UNIPETROL, a.s.

CONSOLIDATED FINANCIAL STATEMENTS

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

FOR THE YEAR 2013

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

Telephone +420 222 123 111
Fax +420 222 123 100
Internet www.kpmg.cz

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

Statutory Body's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Prague
12 March 2014

KPMG Česká republika Audit

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

Karel Růžička
Partner
Licence number 1895

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

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

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

Consolidated statement of financial position

	NOTE	31/12/2013	31/12/2012 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	8	23 176 695	23 359 648
Investment property	9	427 482	423 349
Intangible assets	10	1 747 567	2 022 782
Financial assets available for sale	12	522	522
Deferred tax assets	30.2	258 655	308 748
Other non-current assets	13	53 226	55 563
		25 664 147	**26 170 612**
Current assets			
Inventories	15	10 705 258	10 568 822
Trade and other receivables	16	12 393 157	11 067 031
Other financial assets	17	48 725	32 703
Current tax receivables		70 095	34 188
Cash and cash equivalents	18	1 116 747	3 074 487
		24 333 982	**24 777 231**
Total assets		**49 998 129**	**50 947 843**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	19.1	18 133 476	18 133 476
Statutory reserves	19.2	2 643 849	2 584 286
Hedging reserve	19.3	(190 291)	(16 510)
Revaluation reserve	19.4	9 897	68 023
Foreign exchange differences on subsidiaries from consolidation	19.5	17 139	(9 644)
Retained earnings	19.6	7 694 071	9 091 741
Total equity attributable to equity owners of the parent		**28 308 141**	**29 851 372**
Non-controlling interest		**(8 913)**	**(7 031)**
Total equity		**28 299 228**	**29 844 341**
LIABILITIES			
Non-current liabilities			
Loans, borrowings and debt securities	20	2 000 000	-
Provisions	21	433 126	373 403
Deferred tax liabilities	30.2	226 309	388 101
Other non-current liabilities	22	202 335	196 396
		2 861 770	**957 900**
Current liabilities			
Trade and other liabilities	23	17 312 597	16 457 711
Loans, borrowings and debt securities	20	506 631	2 831 531
Current tax liabilities		18 545	55 742
Provisions	21	541 455	525 221
Deferred income	24	108 696	97 026
Other financial liabilities	25	349 207	178 371
		18 837 131	**20 145 602**
Total liabilities		**21 698 901**	**21 103 502**
Total equity and liabilities		**49 998 129**	**50 947 843**

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8-68.

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

Consolidated statement of profit or loss and other comprehensive income

	NOTE	2013	2012 (restated)
Statement of profit or loss			
Revenues	26	99 414 790	107 159 786
Cost of sales	27	(97 111 428)	(104 043 754)
Gross profit on sales		**2 303 362**	**3 116 032**
Distribution expenses		(1 963 457)	(1 944 982)
Administrative expenses		(1 192 297)	(1 249 831)
Other operating income	28.1	187 812	792 529
Other operating expenses	28.2	(228 750)	(4 532 750)
Loss from operations		**(893 330)**	**(3 819 002)**
Finance income	29.1	1 075 815	1 886 245
Finance costs	29.2	(1 526 040)	(2 439 166)
Net finance costs		**(450 225)**	**(552 921)**
Loss before tax		**(1 343 555)**	**(4 371 923)**
Tax expense	30	(52 917)	1 273 885
Net loss		**(1 396 472)**	**(3 098 038)**
Other comprehensive income			
items which will not be reclassified into profit or loss		**(1 641)**	**15 821**
Fair value measurement of investment property as at the date of reclassification		*-*	*19 532*
Actuarial gains and losses		*(2 015)*	
Deferred tax		*374*	*(3 711)*
items which will be reclassified into profit or loss under certain conditions		**(147 000)**	**72 439**
Hedge instruments		*(206 799)*	*95 314*
Foreign exchange differences on subsidiaries from consolidation		*26 783*	*(4 764)*
Deferred tax		*33 016*	*(18 111)*
		(148 641)	**88 260**
Total net comprehensive income		**(1 545 113)**	**(3 009 778)**
Net profit/(loss) attributable to		**(1 396 472)**	**(3 098 038)**
equity owners of the parent		*(1 394 590)*	*(3 097 830)*
non-controlling interest		*(1 882)*	*(208)*
Total comprehensive income attributable to		**(1 545 113)**	**(3 009 778)**
equity owners of the parent		*(1 543 231)*	*(3 009 570)*
non-controlling interest		*(1 882)*	*(208)*
Net profit/(loss) and diluted net profit/(loss) per share attributable to equity owners of the parent (in CZK per share)		(7,70)	(17,08)

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8-68.

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

Consolidated statement of cash flows

	2013	2012 (restated)
Cash flows - operating activities		
Net loss	**(1 396 472)**	**(3 098 038)**
Adjustments for:		
Depreciation and amortisation	2 415 318	2 807 100
Foreign exchange (gain)/loss	5 950	(6 617)
Interest and dividends, net	245 569	262 543
(Profit)/Loss on investing activities	(88 745)	4 370 251
Change in provisions	735 299	341 367
Tax expense	52 918	(1 273 885)
Income tax (paid)	(188 652)	(146 654)
Other adjustments	(258 167)	(887 570)
Change in working capital	(1 223 398)	(393 606)
inventories	(435 660)	1 038 627
receivables	(941 672)	(633 551)
liabilities	153 934	(798 682)
Net cash provided by operating activities	**299 620**	**1 974 891**
Cash flows - investing activities		
Acquisition of property, plant and equipment and intangible assets	(1 727 733)	(1 352 247)
Disposal of property, plant and equipment and intangible assets	34 071	64 754
Settlement of financial derivatives	6 632	242 025
Proceeds/(Outflows) from loans granted	(504)	3 632
Other	(154)	120 725
Net cash used in investing activities	**(1 687 688)**	**(921 111)**
Cash flows - financing activities		
Change in loans and borrowings	1 882 861	(201 426)
Repayment of bonds issued	(2 000 000)	-
Interest paid	(283 611)	(325 070)
Payments of liabilities under finance lease agreements	(3 143)	(7 555)
Dividends paid to non-controlling shareholders	(235)	(340)
Other	(179 440)	87 525
Net cash used in financing activities	**(583 568)**	**(446 866)**
Net increase/(decrease) in cash and cash equivalents	**(1 971 636)**	**606 916**
Effect of exchange rate changes	13 896	(2 984)
Cash and cash equivalents, beginning of the period	3 074 487	2 470 555
Cash and cash equivalents, end of the period	**1 116 747**	**3 074 487**

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8-68.

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

Consolidated statement of changes in equity

	Equity attributable to equity owners of the parent								
	Share capital	**Statutory reserves**	**Hedging reserve**	**Foreign exchange differences on subsidiaries from consolidation**	**Revaluation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
1 January 2013	18 133 476	2 584 286	(16 510)	(9 644)	68 023	9 091 741	29 851 372	(7 031)	29 844 341
Net loss	-	-	-	-	-	(1 394 590)	(1 394 590)	(1 882)	(1 396 472)
Items of other comprehensive income	-		(173 781)	26 783	(58 126)	56 483	(148 641)	-	(148 641)
Total net comprehensive income	**-**	**-**	**(173 781)**	**26 783**	**(58 126)**	**(1 338 107)**	**(1 543 231)**	**(1 882)**	**(1 545 113)**
Allocation of profit	-	59 563	-	-	-	(59 563)	-	-	-
31 December 2013	**18 133 476**	**2 643 849**	**(190 291)**	**17 139**	**9 897**	**7 694 071**	**28 308 141**	**(8 913)**	**28 299 228**
1 January 2012	18 133 476	2 554 809	(93 715)	(4 880)	52 203	12 219 049	32 860 942	(6 823)	32 854 119
Net loss	-	-	-	-	-	(3 097 830)	(3 097 830)	(208)	(3 098 038)
Items of other comprehensive income	-	(679)	77 205	(4 764)	15 820	678	88 260	-	88 260
Total net comprehensive income	**-**	**(679)**	**77 205**	**(4 764)**	**15 820**	**(3 097 152)**	**(3 009 570)**	**(208)**	**(3 009 778)**
Allocation of profit	-	30 156	-	-	-	(30 156)	-	-	-
31 December 2012	**18 133 476**	**2 584 286**	**(16 510)**	**(9 644)**	**68 023**	**9 091 741**	**29 851 372**	**(7 031)**	**29 844 341**

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8-68.

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

ACCOUNTING PRINCIPLES AND OTHER EXPLANATORY NOTES

1. DESCRIPTION OF THE COMPANY

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

Identification number of the Company
616 72 190

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

Principal activities
The Company operates as a holding company covering and administering a group of companies (hereinafter the "Group"). The principal business activities of the Group include oil and petroleum products processing, production of commodity chemicals, polymer materials, mineral lubricants, plastic lubricants, road and insulation bitumen, special refinery and petrochemical products. Furthermore, the Group is engaged in the distribution of fuels and operation of gas stations.
In addition to these principal activities, the Group is engaged in other activities that are necessary to support the principal activities, such as production, distribution and sale of heat and electricity, operation of railway tracks and railway transportation, advisory services relating to research and development, environmental protection, software and hardware advisory services and other services.

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

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

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

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

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

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

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

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

2. STATEMENTS OF THE MANAGEMENT BOARD

The Management Board of UNIPETROL hereby declares that to the best of their knowledge the foregoing consolidated financial statements and comparative data were prepared in compliance with the accounting principles applicable to the Group in force (disclosed in note 3) and that they reflect true and fair view on financial position and financial result of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Principles of presentation

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

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

The consolidated financial statements of the Group for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred as the "Group") and the Group's interest in jointly controlled entities.

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

3.2. Impact of IFRS amendments and interpretations on consolidated financial statements of the Group

3.2.1 Binding amendments and interpretations to IFRSs

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

- Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income (early adopted by the Group in 2012),
- Amendments to *IFRS 1 First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*,
- Amendments to *IFRS 1 First-time Adoption of International Financial Reporting Standards- Government Loans*
- Amendments to *IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities,*
- IFRS 13 Fair Value Measurement,
- Amendments to *IAS 12 Income taxes- Deferred tax: Recovery of Underlying Assets*,
- Amendments to *IAS 19 Employee Benefits*,
- Interpretation *IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine*,
- *Improvements to International Financial Reporting Standards 2009-201*.

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

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

Early adoption of new standards

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

Adoption according to the effective date

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

- *IFRS 10 Consolidated Financial Statements* (effective for annual periods beginning on or after 1January 2014)

  IFRS 10 replaces IAS 27 Consolidated and separate financial statements, in scope of consolidation and SIC 12 interpretation Special Purpose Entities.

  IFRS 10 provides a new single model to be applied in the control analysis for all investees, including those that currently are Special Purpose Entities in the scope of SIC-12.

  Under the new single control model, an investor controls an investee when: it is exposed or has rights to variable returns from its involvements with the investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns.

  The Group does not expect the new standard when initially applied to have an impact on the financial statements, since the assessment of control over its current investees under the new standard is not expected to change the conclusion regarding the Group's control over its investees.

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

- *IFRS 11 Joint Arrangements* (effective for annual periods beginning on or after 1 January 2014)

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

  The Group does not expect the new standard when initially applied to have an impact on the consolidated financial statements, since the assessment of the joint arrangements under the new standard is not expected to result in a change in the accounting treatment of existing joint arrangements.

- *IFRS 12 Disclosures of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2014)
  IFRS 12 requires additional disclosures relating to significant judgments and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.

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

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

  The Group expects that amendments to standards will not have an impact on items presented in future consolidated financial statements.

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

  The Group expects that amendments to standards will not have an impact on future consolidated financial statements as they are not applicable to the Group.

- *Amendment to IAS 27 Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2014)
  IAS 27 (2011) was modified in relation to issuance of IFRS 10 Consolidated Financial Statement and carries forward the existing accounting and disclosure requirements for separate financial statements. For that reason requirements of IAS 28 (2008) and IAS 31 relating to separate financial statements will be incorporated to IAS 27. The above amendment will have no impact on the financial statements, since it does not results in a change in the Group's accounting policy.

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

- *Amendments to IAS 28 – Investments in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2014)
  Adopted amendment:
  - applies in case when portion of an investment in an associate or a joint venture was classified as held for sale (under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations). For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture,
  - in relation to changes in interests held in associates and joint ventures. Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured.

