



UNIPETROL, a.s.

Half-year Report 2015

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Business activities and financial results in the first half of 2015

Key financial and non-financial data

CZK m	6M 2014	6M 2015
Revenues	61,049	56,498
Gross profit	1,880	8,009
EBITDA LIFO	-2,010	7,070
EBITDA	-2,004	7,464
EBIT LIFO	-3,268	6,103
EBIT	-3,262	6,497
<i>Downstream segment</i>		
EBITDA LIFO	-2,232	6,895
EBITDA	-2,227	7,288
EBIT LIFO	-3,289	6,104
EBIT	-3,283	6,497
<i>Retail segment</i>		
EBITDA LIFO	220	258
EBITDA	219	258
EBIT LIFO	59	96
EBIT	59	96
<i>Corporate functions</i>		
EBITDA	4	-82
EBIT	-38	-96
Net finance income (costs)	-161	-60
Profit before tax	-3,423	6,437
Tax expense	870	-1,165
Net profit (loss)	-2,553	5,272
EPS (in CZK)	-14.07	29.08

CZK m	6M 2014	6M 2015
Operating cash flow	-2,952	6,546
CAPEX	820	777
Free cash flow	-4,242	5,765
Net working capital	10,765	10,732
Net debt	5,727	-3,029
Financial gearing	22.1%	-9.1%

kt	6M 2014	6M 2015
Refining sales, including retail	2,044	2,512
Petrochemical sales	885	888

Introduction

General macro environment was very supportive for Unipetrol during 6M2015. GDP of Czech and Eurozone economy increased in 1Q2015 by 4.0% and 1.0% y/y respectively, second quarter data were not yet available before publication date however continuation of quite robust growth during 2H2015 is expected. As regards downstream macro environment, crude oil price declined profoundly by 47% y/y from 109 USD/bbl in 6M2014 to 58 USD/bbl in 6M2015 (Brent), model refining margin profoundly improved from 0.4 USD/bbl in 6M2014 to 5.4 USD/bbl in 6M2015. Model combined petrochemical margin increased by 16% y/y from 638 EUR/t in 6M2014 to very high level of 741 EUR/t in 6M2015.

Despite much higher refining sales volumes driven by operation of additional refining capacity in May and June 2015 and much stronger USD against CZK, revenues decreased by 7% y/y from CZK 61.0bn in 6M2014 to CZK 56.5bn in 6M2015 driven by profound decline of crude oil price and corresponding steep decline of refining and petrochemical products quotations.

Profitability improved by a wide margin y/y thanks to profoundly better external macro environment and significantly higher refining sales volumes. Operating profit EBITDA LIFO (operating profit before interest, taxes, depreciation and amortization on LIFO basis) increased tremendously from CZK -2,010m in 6M2014 to CZK 7,070m in 6M2015. Correspondingly, EBITDA increased from CZK -2,004m to CZK 7,464m and EBIT increased from CZK -3,262m to CZK 6,497m. Net profit (loss) increased from CZK -2,553m in 6M2014 to CZK 5,272m in 6M2015. It is worth mentioning that significant one-off items were booked in both 6M2014 and 6M2015: gain on acquisition of CZK 1,186m (Shell's stake in Česká rafinérská) and refining assets impairment of CZK 4,721m in 6M2014; gain on acquisition of CZK 429m (Eni's stake in Česká rafinérská) and provision for removal of old ecological burdens of CZK 160m in 6M2015 (of which CZK 110m in downstream segment and CZK 50m in corporate functions). Therefore the key profitability indicator EBITDA

LIFO adjusted for these one-offs (underlying) achieved CZK 1,525m in 6M2014 and CZK 6,801m in 6M2015.

Downstream segment

Downstream segment profitability improved profoundly y/y. EBITDA LIFO increased from CZK -2,232m in 6M2014 to CZK 6,895m in 6M2015. Adjusted for one-offs specified in the Introduction, underlying EBITDA LIFO increased from CZK 1,302m in 6M2014 to CZK 6,576m in 6M2015. The steep improvement was driven by extremely good macro environment and much higher refining sales volumes, both elaborated on below.

Downstream macro environment improved tremendously y/y which was predominantly driven by refining business. Model refining margin profoundly improved from 0.4 USD/bbl in 6M2014 to 5.4 USD/bbl in 6M2015 driven by steep decline of crude oil price and higher diesel crack y/y. Brent-Ural differential declined by 10% y/y from 1.8 USD/bbl to 1.6 USD/bbl. Model combined petrochemical margin increased by 16% y/y from 638 EUR/t in 6M2014 to very high level of 741 EUR/t in 6M2015 driven by ca 50% increase of polyethylene and polypropylene spreads.

As regards the structure of Unipetrol Group, on 30 April 2015 the transaction of acquisition of 303,301 shares of Česká rafinérská amounting to 32.445% of the Česká rafinérská's share capital from Eni International B.V. was completed. Following successful completion of the transaction Unipetrol's stake in the Česká rafinérská's share capital increased from 67.555% to 100.00%. Therefore Unipetrol became the sole shareholder of Česká rafinérská and its refining capacity increased from 5.9 mt/y to 8.7 mt/y.

On 30 April 2015 UNIPETROL RPA, s.r.o. and PKN ORLEN S.A. signed a second annex ("Annex") to the crude oil supplies agreement, which provides an increase of crude oil deliveries to UNIPETROL RPA, s.r.o. by up to 120kt of REBCO crude oil per month. 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 higher refining capacity, mentioned above. This Annex followed on the second annex, signed on 30 April 2015, to the agreement between PKN ORLEN S.A. and Rosneft Oil Company dated 21 June 2013 for REBCO crude oil deliveries to UNIPETROL RPA, s.r.o.

Refining sales volumes, including retail sales of Benzina filling stations network, increased profoundly by 23% y/y from 2,044kt in 6M2014 to 2,512kt in 6M2015, which was driven by the above mentioned additional refining capacity from the beginning of May, very high refining utilization ratio of 90% and proven ability to successfully place significantly higher refining volumes on the market. Petrochemical sales reached 888kt in 6M2015 which is almost the same level as in 6M2014 of 885kt. On top of that Unipetrol managed to improve petrochemical sales mix thanks to increase polyethylene and polypropylene sales.

Regarding reorganization of Unipetrol Group asset structure, on 22 May 2015 the transaction of spin-off of certain assets from UNIPETROL DOPRAVA, s.r.o. ("UNIDO") was approved by the

general meetings of UNIPETROL RPA, s.r.o. (“UNI RPA”) and UNIDO. Spin-off of strategic assets in net book value of CZK 408 m (almost all non-current assets with exception of locomotives and wagons) and their subsequent transfer into UNI RPA was in line with strategy of Unipetrol Group and its reorganization aiming to further improve operational excellence. In particular, UNI RPA will focus on management and upkeep of the strategic operational infrastructure while UNIDO will be concentrated on transportation services. Therefore activities in both companies will be fully adjusted based on their key strategic targets. The spin-off was realized with the decisive date 1 January 2015.

Additionally, at the beginning of June UNIPETROL RPA, s.r.o. signed a new contract with ČEPRO, a.s. for providing pipeline and logistics services. Contract was signed for indefinite period with a 12-month notice period. Estimated annual contract value is CZK 600 mln and the contract brings to Unipetrol estimated savings on unit costs basis of 5-10% depending on actual volumes pumped.

