the following major environmental investments:

### Česká rafinérská

Investment projects implemented at the Česká rafinérská in the field of environmental protection total CZK 258.3 million. These included:

- A reconstruction of the wastewater treatment plant in Kralupy - the reconstruction of the wastewater treatment plant in Kralupy started in 2013 as required by the current IPPC. The project preparation of the plant fulfilled the requirements of the best available technology (BAT) and was completed in December 2015. As from 1 January 2016 the wastewater treatment plant is in trial operation.
- A reconstruction of the sewer system in Kralupy - two projects were prepared for the reconstruction of the existing sewer system. Sections selected as preferential were those with the potential occurrence of MTBE and addressed first in a separate project. The second project dealing with the reconstruction of the remaining part of the sewer system was completed in 2015.
- A project launched in 2014 for the extension of the reclaiming system at Jiřetín tank farm and the road terminal at Litvinov refinery. The extension of the system was completed in 2015 and the reclaiming system was put into operation.
- A reconstruction of the sewer of the visbreaking unit in Litvínov, which started in 2014 and was completed in 2015. A project for the repair of the connecting part of the sewer system between the visbreaking unit and the production plant of the new refinery followed. Completion is planned in 2016.
- Modernization of the MEA system Litvínov – a project for the modernization of the amine gas purification units including regeneration has been launched. The main part of the project will be implemented during the 2016 turnaround.
- Completion of the project for reconstruction of the gas boiler plant in the LPG warehouse in Kralupy refinery.
- Commencement of a project for the reconstruction of a slop system at the New Refinery Litvínov. The project will continue in the following year.
- Preparations of projects in 2015, ensuring compliance with BAT. One project will cover an continuous measurements of emissions into the air added at selected sources in both refineries. Another project will cover installation of dosing of DeSOx additives at the fluid catalytic cracker unit and will be implemented at Kralupy refinery.
- Initiation of a project for the repair of Kralupy refinery storage tanks' yards.
- Initiation of projects at Litvínov refinery for the repair of oily water sump at the C/D distillation production plant and catchment facility on the unloading track no. 69.

### Unipetrol RPA

Investment projects in the field of environmental protection were implemented at Unipetrol RPA totalling CZK 46.3 million, and included in particular the following:

- Segregation of sewage - 3$^{rd}$ and 4$^{th}$ stage.
- Preparing installation of the DeNOx technology at the heating plant T700.
- Preparing the replacement of continuous measurement of emissions at the heating plant T700.
- Reconstruction of sewer including manholes in the area of the steam cracker unit.
- Water management handling areas of the steam cracker unit.
- Construction of facilities for cleaning tanks of the mechanical final-cleaning station.
- Filter replacement at homogenisation silos of the polypropylene production plant.
- Construction of cleaning area for the needs of the turnaround work.
- Compilation of a feasibility study for reconstruction of the ethylene unit's energy block.

Many other measures with a positive impact on the environment were implemented within the operating costs of equipment maintenance.

### Paramo

Investment projects in the field of environmental protection were implemented at Paramo totalling CZK 14.4 million, and included in particular the following:

- Completion of the reconstruction of the VR52 tank at the plant P02 (Pardubice plant).
- Replacement of the existing solvent at the selective refining plant (Pardubice plant), where the original cresol was replaced by greener N-Methyl-2 Pyrrolidone (BAT compliance) - completed.

### Benzina

Investment projects in the field of environmental protection have been implemented at Benzina totalling CZK 740 thousand, and included in particular the following

- Replacement of the Bio waste water treatment plant at the filling station 479 Hradec nad Svitavou.
- Continuation of a project for changing the method of disposal of rainwater, which is in various stages of implementation, from the feasibility study stage to the building control stage. This project also includes 42 filling stations of the Benzina network, of which 8 were in 2015 discontinued due to inexpedience.
- The construction of groundwater borehole to enhance the function of the Bio waste water treatment plant at the filling station 196 Šlovice.
- Reconstruction of the waste water treatment plant at the filling station 643 Ostrava-Hrabová in connection with the installation of the new unit for manual pressure car washing.

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

| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|
| Unipetrol Group | 153 | 281 | 213 | 117 | 252 | 320 |

*Environmental operating costs*

Costs associated with the operation of the air protection facilities, wastewater treatment, waste management, environmental management systems, monitoring of substances released in environmental components, evaluation of environmental impact (EIA process), integrated pollution prevention and other related environmental activities are referred to as environmental operating costs.

Development of environmental operating expenditure in 2010 – 2015 is shown in the following table.

**Environmental operating costs in the Group (CZK million)**

| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|
| Unipetrol Group | 902 | 841 | 734 | 679 | 617 | 629 |

*Total environmental costs*

The total costs for environmental protection in the Unipetrol Group include the costs of environmental investments, environmental protection operating costs, costs of remediation of old environmental damage, charges for air pollution, wastewater discharges, waste disposal in landfills, provisioning for landfill reclamation and compensation for pollution damage to forests.

Development of the total cost of environmental protection in 2010 - 2015 is shown in the following table.

**Total environmental costs in the Group (CZK million)**

| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|
| Unipetrol Group | 1,820 | 1,576 | 1,434 | 1,317 | 1,163 | 1,183 |

## 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.

The right to use the logo of the Responsible Care programme was on the basis of the successful public defense in 2014 repeatedly bestowed on UNIPETROL, a.s., and UNIPETROL DOPRAVA, s.r.o. The companies UNIPETROL RPA, s.r.o., UNIPETROL SERVICES, s.r.o., Česká rafinérská, a.s., and PARAMO, a.s., do not use the permission since they are no longer members of the Association of Chemical Industry of the Czech Republic, although they continue in fulfilling the principles.

More information on achievements in environmental protection is published 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 2015 | 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.

### 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 2015**

| 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)] | 34,000,000 | 34,000,000 | 7.95% | 7.95% |

| | | | | |
|---|---|---|---|---|
| Nationale-Nederlanden OFE (fund) [1)] | 39,000,000 | 39,000,000 | 9.12% | 9.12% |
| Others | 236,998,865 | 236,998,865 | 55.41% | 55.41% |
| **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 28 April 2015.

**PKN ORLEN S.A. shareholders structure as of 29 January 2016**

| 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)] | 31,400,000 | 31,400,000 | 7.34% | 7.34% |
| Nationale-Nederlanden OFE (fund) [1)] | 39,000,000 | 39,000,000 | 9.12% | 9.12% |
| Others | 239,598,865 | 239,598,865 | 56.02% | 56.02% |
| **Total** | **427,709,061** | **427,709,061** | **100.00%** | **100.00%** |

[1)] According to the information from the Extraordinary Shareholders Meeting of PKN ORLEN held on 29 January 2016.

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.

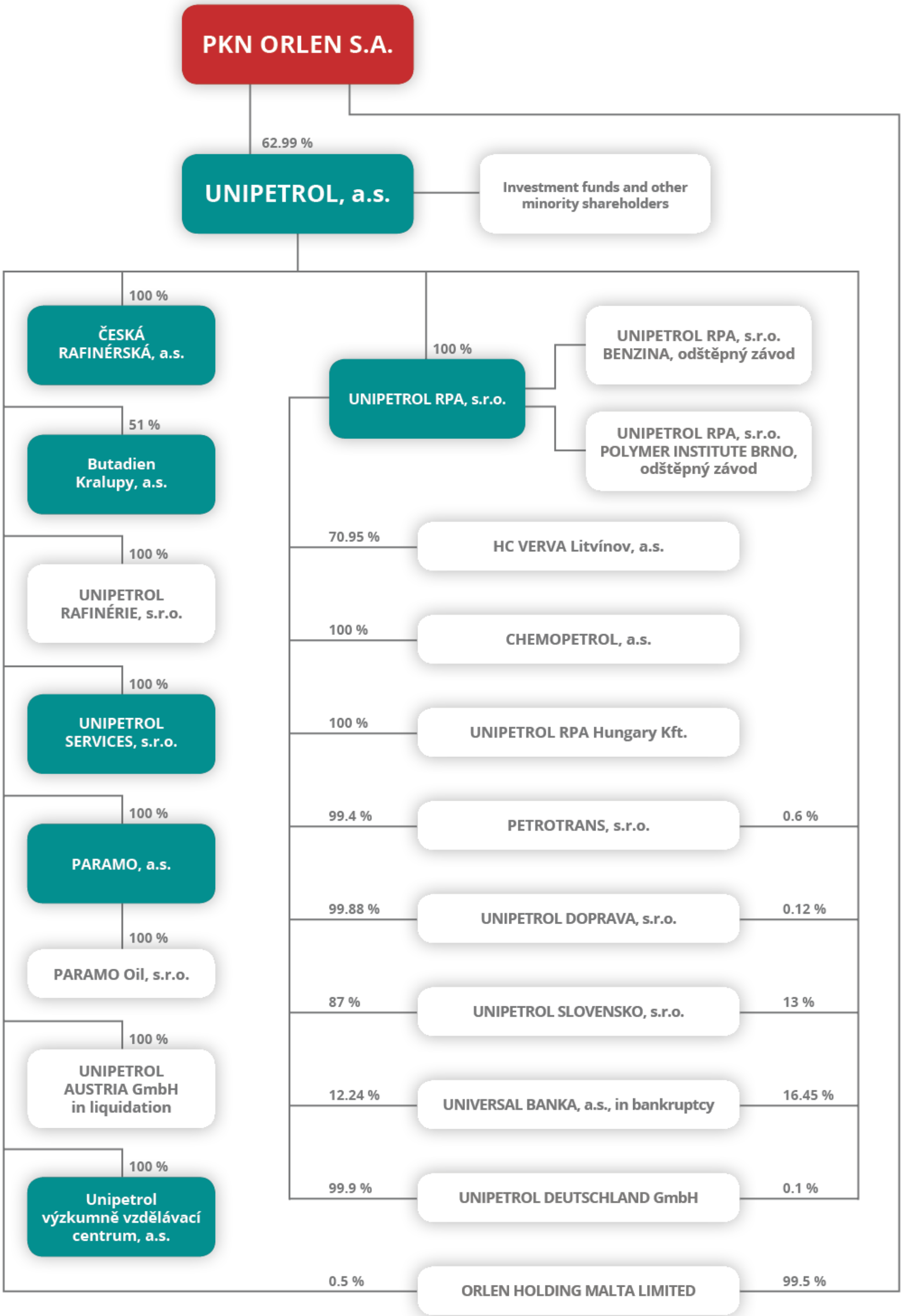
## Main companies of Orlen Group

| Company's name | The scope of business |
|---|---|
| **Production and sales** | |
| PKN ORLEN S.A. | crude oil processing, production of refining and petrochemical products, wholesale and retail sale of products |
| ORLEN Lietuva Group | crude oil processing, production of refining products and wholesale of company's products on the local market as well as inland export and seaborne through seacoast terminal Klajpedos Nafta |
| Unipetrol Group | crude oil processing, production and distribution of refining, petrochemical and chemical products |
| ANWIL Group | production 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 Południe S.A. | crude oil processing, production and sale of biofuels and oils, logistic and warehousing services, waste oils processing, manufacture and sale of oil bases, heating oils and organic solvents |
| ORLEN Oil Group | production, distribution and sale of grease oils, lubricants, oil bases, car care products and maintenance liquids |
| ORLEN Paliwa Sp. z o.o. | wholesale of liquid fuels and LPG |
| ORLEN Asfalt Sp. z o.o. | sales of road asphalt, modified, multi-type, industrial and asphalt specifics |
| Inowrocławskie Kopalnie Soli SOLINO S.A. | oil and fuels warehousing, packaging of salt and brine extraction |
| ORLEN Deutschland GmbH | retail sales of fuels in Germany |
| Petrolot Sp. z o.o. | distribution of aviation and automotive fuels, fuels warehousing, storing, filling, and dispatching services |

| | |
|---|---|
| **Services** | |
| 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 Serwis S.A. | repairs and maintenance services of electronic and optical equipment |
| 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** | |
| ORLEN Upstream Group | production of hydrocarbons in the Canadian market and conduct exploration and extraction projects in the Polish market |

# 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 30 April 2015, the transaction of acquisition of 303,301 shares of ČESKÁ RAFINÉRSKÁ, a.s., amounting to 32.445% of the ČESKÁ RAFINÉRSKÁ, a.s., share capital from Eni International B.V. Unipetrol thus acquired 100% share of share capital of ČESKÁ RAFINÉRSKÁ, a.s.

On 1 January 2016, BENZINA, s.r.o. (dissolved company), was merged with UNIPETROL RPA, s.r.o. (successor company). UNIPETROL RPA, s.r.o., as legal successor established a branch UNIPETROL RPA, s.r.o. - BENZINA, registered branch.

On 31 December 2015, POLYMER INSTITUTE BRNO, spol. s r.o. (dissolved company), was merged with UNIPETROL RPA, s.r.o. (successor company). UNIPETROL RPA, s.r.o., as legal successor established a branch UNIPETROL RPA, s.r.o. - POLYMER INSTITUTE BRNO, registered branch.

On 31 December 2015, MOGUL SLOVAKIA, s.r.o. (dissolved company), was merged with UNIPETROL SLOVENSKO s.r.o. (successor company).

As of 1 January 2016 the company Výzkumný ústav anorganické chemie, a.s. was changed the name as Unipetrol výzkumně vzdělávací centrum, a.s.

The liquidation process of UNIPETROL AUSTRIA GmbH is ongoing.

There were no other changes during 2015 and during 2016 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%), UNIPETROL SLOVENSKO s.r.o. (87%), UNIPETROL DEUTSCHLAND GmbH (99.9%), CHEMOPETROL, a.s. (100%) and HC Verva Litvínov, a.s. (70.95%), which did not change during 2015 and during 2016 till the Annual Report approval date on 15 March 2016. After the merger of BENZINA, s.r.o., with UNIPETROL RPA, s.r.o., UNIPETROL RPA, s.r.o. acquired interest of 99.4% in PETROTRANS, s.r.o.

On 9 November 2015, UNIPETROL RPA, s.r.o., established a new subsidiary in Hungary - UNIPETROL RPA Hungary Kft., headquartered in 1042 Budapest, Árpád út 48-50. I. em. 5., Hungary. The scope of the operation of UNIPETROL RPA Hungary Kft. is wholesale of solid, liquid and gaseous fuels and related products and retail sale of automotive fuel in specialized stores. UNIPETROL RPA, s.r.o., holds 100% interest in the company.

CHEMAPOL (SCHWEIZ) AG was liquidated and deleted from Commercial register.

### PARAMO, a.s.

PARAMO, a.s., is the sole owner of Paramo Oil, s.r.o. There were no changes during 2015 and during 2016 till the Annual Report approval date on 15 March 2016.

MOGUL SLOVAKIA, s.r.o., was merged with UNIPETROL SLOVENSKO s.r.o., and with effect as at 31 December 2015 it ceased to exist.

**Ownership interests held by UNIPETROL, a.s. as of 31 December 2015**

| 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 | 100.00 |
| 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 2015 and 15 March 2016: UNIPETROL, a.s., holds 100% of the registered capital.

UNIPETROL RPA, s.r.o., established two registered branches: UNIPETROL RPA, s.r.o. - BENZINA, registered branch and UNIPETROL RPA, s.r.o. - POLYMER INSTITUTE BRNO, registered branch.

### 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 as at 31 December 2015

| 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 |
| UNIPETROL RPA Hungary Kft. | Budapešť | 01-09-272652 | 3 000 000 HUF | 100.00 |

### Major ownership interests as at 15 March 2016

| 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 |
| 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 |
| PETROTRANS, s.r.o. | Praha | 25123041 | CZK 16,000,000 | 99.37 |
| UNIPETROL RPA Hungary Kft. | Budapest | 01-09-272652 | HUF 3,000,000 | 100.00 |

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

| (in CZK thousand) | 2015 | 2014 [2)] | 2013 | 2012 [2)] | 2011 |
|---|---|---|---|---|---|
| Total assets | 38,327,642 | 36,839,739 | 35,111,715 | 34,594,261 | 36,233,751 |
| Equity | 14,726,209 | 8,923,351 | 6,352,795 | 8,066,486 | 7,713,879 |
| Registered capital | 11,147,964 | 11,147,964 | 11,147,964 | 11,147,964 | 11,147,964 |
| Liabilities | 23,601,433 | 27,916,388 | 28,758,920 | 26,527,775 | 28,519,871 |
| Total revenues | 102,227,194 | 115,493,964 | 91,177,542 | 99,205,899 | 91,768,413 |
| Operating profit / (loss) | 6,613,358 | 1,673,294 | (1,689,361) | (361,396) | (4,734,976) |
| Profit before tax | 6,741,384 | 1,811,678 | (1,667,932) | (423,155) | (4,991,055) |
| Profit for the accounting period | 5,413,294 | 1,847,933 | (1,538,452) | 280,319 | (4,788,086) |

[1)] Unconsolidated data under IFRS

[2)] Reclassified

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 2015: UNIPETROL, a.s. holds 100% of the registered capital.

Ownership structure as of 15 March 2016: BENZINA, s.r.o., ceased to exist by merger by amalgamation with UNIPETROL RPA, s.r.o. UNIPETROL RPA, s.r.o., established a branch: UNIPETROL RPA, s.r.o. - BENZINA, registered branch.

### 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 as at 31 December 2015

| 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) | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Total assets | 5,598,237 | 6,079,132 | 6,040,761 | 6,573,407 | 6,836,877 |
| Equity | 3,852,194 | 3,442,606 | 3,164,703 | 3,168,229 | 3,226,785 |
| Registered capital | 1,860,779 | 1,860,779 | 1,860,779 | 1,860,779 | 1,860,779 |
| Liabilities | 1,746,043 | 2,636,526 | 2,876,058 | 3,405,178 | 3,610,092 |
| Total revenues [2)] | 9,577,573 | 11,263,960 | 10,543,572 | 10,445,125 | 9,892,207 |

| | | | | | |
|---|---|---|---|---|---|
| Operating profit / (loss) | 503,175 | 324,517 | 142,452 | 130,013 | 292,960 |
| Profit before tax | 509,195 | 328,731 | (11,044) | (36,256) | 127,976 |
| Profit for the accounting period | 409,423 | 277,906 | (3,515) | 1,278 | 113,028 |

[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 relating to sales outside Unipetrol group.

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 2015:

| | |
|---|---|
| **UNIPETROL, a.s.** | **100.00%** |

### 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) | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Total assets | 10,100,943 | 9,267,190 | 15,628,933 | 16,541,481 | 24,146,521 |
| Equity | 5,084,710 | 4,056,052 | 9,558,379 | 10,733,316 | 17,054,888 |
| Registered capital | 9,348,240 | 9,348,240 | 9,348,240 | 9,348,240 | 9,348,240 |
| Liabilities | 5,016,234 | 5,211,138 | 6,070,553 | 5,808,166 | 7,091,632 |
| Total revenues | 9,127,651 | 9,131,850 | 8,834,447 | 9,711,405 | 9,051,131 |
| Operating profit / (loss) | 970,215 | (6,165,710) | 748,240 | (7,470,600) | 273,994 |
| Profit before tax | 974,514 | (6,165,040) | 754,045 | (7,449,411) | 293,324 |
| Profit for the accounting period | 686,679 | (4,998,903) | 625,067 | (6,046,688) | 238,892 |

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 2015 and 15 March 2016: 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 as at 31 December 2015

| 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 |

MOGUL SLOVAKIA, s.r.o., was merged with UNIPETROL SLOVENSKO s.r.o., and with effect as at 31 December 2015 it ceased to exist.

### Ownership interest as at 15 March 2016:

| Company | Based at | Company No. | Registered capital | Ownership interest % of registered capital |
|---|---|---|---|---|
| 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) | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Total assets | 1,254,929 | 1,446,947 | 1,502,250 | 1,264,618 | 2,430,892 |
| Equity | 186,951 | 156,746 | 368,490 | (139,906) | 445,497 |
| Registered capital | 2,036,078 | 2,036,078 | 2,036,078 | 1,330,078 | 1,330,078 |
| Liabilities | 1,067,978 | 1,290,201 | 1,133,760 | 1,404,524 | 1,985,395 |

| | | | | | |
|---|---|---|---|---|---|
| Total revenues | 2,693,956 | 3,247,132 | 2,988,433 | 5,494,934 | 11,816,243 |
| Operating profit / (loss) | 34,969 | (205,621) | (195,354) | (384,239) | (1,962,263) |
| Profit before tax | 30,191 | (211,618) | (192,807) | (287,462) | (1,978,497) |
| Profit for the accounting period | 30,191 | (211,618) | (197,542) | (585,403) | (1,671,307) |

[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 2015 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 2015 is shown in the following tables:**

### UNIPETROL, a.s.

| Company | Sale/purchase/other | Subject matter |
|---|---|---|
| UNIPETROL SLOVENSKO s.r.o. | Loan agreement | Provision of loan |
| UNIPETROL RPA, s.r.o. | Settlement agreement | Settlement of mutual rights and obligations |
| Komerční banka, a.s. | Framework agreement on financial services | Provision of loan |
| ČESKÁ RAFINÉRSKÁ, a.s. | Agreement on provision of loans | Provision of loan |
| ČESKÁ RAFINÉRSKÁ, a.s. | Agreement on provision of loans | Provision of loan |
| ČESKÁ RAFINÉRSKÁ, a.s. | Loan agreement | Provision of loan |
| UniCredit Bank Czech Republic and Slovakia, a.s. | Custody agreement | Custody and settlement of securities |

### BENZINA, s.r.o.

| Company | Sale/purchase/other | Subject matter |
|---|---|---|
| ELIT CZ, spol. s r.o. | Framework agreement | Agreement on use of payment cards BENZINA |
| PETROTRANS, s.r.o. | Framework agreement | Agreement on use of payment cards BENZINA |
| PETRA, spol. s r.o. | Framework agreement | Agreement on use of payment cards BENZINA |
| HUAWEI Technologies (Czech) s.r.o. | Framework agreement | Agreement on use of payment cards BENZINA |
| Luděk Štork | Framework agreement | Agreement on use of payment cards BENZINA |
| Česká energie, a.s. | Framework agreement | Agreement on cooperation on energy supplies |
| JIP Východočeská, a.s. | Framework agreement | Agreement on logistics services and intermediation of offtake of goods |

## ČESKÁ RAFINÉRSKÁ, a.s.

| Company | Sale/purchase/other | Subject matter |
|---|---|---|
| INELSEV Servis, s.r.o. | Work contract | Providing of maintenance MaR + ELE - Litvínov |
| Slovenské elektrárne, a.s. - o.s. | Purchase agreement | Electricity supplies to Litvínov – lowering of price for 2015 |
| CB&I, s.r.o. | Work contract | NHCU regeneration - implementation |
| ELMEP, s.r.o. | Work contract | Providing of maintenance MaR + ELE - Kralupy |
| EUROMONT GROUP, a.s. | Work contract | Production of JET - A1 |
| Intecha, spol. s r.o. | Work contract | Improving the reliability of CCR – other parts – implementation |
| CHEMPEX - HTE, a.s. | Work contract | Improving the reliability of CCR – part of furnace |
| MARSH, s.r.o. | Insurance contract | Insurance for the environmental damage and responsibility |
| EUROMONT GROUP, a.s. | Work contract | Improving of reliability of SRU Litvínov |
| SAM SHIPBUILDING AND MACHINERY a.s. | Work contract | TA2016 7 mechanical/construction work AVD |
| EUROMONT GROUP, a.s. | Work contract | VNR EPC |
| RWE Energie, s.r.o. | Purchase agreement | Natural gas supplies for 2015 - amendment 1 |
| Invensys Systems, s.r.o. | Work contract | Modernization of DCS Litvínov |
| Mostecká montážní, a.s. | Work contract | VNR OPEX |

## PARAMO, a.s.

| Company | Sale/purchase/other | Subject matter |
|---|---|---|
| VÍTKOVICE, a.s. | Framework agreement on deliveries of goods | Supply and sale – basic crude oil products |
| UNIPETROL RPA, s.r.o. | Agreement on gas supplies | Offtake and purchase of gas |
| ORLEN OIL Sp. z o.o.. | Sale agreement | Sale of oils |
| ROADMEDIC s.r.o. | Framework purchase agreement | Emulsions supplies |
| SÚS Kralovéhradeckého kraje a.s. | Purchase agreement | Supply and sale of emulsions |
| České dráhy, a.s. | Purchase agreement | Supply and sale of gear oils |
| Total Romania SA | Purchase agreement | Supply and sale of base oils |
| agriKomp, s.r.o. | Purchase agreement | Supply and sale of lubricants |
| Správa a údržba silnic Plzeňského kraje | Framework purchase agreement | Supply and sale of emulsions |
| Vodovody a kanalizace a.s. | Water supply agreement | Water supplies |

## UNIPETROL DOPRAVA, s.r.o.

| Company | Sale/purchase/other | Subject matter |
|---|---|---|
| UNIPETROL SERVICES, s.r.o. | Services agreement | Amendment No. 14 to the Service Level Agreement - stipulation of budget for Year 2015 and update of appendices (scope of provided services) |
| Synthesia, a.s. | Agreement on the shipping | Addendum No. 8 - Contract for transport of goods (No. 57-2011; No. 00000360) - stipulation of siding fee, transport prices, spedition margin and list of rented rail wagons in 1.1. - 31. 12. 2015. |
| UNIPETROL RPA, s.r.o. | Work contract | Agreement on providing services of railway workshops No. 806-2014 |
| UNIPETROL RPA, s.r.o. | Work contract | Agreement on providing of services of cleaning of railway wagons and services of operation of ammonia filling station No. 67-2015 |
| UNIPETROL RPA, s.r.o. | Contract for lease of vehicle | Contract for lease of railway wagons No. 42-2015 - lease of railway wagons owned by third |

| | | |
|---|---|---|
| | | parties |
| UNIPETROL RPA, s.r.o. | Contract for lease of vehicle | Contract for lease of railway wagons No. 807-2014 - lease of railway wagons owned by UNIDO |
| UNIPETROL RPA, s.r.o. | Agreement on the shipping | Contract for providing transport services No. 804-2014 - transport of goods on regional, interstate and international railroad |
| UNIPETROL RPA, s.r.o. | Agreement on the shipping | Contract for providing transport services on sidings No. 803-2014 - transport of goods on sidings in Litvínov and Kralupy nad Vltavou |
| QBE INSURANCE (EUROPE) LIMITED, branch | Insurance police | Contract on insurance No. 7-863-000435/15 - Renewal of contract on insurance against responsibility for damage including damage that will be committed by the company in the function of railway forwarder in accordance with Act. No. 266/1994 Coll., Act No. 164/1996 Coll. (Slovak) and Act. No. 59/2006. it means damage on property, health, lost profit and ecological damage |
| ČESKÁ RAFINÉRSKÁ, a.s. | Agreement on the shipping | Addendum No. 1 - Contract on providing of transport services No. SSN_2014_159_00 - update of 3 articles in actual contract, primarily reduction of contractual due date from 60 days to 30 days |
| ČESKÁ RAFINÉRSKÁ, a.s. | Agreement on the shipping | Amendment No. 1 - Contract on providing of transports on sidings No. SSN_2014_160_00 - update of 7 articles in actual contract, primarily reduction of contractual due date from 60 days to 30 days |
| ČESKÁ RAFINÉRSKÁ, a.s. | Work contract | Addendum No. 1 - Contract on providing services of cleaning of wagons No. SSN_2014_162_00 - especially reduction of contractual due date to 30 days |
| PARAMO, a.s. | Agreement on the shipping | Amendment No. 29 to the Contract on providing of transport services - establishing of sidings fees (Pardubice + Kolín), price for transports and rental prices of RTC for year 2015. Reduction of 3 shift operation to just 8 hour operation - lower volumes due to pipe installation |
| UNIPETROL RPA, s.r.o. | Lease agreement | Contract on lease of sidings: UNIPETROL DOPRAVA, s.r.o., Kaučuk Základní závod and Kaučuk SKP Úžice - lease of strategic property, which will be transferred to UNIPETROL RPA, s.r.o. on basis of SPIN OFF |
| Railpool Austria GmbH | Contract for lease of vehicle | Lease contract - lease of loco TRAXX F140 MS DAPL |
| UNIPETROL RPA, s.r.o.<br>ČESKÁ RAFINÉRSKÁ, a.s. | Agreement on the shipping | Contract for providing transport services on sidings - transport of goods on sidings in Litvínov and Kralupy nad Vltavou |
| UNIPETROL RPA, s.r.o. | Settlement agreement | Agreement on settlement - reconciliation for legal acts made between 1st January 2015 - 25th of June 2015 in relation to the strategic assets (spin off) |
| Railpool Austria GmbH | Contract for lease of vehicle | Lease contract - lease of loco TRAXX MS DAPLCZSK |

## 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 |
| Czech Airlines 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 GmbH | 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 |
| 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 |
|---|---|---|
| T a M trans spedition, s.r.o. | Sale agreement | Sale of motor fuels |
| Eni Hungaria Zrt. | Sale agreement | Sale of motor fuels |
| TESCO STORES SR, a.s. | Sale agreement | Sale of motor fuels |
| AUCHAN MAGYARORSZÁG Kft. | Sale agreement | Sale of motor fuels |
| Real - H.M. s.r.o. | Sale agreement | Sale of motor fuels |
| DALITRANS s.r.o. | Sale agreement | Sale of motor fuels |
| VOMS s.r.o. | Sale agreement | Sale of motor fuels |
| W.A.G. payment solutions SK, s.r.o. | Sale agreement | Sale of motor fuels |
| RAL group s.r.o. | Sale agreement | Sale of motor fuels |
| PETROLTRANS, a.s. | Sale agreement | Sale of motor fuels |
| BENZINOL SLOVAKIA s.r.o. | Sale agreement | Sale of motor fuels |
| AVIA DIESEL 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) | 2015 Consolidated | 2015 Non-consolidated |
|---|---:|---:|
| Audit fees [1] | 7,410 | 637 |
| Fees for consulting services and translation [1] | 490 | 0 |

[1] Without VAT.

### Auditor for 2015

| | |
|---|---|
| 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 2015, 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 award for the employees' intellectual work between UNIPETROL RPA, s.r.o. and its two employees. Employees demanded award of approx. CZK 1.8 million. UNIPETROL RPA, s.r.o. as a defendant did not agree and offered the award 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. The claimants have decreased the claimed amount to CZK 68 million.

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 award confirmed by the expert in the expert valuation ordered by the court. The Company paid the award to the second employee based on the expert opinion in January 2016.

### 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., the subsidiary of UNIPETROL, a.s., received a petition from the District Court Ostrava, by which the claimant – I.P. - 95, s.r.o. 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 of CZK 1 742 million, to NESTARMO TRADING LIMITED, Cyprus; 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 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 it can be reasonably expects that the damages compensation claim against UNIPETROL RPA, s.r.o. will be rejected by the relevant court.

On 31 July 2015, the Regional Court resolved to annul the resolution of District Court in Ostrava allowing for the Cypriot company, NESTARMO TRADING LIMITED, to accede the court proceedings as plaintiff. On 12 January 2016 the District Court in Ostrava dismissed the motion of I.P. – 95, s.r.o. to allow for the Cypriot company, NESTARMO TRADING LIMITED, to accede the court proceedings as plaintiff.

Management of the Group does not recognize the alleged claim and considers the claim as unjustified and unfounded.

### Purchase of shares of PARAMO, a.s.

In January 2009 UNIPETROL, a.s. effected a squeeze out of PARAMO, a.s. shares 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. monetary consideration of CZK 977 per share 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.

On 23 June 2015 the court decided to appoint another expert witness - Expert Group, s.r.o. having its registered seat at Radniční 133/1, České Budějovice - to provide a valuation of the PARAMO, a.s. shares.

### Tax proceeding of UNIPETROL RPA, s.r.o.

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. The case is now pending with the Regional Court in Ústi nad Labem.

*UNIPETROL RPA, s.r.o. complaint for annulment of the tax authority decisions*

On 14 October 2015, the Czech Supreme Administrative Court annulled the Regional Court in Ústi nad Labem judgment and decided to return the case back to the Regional Court in Ústí nad Labem for re-examination. The Supreme Administrative Court commented that the Regional Court did not correctly deal with the legitimate expectations objection raised by UNIPETROL RPA, s.r.o. The case is now pending with the Regional Court in Ústi nad Labem.

### Tax proceeding of Butadien Kralupy, a.s.

Butadien Kralupy, a.s. (UNIPETROL, a.s. is an owner of a 51% share) is a participant to tax proceeding initiated by Butadien Kralupy, a.s. by the submission of additional tax returns for the tax periods 2011, 2012 and 2013 to the Specialized Revenue Office on 31 October 2014. In these tax returns the company applied for tax credits for the income of legal entities for all the mentioned tax periods in accordance to the Investment Incentives Act and the relevant decision of the Ministry of Industry and Trade about the promise of investments incentives from 20 May 2008. This decision of the Ministry of Industry and Trade lead to the investment incentives for Butadien Kralupy, a.s. – an income tax credit in the maximum amount of CZK 540 million. In the letters from 28 November 2014 the Specialized Revenue Office contested the tax credit and asked Butadien Kralupy, a.s. to offer a response to the alleged breach of conditions relevant for the use of the investment incentives as stated in the Investment Incentives Act by Butadien Kralupy, a.s.

Butadien Kralupy, a.s. responded on 14 January 2015 and insisted that it should be provided with the tax credit. The Specialized Revenue Office on 3 and 4 September 2015 published additional tax bills which were the reason why the tax credits of Butadien Kralupy, a.s. were not recognized. The income tax of Butadien Kralupy, a.s. for the period from 2011 to 2013 is approximately CZK 104.2 million without the tax credit claim. On 8 October 2015 Butadien Kralupy, a.s. filed an appeal against additional tax bills for the years 2011, 2012 and 2013. Butadien Kralupy, a.s. argued that it had fulfilled all the conditions relevant for the use of investment incentives, and asked that the tax credit was provided in accordance to the relevant decision of the Ministry of Industry and Trade about the promise of investment incentives. Currently, the proceedings in which the revenue office will decide on the appeal are ongoing.