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

  The Group expects that the above amendment when initially applied will have no material impact on the future consolidated financial statements.
- *Amendments to IAS 36 Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets* (effective for annual periods beginning on or after 1 January 2014)
  The Amendments clarify that recoverable amount should be disclosed only for individual assets (including goodwill) or cash-generated units for which an impairment loss was recognized or reversed during the period.
  The Amendments also require the following additional disclosures when impairment for individual assets (including goodwill) or cash-generated units has been recognized or reversed in the period and recoverable amount is based on fair value less costs to sell:
  - the level within which the fair value measurement of the asset or cash-generating unit is categorized under IFRS 13 Fair value hierarchy;
  - for fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation techniques used and any changes in that valuation technique together with the reason for making them;
  - for fair value measurements categorized within Level 2 and Level 3, each key assumption (i.e. assumption to which recoverable amount is most sensitive) used in determining fair value less costs to sell. If fair value less costs to sell is measured using a present value technique, discount rate(s) used both in current and previous measurement should be disclosed.

  The Group expects that the above amendment when initially applied will have no material impact on future consolidated financial statements, since it does not result in a change in the Group‘s accounting policy.
- *Amendments to IAS 39 Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting* (effective for annual periods beginning on or after 1 January 2014)
  The Amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty, when the following criteria are met:
  - the novation is made as a consequence of laws or regulations
  - a clearing counterparty becomes a new counterparty to each of the original counterparties of the derivative instrument
  - changes to the terms of the derivative are limited to those necessary to replace the counterparty.

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

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

Those new standards which may be relevant to the Group are set out below.

- *New standard and amendments to IFRS 9 Financial Instruments* (effective for annual periods beginning on or after 1 January 2015)

  The new Standard replaces the guidance in *IAS 39 Financial Instruments: Recognition and Measurement*, regarding classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories held to maturity, available for sale and loans and receivables.

  Financial assets will be classified into one of two categories on initial recognition: financial assets measured at amortized cost; or financial assets measured at fair value.

  The 2010 amendments to IFRS 9 replace the guidance in *IAS 39 Financial Instruments: Recognition and Measurement* mainly in relation to liabilities designated as fair value through profit or loss in case of changes in fair value, attributable to changes in credit risk of that liability. The standard requires changes in fair value to be presented directly in other comprehensive income (OCI). Amounts presented in OCI are not subsequently reclassified to profit or loss but may be transferred within equity.

  New standard eliminates the requirement of separation the embedded derivatives from host contract. It requires the hybrid (combined) contract measured at amortised cost or fair value.

  Additionally amendments change the disclosure and restatement requirements relating to the initial application of IFRS 9 Financial Instruments.

  The Group does not expect the standard when initially applied to have an impact on measurement of financial instruments. Based on the standard, a classification of financial assets into respective categories will change.

- *Amendments to IFRS 9 Financial Instruments* and *IFRS 7 Financial Instruments: Disclosures* (effective for annual periods beginning on or after 1 January 2015)

  These Amendments change the disclosure and restatement requirements relating to the initial application of IFRS 9 Financial Instruments (2009) and IFRS 9 Financial Instruments (2010).

  The amended IFRS 7 requires to disclose more details about the effect of the initial application of IFRS 9 when an entity does not restate comparative information in accordance with the amended requirements of IFRS 9. If an entity adopts IFRS 9 on or after 1 January 2013, then it will no longer be required to restate comparative information for periods prior to the date of initial application. If an entity would adopt IFRS 9 in 2012, then it had a choice either to restate comparative information or to provide the enhanced disclosures as required by the amended IFRS 7. If an entity early adopted IFRS 9 prior to 2012, then neither restatement of comparative information nor provision of the enhanced disclosures under the amended IFRS 7 was required.

  The Group does not expect the amendment to have an impact on future consolidated financial statements. Based on initial application of IFRS 9 assets will be assigned to changed financial instruments categories.

- *IFRIC Interpretation 21 Levies* (effective for annual periods beginning on or after 1 January 2014)

  The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability to pay a levy imposed by government and to the timing of recognizing such liability. In accordance with the Interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognized when this event occurs. The liability to pay a levy is recognized progressively if the obligating event occurs over a period of time. If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognised when that minimum activity threshold is reached. The Interpretation sets out that an entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period.

  The Group does not expect the amendment to have an impact on future consolidated financial statements.

- *Amendments to IAS 19 Employee Benefits- Defined Benefit Plans: Employee Contributions* (effective for annual periods beginning on or after 1 January 2014)

  The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

  The Group does not expect the amendment to have an impact on future consolidated financial statements, since the Group does not have such employee contributions.

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

- *Improvements to IFRS (2010-2012)* (effective for annual periods beginning on or after 1 July 2014)
  The Improvements contain 8 amendments to 7 standards, with consequential amendments to other standards and interpretations. The main changes were to:
  - clarify the definition of 'vesting conditions' in Appendix A of *IFRS 2 Share-based Payment* by separately defining a 'performance condition' and a 'service condition'
  - clarify certain aspects of accounting for contingent consideration in a business combination
  - amend paragraph 22 of *IFRS 8* to require entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated. This is to supplement the current disclosure requirements in paragraph 22(a) of IFRS 8.
  - amend paragraph 28(c) of *IFRS 8 Operating Segments* to clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed, if that amount is regularly provided to the chief operating decision maker. This proposed amendment is consistent with the requirements in paragraphs 23 and 28(d) in IFRS 8.
  - clarify the IASB's rationale for removing paragraph B5.4.12 of *IFRS 9 Financial Instruments* and paragraph AG79 of *IAS 39 Financial Instruments: Recognition and Measurement* as consequential amendments from *IFRS 13 Fair Value Measurement*.
  - clarify the requirements for the revaluation method in *IAS 16 Property, Plant and Equipment* and *IAS 38 Intangible Assets* to address concerns about the calculation of the accumulated depreciation or amortisation at the date of the revaluation.
  - make an entity providing management services to the reporting entity a related party of the reporting entity.

  The Group does not expect the improvements to have material impact on future consolidated financial statements of the Group.

- *Improvements to IFRS (2011-2013)* (effective for annual periods beginning on or after 1 July 2014)
  The Improvements contain 4 amendments to standards, with consequential amendments to other standards and interpretations. The main changes were to:
  - clarify the meaning of 'each IFRS effective at the end of an entity's first IFRS reporting period' as used in paragraph 7 of *IFRS 1 First-time Adoption of IFRSs*.
  - clarify that the scope exemption in paragraph 2(a) of *IFRS 3 Business Combinations* excludes the formation of all types of joint arrangements as defined in *IFRS 11 Joint Arrangements* from the scope of IFRS 3; and applies only to the financial statements of the joint venture or the joint operation itself.
  - clarify that the portfolio exception included in paragraph 48 of IFRS 13 applies to all contracts within the scope of *IAS 39 Financial Instruments*: *Recognition and Measurement* or *IFRS 9 Financial Instruments*, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in *IAS 32 Financial Instruments: Presentation*,
  - clarify that judgement is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgment is based on the guidance in IFRS 3.

  The Group does not expect the improvements to have material impact on future consolidated financial statements of the Group.

3.3 Functional and presentation currency

These consolidated financial statements are presented in Czech crowns (CZK), which is the Group's functional currency. All financial information presented in CZK has been rounded to the nearest thousand.

3.4 Accounting policies applied by the Group

3.4.1 Foreign currency

(i) Transactions in foreign currency

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in the previous financial statements are recognized as financial income or expense in the period in which they arise in the net amount, except for monetary items hedging currency risk, that are accounted for in accordance with cash flows hedge accounting.

(ii) Financial statements of foreign operations

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Czech crown, which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

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

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

All resulting exchange differences are recognized in equity, as foreign exchange differences on revaluation of subsidiaries. These differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the balance sheet date.

3.5 Principles of consolidation

The consolidated financial statements of the Group include data of UNIPETROL, a.s., its subsidiaries and jointly controlled entities (joint ventures) prepared as at the end of the same reporting period as the unconsolidated financial statements of UNIPETROL, a.s. and using uniform accounting principles in relation to similar transactions and other events in similar circumstances.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The non-controlling interest is presented in equity separately from equity attributable to equity holders of the parent. Net profit attributable to non-controlling interest is presented in the statement of profit or loss and other comprehensive income.

(ii) Equity accounted investees

Equity accounted investees are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group’s share of the total recognised profits or losses and other comprehensive income of Equity accounted investees on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group’s share of losses exceeds its interest in an associate, the Group’s carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

(iii) Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group’s proportionate share of the entities’ assets, liabilities, revenues and expenses with items of a similar nature on a line by line basis, from the date that joint control commences until the date that joint control ceases.

(iv) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with Equity accounted investees and jointly controlled entities are eliminated to the extent of the Group’s interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.5.1 Business combinations

An entity shall account for each business combination by applying the acquisition method. Applying the acquisition method requires:
- identifying the acquirer,
- determining the acquisition date,
- recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree and
- recognising and measuring goodwill or a gain from a bargain purchase.

Business combinations under common control (within the Group) are accounted by applying the acquisition method or uniting of interest method, choosing the method that adequately reflects the economic nature of the transaction.
The fair value of assets, liabilities and contingent liabilities for the purpose of allocating the acquisition cost is determined in accordance with principles set in attachment B to IFRS 3.

3.5.2 Change in accounting policies, estimates and prior period errors

An entity shall change an accounting policy only if the change:
- is required by an IFRS or
- results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the financial position, financial performance or cash flows.

In case of change in accounting policy it is assumed that the new policy had always been applied. The amount of the resulting adjustment is made to the equity. For comparability, the entity shall adjust the financial statements (comparative information) for the earliest prior period presented as if the new accounting policy had always been applied, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change.

Items of financial statements based on an estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience. The effects of changes in estimates are accounted prospectively in the statement of profit or loss and other comprehensive income.

The correction of a material prior period error is made to the equity. When preparing the financial statements it is assumed that the errors were corrected in the period when they occurred by restating the comparative amounts for the prior period presented; or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

3.5.3 Operating segments

The operations of the Group are divided into the following segments:
- the Refinery Segment comprises crude oil processing and wholesale, oil production and sales as well as primary logistics,
- the Retail Segment comprises trade in refinery products and secondary logistics,
- the Petrochemical Segment encompasses production and sales of petrochemicals as well as supporting production,

and Corporate Functions includes mainly administration and other supporting functions and activities not allocated to any other segment.

The Group determines and presents operating segments based on the information that is internally provided to the Management of the Group.
Segment revenue is the revenue reported in the consolidated statement of profit or loss and other comprehensive income, earned from sales to external customers or from inter-segment transactions that is directly attributable or reasonably allocable to a segment. Segment expenses include expenses relating to sales to external customers and inter-segment transactions that result from operating activities and are directly attributable to the segment and the relevant portion of the expenses that is reasonably allocable to a segment. Segment expenses do not include: income tax expense, interest, including interest incurred on advances or loans from other segments, unless the segment's operations are primarily of a financial nature, losses on sales of investments or losses on extinguishment of debt unless the segment's operations are primarily of a financial nature, administrative expenses and other expenses arising at the level of the Group as a whole, unless they are directly attributable to the segment and can be allocated to the segment on a reasonable basis. The segment result is determined at the level of profit from operations.
Segment assets (liabilities) are those operating assets (liabilities) that are employed by that segment in operating activity (result from operating activity) and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. In particular financial assets and liabilities and income tax items are not allocated to reportable segments. The revenues, result, assets and liabilities of a given segment are defined before inter-segment adjustments are made, after adjustments within a given segment.

Sales prices used in transactions between segments are close to market prices.

3.5.4 Property, plant and equipment

Property, plant and equipment are assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one period (one year or the operating cycle, if longer than one year).

(i) Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use.

The cost of an item of property, plant and equipment includes also estimated costs of dismantling and removing the item and restoring the site/land on which it is located, the obligation for which is connected with acquisition or construction of an item of property, plant and equipment and capitalized borrowing costs, i.e. costs directly attributable to the acquisition, construction or production of a qualifying asset, e.g. interest, commissions are part of the initial cost.

Depreciation of an item of property, plant and equipment begins when it is available for use that is from the month it is in the location and condition necessary for it to be capable of operating in the manner intended by the management, over the period reflecting their estimated economic useful life, considering the residual value.

Components of property, plant and equipment which are material for the whole item are depreciated separately in accordance with their economic useful life. Depreciation is charged so as to write off the cost or valuation of assets to their residual values, other than land, over their estimated useful lives, using the straight-line method.