Last but not least, UNIPETROL RPA, s.r.o. decided, due to unexpected technical difficulties, to shut down operation of its petrochemical steam cracker unit at Chempark Záluží in Litvínov starting from Monday, 29 June. The unit was restarted according to the plan on Sunday 5 July. Total negative impact on Unipetrol Group full-year 2015 EBITDA reached approximately CZK 150m.

Retail segment

Retail segment profitability recorded a solid improvement y/y. EBITDA LIFO increased by 17% y/y from CZK 220m in 6M2014 to CZK 258m in 6M2015 driven by higher Benzina fuel sales volumes and non-fuels sales. Higher fuel sales were driven by set of activities in sales, marketing and standards increase, lower crude oil price y/y and solid dynamics of Czech GDP. Better performance of non-fuels segment was driven by better shop and gastro results. Benzina market share increased by approximately 0.4 percentage point y/y from 14.8% in 6M2014 to 15.2% in 6M2015 (6M2015 number based on the last available official statistical data till the end of April).

CAPEX, cash flow and financial gearing

CAPEX reached CZK 777m in 6M2015 compared with CZK 820m in 6M2014. The main investment projects realized in 6M2015 within the refining part of downstream segment were capitalized catalysts expenditures and reconstruction of oil drainage system in Kralupy refinery, within the petrochemical part of downstream segment expenditures on capitalized spare parts, turnaround AGRO, second stage of substation reconstruction R 200, reconstruction of long distance product line and polypropylene production increase. Continuation of the project of the new advanced research and education center UniCRE in Litvínov contributed to the main investment in corporate functions segment (previously reported in petrochemical/downstream segment) and

within retail segment projects focused on modernization and reconstruction of Benzina filling stations.

Operating cash flow tremendously improved from CZK -2,952m in 6M2014 to CZK 6,546m in 6M2015 driven by superb EBITDA in 6M2015. Investing cash flow, including CAPEX mentioned above, was negative CZK -1,290m in 6M2014 and CZK -781m in 6M2015. Free cash flow, defined as the sum of operating and investing cash flow, profoundly improved y/y from CZK -4,242m in 6M2014 to CZK 5,765m in 6M2015.

Thanks to very strong free cash flow and aiming to save interest costs Unipetrol decided during 6M2015 to prematurely repay CZK 4 bln mid-term loan received from its majority shareholder PKN ORLEN SA, which holds 62.99% of the Unipetrol shares, under a loan agreement entered into on 12 December 2013. CZK 2 bln was repaid on 20 March and remaining CZK 2 bln was repaid on 25 June.

Strong free cash flow in 6M2015 also manifested itself in significant YTD decline of net debt to negative level of CZK -3,029m as at 30 June, implying net cash position. Net debt was CZK 5,727m as at 30 June 2014. Financial gearing ratio, defined as the ratio of net debt including cash pool liabilities and equity less hedging reserve, also correspondingly declined from 22.1% as at 30 June 2014 to negative level of -9.1% as at 30 June 2015.

Expected development of business activities in the second half of 2015

Czech GDP is expected to keep reasonable momentum also during 2H2015 with full year 2015 growth currently expected around 2.9% y/y (Bloomberg). According to Czech Statistical Office data, consumer and business confidence in the Czech economy was at relatively high level in June which also indicates a cautiously optimistic outlook for 2H2015. As regards fuels consumption, a continuation of demand increase y/y for diesel with a slight drop in demand for gasoline in CEE region is expected for whole 2015 (JBC Energy).

In terms of Brent crude oil price we expect stabilization at the current levels, nevertheless we cannot underestimate the fact that crude oil price also depends on geopolitical risks. As regards refining and petrochemical margins we expect continuation of quite solid levels, supported by low and relatively stable crude oil price and increase in fuels and petrochemical products consumption on the back of steady GDP dynamics in Europe. However some retreat of record high petrochemical margins from the end of first half 2015 cannot be excluded. Unit gasoline fuel margins will be the key profitability factor to follow during 2H2015 in retail segment as these were lower compared to our expectations during the second quarter due to very strong price competition on the Czech retail market.

As regards capital expenditures in 2H2015, refining part of downstream segment will invest into obligatory and environmental projects in Kralupy refinery which already started earlier, such as waste water treatment plant and reconstruction of oil drainage system, furthermore Česká rafinářská is currently at the initial execution stage of the project of modernization of the new hydrocracker unit in Litvínov refinery which is expected to be finished during 2016. Petrochemical part of downstream segment will focus on the continuation of two major projects: a) T700 revamp, a project related to the modernization and reconstruction of the T700 power plant in Litvínov Chempark Záluží in order to meet the limits set by authorities; b) Polypropylene production increase. Within the regulatory refurbishment program of the steam-cracker, a reconstruction of pyrolysis furnace BA-102 is planned for 2H2015. Finalization of UniCRE in Litvínov (Unipetrol Centre for Research and Education) is planned for 2H2015 in corporate functions segment. Within retail segment, Benzina will focus on construction of new filling station in Opava.

Corporate management will continue to be focused on execution of internal efficiency initiatives (Operational Excellence) across all segments, ongoing operational integration of Česká rafinářská and last but not least on Group asset base restructuring and reorganization.

Information about the persons responsible for the Half-year Report 2015

Marek Świtajewski, Unipetrol's Chairman of the Board of Directors and Chief Executive Officer, and Mirosław Kastelik, Unipetrol's Member of the Board of Directors and Chief Financial Officer, hereby represent that, to their best knowledge, the Half-year Report and the Consolidated and Separate financial statements as of 30 June 2015 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 first half of 2015, as well as of the future outlook for the financial standing, business, and results.



Marek Świtajewski

Chairman of the Board of Directors
and Chief Executive Officer



Mirosław Kastelik

Member of the Board of Directors
and Chief Financial Officer

Financial statements

Consolidated financial statements as of 30 June 2015 with notes.

Separate financial statements as of 30 June 2015.



UNIPETROL, a.s.
CONSOLIDATED HALF-YEAR REPORT

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

FOR THE 1st HALF

2015



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**UNAUDITED HALF-YEAR CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE 6 AND 3 MONTHS ENDED 30 JUNE