The revenue office started a process to eliminate any uncertainty of and the relation to the income tax for 2014. The income tax of Butadien Kralupy, a.s. for 2014 without the tax credit claim is approximately CZK 68.5 million.

## Information on the interruption of business

The issuer did not interrupt its business in 2015.

## 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 35).

# 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) and PAULININO LIMITED[1] with ownership interest of 23.70% are the only shareholders whose share of share capital, and thereby of voting rights, exceeds 5%.

Until the end of 2015 and during 2016 up to the Annual Report closing date, Unipetrol was not informed about any 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

### Changes to the Articles of Association of UNIPETROL, a.s. in 2015

The General Meeting of UNIPETROL, a.s. held on 2 June 2015 decided pursuant to item 15 of the agenda pursuant to Article 8 (8.2) (a) of the Articles of Association on the changes to the Articles of the Association. The current wording of the UNIPETROL a.s. Articles of Association is available at www.unipetrol.cz.

## 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,
- 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

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[1] As of 19 March 2014 (last available data) - According to notification received on 31 March 2014 PAULININOLIMITED holds directly 17.97% share of votes and 5.73% shares of votes is held by following companies acting in concert with PAULININO LIMITED under a contract: EGNARO INVESTMENTS LIMITED, LEVOS LIMITED, LCE COMPANY LIMITED, NEEVAS INVESTMENT LIMITED, UPRECHT INVESTMENT LIMITED, MUSTAND INVESTMENT LIMITED. For more information 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

# 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 (l) 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 2015 (in millions of CZK) is as follows:

| | |
|---|---|
| Share capital | 18,133 |
| Revaluation reserve | 503 |
| Retained earnings | 10,193 |
| Total equity | 28,829 |

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%,
- PAULININO LIMITED[2] - shareholding (direct or indirect) in the amount of 23.70%.

Until the end of 2015 and during 2016 up to the Annual Report closing date, Unipetrol was not informed about any other change of stake in the share capital.

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.

[2] As of 19 March 2014 (last available data) - According to notification received on 31 March 2014 PAULININOLIMITED holds directly 17.97% share of votes and 5.73% shares of votes is held by following companies acting in concert with PAULININO LIMITED under a contract: EGNARO INVESTMENTS LIMITED, LEVOS LIMITED, LCE COMPANY LIMITED, NEEVAS INVESTMENT LIMITED, UPRECHT INVESTMENT LIMITED, MUSTAND INVESTMENT LIMITED. For more information 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

### 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 and in the Commercial Bulletin.

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 2015):

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. 15–17 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. of Articles of Association, 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 2015 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.:

- Management of operators' competencies
- Polymers price setting
- Payment process
- Production preparation and planning
- Management of maintenance and spare parts
- Sale of heavy fuel oils and fuels
- Accredited Inspection
- Accredited laboratory
- CAPEX

- Asset management
- Sustainability of biofuels
- Procurement and direct orders
- Work safety
- Fuels losses (Wet stock losses)

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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.

We have audited the accompanying separate financial statements of UNIPETROL, a.s., prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the separate statement of financial position as of 31 December 2015, 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, 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 about 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.

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Obchodní rejstřík vedený Městským soudem v Praze oddíl C, vložka 24185.

IČ 49619187
DIČ CZ699001996

*Opinion*

In our opinion, the separate financial statements give a true and fair view of the unconsolidated financial position of UNIPETROL, a.s. as of 31 December 2015, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

*Other Information*

Other information is defined as information (other than the separate financial statements and our auditor's report) included in the annual report. The statutory body is responsible for the other information. In connection with our audit of the separate financial statements, our responsibility is to report on the other information.

As described in Note 1 to these separate financial statements, UNIPETROL, a.s. has not prepared an annual report as it included the respective information in a consolidated annual report. Consequently, this auditor's report does not include our statement on the other information.

Prague
15 March 2016

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 2015

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## 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 | 2015 | 2014 |
|---|---|---|---|
| **Statement of profit or loss** | | | |
| Revenues | 6. | 167 | 155 |
| Cost of sales | 7.1. | (90) | (86) |
| **Gross profit on sales** | | **77** | **69** |
| Administrative expenses | 7.2. | (214) | (202) |
| Other operating income | 8.1. | 6 | 22 |
| Other operating expenses | 8.2. | (51) | (1) |
| **Profit from operations** | | **(182)** | **(112)** |
| Finance income | 9.1. | 2 352 | 549 |
| Finance costs | 9.2. | (38) | (104) |
| **Net finance income** | | **2 314** | **445** |
| **Profit before tax** | | **2 132** | **333** |
| Tax expense | 10. | 11 | (5) |
| **Net profit** | | **2 143** | **328** |
| **Total net comprehensive income** | | **2 143** | **328** |
| Net profit and diluted net profit per share (in CZK per share) | 18.6. | 11.82 | 1.81 |

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 98-126.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## Separate statement of financial position

| | Note | 31/12/2015 | 31/12/2014 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 11. | 9 | 9 |
| Investment property | 12. | 1 161 | 1 156 |
| Shares in related parties | 13. | 17 582 | 14 542 |
| Other non-current assets | 14. | 24 | 1 472 |
| | | **18 776** | **17 179** |
| **Current assets** | | | |
| Trade and other receivables | 15. | 142 | 165 |
| Other financial assets | 16. | 7 217 | 15 058 |
| Current tax assets | | 16 | 12 |
| Cash and cash equivalents | 17. | 5 435 | 516 |
| | | **12 810** | **15 751** |
| **Total assets** | | **31 586** | **32 930** |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Share capital | 18.1. | 18 133 | 18 133 |
| Statutory reserves | 18.2. | - | 1 719 |
| Revaluation reserve | 18.3. | 503 | 503 |
| Retained earnings | 18.4. | 10 193 | 6 331 |
| **Total equity** | | **28 829** | **26 686** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Loans and borrowings | 19. | - | 4 000 |
| Provisions | 20. | 50 | - |
| Deferred tax liabilities | 10.2. | 100 | 113 |
| | | **150** | **4 113** |
| **Current liabilities** | | | |
| Trade and other liabilities | 21. | 145 | 135 |
| Loans and borrowings | 19. | - | 21 |
| Other financial liabilities | 22. | 2 462 | 1 975 |
| | | **2 607** | **2 131** |
| **Total liabilities** | | **2 757** | **6 244** |
| **Total equity and liabilities** | | **31 586** | **32 930** |

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 98-126.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## Separate statement of changes in equity

| | Share capital | Statutory reserves | Revaluation reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|
| **Note** | 18.1. | 18.2. | 18.3. | 18.4. | |
| 01/01/2015 | 18 133 | 1 719 | 503 | 6 331 | 26 686 |
| Net profit | - | - | - | 2 143 | 2 143 |
| **Total net comprehensive income** | **-** | **-** | **-** | **2 143** | **2 143** |
| Transfer of statutory reserves to retained earnings | - | (1 719) | - | 1 719 | - |
| **31/12/2015** | **18 133** | **-** | **503** | **10 193** | **28 829** |
| 01/01/2014 | 18 133 | 1 672 | 503 | 6 050 | 26 358 |
| Net profit | - | - | - | 328 | 328 |
| **Total net comprehensive income** | **-** | **-** | **-** | **328** | **328** |
| Allocation of profit | - | 47 | - | (47) | - |
| **31/12/2014** | **18 133** | **1 719** | **503** | **6 331** | **26 686** |

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 98-126.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## Separate statement of cash flows

| | Note | 2015 | 2014 |
|---|---|---|---|
| **Cash flows - operating activities** | | | |
| **Net profit** | | **2 143** | **328** |
| Adjustments for: | | | |
| Depreciation and amortisation | 7. | - | 1 |
| Foreign exchange gain | | (4) | (19) |
| Interest and dividends, net | | (391) | (448) |
| Profit on investing activities | | (1 928) | - |
| Change in provisions | | 50 | - |
| Tax expense/(credit) | 10. | (11) | 5 |
| Change in working capital | | 32 | (14) |
| *receivables* | | 22 | (13) |
| *liabilities* | | 10 | (1) |
| Income tax (paid) | | (5) | 9 |
| **Net cash used in operating activities** | | **(114)** | **(138)** |
| **Cash flows - investing activities** | | | |
| Disposal of property, plant and equipment and intangible assets | | 1 | - |
| Acquisition of shares in ČESKÁ RAFINÉRSKÁ, a.s. | | (1 118) | (551) |
| Dividends received | | 330 | 359 |
| Interest received | | 103 | 192 |
| Proceeds/(Outflows) from loans granted | | 13 473 | (2 076) |
| Proceeds/(Outflows) from cash pool assets | | (4 188) | (249) |
| **Net cash provided by/(used in) investing activities** | | **8 601** | **(2 325)** |
| **Cash flows - financing activities** | | | |
| Change in loans and borrowings | | (4 000) | 1 734 |
| Proceeds/(Outflows) from cash pool liabilities | | 486 | 1 150 |
| Interest paid | | (52) | (76) |
| Other | | (6) | (4) |
| **Net cash provided by/(used in) financing activities** | | **(3 572)** | **2 804** |
| **Net increase in cash and cash equivalents** | | **4 915** | **341** |
| Effect of exchange rate changes | | 4 | 17 |
| Cash and cash equivalents, beginning of the year | | 516 | 158 |
| **Cash and cash equivalents, end of the year** | **17.** | **5 435** | **516** |

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 98-126.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## 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 Pankráci 127
140 00 Praha 4
Czech Republic

*Principal activities*
The Company operates as a holding company covering and administering a group of companies (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 2015 were 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% |
| PAULININO LIMITED* | 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 PAULININO LIMITED holds directly 17.97% share of votes and 5.73% share of votes is held by following companies acting in concert with PAULININO LIMITED under a contract: 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 2015 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 Robert Jędrzejczyk |
| | Member | Piotr Robert Kearney |
| | Member | Zdeněk Černý |
| | Member | Krystian Pater |
| | Member | Rafał Sekuła |
| | Member | Piotr Chełminski |
| | Member | Bogdan Dzudzewicz |

Changes in the Board of Directors in 2015 were as follows:

| Position | Name | Change | Date of change |
|---|---|---|---|
| Vice-chairman | Piotr Wielowieyski | Re-elected to the office | 28 March 2015 |
| Chairman | Marek Świtajewski | Re-elected to the office | 25 June 2015 |
| Member | Martin Durčák | Re-elected to the office | 5 December 2015 |

Changes in the Supervisory Board in 2015 were as follows:

| Position | Name | Change | Date of change |
|---|---|---|---|
| Vice-chairman | Ivan Kočárník | Re-elected to the office | 25 June 2015 |
| Member | Bogdan Dzudzewicz | Re-elected to the office | 25 June 2015 |

UNIPETROL, a.s. has not prepared a separate annual report as it included the respective information in a consolidated annual report.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## 2. STATEMENTS OF THE BOARD OF DIRECTORS

The Board of Directors of UNIPETROL, a.s. hereby declares that to the best of its knowledge the foregoing separate financial statements and comparative data were prepared in compliance with the accounting principles adopted by the Company in force (disclosed in note 3) and that they reflect a true and fair view on the financial position and financial results, including basic risks and exposures.

## 3. ACCOUNTING PRINCIPLES

### 3.1. Principles of preparation of financial statements

The separate 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 2015. The 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 separate 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 2015, results of its operations and cash flows for the year ended 31 December 2015.
These separate financial statements have been prepared on a going concern basis. As at the date of approval of the financial statements there is no uncertainty that the Company will not be able to continue as a going concern in the foreseeable future.
The separate financial statements, except for the statement of cash flows, are prepared on the accrual basis of accounting.

### 3.2. Impact of IFRS amendments and interpretations on separate 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 2015 until the date of publication of these separate financial statements had no impact on the foregoing separate financial statements.

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

| Standards and Interpretations adopted by the EU | Possible impact on financial statements |
|---|---|
| Amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions | no impact expected |
| Improvements to IFRS 2010-2012; 2012-2014 | no impact expected |
| Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations | no impact expected |
| Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Agriculture: Bearer Plants | no impact expected |
| Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation | no impact expected |
| Amendments to IAS 1 Presentation of Financial Statements: Disclosure initiative | no impact expected |
| Amendments to IAS 27 Separate Financial Statements: Equity Method in Separate Financial Statements | no impact expected |

#### 3.2.3. Standards, amendments and interpretations adopted by International Accounting Standards Board, waiting for approval of the European Union

| Standards and Interpretations waiting for approval of the EU | Possible impact on financial statements |
|---|---|
| New standard IFRS 9 Financial Instruments | impact* |
| New standard IFRS 14 Regulatory Deferral Accounts | no impact expected |
| New standard IFRS 15 Revenue from Contracts with Customers | impact** |
| Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates: Sale or Contribution of Assets between an Investor and its Associate of Joint Venture | no impact expected |
| Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interest in Other Entities and IAS 28 Investments in Associates and Joint Ventures: Investment Entities: Applying the Consolidation Exception | no impact expected |
| IFRS 16 Leasing | impact*** |
| Amendments to IAS 7 Statement of Cash Flows: Disclosure initiative | no impact expected |
| Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses | no impact expected |

*At the time of the implementation of the new IFRS 9, allocation of the appropriate financial assets to the new categories of financial instruments will be made.
**At the time of the implementation, i.e. on 1 January 2017, the impact of the new IFRS 15 will depend on the specific facts and conditions of the contracts with customers, to which the Company will be a party.
***At the time of implementation, the impact of the new IFRS 16 will depend on the specific facts and circumstances relating to the lease contracts, to which the Company will be a party.

### 3.3. Functional currency and presentation currency

These separate 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.

### 3.4. Applied accounting policies

#### 3.4.1. Changes 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 the case of a 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 equity. When preparing the financial statements it is assumed that the errors were corrected in the period in which they occurred.

#### 3.4.2. Transactions in foreign currency

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.
At the end of the reporting period:
- foreign currency monetary items including units of currency held by the Company as well as receivables and liabilities due in defined or definable units of currency are translated using the closing rate, i.e. spot exchange rate as at the end of the reporting period,
- non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition as finance income or expense in the period in which they arise, except for monetary items which hedge the currency risk are accounted for in accordance with cash flow hedge accounting principles.

#### 3.4.3. Revenues

Revenues from sales (from operating activity) include revenues that relate to core activities, i.e. activities for which the Company was founded, revenues are recurring and are not of incidental character.
Revenues from sales are recognized 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 the sale of goods and services are recognized when the Company has transferred to the buyer the significant risks and rewards of ownership and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. Revenues include received or due payments for delivered goods and services decreased by the amount of any trade discounts, value added tax (VAT), excise tax and fuel charges.
Revenues are measured at the fair value of the received or due payments. Revenues from sales are adjusted for profit or loss from settlement of cash flow hedging instrumenst related to the above mentioned revenues.
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 is expected to be recovered by the Company.

#### 3.4.4. Costs

Costs (relating to operating activity) include costs that relate to core activities, i.e. activities for which the Company was founded, costs are recurring and are not of incidental character.
Cost of sales comprises costs of finished goods, merchandise and raw materials sold and adjustments related to inventories written down to net realizable value.
Distribution expenses include selling brokerage expenses, trading expenses, advertising and promotion expenses as well as distribution 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 assets, return of court fees, penalties earned, excess 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 the sale of investment property.
Other operating expenses include, in particular, loss on liquidation and sale of non-financial, non-current assets, assets deficit, 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), compensation 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 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 leases, commissions on bank loans, borrowings and guarantees.

### 3.4.7. Tax expense

Income tax expenses include of current tax and deferred tax.
Current tax expense is determined in accordance with the relevant tax law based on the taxable profit for a given period and is recognized as a liability, in the amount which has not been paid or receivable, if the amount of the current and prior periods income tax paid exceeds the amount due.
Deferred tax assets and liabilities are accounted for as non-current are not discounted and are offset in the statement of financial position, if there is a legally enforceable right to offset the recognized amounts.
The transactions settled directly in equity are recognized in equity.

### 3.4.8. Profit/(loss) per share

Basic profit/(loss) per share is calculated by dividing the net profit or loss for a given period which is attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the period.
The Company has no potential dilutive shares.

### 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 (IAS20). 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 also includes 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 recognized (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 lives.
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 |

Residual values, estimated useful lives and depreciation methods are reassessed annually. The adjustments to depreciation expense are accounted for in subsequent period (prospectively).
The costs of significant repairs and regular maintenance programs are recognized as property, plant and equipment and depreciated in accordance with their useful lives. The costs of current maintenance of property, plant and equipment are recognized as an expense when they are 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.
An intangible asset arising from development (or from development phase of an internal project) shall be recognized 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 recognized in profit or loss when incurred.
An intangible asset shall be measured initially at cost, including grants related to assets (IAS20). An intangible asset that is acquired in a business combination, is recognized initially at fair value.
After initial recognition, an intangible asset shall be presented in the financial statements at 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 they become available for use, that is when they are in the location and condition necessary for them 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 or construction 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.

### 3.4.12. Impairment of property, plant and equipment and intangible assets

At the end of the reporting period the Company assesses whether there are any indicators that an asset or cash generating unit (CGU) may be impaired. If any such indicator 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 at the lowest level at which cash flows, independent from cash flows from other assets, are generated (cash generating units).
To the cash generating unit the following assets are allocated:

- goodwill, if it may be assumed, that the cash generating unit benefited from the synergies associated with 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 also carried out annually for intangible assets with an indefinite useful life and for goodwill.
When the 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 recognized immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another standard.

### 3.4.13. Shares in related parties

The investments in subsidiaries, jointly controlled entities and associated, not classified as held for sale (and not included in the group of assets classified as held for sale) in accordance with IFRS 5, are accounted at cost less impairment losses.

### 3.4.14. 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.
Impairment allowances of receivables are based on an individual analysis of the value of held collaterals, and based on the possible compensations of debts, allowances.
Recognition and reversal of impairment losses of receivables are recognized in other operating activity in relation to the principal amount and in financial activities in relation to interest for delayed payments.

### 3.4.15. Cash and cash equivalents

Cash comprises cash on hand and in a bank accounts. Cash equivalents are short-term, highly liquid investments (of original maturity up to three months) that are readily convertible to known amounts of cash and 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.

### 3.4.16. Non-current assets held for sale and discontinued operations

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 assets 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 or fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, or 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 amortized). A gain is recognized for any subsequent increase in fair value less costs to sell an asset, but not in excess of the cumulative impairment loss that has been previously recognized.
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 separate 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.

### 3.4.17. Equity

Equity is recorded in the accounting records by type, in statutory with legal regulations and the Company's articles of association. Equity includes:

#### 3.4.17.1. Share capital

The share capital is paid by shareholders and is stated at nominal value in accordance with the Company's articles of association and the entry in the Commercial Register.

#### 3.4.17.2. Hedging reserve

The hedging reserve relates to valuation and settlement of hedging instruments that meet the criteria of cash flow hedge accounting. The Company applies cash flow hedge accounting to hedge commodity risk, exchange rate risk and interest rate risk. Changes in fair value, which are an ineffective part of the hedge relationship, are recognized in the statement of profit or loss.

#### 3.4.17.3. Revaluation reserve

The Revaluation reserve includes revaluation of items, which, according to the Company's regulations, relates to the revaluation reserve, including particularly:
- change in the fair value of the available-for-sale financial assets;
- differences between the net book value and the fair value of investment property at the date of reclassification from the property occupied by the Company to investment property.

#### 3.4.17.4. Retained earnings

Retained earnings include:
- the amounts arising from profit distribution/loss cover,
- the undistributed result from prior periods,
- the current reporting period profit/loss,
- the corrections (profit/loss) of prior period errors,
- changes in accounting principles,
- other reserve capital as additional payments to equity,
- actuarial gains and losses from retirement benefits.

### 3.4.18. Trade and other liabilities

Liabilities, including trade liabilities, are initially stated at fair value, increased by transaction cost and subsequently, at amortized cost using the effective interest rate method.
Accruals are liabilities due for goods received or services 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 related uncertainty is generally much lower than it is for provisions.

### 3.4.19. 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 more likely 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.
Provisions are not recognized for future operating losses.

#### 3.4.19.1. Environmental provision

The Company creates provisions for future liabilities due to reclamation of contaminated land or water or elimination of harmful substances if there is such a legal or constructive obligation. The environmental provision for reclamation is periodically reviewed on the basis of contaminated assessment.

#### 3.4.19.2. Jubilee bonuses and retirement benefits

Under the Company's remuneration plans, its employees are entitled to jubilee bonuses and retirement benefits. Jubilee bonuses are paid to employees after an elapse of a defined number of years in service. 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 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 assumptions 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.

#### 3.4.19.3. Shield programs

Shield programs provision (restructuring provision) is created when the Company -iniciated a 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.

#### 3.4.19.4. Other provisions

Other provisions include mainly provisions for legal proceedings and are recognized 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 recognizes 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.

### 3.4.20. Government grants

Government grants are transfers of resources to the Company by the 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 in the period they are incurred. Surplus of the received grant over the value of the given cost is presented as other operating income.
If the government grants relate to assets, thet are presented net with the related asset and are recognized in the statement of profit or loss on a systematic basis over the useful life of the related asset through decreased depreciation charges.

### 3.4.21. Separate statement of cash flows

The separate statement of cash flows is prepared using the indirect method.
Cash and cash equivalents presented in the separate 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.
Interests 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.
Interests 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.

### 3.4.22. Financial instruments

#### 3.4.22.1. Measurement of financial assets and liabilities

At initial recognition, the Company measures financial assets and liabilities at their 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.
At the end of the reporting period, the Company measures loans and receivables including trade receivables at amortized cost using the effective interest rate method. Effective interest is the rate which discounts estimated future cash flows or payments made in expected periods until financial instrument expiration, and for shorter periods in justified situations up to the net book value of financial asset or liability.
At the end of the reporting period, the Company measures its financial liabilities at amortized cost using the effective interest rate method.

#### 3.4.22.2. Transfers

In the Company, there were no particular circumstances for the reclassification of financial instruments measured at fair value through profit or loss.

### 3.4.23. Fair value measurement

The Company maximises the use of relevant observable inputs and minimizes the use of unobservable inputs to meet the objective of fair value measurement, 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.
The Company 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.
The fair value of derivatives is based on discounted future flows related to contracted transactions as the difference between term price and transaction price.
Forward rates of exchange are not modeled as a separate risk factor, but they are calculated as a result of a spot rate and a forward interest rate for foreign currency 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 the current year profit or loss.
As compared to the previous reporting period, the Company has not changed valuation methods concerning derivative instruments.

### 3.4.24. 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.
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 recognized as assets of the lessor. Determining whether the transfer or risks and rewards exists depends on the assessment of the essence of the economic substance of the transaction.

### 3.4.25. Contingent assets and liabilities

Contingent liabilities are defined as possible obligations that arise from past events and which are dependent on the 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 are not recognized because it is not probable that an outflow of resources 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 they may lead to recognition of the income, which will never be realized; 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, -the 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 becomes virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized 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.

### 3.4.26. Subsequent events after the reporting date

Subsequent events after the reporting date are those events, favourable and unfavourable that occur between the end of the reporting period and date 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 at 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 separate 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: 5. The parent company and structure of the consolidated group, 10. Tax expense, 12. Investment property, 15. Changes in impairment allowances of trade and other receivables, 23. Financial instruments.
The accounting policies described above have been applied consistently to all periods presented in these separate financial statements.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## 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 2015).

| 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.<br>Na Pankráci 127, 140 00 Praha 4, Czech Republic | | | Corporate Functions | www.unipetrol.cz |
| **Subsidiaries consolidated in full method** | | | | |
| BENZINA, s.r.o.<br>Na Pankráci 127, 140 00 Praha 4, Czech Republic | 100.00% | -- | Retail | www.benzinaplus.cz |
| ČESKÁ RAFINÉRSKÁ, a.s.<br>Záluží 2, 436 70 Litvínov, Czech Republic | 100.00% | -- | Downstream | www.ceskarafinerska.cz |
| HC VERVA Litvínov, a.s.<br>Litvínov, S.K. Neumanna 1598, Czech Republic | -- | 70.95% | Corporate Functions | www.hokej-litvinov.cz |
| CHEMOPETROL, a.s. (dormant entity)<br>Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic | -- | 100.00% | Downstream | |
| MOGUL SLOVAKIA s.r.o.*<br>Hradiště pod Vrátnom, U ihriska 300, Slovak Republic | -- | 100.00% | Downstream | www.mogul.sk |
| PARAMO, a.s.<br>Přerovská 560, 530 06 Pardubice, Czech Republic | 100.00% | -- | Downstream | www.paramo.cz |
| Paramo Oil s.r.o. (dormant entity)<br>Přerovská 560, 530 06 Pardubice, Czech Republic | -- | 100.00% | Downstream | |
| PETROTRANS, s.r.o.<br>Střelničná 2221, 182 00 Praha 8, Czech Republic | 0.63% | 99.37% | Downstream | www.petrotrans.cz |
| UNIPETROL AUSTRIA HmbH in Liquidation<br>Vídeň, Apfelgasse 2, Austria | 100.00% | -- | Downstream | |
| UNIPETROL Deutschland GmbH<br>Paul Ehrlich Str. 1/B , 63225 Langen/Hessen, Germany | 0.10% | 99.90% | Downstream | www.unipetrol.de |
| UNIPETROL DOPRAVA s.r.o.<br>Litvínov - Růžodol č.p. 4, 436 70 Litvínov, Czech Republic | 0.12% | 99.88% | Downstream | www.unipetroldoprava.cz |
| UNIPETROL RAFINÉRIE, s.r.o. (dormant entity)<br>Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic | 100.00% | -- | Downstream | |
| UNIPETROL RPA, s.r.o.<br>Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic | 100.00% | -- | Downstream<br>Corporate Functions | www.unipetrolrpa.cz |
| UNIPETROL RPA Hungary Kft.<br>1042 Budapest, Arpad ut 48-50. I. em.5, Hungary | -- | 100.00% | Downstream | |
| UNIPETROL SERVICES, s.r.o.<br>Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic | 100.00% | -- | Corporate Functions | www.unipetrolservices.cz |
| UNIPETROL SLOVENSKO s.r.o.<br>Panónská cesta 7, 850 00 Bratislava, Slovak Republic | 13.04% | 86.96% | Downstream | www.unipetrol.sk |
| Výzkumný ústav anorganické chemie, a.s.**<br>Revoluční 84/č.p. 1521, Ústí nad Labem, Czech Republic | 100.00% | -- | Downstream | www.vuanch.cz |
| **Joint operations consolidated based on shares in assets and liabilities** | | | | |
| Butadien Kralupy a.s.<br>O. Wichterleho 810, 278 01 Kralupy nad Vltavou, Czech Republic | 51.00% | -- | Downstream | www.butadien.cz |

*MOGUL SLOVAKIA s.r.o was mergered with UNIPETROL SLOVENSKO s.r.o. as of 1 January 2016.
**As of 1 January 2016 the company Výzkumný ústav anorganické chemie, a.s. has changed the name to Unipetrol výzkumně vzdělávací centrum, a.s.

## 5. THE PARENT COMPANY AND STRUCTURE OF THE CONSOLIDATED GROUP (CONTINUED)

***Changes in structure of the Group***

**Acquisition of 32.445% stake in ČESKÁ RAFINÉRSKÁ, a.s. from Eni International B.V.**
On 30 April 2015 UNIPETROL, a.s. completed the acquisition of 303 301 shares of ČESKÁ RAFINÉRSKÁ, a.s. ("Česká rafinérská") amounting to 32.445% of the Česká rafinérská's share capital from Eni International B.V. ("Eni") following the conclusion of a share purchase agreement on 3 July 2014. The acquisition price for the shares in the amount of EUR 24 million was settled in cash. The Company paid CZK 456 million as a compensation to UNIPETROL RPA, s.r.o. following to the Assignment agreement and a provision of UNIPETROL RPA, s.r.o. to return of the part of the Line fill loan to ČESKÁ RAFINÉRSKÁ, a.s. The total price of the share amounted to CZK 1 118 million.
Based on the completion of the transaction Unipetrol's stake in the Česká rafinérská's share capital has increased from 67.555% to 100%. After settlement of the transaction Unipetrol obtained control over Česká rafinérská, and adopted the full method of consolidation.
As a result of the completion of the transaction, Unipetrol recognized a gain on bargain purchase (the excess of fair value of net assets purchased by Unipetrol over the price paid) in the amount of CZK 429 million in the consolidated statement of profit or loss and other comprehensive income. The gain was calculated in accordance 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 30 April 2015.
The recognition of the gain on bargain purchase was preceded by verification of completeness and accuracy of the values of the identified assets and liabilities purchased as part of the transaction and determination of the fair value of identified assets and liabilities.

**Liquidation of UNIPETROL TRADE Group**
CHEMAPOL (SCHWEIZ) AG was deleted from Commercial register on 18 August 2015.
The liquidation of UNIPETROL AUSTRIA HmbH is ongoing.

**UNIPETROL RPA Hungary Kft.**
The company UNIPETROL RPA, s.r.o. has established a new subsidiary company in Hungary, named UNIPETROL RPA Hungary Kft. The subject of its business will be wholesale sales of solid, liquid and gaseous fuels and related products as well as retail sales of motor fuels in the specialized shops.

**Merger between UNIPETROL RPA, s.r.o. and POLYMER INSTITUTE BRNO, spol. s r.o.**
The merger by amalgamation of UNIPETROL RPA, s.r.o. and POLYMER INSTITUTE BRNO, spol. s r.o. was approved by the companies' General Meetings with legal succession of UNIPETROL RPA, s.r.o. on 28 December 2015. The legal effects of the merger came into force as at 31 December 2015.

**Merger between UNIPETROL RPA, s.r.o. and BENZINA, s.r.o.**
The merger by amalgamation of UNIPETROL RPA, s.r.o. and BENZINA, s.r.o. was approved by the companies' General Meetings with legal succession of UNIPETROL RPA, s.r.o. on 21 December 2015. The legal effects of the merger came into force as at 1 January 2016.

**Merger between UNIPETROL SLOVENSKO s.r.o. and MOGUL SLOVAKIA s.r.o.**
The merger by amalgamation of UNIPETROL SLOVENSKO s.r.o. and MOGUL SLOVAKIA s.r.o. was approved by the companies's General Meetings with legal succession of UNIPETROL SLOVENSKO s.r.o. on 21 December 2015. The legal effects of the merge came into force as at 1 January 2016.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS

## 6. REVENUES

| | 2015 | 2014 |
|---|---|---|
| Fees for use of lands | 115 | 114 |
| Other services | 52 | 41 |
| | **167** | **155** |

### 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

| | 2015 | 2014 |
|---|---|---|
| Cost of services sold | (90) | (86) |
| | **(90)** | **(86)** |

### 7.2. Cost by nature

| | 2015 | 2014 |
|---|---|---|
| Materials and energy | (2) | (2) |
| External services | (100) | (97) |
| Employee benefits | (148) | (146) |
| Depreciation and amortisation | - | (1) |
| Taxes and charges | (19) | (19) |
| Repairs and maintenance | - | (1) |
| Insurance | (1) | (2) |
| Other | (85) | (21) |
| **Operating expenses** | **(355)** | **(289)** |
| Administrative expenses | 214 | 202 |
| Other operating expenses | 51 | 1 |
| **Cost of sales** | **(90)** | **(86)** |

### 7.3. Employee benefits costs

| | 2015 | 2014 |
|---|---|---|
| Wages and salaries | (107) | (104) |
| Social and health insurance | (25) | (25) |
| Social expense | (16) | (17) |
| | **(148)** | **(146)** |

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

### 7.3.1. Employee benefits costs – additional information

| 2015 | Employees | Key Management | Audit Committee | Board of Directors | Supervisory Board | Total |
|---|---|---|---|---|---|---|
| Wages and salaries | (51) | (16) | (1) | (32) | (7) | (107) |
| Social and health insurance | (15) | (3) | - | (5) | (2) | (25) |
| Social expense | (8) | (3) | - | (5) | - | (16) |
| | **(74)** | **(22)** | **(1)** | **(42)** | **(9)** | **(148)** |
| Number of employees average per year | | | | | | 46.92 |
| Number of employees as at balance sheet day | | | | | | 47 |

| 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 |

## 8. OTHER OPERATING INCOME AND EXPENSES

### 8.1. Other operating income

| | 2015 | 2014 |
|---|---|---|
| Profit on sale of non-current non-financial assets | 1 | - |
| Reversal of receivables impairment allowances | - | 21 |
| Other | 5 | 1 |
| | **6** | **22** |

### 8.2. Other operating expenses

| | 2015 | 2014 |
|---|---|---|
| Recognition of provisions | (50) | - |
| Donations | (1) | (1) |
| | **(51)** | **(1)** |

## 9. FINANCE INCOME AND COSTS, NET

| | 2015 | 2014 |
|---|---|---|
| Interest | 53 | 89 |
| Dividends received | 330 | 359 |
| Reversal of impairment of financial assets | 1 922 | - |
| Other | 9 | (3) |
| | **2 314** | **445** |

### 9.1. Finance income

| | 2015 | 2014 |
|---|---|---|
| Interest | 84 | 184 |
| Dividends received | 330 | 359 |
| Reversal of impairment of financial assets | 1 922 | - |
| Other | 16 | 6 |
| | **2 352** | **549** |

During the year 2015 the Company reversed the impairment to the financial investment in BENZINA, s.r.o. due to improved financial result and planned merger with UNIPETROL RPA, s.r.o.