The following standard economic useful lives are used for property, plant and equipment:

Buildings and constructions	10-40 years
Machinery and equipment	4-35 years
Vehicles and other	2-20 years

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

Major spare parts and stand-by equipment are capitalized as property, plant and equipment when an entity expects to use them during more than one period. Similarly, if the spare parts and servicing agreement can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment. In both cases spare parts are depreciated over the shorter of the useful life of the spare part and the remaining life of the related item of property, plant and equipment

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between sales proceeds and the carrying amount of the asset. The difference is recognized in the statement of profit or loss and other comprehensive income.

The residual value, estimated useful life and depreciation methods are reassessed annually.

Property, plant and equipment are tested for impairment, when there are indicators or events that may imply that the carrying amount of those assets may not be recoverable.

(ii) Leased assets

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to the statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. In calculating the present value of the minimum lease payments the discount factor is the interest rate implicit in the lease. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

(iii) Subsequent expenditure

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the statement of profit or loss and other comprehensive income as an expense as incurred.

3.5.5 Investment property

An investment property shall be measured initially at its cost. Transaction costs shall be included in the initial measurement. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes and other transaction costs. For internally constructed investment property the cost is set at the date of construction completion when the asset is brought into use, in accordance with rules set for property, plant and equipment.

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. After initial recognition investment property shall be measured at fair value. Gains and losses resulting from changes in fair value of investment property are presented in the statement of profit or loss and other comprehensive income in the period which they arise. The Group determines fair value without any deduction for transaction costs it may incur on sale or other disposal.

If the Group determines that the fair value of an investment property is not reliably determinable on a continuing basis, the Group shall measure that investment property at cost in accordance with rules set for property, plant and equipment.

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

3.5.6 Intangible assets

Intangible assets include identifiable non-monetary assets without physical substance. An asset is identifiable if it is either separable, i.e. is capable of being separated or divided from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, or arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the Group.

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

An intangible asset arising from development (or from development phase of an internal project) shall be recognised if, and only if, the Group can demonstrate all of the following: the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to compete the intangible asset and use or sell it, its ability to use or sell the intangible asset, how the intangible asset will generate probable future economic benefits, among other things, the Group can demonstrate the existence of a market for the output of the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset, the availability of adequate technical, financial and other resources to complete the development and to use of sell the intangible asset, its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are measured at acquisition or at construction cost less amortization and impairment allowances. Intangible assets with a finite useful life are amortized when it is available for use that is when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management over their estimated economic useful life. Appropriateness of the applied amortization periods and rates is periodically reviewed, at least at the end of the reporting year, and potential adjustments to amortization allowances are made in the subsequent periods. Intangible assets with an indefinite useful life are not amortized. Their value is decreased by the eventual impairment allowances. Additionally, the useful life of an intangible asset that is not being amortized shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, e.g. interest, commissions, are part of the initial cost.

The following standard economic useful lives are used for intangible assets:

Acquired licenses, patents, and similar intangible assets	2-15 years
Acquired computer software	2-10 years
Capitalized development	4 years

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the statement of profit or loss and other comprehensive income as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development.

(ii) Computer software

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and which will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include employee costs of the software development team and an appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognized as a capital improvement and added to the original cost of the software.

Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives, not exceeding a period of five years.

3.5.6 Intangible assets (continued)

(iii) Other intangible assets

Expenditure to acquire patents, trademarks and licenses is capitalized and amortized using the straight-line method over their useful lives, except for licenses related to the purchase of production technologies, which are amortized over the estimated useful life of the technologies purchased. Expenditure on internally generated goodwill and brands is recognized in the statement of profit or loss and other comprehensive income as an expense as incurred.

(iv) Subsequent expenditure

Subsequent expenditure on capitalized intangible assets is capitalized only if it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

3.5.6.1 Goodwill

Goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, (or groups of cash-generating units), that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

The acquirer shall recognise goodwill as of the acquisition date measured as the excess of a) over b) where:
the value of a) corresponds to the aggregate of:

- the consideration transferred, which generally requires acquisition-date fair value,
- the amount of any non-controlling interest in the acquire, and
- in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

the value of b) corresponds to the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Occasionally, an acquirer will make a bargain purchase, which is a business combination in which the amount in point (b) exceeds the aggregate of the amounts specified in point (a). If that excess remains, after reassessment of correct identification of all acquired assets and liabilities, the acquirer shall recognise the resulting gain in profit or loss on the acquisition date as other operating profit for the period.

The acquirer shall measure goodwill in the amount recognised at the acquisition date less any accumulated impairment allowances.
A cash-generating unit to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired. The annual impairment test may be performed at any time during an annual period, provided the test is performed at the same time every year.
A cash-generating unit to which no goodwill has been allocated shall be tested for impairment only when there are indicators that the cash-generating unit might be impaired.
An impairment loss recognised for goodwill shall not be reversed in a subsequent period.
If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the acquirer shall also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

3.5.6.2 Carbon dioxide emission allowances

By the virtue of The Kyoto Protocol, the countries, which decided to ratify the Protocol, obliged themselves to reduce emissions of greenhouse gases, i.e. carbon dioxide (CO_2).

In the European Union countries, the plants and companies, which reach productivity exceeding 20 MW and some other industrial plants were obliged to participate in emissions trading system. All mentioned entities are allowed to emit CO_2 in specified amount and are obliged to amortise those rights in the amount of the emissions of the given year.

CO_2 emission rights are initially recognised as intangible assets, which are not amortised (assuming the high residual value), but tested for impairment.

Granted emission allowances should be presented as separate items as intangible assets in correspondence with deferred income at fair value as at the date of registration (grant in scope of IAS 20). Purchased allowances should be presented as intangible assets at purchase price.

If the allowances in a given year were not registered on the account under the date resulting from regulations, they should be presented as receivable at the reporting date in correspondence with deferred income (as separate items) in the fair value of allowances due at the reporting date. The receivable is settled at the moment of allowances registration in the subsequent period by the disclosure of intangible assets at fair value (allowances granted). Deferred income should also be revaluated.

For the estimated CO_2 emission during the reporting period, a provision should be created in operating activity costs (taxes and charges).

Grants should be recognised on a systematic basis to ensure proportionality with the related costs which the grants are intended to compensate. Consequently, the cost of recognition of the provision in the separate statement of profit or loss and other comprehensive income is compensated by a decrease of deferred income (grants) with taking into consideration the proportion of the estimated quantity of emission (accumulated) to the quantity of estimated annual emission.

Granted/purchased CO_2 emission allowances are amortised against the book value of provision, at its settlement. Outgoing of allowances is recognised using FIFO method (First In, First Out) within the individual types of rights (EUA - European Union Allowances, ERU – Emission Reductions Units, CER – Certified Emission Reduction).

3.5.7 Borrowing costs

Borrowing costs consist of interest and other costs that are incurred in connection with the borrowing of funds.

The Group capitalizes borrowing costs attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset, until the time when the assets are substantially ready for their intended use or sale. Qualifying assets are the assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Borrowing costs which are not connected with qualifying assets are recognized in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

The commencement date for capitalization of the borrowing costs is the date when all of the following conditions are met: expenditures for the asset are incurred, borrowing costs are incurred and activities necessary to prepare the asset for its intended use or sale are undertaken.

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

3.5.8 Impairment

The carrying amounts of the Group’s assets, other than inventories, investment property and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any external or internal indication exists, the asset’s recoverable amount is estimated.

For intangible assets that are not yet available for use and intangible assets with indefinite useful lives and for goodwill the recoverable amount is estimated at each balance sheet date.

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

Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs to sell.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of profit or loss and other comprehensive income.

Assets that do not generate the independent cash flows are grouped on the lowest level on which cash flows, independent from cash flows from other assets, are generated (cash generating units).

3.5.8 Impairment (continued)

To the cash generating unit the following assets are assigned:
- goodwill, if it may be assumed, that the cash generating unit benefited from the synergies associated to a business combination with another entity,
- corporate assets, if they may be allocated on a reasonable and coherent basis.

The impairment loss shall be allocated to the carrying amount of the assets of the unit in the following order:
- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

At the end of each reporting period an assessment shall be made whether an impairment loss recognized in prior periods for an asset shall be partly or completely reversed. Indications of a potential decrease in an impairment loss mainly mirror the indications of a potential impairment loss in prior periods. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized as income. An impairment loss recognized in respect of goodwill is not reversed in subsequent periods.

3.5.9 Inventories

Inventories are assets held for sale in the ordinary course of business, or in the process of production for such sale, or in the form of materials or supplies to be consumed in the production process or in the rendering of services. Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost of inventories is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. For finished goods, costs comprise of related fixed and variable indirect costs for ordinary production levels, excluding external financing costs.

The production costs do not include costs incurred as a consequence of low production or production losses, or general and administrative expenses that are not directly attributable to bringing the inventories to the condition and location at the moment of measurement, or storage costs of finished goods, semi-finished products and work in progress, unless these costs are necessary in the production process, or distribution expenses.

As at the end of the reporting period merchandise and raw materials are measured at the lower of cost and net realizable value, considering any allowances. Write-down to net realizable value concerns raw materials and merchandise that are damaged or obsolete.

Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. However, when a decline in the price of materials indicates that the cost of the finished products exceeds net realisable value, the materials are written down to net realisable value.

Expenses and revenues connected with inventories write-offs or establishment and release of allowances are included in cost of sales.

The Group uses commodity derivative contracts to hedge crude oil purchases. Gains or losses on commodity derivative contracts are included in cost of sales.

3.5.10 Trade and other receivables

Trade and other receivables are recognized initially at the present value of the expected proceeds and are stated in subsequent periods at amortized cost using the effective interest method less any impairment losses.

3.5.11 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and in a bank account, bank deposits and short-term highly liquid investments with original maturities of three months and less. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3.5.12 Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale.
Non-current assets are classified as held for sale when the following criteria are met
- A decision on initiation of the sale was adopted by the Group's management;
- The assets are available for an immediate sale in their present condition;
- An active program to locate a buyer has been initiated;
- The sale transaction is highly probable and can be completed within 12 months following the sale decision.
- The selling price is reasonable in relation to its current fair value
- It is unlikely that significant changes to the sales plan of these assets will be introduced.

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, investment property, which continue to be measured in accordance with the Group's accounting policies. While a non-current asset is classified as held for sale it shall not be depreciated (or amortised). Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

3.5.13 Equity

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

3.5.13.1 Share capital

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

3.5.13.2 Statutory reserves

In accordance with the Czech Commercial Code, joint stock companies are required to establish a reserve fund for possible future losses and other events and cannot be distributed to shareholders. Contributions must be a minimum of 20% of the profit for the period in the first year in which profits are generated and 5% of profit each year thereafter until the fund reaches at least 20% of the issued capital.

3.5.13.3 Hedging reserve

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

3.5.13.4 Revaluation surplus

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

3.5.13.5 Foreign exchange differences on subsidiaries from consolidation

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

3.5.13.6 Retained earnings

Retained earnings include:
- the undistributed result for prior periods,
- the current period profit/loss,
- the effects (profit/loss) of prior period errors,
- changes in accounting principles,
- other reserve capital as additional payments to equity.

3.5.14 Liabilities

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

3.5.15 Accruals

Accruals are liabilities due for goods or services received/provided or formally agreed with the seller, together with amounts due to employees. Accruals relate among others to: uninvoiced services, untaken holidays, investment liabilities.
Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much lower than it is for provisions.

3.5.16 Social security and pension schemes

Contributions are made to the Czech government's health retirement and unemployment schemes at the statutory rates in force during the year based on gross salary payments. The cost of security payments is charged to the statement of profit or loss and other comprehensive income in the same period as the related salary cost. The Group has no pension or post-retirement commitments.

3.5.17 Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured reliably. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.
The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation the provision is reversed. The provision is used only for expenditures for which the provision was originally recognized.
When the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation. If the discounting method is applied, the increase of provisions with time is recognised as financial expenses.
The Group establishes provisions for environmental damages, legal disputes, penalties, estimated expenditures related to the fulfilment of obligations as a result of warranty claims, CO_2 emission allowances and jubilee bonuses and post-employment benefits. No provisions are established in respect of environmental damages which occurred prior to establishment of the Group as the Czech government contractually committed to reimburse the Group for clean-up costs. Provisions are not recognised for the future operating losses.

3.5.17.1 Shield programs

A Shield programs provision (provision for restructuring) is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. Future operating costs are not provided for.