2015

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

A. HALF-YEAR CONDENSED 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	6 MONTHS ENDED 30/06/2015 (unaudited)	3 MONTHS ENDED 30/06/2015 (unaudited)	6 MONTHS ENDED 30/06/2014 (unaudited, restated*)	3 MONTHS ENDED 30/06/2014 (unaudited, restated*)
Statement of profit or loss					
Revenues	5.2.	56 498	32 523	61 049	32 357
Cost of sales	5.3.	(48 489)	(27 855)	(59 169)	(31 200)
Gross profit on sales		8 009	4 668	1 880	1 157
Distribution expenses		(1 068)	(513)	(1 029)	(512)
Administrative expenses		(610)	(311)	(622)	(305)
Other operating income	5.6.	503	486	1 396	83
Other operating expenses	5.6.	(337)	(259)	(4 887)	(4 670)
Profit/(loss) from operations		6 497	4 071	(3 262)	(4 247)
Finance income	5.7.	553	224	151	90
Finance costs	5.7.	(613)	(226)	(313)	(178)
Net finance costs		(60)	(2)	(161)	(88)
Profit/(loss) before tax		6 437	4 069	(3 423)	(4 335)
Tax expense	5.8.	(1 165)	(792)	870	846
Net profit/(loss)		5 272	3 277	(2 553)	(3 489)
Other comprehensive income					
items which will be reclassified into profit or loss under certain conditions					
Hedging instruments		(577)	(165)	85	(69)
Foreign exchange differences on subsidiaries from consolidation		(2)	(1)	-	-
Deferred tax		110	31	(16)	13
		(469)	(135)	69	(56)
Total net comprehensive income		4 803	3 142	(2 484)	(3 545)
Net profit/(loss) attributable to					
equity owners of the parent		5 272	3 277	(2 553)	(3 489)
non-controlling interest		5 273	3 278	(2 551)	(3 489)
		(1)	(1)	(2)	-
Total comprehensive income attributable to		4 803	3 142	(2 484)	(3 545)
equity owners of the parent		4 804	3 143	(2 482)	(3 545)
non-controlling interest		(1)	(1)	(2)	-
Net profit/(loss) and diluted net profit/(loss) per share attributable to equity owners of the parent (in CZK per share)		29.08	18.08	(14.07)	(19.24)

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8-18.

* Changes in disclosure of comparative period are described in note 3.

Consolidated statement of financial position

	Note	30/06/2015 (unaudited)	31/12/2014 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		18 518	18 893
Investment property		423	419
Intangible assets		1 477	1 792
Financial assets available for sale		1	1
Deferred tax assets		1 438	1 039
Other non-current assets		23	29
		21 880	22 173
Current assets			
Inventories		13 164	10 320
Trade and other receivables		15 905	12 506
Other financial assets	5.9.	492	1 764
Current tax receivables		64	72
Cash and cash equivalents		3 475	1 682
		33 100	26 344
Total assets		54 980	48 517
EQUITY AND LIABILITIES			
EQUITY			
Share capital		18 133	18 133
Statutory reserves		57	2 703
Hedging reserve		71	538
Revaluation reserve		10	10
Foreign exchange differences on subsidiaries from consolidation		16	18
Retained earnings		14 989	7 069
Total equity attributable to equity owners of the parent		33 276	28 471
Non-controlling interest		(10)	(9)
Total equity		33 266	28 462
LIABILITIES			
Non-current liabilities			
Loans, borrowings	5.10.	-	4 000
Provisions	5.11.	675	457
Deferred tax liabilities		666	203
Other non-current liabilities		166	185
		1 507	4 845
Current liabilities			
Trade and other liabilities		18 337	13 582
Loans, borrowings	5.10.	415	350
Current tax liabilities		441	8
Provisions	5.11.	510	782
Deferred income		299	76
Other financial liabilities	5.12.	205	412
		20 207	15 210
Total liabilities		21 714	20 055
Total equity and liabilities		54 980	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 8-18.

Consolidated statement of changes in equity

	Equity attributable to equity owners of the parent							Non-controlling interest	Total equity
	Share capital	Statutory reserves	Hedging reserve	Foreign exchange differences on subsidiaries from consolidation	Revaluation reserve	Retained earnings	Total		
(unaudited)									
1 January 2015	18 133	2 703	538	18	10	7 069	28 471	(9)	28 462
Net profit	-	-	-	-	-	5 273	5 273	(1)	5 272
Items of other comprehensive income	-	-	(467)	(2)	-	-	(469)	-	(469)
Total net comprehensive income	-	-	(467)	(2)	-	5 274	4 804	(1)	4 803
Transfer of statutory reserves to retained earnings	-	(2 646)	-	-	-	2 646	-	-	-
30 June 2015	18 133	57	71	16	10	14 989	33 276	(10)	33 266
(unaudited)									
1 January 2014	18 133	2 644	(190)	17	11	7 694	28 309	(9)	28 300
Net loss	-	-	-	-	-	(2 551)	(2 551)	(2)	(2 553)
Items of other comprehensive income	-	-	69	-	-	-	69	-	69
Total net comprehensive income	-	-	69	-	-	(2 551)	(2 482)	(2)	(2 484)
Allocation of profit	-	59	-	-	-	(59)	-	-	-
30 June 2014	18 133	2 703	(121)	17	11	5 084	25 827	(11)	25 816

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8-18.

Consolidated statement of cash flows

	Note	6 MONTHS ENDED 30/06/2015 (unaudited)	3 MONTHS ENDED 30/06/2015 (unaudited)	6 MONTHS ENDED 30/06/2014 (unaudited)	3 MONTHS ENDED 30/06/2014 (unaudited)
Cash flows - operating activities					
Net profit/(loss)		5 272	3 277	(2 553)	(3 489)
Adjustments for:					
Depreciation and amortisation	5.3.	967	496	1 258	632
Foreign exchange (gain)/loss		(1)	(1)	-	(1)
Interest and dividends, net		29	10	58	27
(Profit)/Loss on investing activities		(87)	64	4 708	4 614
Change in provisions		596	396	547	257
Tax expense	5.8.	1 165	792	(871)	(846)
Income tax (paid)		(65)	(30)	(84)	(40)
Gain on bargain purchase		(429)	(429)	(1 186)	-
Other adjustments		298	(272)	(367)	(321)
Change in working capital		(1 199)	(1 095)	(4 462)	1 928
<i>inventories</i>		(2 540)	(1 853)	(1 354)	(45)
<i>receivables</i>		(1 826)	(1 411)	(3 399)	(1 225)
<i>liabilities</i>		3 167	2 169	291	3 198
Net cash provided by/(used in) operating activities		6 546	3 208	(2 952)	2 761
Cash flows - investing activities					
Acquisition of property, plant and equipment and intangible assets		(777)	(376)	(820)	(319)
Disposal of property, plant and equipment and intangible assets		5	4	5	3
Acquisition of share in Česká rafinérská		(661)	(661)	(547)	-
Cash acquired in acquisition of share in Česká rafinérská		426	426	141	-
Settlement of financial derivatives		230	(49)	(61)	17
Proceeds/(Outflows) from loans granted		5	(1)	18	7
Other		(9)	(11)	(26)	28
Net cash used in investing activities		(781)	(668)	(1 290)	(264)
Cash flows - financing activities					
Change in loans and borrowings		(3 915)	(1 994)	4 033	(534)
Proceeds/(Outflows) from cash pool liabilities		-	-	11	(2 550)
Interest paid		(52)	(19)	(43)	(28)
Payments of liabilities under finance lease agreements		-	-	(1)	(1)
Other		(4)	(2)	-	1
Net cash provided by/(used in) financing activities		(3 971)	(2 015)	4 000	(3 112)
Net increase/(decrease) in cash and cash equivalents		1 794	525	(242)	(615)
Effect of exchange rate changes		(1)	-	1	1
Cash and cash equivalents, beginning of the period		1 682	2 950	1 117	1 490
Cash and cash equivalents, end of the period		3 475	3 475	876	876

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8-18.

EXPLANATORY NOTES TO THE HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. THE PARENT COMPANY AND STRUCTURE OF THE CONSOLIDATED GROUP

Establishment of the parent 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 (hereinafter, the “Group”). The principal business activities of the Group include oil and petroleum products processing, production of commodity chemicals, polymer materials, mineral lubricants, plastic lubricants, road and insulation bitumen, special refinery and petrochemical products. Furthermore, the Group is engaged in the distribution of fuels and operation of gas stations.