### 9.2. Finance costs

| | 2015 | 2014 |
|---|---|---|
| Interest | (31) | (95) |
| Other | (7) | (9) |
| | **(38)** | **(104)** |

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## 10. TAX EXPENSE

| | 2015 | 2014 |
|---|---|---|
| **Tax expense in the statement of profit or loss** | | |
| Current tax | (2) | (4) |
| Deferred tax | 13 | (1) |
| | **11** | **(5)** |

Domestic tax is calculated in accordance with Czech tax regulations at the rate of 19% in 2015 (2014: 19%) of the estimated taxable income for the year. The deferred tax has been calculated using the tax rate approved for the years 2016 and forward, i.e. 19%.

### 10.1. The differences between tax expense recognized in profit or loss and the amount calculated based on rate from profit before tax

| | 2015 | 2014 |
|---|---|---|
| Profit for the year | 2 143 | 328 |
| Total tax credit/(expense) | 11 | (5) |
| Profit before tax | 2 132 | 333 |
| | | |
| Tax using domestic tax rate | (405) | (63) |
| Non-deductible expenses | (11) | (9) |
| Tax exempt income | 428 | 69 |
| Under (over) provided in prior periods | (1) | (2) |
| **Total tax credit/(expense)** | **11** | **(5)** |
| **Effective tax rate** | **0.51%** | **(1.46%)** |

### 10.2. Deferred tax

Deferred 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 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 2016 and onward).

| | 31/12/2014 | Deferred tax recognized in statement of profit or loss | 31/12/2015 |
|---|---|---|---|
| **Deferred tax assets** | | | |
| Provisions | - | 10 | 10 |
| Unused tax losses carried forward | - | 3 | 3 |
| Employee benefit costs | 6 | - | 6 |
| | **6** | **13** | **19** |
| **Deferred tax liabilities** | | | |
| Investment property | (119) | - | (119) |
| | **(119)** | **-** | **(119)** |
| | **(113)** | **13** | **(100)** |

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## 11. PROPERTY, PLANT AND EQUIPMENT

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Land | 9 | 9 |
| | **9** | **9** |

### Changes in property, plant and equipment

| | Land | Buildings and constructions | Machinery and equipment | Vehicles and other | Total |
|---|---|---|---|---|---|
| **01/01/2015** | | | | | |
| **Net book value** | | | | | |
| Gross book value | 9 | - | 3 | 9 | **21** |
| Accumulated depreciation and impairment allowances | - | - | (3) | (9) | **(12)** |
| | **9** | **-** | **-** | **-** | **9** |
| **increase/(decrease) net** | | | | | |
| Reclassifications | - | (5) | | | **(5)** |
| Other increases | - | 5 | - | - | **5** |
| **31/12/2015** | | | | | |
| **Net book value** | **9** | **-** | **-** | **-** | **9** |
| Gross book value | 9 | - | 2 | 2 | **13** |
| Accumulated depreciation and impairment allowances | - | - | (2) | (2) | **(4)** |
| | **9** | **-** | **-** | **-** | **9** |
| **01/01/2014** | | | | | |
| **Net book value** | | | | | |
| Gross book value | 9 | - | 3 | 9 | 21 |
| Accumulated depreciation and impairment allowances | - | - | (3) | (8) | (11) |
| | **9** | **-** | **-** | **1** | **10** |
| **increase/(decrease) net** | | | | | |
| Depreciation | - | - | - | (1) | (1) |
| **31/12/2014** | | | | | |
| **Net book value** | **9** | **-** | **-** | **-** | **9** |

### Other information on property, plant and equipment

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| The gross book value of fully depreciated property, plant and equipment still in use | 5 | 6 |

## 12. INVESTMENT PROPERTY

| | 2015 | 2014 |
|---|---|---|
| At the beginning of the year | 1 156 | 1 156 |
| Reclassification from property, plant and equipment | 5 | - |
| | **1 161** | **1 156** |

Rental income amounted to CZK 115 million in 2015 (2014: CZK 114 million). Operating costs related to the investment property in reporting period amounted to CZK 23 million in 2015 (2014: CZK 22 million).

### 12.1. Fair value of investment property measurement

Investment property as at 31 December 2015 included the lands owned by the Company and leased to subsidiaries of the Company and third parties, which fair value was estimated by revenue approach.
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 annual 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 the revenue approach is classified to Level 3 as defined by IFRS 7. The discount rate of 8.10% was used for the calculation of the investment property fair value.

### 12.2. 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 | (91) | -1 pp | 91 |

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## 13. SHARES IN RELATED PARTIES

Shares in related parties as at 31 December 2015 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 | 7 361 | 100.00 | - | 7 361 | 0.3 |
| ČESKÁ RAFINÉRSKÁ, a.s. | Litvínov | 5 541 | 100.00 | - | 5 541 | - |
| Výzkumný ústav anorganické chemie, a.s. | Ústí nad Labem | 59 | 100.00 | 8 | 51 | - |
| BENZINA, s.r.o. | Praha 4 | 4 181 | 100.00 | - | 4 181 | - |
| PARAMO, a.s. | Pardubice | 1 251 | 100.00 | 1 073 | 178 | - |
| UNIPETROL SERVICES, s.r.o. | Litvínov | 100 | 100.00 | - | 100 | 18 |
| 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** | | | | | | |
| Butadien Kralupy a.s. | Kralupy nad Vltavou | 162 | 51.00 | - | 162 | 306 |
| **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 | 0.1 |
| UNIPETROL SLOVENSKO s.r.o. | Bratislava | 0.1 | 13.04 | - | 0.1 | 5 |
| PETROTRANS, s.r.o. | Praha 4 | 1 | 0.63 | - | 1 | 0.1 |
| UNIPETROL DEUTSCHLAND GmbH | Langen/Hessen | 0.1 | 0.10 | - | 0.1 | - |
| **Total** | | **18 663** | **-** | **1 081** | **17 582** | **330** |

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 nad Vltavou | 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** |

The Company had equity investments of CZK 17 582 million as at 31 December 2015 and CZK 14 542 million as at 31 December 2014 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 2015 (in CZK million)

## 14. OTHER NON-CURRENT ASSETS

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Loans granted | 24 | 1 472 |
| **Financial assets** | **24** | **1 472** |

**Loans granted to subsidiaries**

As at 31 December 2015 the Company had non-current loan in the amount of CZK 24 million (31 December 2014: CZK 72 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 the loan approximates its carrying amount.
During the year 2014 the Company provided a non-current loan to BENZINA, s.r.o. in the amount of CZK 1 400 million. The loan should have been repaid within 3 years and interest rate was based on 6M PRIBOR. The loan was repaid on March 2015.

## 15. TRADE AND OTHER RECEIVABLES

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Trade receivables | 133 | 160 |
| Other | 2 | 3 |
| **Financial assets** | **135** | **163** |
| Prepayments and deferred costs | 7 | 2 |
| **Non-financial assets** | **7** | **2** |
| **Receivables, net** | **142** | **165** |
| Receivables impairment allowance | 100 | 100 |
| **Receivables, gross** | **242** | **265** |

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 23 and detailed information about receivables from related parties is presented in note 28.

**Changes in the impairment allowances of trade and other receivables**

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| At the beginning of the year | 100 | 121 |
| Reversal | - | (21) |
| | **100** | **100** |

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 the 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

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Loans granted | 142 | 12 172 |
| Cash pool | 7 075 | 2 886 |
| | **7 217** | **15 058** |

**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., UNIPETROL SLOVENSKO s.r.o. 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 the subsidiaries as at 31 December 2015 included the portion of non-current loans due within one year in the amount of CZK 48 million.
The analysis of current loans by currency of denomination is presented in the note 23.
The Company provides its subsidiaries with short term loans within the Group's cash pool. The loans are not collateralized and their fair value approximates the carrying amount. Further information is presented in note 19.

## 17. CASH AND CASH EQUIVALENTS

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Cash on hand and in bank | 5 435 | 516 |
| | **5 435** | **516** |

The carrying amount of these assets approximates their fair value.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## 18. SHAREHOLDERS' EQUITY

### 18.1. Share capital

The issued capital of the Company as at 31 December 2015 amounted to CZK 18 133 million (31 December 2014: CZK 18 133 million). This represents 181 334 764 (2014: 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 Annual General Meeting of UNIPETROL, a.s. held on 2 June 2015 approved the cancellation of the reserve fund in the amount of CZK 1 719 million and transfer of that amount to retained earnings.

### 18.3. Revaluation reserve

Revaluation reserve comprises the difference between the net book value and the fair value of the property as at the date of reclassification of the property occupied by the Company and recognized as an investment property.

### 18.4. Retained earning

In accordance with appropriate Czech law, dividends can be paid from unconsolidated profits of the parent company. The Annual General Meeting of UNIPETROL, a.s. held on 2 June 2015 decided, pursuant to Article 8 (2) (k) of the Articles of Association of UNIPETROL, a.s., on transfer of the Company's profit generated on separate basis in 2014 in the amount of CZK 328 million to retained earnings.
The decision regarding appropriation of 2015 profit will be made at the annual meeting of shareholders, which will be held in May/June 2016.

### 18.5. Equity management policy

Equity 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 the equity debt ratio (net financial leverage). As at 31 December 2015 and as at 31 December 2014 Company´s financial leverage amounted to -10.31% and 20.54%, 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. Profit per share

*Basic profit per share*

| | 2015 | 2014 |
|---|---|---|
| Profit for the year | 2 143 | 328 |
| Weighted average number of shares | 181 334 764 | 181 334 764 |
| **Profit per share (in CZK per share)** | **11.82** | **1.81** |

*Diluted profit per share*
Diluted profit per share are the same as basic profit per share.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## 19. LOANS AND BORROWINGS

| | Non-current 31/12/2015 | Non-current 31/12/2014 | Current 31/12/2015 | Current 31/12/2014 | Total 31/12/2015 | Total 31/12/2014 |
|---|---|---|---|---|---|---|
| Borrowings | - | 4 000 | - | 21 | - | 4 021 |
| | **-** | **4 000** | **-** | **21** | **-** | **4 021** |

**Bank loans and cash pool agreements**
During the year 2015 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., The Royal Bank of Scotland plc, organizační složka 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., Česká rafinérská, a.s., HC VERVA Litvínov, a.s., Orlen Asfalt Česká republika s.r.o. and 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 500 million to CZK 4 000 million from each bank. Interest income/expense is 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 was 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 had a 3-year maturity, i.e. each tranche 36 months from its reception. Interest was paid semi-annually and was based on 6 months PRIBOR plus fixed margin. Pricing was in line with currently prevailing market conditions for 3-year loans provided in CZK.
The loan was paid in March and June 2015.

Disclosures resulting from IFRS 7 relating to loans and borrowings are included in note 23 and are presented jointly with other financial instruments.

**Analysis of borrowings**
- by currency (translated into CZK)/by interest rate

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| CZK/PRIBOR | - | 4 021 |
| | **-** | **4 021** |

## 20. PROVISIONS

Following the decision of the Czech inspection of environment, the Company recognized a provision in the amount of CZK 50 million in respect of remediation of historical ecological contamination in the Kralupy location. Based on the decision the remediation works have to be finalized till 21 years after their start.

## 21. TRADE AND OTHER LIABILITIES

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Trade liabilities | 35 | 38 |
| Dividends | 35 | 35 |
| Other | 27 | 14 |
| **Financial liabilities** | **97** | **87** |
| Payroll liabilities | 6 | 6 |
| Value added tax | 8 | 7 |
| Other taxation, duties, social security and other benefits | 4 | 4 |
| Accruals | 30 | 31 |
| holiday pay accrual | 1 | 1 |
| wages accrual | 29 | 30 |
| **Non-financial liabilities** | **48** | **48** |
| | **145** | **135** |

The management considers that the carrying amount of trade and other liabilities and accruals approximate their fair value. The currency structure of financial liabilities is presented in note 23.3.1.1.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## 22. OTHER FINANCIAL LIABILITIES

The Company had cash pool liabilities to subsidiaries and related entities in the amount of CZK 2 462 million as at 31 December 2015 (31 December 2014: CZK 1 975 million). The description of cash pool agreements is presented in note 19.

## 23. FINANCIAL INSTRUMENTS

### 23.1. Financial instruments by category and class

#### Financial assets

| 31/12/2015 | | Financial instruments by category | |
|---|---|---|---|
| Financial instruments by class | Note | Loans and receivables | Total |
| Trade receivables | *15.* | 133 | 133 |
| Loans granted | *14.,16.* | 166 | 166 |
| Cash pool | *16.* | 7 075 | 7 075 |
| Cash and cash equivalents | *17.* | 5 435 | 5 435 |
| Other financial assets | *15.* | 2 | 2 |
| | | **12 811** | **12 811** |

| 31/12/2014 | | Financial instruments by category | |
|---|---|---|---|
| Financial instruments by class | Note | Loans and receivables | Total |
| Trade receivables | *15.* | 160 | 160 |
| Loans 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** |

#### Financial liabilities

| 31/12/2015 | | Financial instruments by category | |
|---|---|---|---|
| Financial instruments by class | Note | Financial liabilities measured at amortised cost | Total |
| Trade liabilities | *21.* | 35 | 35 |
| Cash pool | *22.* | 2 462 | 2 462 |
| Other financial liabilities | *21.* | 62 | 62 |
| | | **2 559** | **2 559** |

| 31/12/2014 | | Financial instruments by category | |
|---|---|---|---|
| Financial instruments by class | Note | Financial liabilities measured at amortised cost | Total |
| Borrowings | *19.* | 4 021 | 4 021 |
| Trade liabilities | *21.* | 38 | 38 |
| Cash pool | *22.* | 1 975 | 1 975 |
| Other financial liabilities | *21.* | 49 | 49 |
| | | **6 083** | **6 083** |

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

### 23.2. Income, expenses, profit and loss in the separate statement of profit or loss and other comprehensive income

| 2015 | Financial instruments by category | | |
|---|---|---|---|
| | Loans and receivables | Financial liabilities measured at amortised cost | Total |
| Interest income | 84 | - | 84 |
| Interest costs | - | (31) | (31) |
| Foreign exchange gain/(loss) | 4 | (4) | - |
| Other | 16 | (7) | 9 |
| | **104** | **(42)** | **62** |
| **other, exluded from the scope of IFRS 7** | | | |
| Dividends | | | 330 |
| Impairment allowances of shares in related parties | | | 1 922 |
| | | | **2 252** |

| 2014 | Financial instruments by category | | |
|---|---|---|---|
| | Loans and receivables | 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** |

### 23.3. 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.

#### 23.3.1. Market risks

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.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

#### 23.3.1.1. Currency risk

A currency risk arises most significantly from the exposure of trade liabilities and receivables denominated in foreign currencies, and the foreign currency denominated loans and borrowings. Foreign exchange risk regarding trade liabilities and receivables is mostly covered by natural hedging of trade liabilities 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 liabilities and receivables not covered by natural hedging.

**Currency structure of financial instruments denominated in foreign currency**

| Financial instruments by class | EUR | | USD | | Total after translation to CZK | |
|---|---|---|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2015 | 31/12/2014 | 31/12/2015 | 31/12/2014 |
| **Financial assets** | | | | | | |
| Loans granted | 4 | 4 | - | - | 95 | 122 |
| Cash pool | - | - | - | 11 | - | 257 |
| Cash and cash equivalents | - | 5 | - | - | 4 | 155 |
| | **4** | **9** | **-** | **11** | **99** | **534** |
| **Financial liabilities** | | | | | | |
| Cash pool | - | 5 | - | 11 | 4 | 409 |
| Trade and other liabilities | - | - | - | - | 13 | 3 |
| | **-** | **5** | **-** | **11** | **17** | **412** |

**Sensitivity analysis for currency changes risk**

The Company is mainly exposed to the fluctuation of exchange rates of CZK/EUR.

The influence of changes in carrying amount of financial instruments arising from hypothetical changes in exchange rates of relevant currencies in relation to presentation currency (CZK) on profit before tax is presented below:

| | Assumed variation | | Influence on profit before tax | | Total | |
|---|---|---|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2015 | 31/12/2014 | 31/12/2015 | 31/12/2014 |
| EUR/CZK | 15% | 15% | 12 | 18 | 12 | 18 |
| | | | **12** | **18** | **12** | **18** |
| EUR/CZK | -15% | -15% | (12) | (18) | (12) | (18) |
| | | | **(12)** | **(18)** | **(12)** | **(18)** |

#### 23.3.1.2. 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 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2015 | 31/12/2014 | 31/12/2015 | 31/12/2014 | 31/12/2015 | 31/12/2014 |
| **Financial assets** | | | | | | | | |
| Borrowings granted | 72 | 13 522 | 94 | 122 | - | - | 166 | 13 644 |
| Cash pool | 7 075 | 2 629 | - | - | - | 257 | 7 075 | 2 886 |
| | **7 147** | **16 151** | **94** | **122** | **-** | **257** | **7 241** | **16 530** |
| **Financial liabilities** | | | | | | | | |
| Borrowings | - | 4 021 | - | - | - | - | - | 4 021 |
| Cash pool | 2 458 | 1 566 | 3 | 150 | 1 | 259 | 2 462 | 1 975 |
| | **2 458** | **5 587** | **3** | **150** | **1** | **259** | **2 462** | **5 996** |

**Sensitivity analysis for interest rate risk**

The influence of financial instruments on profit before tax due to changes in significant interest rates:

| | Assumed variation | | Influence on profit before tax | |
|---|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 2015 | 2014 |
| PRIBOR | +0.5 pp | +0.5 pp | 23 | 53 |
| | | | **23** | **53** |

The Company does not consider in the sensitivity analysis change of EURIBOR and LIBOR due to their insignificant impact.

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 2015 and as at 31 December 2014. The influence of interest rates changes was presented on annual basis.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

### 23.3.2. Credit and liquidity 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:
Group I – counterparties with a good or very good history of cooperation in the current year,
Group II – other counterparties.

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Group I | 135 | 163 |
| Group II | - | - |
| | **135** | **163** |

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.

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 2015 and as at 31 December 2014, the maximum available credit facilities relating to bank loans and guarantees amounted to CZK 9 500 million and CZK 13 485 million respectively, of which as at 31 December 2015 and as at 31 December 2014, CZK 8 006 million and CZK 12 113 million respectively, remained unused for bank loans. The description of the loans and guarantees drawn from credit facilities is presented in notes 19 and 26.

Liquidity risk tables
The following tables detail the Company'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 Company can be required to pay. The table includes both interest and principal cash flows.

**Maturity analysis of financial liabilities**

| | | 31/12/2015 | | | |
|---|---|---|---|---|---|
| | Note | Up to 1 year | From 1 to 3 years | Total | Carrying amount |
| Cash pool - undiscounted value | *22.* | 2 462 | - | 2 462 | 2 462 |
| Trade and other liabilities | *21.* | 97 | - | 97 | 97 |
| | | **2 559** | **-** | **2 559** | **2 559** |

| | | 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 | *22.* | 1 975 | - | 1 975 | 1 975 |
| Trade and other liabilities | *21.* | 87 | - | 87 | 87 |
| | | **2 149** | **4 087** | **6 236** | **6 083** |

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## 24. FAIR VALUE MEASUREMENT

| | Note | 31/12/2015 Fair value | 31/12/2015 Carrying amount | 31/12/2014 Fair value | 31/12/2014 Carrying amount |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Trade receivables | *15.* | 133 | 133 | 160 | 160 |
| Borrowings granted | *14.,16.* | 166 | 166 | 13 644 | 13 644 |
| Cash pool | *16.* | 7 075 | 7 075 | 2 886 | 2 886 |
| Cash and cash equivalents | *17.* | 5 435 | 5 435 | 516 | 516 |
| Other | *15.* | 2 | 2 | 3 | 3 |
| | | **12 811** | **12 811** | **17 209** | **17 209** |
| **Financial liabilities** | | | | | |
| Borrowings | *19.* | - | - | 4 021 | 4 021 |
| Trade liabilities | *21.* | 35 | 35 | 38 | 38 |
| Cash pool | *22.* | 2 462 | 2 462 | 1 975 | 1 975 |
| Other | *21.* | 62 | 62 | 49 | 49 |
| | | **2 559** | **2 559** | **6 083** | **6 083** |

### 24.1. 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 are not 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 2015 and the comparative period in the Company were no transfers between Levels 1, 2 and 3.
As at 31 December 2015 the Company held unquoted shares in entities amounting to CZK 17 582 million (31 December 2014: CZK 14 542 million), for which fair value cannot be reliably measured due to the fact that there are no active markets for these entities nor comparable transactions of the same type of instruments. The above mentioned shares were measured at acquisition cost less impairment allowances. As at 31 December 2015 there are no binding decisions relating to the means and dates of disposal of those assets.

## 25. LEASE

### 25.1. The Company as a lessee

***Operating lease***
At the balance sheet date the Company is a lessee under non-cancellable operating lease arrangements.
Future minimum lease payments under non–cancellable operating lease agreements were as follows:

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Less than one year | 5 | 7 |
| Between one and five years | 9 | 20 |
| | **14** | **27** |

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:

| | 2015 | 2014 |
|---|---|---|
| Non-cancellable operating lease | 6 | 1 |

***Finance lease***
At the balance sheet date the Company is not a party to finance lease arrangements as a lessee.

### 25.2. The Company as a lessor

As at 31 December 2015 and as at 31 December 2014 the Company did not possess any finance or operating lease agreements as a lessor.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## 26. CONTINGENT ASSETS AND LIABILITIES

**Purchase of shares of PARAMO, a.s.**

In January 2009 UNIPETROL, a.s. effected a squeeze out of PARAMO, a.s. shares 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. monetary consideration of CZK 977 per share 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.

On 23 June 2015 the court decided to appoint another expert witness - Expert Group, s.r.o. having its registered seat at Radniční 133/1, České Budějovice - to provide a valuation of the PARAMO, a.s. shares.

**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 2015 financial statements.

**Guarantees issued**

As part of the operational financing of UNIPETROL, a.s., the bank guarantees in the amount of CZK 1 215 million (2014: CZK 821 million) were provided for the companies: UNIPETROL RPA, s.r.o. in the amount of CZK 959 million (2014: CZK 761 million), UNIPETROL SERVICES, s.r.o. in the amount of 7 million CZK (2014: CZK 7 million), BENZINA, s.r.o. in the amount of CZK 29 million (2014: CZK 29 million) and PARAMO, a.s. in the amount of CZK 220 million (2014: CZK 24 million).

Furthermore UNIPETROL, a.s. issued a guarantee for the company UNIPETROL RPA, s.r.o. in favour of ČEPRO, a.s. to ensure the excise tax in the amount of CZK 150 million and in favour of ČESKÁ RAFINÉRSKÁ, a.s. of CZK 3 100 million.

## 27. PAST ENVIRONMENTAL 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 31/12/2015 | Unused funds as at 31/12/2015 |
|---|---|---|---|
| UNIPETROL, a.s. / premises of UNIPETROL RPA, s.r.o. | 6 012 | 4 014 | 1 998 |
| UNIPETROL, a.s. / premises of SYNTHOS Kralupy a.s. | 4 244 | 51 | 4 193 |
| | **10 256** | **4 065** | **6 191** |

| | 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** |

## 28. RELATED PARTY TRANSACTIONS

### 28.1. Information on material transactions concluded by the Company with related parties on other than market terms

In 2015 and in 2014 there were no transactions concluded by the Company with related parties on other than market terms.

### 28.2. Transactions with key management personnel

In 2015 and in 2014 the Company did not grant to managing and supervising persons and their relatives any advances, loans, guarantees and commitments or concluded other agreements obliging them to render services to the Company and its related parties. As at 31 December 2015 and as at 31 December 2014 there were no loans granted by the Company to managing ans supervising persons and their relatives.

### 28.3. Transaction with related parties concluded through the key management personnel

In 2015 and in 2014 key management personnel of the Company did not conclude any transaction with related parties.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

### 28.4. Transactions and balances of settlements of the Company with related parties

***Parent and ultimate controlling party***

During 2015 and 2014 a majority (62.99%) of the Company's shares were in possession of POLSKI KONCERN NAFTOWY ORLEN S.A.

| 2015 | PKN Orlen | Entities under control or significant influence of UNIPETROL, a.s. | Entities under control or significant influence of PKN Orlen |
|---|---|---|---|
| Sales | - | 144 | - |
| Purchases | 2 | 41 | - |
| Finance income, including | - | 428 | - |
| *dividends* | - | *330* | - |
| Finance costs | 30 | - | - |

| 31/12/2015 | PKN Orlen | Entities under control or significant influence of UNIPETROL, a.s. | Entities under control or significant influence of PKN Orlen |
|---|---|---|---|
| Non-current receivables and loans granted | - | 24 | - |
| Current financial assets | - | 7 217 | - |
| Trade and other receivables | - | 93 | - |
| Trade and other liabilities, including loans | - | 2 466 | 1 |

| 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 |
|---|---|---|---|
| Non-current receivables and loans granted | - | 1 472 | - |
| Current financial assets | - | 15 058 | - |
| Trade and other receivables | - | 109 | - |
| Trade and other liabilities, including loans | 4 023 | 1 981 | - |

## 29. REMUNERATION PAID AND DUE OR POTENTIALLY DUE TO THE BOARD OF DIRECTORS, THE SUPERVISORY BOARD AND OTHER MEMBERS OF KEY EXECUTIVE PERSONNEL

The Board of Directors'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.

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Short-term benefits | Termination benefits | Short-term benefits | Termination benefits |
| Remuneration of current period | 74 | - | 67 | 2 |
| Paid for previous year | 17 | - | 15 | - |
| Potentially due to be paid in the following year | 16 | - | 15 | - |

Further detailed information regarding remuneration of key management personnel is included in note 7.3.

### 29.1. Bonus system for key executive personnel of the Company

In 2015 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.

### 29.2. 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.

## 30. SUBSEQUENT EVENTS AFTER THE REPORTING DATE

The Chairman of Supervisory Board of UNIPETROL, a.s., Mr. Dariusz Jacek Krawiec submitted a letter of resignation from his office of member of the Supervisory Board of UNIPETROL, a.s., on 21 December 2015 with the effect on 21 January 2016.

The Supervisory Board of UNIPETROL, a.s. on the meeting held on 13 January 2016 re-elected Mr. Mirosław Kastelik to office of Member of the Board of Directors of UNIPETROL, a.s. with the effect on 6 February 2016.

Mr. Rafał Sekuła resigned from his office of a member of the Supervisory Board of UNIPETROL, a.s. on 11 February 2016 with the effect on 11 March 2016.

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 2015.

## 31. APPROVAL OF THE FINANCIAL STATEMENTS

These separate financial statements were authorized by the Board of Directors' meeting held on 15 March 2016.

Signature of statutory representatives

Marek Świtajewski

Marek Świtajewski
Chairman of the Board of Directors

Mirosław Kastelik
Member of the Board of Directors

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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.

We have audited the accompanying consolidated financial statements of UNIPETROL, a.s., prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as of 31 December 2015, 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, 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 about 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.

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Obchodní rejstřík vedený Městským soudem v Praze oddíl C, vložka 24185.

IČ 49619187
DIČ CZ699001996

*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 2015, 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.

*Other Information*

Other information is defined as information (other than the consolidated financial statements and our auditor's report) included in the consolidated annual report. The statutory body is responsible for the other information.

Our opinion on the consolidated financial statements of UNIPETROL, a.s. as of 31 December 2015 does not cover the other information and we do not express any form of opinion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information included in the consolidated annual report is not materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, whether the consolidated annual report is prepared in accordance with applicable legislation and whether such information otherwise does not appear to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Prague
15 March 2016

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

Karel Růžička
Partner
Registration number 1895

# 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 2015

**Index**

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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## 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 | 2015 | 2014 (reclassified) |
|---|---|---|---|
| **Statement of profit or loss** | | | |
| Revenues | 8. | 108 907 | 123 938 |
| Cost of sales | 9.1. | (96 144) | (118 203) |
| **Gross profit on sales** | | **12 763** | **5 735** |
| Distribution expenses | 9.2. | (2 140) | (2 090) |
| Administrative expenses | 9.2. | (1 302) | (1 274) |
| Other operating income | 10.1. | 616 | 1 645 |
| Other operating expenses | 10.2. | (1 221) | (5 264) |
| **Profit/(loss) from operations** | | **8 716** | **(1 248)** |
| Finance income | 11.1. | 1 260 | 1 232 |
| Finance costs | 11.2. | (1 307) | (1 346) |
| **Net finance income/(costs)** | | **(47)** | **(114)** |
| **Profit/(loss) before tax** | | **8 669** | **(1 362)** |
| Tax expense | 12. | (1 633) | 806 |
| **Net profit/(loss)** | | **7 036** | **(556)** |
| **Other comprehensive income** | | | |
| **items which will not be reclassified into profit or loss** | | **7** | **(10)** |
| *Actuarial gains and losses* | | *9* | *(12)* |
| *Deferred tax* | | *(2)* | *2* |
| **items which will be reclassified into profit or loss under certain conditions** | | **4** | **728** |
| *Hedging instruments* | | *9* | *899* |
| *Foreign exchange differences on subsidiaries from consolidation* | | *(3)* | *-* |
| *Deferred tax* | | *(2)* | *(171)* |
| | | **11** | **718** |
| **Total net comprehensive income** | | **7 047** | **162** |
| **Net profit/(loss) attributable to** | | **7 036** | **(556)** |
| *equity owners of the parent* | | *7 036* | *(556)* |
| *non-controlling interest* | | *-* | *-* |
| **Total comprehensive income attributable to** | | **7 047** | **162** |
| *equity owners of the parent* | | *7 047* | *162* |
| *non-controlling interest* | | *-* | *-* |
| Net profit/(loss) and diluted net profit/(loss) per share attributable to equity owners of the parent (in CZK per share) | 24.8. | 38.80 | (3.07) |

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 136-183.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## Consolidated statement of financial position

| | Note | 31/12/2015 | 31/12/2014 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 13. | 19 398 | 18 893 |
| Investment property | 14. | 433 | 419 |
| Intangible assets | 15. | 1 514 | 1 792 |
| Financial assets available for sale | 17. | 1 | 1 |
| Deferred tax assets | 12.2 | 1 204 | 1 039 |
| Other non-current assets | 18. | 25 | 29 |
| | | **22 575** | **22 173** |
| **Current assets** | | | |
| Inventories | 20. | 10 390 | 10 320 |
| Trade and other receivables | 21. | 11 258 | 12 506 |
| Other financial assets | 22. | 4 281 | 1 764 |
| Current tax receivables | | 107 | 72 |
| Cash and cash equivalents | 23. | 5 888 | 1 682 |
| | | **31 924** | **26 344** |
| **Total assets** | | **54 499** | **48 517** |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Share capital | 24.1. | 18 133 | 18 133 |
| Statutory reserves | 24.2. | 34 | 2 703 |
| Hedging reserve | 24.3. | 545 | 538 |
| Revaluation reserve | 24.4. | 10 | 10 |
| Foreign exchange differences on subsidiaries from consolidation | 24.5. | 15 | 18 |
| Retained earnings | 24.6. | 16 781 | 7 069 |
| **Total equity attributable to equity owners of the parent** | | **35 518** | **28 471** |
| **Non-controlling interest** | | **(9)** | **(9)** |
| **Total equity** | | **35 509** | **28 462** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Loans, borrowings | 25. | - | 4 000 |
| Provisions | 26. | 678 | 457 |
| Deferred tax liabilities | 12.2 | 809 | 203 |
| Other non-current liabilities | 27. | 166 | 185 |
| | | **1 653** | **4 845** |
| **Current liabilities** | | | |
| Trade and other liabilities | 28. | 15 707 | 13 582 |
| Loans, borrowings | 25. | - | 350 |
| Current tax liabilities | | 602 | 8 |
| Provisions | 26. | 892 | 782 |
| Deferred income | 29. | 8 | 76 |
| Other financial liabilities | 30. | 128 | 412 |
| | | **17 337** | **15 210** |
| **Total liabilities** | | **18 990** | **20 055** |
| **Total equity and liabilities** | | **54 499** | **48 517** |

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 136-183.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## Consolidated statement of changes in equity

| | Equity attributable to equity owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Statutory reserves | Hedging reserve | Foreign exchange differences on subsidiaries from consolidation | Revaluation reserve | Retained earnings | Total | Non-controlling interest | Total equity |
| **Note** | 24.1. | 24.2. | 24.3. | 24.5. | 24.4. | 24.6. | | | |
| 01/01/2015 | 18 133 | 2 703 | 538 | 18 | 10 | 7 069 | 28 471 | (9) | 28 462 |
| Net profit | - | - | - | - | - | 7 036 | 7 036 | - | 7 036 |
| Items of other comprehensive income | - | - | 7 | (3) | - | 7 | 11 | - | 11 |
| **Total net comprehensive income** | **-** | **-** | **7** | **(3)** | **-** | **7 043** | **7 047** | **-** | **7 047** |
| Transfer of statutory reserves to retained earnings | - | (2 669) | - | - | - | 2 669 | - | - | - |
| **31/12/2015** | **18 133** | **34** | **545** | **15** | **10** | **16 781** | **35 518** | **(9)** | **35 509** |
| | | | | | | | | | |
| 01/01/2014 | 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) | - | - | - |
| **31/12/2014** | **18 133** | **2 703** | **538** | **18** | **10** | **7 069** | **28 471** | **(9)** | **28 462** |

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 136-183.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## Consolidated statement of cash flows

| | Note | 2015 | 2014 |
|---|---|---|---|
| **Cash flows - operating activities** | | | |
| **Net profit/(loss)** | | **7 036** | **(556)** |
| Adjustments for: | | | |
| Depreciation and amortisation | 9.2. | 1 927 | 2 270 |
| Foreign exchange (gain)/loss | | (7) | 7 |
| Interest and dividends, net | | 31 | 105 |
| (Profit)/Loss on investing activities | | 523 | 4 371 |
| Change in provisions | | 985 | 807 |
| Tax expense | 12. | 1 633 | (805) |
| Income tax (paid) | | (150) | (124) |
| Gain on bargain purchase | | (429) | (1 186) |
| Other adjustments including change from financial instruments and movements in deffered income | | (262) | (1 125) |
| Change in working capital | | 3 644 | (3 027) |
| *inventories* | | 234 | 548 |
| *receivables* | | 3 827 | 551 |
| *liabilities* | | (417) | (4 126) |
| **Net cash provided by operating activities** | | **14 931** | **737** |
| **Cash flows - investing activities** | | | |
| Acquisition of property, plant and equipment and intangible assets | | (3 357) | (2 093) |
| Disposal of property, plant and equipment and intangible assets | | 11 | 39 |
| Acquisition of share in Česká rafinérská | | (661) | (547) |
| Cash acquired in acquisition of share in Česká rafinérská | | 426 | 141 |
| Settlement of financial derivatives | | 286 | 533 |
| Proceeds/(outflows) from loans granted | | 4 | 29 |
| Proceeds/(outflows) from cash pool assets | | (3 054) | - |
| Other | | 5 | (20) |
| **Net cash used in investing activities** | | **(6 340)** | **(1 918)** |
| **Cash flows - financing activities** | | | |
| Proceeds/(outflows) from loans and borrowings | | (4 329) | 1 824 |
| Proceeds/(outflows) from cash pool liabilities | | 1 | - |
| Interest paid | | (49) | (90) |
| Payments of liabilities under finance lease agreements | | (1) | (1) |
| Other | | (7) | (5) |
| **Net cash provided by/(used in) financing activities** | | **(4 385)** | **1 728** |
| **Net increase in cash and cash equivalents** | | **4 206** | **547** |
| Effect of exchange rate changes | | - | 18 |
| Cash and cash equivalents, beginning of the year | | 1 682 | 1 117 |
| **Cash and cash equivalents, end of the year** | **23.** | **5 888** | **1 682** |

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 136-183.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## 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 Pankráci 127
140 00 Praha 4
Czech Republic

*Principal activities*
The Company operates as a holding company covering and administering a group of companies (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 2015 were 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% |
| PAULININO LIMITED* | 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 PAULININO LIMITED holds directly 17.97% share of votes and 5.73% shares of votes is held by following companies acting in concert with PAULININO LIMITED under a contract: 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 2015 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 2015 were as follows:

| Position | Name | Change | Date of change |
|---|---|---|---|
| Vice-chairman | Piotr Wielowieyski | Re-elected to the office | 28 March 2015 |
| Chairman | Marek Świtajewski | Re-elected to the office | 25 June 2015 |
| Member | Martin Durčák | Re-elected to the office | 5 December 2015 |

Changes in the Supervisory Board in 2015 were as follows:

| Position | Name | Change | Date of change |
|---|---|---|---|
| Vice-chairman | Ivan Kočárník | Re-elected to the office | 25 June 2015 |
| Member | Bogdan Dzudzewicz | Re-elected to the office | 25 June 2015 |

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## 2. STATEMENTS OF THE BOARD OF DIRECTORS

The Board of Directors of UNIPETROL, a.s. hereby declares that to the best of its knowledge the foregoing consolidated financial statements and comparative data were prepared in compliance with the applicable accounting principles adopted by in the Group (disclosed in note 3) and that they reflect true and fair view on the 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 2015. The 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 2015, results of its operations and cash flows for the year ended 31 December 2015.