3.5.17.2 Environmental provision

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognized when the land is contaminated. A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

3.5.17.3 CO_2 emissions costs

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

3.5.17.4 Jubilee bonuses and post employment benefits

Retirement benefits and jubilee bonuses
Under the Group's remuneration plans, its employees are entitled to jubilee bonuses and retirement benefits. The jubilee bonuses are paid to employees after elapse of a defined number of years in service. The retirement benefits are paid once at retirement. The amount of retirement benefits and jubilee bonuses depends on the number of years of service and an employee's average remuneration. The Group creates a provision for future retirement benefits and jubilee bonuses in order to allocate costs to relevant periods.
The jubilee bonuses are other long-term employee benefits, whereas retirement and pension benefits are classified as post-employment defined benefit plans.
The present value of those liabilities is estimated at the end of each reporting period and adjusted if there are any material indications impacting the value of the liabilities. The accumulated liabilities equal discounted future payments, considering employee rotation. Demographic data and information on employee rotation are based on historical records. Actuarial gains and losses from:
- post employment benefits are recognized in the other comprehensive income,
- other employment benefits, including jubilee bonuses, are recognized in profit and loss.

3.5.18 Government grants

Government grants are transfers of resources to the Group by government, government agencies and similar bodies whether local, national or international in return for past or future compliance with certain conditions relating to the activities of the entity.
Government grants are recognized in the statement of financial position as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions attached to it.

Grants related to costs are presented as compensation to the given cost at the period they are incurred. The surplus of the received grant over the value of the given cost is presented as other operating income.
If the government grants relates to assets, it is presented net with the related asset and is recognized in profit or loss on a systematic basis over the useful life of the asset through the decreased depreciation charges, the treatment regarding Carbon dioxide emission allowances granted is described in Note 3.5.6.2.

3.5.19 Revenues

Revenues from sales are recognized when it is probable that the economic benefits associated with the sale transaction will flow to the Group and can be measured reliably and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.5.19.1 Revenue from sales of finished goods, merchandise, and raw materials

Revenues from sale of finished goods, merchandise, and raw materials are recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods. Revenues are measured at fair value of the consideration received or receivable decreased by the amount of any discounts, value added tax (VAT), excise tax and fuel charges.
Revenues and expenses relating to services for which the start and end dates fall within different reporting periods are recognized based on the percentage of completion method, if the outcome of a transaction can be measured reliably, i.e. when total contract revenue can be measured reliably, it is probable that the economic benefits associated with the contract will flow to the Group and the stage of completion can be measured reliably. If those conditions are not met, revenues are recognized up to the cost incurred, but not greater than the cost which are expected to be recovered by the Group.
When the Group acts as an agent for its customers and buys and sells goods for a fixed margin without controlling purchase and selling prices, it does not report the revenue and cost from the sale of goods on a gross basis. It reports a net margin in the statement of profit or loss and other comprehensive income.
Revenues are measured at fair value of the received or due payments. Revenues realized on settlement of financial instruments hedging cash flows adjust revenues from sale of inventories and services.

3.5.19.2 Revenue from licenses, royalties and trade marks

Revenue from licenses, royalties and trade mark are recognized on an accrual basis in accordance with the substance of the relevant agreements. Prepayments, referring to agreements concluded in the current period by the Group are recognized as deferred income and settled in the periods when economic benefits are realized according to the agreements.

3.5.19.3 Franchise revenues

Franchise revenues are recognized in accordance with the substance of the relevant agreement, in a way reflecting the reasons for charging with franchise fees.

3.5.19.4 Rental income

Rental income from investment property is recognized in the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income to be received.

3.5.20 Costs

The Group recognizes costs in accordance with accrual basis and prudence principle.

3.5.20.1 Cost of sales

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

3.5.20.2 Distribution expenses

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

3.5.20.3 Administrative expenses

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

3.5.21 Other operating income and expenses

Other operating income in particular includes income from liquidation and sale of non-financial non-current assets, surplus of assets, return of court fees, penalties earned, surplus of grants received to revenues over the value of costs, assets received free of charge, reversal of receivable impairment allowances and provisions, compensations earned and revaluation gains, gain on sale of investment property.

Other operating expenses include in particular costs of liquidation and sale of non-financial non-current assets, shortages of assets, court fees, contractual penalties and fines, penalties for non-compliance with environmental protection regulations, cash and tangible assets transferred free of charge, impairment allowances (except those that are recognized as financial expenses or cost of sales), compensations paid, write-off of construction in progress which have not produced the desired economic effect, cost of recovery of receivables and revaluation losses, loss on sale of investment property.

3.5.22 Finance income and finance expenses

Finance income includes, in particular, income from the sale of shares and other securities, dividends received, interest earned on cash in bank accounts, term deposits and loans granted, increase in the value of financial assets and net foreign exchange gains.
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Finance expenses include, in particular, loss on sale of shares and securities and costs associated with such sale, impairment losses relating to financial assets such as shares, securities and interest receivables, net foreign exchange losses, interest on bonds and other securities issued, interest on finance lease, commissions on bank loans, borrowings, guarantees and interest costs.

3.5.23 Income tax expenses

Income tax comprises current tax and deferred tax.
Current tax is determined in accordance with the relevant tax law based on the taxable profit for a given period.
Current tax liabilities represent the amounts payable at the reporting date. If the amount of the current income tax paid exceeds the amount due the excess is recognized as a receivable.
Taxable profit differs from net profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rate valid as at the first date of the reporting period.
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method.
Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences, tax losses and tax relieves carried forward to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.
Taxable temporary differences are temporary differences that will result in increasing taxable amounts of future periods when the value of the asset or liability at the end of the reporting period is recovered or settled.
Taxable temporary differences arise when the carrying amount of an asset at the end of reporting period is higher than its tax base or when the carrying amount of a liability is lower than its tax base.
Deductible temporary differences are temporary differences that will result in reducing taxable amounts of future periods when the carrying amount of the asset or liability is recovered or settled. Deductible temporary differences arise when the carrying amount of an asset is lower than its tax base or when the carrying amount of a liability is higher than its tax base.
Deductible and taxable temporary differences may also arise in connection with items not recognized in the accounting records as assets or liabilities. Tax base is determined in relation to expected recovery of assets or settlement of liabilities.
The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.
Deferred tax assets and liabilities are recognized regardless of when the timing difference is likely to be realized.
Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the statement of profit or loss and other comprehensive income.
The deferred tax assets and liabilities are measured at the end of each reporting period using enacted tax rates binding for the year in which the tax obligation arises, based on tax rates published in tax law.
Deferred tax assets and liabilities are not discounted.
Deferred tax assets and liabilities relating to transactions settled directly in equity are recognised in other comprehensive income. Deferred tax assets and liabilities are accounted for as non-current assets or long-term liabilities in the statement of financial position.
Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends and is able to settle its current tax assets and liabilities on a net basis.

3.5.24 Earnings per share

Basic earnings per share for each period are calculated by dividing the net profit for a given period by the weighted average number of shares outstanding during that period.

Diluted earnings per share for each period are calculated by dividing the net profit for a given period adjusted by changes of the net profit resulting from conversion of the dilutive potential ordinary shares by the weighted average number of shares.

3.5.25 Consolidated statement of cash flows

The statement of cash flows is prepared using indirect method.
Cash and cash equivalents presented in the statement of cash flows include cash and cash equivalents less bank overdrafts, if they form an integral part of the Group's cash management.
The Group discloses components of cash and cash equivalents and reconciliation between amounts disclosed in the statement of cash flows and respective lines of statement of financial position.
Non-cash transactions are excluded from statement of cash flows.
Dividends received are presented in cash flows from investing activities.
Dividends paid are presented in cash flows from financing activities.
Interest received from finance leases, loans granted, short-term securities and cash pooling system are presented in cash flows from investing activities. Other interests received are presented in cash flows from operating activities.
Interest paid and provisions on bank loans and borrowings received, cash pool facility, debt securities issued and finance leases are presented in cash flows from financing activities. Other interests paid are presented in cash flows from operating activities.
Cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short are reported on a net basis in the statement of cash flows.
Cash received or paid due to term agreements i.e. futures, forward, options, swap is presented in cash flows from investing activities, unless the agreements are held by the Group for trading or cash received or paid is presented in financing activities.
If the contract is accounted as hedge of a given position, cash flows from such contract are classified in the same way as the cash flows resulting from the position hedged.

3.5.26 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.5.26.1 Recognition and derecognition in the consolidated statement of financial position

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A regular way purchase or sale of financial assets is recognised by the Group as at trade date.

The Group derecognises a financial asset from the statement of financial position when and only when:
- the contractual rights to the cash flows from the financial asset expire, or
- it transfers the financial asset to another party.

The Group derecognises a financial liability (or part of financial liability) from its statement of financial position when, and only when it is extinguished - that is when the obligation specified in the contract:
- is discharged, or
- is cancelled, or
- expired.

3.5.26.2 Measurement of financial assets and liabilities

When a financial asset or liability is recognised initially, the Group measures it at its fair value plus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs comprise particularly fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and security exchanges and transfer of taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

For the purpose of measuring a financial asset at the end of the reporting period or any other date after initial recognition, the Group classifies financial assets into the following four categories:
- financial assets at fair value through profit or loss,
- held-to-maturity investments,
- loans and receivables,
- available-for-sale financial assets.

Regardless of characteristics and purpose of a purchase transaction, the Group classifies initially selected financial assets as financial assets at fair value through profit or loss, when doing so results in more relevant information.

A financial asset at fair value through profit or loss is a financial asset that has been designated by the Group upon initial recognition as at fair value through profit or loss or classified as held for trading if it is:
- acquired principally for the purpose of selling or repurchasing in the near term, or
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit making, or
- a derivative (except for a derivative that is an effective hedging instrument).

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market.

Available-for-sale financial assets are those non-derivative financial assets that are designated by the Group as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

3.5.26.2.1 Fair value measurement of financial assets

The Group measures financial assets at fair value through profit or loss, including derivative financial assets and available-for-sale financial assets at their fair value, without any deduction for transaction costs that may be incurred on sale or other disposal.

Fair value of financial assets is determined in the following way:

- for instruments quoted on an active market based on current quotations available as at the end of the reporting period,
- for debt instruments unquoted on an active market based on discounted cash flows analysis,
- for forward and swap transactions based on discounted cash flows analysis.

If the fair value of investments in equity instruments (shares) that do not have a quoted market price on an active market is not reliably measurable, the Group measures them at cost, that is the acquisition price less any accumulated impairment losses.

Financial assets designated as hedging items are measured in accordance with the principles of hedge accounting.

A gain or loss on a financial asset classified as at fair value through profit or loss are recognised through profit or loss.

A gain or loss on an available-for-sale financial asset are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses that are recognised in profit or loss.

In case of debt financial instruments interest calculated using the effective interest method is recognised in profit or loss.

3.5.26.2.2 Amortized cost measurement of financial assets

The Group measures loans and other receivables, including trade receivables, as well as held-to-maturity investments at amortized cost using the effective interest method. Effective interest is the rate which precisely discounts estimated future cash flows or payments made in expected periods until financial instrument expiration, and in grounded situations in shorter period, up to net book value of asset or financial liability.

3.5.26.2.3 Fair value measurement of financial liabilities

As at the end of the reporting period or other dates after the initial recognition the Group measures financial liabilities at fair value through profit or loss (including particularly derivatives which are not designated as hedging instruments). Regardless of characteristics and purpose of a purchase transaction, the Group classifies initially selected financial liabilities as financial liabilities at fair value through profit or loss, when doing so results in more relevant information. The fair value of a financial liability is the current price of instruments quoted on an active market.

If there is no active market for a financial instrument, the fair value of the financial liabilities is established by using the following techniques:

- using recent arm’s length market transactions between knowledgeable, willing parties,
- reference to the current fair value of another instrument that is substantially the same, or
- discounted cash flow analysis.

3.5.26.2.4 Amortized cost measurement of financial liabilities

The Group measures other financial liabilities at amortized cost using the effective interest rate method.

Financial guarantee contracts, that are contracts that require the Group (issuer) to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument, not classified as financial liabilities at fair value through profit or loss are measured at the higher of:

- the amount determined in accordance with principles relating to valuation of provisions, or
- the amount initially recognised less, when appropriate, cumulative amortization.

3.5.26.3 Transfers

The Group:

- shall not reclassify a financial instrument, including derivative, into or out of fair value through profit or loss category while it is held or issued, if at initial recognition it has been designated by the Group as measured at fair value through profit and loss, and
- may, if a financial asset is no longer held for the purpose of selling or repurchasing it in the near term (notwithstanding that the financial asset may have been acquired or incurred principally for the purpose of selling or repurchasing it in the near term), reclassify that financial asset out of the fair value through profit or loss category in limited circumstances. In case of loans and receivables (if at initial recognition financial assets were not classified as held for trading) a financial asset can be reclassified out of fair value through profit or loss category, if an entity has intention and possibility to hold a financial asset in a foreseeable future or to maturity.