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

Ownership structure

The shareholders as at 30 June 2015 are as follows:

	Number of shares	Nominal value of shares (in CZK)	Share in share capital
POLSKI KONCERN NAFTOWY ORLEN S.A.	114 226 499	11 422 649 900	62.99%
J&T Group *	42 976 339	4 297 633 900	23.70%
Investment funds and other minority shareholders	24 131 926	2 413 192 600	13.31%
	181 334 764	18 133 476 400	100%

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

Consolidated group structure

The subsidiaries and jointly controlled entities forming the consolidated group of UNIPETROL, a.s., and the parent company’s interest in the capital of subsidiaries and jointly controlled entities held either directly by the parent company or indirectly by the consolidated subsidiaries is presented in the consolidated financial statements of the Group as at and for the year ended 31 December 2014.

On 30 April 2015 UNIPETROL, a.s. completed the acquisition of 303 301 shares of ČESKÁ RAFINÉRSKÁ, a.s. amounting to 32.445% of the Česká rafinérská’s share capital from Eni International B.V. As a result of the transaction Unipetrol’s stake in the Česká rafinérská’s share capital has increased from 67.555% to 100%. Detailed information is presented in note 5.1.

There were no other changes in the structure of the Group in the period ended 30 June 2015.

Statutory and supervisory bodies

Members of the statutory and supervisory bodies as at 30 June 2015 were as follows:

	Position	Name
Board of Directors	Chairman	Marek Świtajewski
	Vice-chairman	Piotr Wielowieyski
	Member	Martin Durčák
	Member	Miroslaw 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 Chelminski
	Member	Bogdan Dzudzewicz

Changes in the Board of Directors in the 6 months ended 30 June 2015 were as follows:

Position	Name	Change	Date of change
Vice-chairman	Piotr Wielowieyski	Re-elected into the office	28 March 2015
Chairman	Marek Świtajewski	Re-elected into the office	25 June 2015

Changes in the Supervisory Board in the 6 months ended 30 June 2015 were as follows:

Position	Name	Change	Date of change
Member	Ivan Kočárník	Re-elected into the office	25 June 2015
Member	Bogdan Dzudzewicz	Re-elected into the office	25 June 2015

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance and general principles of preparation

The consolidated financial statements of the Company as at and for the period ended 30 June 2015 comprise the Company and its subsidiaries (together referred as the "Group") and the Group's interest in jointly controlled entities.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2014.

These condensed consolidated interim financial statements have been prepared on a going concern basis. As at the date of approval of the statements there is no indication that the Group will not be able to continue as a going concern in the foreseeable future.

The financial statements, except for the statement of cash flows, were prepared on the accrual basis of accounting.

2.2. Applied accounting principles and IFRS amendments

These interim condensed consolidated financial statements were prepared according to accounting principles described in note 3 in the consolidated financial statements of the Group as at and for the year ended 31 December 2014.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and main uncertainties were the same as those presented in note 4 in the consolidated financial statements as at and for the year ended 31 December 2014.

During the 3rd quarter of 2014 the Group implemented changes in management of operating activities in order to improve their effectiveness and integration. The organizational structure was adjusted by implementation of changes in competences of the particular Management Board members. As a result the presentation of the Group's operating segments was updated including merger of refining and petrochemical segment into integrated operating segment: Downstream. As a consequence, the segments' comparative data were adjusted for the 6 and 3 months ended 30 June of 2014. Detailed information is presented in note 4.

Starting from 1 January 2015 the Group unified 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 operating part of the statement of profit or loss and other comprehensive income, not financial part as previously. Detailed information is presented in note 3.

The Group intends to adopt new standards, amendments and interpretations to existing standards that have been published but are not effective as at the date of preparation of these interim condensed consolidated financial statements after their acceptance by the European Commission in accordance with their effective date. The possible impact of new standards, amendments and interpretations on the Group's future consolidated financial statements was described in the note 3.2 of the consolidated financial statements of the Group as at and for the year ended 31 December 2014.

2.3. Functional currency and presentation currency of financial statements and methods applied to translation of financial data for consolidation purposes

2.3.1. Functional and presentation currency

These consolidated financial statements are presented in Czech crown (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.

2.3.2. Methods applied to translation of financial data for consolidation purposes

Financial statements of foreign entities, for consolidation purposes, are translated into CZK using the following methods:

- assets and liabilities of each presented statement of financial position are translated at the closing rate published by the Czech National bank ("CNB") at the end of the reporting period;
- respective items of statement of profit or loss and other comprehensive income and statement of cash flows are translated at average exchange rates published by the CNB.

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

Currency	Average exchange rate for the reporting period ended		Exchange rate as at the end of reporting period	
	30/06/2015	30/06/2014	30/06/2015	31/12/2014
CZK/EUR	27.503	27.444	27.245	27.730
CZK/USD	24.671	20.031	24.347	22.797

2.4. Information concerning the seasonal or cyclical character of Group's operations in the presented period

The Group does not report any material seasonal or cyclical character of its operations.

3. 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 operating part of the statement of profit or loss and other comprehensive income, not financial part as previously. The management believes that unified presentation provides users of the financial statements with better information concerning operations of the Group.

The changes in the consolidated statement of profit or loss for the 6 and 3 months ended 30 June 2014 are presented in the following table:

	previously stated	presentation of results from foreign currency forwards	6 MONTHS ENDED 30/06/2014 (unaudited, restated)
Statement of profit or loss			
Revenues	61 249	(200)	61 049
Cost of sales	(59 179)	10	(59 169)
Gross profit on sales	2 069	(190)	1 880
Distribution expenses	(1 029)	-	(1 029)
Administrative expenses	(622)	-	(622)
Other operating income	1 396	-	1 396
Other operating expenses	(4 887)	-	(4 887)
Loss from operations	(3 073)	(190)	(3 262)
Finance income	161	(10)	151
Finance costs	(513)	200	(313)
Net finance income/(costs)	(351)	190	(161)
Loss before tax	(3 424)	-	(3 424)
Tax credit	871	-	871
Net loss	(2 553)	-	(2 553)

	previously stated	presentation of results from foreign currency forwards	3 MONTHS ENDED 30/06/2014 (unaudited, restated)
Statement of profit or loss			
Revenues	32 439	(82)	32 357
Cost of sales	(31 206)	6	(31 200)
Gross profit on sales	1 233	(76)	1 157
Distribution expenses	(512)	-	(512)
Administrative expenses	(305)	-	(305)
Other operating income	83	-	83
Other operating expenses	(4 670)	-	(4 670)
Loss from operations	(4 171)	(76)	(4 247)
Finance income	76	14	90
Finance costs	(240)	62	(178)
Net finance income/(costs)	(164)	76	(88)
Loss before tax	(4 335)	-	(4 335)
Tax credit	846	-	846
Net loss	(3 489)	-	(3 489)

4. OPERATING SEGMENTS

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 includes 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.

Allocation of subsidiaries into the operating activities is presented in the consolidated financial statements of the Group as at and for the year ended 31 December 2014. There were no material changes in allocation of subsidiaries into the operating segments during the 6 months ended 30 June 2015.