The consolidated financial statements of the Group for the year ended 31 December 2015 include the Company and its subsidiaries 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 financial 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 the 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 to IFRSs and interpretations

The amendments to the standards and IFRS interpretations, in force from 1 January 2015 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 the European Union, not yet effective

| Standards and Interpretations adopted by the EU | Possible impact on financial statements |
|---|---|
| Amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions | no impact expected |
| Improvements to IFRS 2010-2012; 2012-2014 | no impact expected |
| Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations | no impact expected |
| Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Agriculture: Bearer Plants | no impact expected |
| Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation | no impact expected |
| Amendments to IAS 27 Separate Financial Statements: Equity Method in Separate Financial Statements | no impact expected |
| Amendments to IAS 1 Presentation of Financial Statements: Disclosure initiative | no impact expected |

#### 3.2.3. Standards, amendments and interpretations adopted by International Accounting Standards Board, waiting for approval of the European Union

| Standards and Interpretations waiting for approval of the EU | Possible impact on financial statements |
|---|---|
| New standard IFRS 9 Financial Instruments | impact* |
| New standard IFRS 14 Regulatory Deferral Accounts | no impact expected |
| New standard IFRS 15 Revenue from Contracts with Customers | impact** |
| Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates: Sale or Contribution of Assets between an Investor and its Associate of Joint Venture | no impact expected |
| Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interest in Other Entities and IAS 28 Investments in Associates and Joint Ventures: Investment Entities: Applying the Consolidation Exception | no impact expected |
| IFRS 16 – Leasing | impact*** |
| Ammendments to IAS 12 – Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses | no impact expected |
| Amendments to IAS 7 – Statement of Cash Flows – Disclosure initiative | no impact expected |

*At the time of the implementation of the new IFRS 9, allocation of the appropriate financial assets to the new categories of financial instruments will be made.

**At the time of the implementation, i.e. on 1 January 2017, the impact of the new IFRS 15 will depend on the specific facts and conditions of the contracts with customers, to which the Group will be a party.

***At the time of implementation, the impact of the new IFRS 16 will depend on the specific facts and circumstances relating to the lease contracts, to which the Group will be a party.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

### 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 currency 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.

#### 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 in the statement of profit or loss and other comprehensive income and statement of cash flows are translated at average exchange rates published by the CNB.

Foreign exchange differences resulting from the above calculations are recognized in equity as foreign exchange differences on subsidiaries from consolidation.

| Currency | Average exchange rate for the reporting period 2015 | 2014 | Exchange rate as at the end of reporting period 2015 | 2014 |
|---|---|---|---|---|
| CZK/EUR | 27.283 | 27.533 | 27.025 | 27.730 |
| CZK/USD | 24.600 | 20.746 | 24.824 | 22.797 |

Accounting policies for foreign currency transactions are presented in note 3.4.2.

### 3.4. Applied accounting policies

#### 3.4.1. Changes 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 the case of a 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 =equity. When preparing the financial statements it is assumed that the errors were corrected in the period in which 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 note 3.4.25.3. Hedge accounting. Consequently, the result of commodity swaps settlement is included in the operating part of the statement of profit or loss and other comprehensive income, not financial part as previously reported. In accordance with IFRSs the change was applied prospectively. The details are presented in note 5. Changes in disclosure of comparative period.

#### 3.4.2. Transactions in foreign currency

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.
At the end of the reporting period:
- foreign currency monetary items including units of currency held by the Group as well as receivables and liabilities due in defined or definable units of currency are translated using the closing rate, i.e. spot exchange rate as at the end of the reporting period,
- non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition as finance income or expense in the period in which they arise, except for monetary items which hedge the currency risk are accounted for in accordance with cash flow hedge accounting principles.
Additional information is presented in note 3.3.

### 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 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.

The subsidiaries are consolidated using the full consolidation method and joint operations by recognition of respective share in assets, liabilities, revenues and cost. The joint ventures as well as investments in associates are accounted for under equity method.

In preparing consolidated financial statements using the full consolidation method, the Group combines the assets, liabilities, revenue and cost of the parent company and its subsidiaries line by line and then performs adequate consolidation procedures, in particular:

- 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 are 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 revenues 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.

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 in order to recognise the investor's share of the profit or loss of the investee from 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.

#### 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 control over the investee.

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.

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. 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 the entities over which investor has significant influence and that are neither controlled nor jointly controlled.

Significant influence is the ability to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

If an entity holds directly or indirectly (e.g. through subsidiaries), 20% or more of the voting rights of the investee, it is presumed that the investor has significant influence, unless it can be clearly stated otherwise.

### 3.4.4. Business combinations

Business combinations under common control, including the acquisition of an organized part of the enterprise is settled by adding together, the particular items of assets and liabilities, revenues and costs of the combined companies, as at the date of the merger.
The effect of business combinations under common control has no effect on the consolidated financial data. Other business combinations are accounted for 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 acquire, 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 are determined at the fair value at the acquisition date with the following exceptions:
- deferred assets and liabilities arising from the assets acquired and liabilities assumed in a business combination are recognized according to general principles of 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 are classified as held for sale at the acquisition date are recognized according to the 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, sales and energy production activities,
- the Retail Segment, which comprises sales at petrol stations,

and Corporate Functions, which are reconciling items and include activities related to management, administration and other 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) include revenues that relate to core activities, i.e. activities for which the Group was founded, revenues are recurring and are not of incidental character.
Revenues from sales 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 the sale of goods and services are recognized when the Group has transferred to the buyer the significant risks and rewards of ownership and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. Revenues include received or due payments for delivered goods and services decreased by the amount of any trade discounts, value added tax (VAT), excise tax and fuel charges.
Revenues are measured at the fair value of the received or due payments. Revenues from sale are adjusted for profit or loss from settlement of cash flows hedging instruments related to the above mentioned revenues.
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 is expected to be recovered by the Group.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

### 3.4.7. Costs

Costs (relating to operating activity) include costs that relate to core activities, i.e. activities for which the Group was founded, costs are recurring and are not of incidental character.
Cost of sales comprises costs of finished goods, merchandise and raw materials sold and adjustments related to inventories written down to net realizable value.
Distribution expenses include selling brokerage expenses, trading expenses, advertising and promotion expenses as well as distribution 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 includes, in particular income from liquidation and sale of non-financial non-current assets, surplus assets, return of court fees, penalties earned, excess 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 the sale of investment property.
Other operating expenses include in particular loss on liquidation and sale of non-financial non-current assets, assets deficit, 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), compensation 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 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 and guarantees.

### 3.4.10. Tax expense

Income tax expenses include current tax and deferred tax.
Current tax expense is determined in accordance with the relevant tax law based on the taxable profit for a given period and is recognized as a liability, in the amount which has not been paid or receivable, if the amount of the current and prior periods income tax paid exceeds the amount due.
Deferred tax assets and liabilities are accounted for as non-current are not discounted and are offset in the statement of financial position, if there is a legally enforceable right to offset the recognized amounts.
The transactions settled directly in equity are recognized in equity.

### 3.4.11. Profit/(loss) per share

Basic profit/(loss) per share is calculated by dividing the net profit or loss for a given period which is attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the period.
The Group has no potential dilutive shares.

### 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 (IAS20). 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 also includes 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 lives.
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 |

### 3.4.12. Property, plant and equipment (continued)

Residual values, estimated useful lives and depreciation methods are reassessed annually. The adjustments to depreciation expense are accounted for in subsequent period (prospectively).
The costs of significant repairs and regular maintenance programs are recognized as property, plant and equipment and depreciated in accordance with their useful lives. The costs of current maintenance of property, plant and equipment are recognized as an expense when they are 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. An intangible asset that is acquired in a business combination, the cost of that intangible asset is its fair value at the acquisition date.
An intangible asset shall be measured initially at cost, including grants related to assets (IAS20). 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 at 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 they become available for use that is when they are in the location and condition necessary for them 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 acquiree, and
- in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree;

the value of b) corresponds to: the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.
Occasionally, an acquirer will make a bargain purchase, which is a business combination in which the amount 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 that 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.

#### 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 an emissions trading system. All mentioned entities are allowed to emit $CO_2$ or they are partially granted free of charge in a specified quantity under the derogations provided in article 10a and 10c of the EU Directive 2009/29/EC and are obliged to redeem them in a number corresponding to the size of emission realized in a given year.
$CO_2$ emission rights are initially recognised as intangible assets, which are not amortized (assuming the high residual value), but tested for impairment.
Granted emission allowances should be presented separately 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.
For the estimated $CO_2$ emission during the reporting period, a provision should be created (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.
Consumption 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).

### 3.4.15. Impairment of property, plant and equipment and intangible assets

At the end of the reporting period the Group assesses whether there are any indicators that an asset or cash generating unit (CGU) may be impaired. If any such indicator 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 at the lowest level at which cash flows, independent from cash flows from other assets, are generated (cash generating units).
To the cash generating unit the following assets are allocated:
- goodwill, if it may be assumed, that the cash generating unit benefited from the synergies associated with 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 also carried out annually for intangible assets with indefinite useful life and for goodwill.
When the 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.

### 3.4.15. Impairment of property, plant and equipment and intangible 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 a 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 also include a systematic allocation of fixed and variable production overheads estimated for normal production level.
Finished goods, semi-finished products and work in progress shall be measured at the end of the reporting period at the lower of cost or net realisable value, after deducting any impairment losses.
Disposals of finished goods, semi-finished products and work in progress are 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 or net realizable value, considering any impairment allowances. Disposals of merchandise and raw materials are 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 inventory 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 a fair value increased by transaction costs and subsequently at amortized cost using the effective interest method less impairment allowances.
Impairment allowances of receivables are based on an individual analysis of the value of held collaterals, and based on possible compensations of debts, allowances.
Recognition and reversal of impairment losses of receivables are recognized in other operating activity in relation to the principal amount and in financial activities in relation to interest for delayed payments.

### 3.4.18. Cash and cash equivalents

Cash comprises cash on hand and in a bank accounts. Cash equivalents are short-term, highly liquid investments (of original maturity up to three months) that are readily convertible to known amounts of cash and 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 operations

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 assets 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.

### 3.4.19. Non-current assets held for sale and discontinued operations (continued)

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 or fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or 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 amortized). A gain is recognized for any subsequent increase in fair value less costs to sell an asset, but not in excess of the cumulative impairment loss that has been previously recognized.
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 operations, 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 the accounting records by type, in accordance with statutory regulations and the parent company's articles of association. Equity includes:

#### 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.

#### 3.4.20.2. Hedging reserve

The hedging reserve relates to valuation and settlement of hedging instruments that meet the criteria of cash flow hedge accounting. The Group applies cash flow hedge accounting to hedge commodity risk, exchange rate risk and interest rate risk. Changes in fair value, which are an ineffective part of the hedge relationship, are recognized in the statement of profit or loss.

#### 3.4.20.3. Revaluation reserve

The revaluation reserve includes revaluation of items, which, according to the Group's regulations, relates to the revaluation reserve, including particularly:
- change in the fair value of the available-for-sale financial assets;
- differences between the net book value and the fair value of a investment property at the date of reclassification from the property occupied by the Group to a investment property.

#### 3.4.20.4. Foreign exchange differences on subsidiaries from consolidation

Foreign exchange differences on subsidiaries from consolidation result mainly from translation of financial statements of subsidiaries into the presentation currency of the Group.

#### 3.4.20.5. Retained earnings

Retained earnings include:
- the amounts arising from profit distribution/loss cover,
- the undistributed result from prior periods,
- the current reporting period profit/loss,
- the corrections (profit/loss) of prior period errors,
- changes in accounting principles,
- other reserve capital as additional payments to equity,
- actuarial gains and losses from retirement benefits.

#### 3.4.21. Trade and other liabilities

Liabilities, including trade liabilities, are initially stated at fair value, increased by, in the case of financial liability not qualified as those measured at fair value through profit or loss, transaction cost and subsequently, at amortized cost using the effective interest rate method.
Accruals are liabilities due for goods received or services 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 related uncertainty is generally much lower than it is for provisions.

#### 3.4.22. 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.
Provisions are not recognized for future operating losses.

#### 3.4.22.1. Environmental provision

The Group creates provisions for future liabilities due to reclamation of contaminated land or water or elimination of harmful substances if there is such a legal or constructive obligation. The environmental provision for reclamation is periodically reviewed on the basis of expert assessment.

#### 3.4.22.2. Jubilee bonuses and retirement benefits

Under the Group's remuneration plans, its employees are entitled to jubilee bonuses and retirement benefits. Jubilee bonuses are paid to employees after an elapse of a defined number of years in service. 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 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 assumptions 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.

#### 3.4.22.3. Shield programs

Shield programs provision (restructuring provision) is created when the Group initiated a 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.

#### 3.4.22.4. $CO_2$ emissions costs

The Group creates a provision for the estimated $CO_2$ emissions during the reporting period in operating activity costs (taxes and charges).

#### 3.4.22.5. Other provisions

Other provisions include mainly provisions for legal proceedings and are recognized 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 recognizes a provision (if the recognition criteria are met).
If it is more probable 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.

### 3.4.23. Government grants

Government grants are transfers of resources to the Group by the 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 in the period they are incurred. Surplus of the received grant over the value of the given cost is presented as other operating income.
If the government grant relates to assets, it is presented net with the related asset and is recognized in the statement of profit or loss on a systematic basis over the useful life of the related asset through decreased depreciation charges. The treatment regarding Carbon dioxide emission allowances granted is described in note 3.4.14.2.

### 3.4.24. Consolidated statement of cash flows

The consolidated statement of cash flows is prepared using the 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.

### 3.4.25. Financial instruments

#### 3.4.25.1. Measurement of financial assets and liabilities

At initial recognition, the Group measures financial assets and liabilities at their 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.
At the end of the reporting period the Group measures loans and receivables including trade receivables at amortized cost using the effective interest rate method. The effective interest is the rate which discounts estimated future cash flows or payments made in expected periods until financial instrument expiration, and for shorter period in justified situations, up to the net book value of financial asset or liability.
At the end of the reporting period, the Group measures its financial liabilities at amortized cost using the effective interest rate method.

#### 3.4.25.2. Transfers

In the Group, there were no particular circumstances for the reclassification of financial instruments measured at fair value through profit or loss.

#### 3.4.25.3. Hedge accounting

Derivatives designated as hedging instruments whose cash flows are expected to offset changes in cash flows of a hedged item are accounted for in accordance with 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, consistent 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 actualy determined to have been highly effective throughout the financial reporting periods for which the hedge was designated.

The Group does not apply hedge accounting in the case when an 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 a 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 the 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.
A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized 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.

### 3.4.25.3. Hedge accounting (continued)

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 recognized in other comprehensive income, and
- the ineffective portion of the gain or loss on the hedging instrument is recognized 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 recognized 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 the amount that is not expected to be recovered to profit or loss.

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 recognized 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 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 recognized in other comprehensive income remains separately recognized 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 recognized in other comprehensive income remains 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 is recognized in profit or loss,
- the designation is revoked – in this case the cumulative gain or loss on the hedging instrument recognized in other comprehensive income remains separately recognised in equity until the forecast transaction occurs or is no longer expected to occur.

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 disposal of foreign operations.

### 3.4.26. Fair value measurement

The Group maximises the use of relevant observable inputs and minimizes the use of unobservable inputs to meet the objective of fair value measurement, 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.

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.

The fair value of derivatives is based on discounted future flows related to contracted transactions as the difference between term price and transaction price.

Forward rates of exchange are not modeled as a separate risk factor, but they are calculated as a result of a spot rate and a forward interest rate for foreign currency 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 recognised in the current year profit or loss.

As compared to the previous reporting period, the Group has not changed valuation methods concerning derivative instruments.

### 3.4.27. 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.
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. Determining whether the transfer or risks and rewards exists depends on the assessment of the essence of the economic substance of the transaction.

### 3.4.28. Contingent assets and liabilities

Contingent liabilities are defined as possible obligations that arise from past events and which are dependent on the 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 are not recognized because it is not probable that an outflow of resources 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 realized; 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, according to the accounting principles for valuation of provisions.
Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it becomes 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.

### 3.4.29. Subsequent events after the reporting date

Subsequent events after the reporting date are those events, favourable and unfavourable that occur between the end of the reporting period and date 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 at 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).

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## 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: 12. Tax credit/(expense), 13. Property, plant and equipment, 14. Investment property, 15. Intangible assets in relation to impairment, 19. Impairment of property, plant and equipment and intangible assets, 20.1. Changes in impairment allowances of inventories to net realizable value, 21.1. Changes in impairment allowances of trade and other receivables, 31. Financial instruments and 35. Contingent assets and liabilities.

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

## 5. CHANGES IN DISCLOSURE OF COMPARATIVE PERIOD

Starting from 1 January 2015 the Group unified its presentation of the cash flow hedge instruments' settlement. Consequently, the result of settlement of foreign currency forwards designated as hedge accounting instruments is included in the operating part of the statement of profit or loss and other comprehensive income, not the financial part as previously reported. Management believes that the unified presentation provides users of the financial statements with better information concerning the operations of the Group.

The changes in the consolidated statement of profit or loss for 2014 are presented in the following table:

| | Previously reported | Presentation of results from foreign currency forwards | 2014 (reclassified) |
|---|---|---|---|
| **Statement of profit or loss** | | | |
| Revenues | 124 229 | (291) | 123 938 |
| Cost of sales | (118 243) | 40 | (118 203) |
| **Gross profit on sales** | **5 986** | **(251)** | **5 735** |
| Distribution expenses | (2 090) | - | (2 090) |
| Administrative expenses | (1 274) | - | (1 274) |
| Other operating income | 1 645 | - | 1 645 |
| Other operating expenses | (5 264) | - | (5 264) |
| **Loss from operations** | **(997)** | **(251)** | **(1 248)** |
| Finance income | 1 272 | (40) | 1 232 |
| Finance costs | (1 637) | 291 | (1 346) |
| **Net finance income (costs)** | **(365)** | **251** | **(114)** |
| **Loss before tax** | **(1 362)** | **-** | **(1 362)** |
| Tax expense | 806 | - | 806 |
| **Net loss** | **(556)** | **-** | **(556)** |

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## 6. 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 (as of 31 December 2015).

| 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.<br>Na Pankráci 127, 140 00 Praha 4, Czech Republic | | | Corporate Functions | www.unipetrol.cz |
| **Subsidiaries consolidated in full method** | | | | |
| BENZINA, s.r.o.<br>Na Pankráci 127, 140 00 Praha 4, Czech Republic | 100.00% | -- | Retail | www.benzinaplus.cz |
| ČESKÁ RAFINÉRSKÁ, a.s.<br>Záluží 2, 436 70 Litvínov, Czech Republic | 100.00% | -- | Downstream | www.ceskarafinerska.cz |
| HC VERVA Litvínov, a.s.<br>Litvínov, S.K. Neumanna 1598, Czech Republic | -- | 70.95% | Corporate Functions | www.hokej-litvinov.cz |
| CHEMOPETROL, a.s. (dormant entity)<br>Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic | -- | 100.00% | Downstream | |
| MOGUL SLOVAKIA s.r.o.<br>Hradiště pod Vrátnom, U ihriska 300, Slovak Republic | -- | 100.00% | Downstream | www.mogul.sk |
| PARAMO, a.s.<br>Přerovská 560, 530 06 Pardubice, Czech Republic | 100.00% | -- | Downstream | www.paramo.cz |
| Paramo Oil s.r.o. (dormant entity)<br>Přerovská 560, 530 06 Pardubice, Czech Republic | -- | 100.00% | Downstream | |
| PETROTRANS, s.r.o.<br>Střelničná 2221, 182 00 Praha 8, Czech Republic | 0.63% | 99.37% | Downstream | www.petrotrans.cz |
| UNIPETROL AUSTRIA HmbH in Liquidation<br>Víenna, Apfelgasse 2, Austria | 100.00% | -- | Downstream | |
| UNIPETROL Deutschland GmbH<br>Paul Ehrlich Str. 1/B, 63225 Langen/Hessen, Germany | 0.10% | 99.90% | Downstream | www.unipetrol.de |
| UNIPETROL DOPRAVA s.r.o.<br>Litvínov - Růžodol č.p. 4, 436 70 Litvínov, Czech Republic | 0.12% | 99.88% | Downstream | www.unipetroldoprava.cz |
| UNIPETROL RAFINÉRIE, s.r.o. (dormant entity)<br>Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic | 100.00% | -- | Downstream | |
| UNIPETROL RPA, s.r.o.<br>Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic | 100.00% | -- | Downstream<br>Corporate Functions | www.unipetrolrpa.cz |
| UNIPETROL RPA Hungary Kft. (dormant entity)<br>1042 Budapest, Arpad ut 48-50. I. em.5, Hungary | -- | 100.00% | Downstream | |
| UNIPETROL SERVICES, s.r.o.<br>Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic | 100.00% | -- | Corporate Functions | www.unipetrolservices.cz |
| UNIPETROL SLOVENSKO s.r.o.<br>Panónská cesta 7, 850 00 Bratislava, Slovak Republic | 13.04% | 86.96% | Downstream | www.unipetrol.sk |
| Výzkumný ústav anorganické chemie, a.s.<br>Revoluční 84/č.p. 1521, Ústí nad Labem, Czech Republic | 100.00% | -- | Corporate functions | www.vuanch.cz |
| **Joint operations consolidated based on shares in assets and liabilities** | | | | |
| Butadien Kralupy a.s.<br>O. Wichterleho 810, 278 01 Kralupy nad Vltavou, Czech Republic | 51.00% | -- | Downstream | www.butadien.cz |

The Group has a 70.95% interest in HC VERVA LITVÍNOV, a.s., the remaining non-controlling interest in this company is owned by municipality of Litvínov.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## 6. THE PARENT COMPANY AND STRUCTURE OF THE CONSOLIDATED GROUP (CONTINUED)

### *Changes in structure of the Group*

**Acquisition of 32.445% stake in ČESKÁ RAFINÉRSKÁ, a.s. from Eni International B.V.**
On 30 April 2015 UNIPETROL, a.s. completed the acquisition of 303 301 shares of ČESKÁ RAFINÉRSKÁ, a.s. ("Česká rafinérská") amounting to 32.445% of the Česká rafinérská's share capital from Eni International B.V. ("Eni") following the conclusion of a share purchase agreement on 3 July 2014. The acquisition price for the shares in amount of EUR 24 million was settled in cash.
Based on the completion of the transaction the Company's stake in the Česká rafinérská's share capital has increased from 67.555% to 100%. After settlement of the transaction, the Company obtained control over Česká rafinérská, and adopted the full method of consolidation.
As a result of the completion of the transaction, the Company recognized a gain on bargain purchase (the excess of fair value of net assets purchased by UNIPETROL, a.s. over the price paid) in the amount of CZK 429 million in the consolidated statement of profit or loss and other comprehensive income. The gain was calculated in accordance 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 30 April 2015.
The recognition of the gain on bargain purchase was preceded by verification of completeness and accuracy of the values of the identified assets and liabilities purchased as part of the transaction and determination of 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 | 2 307 | (629) | 1 678 |
| Current assets | 7 967 | (100) | 7 867 |
| **Total assets** | **10 274** | **(729)** | **9 545** |
| Non-current liabilities | 34 | 164 | 198 |
| Current liabilities | 5 933 | 55 | 5 988 |
| **Total liabilities** | **5 967** | **219** | **6 186** |
| **Identifiable net assets at fair value** | | | **3 359** |
| Share acquired | | | 32.445% |
| **Share on identifiable net assets as fair value** | | | **1 090** |
| Cash paid/outflows on acquisition of shares | | | (661) |
| **Gain on bargain purchase** | | | **429** |

The revenues of ČESKÁ RAFINÉRSKÁ, a.s. in the period from 1 May 2015 till 31 December 2015 amounted to CZK 6 073 million. These revenues were fully eliminated in the consolidated statement of profit or loss, because the sole clients are the companies from the Group.

**Liquidation of UNIPETROL TRADE Group**
CHEMAPOL (SCHWEIZ) AG was deleted from Commercial register on 18 August 2015.
The liquidation of UNIPETROL AUSTRIA HmbH is ongoing.

**UNIPETROL RPA Hungary Kft.**
UNIPETROL RPA, s.r.o. has established a new subsidiary UNIPETROL RPA Hungary Kft. in Hungary. The subject of its business will be wholesale sale of of solid, liquid and gaseous fuels and related products as well as retail sales of motor fuels in the specialized shops.

**Merger between UNIPETROL RPA, s.r.o. and POLYMER INSTITUTE BRNO, spol. s r.o.**
The merger by amalgamation of UNIPETROL RPA, s.r.o. and POLYMER INSTITUTE BRNO, spol. s r.o. was approved by the companies' General Meetings with legal succession of UNIPETROL RPA, s.r.o. on 28 December 2015. The legal effects of the merger came into force as at 31 December 2015.

**Merger between UNIPETROL RPA, s.r.o. and BENZINA, s.r.o.**
The merger by amalgamation of UNIPETROL RPA, s.r.o. and BENZINA, s.r.o was approved by the companies' General Meetings with legal succession of UNIPETROL RPA, s.r.o. on 21 December 2015. The legal effects of the merger came into force as at 1 January 2016.

**Merger between UNIPETROL SLOVENSKO s.r.o. and MOGUL SLOVAKIA s.r.o.**
The merger by amalgamation of UNIPETROL SLOVENSKO s.r.o. and MOGUL s.r.o was approved by the companies' General Meetings with legal succession of UNIPETROL SLOVENSKO s.r.o. on 21 December 2015. The legal effects of the merger came into force as at 1 January 2016.

**Change in the official name of Výzkumný ústav anorganické chemie, a.s.**
As of 1 January 2016 the company Výzkumný ústav anorganické chemie, a.s. was changed to the name of Unipetrol výzkumně vzdělávací centrum, a.s. Other requirements listed in the Commercial Register as well as the company´s registered office remain unchanged.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## EXPLANATORY NOTES TO OPERATING SEGMENTS

### 7. OPERATING SEGMENTS

### 7.1. Revenues, costs, financial results, increase in investment expenditures by operating segments

| 2015 | Note | Downstream Segment | Retail Segment | Corporate Functions | Adjustments | Total |
|---|---|---|---|---|---|---|
| Total external revenues | 8. | 99 314 | 9 491 | 102 | - | 108 907 |
| Transactions with other segments | | 7 770 | 87 | 324 | (8 181) | - |
| Total segment revenue | | 107 084 | 9 578 | 426 | (8 181) | 108 907 |
| Operating expenses | | (98 171) | (9 066) | (530) | 8 181 | (99 586) |
| Other operating income | 10.1. | 582 | 11 | 23 | - | 616 |
| Other operating expenses | 10.2. | (1 133) | (22) | (66) | - | (1 221) |
| **Segment operating profit/(loss)** | | **8 362** | **501** | **(147)** | **-** | **8 716** |
| Net finance costs | 11. | | | | | (47) |
| **Profit before tax** | | | | | | **8 669** |
| Tax expense | 12. | | | | | (1 633) |
| **Net profit** | | | | | | **7 036** |
| | | | | | | |
| **Depreciation and amortisation** | 13.,15. | **(1 568)** | **(328)** | **(31)** | **-** | **(1 927)** |
| | | | | | | |
| **EBITDA*** | | **9 930** | **829** | **(116)** | **-** | **10 643** |
| | | | | | | |
| **Additions to non-current assets** | 13.,14,.15. | **2 989** | **222** | **133** | **-** | **3 344** |

*Operating profit before tax, depreciation and amortisation

| 2014 | Note | Downstream Segment | Retail Segment | Corporate Functions | Adjustments | Total |
|---|---|---|---|---|---|---|
| Total external revenues | 8. | 112 656 | 11 190 | 92 | - | 123 938 |
| Transactions with other segments | | 9 651 | 251 | 568 | (10 470) | - |
| Total segment revenue | | 122 307 | 11 441 | 660 | (10 470) | 123 938 |
| Operating expenses | | (120 160) | (11 085) | (792) | 10 470 | (121 567) |
| 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)** | | **(1 461)** | **322** | **(109)** | **-** | **(1 248)** |
| Net finance costs | 11. | | | | | (114) |
| **Loss before tax** | | | | | | **(1 362)** |
| Tax credit | 12. | | | | | 806 |
| **Net loss** | | | | | | **(556)** |
| | | | | | | |
| **Depreciation and amortisation** | 13.,15. | **(1 863)** | **(323)** | **(84)** | **-** | **(2 270)** |
| | | | | | | |
| **EBITDA*** | | **402** | **645** | **(25)** | **-** | **1 022** |
| | | | | | | |
| **Additions to non-current assets** | 13.,14.,15. | **1 773** | **187** | **47** | **-** | **2 007** |

*Operating profit before tax, depreciation and amortisation

### 7.2. Other segment data

### 7.2.1. Assets by operating segments

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Downstream Segment | 37 652 | 38 138 |
| Retail Segment | 5 597 | 5 835 |
| **Segment assets** | **43 249** | **43 973** |
| Corporate Functions | 12 091 | 5 355 |
| Adjustments | (841) | (811) |
| | **54 499** | **48 517** |

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

### 7.2.2. Recognition and reversal of impairment allowances

| | Recognition | | Reversal | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Downstream Segment | (1 541) | (5 851) | 92 | 271 |
| Retail Segment | (19) | (61) | 3 | 17 |
| **Impairment allowances by segments** | **(1 560)** | **(5 912)** | **95** | **288** |
| Corporate Functions | - | (1) | - | 22 |
| **Impairment allowances in operating activities** | **(1 560)** | **(5 913)** | **95** | **310** |
| | **(1 560)** | **(5 913)** | **95** | **310** |

**including impairment allowances of property, plant and equipment and intangible assets**

| | Recognition | | Reversal | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Downstream Segment | (732) | (4 986) | 17 | 45 |
| Retail Segment | (17) | (58) | 3 | 16 |
| **Impairment allowances by segments** | **(749)** | **(5 044)** | **20** | **61** |
| | **(749)** | **(5 044)** | **20** | **61** |

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 $CO_2$ emission allowances, petrol stations, inventories, overdue receivables, uncollectible receivables or receivables in court.

### 7.2.3. Geographical information

| | Revenues | | Non-current assets | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Czech Republic | 69 358 | 83 114 | 21 336 | 21 094 |
| Germany | 14 366 | 13 555 | 1 | 1 |
| Poland | 1 750 | 2 624 | - | - |
| Slovakia | 7 694 | 10 721 | 8 | 9 |
| Austria | 4 549 | 3 600 | - | - |
| Hungary | 5 912 | 3 974 | - | - |
| Other countries | 5 278 | 6 350 | - | - |
| | **108 907** | **123 938** | **21 345** | **21 104** |

No other country than the Czech Republic and Germany 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 the location of the assets and consist of property, plant and equipment, intangible assets and investment property.