3.5.26.4 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective indicator that a financial asset or group of financial assets is impaired.

If there is an objective indicator that an impairment loss on loans and other receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. effective interest rate determined at initial recognition).

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised in profit or loss as revenue.

If there is an objective indicator that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

If there is an objective indicator that an impairment loss has been incurred on an available-for-sale financial asset, the cumulative loss that had been recognised in statement of comprehensive income is removed from equity and recognised in profit or loss.

Impairment losses for an investment in an equity instrument classified as available for sale are not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

3.5.26.5 Hedge accounting

Derivatives designated as hedging instruments whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a hedged item are accounted for in accordance with fair value or cash flow hedge accounting, if all of the following conditions are met:
- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge,
- the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship,
- for cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss,
- the effectiveness of the hedge can be reliably measured,
- the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

The Group does not apply hedge accounting in case when embedded derivative instrument is separated from the host contract.

The Group assesses effectiveness at the inception of the hedge and later, at minimum, at each reporting date. The Group assesses hedge as effective, for external reporting purposes only if the actual results of the hedge are within a range of 80% - 125%. The Group uses statistical methods, in particular regression analysis, to assess effectiveness of the hedge. The Group uses simplified analytical methods, when a hedged item and a hedging instrument are of the same nature i.e. maturity dates, amounts, changes affecting fair value risk or cash flow changes.

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. A firm commitment is a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.

If a fair value hedge is used, it is accounted for as follows:
- the gain or loss from remeasuring the hedging instrument at fair value is recognised in profit or loss, and
- the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit or loss (this applies also if the hedged item is an available-for-sale financial asset, whose changes in value are recognised in other comprehensive income).

The Group discontinues fair value hedge accounting if:
- the hedging instrument expires, is sold, terminated or exercised (for this purpose, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the Group's documented hedging strategy),
- the hedge no longer meets the criteria for hedge accounting, or
- the Group revokes the designation.

3.5.26.5 Hedge accounting (continued)

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. A forecast transaction is an uncommitted but anticipated future transaction.

If a cash flow hedge is used, it is accounted for as follows:

- the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income, and
- the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive income are reclassified to profit or loss in the same period or periods during which the asset acquired or liability assumed affect profit or loss. However, if the Group expects that all or a portion of a loss recognised in other comprehensive income will not be recovered in one or more future periods, it reclassifies to profit or loss the amount that is not expected to be recovered.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group removes the associated gains and losses that were recognised in the other comprehensive income and includes them in the initial cost or other carrying amount of the asset or liability.

The Group discontinues cash flow hedge accounting if:

- the hedging instrument expires, is sold, terminated or exercised - in this case, the cumulative gain or loss on the hedging instrument recognised in other comprehensive income remain separately recognised in equity until the forecast transaction occurs,
- the hedge no longer meets the criteria for hedge accounting - in this case, the cumulative gain or loss on the hedging instrument recognised in other comprehensive income remain separately recognised in equity until the forecast transaction occurs,
- the forecast transaction is no longer expected to occur, in which case any related cumulative gain or loss on the hedging instrument recognised in other comprehensive income are recognised in profit or loss,
- the designation is revoked – in this case the cumulative gain or loss on the hedging instrument recognised in other comprehensive income remain separately recognised in equity until the forecast transaction occurs or is no longer expected to occur

Net investment in a foreign operation is the amount of the reporting entity's interest in the net assets of that operation.

Hedges of a net investment in a foreign operation, including hedge of monetary item that is accounted for as a part of the net investment, shall be accounted for similarly to cash flow hedges:

- the portion of the gain or loss on the hedging instrument that is determined to be effective hedge shall be recognised in other comprehensive income, and
- the ineffective portion shall be recognised in profit or loss.

The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment on a disposal of the foreign operations.

A hedge of a foreign currency risk of a firm commitment may be accounted for as a fair value hedge or cash flow hedge.

3.5.27 Contingent assets and liabilities

Contingent liabilities are defined as possible obligations that arise from past events and which are dependent on occurrence or non-occurrence of some uncertain future events not wholly within the control of the Group or present obligations that arise from past events but is not recognised because it is not probable that an outflow of resource embodying economic benefits will be required to settle the obligations or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognized in the statement of financial position however the information on contingent liabilities is disclosed unless the probability of outflow of resources relating to economic benefits is remote. Contingent liabilities acquired as the result of a business combination are recognized as provisions in the statement of financial position.

Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent assets are not recognized in the statement of financial position as it may lead to recognition of the income, which will never be gain; however the respective information on the contingent receivable is disclosed if the inflow of assets relating to economic benefits is probable.

3.5.28 Subsequent events after the reporting date

Subsequent events after the reporting date are those events, favourable and unfavourable that occur between end of the reporting period and date of when the financial statements are authorized for issue. Two types of subsequent events can be identified:

- those, that provide evidence of conditions that existed as the end of the reporting period (events after the reporting period requiring adjustments in the foregoing consolidated financial statements) and
- those that are indicative of conditions that arose after the reporting period (events after the reporting period not requiring adjustments in the foregoing consolidated financial statements).

4. APPLICATION OF PROFESSIONAL JUDGMEMENT AND ASSUMPTIONS

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In the matters of considerable weight, the Group’s management bases its estimates on opinions of independent experts.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in notes: 8 Property, plant and equipment, 10 Intangibles assets in relation to impairment and 30 Income tax.

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

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5. THE PARENT COMPANY AND STRUCTURE OF THE CONSOLIDATED GROUP

The following table shows subsidiaries and jointly controlled entities forming the consolidated group of UNIPETROL, a.s., and the parent company's interest in the capital of subsidiaries and jointly controlled entities held either directly by the parent company or indirectly by the consolidated subsidiaries and allocation of subsidiaries into the Operating segments (information as of 31 December 2013).

Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries	Operating segment	Website
Parent company				
UNIPETROL, a.s. Na Pankráci 127, 140 00 Praha 4, Czech Republic			Corporate function	www.unipetrol.cz
Subsidiaries				
BENZINA, s.r.o. Na Pankráci 127, 140 00 Praha 4, Czech Republic	100.00%	--	Retail	www.benzinaplus.cz
PARAMO, a.s. Přerovská 560, 530 06 Pardubice, Czech Republic	100.00%	--	Refinery	www.paramo.cz
UNIPETROL RPA, s.r.o. Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00%	--	Refinery Petrochemical Corporate function	www.unipetrolrpa.cz
UNIPETROL SERVICES, s.r.o. Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00%	--	Corporate function	www.unipetrolservices.cz
UNIPETROL DOPRAVA s.r.o. Litvínov - Růžodol č.p. 4, 436 70 Litvínov, Czech Republic	0.12%	99.88%	Refinery	www.unipetroldoprava.cz
UNIPETROL Deutschland GmbH Paul Ehrlich Str. 1/B , 63225 Langen/Hessen, Germany	0.10%	99.90%	Petrochemical	www.unipetrol.de
PETROTRANS, s.r.o. Střelničná 2221, 182 00 Praha 8, Czech Republic	0.63%	99.37%	Retail	www.petrotrans.cz
UNIPETROL SLOVENSKO s.r.o. Panónská cesta 7, 850 00 Bratislava, Slovak Republic	13.04%	86.96%	Refinery	www.unipetrol.sk
POLYMER INSTITUTE BRNO, spol. s r.o. Tkalcovská 36/2, 656 49 Brno, Czech Republic	1.00%	99.00%	Petrochemical	www.polymer.cz
Paramo Oil s.r.o. (dormant entity) Přerovská 560, 530 06 Pardubice, Czech Republic	--	100.00%	Refinery	
Výzkumný ústav anorganické chemie, a.s. Revoluční 84/č.p. 1521, Ústí nad Labem, Czech Republic	100.00%	--	Petrochemical	www.vuanch.cz
UNIPETROL RAFINÉRIE, s.r.o. (dormant entity) Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00%	--	Refinery	
HC VERVA Litvínov, a.s. Litvínov , S.K. Neumanna 1598, Czech Republic	--	70.95%	Corporate function	www.hokej-litvinov.cz
CHEMOPETROL, a.s. (dormant entity) Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	--	100.00%	Petrochemical	
MOGUL SLOVAKIA s.r.o. Hradiště pod Vrátnom, U ihriska 300, Slovak Republic	--	100.00%	Refinery	www.mogul.sk
UNIPETROL AUSTRIA HmbH in Liquidation Vídeň, Apfelgasse 2, Austria	100.00%	--	Petrochemical	
Jointly controlled entities				
ČESKÁ RAFINÉRSKÁ, a.s. Záluží 2, 436 70 Litvínov, Czech Republic	51.22%	--	Refinery	www.ceskarafinerska.cz
Butadien Kralupy a.s. O. Wichterleho 810, 278 01 Kralupy nad Vltavou, Czech Republic	51.00%	--	Petrochemical	

The ownership interests and allocation of subsidiaries into the operating segments as at 31 December 2012 were the same as it is presented in the table above except for the change described below.

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

Changes in structure of the Group

Liquidation of UNIPETROL TRADE Group

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

Acquisition of 16.335% stake in ČESKÁ RAFINÉRSKÁ, a.s. from Shell

On 31 January 2014 UNIPETROL, a.s. acquired from Shell 152 701 shares of ČESKÁ RAFINÉRSKÁ, a.s. amounting to 16.335% of the Česká rafinérská's share capital. As a result of the transaction Unipetrol's stake on the Česká rafinérská's share capital has increased from 51.22% to 67.555%. Details of the transactions are described in Note 40 Significant Post Balance Sheet Events.

6. CHANGES IN DISCLOSURE OF COMPARATIVE PERIOD

The Group has changed disclosure in respect of selected data in comparative period in Consolidated statement of financial position, Consolidated statement of comprehensive income, Consolidated statement of cash flows and Consolidated statement of changes in equity to ensure consistent approach with data presentation in 2013. The changes were incorporated in presentation of certain positions in financial statements to provide users of financial statements with better information concerning operations of the Group. In addition, the names of certain items in financial statements has been changed.

The changes incorporated in the Consolidated statement of financial position, Consolidated statement of comprehensive income and Consolidated statement of cash flows were connected with presentation of assets held for sale as at 31 December 2012.

As at 31 December 2012 following the intention of UNIPETROL, a.s.'s management to sell 100% shares in PARAMO, a.s. and PARAMO, a.s.'s 100% shareholding in MOGUL SLOVAKIA s.r.o and 100% shareholding in Paramo Oil s.r.o. the Group presented assets and liabilities of these subsidiaries as disposal group held for sale. Additionally in 2012 an impairment charge of CZK 315 848 thousand was recorded to the carrying amount of the disposal group. In 2013 financial statements, following the Group´s management decision to change the status of the assets to no longer held for sale, the Group ceased to present assets and liabilities of PARAMO, a.s and its subsidiaries as disposal group and restated the comparative financial statements in accordance with requirements of IFRS 5 *Non- current assets held for sale and discontinued operations*.

As the classification to assets held for sale was done as at 31 December 2012 there was no need to restate earlier periods. Impact of the change is disclosed under point 1 on following pages under *presentation of assets and liabilities held for sale.*

The Group has changed disclosure in respect of selected data in comparative period of Consolidated statement of financial position, Consolidated statement of comprehensive income and Consolidated statement of cash flows to ensure consistent approach with data presentation in 2013, based on changes in detail of presentation adopted since 1 January 2013. Particular items from the Consolidated statement of financial position, Consolidated statement of comprehensive income and Consolidated statement of cash flows were presented either in bigger detail or were grouped into condensed categories. Impact is disclosed in the tables on following pages under 2 *changes in detail of presentation of assets / liabilities.* The Management believes that current detail of disclosures provides readers of financial statements with better presentation.

Cash pool liabilities from entities of PKN Orlen group were reclassified from position Loans, borrowings and debt securities to Other financial liabilities in the Statement of financial position with corresponding presentation in the Statement of cash flows as it provides better information to users of financial statements on external sources of financing. Impact is disclosed in the tables on following pages under point 3 *presentation of cash pool.*

Finance lease liabilities were reclassified from position Loans, borrowings and debt securities to Other financial liabilities in the Statement of financial position. Impact is disclosed in the tables on following pages under point 4 presentation of *finance lease*.