Revenues and operating result by operating segments

For the 6 months ended 30 June 2015

	Downstream Segment	Retail Segment	Corporate Functions	Adjustments	Total
Total external revenues	51 862	4 587	49	-	56 498
Transactions with other segments	3 932	47	149	(4 128)	-
Total segment revenue	55 794	4 634	198	(4 128)	56 498
Operating expenses	(49 503)	(4 541)	(251)	4 128	(50 167)
Other operating income	490	5	8	-	503
Other operating expenses	(284)	(2)	(51)	-	(337)
Segment operating profit/(loss)	6 497	96	(96)	-	6 497
Net finance costs					(60)
Profit before tax					6 437
Tax expense					(1 165)
Net profit					5 272
Depreciation and amortisation	(791)	(162)	(14)	-	(967)
EBITDA	7 288	258	(82)	-	7 464
Additions to non-current assets	633	55	76	-	764

For the 3 months ended 30 June 2015

	Downstream Segment	Retail Segment	Corporate Functions	Adjustments	Total
Total external revenues	29 913	2 586	24	-	32 523
Transactions with other segments	2 248	26	79	(2 353)	-
Total segment revenue	32 161	2 612	103	(2 353)	32 523
Operating expenses	(28 320)	(2 573)	(139)	2 353	(28 679)
Other operating income	476	3	7	-	486
Other operating expenses	(208)	(1)	(50)	-	(259)
Segment operating profit/(loss)	4 109	41	(79)	-	4 071
Net finance costs					(2)
Profit before tax					4 069
Tax expense					(792)
Net profit					3 277
Depreciation and amortisation	(407)	(81)	(8)	-	(496)
EBITDA	4 516	122	(71)	-	4 567
Additions to non-current assets	424	36	12	-	472

For the 6 months ended 30 June 2014

	Downstream Segment	Retail Segment	Corporate Functions	Adjustments	Total
Total external revenues	55 651	5 356	42	-	61 049
Transactions with other segments	4 736	109	271	(5 116)	-
Total segment revenue	60 387	5 465	313	(5 116)	61 049
Operating expenses	(60 164)	(5 397)	(375)	5 116	(60 820)
Other operating income	1 361	10	25	-	1 396
Other operating expenses	(4 867)	(19)	(1)	-	(4 887)
Segment operating profit/(loss)	(3 283)	59	(38)	-	(3 262)
Net finance costs					(161)
Loss before tax					(3 424)
Tax credit					871
Net loss					(2 553)
Depreciation and amortisation	(1 056)	(160)	(42)	-	(1 258)
EBITDA	(2 227)	219	4	-	(2 004)
Additions to non-current assets	608	53	12	-	673

4. OPERATING SEGMENTS (CONTINUED)

For the 3 months ended 30 June 2014

	Downstream Segment	Retail Segment	Corporate Functions	Adjustments	Total
Total external revenues	29 448	2 888	21	-	32 357
Transactions with other segments	2 567	56	134	(2 757)	-
Total segment revenue	32 015	2 944	155	(2 757)	32 357
Operating expenses	(31 690)	(2 903)	(181)	2 757	(32 017)
Other operating income	79	2	2	-	83
Other operating expenses	(4 669)	-	(1)	-	(4 670)
Segment operating profit/(loss)	(4 265)	43	(25)	-	(4 247)
Net finance costs					(88)
Loss before tax					(4 334)
Tax credit					845
Net loss					(3 489)
Depreciation and amortisation	(530)	(81)	(21)	-	(632)
EBITDA	(3 735)	124	(4)	-	(3 615)
Additions to non-current assets	380	28	4	-	412

Segment data published in the consolidated financial statements as at and for the period ended 30 June 2014

For the 6 months ended 30 June 2014

	Downstream Segment	Refining Segment	Petrochemical Segment	Retail Segment	Corporate Functions	Adjustments	Total
Total external revenues	-	34 528	21 323	5 356	42	-	61 249
Transactions with other segments	-	15 001	1 104	109	271	(16 485)	-
Total segment revenue	-	49 529	22 427	5 465	313	(16 485)	61 249
Operating expenses	-	(50 134)	(21 409)	(5 397)	(375)	16 485	(60 830)
Other operating income	-	1 261	100	10	25	-	1 396
Other operating expenses	-	(4 803)	(64)	(19)	(1)	-	(4 887)
Segment operating profit/(loss)	-	(4 147)	1 054	59	(38)	-	(3 072)
Net finance costs							(351)
Loss before tax							(3 424)
Tax credit							871
Net loss							(2 553)

For the 3 months ended 30 June 2014

	Downstream Segment	Refining Segment	Petrochemical Segment	Retail Segment	Corporate Functions	Adjustments	Total
Total external revenues	-	19 048	10 482	2 888	21	-	32 439
Transactions with other segments	-	7 721	555	56	134	(8 466)	-
Total segment revenue	-	26 769	11 037	2 944	155	(8 466)	32 439
Operating expenses	-	(26 869)	(10 536)	(2 903)	(181)	8 466	(32 023)
Other operating income	-	43	36	2	2	-	83
Other operating expenses	-	(4 669)	-	-	(1)	-	(4 670)
Segment operating profit/(loss)	-	(4 726)	537	43	(25)	-	(4 171)
Net finance costs							(164)
Loss before tax							(4 334)
Tax credit							845
Net loss							(3 489)

Impact of new segment division and restatement on data presented in the 2nd quarter 2014

For the 6 months ended 30 June 2014

	Downstream Segment	Refining Segment	Petrochemical Segment	Retail Segment	Corporate Functions	Adjustments	Total
Total external revenues	55 651	(34 528)	(21 323)	-	-	-	(200)
Transactions with other segments	4 736	(15 001)	(1 104)	-	-	11 369	-
Total segment revenue	60 387	(49 529)	(22 427)	-	-	11 369	(200)
Operating expenses	(60 164)	50 134	21 409	-	-	(11 369)	10
Other operating income	1 361	(1 261)	(100)	-	-	-	-
Other operating expenses	(4 867)	4 803	64	-	-	-	-
Segment operating profit/(loss)	(3 283)	4 147	(1 054)	-	-	-	(190)
Net finance income							190
Profit/(Loss) before tax							-
Tax credit (expense)							-
Net profit/(loss)							-

4. OPERATING SEGMENTS (CONTINUED)

For the 3 months ended 30 June 2014

	Downstream Segment	Refining Segment	Petrochemical Segment	Retail Segment	Corporate Functions	Adjustments	Total
Total external revenues	29 448	(19 048)	(10 482)	-	-	-	(82)
Transactions with other segments	2 567	(7 721)	(555)	-	-	5 709	-
Total segment revenue	32 015	(26 769)	(11 037)	-	-	5 709	(82)
Operating expenses	(31 690)	26 869	10 536	-	-	(5 709)	6
Other operating income	79	(43)	(36)	-	-	-	-
Other operating expenses	(4 669)	4 669	-	-	-	-	-
Segment operating profit/(loss)	(4 265)	4 726	(537)	-	-	-	(76)
Net finance income							76
Profit/(Loss) before tax							-
Tax credit (expense)							-
Net profit/(loss)							-

Assets by operating segments

	30/06/2015	31/12/2014
Downstream Segment	45 837	38 138
Retail Segment	5 869	5 835
Segment assets	51 706	43 973
Corporate Functions	4 948	5 355
Adjustments	(1 674)	(811)
	54 980	48 517

5. OTHER NOTES

5.1. Acquisition of additional stake in ČESKÁ RAFINÉRSKÁ, a.s.

Acquisition of 32.445% stake in Česká rafinérská from Eni

On 30 April 2015 UNIPETROL, a.s. ("Unipetrol") 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 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 Unipetrol's stake in the Česká rafinérská's share capital has increased from 67.555% to 100%. After settlement of the Transaction, Unipetrol, obtained a control over Česká rafinérská, and has 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 the verification of completeness and accuracy of the values of the identified assets and liabilities purchased as part of the transaction and determining the fair value of identified assets and liabilities.