### 7.3. Revenues from major products and services

The following is an analysis of the Group's external revenues from its major products and services:

| | 2015 | 2014 |
|---|---|---|
| **Downstream Segment** | **99 314** | **112 656** |
| Light distillates | 20 676 | 19 301 |
| Medium distillates | 40 116 | 40 688 |
| Heavy fractions | 4 587 | 5 715 |
| Monomers | 3 486 | 6 031 |
| Polymers | 15 371 | 19 145 |
| Aromas | 2 513 | 5 974 |
| Plastics | 800 | 873 |
| Others | 8 446 | 10 441 |
| Services | 3 319 | 4 778 |
| **Retail Segment** | **9 491** | **11 190** |
| Light distillates | 3 089 | 3 753 |
| Medium distillates | 6 045 | 7 073 |
| Others | 24 | 2¨3 |
| Services | 332 | 341 |
| **Corporate Functions** | **102** | **92** |
| | **108 907** | **123 938** |

### 7.4. Information about major customers

Revenues from 1 individual customer in the amount of CZK 11 792 million represented more than 10% of the Group's total revenues of the downstream segment.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## EXPLANATORY NOTES TO THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

### 8. REVENUES

| | 2015 | 2014 |
|---|---|---|
| Sales of finished goods | 98 433 | 112 271 |
| Sales of services | 3 754 | 5 210 |
| **Revenues from sales of finished goods and services, net** | **102 187** | **117 481** |
| Sales of merchandise | 6 243 | 5 598 |
| Sales of raw materials | 477 | 859 |
| **Revenues from sales of merchandise and raw materials, net** | **6 720** | **6 457** |
| | **108 907** | **123 938** |

### 9. OPERATING EXPENSES

### 9.1. Cost of sales

| | 2015 | 2014 |
|---|---|---|
| Cost of finished goods and services sold | (89 590) | (112 017) |
| Cost of merchandise and raw materials sold | (6 554) | (6 186) |
| | **(96 144)** | **(118 203)** |

### 9.2. Cost by nature

| | 2015 | 2014 |
|---|---|---|
| Materials and energy | (79 958) | (100 944) |
| Cost of merchandise and raw materials sold | (6 554) | (6 186) |
| External services | (7 423) | (7 911) |
| Employee benefits | (2 617) | (2 500) |
| Depreciation and amortization | (1 927) | (2 270) |
| Taxes and charges | (425) | (433) |
| Other | (1 631) | (5 629) |
| | **(100 535)** | **(125 873)** |
| Change in inventories | (355) | (958) |
| Cost of products and services for own use | 83 | - |
| **Operating expenses** | **(100 807)** | **(126 831)** |
| Distribution expenses | 2 140 | 2 090 |
| Administrative expenses | 1 302 | 1 274 |
| Other operating expenses | 1 221 | 5 264 |
| **Cost of sales** | **(96 144)** | **(118 203)** |

### 9.3. Employee benefits costs

| | 2015 | 2014 |
|---|---|---|
| Wages and salaries | (1 885) | (1 801) |
| Change of employee benefits provision | (7) | (7) |
| Social and health insurance | (617) | (582) |
| Social expense | (108) | (110) |
| | **(2 617)** | **(2 500)** |

| 2015 | Employees | Key Management | Audit Committee | Board of Directors | Supervisory Board | Total |
|---|---|---|---|---|---|---|
| Wages and salaries | (1 722) | (123) | (1) | (32) | (7) | (1 885) |
| Social and health insurance | (580) | (30) | - | (5) | (2) | (617) |
| Social expense | (94) | (10) | - | (4) | - | (108) |
| Change of employee benefits provision | (7) | - | - | - | - | (7) |
| | **(2 403)** | **(163)** | **(1)** | **(41)** | **(9)** | **(2 617)** |
| Number of employees average per year* | 3 778 | 49 | | | | 3 827 |
| Number of employees as at balance sheet day* | 3 760 | 60 | | | | 3 820 |

*In case of joint operations the relevant share is used.

| 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.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## 10. OTHER OPERATING INCOME AND EXPENSES

### 10.1. Other operating income

| | 2015 | 2014 |
|---|---|---|
| Profit on sale of non-current non-financial assets | 9 | 38 |
| Reversal of provisions | 13 | 13 |
| Reversal of receivables impairment allowances | - | 23 |
| Reversal of impairment allowances of property, plant and equipment and intangible assets | 20 | 61 |
| Penalties and compensations earned | 61 | 104 |
| Gain on bargain purchase | 429 | 1 186 |
| Other | 84 | 220 |
| | **616** | **1 645** |

The line „Gain on bargain purchase" relates to the settlement of ČESKÁ RAFINÉRSKÁ, a.s. shares acquisition - additional information is presented in note 6.

### 10.2. Other operating expenses

| | 2015 | 2014 |
|---|---|---|
| Loss on sale of non-current non-financial assets | (27) | (15) |
| Recognition of provisions | (196) | (59) |
| Recognition of receivables impairment allowances | (81) | (27) |
| Recognition of impairment allowances of property, plant and equipment and intangible assets | (749) | (5 044) |
| Donations | (6) | (3) |
| Other | (162) | (116) |
| | **(1 221)** | **(5 264)** |

Following the decision of the Czech inspection of environment, the Group recognized a provision in amount of CZK 160 million in respect of remediation of historical ecological contamination in the Kralupy location.

As a consequence of the steam cracker unit accident which took place at the Chempark Záluží in Litvínov on 13 August 2015, the Group recognized an estimated impairment charge in the amount of CZK 597 million in relation to damaged assets. Impairment charges of CZK 508 million were allocated to machinery and equipment, and CZK 89 million to buildings and constructions and these were recorded in other operating costs. The amount of the impairment charge may be changed until the completion of technical works on the site.
The other operating costs incurred by the Group in connection with the accident as at 31 December 2015 are estimated in the amount of CZK 156 million.

## 11. FINANCE INCOME AND COSTS, NET

| | 2015 | 2014 |
|---|---|---|
| Interest | (2) | (68) |
| Foreign exchange loss | (273) | (825) |
| Settlement and valuation of financial instruments | 261 | 821 |
| Other | (33) | (42) |
| | **(47)** | **(114)** |

### 11.1. Finance income

| | 2015 | 2014 |
|---|---|---|
| Interest | 30 | 48 |
| Settlement and valuation of financial instruments | 1 229 | 1 183 |
| Other | 1 | 1 |
| | **1 260** | **1 232** |

### 11.2. Finance costs

| | 2015 | 2014 |
|---|---|---|
| Interest | (32) | (116) |
| Foreign exchange loss | (273) | (825) |
| Settlement and valuation of financial instruments | (968) | (362) |
| Other | (34) | (43) |
| | **(1 307)** | **(1 346)** |

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## 12. TAX CREDIT/(EXPENSE)

| | 2015 | 2014 |
|---|---|---|
| **Tax credit/(expense) in the statement of profit or loss** | | |
| Current tax | (709) | (112) |
| Deferred tax | (924) | 918 |
| | **(1 633)** | **806** |
| **Deferred tax recognized in other comprehensive income** | | |
| Effective portion of changes in fair value of cash flow hedges | (2) | (171) |
| Actuarial gains or losses | (2) | 2 |
| | **(4)** | **(169)** |
| | **(1 637)** | **637** |

Domestic tax is calculated in accordance with Czech tax regulations at the rate of 19% in 2015 (2014: 19%) of the estimated taxable income for the year. The deferred tax has been calculated using the tax rate approved for the years 2016 and forward i.e. 19%. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

### 12.1. The differences between tax expense recognized in profit or loss and the amount calculated based on the rate from profit/(loss) before tax

| | 2015 | 2014 |
|---|---|---|
| Profit/(loss) for the year | 7 036 | (556) |
| Total tax credit/(expense) | (1 633) | 806 |
| Profit/(loss) before tax | 8 669 | (1 362) |
| | | |
| Income tax using domestic income tax rate | (1 647) | 259 |
| Effect of tax rates in foreign jurisdictions | 9 | 7 |
| Non-deductible expenses | 34 | (6) |
| Tax exempt income | 13 | - |
| Changes in estimates related to prior periods | (45) | 367 |
| Change in not recognized deferred tax assets | 14 | (40) |
| Under (over) provided in prior periods | (1) | (1) |
| Gain on bargain purchase | 82 | 225 |
| Other differences | (92) | (5) |
| **Total tax credit/(expense)** | **(1 633)** | **806** |
| **Effective tax rate** | **(18.84%)** | **(59.18%)** |

### 12.2. Deferred tax

Deferred 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 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).
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:

| | 31/12/2014 | Deferred tax recognized in statement of profit or loss | Deferred tax recognized in other comprehensive income | Transfers | Change in Group structure | 31/12/2015 |
|---|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | | |
| Property, plant and equipment | 940 | (345) | - | 110 | 421 | 1 126 |
| Provisions | 172 | 113 | (2) | 9 | 19 | 311 |
| Unused tax losses carried forward | 734 | (741) | - | 20 | 47 | 60 |
| Inventories | 139 | - | - | (139) | - | - |
| Other | 118 | (25) | - | - | - | 93 |
| | **2 103** | **(998)** | **(2)** | **-** | **487** | **1 590** |
| **Deferred tax liabilities** | | | | | | |
| Property, plant and equipment | (1 109) | 43 | - | - | - | (1 066) |
| Inventories | (18) | 81 | - | - | - | 63 |
| Finance lease | (14) | 5 | (2) | - | - | (11) |
| Derivative instruments | (126) | - | - | - | - | (126) |
| Other | - | (55) | - | - | - | (55) |
| | **(1 267)** | **74** | **(2)** | **-** | **-** | **(1 195)** |
| | **836** | **(924)** | **(4)** | **-** | **487** | **395** |

### 12.2. Deferred tax (continued)

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, a.s. As at 31 December 2015 deferred tax assets and liabilities amounted to CZK 1 204 million (31 December 2014: CZK 1 039 million) and CZK 809 million (31 December 2014: CZK 203 million).

Deferred tax assets and liabilities are offset when there is a 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 tax assets are recognized for tax losses 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 2016 - 2020.

In the calculation of deferred tax assets as at 31 December 2015 the Group has not recognized unused tax losses in amount of CZK 1 221 million due to the unpredictability of future taxable income (31 December 2014: CZK 1 571 million). These unrecognised tax losses will expire by the end of 2019.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## EXPLANATORY NOTES TO THE STATEMENT OF FINANCIAL POSITION

### 13. PROPERTY, PLANT AND EQUIPMENT

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Land | 821 | 820 |
| Buildings and constructions | 8 793 | 9 056 |
| Machinery and equipment | 7 157 | 7 656 |
| Vehicles and other | 519 | 582 |
| Construction in progress | 2 108 | 779 |
| | **19 398** | **18 893** |

### 13.1. Changes in property, plant and equipment

| | Land | Buildings and constructions | Machinery and equipment | Vehicles and other | Construction in progress | Total |
|---|---|---|---|---|---|---|
| **01/01/2015** | | | | | | |
| **Net book value** | | | | | | |
| Gross book value* | 1 171 | 25 442 | 43 881 | 2 928 | 1 270 | **74 692** |
| Accumulated depreciation and impairment allowances* | (351) | (16 326) | (36 055) | (2 344) | (340) | **(55 416)** |
| Government grants | - | (60) | (170) | (2) | (151) | **(383)** |
| | **820** | **9 056** | **7 656** | **582** | **779** | **18 893** |
| **increase/(decrease) net** | | | | | | |
| Investment expenditures | 1 | 657 | 1 422 | 156 | 961 | **3 197** |
| Depreciation | - | (470) | (1 136) | (157) | - | **(1 763)** |
| Impairment allowances | - | (241) | (634) | 44 | 219 | **(612)** |
| Reclassifications | - | (10) | 1 | - | (5) | **(14)** |
| Sale | - | (1) | (5) | (43) | - | **(49)** |
| Liquidation | - | (9) | (4) | (61) | - | **(74)** |
| Government grants - received,settled | - | (186) | (81) | 1 | 151 | **(115)** |
| Other increases/(decreases) | - | (3) | (62) | (3) | 3 | **(65)** |
| **31/12/2015** | | | | | | |
| **Net book value** | **821** | **8 793** | **7 157** | **519** | **2 108** | **19 398** |
| Gross book value | 1 172 | 26 029 | 45 025 | 2 854 | 2 229 | **77 309** |
| Accumulated depreciation and impairment allowances | (351) | (16 989) | (37 617) | (2 334) | (121) | **(57 413)** |
| Government grants | - | (246) | (251) | (1) | - | **(498)** |
| | **821** | **8 793** | **7 157** | **519** | **2 108** | **19 398** |
| **01/01/2014** | | | | | | |
| **Net book value** | | | | | | |
| Gross book value | 1 160 | 24 699 | 42 435 | 2 942 | 1 130 | **72 366** |
| Accumulated depreciation and impairment allowances | (350) | (14 186) | (32 228) | (2 126) | (103) | **(48 993)** |
| Government grants | - | (27) | (21) | (2) | (146) | **(196)** |
| | **810** | **10 486** | **10 186** | **814** | **881** | **23 177** |
| **increase/(decrease) net** | | | | | | |
| Investment expenditures | 10 | 368 | 1 205 | 171 | 112 | 1 866 |
| Depreciation | - | (474) | (1 455) | (204) | - | (2 133) |
| Change in Group structure* | - | 392 | 644 | 46 | 38 | 1 120 |
| Impairment allowances | (1) | (1 674) | (2 717) | (231) | (237) | (4 860) |
| Reclassifications | 1 | 2 | 5 | (1) | (10) | (3) |
| Sale | - | (11) | - | (9) | - | (20) |
| Liquidation | - | - | (3) | (4) | - | (7) |
| Government grants - received,settled | - | (33) | (149) | - | (5) | (187) |
| Other increases/(decreases) | - | - | (60) | - | - | (60) |
| **31/12/2014** | | | | | | |
| **Net book value** | **820** | **9 056** | **7 656** | **582** | **779** | **18 893** |

***** In 2015 the Group changed presentation of additions to non-current assets arised from acquisitions of shares in Česká rafinérská, a.s. for the year 2014 and 2015.

**Material additions**

The major additions to non-current assets were the capitalized repairs of the steam cracker unit the after accident in the amount of CZK 318 million, construction of the new unit PE3 of CZK 311 million, reconstruction of the sewerage and waste water treatment plant in the Kralupy grounds in the amount of CZK 234 million , PP to 300 kt intensification of CZK 86 million, renovation of pyrolitic furnance BA-102 of CZK 49 million, renovation of the international ethylene pipeline of CZK 35 million, renovation of substation R200 of CZK 29 million.

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 2015 amounted to less than CZK 1 million (31 December 2014: less than CZK 1 million).

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

### 13.2. Changes in impairment allowances of property, plant and equipment

| | Land | Buildings and constructions | Machinery and equipment | Vehicles and other | Construction in progress | Total |
|---|---|---|---|---|---|---|
| 01/01/2015* | 351 | 5 435 | 7 177 | 303 | 340 | 13 606 |
| Recognition | - | 93 | 531 | 46 | 72 | 742 |
| Reversal | - | (4) | (15) | - | - | (19) |
| Usage | - | (7) | (7) | (91) | - | (105) |
| Reclassifications | - | 159 | 125 | 1 | (291) | (6) |
| | **351** | **5 676** | **7 811** | **259** | **121** | **14 218** |
| increase/(decrease) net | - | 241 | 634 | (44) | (219) | 612 |
| 01/01/2014 | 350 | 3 761 | 4 460 | 72 | 103 | 8 746 |
| Recognition | 1 | 1 670 | 2 630 | 232 | 404 | 4 937 |
| Reversal | - | (33) | (23) | - | - | (56) |
| Usage | - | (8) | (11) | (1) | - | (20) |
| Reclassifications | - | 45 | 121 | - | (167) | (1) |
| | **351** | **5 435** | **7 177** | **303** | **340** | **13 606** |
| increase/(decrease) net | 1 | 1 674 | 2 717 | 231 | 237 | 4 860 |

***** In 2015 the Group reclassified additions to non-current assets arising from acquisitions of shares in Česká rafinérská, a.s. for the year 2014 and 2015.

Detailed information regarding impairment recognized in 2015 is presented in note 19.

The Group reviews useful lives of property, plant and equipment and introduces adjustments to depreciation charges prospectively according to its accounting policy. Should the depreciation policy from the previous year be applied, the depreciation expense for 2015 would be higher by CZK 144 million.

### 13.3. Other information on property, plant and equipment

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| The gross book value of all fully depreciated property, plant and equipment still in use | 12 503 | 9 970 |
| The net book value of temporarily idle property, plant and equipment | - | 16 |
| The net book value of leased non-current assets | 232 | 276 |

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 32 million as at 31 December 2015 (31 December 2014: CZK 35 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 417 million (in 2014: CZK 295 million).

## 14. INVESTMENT PROPERTY

| | 2015 | 2014 |
|---|---|---|
| At the beginning of the year | 419 | 427 |
| Reclassification to property, plant and equipment | - | (3) |
| Transfer from property, plant and equipment | 9 | - |
| Fair value measurement | 5 | (5) |
| increase | 5 | 15 |
| decrease | - | (20) |
| | **433** | **419** |

Rental income amounted to CZK 48 million in 2015 (2014: CZK 46 million). Operating costs related to investment property amounted to CZK 4 million in 2015 (2014: CZK 6 million).

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

### 14.1. Fair value of investment property measurement

Investment property as at 31 December 2015 included the land and buildings owned by the Group and leased to third parties, 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 the assessed property was equal to the market price of similar property (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 annual 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 (investment property valued under the revenue approach belong to Level 3 as defined by IFRS 7). The discount rate of 8.10% was used for the calculation of the investment property fair value.

| | | Fair value hierarchy | | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Level 2 | Level 3 |
| 31/12/2015 | 433 | 433 | 116 | 317 |
| 31/12/2014 | 419 | 419 | 117 | 302 |

### 14.2. 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 |

## 15. INTANGIBLE ASSETS

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| **Internally generated intangible assets** | **65** | **50** |
| Assets under development | 43 | 29 |
| Other intangible assets | 22 | 21 |
| **Other intangible assets** | **1 449** | **1 742** |
| Software | 100 | 107 |
| Licences, patents and trade marks | 649 | 710 |
| Assets under development | 414 | 346 |
| $CO_2$ emission allowance | 271 | 520 |
| Other intangible assets | 15 | 59 |
| | **1 514** | **1 792** |

### 15.1. Changes in internally generated intangible assets

In 2015, the Group recognized internally generated intangible assets in the amount of CZK 27 million, which include development studies (2014: CZK 30 million).

| | Assets under development | Other intangible assets | Total |
|---|---|---|---|
| **01/01/2015** | | | |
| **Net book value** | | | |
| Gross book value | 29 | 31 | **60** |
| Accumulated depreciation and impairment allowances | - | (10) | **(10)** |
| | **29** | **21** | **50** |
| **increase/(decrease) net** | | | |
| Investment expenditures | 14 | 13 | **27** |
| Amortization | - | (12) | **(12)** |
| **31/12/2015** | | | |
| **Net book value** | **43** | **23** | **66** |
| Gross book value | 43 | 44 | **87** |
| Accumulated depreciation and impairment allowances | - | (22) | **(22)** |
| | **43** | **22** | **65** |
| **01/01/2014** | | | |
| **Net book value** | | | |
| Gross book value | 29 | - | 29 |
| | **29** | **-** | **29** |
| **increase/(decrease) net** | | | |
| Investment expenditures | - | 30 | 30 |
| Amortization | - | (6) | (6) |
| Change in Group structure | 1 | - | 1 |
| Impairment allowances | - | (4) | (4) |
| Reclassifications | (1) | 1 | - |
| **31/12/2014** | | | |
| **Net book value** | **29** | **21** | **50** |

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

### 15.2. Changes in impairment allowances of internally generated intangible assets

| | Assets under development | Other intangible assets | Total |
|---|---|---|---|
| 01/01/2015 | - | 4 | 4 |
| | **-** | **4** | **4** |
| increase/(decrease) net | - | - | - |
| 01/01/2014 | - | - | - |
| 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 |
|---|---|---|---|---|---|---|---|
| **01/01/2015** | | | | | | | |
| **Net book value** | | | | | | | |
| Gross book value* | 1 146 | 2 027 | 51 | 376 | 541 | 458 | **4 599** |
| Accumulated depreciation and impairment allowances* | (1 022) | (1 317) | (51) | (29) | (21) | (399) | **(2 839)** |
| Government grants | (17) | - | - | (1) | - | - | **(18)** |
| | **107** | **710** | **-** | **346** | **520** | **59** | **1 742** |
| **increase/(decrease) net** | | | | | | | |
| Investment expenditures | 45 | 5 | - | 65 | - | - | **115** |
| Amortization | (42) | (66) | - | - | - | (44) | **(152)** |
| Change in Group structure* | - | - | - | - | 64 | - | **64** |
| Impairment allowances | (9) | (4) | - | 2 | 6 | - | **(5)** |
| Reclassifications | 5 | - | - | - | - | - | **5** |
| Government grants - received,settled | (3) | - | - | 1 | - | - | **(2)** |
| Other increases/(decreases) | (3) | 4 | - | - | (319) | - | **(318)** |
| **31/12/2015** | | | | | | | |
| **Net book value** | **100** | **649** | **-** | **414** | **271** | **15** | **1 449** |
| Gross book value | 1 192 | 2 030 | 51 | 441 | 287 | 428 | **4 429** |
| Accumulated depreciation and impairment allowances | (1 072) | (1 381) | (51) | (27) | (16) | (413) | **(2 960)** |
| Government grants | (20) | - | - | - | - | - | **(20)** |
| | **100** | **649** | **-** | **414** | **271** | **15** | **1 449** |
| **01/01/2014** | | | | | | | |
| **Net book value** | | | | | | | |
| Gross book value | 1 095 | 2 076 | 52 | 349 | 523 | 488 | 4 583 |
| Accumulated depreciation and impairment allowances | (951) | (1 297) | (52) | (7) | (157) | (399) | (2 863) |
| Government grants | (1) | - | - | - | - | - | (1) |
| | **143** | **779** | **-** | **342** | **366** | **89** | **1 719** |
| **increase/(decrease) net** | | | | | | | |
| Investment expenditures | 58 | 8 | - | 26 | - | 4 | 96 |
| Amortization | (49) | (66) | - | - | - | (16) | (131) |
| Change in Group structure* | 7 | 1 | - | 6 | 1 | 1 | 16 |
| Impairment allowances | (44) | (13) | 1 | (22) | 136 | (21) | 37 |
| Reclassifications | 9 | 1 | - | (5) | - | 1 | 6 |
| Government grants - received,settled | (16) | - | - | (1) | - | - | (17) |
| Other increases/(decreases) | (1) | - | (1) | - | 17 | - | 15 |
| **31/12/2014** | | | | | | | |
| **Net book value** | **107** | **710** | **-** | **346** | **520** | **59** | **1 742** |

***** In 2015 the Group changed presentation of additions to non-current asset arising from the increase of shares in Česká rafinérská, a.s. for years 2014 and 2015.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

### 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 |
|---|---|---|---|---|---|---|---|
| 01/01/2015* | 78 | 212 | 51 | 29 | 21 | 43 | 434 |
| Recognition | 3 | 4 | - | - | - | - | 7 |
| Reversal | - | - | - | (1) | - | - | (1) |
| Usage | - | - | - | - | (6) | - | (6) |
| Reclassifications | 6 | - | - | (1) | - | - | 5 |
| | **87** | **216** | **51** | **27** | **15** | **43** | **439** |
| increase/(decrease) net | 9 | 4 | - | (2) | (6) | - | 5 |
| 01/01/2014 | 34 | 199 | 52 | 7 | 157 | 22 | 471 |
| Recognition | 37 | 5 | - | 35 | - | 26 | 103 |
| Reversal | - | - | - | - | - | (5) | (5) |
| Usage | - | - | - | - | (136) | - | (136) |
| Reclassifications | 7 | 8 | - | (14) | - | - | 1 |
| Other increases/(decreases) | - | - | (1) | 1 | - | - | - |
| | **78** | **212** | **51** | **29** | **21** | **43** | **434** |
| increase/(decrease) net | 44 | 13 | (1) | 22 | (136) | 21 | (37) |

***** In 2015 the Group changed presentation of additions to non-current asset arising from the increase of shares in Česká rafinérská, a.s. for years 2014 and 2015.

Recognition and reversal of impairment allowances for intangible assets are recognized in other operating activities. Detailed information regarding impairment recognized in 2015 is presented in note 19.

### 15.5. Other information on other intangible assets

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| The gross book value of all fully depreciated intangible assets still in use | 1 437 | 1 748 |
| The net book value of intangible assets with indefinite useful life | 10 | 10 |

The increase of assets under development in 2015 includes the new PE3 licence – project in the amount of CZK 29 million.

The Group reviews useful lives of intangible assets and introduces an adjustment to amortization charges prospectively according to its accounting policy. Should the amortization rates from the previous year be applied, amortization expense for 2015 would be higher by CZK 4 million.

### 15.6. $CO_2$ emission allowances

Based on the Czech National Allocation Scheme for the years 2013-2020 the Group was to obtain $CO_2$ emission allowances free of charge. During the year ended 31 December 2015 the Group obtained $CO_2$ emission allowances in the amount of 1 918 475 tons.

| | Value | Quantity (in tonnes) |
|---|---|---|
| 01/01/2015 | 520 | 2 893 260 |
| Granted free of charge for 2015 | 389 | 1 918 475 |
| Settlement for 2014 | (707) | (3 767 104) |
| Change in Group structure | 64 | 319 085 |
| Impairment allowances | 6 | - |
| | **272** | **1 363 716** |
| Estimated annual consumption 2015 | 772 | 3 754 786 |

As at 31 December 2015 the market value of one EUA allowance (European Union Emission Allowance) amounted to EUR 8.22 (31 December 2014: EUR 7.24).

$CO_2$ emission allowances acquired and sold by the Group are included in the statement of consolidated cash flows, 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.

## 16. JOINT OPERATIONS

| | Place of business | Ownership interest of the parent company in share capital | Principal activities | Method of consolidation |
|---|---|---|---|---|
| Butadien Kralupy a.s. | Czech Republic | 51.00% | Production of butadiene | Share in assets and liabilities |

The Group in accordance with IFRS 11 classified Butadien Kralupy a.s. in as joint operations. Detailed information is described in note 3.4.3.2.

Until 30 April 2015, the Group´s wnership interest in ČESKÁ RAFINÉRSKÁ, a.s. was 67.56% and was classified as joint operations until that date. Detailed information is described in note 6.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## 17. FINANCIAL ASSETS AVAILABLE FOR SALE

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Unquoted shares | | |
| Orlen Holding Malta LTD | 1 | 1 |
| | **1** | **1** |

The Group had equity investments of CZK 0.5 million as at 31 December 2015 (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

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Loans granted | 1 | 6 |
| Other non-current receivables | 20 | 20 |
| **Financial assets** | **21** | **26** |
| Prepayments | 4 | 3 |
| **Non-financial assets** | **4** | **3** |
| | **25** | **29** |

## 19. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Group has assessed the requirements presented in IAS 36 for determination of Impairment indicators for single assets and for CGU as at 31 December 2015. The Group has identified an internal indicator, i.e. evidence of physical damage of an asset within a CGU after an accident on 13 August 2015 in Litvínov. The damaged assets are part of the Petrochemical CGU. After the fire, the Petrochemical CGU continues in operation to a limited extent with external feedstock deliveries of ethylen and propylen. In relation to damaged assets, the Group has selected a repair scenario which is intanded to obtain the lowest estimated lost profit and shortest estimated shutdown duration.

The Group is insured against property and mechanical damage as well as loss of business profits (business interruption) and it is in the process of seeking recourse from the insurer. The Group expects that based on conditions envisaged in the insurance policy, it will recover from the insurer the cost of repair in relation to property damage insurance. The Group also expects that the compensation from business interruption insurance will cover expected profit loss during the period of steam cracker rebuilding. Further information is presented in note 35.

Considering these facts, in relation to the net book value of assets as at 31 December 2015, the Group hasn not identified any indicators of impairment at the CGU´s level. The individually damaged assets were written down to their fair value less costs of disposal as required by IAS 36 and impairment of CZK 597million was recognized.

The Group has not identified deterioration of the indicators (deterioration of external refinery environment, performance of refinery activities below forecasted level, surplus of refinery production capacities and increased supply of products) based on which the impairment was recognized in 2014. The Company also has not identified any indicators which would lead to the reversal of the impairment.

As at 31 December 2015 the indicators of the impairment were identified for Cash Generating Units (CGUs) in the retail segment, based on which the impairment tests have been performed. Based on the impairment tests´ analysis the Group increased its impairment allowance by CZK 14 million as at 31 December 2015 (31 December 2014: CZK 26 million).

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, 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.

## 20. INVENTORIES

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Raw materials | 4 567 | 4 382 |
| Work in progress | 1 347 | 1 049 |
| Finished goods | 2 999 | 3 548 |
| Merchandise | 254 | 367 |
| Spare parts | 1 223 | 974 |
| **Inventories, net** | **10 390** | **10 320** |
| Impairment allowances of inventories to net realizable value | 864 | 957 |
| **Inventories, gross** | **11 254** | **11 277** |

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

### 20.1. Changes in impairment allowances of inventories to net realizable value

| | 2015 | 2014 |
|---|---|---|
| At the beginning of the year | 957 | 386 |
| Recognition | 730 | 842 |
| Usage | (826) | (95) |
| Reversal | (75) | (226) |
| Change in Group structure | 78 | 50 |
| | **864** | **957** |

Changes in the net realizable value allowances for inventories amount to CZK 655 million and are included in cost of sales (2014: CZK 617 million) presented in note 9.

## 21. TRADE AND OTHER RECEIVABLES

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Trade receivables | 9 437 | 11 951 |
| Other | 17 | 18 |
| **Financial assets** | **9 454** | **11 969** |
| Excise tax and fuel charge receivables | 312 | 401 |
| Other taxation, duty, social security receivables | 19 | 24 |
| Advances for construction in progress | 1 033 | - |
| Prepayments and deferred costs | 440 | 112 |
| **Non-financial assets** | **1 804** | **537** |
| **Receivables, net** | **11 258** | **12 506** |
| Receivables impairment allowance | 646 | 623 |
| **Receivables, gross** | **11 904** | **13 129** |

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, a 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 31.4.2. and detailed information about receivables from related parties is presented in note 37.

### 21.1. Changes in impairment allowances of trade and other receivables

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| At the beginning of the year | 623 | 637 |
| Recognition | 81 | 27 |
| Change in Group structure | 18 | 8 |
| Reversal | - | (23) |
| Usage | (74) | (44) |
| Other | - | 5 |
| Foreign exchange differences | (2) | 13 |
| | **646** | **623** |

The Group sets impairment charges based on analysis of customers' creditworthiness and ageing of receivables. In determining the recoverability of 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 the 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.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## 22. OTHER FINANCIAL ASSETS

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Cash flow hedge instruments | 700 | 887 |
| *currency forwards* | *30* | *15* |
| *commodity swaps* | *670* | *872* |
| Derivatives not designated as hedge accounting | 14 | 188 |
| *currency forwards* | *14* | *23* |
| *commodity swaps* | *-* | *165* |
| Loans granted | - | 6 |
| Cash pool | 3 086 | 36 |
| Receivables on settled cash flow hedge instruments | 481 | 647 |
| | **4 281** | **1 764** |

Information regarding cash flow hedge instruments and derivatives not designed as hedge accounting is presented in note 31.3.

The Group presents the assets in the PKN group´s cash pool system in the amount of CZK 3 086 million as at 31 December 2015 (CZK 36 million as at 31 December 2014). The interest rates were based on appropriate inter-bank rates and the fair value of the assets approximates their carrying amount.

The Group provided current loans to related entities and to operators of fuel stations. The carrying amount of the loans amounted to less than CZK 1 million as at 31 December 2015 (31 December 2014: CZK 6 million). The interest rates are variable and are based on appropriate inter-bank rates. The fair value of the loans approximates the carrying amount as at 31 December 2015.

## 23. CASH AND CASH EQUIVALENTS

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Cash on hand and in bank | 5 888 | 1 682 |
| | **5 888** | **1 682** |

## 24. SHAREHOLDERS' EQUITY

### 24.1. Share capital

The issued capital of the Company as at 31 December 2015 amounted to CZK 18 133 million (31 December 2014: CZK 18 133 million). This represents 181 334 764 (31 December 2014: 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 Group established a reserve fund for possible future losses. The balance of the Statutory reserve fund as at 31 December 2015 amounted to CZK 34 million (31 December 2014: CZK 2 703 million).

### 24.3. Hedging reserve

The amount of the hedging reserve of CZK 545 million as at 31 December 2015 resulted from the valuation of derivatives meeting the requirements of cash flow hedge accounting (31 December 2014: CZK 538 million).

### 24.4. Revaluation reserve

Revaluation reserve comprises the difference between the net book value and the fair value of the property as at the date of reclassification of the property occupied by the Group and recognized 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 2015 amounted to CZK 15 million (31 December 2014: CZK 18 million).

### 24.6. Retained earnings

In accordance with appropriate Czech law, dividends can be paid from unconsolidated profits of the parent company. The Annual General Meeting of UNIPETROL, a.s. held on 2 June 2015 decided, pursuant to Article 8 (2) (k) of the Articles of Association of UNIPETROL, a.s., on transfer of the Company's profit generated on separate basis in 2014 in amount of CZK 328 million to retained earnings.

The decision regarding appropriation of 2015 profit will be made at the annual meeting of shareholders, which will be held in May/June 2016.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

### 24.7. Equity management policy

Equity 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 the equity debt ratio (net financial leverage). As at 31 December 2015 and as at 31 December 2014 Group´s financial leverage amounted to -16.49% and 9.49%, 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

### 24.8. Profit/(loss) per share

*Basic profit/(loss) per share*

| | 2015 | 2014 |
|---|---|---|
| Profit/(loss) for the year attributable to equity owners | 7 036 | (556) |
| Weighted average number of shares | 181 334 764 | 181 334 764 |
| **Profit/(loss) per share (in CZK per share)** | **38.80** | **(3.07)** |

*Diluted profit/(loss) per share*
Diluted profit/(loss) per share are the same as basic profit/(loss) per share.