Discounts agreed in advance are presented as decrease of revenues not financial costs, which provides better information on revenues achieved by the Group and is still in line with IAS18. Impact is disclosed in the tables on following pages under point 5 *presentation of discounts.*

In 2013 the Group gained reasonable assurance in relation to the receipt of the government grants for research projects in chemical area and decided to follow the allowed alternative under IAS 20 and net the income from grant with the related costs which the grant is intended to compensate as they wouldn't be incurred if the grant was not given. To ensure consistency 2012 presentation was adjusted. Impact is disclosed in the tables on following pages under point 6 *net presentation of grants.*

Impairment losses on financial investments, property plant and equipment and intangible assets were reclassified under operating activities adjustments from separate position of adjustments to position Profit/ Loss on investing activities. Impact is disclosed in the tables on following pages under point 7 *presentation of impairment losses.*

Prepayments connected with investing activities were reclassified from operating to investing activities which corresponds with the prepayments purpose. Impact is disclosed in the tables on following pages under point 8 *presentation of prepayments.*

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

6. CHANGES IN DISCLOSURE OF COMPARATIVE PERIOD (CONTINUED)

The changes in Consolidated statement of financial position as at 31 December are presented in the following table:

	previously stated	presentation of as assets and liabilities held for sale (1)	changes in detail of presentation of assets / liabilities (2)	presentation of cash pool (3)	presentation of finance lease (4)	31/12/2012 (restated)
ASSETS						
Non-current assets						
Property, plant and equipment	23 326 243	33 405				23 359 648
Investment property	383 725	39 624				423 349
Intangible assets	1 978 326	44 456				2 022 782
Financial assets available for sale	-		522			522
Deferred tax assets	307 230	1 518				308 748
Other non-current assets	55 595	490	(522)			55 563
	26 051 119	**119 493**	**-**	**-**	**-**	**26 170 612**
Current assets						
Inventories	9 893 415	675 407				10 568 822
Trade and other receivables	10 574 595	361 899	130 537			11 067 031
Other financial assets	32 703					32 703
Prepayments and other current assets	130 537		(130 537)			-
Current tax receivables	34 188					34 188
Cash and cash equivalents	3 058 211	16 276				3 074 487
Assets classified as held for sale	857 225	(857 225)				-
	24 580 874	**196 357**	**-**	-	**-**	**24 777 231**
Total assets	**50 631 993**	**315 850**	**-**	**-**	**-**	**50 947 843**
EQUITY AND LIABILITIES						
EQUITY						
Share capital	18 133 476					18 133 476
Statutory reserves	2 584 286					2 584 286
Other funds	41 869		(41 869)			-
Hedging reserve	-		(16 510)			(16 510)
Revaluation reserve	-		68 023			68 023
Foreign exchange differences on subsidiaries from consolidation	-		(9 644)			(9 644)
Retained earnings	8 775 893	315 848				9 091 741
Total equity attributable to equity owners of the parent	**29 535 524**	**315 848**	**-**	**-**	**-**	**29 851 372**
Non-controlling interest	**(7 031)**	**-**	**-**	**-**	**-**	**(7 031)**
Total equity	**29 528 493**	**315 848**	**-**	**-**	**-**	**29 844 341**
LIABILITIES						
Non-current liabilities						
Loans, borrowings and debt securities	2 261				(2 261)	-
Provisions	372 495	908				373 403
Deferred tax liabilities	387 982	119				388 101
Other non-current liabilities	184 115	10 020			2 261	196 396
	946 853	**11 047**	**-**	**-**	**-**	**957 900**
Current liabilities						
Trade and other liabilities	15 928 623	622 611	(96 687)		3 164	16 457 711
Loans, borrowings and debt securities	2 836 348			(1 653)	(3 164)	2 831 531
Current tax liabilities	55 742					55 742
Provisions	508 461	16 760				525 221
Deferred income	-	339	96 687			97 026
Other financial liabilities	148 248	28 470		1 653		178 371
Liabilities classified as held for sale	679 225	(679 225)				-
	20 156 647	**(11 045)**	**-**	**-**	**-**	**20 145 602**
Total liabilities	**21 103 500**	**2**	**-**	**-**	**-**	**21 103 502**
Total equity and liabilities	**50 631 993**	**315 850**	**-**	**-**	**-**	**50 947 843**

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

6. CHANGES IN DISCLOSURE OF COMPARATIVE PERIOD (CONTINUED)

The changes in Consolidated statement of profit or loss and other comprehensive income for year ended 31 December 2012 are presented in the following table:

	previously stated	presentation of as assets and liabilities held for sale (1)	presentation of discounts (5)	net presentation of grants (6)	2012 (restated)
Statement of profit or loss					
Revenues	107 280 986		(121 200)		107 159 786
Cost of sales	(104 111 144)			67 390	(104 043 754)
Gross profit on sales	**3 169 842**		**(121 200)**	**67 390**	**3 116 032**
Distribution expenses	(1 944 982)				(1 944 982)
Administrative expenses	(1 249 831)				(1 249 831)
Other operating income	859 920		(1)	(67 390)	792 529
Other operating expenses	(4 848 598)	315 848			(4 532 750)
Loss from operations	**(4 013 649)**	**315 848**	**(121 201)**	**-**	**(3 819 002)**
Finance income	1 886 245				1 886 245
Finance costs	(2 560 367)		121 201		(2 439 166)
Net finance costs	**(674 122)**	**-**	**121 201**	**-**	**(552 921)**
Loss before tax	**(4 687 771)**	**315 848**	**-**	**-**	**(4 371 923)**
Tax expense	1 273 885				1 273 885
Net loss	**(3 413 886)**	**315 848**	**-**	**-**	**(3 098 038)**

The changes in consolidated statement of cash flows for year ended 31 December 2012 are presented in the following table:

	previously stated	presentation of as assets and liabilities held for sale (1)	changes in detail of presentation of assets / liabilities (2)	presentation of cash pool (3)	presentation of impairment losses (7)	presentation of prepayments (8)	2012 (restated)
Cash flows - operating activities							
Net loss	**(3 413 886)**	**315 848**					**(3 098 038)**
Adjustments for:							
Depreciation and amortisation	2 807 100						2 807 100
Foreign exchange (gain)/loss	(6 617)						(6 617)
Interest and dividends, net	264 929			(2 386)			262 543
(Profit)/Loss on investing activities	(4 443)		58 400		4 316 294		4 370 251
Change in provisions	341 367						341 367
Tax expense	(1 273 885)						(1 273 885)
Income tax (paid)	(146 654)						(146 654)
Other adjustments	-		(887 570)				(887 570)
Impairment losses on financial investments, property plant and equipment and intangible assets	4 615 866	(299 572)			(4 316 294)		-
CO2 allowances grant derecognition	(338 521)		338 521				-
Change in deferred income related to CO2 allowances grant	(742 756)		742 756				-
Net (gain)/loss from financial derivatives	32 535		(32 535)				-
Change in working capital	(182 466)	-	(219 572)	2 386	-	6 046	(393 606)
Inventories	1 038 627						1 038 627
Receivables	(640 528)		6 977				(633 551)
Liabilities	(580 565)		(226 549)	2 386		6 046	(798 682)
Net cash provided by operating activities	**1 952 569**	**16 276**	**-**	**-**	**-**	**6 046**	**1 974 891**
Cash flows - investing activities							
Acquisition of property, plant and equipment and intangible assets	(1 346 201)					(6 046)	(1 352 247)
Disposal of property, plant and equipment and intangible assets	64 754						64 754
Acquisition of securities and deposits	(102 442)		102 442				-
Disposal of securities and deposits	102 442		(102 442)				-
Proceeds/(Outflows) from loans granted	2 141			1 491			3 632
Other	-		10 682	110 043			120 725
Settlement of financial derivatives	252 033		(10 008)				242 025
Proceed from disposal of PARAMO ASFALT s.r.o.	116 100		(116 100)				-
Change in loans granted	111 534			(111 534)			-
Cash and cash equivalents in subsidiaries sold	(115 426)		115 426				-
Net cash used in investing activities	**(915 065)**	**-**	**-**	**-**	**-**	**(6 046)**	**(921 111)**
Cash flows - financing activities							
Change in loans and borrowings	(201 426)						(201 426)
Change in cash pool liabilities	87 525			(87 525)			-
Interest paid	(325 070)						(325 070)
Payments of liabilities under finance lease agreements	(7 555)						(7 555)
Dividends paid to non-controlling shareholders	(340)						(340)
Other	-			87 525			87 525
Net cash used in financing activities	**(446 866)**	**-**	**-**	**-**	**-**	**-**	**(446 866)**
Net increase/(decrease) in cash and cash equivalents	**590 640**	**16 276**					**606 916**
Effect of exchange rate changes	(2 984)						(2 984)
Cash and cash equivalents, beginning of the period	2 470 555						2 470 555
Cash and cash equivalents, end of the period	**3 058 211**	**16 276**					**3 074 487**

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

7. OPERATING SEGMENTS

7.1 Revenues and financial result by operating segments

2013	Note	Refining segment	Retail segment	Petrochemical segment	Corporate Functions	Adjustments	Total
Total external revenues	*26*	52 847 999	10 452 743	36 032 736	81 312	-	99 414 790
Transactions with other segments		22 487 308	212 782	1 893 657	549 530	(25 143 277)	-
Total segment revenue		75 335 307	10 665 525	37 926 393	630 842	(25 143 277)	99 414 790
Operating expenses		(77 125 993)	(10 484 242)	(37 013 663)	(786 561)	25 143 277	(100 267 182)
Other operating income	*28.1*	77 655	30 826	59 773	19 672	(114)	187 812
Other operating expenses	*28.2*	(28 292)	(26 740)	(165 338)	(8 494)	114	(228 750)
Segment operating profit/(loss)		**(1 741 323)**	**185 369**	**807 165**	**(144 541)**	**-**	**(893 330)**
Net finance costs	*29*						(450 225)
Loss before tax							**(1 343 555)**
Tax expense	*30*						(52 917)
Net loss							**(1 396 472)**
Depreciation and amortisation	*27.2*	**(471 502)**	**(329 216)**	**(1 532 653)**	**(81 946)**	**-**	**(2 415 318)**
Additions to non-current assets	*8,10*	**690 306**	**156 721**	**1 485 199**	**71 863**	**-**	**2 404 089**

2012	Note	Refining segment	Retail segment	Petrochemical segment	Corporate Functions	Adjustments	Total
Total external revenues	*26*	59 523 797	10 269 864	37 291 783	74 342	-	107 159 786
Transactions with other segments		23 256 233	222 436	1 553 036	538 227	(25 569 932)	-
Total segment revenue		82 780 030	10 492 300	38 844 819	612 569	(25 569 932)	107 159 786
Operating expenses		(82 998 198)	(10 366 669)	(38 726 756)	(716 876)	25 569 932	(107 238 567)
Other operating income	*28.1*	182 019	207 176	373 011	30 704	(381)	792 529
Other operating expenses	*28.2*	(4 161 070)	(126 110)	(200 479)	(45 472)	381	(4 532 750)
Segment operating profit/(loss)		**(4 197 219)**	**206 697**	**290 595**	**(119 075)**	**-**	**(3 819 002)**
Net finance costs	*29*						(552 921)
Loss before tax							**(4 371 923)**
Tax expense	*30*						1 273 885
Net loss							**(3 098 038)**
Depreciation and amortisation	*27.2*	**(873 541)**	**(335 065)**	**(1 511 674)**	**(86 820)**	**-**	**(2 807 100)**
Additions to non-current assets	*8,10*	**352 888**	**237 773**	**698 709**	**56 025**	**-**	**1 345 395**

7.2 Other segment data

7.2.1 Assets by operating segment

	31/12/2013	31/12/2012
Refining segment	20 074 320	18 927 970
Retail segment	6 021 201	6 313 143
Petrochemical segment	22 547 053	23 022 035
Segment assets	**48 642 594**	**48 263 148**
Corporate Functions	1 355 535	2 684 695
	49 998 129	**50 947 843**

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7.2.2 Recognition and reversal of impairment allowances

	Recognition		Reversal	
	2013	2012	2013	2012
Refining segment	(169 988)	(4 510 725)	150 500	150 184
Retail segment	(19 807)	(80 321)	6 167	21 860
Petrochemical segment	(279 785)	(425 623)	178 441	382 627
Impairment allowances by segments	**(469 580)**	**(5 016 669)**	**335 108**	**554 671**
Corporate Functions	(1 206)	(23 385)	298	14 767
	(470 786)	**(5 040 053)**	**335 406**	**569 438**

including Impairment allowances of property, plant, equipment and intangible assets:

	Recognition		Reversal	
	2013	2012	2013	2012
Refining segment	(1 493)	(4 124 381)	21 154	9 929
Retail segment	(18 351)	(63 242)	4 360	15 500
Petrochemical segment	(82 783)	(137 674)	-	5 649
Impairment allowances by segments	**(102 627)**	**(4 325 297)**	**25 514**	**31 079**
Corporate Functions	-	(5 800)	-	-
	(102 627)	**(4 331 097)**	**25 514**	**31 079**

Impairment allowances of assets by segment include items recognized in the consolidated statement of profit or loss and other comprehensive income i.e.: receivables allowances, inventories allowances, non-current assets impairment allowances.