The fair value of identifiable assets and liabilities of ČESKÁ RAFINÉRSKÁ, a.s. as at the acquisition day:

	Book value as at the acquisition day	Adjustments to fair value	Fair value
Non-current assets	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

5.2. Revenues

	6 MONTHS ENDED 30/06/2015	3 MONTHS ENDED 30/06/2015	6 MONTHS ENDED 30/06/2014	3 MONTHS ENDED 30/06/2014
Revenues from sales of finished goods and services, net	53 503	30 987	57 967	30 616
Revenues from sales of merchandise and raw materials, net	2 995	1 536	3 082	1 741
	56 498	32 523	61 049	32 357

5.3. Operating expenses

Cost of sales

	6 MONTHS ENDED 30/06/2015	3 MONTHS ENDED 30/06/2015	6 MONTHS ENDED 30/06/2014	3 MONTHS ENDED 30/06/2014
Cost of finished goods and services sold	(45 632)	(26 398)	(56 240)	(29 553)
Cost of merchandise and raw materials sold	(2 857)	(1 457)	(2 929)	(1 647)
	(48 489)	(27 855)	(59 169)	(31 200)

Cost by nature

	6 MONTHS ENDED 30/06/2015	3 MONTHS ENDED 30/06/2015	6 MONTHS ENDED 30/06/2014	3 MONTHS ENDED 30/06/2014
Materials and energy	(42 599)	(26 177)	(51 353)	(27 399)
Cost of merchandise and raw materials sold	(2 857)	(1 457)	(2 929)	(1 647)
External services	(3 669)	(1 698)	(3 826)	(1 960)
Employee benefits	(1 286)	(644)	(1 246)	(599)
Depreciation and amortisation	(967)	(496)	(1 258)	(632)
Taxes and charges	(242)	(124)	(197)	(106)
Other	(498)	(335)	(5 045)	(4 755)
	(52 118)	(30 931)	(65 854)	(37 098)
Change in inventories	1 532	1 911	147	411
Cost of products and services for own use	82	82	-	-
Operating expenses	(50 504)	(28 938)	(65 707)	(36 687)
Distribution expenses	1 068	513	1 029	512
Administrative expenses	610	311	622	305
Other operating expenses	337	259	4 887	4 670
Cost of sales	(48 489)	(27 855)	(59 169)	(31 200)

5.4. Impairment allowances of inventories to net realisable value

	6 MONTHS ENDED 30/06/2015	3 MONTHS ENDED 30/06/2015	6 MONTHS ENDED 30/06/2014	3 MONTHS ENDED 30/06/2014
Increase	(119)	(11)	(232)	(102)
Decrease	667	16	185	181

5.5. Impairment allowances of assets

	6 MONTHS ENDED 30/06/2015	3 MONTHS ENDED 30/06/2015	6 MONTHS ENDED 30/06/2014	3 MONTHS ENDED 30/06/2014
Property, plant and equipment				
Recognition	(112)	(40)	(4 639)	(4 563)
Reversal	2	1	22	20
Intangible assets				
Recognition	(3)	(3)	(94)	(94)
Reversal	-	-	1	1
Receivables				
Recognition	(51)	(50)	(7)	-
Reversal	-	-	21	-

5.6. Other operating income and expenses

Other operating income

	6 MONTHS ENDED 30/06/2015	3 MONTHS ENDED 30/06/2015	6 MONTHS ENDED 30/06/2014	3 MONTHS ENDED 30/06/2014
Profit on sale of non-current non-financial assets	4	3	5	4
Reversal of provisions	11	11	-	-
Reversal of receivables impairment allowances	-	-	21	-
Reversal of impairment allowances of property, plant and equipment and intangible assets	2	1	23	21
Penalties and compensations earned	13	9	13	6
Gain on bargain purchase	429	429	1 186	-
Other	44	33	148	52
	503	486	1 396	83

The line „Gain on bargain purchase” relates to the acquisitions of ČESKÁ RAFINÉRSKÁ, a.s. shares in 2015 and 2014 - additional information is presented in note 5.1. of these financial statements and in note 5 of the consolidated financial statements as at and for the year ended 31 December 2014.

In the 6 and 3 months ended 30 June 2015 and 2014 in the line „Other” the revaluation of receivables from the CO₂ grant is included in the amount of CZK 7 and 0 million and CZK 91 and 7 million, respectively.

Other operating expenses

	6 MONTHS ENDED 30/06/2015	3 MONTHS ENDED 30/06/2015	6 MONTHS ENDED 30/06/2014	3 MONTHS ENDED 30/06/2014
Loss on sale of non-current non-financial assets	-	-	(9)	(9)
Recognition of provisions	(169)	(166)	(51)	(1)
Recognition of receivables impairment allowances	(51)	(50)	(7)	-
Recognition of impairment allowances of property, plant and equipment and intangible assets	(115)	(43)	(4 733)	(4 657)
Other	(2)	-	(87)	(3)
	(337)	(259)	(4 887)	(4 670)

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 ecological contamination in the Kralupy location.

In the 6 months ended 30 June 2015 and 2014 in the line „Other” the CO₂ provision update is included in amount of less than CZK 1 million and CZK 78 million respectively. There was no material change in CO₂ provision update recorded in the 3 months ended 30 June 2015 and 2014.

5.7. Finance income and finance costs

Finance income

	6 MONTHS ENDED 30/06/2015	3 MONTHS ENDED 30/06/2015	6 MONTHS ENDED 30/06/2014	3 MONTHS ENDED 30/06/2014
Interest	18	8	23	11
Net foreign exchange gain	-	31	-	-
Settlement and valuation of financial instruments	534	184	127	78
Other	1	1	1	1
	553	224	151	90

Finance costs

	6 MONTHS ENDED 30/06/2015	3 MONTHS ENDED 30/06/2015	6 MONTHS ENDED 30/06/2014	3 MONTHS ENDED 30/06/2014
Interest	(32)	(11)	(65)	(30)
Net foreign exchange loss	(238)	-	(206)	(138)
Settlement and valuation of financial instruments	(320)	(204)	(24)	-
Other	(23)	(11)	(18)	(10)
	(613)	(226)	(313)	(178)

Borrowing cost capitalized in the 6 and 3 months ended 30 June 2015 and 2014 amounted to less than CZK 1 million.