## 25. LOANS AND BORROWINGS

| | Non-current | | Current | | Total | |
|---|---|---|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2015 | 31/12/2014 | 31/12/2015 | 31/12/2014 |
| Bank loans | - | - | - | 327 | - | 327 |
| Borrowings | - | 4 000 | - | 23 | - | 4 023 |
| | **-** | **4 000** | **-** | **350** | **-** | **4 350** |

**Loan granted by PKN Orlen S.A.**
During the 12 months ended 31 December 2015 the Group repaid a CZK 4 billion mid-term loan received from its majority shareholder POLSKI KONCERN NAFTOWY ORLEN S.A. under a loan agreement dated 12 December 2013.

### 25.1. Bank loans

by currency (translated into CZK)/by interest rate

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| CZK/PRIBOR | - | 327 |
| | **-** | **327** |

Disclosures resulting from IFRS 7 relating to loans and borrowings are included in note 31 and are presented together with other financial instruments.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## 26. PROVISIONS

| | Non-current | | Current | | Total | |
|---|---|---|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2015 | 31/12/2014 | 31/12/2015 | 31/12/2014 |
| Environmental provision | 571 | 350 | 3 | - | 574 | 350 |
| Jubilee bonuses and retirement benefits provision | 76 | 71 | 7 | 5 | 83 | 76 |
| Provision for $CO_2$ emission allowances | - | - | 772 | 707 | 772 | 707 |
| Other provision | 31 | 36 | 110 | 70 | 141 | 106 |
| | **678** | **457** | **892** | **782** | **1 570** | **1 239** |

### Change in provisions in 2015

| | Environmental provision | Jubilee bonuses and retirement benefits provision | Shield programs provision | Provision for $CO_2$ emission allowances | Other provision | Total |
|---|---|---|---|---|---|---|
| **01/01/2015** | 350 | 76 | - | 707 | 106 | 1 239 |
| Recognition | 169 | 4 | - | 754 | 27 | 954 |
| Discounting | 6 | - | - | - | - | 6 |
| Usage | (3) | (3) | - | (707) | - | (713) |
| Reversal | (1) | (3) | - | - | (12) | (16) |
| Change in Group structure | 53 | 9 | - | 18 | 20 | 100 |
| | **574** | **83** | **-** | **772** | **141** | **1 570** |

### Change in provisions in 2014

| | Environmental provision | Jubilee bonuses and retirement benefits provision | Shield programs provision | Provision for $CO_2$ emission allowances | Other provision | Total |
|---|---|---|---|---|---|---|
| **01/01/2014** | 340 | 57 | - | 514 | 63 | 974 |
| Recognition | 4 | 18 | 1 | 775 | 55 | 853 |
| Discounting | 7 | - | - | - | - | 7 |
| Usage | (1) | (3) | - | (562) | (2) | (568) |
| Reversal | - | - | (1) | (41) | (12) | (54) |
| Change in Group structure | - | 4 | - | 21 | 2 | 27 |
| | **350** | **76** | **-** | **707** | **106** | **1 239** |

### 26.1. Environmental provision

Under the 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 after 2043. The provision amounted to CZK 339 million as at 31 December 2015 (31 December 2014: CZK 335 million).
Following the decision of the Czech inspection of environment, the Group recognized a provision in the amount of CZK 160 million in respect of remediation of historical ecological contamination in the Kralupy location.
Additionally, the Group had the provision for compensation of damages to Lesy České republiky, s.p. in the amount of CZK 18 million included as at 31 December 2015 (31 December 2014: CZK 15 million).

### 26.2. Provision 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 the elapse of a defined number of years in service. Rtirement benefits are paid as a one-time payment 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 the provision for an employee is the expected benefit which the Group is obliged to pay in accordance with internal regulations.
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 rates in the range 0.54% - 2.3% p.a. in 2015 (2014: 0.62% - 2.6%), assumptions used were based on the Collective Agreement.
Should the prior year’s assumptions be used, the provision for the jubilee bonuses and retirement benefits would be lower by CZK 1 million.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

### 26.2.1. Change in employee benefits obligations

| | Provision for jubilee bonuses | Retirement benefits | Total |
|---|---|---|---|
| **01/01/2015** | 3 | 73 | 76 |
| Current service costs | 1 | 3 | 4 |
| Interest expenses | - | 1 | 1 |
| Actuarial gains and losses arising from changes: | 5 | (9) | (4) |
| *financial assumptions* | - | *1* | *1* |
| *other* | *5* | *(10)* | *(5)* |
| Change in Group structure | - | 9 | 9 |
| Payments under program | (1) | (2) | (3) |
| | **8** | **75** | **83** |

| | Provision for jubilee bonuses | Retirement benefits | Total |
|---|---|---|---|
| **01/01/2014** | 3 | 54 | 57 |
| Current service cost | 1 | 5 | 6 |
| Interest expense | - | 1 | 1 |
| Actuarial gains and losses arising from changes: | - | 12 | 12 |
| *financial assumptions* | - | *12* | *12* |
| Change in Group structure | - | 3 | 3 |
| Payments under program | *(1)* | (2) | (3) |
| | **3** | **73** | **76** |

The carrying amount of employee benefits liabilities is identical to their present value as at 31 December 2015 and as at 31 December 2014.

### 26.2.2. Division of employee benefits liabilities by employees

| | Active employees | | Pensioners | | Total | |
|---|---|---|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2015 | 31/12/2014 | 31/12/2015 | 31/12/2014 |
| Czech Republic | 83 | 76 | - | - | 83 | 76 |
| | | | | | **83** | **76** |

### 26.2.3. Geographical division of employee benefits liabilities

| | Provision for jubilee bonuses | | Retirement benefits | | Total | |
|---|---|---|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2015 | 31/12/2014 | 31/12/2015 | 31/12/2014 |
| Czech Republic | 8 | 3 | 75 | 73 | 83 | 76 |
| | | | | | **83** | **76** |

### 26.2.4. Sensitivity analysis to changes in actuarial assumptions

| Actuarial assumptions | Assumed variations as at 31/12/2015 | Czech Republic | |
|---|---|---|---|
| | | Influence on provision for jubilee bonuses 2015 | Influence on retirement benefits 2015 |
| Demographic assumptions (+) | 0.5pp | - | (3) |
| *staff turnover rates, disability and early retirement* | *0.5pp* | - | *(3)* |
| Financial assumptions (+) | 0.5pp | - | (4) |
| *discount rate* | *0.5pp* | - | *(4)* |
| | | **-** | **(7)** |
| Demographic assumptions (-) | -0.5pp | - | 4 |
| *staff turnover rates, disability and early retirement* | *-0.5pp* | - | *4* |
| Financial assumptions (-) | -0.5pp | - | 5 |
| *discount rate* | *-0.5pp* | - | *5* |
| | | **-** | **9** |

| Actuarial assumptions | Assumed variations as at 31/12/2014 | Czech Republic | |
|---|---|---|---|
| | | Influence on provision for jubilee bonuses 2014 | 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** |

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

### 26.2.5. Employee benefits maturity and payments of liabilities analysis

#### 26.2.5.1. Maturity of employee benefits analysis

| | Provision for jubilee bonuses | | Retirement benefits | | Total | |
|---|---|---|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2015 | 31/12/2014 | 31/12/2015 | 31/12/2014 |
| Less than one year | 1 | 1 | 6 | 4 | 7 | 5 |
| Between one and three years | 1 | 1 | 6 | 9 | 7 | 10 |
| Between three and five years | 1 | - | 8 | 6 | 9 | 6 |
| Later than five years | 5 | 1 | 55 | 54 | 60 | 55 |
| | **8** | **3** | **75** | **73** | **83** | **76** |
| Weighted average duration of liability (years) | | | 13 | 15 | 13 | 15 |

#### 26.2.5.2. Ageing of employee benefits payments analysis

| | Provision for jubilee bonuses | | Retirement benefits | | Total | |
|---|---|---|---|---|---|---|
| | 31/12/2015 | 31/12/2014 | 31/12/2015 | 31/12/2014 | 31/12/2015 | 31/12/2014 |
| Less than one year | 1 | 1 | 6 | 5 | 7 | 6 |
| Between one and three years | 2 | 1 | 7 | 9 | 9 | 10 |
| Between three and five years | 2 | 2 | 10 | 8 | 12 | 10 |
| Later than five years | 23 | 8 | 219 | 204 | 242 | 212 |
| | **28** | **12** | **242** | **226** | **270** | **238** |

### 26.2.6. Total employee benefits expenses recognized in the statement of profit or loss and other comprehensive income

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| **In profit and loss** | | |
| Current service costs | (4) | (6) |
| Interest expenses | (1) | (1) |
| Actuarial gains and losses arising from changes | (5) | - |
| *other* | *(5)* | - |
| Payments under program | 3 | - |
| | **(7)** | **(7)** |
| **In components of other comprehensive income** | | |
| Gains and losses arising from changes | 9 | (12) |
| *financial assumptions* | *(1)* | *(12)* |
| *other* | *10* | - |
| | **9** | **(12)** |
| | **2** | **(19)** |

Payments under program were settled to Employee benefits costs in amount of CZK 3 million in 2014.

Provisions for employee benefits recognized in profit or loss were allocated as follows:

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Cost of sales | (5) | (4) |
| Administrative expenses | (2) | (3) |
| | **(7)** | **(7)** |

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 3.4.22.2.

### 26.3. Provision for $CO_2$ emission allowances

The provision for $CO_2$ emission allowances is created for estimated $CO_2$ emission allowances in the reporting period.

### 26.4. Other provision

The Group created other provisions in respect of future liabilities related to dismantling costs connected with liquidation of unused assets and in respect of expected future outflows arising from legal disputes with third parties where the Group is the defendant.

## 27. OTHER NON-CURRENT LIABILITIES

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Investment liabilities | 1 | 1 |
| Other | - | 20 |
| **Financial liabilities** | **1** | **21** |
| Guarantee payment received | 165 | 164 |
| **Non-financial liabilities** | **165** | **164** |
| | **166** | **185** |

The Group received cash advances from business partners presented as Guarantee payments received in connection with operation of fuel stations.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## 28. TRADE AND OTHER LIABILITIES

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Trade liabilities | 7 574 | 7 404 |
| Investment liabilities | 1 482 | 580 |
| Dividends | 35 | 35 |
| Financial lease liabilities | - | 1 |
| Other | 325 | 49 |
| **Financial liabilities** | **9 416** | **8 069** |
| Prepayments for deliveries | 102 | 42 |
| Prepayments for fixed assets | 8 | - |
| Payroll liabilities | 280 | 283 |
| Excise tax and fuel charge | 4 786 | 3 987 |
| Value added tax | 918 | 1 003 |
| Other taxation, duties, social security and other benefits | 99 | 92 |
| Accruals | 98 | 106 |
| holiday pay accrual | 17 | 15 |
| wages accrual | 80 | 90 |
| other | 1 | 1 |
| **Non-financial liabilities** | **6 291** | **5 513** |
| | **15 707** | **13 582** |

Management considers that the carrying amount of trade and other liabilities and accruals approximate their fair value.

## 29. DEFERRED INCOME

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Government grants received from the European Regional Development Fund | 3 | 72 |
| Other | 5 | 4 |
| | **8** | **76** |

The information about the government grants is presented in note 13.

## 30. OTHER FINANCIAL LIABILITIES

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Cash flow hedge instruments | 27 | 224 |
| *currency forwards* | - | *55* |
| *commodity swaps* | *27* | *169* |
| Derivatives not designated as hedge accounting | 5 | 155 |
| *currency forwards* | *5* | - |
| *commodity swaps* | - | *155* |
| Cash pool | 31 | 33 |
| Liabilities on settled cash flow hedge instruments | 65 | - |
| | **128** | **412** |

Information about cash flow hedge instruments and derivatives not designed as hedge accounting is presented in note 31.3.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

## EXPLANATORY NOTES TO FINANCIAL INSTRUMENTS

## 31. FINANCIAL INSTRUMENTS

### 31.1. Financial instruments by category and class

### Financial assets
**31/12/2015**

| | | Financial instruments by category | | | |
|---|---|---|---|---|---|
| Financial instruments by class | Note | Financial assets at fair value through profit of loss | Loans and receivables | Hedging financial instruments | Total |
| Trade receivables | *21.* | - | 9 437 | - | 9 437 |
| Borrowings granted | *18.,22.* | - | 1 | - | 1 |
| Cash pool | *22.* | - | 3 086 | - | 3 086 |
| Financial derivatives | *22.* | 14 | - | 700 | 714 |
| Cash and cash equivalents | *23.* | - | 5 888 | - | 5 888 |
| Receivables on settled cash flow hedge instruments | *22.* | - | 481 | - | 481 |
| Other | *18.,21.* | - | 37 | - | 37 |
| | | **14** | **18 930** | **700** | **19 644** |

**31/12/2014**

| | | Financial instruments by category | | | |
|---|---|---|---|---|---|
| Financial instruments by class | Note | Financial assets at fair value through profit of 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 on settled cash flow hedge instruments | *22.* | 647 | - | - | 647 |
| Other | *18.,21.* | - | 44 | - | 44 |
| | | **835** | **13 719** | **887** | **15 441** |

### Financial liabilities
**31/12/2015**

| | | Financial instruments by category | | | | |
|---|---|---|---|---|---|---|
| Financial instruments by class | Note | Financial liabilities at fair value through profit of loss | Financial liabilities measured at amortized cost | Hedging financial instruments | Liabilities excluded from the scope of IAS 39 | Total |
| Trade liabilities | *28.* | - | 7 574 | - | - | 7 574 |
| Investment liabilities | *27.,28.* | - | 1 483 | - | - | 1 483 |
| Cash pool | *30.* | - | 31 | - | - | 31 |
| Financial derivatives | *30.* | 5 | - | 27 | - | 32 |
| Liabilities on settled cash flow hedge instrument | *30.* | - | 65 | - | - | 65 |
| Other | *27.,28.* | - | 360 | - | - | 360 |
| | | **5** | **9 513** | **27** | **-** | **9 545** |

**31/12/2014**

| | | Financial instruments by category | | | | |
|---|---|---|---|---|---|---|
| Financial instruments by class | Note | Financial liabilities at fair value through profit of loss | Financial liabilities measured at amortized cost | Hedging financial instruments | Liabilities excluded from the scope of IAS 39 | Total |
| Borrowings | *25.* | - | 4 023 | - | - | 4 023 |
| 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 | *27.,28.* | - | 104 | - | 1 | 105 |
| | | **155** | **12 472** | **224** | **1** | **12 852** |

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

### 31.2. Income, costs, gain and loss in the consolidated statement of profit or loss and other comprehensive income

**2015**

| | Financial instruments by category | | | |
|---|---|---|---|---|
| | Financial assets and liabilities at fair value through profit or loss | Loans and receivables | Financial liabilities measured at amortized cost | Total |
| Interest income | - | 30 | - | 30 |
| Interest costs | - | - | (32) | (32) |
| Foreign exchange gain/(loss) | - | (47) | (226) | (273) |
| (Recognition)/reversal of receivables impairment allowances recognized in: | | | | |
| other operating income/(expenses) | - | (81) | - | (81) |
| Settlement and valuation of financial instruments | 261 | - | - | 261 |
| Other | - | 1 | (28) | (27) |
| | **261** | **(97)** | **(286)** | **(122)** |
| **other, excluded from the scope of IFRS 7** | | | | |
| Provisions discounting | | | | (6) |
| | | | | **(6)** |

**2014**

| | Financial instruments by category | | | |
|---|---|---|---|---|
| | Financial assets and liabilities at fair value through profit or loss | Loans and receivables | Financial liabilities measured at amortized 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, excluded from the scope of IFRS 7** | | | | |
| Provisions discounting | | | | (7) |
| | | | | **(7)** |

### 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 flows | 31/12/2015 | 31/12/2014 |
|---|---|---|
| **Currency operating exposure** | | |
| 2015 | - | (40) |
| 2016 | 30 | - |
| **Commodity risk exposure** | | |
| 2015 | - | 704 |
| 2016 | 643 | - |
| | **673** | **664** |

### 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 commodity risk, foreign 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 foreign 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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### 31.4.1. Market risks

The Group is exposed to commodity price risk resulting from 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 analyzes 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 foreign currency risk.

#### 31.4.1.1. Commodity risks

As part of its operating activity the Group is exposed mainly to the following commodity risks:

- risk of changes in refining and petrochemical margins on the sale of products and Ural/Brent differential fluctuations-hedges on an irregular basis as a part of hedging strategies;
- risk of changes in crude oil and products prices related to the time mismatch between the date of the crude oil and/or products, as well as future sales transactions-identified and hedged in a systematic and regular manner;
- risk of changes in $CO_2$ emmission allowances prices-hedged on regular basis through periodic verification of numbers of owned and required rights to $CO_2$ emission with determining the method of balancing of the future shortages or surpluses. In 2015 and in 2014, the Group concluded forward and spot transations for purchase of rights which in the future will be amortized as a settlement of $CO_2$ emmissions. Valuations of these transactions are no subject to recognition in the financial statements, as purchased emission rights will be used for own purposes;
- risk of changes in crude oil and refinery product prices related to the obligation to maintain mandatory reserves of crude oil and fuels-is not hedged on purpose due to the permanent exposure and non-cash impact on the Group's results.

**Sensitivity analysis for commodity risk**

Analysis of the influence of potential changes in the book values of financial instruments on the hedging reserve in relation to a hypothetical change in prices of crude oil:

**31/12/2015**

| | Influence on hedging reserve | | | |
|---|---|---|---|---|
| | Increase of price by | Influence | Decrease of price by | Influence |
| Crude oil USD/BBL | 5 USD/BBL | (309) | 5 USD/BBL | 309 |

**31/12/2014**

| | Influence on hedging reserve | | | |
|---|---|---|---|---|
| | Increase of price by | Influence | Decrease of price by | Influence |
| Crude oil USD/BBL | 5 USD/BBL | (218) | 5 USD/BBL | 218 |

#### 31.4.1.2. Currency risk

A currency risk arises most significantly from the exposure of trade receivables and liabilities denominated in foreign currencies, and the foreign currency denominated loans and borrowings. Foreign exchange risk regarding trade receivables and receivables is mostly covered by natural hedging of trade and receivables and liabilities denominated in the same currencies. Hedging instruments (forwards, currency swaps) also could be used, to cover significant foreign exchange risk exposure of trade receivables and liabilities not covered by natural hedging.

**Currency structure of financial instruments denominated in main foreign currencies as at 31 December 2015**

| Financial instruments by class | EUR | USD | Total after translation to CZK |
|---|---|---|---|
| **Financial assets** | | | |
| Trade receivables | 114 | 25 | 3 695 |
| Cash pool | 95 | 21 | 3 086 |
| Financial derivatives | - | 28 | 684 |
| Receivables from settled financial derivatives | - | 19 | 481 |
| Cash and cash equivalents | 7 | 2 | 243 |
| | **216** | **95** | **8 189** |
| **Financial liabilities** | | | |
| Cash pool | 1 | - | 30 |
| Trade liabilities | 61 | 117 | 4 534 |
| Investment liabilities | 21 | 1 | 575 |
| Financial derivatives | - | 1 | 32 |
| Liabilities from settled financial derivatives | - | 3 | 65 |
| | **83** | **122** | **5 236** |

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### 31.4.1.2. Currency risk (continued)

**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** |

**Sensitivity analysis for currency changes risk**

The influence of potential changes in carrying amounts of financial instruments as at 31 December 2015 and as at 31 December 2014 arising from hypothetical changes in exchange rates of relevant currencies in relation to functional currency on profit before tax and hedging reserve:

**31/12/2015**

| | Increase of exchange rate | Total influence | Decrease of exchange rate | Total influence |
|---|---|---|---|---|
| EUR/CZK | 15% | 410 | 15% | (410) |
| USD/CZK | 15% | 437 | 15% | (437) |
| | | **847** | | **(847)** |

| | | Influence on profit before tax | | |
|---|---|---|---|---|
| | Increase of exchange rate | Influence | Decrease of exchange rate | Influence |
| EUR/CZK | 15% | 542 | 15% | (542) |
| USD/CZK | 15% | 315 | 15% | (315) |
| | | **857** | | **(857)** |

| | | Influence on hedging reserve | | |
|---|---|---|---|---|
| | Increase of exchange rate | Influence | Decrease of exchange rate | Influence |
| EUR/CZK | 15% | (132) | 15% | 132 |
| USD/CZK | 15% | 122 | 15% | (122) |
| | | **(10)** | | **10** |

**31/12/2014**

| | Increase of exchange rate | Total influence | Increase of exchange rate | Total influence |
|---|---|---|---|---|
| EUR/CZK | 15% | (419) | 15% | 419 |
| USD/CZK | 15% | (258) | 15% | 258 |
| | | **(677)** | | **677** |

| | | Influence on profit before tax | | |
|---|---|---|---|---|
| | Increase of exchange rate | Influence | Decrease of exchange rate | Influence |
| EUR/CZK | 15% | 508 | 15% | (508) |
| USD/CZK | 15% | (302) | 15% | 302 |
| | | **206** | | **(206)** |

| | | Influence on hedging reserve | | |
|---|---|---|---|---|
| | Increase of exchange rate | Influence | Decrease of exchange rate | Influence |
| EUR/CZK | 15% | (927) | 15% | 927 |
| USD/CZK | 15% | 44 | 15% | (44) |
| | | **(883)** | | **883** |

Variations of currency rates described above were calculated based on the historical volatility of particular currency rates and analysts' forecasts.

Sensitivity of financial instruments for currency risk was calculated as the 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 the case of derivative instruments, the influence of currency rate variations on fair value was examined at a constant level of interest rates. The fair value of foreign currency forward contracts is determined based on the discounted future cash flows of the transactions, calculated based on the difference between the forward rate and the transaction price.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

### 31.4.1.3. 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:**

| | PRIBOR | | EURIBOR | | LIBOR | | Total | |
|---|---|---|---|---|---|---|---|---|
| Financial instruments by class | 31/12/2015 | 31/12/2014 | 31/12/2015 | 31/12/2014 | 31/12/2015 | 31/12/2014 | 31/12/2015 | 31/12/2014 |
| **Financial assets** | | | | | | | | |
| Borrowings granted | 1 | 6 | - | - | - | - | 1 | 6 |
| Cash pool | - | - | 2 571 | 34 | 515 | 2 | 3 086 | 36 |
| | **1** | **6** | **2 571** | **34** | **515** | **2** | **3 087** | **42** |
| **Financial liabilities** | | | | | | | | |
| Loans | - | 327 | - | - | - | - | - | 327 |
| Borrowings | - | 4 023 | - | - | - | - | - | 4 023 |
| Cash pool | 1 | - | 30 | 33 | - | - | 31 | 33 |
| | **1** | **4 350** | **30** | **33** | **-** | **-** | **31** | **4 383** |

**Sensitivity analysis for interest rate risk**

The influence of financial instruments on profit before tax due to changes in significant interest rates:

| | Assumed variation | | Influence on profit before tax | |
|---|---|---|---|---|
| Interest rate | 31/12/2015 | 31/12/2014 | 2015 | 2014 |
| PRIBOR | +0.5 pp | +0.5 pp | - | (22) |
| EURIBOR | +0.5 pp | +0.5 pp | 13 | - |
| LIBOR | +0.5 pp | +0.5 pp | 3 | - |
| | | | **16** | **(22)** |

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 2015 and as at 31 December 2014. The influence of interest rates changes was presented on annual basis.

### 31.4.2. Credit and liquidity 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 a 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 its own or an external credit scoring system to assess a potential customer's credit quality and defines credit limits by customer. As at 31 December 2015, none of the customers represented more than 10% of the total balance of the 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:

- Group I – counterparties with a good or very good history of cooperation in the current year,
- Group II – other counterparties.

**The division of not past due receivables**

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Group I | 8 492 | 11 143 |
| Group II | 767 | 442 |
| | **9 259** | **11 585** |

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

### 31.4.2. Credit and liquidity risk (continued)

**The ageing analysis of receivables past due, but not impaired**

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Up to 1 month | 157 | 346 |
| From 1 to 3 months | 5 | 14 |
| From 3 to 6 months | 16 | 7 |
| From 6 to 12 months | 3 | 2 |
| Above 1 year | 34 | 41 |
| | **215** | **410** |

Group management 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 notes 19 and 21.

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.

The Group concluded agreements with banks, based on which may draw loans and bank guarantees. As at 31 December 2015 and as at 31 December 2014 the maximum available credit facilities amounted to CZK 11 631 million and CZK 15 219 million respectively. Unsued part of the credit facilities for bank loans amounted to CZK 8 620 million as at 31 December 2015 and CZK 13 104 million as at 31 December 2014 respectively. The description of the loans and guarantees drawn from credit facilities is 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.

**Maturity analysis of financial liabilities**

| | | 31/12/2015 | | | |
|---|---|---|---|---|---|
| | Note | Up to 1 year | From 1 to 3 years | Total | Carrying amount |
| Cash pool - undiscounted value | *30.* | 31 | - | 31 | 31 |
| Trade liabilities | *28.* | 7 574 | - | 7 574 | 7 574 |
| Investment liabilities | *27.,28.* | 1 482 | 1 | 1 483 | 1 483 |
| Financial derivatives | *30.* | 32 | - | 32 | 32 |
| Liabilities on settled cash flow hedge instrument | *30.* | 65 | - | 65 | 65 |
| Other | *27.,28.* | 360 | - | 360 | 360 |
| | | **9 544** | **1** | **9 545** | **9 545** |

| | | 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 | *27.,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 | *27.,28.* | 84 | 20 | 104 | 104 |
| | | **8 897** | **4 108** | **13 005** | **12 852** |

### 31.4.3. 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 the emission allowances market in order to cover shortages or utilize any excess of emission allowances over the required amount.

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## OTHER EXPLANATORY NOTES

### 32. FAIR VALUE MEASUREMENT

**31/12/2015**

| | Note | Carrying amount | Fair value | Fair value hierarchy Level 1 | Fair value hierarchy Level 2 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Borrowings granted | 18. | 1 | 1 | - | 1 |
| Financial derivatives | 22. | 714 | 714 | - | 714 |
| | | **715** | **715** | **-** | **715** |
| **Financial liabilities** | | | | | |
| Financial derivatives | 30. | 32 | 32 | - | 32 |
| | | **32** | **32** | **-** | **32** |

**31/12/2014**

| | Note | Carrying amount | Fair value | Fair value hierarchy Level 1 | Fair value hierarchy Level 2 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Borrowings granted | 18. | 6 | 6 | - | 6 |
| Financial derivatives | 22. | 1 075 | 1 075 | - | 1 075 |
| | | **1 081** | **1 081** | **-** | **1 081** |
| **Financial liabilities** | | | | | |
| Loans | 25. | 327 | 327 | - | 327 |
| Borrowings | 25. | 4 023 | 4 176 | - | 4 176 |
| Finance lease | 27.,28. | 1 | 1 | - | 1 |
| Financial derivatives | 30. | 379 | 379 | - | 379 |
| | | **4 730** | **4 883** | **-** | **4 883** |

For other classes of financial assets and liabilities presented in note 31.1. fair value represents their carrying amount.

#### 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 are not 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 the fair value of derivative instruments, for which hedge accounting is not applicable, are recognized in the current year statement of profit or loss.
In the year ended 31 December 2015 and the comparative period there were no transfers between Levels 1, 2 and 3 in the Group.
As at 31 December 2015 and as at 31 December 2014, 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 nor comparable transactions of the same type of instruments. The above mentioned shares were recognized as financial assets available for sale and measured at acquisition cost less impairment allowances. As at 31 December 2015 there are no binding decisions relating to the means and dates of disposal of those assets.

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## 33. LEASE

### 33.1. The Group as a lessee

***Operating lease***

At the balance sheet date, the Group is a lessee under non-cancellable operating lease arrangements.
Future minimum lease payments under non-cancellable operating lease arrangements were as follows:

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Less than one year | 53 | 56 |
| Between one and five years | 133 | 178 |
| Later than five years | 215 | 236 |
| | **401** | **470** |

The Group leases land, 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:

| | 2015 | 2014 |
|---|---|---|
| Non-cancellable operating lease | 57 | 51 |

***Finance lease***

At the balance sheet date, the Group is a party to finance lease arrangements as a lessee.
Future minimum lease payments under finance lease arrangements were as follows:

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Less than one year | - | 1 |
| Between one and five years | - | - |
| | **-** | **1** |

Present value of minimum lease payments under finance lease arrangements was as follows:

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Less than one year | - | 1 |
| Between one and five years | - | - |
| | **-** | **1** |

The difference between the 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 CZK.
The carrying amount of leased assets was as follows:

| | 31/12/2015 | 31/12/2014 |
|---|---|---|
| Machinery and equipment | 181 | 208 |
| Vehicles and other | 50 | 68 |
| | **231** | **276** |

### 33.2. The Group as a lessor

As at 31 December 2015 and as at 31 December 2014 the Group did not possess any financial or operating lease agreements as a lessor.

## 34. INVESTMENT EXPENDITURES INCURRED AND FUTURE COMMITMENTS RESULTING FROM SIGNED INVESTMENT CONTRACTS

The total value of investment expenditures including borrowing costs amounted to CZK 3 344 million as at 31 December 2015 and CZK 2 007 million as at 31 December 2014, including environmental expenditures in amount of CZK 305 million and CZK 175 million, respectively.
As at 31 December 2015 the value of future commitments resulting from contracts signed to this date amounted to CZK 11 121 million (31 December 2014: CZK 459 million).

## 35. CONTINGENT ASSETS AND LIABILITIES

### 35.1. Contingent assets

**Steam cracker unit accident**

As a consequence of the steam cracker unit accident which took place at the Chempark Záluží in Litvínov on 13 August 2015, the Group recognized in the 3rd quarter 2015 an estimated impairment charge in the amount of CZK 597 million in relation to damaged assets. The amount of the impairment charge may be changed up to the completion of technical works on the site.

The Group is insured against property and mechanical damage as well as loss of business profits (business interruption) and is in the process of seeking recourse from the insurer. The Group expects that, based on the insurance policies and the estimates made at the end of 2015, it should be in a position to recover repair costs estimated at approximately CZK 4.1 billion, as well as recoverable lost business profits estimated at CZK 2.4 billion and other operating costs incurred in connection with the fire amounting to approximately CZK156 million.

During 2015 the Group has received advance payments for insurance compensation in the amount of CZK 276 million. Advance payments are presented in the Statement of financial position under Trade and other liabilities.

**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 the claim amounts to approximately CZK 325 000 thousand.

UNIPETROL RPA, s.r.o. complaint for annulment of the tax authority decisions

On 14 October 2015, the Czech Supreme Administrative Court annulled the Regional Court in Ústi nad Labem judgment and decided to return the case back to the Regional Court in Ústí nad Labem for re-examination. The Supreme Administrative Court commented that the Regional Court did not correctly deal with the legitimate expectations objection raised by UNIPETROL RPA, s.r.o. The case is now pending with the Regional Court in Ústi nad Labem.

**Claim for unjustified enrichment against ČEZ Distribuce, a.s.**

On 31 August 2015 UNIPETROL RPA, s.r.o., as petitioner, submitted its action to the District Court in Děčín requesting issuance of a payment order ordering ČEZ Distribuce, a.s., as respondent, to pay an unjustified enrichment to UNIPETROL RPA, s.r.o. in the amount of CZK 303 469 thousand with interest and legal fees. The unjustified enrichment of ČEZ Distribuce, a.s. results from ČEZ Distribuce, a.s., during the period from 1 January 2013 until 30 September 2013, charging UNIPETROL RPA, s.r.o. a monthly fee for renewable sources of energy and combined heat and power production with respect to the electricity produced and distributed by UNIPETROL RPA, s.r.o. itself. The Group is of the opinion that ČEZ Distribuce, a.s., as distribution system provider, is not entitled to charge the fee to its customers with respect to electricity which was produced and consumed by the customers themselves, i.e. for electricity for which no distribution service was provided.

### 35.2. Contingent liabilities

**Purchase of shares of PARAMO, a.s.**

In January 2009 UNIPETROL, a.s. effected a squeeze out of PARAMO, a.s. shares 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. monetary consideration of CZK 977 per share 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.

On 23 June 2015 the court decided to appoint another expert witness - Expert Group, s.r.o. having its registered seat at Radniční 133/1, České Budějovice - to provide a valuation of the PARAMO, a.s. shares.

**Claims regarding award for employees' intellectual work**

In the year 2001 the court case commenced regarding the award for the employees' intellectual work between UNIPETROL RPA, s.r.o. and its two employees. Employees demanded award of approx. CZK 1.8 million. UNIPETROL RPA, s.r.o. as a defendant did not agree and offered the award 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. The claimants have decreased the claimed amount to CZK 68 million.

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 award confirmed by the expert in the expert valuation ordered by the court. The Company paid the award to the second employee based on the expert opinion in January 2016.

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### 35.2. Contingent liabilities (continued)

**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., the subsidiary of UNIPETROL, a.s., received a petition from the District Court Ostrava, by which the claimant – I.P. - 95, s.r.o. 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 of CZK 1 742 million, to NESTARMO TRADING LIMITED, Cyprus; 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 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 it can be reasonably expects that the damages compensation claim against UNIPETROL RPA, s.r.o. will be rejected by the relevant court.

On 31 July 2015, the Regional Court resolved to annul the resolution of District Court in Ostrava allowing for the Cypriot company, NESTARMO TRADING LIMITED, to accede the court proceedings as plaintiff. On 12 January 2016 the District Court in Ostrava dismissed the motion of I.P. – 95, s.r.o. to allow for the Cypriot company, NESTARMO TRADING LIMITED, to accede the court proceedings as plaintiff.