In 2012 in a refinery segment impairment charge in amount of CZK 4 075 234 thousand was recognised by the Group relating to non-current assets and goodwill of its jointly controlled entity ČESKÁ RAFINÉRSKÁ, a.s.

Other impairment allowances recognitions and reversals were recorded in relation to CO2 allowances and petrol stations, inventory, overdue receivables, uncollectible receivables or receivables in court.

7.2.3 Geographical information

	Revenues		Non-current assets	
	2013	2012	2013	2012
Czech Republic	68 773 482	76 078 564	25 340 150	25 793 931
Germany	10 097 380	9 280 483	1 440	1 467
Poland	1 574 134	1 808 447	-	-
Slovakia	10 190 698	9 349 291	10 154	10 380
Other countries	8 779 096	10 643 001	-	-
	99 414 790	**107 159 786**	**25 351 744**	**25 805 779**

No other country than Czech Republic, Germany and Slovakia accounted for more than 10% of consolidated revenues. No other country than the Czech Republic accounted more than 10% of consolidated assets. Revenues are based on the country in which the customer is located. Total non-current assets are based on location of the assets and consist of property, plant and equipment, intangible assets and investment property.

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

7.3 Revenues from major products and services

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

	2013	2012
Refining segment	**52 848 000**	**59 523 797**
Diesel	27 220 219	30 523 111
Gasoline	12 551 658	13 928 359
JET	1 352 900	1 916 583
LPG	1 404 244	2 266 935
Fuel OILS	1 236 984	1 382 533
Bitumen	2 344 277	2 661 088
Lubricants	1 056 871	1 093 752
Other refinery products	1 953 499	1 862 974
Services	3 727 350	3 888 460
Retail segment	**10 452 743**	**10 269 864**
Refinery products	10 186 118	10 032 517
Services	266 625	237 347
Petrochemical segment	**36 032 736**	**37 412 983**
Ethylene	4 144 887	4 525 306
Benzene	4 664 033	4 802 081
Propylene	851 746	1 084 510
Urea	34 197	1 360 040
Ammonia	1 832 210	1 357 638
C4 fraction	1 381 254	1 392 923
Butadiene	1 224 058	1 438 229
Polyethylene (HDPE)	8 645 928	8 905 186
Polypropylene	7 102 599	7 145 097
Other petrochemical products	4 845 337	4 033 045
Services	1 306 487	1 247 729
Corporate Functions	**81 312**	**74 342**
	99 414 790	**107 159 786**

7.4 Information about major customer

Revenues from none of the operating segments' individual customers represented 10% or more of the Group's total revenues.

8. PROPERTY, PLANT AND EQUIPMENT

	31/12/2013	31/12/2012
Land	810 177	811 199
Buildings and constructions	10 486 380	10 763 664
Machinery and equipment	10 185 564	10 108 866
Vehicles and other	813 836	985 789
Construction in progress	880 738	690 130
	23 176 695	**23 359 648**

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

8. PROPERTY PLANT AND EQUIPMENT (CONTINUED)

Changes in property, plant and equipment by class

	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Total
Gross book value						
1 January 2013	1 161 292	24 459 290	41 119 415	3 015 627	874 080	70 629 704
Investment expenditures	-	41 076	139 408	53 769	1 821 520	2 055 773
Other increases	-	30 864	-	28	-	30 892
Reclassifications	1 021	176 271	1 628 116	63 488	(1 560 419)	308 477
Sale	(1 637)	(153)	(4 577)	(96 115)	-	(102 482)
Liquidation	-	(9 941)	(408 108)	(92 470)	-	(510 519)
Other decreases	(278)	-	(40 234)	(2 913)	(5 502)	(48 927)
Foreign exchange differences	150	1 577	488	755	-	2 970
31 December 2013	**1 160 548**	**24 698 984**	**42 434 508**	**2 942 169**	**1 129 679**	**72 365 888**
Accumulated depreciation, impairment allowances and settled government grants						
1 January 2013	350 093	13 669 753	30 993 469	2 029 838	151 847	47 195 000
Depreciation	-	477 482	1 554 086	251 199	-	2 282 767
Other increases	-	30 864	-	28	-	30 892
Impairment allowances	278	27 223	102 384	(652)	(48 838)	80 395
Reclassifications	-	(13 647)	(13 509)	7 770	-	(19 386)
Sale	-	(448)	(4 298)	(88 283)	-	(93 029)
Liquidation	-	(7 222)	(395 236)	(72 742)	-	(475 200)
Other decreases	-	-	(13 218)	(2 912)	-	(16 130)
Government grants - settlement	-	1 241	3 398	970	-	5 609
Foreign exchange differences	-	876	488	638	-	2 002
31 December 2013	**350 371**	**14 186 122**	**32 227 564**	**2 125 854**	**103 009**	**48 992 920**
Gross book value						
1 January 2012	1 159 185	24 186 625	39 802 353	3 031 998	1 242 441	69 422 602
Investment expenditures	-	18 461	95 470	93 098	1 062 159	1 269 188
Other increases	-	106 024	286 657	9	-	392 690
Reclassifications	(976)	170 217	1 149 798	99 100	(1 430 055)	(11 916)
Sale	(236)	(17 449)	(3 909)	(133 129)	(229)	(154 952)
Liquidation	-	(37 443)	(231 310)	(76 494)	-	(345 247)
Change in Group structure	1 664	15 812	45 701	1 291	2 550	67 018
Other decreases	-	-	(30 652)	(2)	(2 786)	(33 440)
Foreign exchange differences	1 655	17 043	5 307	(244)		23 761
31 December 2012	**1 161 292**	**24 459 290**	**41 119 415**	**3 015 627**	**874 080**	**70 629 704**
Accumulated depreciation, impairment allowances and settled government grants						
1 January 2012	350 093	11 244 502	26 742 920	1 945 913	197 693	40 481 121
Depreciation	-	530 999	1 833 885	273 207	-	2 638 091
Other increases	-	106 024	286 657	-	-	392 681
Impairment allowances	-	1 792 364	2 281 802	2 915	(45 846)	4 031 235
Reclassifications	-	(707)	(11 103)	11 810	-	-
Sale	-	-	(3 924)	(131 238)	-	(135 162)
Liquidation	-	(21 955)	(185 135)	(73 688)	-	(280 778)
Change in Group structure	-	9 225	38 704	1 102	-	49 031
Other decreases	-	-	(30)	-	-	(30)
Government grants - settlement	-	1 027	4 403	-	-	5 430
Foreign exchange differences	-	8 274	5 290	(183)	-	13 381
31 December 2012	**350 093**	**13 669 753**	**30 993 469**	**2 029 838**	**151 847**	**47 195 000**
Government grants						
1 January 2013	-	25 873	17 080	-	32 103	75 056
31 December 2013	-	26 482	21 380	2 479	145 932	196 273
1 January 2012	-	26 900	21 483	-	-	48 383
31 December 2012	-	25 873	17 080	-	32 103	75 056
Net book value						
1 January 2013	811 199	10 763 664	10 108 866	985 789	690 130	23 359 648
31 December 2013	810 177	10 486 380	10 185 564	813 836	880 738	23 176 695
1 January 2012	809 092	12 915 223	13 037 950	1 086 085	1 044 748	28 893 098
31 December 2012	811 199	10 763 664	10 108 866	985 789	690 130	23 359 648

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

8. PROPERTY PLANT AND EQUIPMENT (CONTINUED)

According to IAS 23 the Group capitalizes those borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, as part of the cost of that asset. Borrowing costs capitalized in the year ended 31 December 2013 amounted to CZK 1 644 thousand (31 December 2012: CZK 665 thousand).

In 2013 the Group reclassified spare parts with expected economic useful lives longer than 1 year in amount of CZK 328 773 thousand from Inventories to Machinery and equipment.

Changes in impairment allowances of property, plant and equipment

	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Total
1 January 2013	350 093	3 734 273	4 356 765	72 761	151 847	8 665 739
Recognition	-	29 998	69 192	3 337	100	102 627
Reversal	-	(13 028)	(11 006)	(1 480)	-	(25 514)
Usage	-	(11)	-	-	-	(11)
Reclassifications	320	10 436	46 990	34	(43 446)	14 334
Other increases/(decreases)	(42)	(172)	(2 792)	(2 543)	(5 492)	(11 041)
	350 371	3 761 496	4 459 149	72 109	103 009	8 746 134
increase/(decrease) net*	278	27 223	102 384	(652)	(48 838)	80 395
1 January 2012	350 093	1 941 909	2 074 963	69 846	197 693	4 634 504
Recognition	-	1 809 350	2 305 073	4 077	(45 362)	4 073 138
Reversal	-	(16 876)	(4 565)	(386)	(484)	(22 311)
Other increases/(decreases)	-	(110)	(18 706)	(776)	-	(19 592)
	350 093	3 734 273	4 356 765	72 761	151 847	8 665 739
increase/(decrease) net*	-	1 792 364	2 281 802	2 915	(45 846)	4 031 235

*Increase/(decrease) net - includes recognition, reversal, usage and reclassifications.

Impairment allowances disclosed in the property, plant and equipment movement table are equal to the amount by which the carrying amount of assets exceeded their recoverable amount. Recognition and reversal of impairment allowances for property, plant and equipment are recognized in other operating activities. In 2012 an impairment charge of CZK 3 975 622 thousand was recognized in relation to property, plant and equipment of the refinery segment - ČESKÁ RAFINÉRSKÁ, a.s.

The Group reviews economic useful lives of property, plant and equipment and introduces adjustments to depreciation charge prospectively according to its accounting policy. Should the depreciation policy from the previous year be applied, the depreciation expense for 2013 would be higher by CZK 45 798 thousand.

Other information regarding property, plant and equipment

	31/12/2013	31/12/2012
The gross book value of all fully depreciated property, plant and equipment still in use	12 197 768	12 271 749
The net book value of temporarily idle property, plant and equipment	16 789	8 551
The net book value of leased non-current assets	324 402	315 640

The Group obtained in 1994 a government grant from the German Ministry for Environmental Protection and Safety of Reactors in amount of CZK 260 030 thousand. This environmental project targeted at limiting cross-border pollution, in connection with the reconstruction of the T-700 power station and its desulphurization. The carrying amount of the asset financed from the grant was CZK 38 564 thousand as at 31 December 2013 (31 December 2012: CZK 42 952 thousand).

The Group obtained a support grant from the European Regional Development Fund (ERDF) and the Czech national budget for the new research and education centre UniCRE construction for CZK 592 437 thousand. The resources provided will be used mainly for restoration of research laboratories, conference and education areas and the purchase of modern equipment and laboratory equipment. The carrying amount of the asset financed from the grant was CZK 145 932 thousand (in 2012: 32 103 thousand).

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

9. INVESTMENT PROPERTY

Investment property at 31 December 2013 comprised the land and buildings owned by the Group and leased to third parties. The changes recorded during the year 2013 are presented in the following table:

	2013	2012
At beginning of the period	423 349	395 891
Reclassification from and to property, plant, equipment	(2 606)	1 811
Purchase	17 347	5 796
Fair value measurement	(10 608)	19 851
increase	220	19 960
decrease	(10 828)	(109)
	427 482	**423 349**

Rental income amounted to CZK 50 742 thousand in 2013 (2012: CZK 47 132 thousand). Operating costs related to the investment property in reporting period amounted to CZK 10 828 thousand in 2013 (2012: CZK 7 532 thousand). Information concerning valuation of investment property is included in notes 3.5.5 and 32.

10. INTANGIBLE ASSETS

	31/12/2013	31/12/2012
Internally generated intangible assets	**28 663**	**-**
Assets under development	28 663	-
Other intangible assets	**1 718 904**	**2 022 782**
Software	143 156	138 727
Licences, patents and trade marks	778 991	849 431
Assets under development	341 671	66 369
CO_2 emission allowance	365 803	858 429
Other intangible assets	89 283	109 826
	1 747 567	**2 022 782**

10.1 Changes in internally generated intangible assets

In the year 2013 the Group recognized internally generated intangible assets amounted to CZK 28 663 thousand, which includes research studies.