5.8. Tax expense

	6 MONTHS ENDED 30/06/2015	3 MONTHS ENDED 30/06/2015	6 MONTHS ENDED 30/06/2014	3 MONTHS ENDED 30/06/2014
Current income tax	(505)	(475)	(88)	(48)
Deferred income tax	(660)	(317)	958	894
	(1 165)	(792)	870	846

5.9. Other financial assets

	30/06/2015		31/12/2014	
Cash flow hedge instruments				
<i>currency forwards</i>		93		15
<i>commodity swaps</i>		142		872
Derivatives not designated as hedge accounting				
<i>currency forwards</i>		40		23
<i>commodity swaps</i>		-		165
Loans granted		-		6
Cash pool		45		36
Receivables from settled financial derivatives		172		647
		492		1 764

5.10. Loans, borrowings

	Non-current		Current		Total	
	30/06/2015	31/12/2014	30/06/2015	31/12/2014	30/06/2015	31/12/2014
Bank loans	-	-	413	327	413	327
Borrowings	-	4 000	2	23	2	4 023
	-	4 000	415	350	415	4 350

During the 6 months ended 30 June 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.

5.11. Provisions

	Non-current		Current		Total	
	30/06/2015	31/12/2014	30/06/2015	31/12/2014	30/06/2015	31/12/2014
Environmental provision	566	350	2	-	568	350
Jubilee bonuses and retirement benefits provision	79	71	6	5	85	76
Provisions for legal disputes	1	7	21	19	22	26
Provision for CO ₂ emission	-	-	412	707	412	707
Other provision	29	29	69	51	98	80
	675	457	510	782	1 185	1 239

An information regarding an increase of environmental provision is included in note 5.6.

A provision for CO₂ allowances was created for estimated CO₂ emissions in the period ended 30 June 2015 and 31 December 2014.

5.12. Other financial liabilities

	30/06/2015		31/12/2014	
Cash flow hedge instruments				
<i>currency forwards</i>		15		55
<i>commodity swaps</i>		131		169
Derivatives not designated as hedge accounting				
<i>currency forwards</i>		23		-
<i>commodity swaps</i>		-		155
Cash pool		31		33
Liabilities from settled financial derivatives		5		-
		205		412

5.13. Methods applied in determining fair values of financial instruments (fair value hierarchy)

Methods applied in determining fair value have been described in the consolidated financial statements as at and for the year ended 31 December 2014 in note 32.1. As compared to previous reporting periods, the Group has not changed valuation methods concerning derivative instruments and investment property.

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, which are directly or indirectly observable (so called Level 2) or unobservable inputs (so called Level 3).

Fair value hierarchy

	30/06/2015		31/12/2014	
	Level 2	Level 3	Level 2	Level 3
Financial assets				
Derivative instruments at fair value	275	-	1 075	-
Investment property	117	306	117	302
	392	306	1 192	302
Financial liabilities				
Derivative instruments at fair value	169	-	379	-
	169	-	379	-

During the 6 months ended 30 June 2015 and year 2014 there were no transfers in the Group between Levels 1, 2 and 3 of the fair value hierarchy.

5.14. Finance lease payments

As at 30 June 2015 and as at 31 December 2014 the Group was party to finance lease agreements as a lessee related mainly to vehicles, machinery and equipment.

	30/06/2015	31/12/2014
Value of future minimum lease payments	1	1
Present value of future minimum lease payments	1	1
	2	2

5.15. Future commitments resulting from signed investment contracts

As at 30 June 2015 and as at 31 December 2014 the value of future commitments resulting from signed investment contracts Group amounted to CZK 1 331 million and CZK 459 million.

5.16. Retained earnings and dividends

Dividends

In accordance with appropriate Czech law, dividends can be paid from the unconsolidated profit 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 distribution of the Company's profit generated on a non-consolidated basis in 2014 in amount of CZK 328 million. Based on the decision, the amount of CZK 328 million was transferred to retained earnings. Additionally, the General Meeting approved cancellation of the reserve fund in amount of CZK 1 719 million and transfer of that amount to the retained earnings.

5.17. Contingent liabilities

Contingent liabilities and commitments related to Purchase of shares of PARAMO, a.s are described in the consolidated financial statements of the Group as at and for the year ended 31 December 2014.

On 23 June 2015 the court decided to appoint another expert witness - Expert Group, s.r.o. having its registered seat at Radnicni 133/1, Ceske Budejovice - to provide a valuation of the PARAMO, a.s. shares. The court also requested the participants to deliver their proposal of details of the task for the expert witness. The court will decide on the details of the task of the expert witness (such as valuation date and eventually task to review and comment on the previous valuations) later in a separate decision.

Transportation contracts

The transportation of crude oil supplies through pipelines for UNIPETROL RPA, s.r.o. is provided by MERO ČR, a.s. and TRANSPETROL, a.s. via ČESKÁ RAFINÉRSKÁ, a.s. As at 31 December 2014, ČESKÁ RAFINÉRSKÁ, a.s. held a contract for transportation with TRANSPETROL, a.s., covering years 2014, 2015 and 2016. Due to complicated and lengthy negotiations, there is no framework transportation contract in place with MERO ČR, a.s. Transportation of crude oil is provided by MERO ČR, a.s. on a regular basis with no disruptions; transportation is based on the conditions and transportation tariff of the previous contract.

The Group management does not expect any impact on the business activities caused by a lack of a long-term contract with MERO ČR, a.s.

5.18. Guarantees

Based on the Group's request, bank guarantees relating to the security of customs debt, excise tax at customs offices and other purposes were issued. The total balance of guarantees related to excise tax amounted to CZK 1 946 million as at 30 June 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 was the beneficiary of guarantees in amount of CZK 612 million as at 30 June 2015 (31 December 2014: CZK 1 464 million).

5.19. Information concerning significant proceedings in front of court, body appropriate for arbitration proceedings or in front of public administration bodies

Claims regarding reward for employees' intellectual work

The claims are described in the consolidated financial statements of the Group as at and for the year ended 31 December 2014.

During the 6 months ended 30 June 2015 there were no material changes in relation to the issue.

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

The claims are described in the consolidated financial statements of the Group as at and for the year ended 31 December 2014.

During the 6 months ended 30 June 2015 there were no material changes in relation to the issue.

5.19. Information concerning significant proceedings in front of court, body appropriate for arbitration proceedings or in front of public administration bodies (continued)

Tax proceeding

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

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

The complaint is described in the consolidated financial statements of the Group as at and for the year ended 31 December 2014. On 9 February 2015 UNIPETROL RPA, s.r.o. filed another petition with the Czech Constitutional Court claiming that by the decisions of the Czech Supreme Administrative Court its right for a fair trial was breached.

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

The complaint is described in the consolidated financial statements of the Group as at and for the year ended 31 December 2014. On 8 April 2015 UNIPETROL RPA, s.r.o. filed a cassation appeal to the Czech Supreme Administrative Court against the Regional Court in Usti nad Labem decision dated 25 February 2015.

5.20. Related party transactions

Material transactions concluded by the Group Companies with related parties

In the 6 and 3 months ended 30 June 2015 and 2014 there were no transactions concluded by the Group with related parties on other than arm's length terms.

Transactions with key management personnel

In the 6 and 3 months ended 30 June 2015 and 2014 the Group Companies did not grant to key management personnel and their relatives any advances, loans, guarantees and commitments, or other agreements obliging them to render services to Group Companies and related parties.

In the 6 and 3 months ended 30 June 2015 and 2014 there were no significant transactions concluded with members of the Board of Directors, Supervisory Board, their spouses, siblings, descendants, ascendants or their other relatives.