Management of the Group does not recognize the alleged claim and considers the claim as unjustified and unfounded.

**Transportation contracts**

The transportation of crude oil supplies through pipelines for UNIPETROL RPA, s.r.o. is provided by MERO ČR, a.s. and TRANSPETROL, a.s. via ČESKÁ RAFINÉRSKÁ, a.s. As at 31 December 2015, ČESKÁ RAFINÉRSKÁ, a.s. held a contract for transportation with TRANSPETROL, a.s., covering crude oil supplies until 2020.

ČESKÁ RAFINÉRSKÁ, a.s, and MERO ČR, a.s. agreed on the terms and conditions of the crude oil transportation into the Czech Republic. The contract on storage and transportation of crude oil via the IKL and Družba pipelines came into force as of 1 January 2016. ČESKÁ RAFINÉRSKÁ, a.s, and MERO ČR, a.s. further extended the deadline for their negotiations regarding a new transportation tariff for supplies through the Družba and IKL pipelines until 31 March 2016.

The Group management does not expect any impact on the business activities caused by lack of agreement over the new transportation tariff for supplies through the Družba and IKL pipelines with MERO ČR, a.s. The effect on the financial statements is currently not measurable.

## 36. GUARANTEES AND SECURITIES

**Guarantees**

Based on the Group's request the bank guarantees relating to the security of customs debt, excise tax at customs offices and other purposes were issued. The total balance of guarantees related to excise tax amounted to CZK 2 415 million as at 31 December 2015 (31 December 2014: CZK 1 521 million) and to other purposes amounted to CZK 37 million (31 December 2014: CZK 31 million).

The Group is the beneficiary of guarantees amounted CZK 621 million as at 31 December 2015 (31 December 2014: CZK 1 464 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 31/12/2015 | Unused funds as at 31/12/2015 |
|---|---|---|---|
| UNIPETROL, a.s. / premises of UNIPETROL RPA, s.r.o. | 6 012 | 4 014 | 1 998 |
| UNIPETROL, a.s. / premises of SYNTHOS Kralupy a.s. | 4 244 | 51 | 4 193 |
| BENZINA s.r.o. | 1 349 | 476* | 873 |
| PARAMO, a.s. / premises in Pardubice | 1 241 | 512 | 729 |
| PARAMO, a.s. / premises in Kolín | 1 907 | 1 762 | 145 |
| | **14 753** | **6 815** | **7 938** |

| | 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 Kolín | 1 907 | 1 728 | 179 |
| | **14 753** | **6 618** | **8 135** |

* Without the costs of the already completed rehabilitation of the petrol stations network of the former K-Petrol 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 2015 (in CZK million)

## 37. RELATED PARTY TRANSACTIONS

### 37.1. Material transactions concluded by the Group companies with related parties

In 2015 and in 2014 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 2015 and in 2014 the Group companies did not grant to key management personnel and their relatives any advances, borrowings, loans, guarantees and commitments or other agreements obliging them to render services to Group companies and related parties. As at 31 December 2015 and as at 31 December 2014 there were no significant transactions concluded with members of the Board of Directors, the Supervisory Board, their spouses, siblings, descendants, ascendants or their other relatives.

### 37.3. Transactions with related parties concluded by key management personnel of the Group companies

As at 31 December 2015 and as at 31 December 2014 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 2015 and 2014 a majority (62.99%) of the Company's shares were hold by POLSKI KONCERN NAFTOWY ORLEN S.A.

| 2015 | PKN Orlen | Joint operations | Entities under control or significant influence of PKN Orlen |
|---|---|---|---|
| Sales | 532 | 882 | 7 641 |
| Purchases | 63 072 | 1 159 | 1 629 |
| Finance income, including | - | 150 | - |
| *dividends* | - | 150 | - |
| Finance costs | 30 | - | 11 |

| 31/12/2015 | PKN Orlen | Joint operations | Entities under control or significant influence of PKN Orlen |
|---|---|---|---|
| Current financial assets | - | - | 3 086 |
| Trade and other receivables | 190 | 1 | 541 |
| Trade and other liabilities, including loans | 2 580 | 4 | 95 |

| 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 |
|---|---|---|---|
| Non-current receivables | - | 6 | - |
| Other current financial assets | - | - | 36 |
| Trade and other receivables | 112 | 292 | 570 |
| Trade and other liabilities, including loans | 6 272 | 358 | 211 |

## 38. REMUNERATION PAID AND DUE OR POTENTIALLY DUE TO THE BOARD OF DIRECTORS, THE SUPERVISORY BOARD AND OTHER MEMBERS OF KEY EXECUTIVE PERSONNEL OF THE PARENT COMPANY AND THE GROUP COMPANIES

The Board of Direcors'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 2015 (in CZK million)

### 38.1. Key management personnel and statutory bodies' members' compensation

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Short-term benefits | Termination benefits | Short-term benefits | Termination benefits |
| Remuneration of current year | 212 | 1 | 213 | 7 |
| Paid for previous year | 42 | 2 | 46 | 2 |
| Potentially due to be paid in the following year | 42 | 1 | 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 2015 the key executive personnel was participating in the annual MBO bonus system (management by objectives). The regulations applicable to the Management Board (members of Board of Directors and Executives), directors directly reporting to the 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 the achieved results generated by the Group.

## 39. SUBSEQUENT EVENTS AFTER THE REPORTING DATE

On 30 December 2015 BENZINA, s.r.o. concluded an agreement with OMV to acquire 68 of its filling stations in the Czech Republic. Completion of the transaction is subject to the fulfilment of certain pre-conditions, among others, obtaining the necessary approval from the antitrust authorities.

The Chairman of Supervisory Board of UNIPETROL, a.s., Mr. Dariusz Jacek Krawiec submitted a letter of resignation from his office of member of the Supervisory Board of UNIPETROL, a.s., on 21 December 2015 with the effect on 21 January 2016.

The Supervisory Board of UNIPETROL, a.s. on the meeting held on 13 January 2016 re-elected Mr. Mirosław Kastelik to office of Member of the Board of Directors of Unipetrol with the effect on 6 February 2016.

Mr. Rafał Sekuła resigned from his office of a member of the Supervisory Board of UNIPETROL, a.s. on 11 February 2016 with the effect on 11 March 2016.

The Group's management is not aware of any other events that have occurred since the end of the reporting period that would have any material impact on the financial statements as at 31 December 2015.

## 40. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were authorized by the Board of Directors meeting held on 15 March 2016.

Signature of statutory representatives

Marek Świtajewski

Marek Świtajewski
Chairman of the Board of Directors

Mirosław Kastelik
Member of the Board of Directors

# Significant post financial statements events

### Agreement with OMV on takeover of filling stations

On 30 December 2015 BENZINA, s.r.o. concluded an agreement with OMV to acquire 68 of its filling stations in the Czech Republic. Completion of the transaction is subject to the fulfilment of certain pre-conditions, among others, obtaining the necessary approval from the antitrust authorities.

# 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 2015

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 1.1.2015 to 31.12.2015 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.

The list of mutual agreements between the Controlled Person and the Controlling Person or between the Controlled Persons

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.

The conclusion

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 arcticle 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 conjuction with the Appendix No. 1, 2 and 3.

Prague, 15 March 2015

On behalf of the Board of Directors of UNIPETROL, a.s.

Marek Świtajewski

Chairman of the Board of Directors

Mirosław Kastelik

Member of the Board of Directors

**Appendix No. 1**

**BUSINESS GROUP OF UNIPETROL, a.s. – CONTROLLED ENTITIES**

**1 January 2015 - 31 December 2015**

| Companies controlled by UNIPETROL, a.s. | Residence | Shares in directly and indirectly controlled companies<br>Share in % of the capital | | Note |
|---|---|---|---|---|
| **Companies with direct share of UNIPETROL, a.s.**<br>Companies with indirect share of UNIPETROL, a.s. | | **1.1.** | **31.12.** | |
| **1. UNIPETROL RPA, s.r.o., IČ 275 97 075** | Litvínov, Záluží 1 | **100,00** | **100,00** | |
| 1.1 HC VERVA Litvínov, a.s., IČ 640 48 098 | Litvínov , S.K. Neumanna 1598 | 70,95 | 70,95 | Other shareholders - Litvínov city owns 22,14% and HC Litvínov, o.s. owns 6,91% |
| 1.2 CHEMOPETROL, a.s., IČ 254 92 110 | Litvínov, Záluží 1 | 100,00 | 100,00 | |
| 1.3 POLYMER INSTITUTE BRNO, s.r.o., IČ 607 11 990 | Brno, Tkalcovská 36/2 | 99,00 | 99,00 | 1% owned by UNIPETROL, a.s.<br>Effectively from 31.12.2015 the merger with UNIPETROL RPA, s.r.o. was registered, decisive day of the merger was 1.1.2015 |
| 1.4 UNIPETROL DOPRAVA, s.r.o., IČ 640 49 701 | Litvínov, Růžodol 4 | 99,88 | 99,88 | 0,12% owned by UNIPETROL, a.s. |
| 1.5 UNIPETROL DEUTSCHLAND GmbH, IČ HRB 34346 | Langen, Germany, Paul-Ehrlich-Strasse 1B | 99,90 | 99,90 | 0,1% owned by UNIPETROL, a.s. |
| 1.6 UNIPETROL SLOVENSKO, s.r.o., IČ 357 77 087 | Panónská cesta 7, Bratislava, Slovensko | 86,96 | 86,96 | 13,04% owned by UNIPETROL, a.s. |
| 1.7 UNIPETROL RPA Hungary Kft., IČ 01-09-272652 | 1042 Budapest, Árpád út 48-50. I. em. 5., Hungary | 0,00 | 100,00 | |
| **2. UNIPETROL SERVICES, s.r.o., IČ 276 08 051** | Litvínov, Záluží 1 | **100,00** | **100,00** | |
| **3. Výzkumný ústav anorganické chemie, a.s., IČ 622 43 136** | Ústí nad Labem, Revoluční 84/ 1521 | **100,00** | **100,00** | |
| **4. BENZINA, s.r.o., IČ 601 93 328** | Praha 4, Na Pankráci 127 | **100,00** | **100,00** | |
| 4.1 PETROTRANS, s.r.o., IČ 251 23 041 | Praha 8, Střelničná 2221 | 99,37 | 99,37 | 0,63% owned by UNIPETROL, a.s. |
| **5. UNIPETROL RAFINÉRIE, s.r.o. IČ 278 85 429** | Litvínov, Záluží 1 | **100,00** | **100,00** | |
| **6. ČESKÁ RAFINÉRSKÁ, a.s., IČ 627 41 772** | Litvínov, Záluží 2 | **67,555** | **100,00** | |
| **7. UNIPETROL AUSTRIA, GmbH, in liquidation, IČ 43 551** | Vienna, Apfelgasse 2, Austria | **100,00** | **100,00** | |

| | | | | |
|---|---|---|---|---|
| **8. PARAMO, a.s., IČ 481 73 355** | Pardubice, Svítkov, Přerovská 560 | 100,00 | 100,00 | |
| 8.1 MOGUL SLOVAKIA, s.r.o., IČ 36 222 992 | Hradiště pod Vrátnou, U ihriska 300, Slovakia | 100,00 | 100,00 | |
| 8.2 Paramo Oil, s.r.o., IČ 246 87 341 | Pardubice, Přerovská 560 | 100,00 | 100,00 | |
| **9. Butadien Kralupy a.s., IČ 278 93 995** | Kralupy nad Vltavou, O. Wichterleho 810 | 51,00 | 51,00 | 49% shares owned by SYNTHOS Kralupy a.s. |
| **Other companies with share of UNIPETROL, a.s.** | | | | |
| **1. UNIVERSAL BANKA, a.s, in bankruptcy, IČ 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, IČ C 39945** | Malta, Level 1, 36, Strand Towers, The Strand, Sliema SLM 1022 | 0,5 | 0,5 | 99,5% shares owned by PKN ORLEN S.A. |

Appendix No. 2

BUSINESS GROUP OF PKN ORLEN S.A. – CONTROLLED ENTITIES

1 January 2015 – 31 December 2015

| Company controlled by PKN ORLEN S.A. | Residence | Shares in directly and undirectly controlled company | | Note |
|---|---|---|---|---|
| | | as at 1.1.2015 | as at 31.12.2015 | |
| 1. Unipetrol a.s. | Praha | 62,99% | 62,99% | |
| 2. AB ORLEN Lietuva | Juodeikiai | 100,00% | 100,00% | |
| 2.1 UAB Mazeikiu Nafta Trading House | Vilnius | 100,00% | 100,00% | |
| 2.1.1 SIA ORLEN Latvija | Riga, Latvia | 100,00% | 100,00% | |
| 2.1.2 ORLEN Eesti OU | Tallin, Estonia | 100,00% | 100,00% | |
| 2.2 UAB Mazeikiu Nafta Paslaugos Tau | Juodeikiai | 100,00% | 100,00% | |
| 2.3 UAB EMAS | Juodeikiai | 100,00% | 100,00% | |
| 3. AB Ventus Nafta | Vilnius | 100,00% | 100,00% | |
| 4. Anwil S.A. | Włocławek | 100,00% | 100,00% | |
| 4.1 Przedsiebiorstwo Inwestycyjno - Remontowe REMWIL Sp. z o.o. | Włocławek | 100,00% | 0% | PKN purchased 100% of shares on 26.1.2015 and company merged to Orlen Serwis S.A. on 20.2.2015 |
| 4.2 Pro-Lab Sp. z o.o. w likwidacji | Włocławek | 99,32% | 99,99% | Anwil acquired 0,67% share on 18.2.2015. Company entered into liquidation on 1.8.2015 |
| 4.3 SPOLANA a.s. | Neratovice | 100,00% | 100,00% | |
| 4.4 Przedsiebiorstwo Usług Technicznych Wircom Sp. z o.o. | Włocławek | 49,02% | 97,38% | Anwil acquired: 48,03% stake on 20.11.2015 and 0,33% on 15.12.2015 |
| 5. Inowrocławskie Kopalnie Soli "SOLINO" S.A. | Inowrocław | 100,00% | 100,00% | |
| 6. Kopalnia Soli Lubień sp. z o.o. | Warszawa | 100,00% | 100,00% | |
| 7. ORLEN Administracja Sp. z o.o. | Płock | 100,00% | 100,00% | |
| 8. ORLEN Asfalt Sp. z o.o. | Płock | 100,00% | 100,00% | |
| 8.1 ORLEN Asfalt Ceska Republika s.r.o. | Pardubice | 100,00% | 100,00% | |
| 9. ORLEN Automatyka Sp. z o.o. | Płock | 100,00% | 0% | Company merged to ORLEN Serwis S.A. on 20.2.2015 |
| 10. ORLEN Serwis S.A. | Płock | 100,00% | 100% | |
| 11. ORLEN Budonaft Sp. z o.o. | Limanowa | 100,00% | 100% | |

| | | | | |
|---|---|---|---|---|
| **12. ORLEN Centrum Serwisowe Sp. z o.o.** | **Opole** | **99,33%** | **99,33%** | |
| **13. ORLEN Deutschland GmbH** | **Elmshorn** | **100,00%** | **100,00%** | |
| **14. ORLEN EKO Sp. z o.o.** | **Płock** | **100,00%** | **100,00%** | |
| **15. ORLEN Gaz Sp. z o.o.** | **Płock** | **100,00%** | **0%** | **Company merged to Orlen Paliwa (prev. Orlen Petrotank) on 30.10.2015** |
| **16. Orlen Holding Malta Limited** | **Sliema, Malta** | **99,50%** | **99,50%** | **The remaining share owned by Unipetrol, a.s.** |
| **16.1 Orlen Insurance Ltd.** | **Sliema, Malta** | **99,99%** | **99,99%** | **The remaining share owned by PKN ORLEN S.A.** |
| **17. ORLEN KolTrans Sp. z o.o.** | **Płock** | **99,85%** | **99,85%** | |
| **18. ORLEN Centrum Usług Korporacyjnych sp. z o.o.** | **Płock** | **100,00%** | **100,00%** | |
| **19. Orlen Laboratorium Sp. z o.o.** | **Płock** | **99,38%** | **99,38%** | |
| **20. ORLEN Ochrona Sp. z o.o.** | **Płock** | **100,00%** | **100,00%** | |
| **20.1 ORLEN Apsauga UAB** | **Juodeikiai** | **100,00%** | **100,00%** | |
| **21. ORLEN OIL Sp. z o.o.** | **Kraków** | **100,00%** | **100,00%** | |
| **21.1 Platinum Oil Sp. z o.o.** | **Lublin** | **100,00%** | **0%** | **Company merged to ORLEN Oil on 5.1.2015** |
| **21. 2 ORLEN Oil Cesko s.r.o. w likwidacji** | **Brno** | **100,00%** | **0%** | **Company liquidated on 14.2.2015** |
| **22. ORLEN Paliwa Sp. z o.o.** | **Płock** | **100,00%** | **0%** | **Company merged to Orlen Paliwa (prev. Orlen Petrotank) on 30.06.2015** |
| **23. ORLEN Paliwa Sp. z o.o.** | **Widełka** | **100,00%** | **100%** | **till 30.06.2015 ORLEN PetroTank Sp. z o.o.** |
| **23.1 Petro-Mawi Sp. z o.o. w likwidacji** | **Sosnowiec** | **60,00%** | **60,00%** | |
| **24. ORLEN Projekt S.A.** | **Płock** | **99,77%** | **99,77%** | |
| **25. ORLEN Transport Kraków Sp. z o.o. w upadłości** | **Kraków** | **98,41%** | **98,41%** | |
| **26. ORLEN Transport S.A.** | **Płock** | **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 Orlen Upstream Canada Ltd** | **Calgary** | **100,00%** | **100,00%** | **Till 31.3.2015 TriOil Resources Ltd.** |
| **27.1.1.1 Kicking Horse Energy Inc.** | **Calgary** | **0,00%** | **100,00%** | **Company acquired on 1.12.2015** |
| **27.1.1.1.1 KCK Operating Company Ltd.** | **Calgary** | **0,00%** | **100,00%** | **Company acquired on 1.12.2015** |
| **27.1.1.1.2 Columbia Natural Resources Canada Ltd.** | **Calgary** | **0,00%** | **100,00%** | **Company acquired on 1.12.2015** |

| | | | | |
|---|---|---|---|---|
| 27.1.1.1.3 Kicking Horse International Exploration Ltd. | Calgary | 0,00% | 100,00% | Company acquired on 1.12.2015 |
| 27.1.1.1.4 Pierdiae Production GP Ltd. | Calgary | 0,00% | 50,00% | Company acquired on 1.12.2015 |
| 27.1.1.1.4.1 671519 N.B. Ltd. (New Brunswick) | Saint John | 0,00% | 100,00% | Company acquired on 1.12.2015 |
| 27.1.1.1.5 KCK Atlantic Holdings Ltd. | Calgary | 0,00% | 100,00% | Company acquired on 1.12.2015 |
| 27.1.1.1.5.1 Pierdiae Production LP | Calgary | 0,00% | 80,00% | Company acquired on 1.12.2015 |
| 27.1.1.2 1426628 Alberta Ltd. | Calgary | 100,00% | 100,00% | |
| 27.1.1.3 OneEx Operations Partnership | Calgary | 100,00% | 100,00% | |
| 27.2 ORLEN International Exploration - Production Company BV | Amsterdam | 100,00% | 0,00% | Company liquidated on 31.10.2015 |
| 27.2.1 SIA Balin Energy in liquidation | Riga | 50,00% | 0,00% | Company liquidated on 2.7.2015 |
| 27.3 Kiwi Acquisition Corp. | Carson City | 0,00% | 100,00% | Company established on 9.10.2015 |
| 27.3.1 FX Energy Inc. | Salt Lake City | 0,00% | 100,00% | Company shares (67,3%) acquired on 15.12.2015. Remaining part (to 100%) acquired on 31.12.2015 |
| 27.3.1.1 FX Drilling Company, Inc. | Salt Lake City | 0,00% | 100,00% | Company acquired altogether with FX Energy Inc. |
| 27.3.1.2 FX Producing Company, Inc. | Salt Lake City | 0,00% | 100,00% | Company acquired altogether with FX Energy Inc. |
| 27.3.1.4 Frontier Exploration, Inc. | Salt Lake City | 0,00% | 100,00% | Company acquired altogether with FX Energy Inc. |
| 27.3.1.4 FX Energy Netherlands Partnership C.V. | n/a | 0,00% | 100,00% | Company acquired altogether with FX Energy Inc. |
| 27.3.1.4.1 FX Energy Netherlands B.V. | Utrecht | 0,00% | 100,00% | Company acquired altogether with FX Energy Inc. |
| 27.3.1.4.1.1 FX Energy Polska Sp. z o.o. | Warszawa | 0,00% | 100,00% | Company acquired altogether with FX Energy Inc. |
| 28. ORLEN Wir Sp. z o.o. | Płock | 76,59% | 76,59% | |
| 29. Petrolot Sp. z o.o. | Warszawa | 100,00% | 100,00% | |
| 30. Rafineria Nafty Jedlicze S.A. | Jedlicze | 100,00% | 0% | Company merged to Rafineria Trzebinia (Orlen Południe) on 5.1.2015 |
| 30.1 KONSORCJUM OLEJÓW PRZEPRACOWANYCH "ORGANIZACJA ODZYSKU OPAKOWAŃ I OLEJÓW" S.A. | Jedlicze | 81,00% | 0,00% | Shares transferred to Orlen Południe on 5.1.2015 |

| | | | | |
|---|---|---|---|---|
| 30.2 „RAF-KOLTRANS" Sp. z o.o. w likwidacji | Jedlicze | 100,00% | 0,00% | Company liquidated on 3.6.2015 |
| 30.3 „RAF- SŁUŻBA RATOWNICZA" Sp. z o.o. w likwidacji | Jedlicze | 100,00% | 0,00% | Company liquidated on 14.12.2015 |
| 30.4 "RAN-WATT" Sp. z o.o. w likwidacji | Toruń | 51,00% | 0,00% | Shares transferred to Orlen Południe on 5.1.2015 |
| 31. ORLEN Południe S.A. | Trzebinia | 99,46% | 100,00% | Till 5.1.2015 Rafineria Trzebinia S.A. |
| 31.1 Energomedia Sp. z o.o. | Trzebinia | 100,00% | 100,00% | |
| 31.2 Euronaft Trzebinia Sp. z o.o. | Trzebinia | 100,00% | 100,00% | |
| 31.3 Fabryka Parafin NaftoWax Sp. z o.o. | Trzebinia | 100,00% | 0% | Company merged to Rafineria Trzebinia (Orlen Południe) on 5.1.2015 |
| 31.4 EkoNaft Sp. z o.o. w likwidacji | Trzebinia | 100,00% | 100,00% | |
| 31.5 Zakładowa Straż Pożarna Sp. z o.o. | Trzebinia | 100,00% | 0,00% | Company merged to Rafineria Trzebinia (Orlen Południe) on 5.1.2015 |
| 31.7 KONSORCJUM OLEJÓW PRZEPRACOWANYCH - ORGANIZACJA ODZYSKU OPAKOWAŃ I OLEJÓW S.A. | Jedlicze | 8,00% | 89,00% | Share increase through merger with Rafineria Nafty Jedlicze on 5.1.2015 |
| 31.8 RAN-WATT Sp. z o.o. w likwidacji | Toruń | 0,00% | 51,00% | Shares acquired on 5.1.2015 through meger with Rafineria Nafty Jedlcze |
| 32. Ship - Service S.A. | Warszawa | 60,86% | 60,86% | |
| 33. ORLEN Finance AB | Stokholm | 100,00% | 100,00% | |
| 34. ORLEN Capital AB | Stokholm | 100,00% | 100,00% | |
| 35. Baltic Power Sp. z o.o. | Warszawa | 100,00% | 100,00% | |
| 36. Baltic Spark Sp. z o.o. | Warszawa | 100,00% | 0,00% | Company merged to Baltic Power on 19.3.2015 |
| 37. Basell Orlen Polyolefins Sp. z o.o. | Płock | 50,00% | 50,00% | |
| 37.1 Basell ORLEN Polyolefins Sprzedaż Sp. z o.o. | Płock | 100,00% | 100,00% | |
| 38. Płocki Park Przemysłowo-Technologiczny S.A. | Płock | 50,00% | 50,00% | |
| 38.1 Centrum Edukacji Sp. z o.o. | Płock | 69,43% | 69,43% | |

**Appendix No. 3**

**THE LIST OF MUTUAL AGREEMENTS BETWEEN THE CONTROLLING AND CONTROLLED ENTITY OR BETWEEN THE CONTROLLED ENTITIES**

| No. of agreement /appendix | Partner role | Subject of the agreement | Reason for agreement/appendix | Company | Valid from | Valid to | Agreement date |
|---|---|---|---|---|---|---|---|
| 137-2007 | supplier | Loan agreement | provision of loan | **BENZINA s.r.o.** | 20.3.2007 | indefinite | 20.3.2007 |
| 405-2008 | supplier | CLA, as amended | provision of services | **BENZINA, s.r.o.** | 1.1.2008 | indefinite | 1.1.2008 |
| 128-2008 | supplier | Contract on ensuring development and use of the shared information environment for monitoring of surroundings of the UNIPETROL Group | sharing of information and monitoring of Group's surroundings | **BENZINA, s.r.o.** | 1.1.2008 | indefinite | 21.4.2008 |
| 0174-2014 | supplier | Loan agreement at the amount of CZK 1400 000 000 | provision of loan | **BENZINA, s.r.o.** | 12.12.2013 | indefinite | 12.12.2013 |
| 75-2009 | supplier | Agreement on provision of licenses (sublicenses) for SAP Software usage and maintenance the support, as amended | provision of license | **BENZINA, s.r.o.** | 15.5.2009 | indefinite | 15.5.2009 |
| 118-2010 | supplier | Letter of intent on establishment of easement | establishment of easement | **BENZINA, s.r.o.** | 9.8.2010 | indefinite | 9.8.2010 |
| 134-2007 | supplier | Loan agreement | provision of loan | **BENZINA, s.r.o.** | 10.7.2007 | indefinite | 10.7.2007 |
| 42-2010 | supplier | Contract on ensuring development and use of the shared information environment for monitoring of surroundings of the UNIPETROL Group, as amended | monitoring of Group's surroundings | **Butadien Kralupy a.s.** | 1.5.2010 | indefinite | 21.4.2010 |
| 69-2010 | supplier | Loan agreement | provision of loan | **Butadien Kralupy a.s.** | 28.5.2010 | indefinite | 28.5.2010 |
| 70-2010 | supplier | Loan agreement | provision of loan | **Butadien Kralupy a.s.** | 28.5.2010 | indefinite | 28.5.2010 |
| 179-2008 | supplier | Loan agreement, as amended | provision of loan | **Butadien Kralupy a.s.** | 15.5.2008 | indefinite | 15.5.2008 |
| 0092 - 2015 | supplier | Contract no. 0092-2015 of insurance and its administration -liability insurance – 2. layer | liability insurance | **Butadien Kralupy a.s.** | 1.5.2015 | 30.4.2016 | 23.9.2015 |
| 0074 - 2015 | supplier | Contract no. 0074-2015 of insurance and its administration -liability insurance – 1. layer | liability insurance | **Butadien Kralupy a.s.** | 1.5.2015 | 30.4.2016 | 14.9.2015 |
| 135-2008 | supplier | Contract on ensuring development and use of the shared information environment for monitoring of surroundings of the UNIPETROL Group, as amended | monitoring of Group's surroundings | **ČESKÁ RAFINERSKÁ, a.s.** | 1.1.2008 | indefinite | 1.1.2008 |
| 204-2008 | supplier | Agreement on contracts of easement | establishment of easement | **ČESKÁ RAFINERSKÁ, a.s.** | 15.5.2007 | indefinite | 15.5.2007 |
| 370-2008 | mutual cooperation | Agreement amongst shareholders, as amended | keeping the principles of the Group | **ČESKÁ RAFINERSKÁ, a.s.** | 23.1.2003 | 23.1.2023 | 23.1.2003 |

| No. of agreement /appendix | Partner role | Subject of the agreement | Reason for agreement/appendix | Company | Valid from | Valid to | Agreement date |
|---|---|---|---|---|---|---|---|
| 334-2008 | supplier | Agreement on cancelation and establishment of easement | establishment of easement | **ČESKÁ RAFINERSKÁ, a.s.** | 30.10.2000 | indefinite | 30.10.2000 |
| 92-2008 | supplier | Agreement on cancelation and establishment of easement | establishment of easement | **ČESKÁ RAFINERSKÁ, a.s.** | 8.4.2008 | indefinite | 8.4.2008 |
| 103-2013 | supplier | Agreement on cancelation and establishment of easement | establishment of easement | **ČESKÁ RAFINERSKÁ, a.s.** | 27.11.2013 | indefinite | 27.11.2013 |
| 200-2008 | supplier | Agreement on cancelation of easement | real estate usage | **ČESKÁ RAFINERSKÁ, a.s.** | 20.8.2006 | indefinite | 20.8.2006 |
| 89-2007 | supplier | Agreement on establishment of easement | establishment of easement | **ČESKÁ RAFINERSKÁ, a.s.** | 10.7.2007 | indefinite | 10.7.2007 |
| 337-2008 | supplier | Agreement on establishment of easement | establishment of easement | **ČESKÁ RAFINERSKÁ, a.s.** | 10.4.2000 | indefinite | 10.4.2000 |
| 332-2008 | supplier | Agreement on establishment of easement | establishment of easement | **ČESKÁ RAFINERSKÁ, a.s.** | 30.1.2001 | indefinite | 30.1.2001 |
| 327-2008 | supplier | Agreement on establishment of easement | establishment of easement | **ČESKÁ RAFINERSKÁ, a.s.** | 25.3.2003 | indefinite | 25.3.2003 |
| 312-2008 | supplier | Agreement on establishment of easement | establishment of easement | **ČESKÁ RAFINERSKÁ, a.s.** | 10.4.2000 | indefinite | 10.4.2000 |
| 202-2008 | supplier | Agreement on establishment of easement | establishment of easement | **ČESKÁ RAFINERSKÁ, a.s.** | 31.8.2006 | indefinite | 31.8.2006 |
| 163-2007 | supplier | Agreement on establishment of easement | establishment of easement | **ČESKÁ RAFINERSKÁ, a.s.** | 16.10.2007 | indefinite | 16.10.2007 |
| 349-2008 | supplier | Agreement on establishment and cancelation of easement | establishment of easement | **ČESKÁ RAFINERSKÁ, a.s.** | 11.3.2003 | indefinite | 11.3.2003 |
| 421-2008 | supplier | Agreement on free use of drill holes in the area of interest of UNIPETROL, a.s. in Kralupyh nad Vltavou, as amended | free use of drill holes | **ČESKÁ RAFINERSKÁ, a.s.** | 10.12.2008 | indefinite | 10.12.2008 |
| 60-2009 | supplier | Agreement on establishment of easement | establishment of easement | **ČESKÁ RAFINERSKÁ, a.s.** | 1.3.2009 | indefinite | 1.3.2009 |
| 97-2009 | supplier | Agreement on establishment of easement | establishment of easement | **ČESKÁ RAFINERSKÁ, a.s.** | 30.6.2009 | indefinite | 30.6.2009 |
| 0123 - 2015 | mutual agreement | Agreement on cancelation of Shareholders' agreement | cancelation of agreement | **ČESKÁ RAFINÉRSKÁ, a.s.** | 25.6.2015 | 25.6.2015 | x |
| 0089 - 2015 | supplier | CORPORATE LEVEL AGREEMENT | provision of consulting and professional services | **ČESKÁ RAFINÉRSKÁ, a.s.** | 1.8.2015 | indefinite | 21.9.2015 |
| 0065 - 2015 | customer | Agreement on cash pool B | provision of loan | **ČESKÁ RAFINERSKÁ, a.s.** | 3.6.2015 | indefinite | 26.6.2015 |
| 0064 - 2015 | supplier | Agreement on cash pool A | provision of loan | **ČESKÁ RAFINERSKÁ, a.s.** | 3.6.2015 | indefinite | 26.6.2015 |

| No. of agreement /appendix | Partner role | Subject of the agreement | Reason for agreement/appendix | Company | Valid from | Valid to | Agreement date |
|---|---|---|---|---|---|---|---|
| 0063 - 2015 | supplier | Loan agreement | provision of loan | **ČESKÁ RAFINERSKÁ, a.s.** | 3.6.2015 | indefinite | 26.6.2015 |
| 24-2012 | supplier | Loan agreement | provision of loan | **MOGUL SLOVAKIA, s.r.o.** | 22.7.2010 | indefinite | 22.7.2010 |
| 30-2008 | supplier | Contract on ensuring development and use of the shared information environment for monitoring of surroundings of the UNIPETROL Group, as amended | monitoring of Group's surroundings | **PARAMO, a.s.** | 1.1.2008 | indefinite | 28.4.2008 |
| 404-2008 | supplier | CLA, as amended | provision of services | **PARAMO, a.s.** | 1.1.2008 | indefinite | 1.1.2008 |
| 196-2007 | supplier | Frame agreement on recharge of expenses | recharge of expenses | **PARAMO, a.s.** | 15.11.2007 | indefinite | 15.11.2007 |
| 139-2007 | supplier | Loan agreement | provision of loan | **PARAMO, a.s.** | 23.7.2007 | indefinite | 23.7.2007 |
| 243-2008 | supplier | Loan agreement | provision of loan | **PARAMO, a.s.** | 16.6.2008 | indefinite | 16.6.2008 |
| 77-2009 | supplier | Agreement on provision of licenses (sublicenses) for SAP Software usage and maintenance the support, as amended | provision of license | **PARAMO, a.s.** | 15.5.2009 | indefinite | 15.5.2009 |
| 001 - 2015 | supplier | guarantee to cover possible insolvency of Paramo a.s. | supplier of natural requires the guarantee for contract covering 2015 | **PARAMO, a.s.** | 1.1.2015 | 31.12.2015 | x |
| 0091 - 2015 | supplier | Contract no. 0091-2015 of insurance and its administration -liability insurance – 2. layer | liability insurance | **PARAMO, a.s.** | 1.5.2015 | 30.4.2016 | 27.10.2015 |
| 0073 - 2015 | supplier | Contract no. 0073-2015 of insurance and its administration -liability insurance – 1. layer | liability insurance | **PARAMO, a.s.** | 1.5.2015 | 30.4.2016 | 14.9.2015 |
| 0014 - 2015 | supplier | Contract no. 0014-2015 of insurance and its administration - insurance of non-technological equipment | insurance of non-technological equipment | **PARAMO, a.s.** | 1.1.2015 | 31.12.2015 | 21.4.2015 |
| 417-2008 | supplier | CLA, as amended | provision of services | **PETROTRANS, s.r.o.** | 1.1.2008 | indefinite | 1.1.2008 |
| 97-2011 | supplier | Loan agreement | provision of loan | **POLYMER INSTITUTE BRNO, spol. s r.o.** | 1.10.2011 | indefinite | 1.10.2011 |
| 98-2011 | supplier | Loan agreement (overdraft) | provision of loan | **POLYMER INSTITUTE BRNO, spol. s r.o.** | 1.10.2011 | indefinite | 1.10.2011 |
| 81-2009 | supplier | Agreement on provision of licenses (sublicenses) for SAP Software usage and maintenance the support, as amended | provision of license | **POLYMER INSTITUTE BRNO, spol. s r.o.** | 15.5.2009 | indefinite | 15.5.2009 |

| No. of agreement /appendix | Partner role | Subject of the agreement | Reason for agreement/appendix | Company | Valid from | Valid to | Agreement date |
|---|---|---|---|---|---|---|---|
| 76-2008 | supplier | Frame contract on ensuring development and use of the shared information environment for monitoring of surroundings of the UNIPETROL Group | monitoring of Group's surroundings | **POLYMER INSTITUTE BRNO, spol. s r.o.** | 1.1.2008 | indefinite | 1.1.2008 |
| 0015 - 2015 | supplier | Contract no. 0015-2015 of insurance and its administration - insurance of non-technological equipment | insurance of non-technological equipment | **POLYMER INSTITUTE BRNO, spol. s r.o.** | 1.1.2015 | 31.12.2015 | 21.4.2015 |
| 0076 - 2015 | supplier | Contract no. 0076-2015 of insurance and its administration -liability insurance – 1. layer | liability insurance | **POLYMER INSTITUTE BRNO, spol. s r.o.** | 1.5.2015 | 30.4.2016 | 14.9.2015 |
| 204-2007 | supplier | Loan agreement | provision of loan | **UNIPETROL DOPRAVA, s.r.o.** | 17.4.2007 | indefinite | 17.4.2007 |
| 143-2007 | supplier | Loan agreement | provision of loan | **UNIPETROL DOPRAVA, s.r.o.** | 10.8.2007 | indefinite | 10.8.2007 |
| 203-2007 | supplier | Loan agreement | provision of loan | **UNIPETROL DOPRAVA, s.r.o.** | 16.7.2007 | indefinite | 16.7.2007 |
| 408-2008 | supplier | CLA, as amended | provision of services | **UNIPETROL DOPRAVA, s.r.o.** | 1.1.2009 | indefinite | 1.1.2009 |
| 15-2010 | supplier | Appendix to Agreement on Unipetrol's goodwill usage | Unipetrol's goodwill usage | **UNIPETROL DOPRAVA, s.r.o.** | 1.1.2009 | indefinite | 1.1.2010 |
| 167-2009 | supplier | Contract on ensuring development and use of the shared information environment for monitoring of surroundings of the UNIPETROL Group, as amended | provision of services for monitoring of Group's environment | **UNIPETROL DOPRAVA, s.r.o.** | 1.1.2010 | indefinite | 1.1.2010 |
| 76-2009 | supplier | Agreement on provision of licenses (sublicenses) for SAP Software usage and maintenance the support, as amended | provision of license | **UNIPETROL DOPRAVA, s.r.o.** | 15.5.2009 | indefinite | 15.5.2009 |
| 39904 | supplier | Agreement on UNIPETROL's goodwill usage | Unipetrol's goodwill usage | **UNIPETROL DOPRAVA, s.r.o.** | 1.1.2008 | indefinite | 1.1.2008 |
| 15-2010 | supplier | Agreement on UNIPETROL's goodwill usage | Unipetrol's goodwill usage | **UNIPETROL DOPRAVA, s.r.o.** | 1.1.2009 | indefinite | 1.1.2009 |
| 92-2013 | supplier | Agreement on cancelation and establishment of easement | establishment of easement | **UNIPETROL DOPRAVA, s.r.o.** | 13.9.2013 | indefinite | 13.9.2013 |
| 155-2007 | supplier | Agreement on establishment of easement | establishment of easement | **UNIPETROL DOPRAVA, s.r.o.** | 5.9.2007 | indefinite | 5.9.2007 |
| 108-2011 | supplier | Agreement on establishment of easement - right to construction | establishment of easement | **UNIPETROL DOPRAVA, s.r.o.** | 29.9.2011 | indefinite | 29.9.2011 |
| 107-2011 | supplier | Agreement on establishment of easement - right to construction | establishment of easement | **UNIPETROL DOPRAVA, s.r.o.** | 29.9.2011 | indefinite | 29.9.2011 |
| 106-2011 | supplier | Agreement on establishment of easement - right to construction | establishment of easement | **UNIPETROL DOPRAVA, s.r.o.** | 29.9.2011 | indefinite | 29.9.2011 |
| 40-2012 | supplier | Agreement on establishment of easement Chvatěruby | establishment of easement | **UNIPETROL DOPRAVA, s.r.o.** | 8.6.2012 | indefinite | 8.6.2012 |

| No. of agreement /appendix | Partner role | Subject of the agreement | Reason for agreement/appendix | Company | Valid from | Valid to | Agreement date |
|---|---|---|---|---|---|---|---|
| 0013 - 2015 | supplier | Agreement no. 0013-2015 on insurance and its administration - insurance of non-technological equipment | insurance of non-technological equipment | **UNIPETROL DOPRAVA, s.r.o.** | 1.1.2015 | 31.12.2015 | 18.2.2015 |
| 424-2009 | supplier | Agreement on real estate administration no. S400/250/99 | real estate administration | **UNIPETROL RPA, s.r.o** | 1.1.2000 | indefinite | 1.1.2000 |
| 424-2009 rev. 0 append. 1 | supplier | Appendix no. 1 to Agreement on real estate administration no. S400/250/99 | | **UNIPETROL RPA, s.r.o** | 18.8.2003 | indefinite | 18.8.2003 |
| 424-2009 rev. 0 append. 2 | supplier | Appendix no. 2 to Agreement on real estate administration no. S400/250/99 | | **UNIPETROL RPA, s.r.o** | 11.10.2004 | indefinite | 11.10.2004 |
| 424-2009 rev. 0 append. 3 | supplier | Appendix no. 3 to Agreement on real estate administration no. S400/250/99 | change in price, notice periods | **UNIPETROL RPA, s.r.o** | 1.1.2009 | indefinite | 4.3.2009 |
| | supplier | Contract to agreements on easement<br><br>(unification of usage of area for individual companies UNIPETROL, a.s. - ČESKÁ RAFINÉRSKÁ, a.s. - CHEMOPETROL, a.s. -<br><br>KAUČUK, a.s.) | unification of usage of are for individual companies UNIPETROL, a.s. - ČESKÁ RAFINÉRSKÁ, a.s. - CHEMOPETROL, a.s. - KAUČUK, a.s. | **UNIPETROL RPA, s.r.o** | 1.2.2007 | indefinite | |
| 763-2008 | customer | Agreement on cancelation and establishment of easement | inflation uplift | **UNIPETROL RPA, s.r.o** | 12.5.2008 | indefinite | 26.8.2008 |
| 471-2008 | supplier | Agreement on cancelation and establishment of easement | establishment of easement | **UNIPETROL RPA, s.r.o** | 1.1.2008 | indefinite | 11.7.2008 |
| 895-2006 | supplier | Agreement on cancelation and establishment of easement | change in scope and price | **UNIPETROL RPA, s.r.o** | 1.12.2006 | indefinite | 20.12.2006 |
| 873-2006 | mutual cooperation | Confidentiality agreement | sharing of business information | **UNIPETROL RPA, s.r.o** | 22.11.2006 | indefinite | |
| 402-2006 | mutual cooperation | Agreement on cancelation and establishment of easement (exchange with Dopravní podnik) | establishment and cancelation of easement | **UNIPETROL RPA, s.r.o** | 1.4.2006 | indefinite | |
| 01656-2004 | customer | Agreement on cancelation and establishment of easement | establishment of easement | **UNIPETROL RPA, s.r.o** | 8.12.2004 | indefinite | |
| 420-020-03 | customer | Agreement on establishment and cancelation of easement | establishment of easement | **UNIPETROL RPA, s.r.o** | 11.3.2003 | indefinite | |

| No. of agreement /appendix | Partner role | Subject of the agreement | Reason for agreement/appendix | Company | Valid from | Valid to | Agreement date |
|---|---|---|---|---|---|---|---|
| 129-2014 | supplier | Agreement on insurance and its adminitration - liability insurance – 1. layer | Unipetrol concluded insurance agreement no. 899-20149-15 for liability insurance - 1. layer in favour of UNIPETROL, a.s., UNIPETROL RPA, s.r.o., PARAMO, a.s., SPOLANA a.s., Butadien Kralupy a.s., ORLEN Asfalt Česká republika s.r.o., POLYMER INSTITUTE BRNO, spol. s r.o. and Výzkumný ústav anorganické chemie, a.s. , as policyholders. | **UNIPETROL RPA, s.r.o** | 1.5.2014 | 30.4.2015 | 10.6.2014 |
| 63-2009 | supplier | Lease and service agreement, as amended | provision of services | **UNIPETROL RPA, s.r.o.** | 1.4.2009 | indefinite | 6.7.2009 |
| 579-2009 rev. 0 append. 1 | supplier | Lease and service agreement (enlargement by lease of office in build. no. 2845 and tangible assets) | The scope ot the Agreement stated in article 2, especially in paragraph 2.1a) is enlarged from 1.5.2010 by lease of office no. 105 in building no. 2845 with area of 17,50 m2, including sublease of tangible assets and sublease of furniture located in office of CEO, seat of UNIPETROL in Prague. | **UNIPETROL RPA, s.r.o.** | 1.5.2010 | indefinite | 22.7.2010 |
| 579-2009 rev. 0 append. 2 | supplier | Lease and service agreement (reduction by lease of office in build. no. 2845 including tangible assets) | The scope of the Agreement stated in article 2, especially in paragraph 2.1a) is reduced from 1.10.2010 by lease of office no. 105 in building no. 2845 with area of 17,50 m2, including tangible assets. | **UNIPETROL RPA, s.r.o.** | 1.10.2010 | indefinite | 24.11.2010 |
| 579-2009 rev. 0 append. 3 | supplier | Lease and service agreement (enlargement by lease of office no. 508 in build. no. 2859 including tangible assets) | Enlargement by lease of office no. 508 (Ing. V. Zemánek) in build. no. 2859 including tangible assets. | **UNIPETROL RPA, s.r.o.** | 1.4.2012 | indefinite | 19.6.2012 |

| No. of agreement /appendix | Partner role | Subject of the agreement | Reason for agreement/appendix | Company | Valid from | Valid to | Agreement date |
|---|---|---|---|---|---|---|---|
| 579-2009 rev. 0 append. 4 | supplier | Lease and service agreement (enlargement by lease of office no. 120B, including tangible assets and kitchen in build. no. 2859) | The scope of the Agreement is enlarged from 1.7.2012 by lease of office no. 120B with area of 31,80 m2 including sublease of tangible assets and kitchen no. 119 with area of 8,30 m2 in building no. 2859. | **UNIPETROL RPA, s.r.o.** | 1.7.2012 | indefinite | 17.7.2012 |
| 579-2009 rev. 0 append. 5 | supplier | Lease and service agreement (enlargement by lease of office no. 430, including tangible assets in build. no. 2859) | Enlargement by lease of office no. 430, including tangible assets in build. no. 2859. | **UNIPETROL RPA, s.r.o.** | 1.8.2012 | indefinite | 25.9.2012 |
| 579-2009 rev. 0 append. 6 | supplier | Lease and service agreement (enlargement by lease of office no. 817, including tangible assets in build. No. 2859 | Enlargement by lease of office no. 817, including tangible assets in build. no. 2859. | **UNIPETROL RPA, s.r.o.** | 1.9.2012 | indefinite | 13.11.2012 |
| 579-2009 rev. 0 append. 7 | supplier | Lease and service agreement (enlargement by lease of office no. 901A in build. no. 2859, office no. 222 in build. no. 2845 including sublease of tangible assets) | The scope of the Agreement stated in its appendix „ Lease of the offices in buildings“, in article 4, especially in paragraph 4.1 of Lease and services agreement from 6.7.2009 is enlarged from 1.1.2013 by lease of:<br>-office no. 901A with area of 30,80 m2, including lease of tangible assets in building no. 2859,<br>-office no. 222 with area of 35,90 m2, including lease of tangible assets in building no. 2845<br>tak, jak je uvedeno v přílohách tohoto Dodatku. | **UNIPETROL RPA, s.r.o.** | 1.1.2013 | indefinite | 28.2.2013 |
| 579-2009 rev. 0 append. 8 | supplier | Lease and service agreement (enlargement by lease of office no. 721A with area of 16,00 m2 including lease of tangible assets in build. no. 2859 ) | | **UNIPETROL RPA, s.r.o.** | 1.11.2013 | indefinite | 4.2.2014 |

| No. of agreement /appendix | Partner role | Subject of the agreement | Reason for agreement/appendix | Company | Valid from | Valid to | Agreement date |
|---|---|---|---|---|---|---|---|
| 0579 - 2009 rev. 0 append. 9 | supplier | Lease and service agreement (changes in the offices in build. no. 2859) | Contracting parties agreed on below mentioned changes with effect from 1.5.2014:<br>- cancelation of lease - office no. 719A with area of 30,80 m2 , including lease of tangible assets in building no. 2859, as stated in appendix of this ammendment,<br>- enlargement of lease - office no. 730 with area of 32,20 m2 , including lease of tangible assets in building no. 2859 , as stated in appendix of this ammendment. | **UNIPETROL RPA, s.r.o.** | 1.5.2014 | indefinite | 2.7.2014 |
| 0579 - 2009 rev. 0 append.10 | supplier | Lease and service agreement - changes in lease of offices | changes in lease of offices:<br>- due to organization changes relating to internal audit- more accurate geographic base due to new documentation in GIS | **UNIPETROL RPA, s.r.o.** | 1.8.2015 | indefinite | 14.9.2015 |
| 402-2008 | supplier | CLA, as amended | provision of services | **UNIPETROL RPA, s.r.o.** | 1.1.2008 | indefinite | 11.12.2008 |
| 402-2008 rev. 0 append. 2 | supplier | Appendix no.2 to complex services agreement | new articles to note 2.2. (b) "Prezentation of Client's business activity" | **UNIPETROL RPA, s.r.o.** | 1.1.2014 | indefinite | |
| 21-2008 | supplier | Contract on ensuring development and use of the shared information environment for monitoring of surroundings of the UNIPETROL Group, as amended | provision of services | **UNIPETROL RPA, s.r.o.** | 1.1.2008 | indefinite | 1.4.2008 |
| 21-2008 rev. 0 append. 7 | supplier | Appendix no. 7 to contract on ensuring development and use of the shared information environment for monitoring of surroundings of the UNIPETROL Group | scope of provided services for the year 2015 | **UNIPETROL, a.s.** | 1.1.2015 | 31.12.2015 | |

| No. of agreement /appendix | Partner role | Subject of the agreement | Reason for agreement/appendix | Company | Valid from | Valid to | Agreement date |
|---|---|---|---|---|---|---|---|
| 20-2008 | mutual cooperation | Contract on ensuring development and use of the shared information environment for monitoring of surroundings of the UNIPETROL Group, as amended | ensuring development and use of the shared information environment for monitoring of surroundings of the UNIPETROL Group-business units | **UNIPETROL RPA, s.r.o.** | 1.1.2008 | indefinite | 1.4.2008 |
| 20-2008 rev. 0 append. 8 | mutual cooperation | Appendix no. 8 to contract on ensuring development and use of the shared information environment for monitoring of surroundings of the UNIPETROL Group | scope of provided services for the year 2015 | **UNIPETROL, a.s.** | 1.1.2015 | 31.12.2015 | |
| 313-2008 | supplier | Agreement on cancelation and establishment of easement | establishment of easement | **UNIPETROL RPA, s.r.o.** | 10.1.2001 | indefinite | 10.1.2001 |
| 339-2008 | supplier | Agreement on establishment of easement | establishment of easement | **UNIPETROL RPA, s.r.o.** | 27.12.1999 | indefinite | 27.12.1999 |
| 176-2008 | supplier | Agreement on registration and use of trade mark | provision of trade marks | **UNIPETROL RPA, s.r.o.** | 2.6.2008 | indefinite | 2.6.2008 |
| 22-2009 | supplier | Lease and service agreement, as amended | provision of services | **UNIPETROL RPA, s.r.o.** | 1.3.2008 | indefinite | 6.3.2008 |
| 22-2009 rev. 0 append. 1 | supplier | Lease and service agreement (change in subject of the lease - the lessee was moved from build. no. 2838 to build. no. 2846) | this appendix changes the scope of the lease - the lessee was moved from build. no. 2838 (storage with area of 84,00 m2 ) to build. no. 2846 - storage with area of 53,00 m2 | **UNIPETROL RPA, s.r.o.** | 1.6.2010 | indefinite | 15.10.2010 |
| 79-2009 | supplier | Agreement on provision of licenses (sublicenses) for SAP Software usage and maintenance the support, as amended | provision of license | **UNIPETROL RPA, s.r.o.** | 1.5.2009 | indefinite | 30.6.2009 |
| 79-2009 rev.0 append. 1 | supplier | Appendix no. 1 - price increase | increase in number of license + 2pc | **UNIPETROL RPA, s.r.o.** | 1.10.2009 | indefinite | 5.11.2009 |
| 79-2009 rev.0 append. 2 | supplier | Appendix no.2 - provision of SAP license | new type of licenses of Limited Business Partner User + 190 pc | **UNIPETROL RPA, s.r.o.** | 1.1.2010 | indefinite | 20.5.2010 |
| 244-2008 | supplier | Loan agreement, as amended | provision of loan | **UNIPETROL RPA, s.r.o.** | 25.6.2008 | indefinite | 25.6.2008 |
| 244-2008 rev. 0 append. 1 | supplier | Appendix no. 1 to Loan agreement - increase the limit to CZK 12 bln. | increase of credit line from CZK 9,75 bln. to CZK 12 bln. | **UNIPETROL RPA, s.r.o.** | 1.12.2008 | indefinite | 18.12.2008 |
| 244-2008 rev. 0 append. 2 | supplier | Appendix no. 2 to Loan agreement - increase the limit to CZK 14 bln. | increase of credit line from CZK 12 bln. to CZK 14 bln. | **UNIPETROL RPA, s.r.o.** | 11.1.2012 | indefinite | 11.1.2012 |

| No. of agreement /appendix | Partner role | Subject of the agreement | Reason for agreement/appendix | Company | Valid from | Valid to | Agreement date |
|---|---|---|---|---|---|---|---|
| 244-2008 rev. 0 append. 3 | supplier | Appendix no. 3 to Loan agreement - increase the limit to CZK 17 bln. | increase of credit line from CZK 14 bln. to CZK 17 bln. | **UNIPETROL RPA, s.r.o.** | 17.12.2013 | indefinite | 17.12.2013 |
| 14-2010 | supplier | Agreement on UNIPETROL's goodwill usage, as amended | provision of goodwill | **UNIPETROL RPA, s.r.o.** | 1.1.2009 | indefinite | 1.1.2009 |
| 14-2010 rev. 0 append. 1 | supplier | Appendix no. 1 to Agreement on UNIPETROL's goodwill usage | price for the year 2010 | **UNIPETROL RPA, s.r.o.** | 16.3.2011 | indefinite | 13.4.2011 |
| 101-2012 | supplier | Agreement on cancelation and establishment of easement | establishment of easement | **UNIPETROL RPA, s.r.o.** | 9.4.2013 | indefinite | 9.4.2013 |
| | supplier | Agreement on delivery of energy services and service water | update of the agreement based on new model, new prices from 1.1.2014 | **UNIPETROL RPA, s.r.o.** | 1.1.2014 | indefinite | 5.2.2014 |
| | customer | Price appendix for the year 2015 | price appendix for the year 2015 | **UNIPETROL RPA, s.r.o.** | 1.1.2015 | indefinite | 19.1.2015 |
| 126-2010 | supplier | Agreement on establishment of easement | establishment of easement | **UNIPETROL RPA, s.r.o.** | 27.8.2010 | indefinite | 11.11.2009 |
| | mutual cooperation | Contract -shared information environment for monitoring of surroundings of the holding - 2004 | monitoring of Group's surroundings | **UNIPETROL RPA, s.r.o.** | 1.1.2004 | indefinite | |
| | supplier | Arrangement on authorisation | authorisation | **UNIPETROL RPA, s.r.o.** | 25.8.2005 | | |
| | supplier | NDA - Uni AS, Uni RPA, Spolana for Salamanca project | Spolana's involvement in the Salamanca project and the need to share information | **UNIPETROL RPA, s.r.o.** | 9.7.2014 | indefinite | 9.7.2014 |
| 0090 - 2015 | supplier | Contract no. 0090-2015 of insurance and its administration -liability insurance – 2. layer | liability insurance | **UNIPETROL RPA, s.r.o.** | 1.5.2015 | 30.4.2016 | 1.9.2015 |
| 0100 - 2015 | mutual agreement | Agreement on settlement | settlement of relations after the merge of ENI's share in Česká rafinérská | **UNIPETROL RPA, s.r.o.** | 25.8.2015 | 4.9.2015 | 25.8.2015 |
| 0072 - 2015 | supplier | Contract no. 0072-2015 of insurance and its administration -liability insurance – 1. layer | liability insurance | **UNIPETROL RPA, s.r.o.** | 1.5.2015 | 30.4.2016 | 30.6.2015 |
| 0020 - 2015 | supplier | Services agreement | delegating inspection of drivers | **UNIPETROL RPA, s.r.o.** | 1.1.2015 | indefinite | 1.1.2015 |
| 0012 - 2015 | supplier | Contract no. 0012-2015 of insurance and its administration - insurance of non-technological equipment | insurance supplement for leased property of UNIPETROL RPA | **UNIPETROL RPA, s.r.o.** | 1.1.2015 | 31.12.2015 | 24.2.2015 |
| 12 - 2015 rev. 0 append. 1 | supplier | Appendix no.1 to Contract no. 0012-2015 of insurance and its administration - insurance of non-technological equipment | insurance supplement for leased property of UNIPETROL RPA | **UNIPETROL RPA, s.r.o.** | 13.5.2015 | 31.12.2015 | 26.5.2015 |
| | supplier | Agreement on supply of service water | organizational change | **UNIPETROL RPA, s.r.o.** | 1.8.2015 | indefinite | |
| 29-2015 | supplier | Agreement on liability insurance and its administration - liability insurance of members of statutory bodies | Unipetrol in cooperation with PKN ORLEN S.A. and with AB Orlen Lietuva managed the liability insurance for members of statutory bodies of the company on behalf of Unipetrol Group | **UNIPETROL RPA, s.r.o.** | **1.10.2014** | 31.10.2015 | 28.4.2015 |

| No. of agreement /appendix | Partner role | Subject of the agreement | Reason for agreement/appendix | Company | Valid from | Valid to | Agreement date |
|---|---|---|---|---|---|---|---|
| | supplier | Agreement on supply of energy services | revision of original agreement on supply of energy services and service water due to reorganisation of JES | **UNIPETROL RPA, s.r.o.** | 1.8.2015 | indefinite | |
| 148-2014 | supplier | Agreement on insurance and its administration - liability insurance – 2. layer | Unipetrol concluded insurance agreement no. 5210446814 for liability insurance – 2. layer in favour of UNIPETROL RPA, s.r.o., PARAMO, a.s., SPOLANA a.s., Butadien Kralupy a.s., as policyholders | **UNIPETROL RPA, s.r.o.** | 1.5.2014 | 30.4.2015 | 16.9.2014 |
| 16-2010 | supplier | Agreement on UNIPETROL's goodwill usage, as amended | provision of goodwill | **UNIPETROL SERVICES, s.r.o.** | 1.1.2009 | indefinite | 1.1.2009 |
| 401-2008 | supplier | CLA, as amended | provision of services | **UNIPETROL SERVICES, s.r.o.** | 1.1.2008 | indefinite | 1.1.2008 |
| 27-2009 | mutual cooperation | Agreement on cooperation - HSE | mutual provision of information | **UNIPETROL SERVICES, s.r.o.** | 1.2.2009 | indefinite | 1.2.2009 |
| 207–2007 | supplier | Services agreement, as amended | provision of services | **UNIPETROL SERVICES, s.r.o.** | 1.4.2007 | indefinite | 1.4.2007 |
| 16-2008 | supplier | Frame contract on ensuring development and use of the shared information environment for monitoring of surroundings of the UNIPETROL Group | monitoring of Group's surroundings | **UNIPETROL SERVICES, s.r.o.** | 1.1.2008 | indefinite | 1.1.2008 |
| 18-2009 | customer | Contract for sublease of office space and related services from 1.2.2009 | use of office space | **UNIPETROL SERVICES, s.r.o.** | 1.2.2009 | 31.12.2018 | 1.2.2009 |
| 32-2012 | customer | Contract for vehicle lease | lease of vehicle | **UNIPETROL SERVICES, s.r.o.** | 1.6.2012 | indefinite | 1.6.2012 |
| 188-2007 | supplier | Loan agreement | provision of loan | **UNIPETROL SERVICES, s.r.o.** | 3.9.2007 | indefinite | 3.9.2007 |
| 78-2009 | supplier | Agreement on provision of licenses (sublicenses) for SAP Software usage and maintenance the support, as amended | provision of license | **UNIPETROL SERVICES, s.r.o.** | 15.5.2009 | indefinite | 15.5.2009 |
| 190-2007 | supplier | Loan agreement | provision of loan | **UNIPETROL SERVICES, s.r.o.** | 3.9.2007 | indefinite | 3.9.2007 |
| 0016 - 2015 | supplier | Contract no. 0016-2015 of insurance and its administration - insurance of non-technological equipment | insurance of non-technological equipment | **UNIPETROL SERVICES, s.r.o.** | 1.1.2015 | 31.12.2015 | 21.4.2015 |

| No. of agreement /appendix | Partner role | Subject of the agreement | Reason for agreement/appendix | Company | Valid from | Valid to | Agreement date |
|---|---|---|---|---|---|---|---|
| 42310 | supplier | Agreement on usage benefits from trade marks, logos and other brands | provision of trade marks | **UNIPETROL SLOVENSKO, s.r.o.** | 1.1.2010 | indefinite | 1.1.2010 |
| 406-2008 | supplier | CLA, as amended | provision of services | **UNIPETROL SLOVENSKO, s.r.o.** | 1.1.2014 | indefinite | 1.1.2008 |
| 0054 - 2015 | supplier | Frame contract on ensuring development and use of the shared information environment for monitoring of surroundings of the UNIPETROL Group | provision of specific information and access to information systems | **UNIPETROL SLOVENSKO s. r. o.** | 1.7.2014 | indefinite | 9.6.2015 |
| 0017 - 2015 | supplier | Contract no. 0017-2015 of insurance and its administration - insurance of non-technological equipment | insurance of non-technological equipment | **UNIPETROL SLOVENSKO s.r.o.** | 1.1.2015 | 31.12.2015 | 21.4.2015 |
| 0022 - 2015 | supplier | Frame contract on ensuring development and use of the shared information environment for monitoring of surroundings of the UNIPETROL Group | monitoring of Group's surroundings | **Unipetrol Deutschland GmbH** | 1.7.2014 | indefinite | 9.7.2015 |
| 31-2008 | supplier | Frame contract on ensuring development and use of the shared information environment for monitoring of surroundings of the UNIPETROL Group | monitoring of Group's surroundings | **Výzkumný ústav anorganické chemie, a.s.** | 1.1.2008 | indefinite | 1.1.2008 |
| 0078 - 2015 | supplier | Contract no. 0078-2015 of insurance and its administration -liability insurance – 1. layer | liability insurance | **Výzkumný ústav anorganické chemie, a.s.** | 1.5.2015 | 30.4.2016 | 28.8.2015 |
| 0075 - 2015 | supplier | Contract no. 0075-2015 of insurance and its administration -liability insurance – 1. layer | liability insurance | **ORLEN Asfalt Česká republika s.r.o.** | 1.5.2015 | 30.4.2016 | 14.9.2015 |
| 144-2010 | mutual cooperation | Confidentiality agreement | confidentiality of the information provided | **ORLEN Asfalt Sp. z o.o.** | 25.10.2010 | 25.10.2015 | 25.10.2010 |
| 57-2012 | mutual cooperation | Agreement on accession, as amended | joining the company | **ORLEN FINANCE AB** | 30.6.2012 | indefinite | 30.6.2012 |
| 0129 - 2015 | customer | ACCESSION AGREEMENT regarding the Internal Agreement on Group Accounts System dated 12 April 2010 as amended, supplemented or restated from time to time | supplement of internal contract | **ORLEN FINANCE AB** | 31.12.2015 | indefinite | 20.11.2015 |
| 100-2010 | customer | Contract for provision of health services | provision of health services | **ORLEN Medica, Sp. z o.o.** | 1.2.2010 | indefinite | 1.2.2010 |
| 143-2010 | mutual cooperation | Confidentiality agreement | confidentiality of the information provided | **ORLEN OIL Sp. z o.o** | 25.10.2010 | 25.10.2015 | 25.10.2010 |
| 225-2007 | supplier | Agreement on cooperation in the framework of internal audit | provision of services | **Polski Koncern Naftowy ORLEN S.A.** | 31.8.2007 | indefinite | 31.8.2007 |
| 20-2009 | supplier | Frame agreement | provision of services | **Polski Koncern Naftowy ORLEN S.A.** | 1.1.2009 | indefinite | 1.1.2009 |

| No. of agreement /appendix | Partner role | Subject of the agreement | Reason for agreement/appendix | Company | Valid from | Valid to | Agreement date |
|---|---|---|---|---|---|---|---|
| 112-2011 | supplier | Agreement on mutual provision of personnel | provision of personnel | **Polski Koncern Naftowy ORLEN S.A.** | 1.1.2011 | indefinite | 1.1.2011 |
| 61-2013 | mutual cooperation | Agreement on cooperation in the framework of internal audit | provision of information | **Polski Koncern Naftowy ORLEN S.A.** | 1.7.2013 | indefinite | 1.7.2013 |
| 0003 - 2015 | mutual cooperation | Agreement on cooperation and costs sharing | support the improvement of czech-polish relations, consistent with PR plan from 2014 | **Polski Koncern Naftowy ORLEN S.A.** | 1.6.2014 | indefinite | x |
| 0002 - 2015 | mutual cooperation | Agreement on mutual cooperation | support the improvement of czech-polish relations by presentation of film Lech Walesa: Člověk naděje, consistent with PR plan from 2014 | **Polski Koncern Naftowy ORLEN S.A.** | 1.6.2014 | indefinite | x |
| 13-2010 | mutual cooperation | Agreement on cooperation | cooperation | **Polski Koncern Naftowy ORLEN S.A.** | 1.2.2010 | indefinite | 1.2.2010 |
| 18-2012 | customer | Frame agreement on provision of IT services | IT services | **Polski Koncern Naftowy ORLEN S.A.** | 1.1.2012 | indefinite | 1.1.2012 |
| 0112 - 2015 | customer | Agreement concerning the settlement of costs of external audit | settlement of costs of external audit | **PKN Orlen S.A.** | 23.9.2015 | 30.5.2016 | x |
| 0171-2014 | customer | AGREEMENT on cooperation in the area of centralized purchases and joint access to business and market information within the ORLEN Group | provision of market and trade terms | **Polski Koncern Naftowy ORLEN S.A., ANWIL S.A.** | 24.10.2014 | indefinite | 24.10.2014 |
| 291-2008 | customer | Lease agreement | lease of building | **UNIPETROL RPA, s.r.o.** | 1.1.2001 | indefinite | 1.1.2001 |
| 392-2008 | customer | Agreement on real estate management, as amended | real estate management | **UNIPETROL RPA, s.r.o.** | 1.1.2009 | indefinite | 1.1.2000 |
| 84-2013 | supplier | Agreement on cooperation | provision of services | **SPOLANA, a.s.** | 1.8.2013 | indefinite | 1.8.2013 |
| 0093 - 2015 | supplier | Contract no. 0093-2015 of insurance and its administration -liability insurance – 2. layer | liability insurance | **SPOLANA a.s.** | 1.5.2015 | 30.4.2016 | 27.10.2015 |
| 0077 - 2015 | supplier | Contract no. 0077-2015 of insurance and its administration -liability insurance – 1. layer | liability insurance | **SPOLANA a.s.** | 1.5.2015 | 30.4.2016 | 14.9.2015 |

# 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, 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.:** | +420 225 001 425 (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 2015 is a convenience translation. The version in the Czech language is the definitive version.

Annual Report 2015 of UNIPETROL, a.s. was approved for issue by the Board of Directors of UNIPETROL, a.s. on the meeting held on 15 March 2016.