Transactions with related parties concluded by key management personnel of the Group Companies

In the 6 and 3 months ended 30 June 2015 and 2014 members of the key management personnel of the parent company and the Group Companies submitted statements that they have not concluded any transactions 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. (PKN Orlen).

For 6 months ended	PKN Orlen		Joint operations		Entities under control or significant influence of PKN Orlen	
	30/06/2015	30/06/2014	30/06/2015	30/06/2014	30/06/2015	30/06/2014
Sales	82	710	778	1 132	3 984	3 688
Purchases	31 776	38 805	1 072	1 473	894	1 410
Finance income	-	-	-	110	-	-
Finance costs	30	42	-	-	9	19

For 3 months ended	PKN Orlen		Joint operations		Entities under control or significant influence of PKN Orlen	
	30/06/2015	30/06/2014	30/06/2015	30/06/2014	30/06/2015	30/06/2014
Sales	49	289	335	580	2 530	2 237
Purchases	17 898	21 112	384	788	460	662
Finance income	-	-	-	110	-	-
Finance costs	10	22	-	-	3	7

	PKN Orlen		Joint operations		Entities under control or significant influence of PKN Orlen	
	30/06/2015	31/12/2014	30/06/2015	31/12/2014	30/06/2015	31/12/2014
Long term receivables	-	-	-	6	-	-
Short term financial assets	-	-	-	-	45	36
Trade and other receivables	29	112	147	292	1 212	570
Trade and other liabilities, including loans	6 114	6 272	90	358	131	211

5.21. Subsequent events after the reporting date

The Group's management is not aware of any events that have occurred since the end of the reporting period that would have any material impact on the financial statements as at 30 June 2015.

**HALF-YEAR CONDENSED SEPARATE
FINANCIAL STATEMENTS
UNIPETROL, a.s.**

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

FOR THE 6 AND 3 MONTHS ENDED 30 JUNE

2015



B. HALF-YEAR CONDENSED 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

	6 MONTHS ENDED 30/06/2015 (unaudited)	3 MONTHS ENDED 30/06/2015 (unaudited)	6 MONTHS ENDED 30/06/2014 (unaudited)	3 MONTHS ENDED 30/06/2014 (unaudited)
Statement of profit or loss				
Revenues	83	41	75	38
Cost of sales	(55)	(29)	(38)	(19)
Gross profit on sales	28	12	37	19
Administrative expenses	(91)	(48)	(96)	(50)
Other operating income	5	5	21	-
Other operating expenses	(50)	(50)	(1)	(1)
Loss from operations	(108)	(81)	(39)	(32)
Finance income	90	35	451	387
Finance costs	(35)	(13)	(51)	(27)
Net finance income	55	22	400	360
Profit/(loss) before tax	(53)	(59)	361	328
Tax expense	(7)	(7)	(15)	(12)
Net profit/(loss)	(60)	(66)	346	316
Total net comprehensive income	(60)	(66)	346	316
Net profit and diluted net profit per share (in CZK per share)	(0.33)	(0.36)	1.91	1.74

Separate statement of financial position

	30/06/2015 (unaudited)	31/12/2014 (audited)
ASSETS		
Non-current assets		
Property, plant and equipment	9	9
Investment property	1 161	1 156
Shares in related parties	15 659	14 542
Other non-current assets	48	1 472
	16 877	17 179
Current assets		
Trade and other receivables	170	165
Other financial assets	10 436	15 058
Current tax receivables	13	12
Cash and cash equivalents	1 822	516
	12 441	15 751
Total assets	29 318	32 930
EQUITY AND LIABILITIES		
EQUITY		
Share capital	18 133	18 133
Statutory reserves	-	1 719
Revaluation reserve	503	503
Retained earnings	7 990	6 331
Total equity	26 626	26 686
LIABILITIES		
Non-current liabilities		
Loans, borrowings	-	4 000
Provisions	50	-
Deferred tax liabilities	118	113
	168	4 113
Current liabilities		
Trade and other liabilities	561	135
Loans, borrowings	-	21
Other financial liabilities	1 963	1 975
	2 524	2 131
Total liabilities	2 692	6 244
Total equity and liabilities	29 318	32 930

Separate statement of changes in equity

	Share capital	Stutory reserves	Revaluation reserve	Retained earnings	Total equity
(unaudited)					
1 January 2015	18 133	1 719	503	6 331	26 686
Net loss	-	-	-	(60)	(60)
Total net comprehensive income	-	-	-	(60)	(60)
Transfer of statutory reserves to retained earnings	-	(1 719)	-	1 719	-
30 June 2015	18 133	-	503	7 990	26 626
(unaudited)					
1 January 2014	18 133	1 673	503	6 050	26 359
Net profit	-	-	-	346	346
Total net comprehensive income	-	-	-	346	346
Allocation of profit	-	46	-	(46)	-
30 June 2014	18 133	1 719	503	6 349	26 704

Separate statement of cash flows

	6 MONTHS ENDED 30/06/2015 (unaudited)	3 MONTHS ENDED 30/06/2015 (unaudited)	6 MONTHS ENDED 30/06/2014 (unaudited)	3 MONTHS ENDED 30/06/2014 (unaudited)
Cash flows - operating activities				
Net profit/(loss)	(60)	(66)	346	316
Adjustments for:				
Foreign exchange gain/(loss)	2	2	(1)	(1)
Interest and dividends, net	(55)	(22)	(399)	(359)
Profit on investing activities	(5)	(5)	-	-
Change in provisions	50	50	-	-
Tax expense	7	7	15	12
Income tax (paid)	(3)	(2)	(11)	(7)
Change in working capital	(17)	(80)	(20)	(59)
<i>receivables</i>	13	(46)	(8)	(44)
<i>liabilities</i>	(30)	(34)	(12)	(15)
Net cash used in operating activities	(81)	(116)	(70)	(98)
Cash flows - investing activities				
Acquisition of shares in ČESKÁ RAFINÉRSKÁ, a.s.	(661)	(661)	(547)	-
Dividends received	5	5	348	348
Proceeds/(Outflows) from loans granted	6 045	1 528	(2 987)	990
Proceeds/(Outflows) from cash pool granted	(3)	956	(1 212)	(1 212)
Other	71	29	93	(43)
Net cash provided by/(used in) investing activities	5 457	1 857	(4 305)	83
Cash flows - financing activities				
Change in loans and borrowings	(4 000)	(2 000)	3 929	(618)
Proceeds/(Outflows) from cash pool received	(13)	413	339	396
Interest paid	(52)	(19)	(29)	(26)
Other	(4)	(2)	-	-
Net cash provided by/(used in) financing activities	(4 069)	(1 608)	4 239	(248)
Net increase/(decrease) in cash and cash equivalents	1 307	133	(136)	(263)
Effect of exchange rate changes	(1)	-	1	1
Cash and cash equivalents, beginning of the period	516	1 689	158	285
Cash and cash equivalents, end of the period	1 822	1 822	23	23

The foregoing financial report for the period ended 30 June 2015 was authorized for issue by the Board of Directors on 21 July 2015.

Signature of statutory representatives



Marek Świtajewski

Chairman of the Board of Directors



Mirosław Kastelik

Member of the Board of Directors