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

10.2 Changes in other intangible assets

	Software	Licences, patents and trade marks	Goodwill	Assets under development	CO2 emission allowances	Other intangible assets	Total
Gross book value							
1 January 2013	1 010 876	2 080 982	51 595	79 779	1 180 882	506 737	4 910 851
Investment expenditures	164	-	-	319 489	4 447	-	324 100
Other increases	35 217	-	-	-	-	-	35 217
Reclassifications	50 949	(440)	-	(48 272)	-	(1 295)	942
Liquidation	(2 056)	(5 201)	-	-	-	(18 073)	(25 330)
Other decreases	-	-	-	(875)	(662 180)	-	(663 055)
Foreign exchange differences	141	-	-	-	-	-	141
31 December 2013	**1 095 291**	**2 075 341**	**51 595**	**350 121**	**523 149**	**487 369**	**4 582 866**
Accumulated amortisation, impairment allowances and settled government grants							
1 January 2013	872 148	1 231 551	51 595	13 411	322 453	396 911	2 888 069
Amortization	44 026	70 000	-	-	-	18 525	132 551
Other increases	35 217	-	-	-	-	-	35 217
Impairment allowances	2 027	(81)	-	(5 523)	(165 107)	721	(167 963)
Liquidation	(2 056)	(5 120)	-	-	-	(18 071)	(25 247)
Government grants - settlement	123	-	-	-	-	-	123
Foreign exchange differences	108	-	-	-	-	-	108
31 December 2013	**951 592**	**1 296 350**	**51 595**	**7 888**	**157 346**	**398 086**	**2 862 858**
Gross book value							
1 January 2012	970 809	2 077 843	51 595	97 496	1 324 668	523 660	5 046 071
Investment expenditures	299	-	-	75 908	-	-	76 207
Other increases	-	-	-	-	844 704	-	844 704
Reclassifications	41 461	(10 030)	-	(89 194)	-	62 073	4 310
Sale	-	-	-	-	(9 075)	-	(9 075)
Liquidation	(4 427)	(2 141)	-	(484)	-	(79 547)	(86 599)
Change in Group structure	2 400	15 310	-	-	-	551	18 261
Other decreases	-	-	-	(3 947)	(979 415)	-	(983 362)
Foreign exchange differences	334	-	-	-	-	-	334
31 December 2012	**1 010 876**	**2 080 982**	**51 595**	**79 779**	**1 180 882**	**506 737**	**4 910 851**
Accumulated amortisation, impairment allowances and settled government grants							
1 January 2012	797 456	1 141 530	-	10 271	173 865	414 481	2 537 603
Amortization	47 652	80 124	-	-	-	41 234	169 010
Impairment allowances	28 872	11 623	51 595	3 140	148 588	5 373	249 191
Reclassifications	-	(14 894)	-	-	-	14 894	-
Liquidation	(4 427)	(2 142)	-	-	-	(79 547)	(86 116)
Change in Group structure	2 251	15 310	-	-	-	477	18 038
Foreign exchange differences	344	-	-	-	-	(1)	343
31 December 2012	**872 148**	**1 231 551**	**51 595**	**13 411**	**322 453**	**396 911**	**2 888 069**
Government grants							
1 January 2013	-	-	-	-	-	-	-
31 December 2013	542	-	-	562	-	-	1 104
Net book value							
1 January 2013	138 728	849 431	-	66 368	858 429	109 826	2 022 782
31 December 2013	143 156	778 991	-	341 671	365 803	89 283	1 718 904
1 January 2012	173 353	936 313	51 595	87 225	1 150 803	109 179	2 508 468
31 December 2012	138 728	849 431	-	66 368	858 429	109 826	2 022 782

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

10.3 Changes in impairment allowances of other intangible assets

	Software	Licences, patents and trade marks	Goodwill	Assets under development	CO2 emission allowance	Other intangible assets	Total
1 January 2013	31 518	199 084	51 595	13 411	322 453	20 968	639 029
Usage	-	(81)	-	-	(165 107)	-	(165 188)
Reclassifications	2 027	-	-	(5 523)	-	723	(2 773)
Other increases/(decreases)						(2)	(2)
	33 545	199 003	51 595	7 888	157 346	21 689	471 066
increase/(decrease) net*	2 027	(81)	-	(5 523)	(165 107)	721	(167 963)
1 January 2012	2 646	187 461	-	10 271	173 865	15 595	389 838
Recognition	27 820	11 268	51 595	7 877	157 840	1 559	257 959
Reversal	-	-	-	484	(9 252)	-	(8 768)
Reclassifications	1 052	355	-	(5 221)	-	3 814	-
	31 518	199 084	51 595	13 411	322 453	20 968	639 029
increase/(decrease) net*	28 872	11 623	51 595	3 140	148 588	5 373	249 191

*Increase/(decrease) net - includes recognition, reversal, usage and reclassifications.

Recognition and reversal of impairment allowances for intangible assets are recognized in other operating activities.

Other information regarding intangible assets

	31/12/2013	31/12/2012
The gross book value of all fully depreciated intangible assets still in use	1 687 918	1 638 344
The net book value of intangible assets with indefinite useful life	12 709	11 835

In 2012 the major part of the impairment recognized by the Group related to intangible assets of the refinery CGU - ČESKÁ RAFINÉRSKÁ, a.s. (CZK 48 017 thousand).

The increase of assets under development in 2013 includes new PE3 licence – project study in amount of CZK 260 101 thousand.
Other intangible assets include development costs with a carrying amount of CZK 88 417 thousand as of 31 December 2013 (31 December 2012: CZK 105 874 thousand).

The Group reviews economic useful lives of intangible assets and introduces an adjustment to amortization charge prospectively according to its accounting policy. Should the amortization rates from the previous year be applied, amortization expense for 2013 would be higher by CZK 17 211 thousand.

10.4 Goodwill

The goodwill of CZK 51 595 thousand resulted from the acquisition of a 0.221% share in the registered capital of ČESKÁ RAFINÉRSKÁ, a.s. during the year ended 31 December 2007.
As at 31 December 2012 in connection with an impairment charge recognized in relation to non-current assets of the refinery CGU - ČESKÁ RAFINÉRSKÁ, a.s. the carrying amount of goodwill was decreased to zero.

10.5 CO2 emission allowances

Based on Czech National Allocation Scheme for the years 2013-2020 the Group was to obtain CO2 allowances free of charge. As at 31 December 2013 the Group did not obtain any CO2 allowances on its account and recognized the receivable for estimated amount of CO2 allowances grant in amount of CZK 254 601 thousand which is included in Trade and other receivables as at 31 December 2013. In February 2014 the Group obtained allowances for carbon dioxide emissions for the year 2013 in amount of 1 918 086 tons which is in line with previous estimates based on which the receivable was created.

On 21 February 2012 the Group received CO2 allowances of 3 775 436 tons relating to emissions in 2012. On that day the market value of one CO2 allowance was EUR 8.98.

	31/12/2013		31/12/2012	
	Value	Quantity (in tonnes)	Value	Quantity (in tonnes)
Emission allowance at 1 January	858 429	4 700 373	1 150 803	3 679 891
Emission allowances granted for the year	-	-	844 704	3 775 436
Settled emission allowances for previous periods	(662 179)	(2 477 018)	(979 415)	(2 714 395)
Utilisation (recognition) of impairment to CO2 allowances	165 106	-	(148 588)	-
Purchased/(Sold) emission allowances	4 447	45 566	(9 075)	(40 559)
Emission allowances at 31 December	**365 803**	**2 268 921**	**858 429**	**4 700 373**
Estimated annual consumption	513 569	3 409 626	495 934	2 472 204
Estimated grant of CO2 for 2013	254 601	1 918 086	-	-

As at 31 December 2013 the market value of one EUA allowance (European Union Emission Allowance) amounted to EUR 4.84 (as at 31 December 2012: 6.43 EUR).

The emission allowances acquired and sold by the Group are included in the statement of consolidated cash flows respectively under investing activities in Acquisition of property, plant and equipment and intangible assets and Proceeds from disposals of property, plant and equipment and intangible assets respectively.

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11. JOINTLY CONTROLLED ENTITIES

The Group has a 51.221% interest in a jointly controlled entity ČESKÁ RAFINÉRSKÁ, a.s. which is involved in the refining of crude oil and the production and distribution of petroleum based products. The following amounts represent the Group's 51.221% share of the assets and liabilities, sales and results of the jointly controlled entity (after effects of the impairment charges recognized in 2012 at the Group level as outlined in Note 8) and are included in the consolidated Statement of financial position and Statement of profit or loss and other comprehensive income:

	31/12/2013	31/12/2012
Non-current assets	4 143 998	4 032 768
Current assets	3 861 298	4 439 944
Total assets	**8 005 296**	**8 472 712**
Non-current liabilities	42 781	49 556
Current liabilities	3 066 617	2 925 444
Total liabilities	**3 109 398**	**2 975 000**

	2013	2012
Revenues	4 525 092	4 974 279
Cost of sales	(3 986 533)	(4 576 032)
Gross profit on sales	**538 559**	**398 247**
Administrative expenses	(163 846)	(179 742)
Other operating income and expenses, net	8 542	(4 045 020)
Profit/ (loss) from operations	**383 255**	**(3 826 515)**
Net finance income (costs)	2 973	10 853
Profit/ (loss) before tax	**386 228**	**(3 815 662)**
Tax expense	(66 064)	718 489
Net profit/ (loss)	**320 164**	**(3 097 173)**
Net cash provided by/(used in) operating activities	735 342	857 655
Net cash provided by/(used in) investing activities	(539 462)	(333 088)

The Group has a 51% interest in a jointly controlled entity Butadien Kralupy, a.s. The company, which is a producer of butadiene, commenced operations in 2010.

The following amounts represent the Group's 51% share of the assets and liabilities and sales and results of the jointly controlled entity and are included in the consolidated Statement of financial position and Statement of profit or loss and other comprehensive income:

	31/12/2013	31/12/2012
Non-current assets	536 018	572 226
Current assets	574 430	653 368
Total assets	**1 110 448**	**1 225 594**
Non-current liabilities	123 018	334 652
Current liabilities	408 383	420 932
Total liabilities	**531 401**	**755 584**

	2013	2012
Revenues	2 940 935	3 289 997
Cost of sales	(2 799 292)	(3 088 146)
Gross profit on sales	**141 643**	**201 851**
Administrative expenses	(3 510)	(3 904)
Other operating income and expenses, net	(89)	26
Profit from operations	**138 044**	**197 973**
Net finance income (costs)	(3 408)	(6 127)
Profit before tax	**134 636**	**191 846**
Tax expense	(25 599)	(38 187)
Net profit	**109 037**	**153 659**
Net cash provided by/(used in) operating activities	227 500	145 088
Net cash provided by/(used in) investing activities	(8 573)	(90 891)

12. FINANCIAL ASSETS AVAILABLE FOR SALE

	31/12/2013	31/12/2013
Unquoted shares		
GK Orlen Holding Malta LTD	522	552
	522	**552**

The Group had equity investments of CZK 522 thousand as at 31 December 2013 (31 December 2012: CZK 522 thousand) which represent ownership interests in companies that do not have a quoted market price and whose fair value cannot be reliably measured and therefore are carried at acquisition cost less any impairment losses.

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13. OTHER NON-CURRENT ASSETS

	31/12/2013	31/12/2013
Loans granted	5 692	12 316
Other non-current receivables	44 317	39 478
Financial assets	**50 009**	**51 794**
Prepayments	3 217	3 769
Non-financial assets	**3 217**	**3 769**
	53 226	**55 563**

The Group has provided financing to ČESKÁ RAFINÉRSKÁ, a.s. for reconstruction of the production unit. Part of this receivable eliminated as an intergroup transaction. The receivable will be repaid by ČESKÁ RAFINÉRSKÁ, a.s. in 2016 and bears interest at 1M PRIBOR increased by mark up. The receivable as at 31 December 2013 amounted to CZK 24 193 thousand (31 December 2012: CZK 39 478 thousand). The short term part in amount of CZK 15 279 thousand is presented under current receivables. The management considers that the carrying amount of receivables approximates their fair value.

14. IMPAIRMENT OF NON-CURRENT ASSETS

Impact of impairment allowances of non-current assets on consolidated statement of profit or loss and other comprehensive income for the period ended 31 December 2013

	Recognition	Reversal	Total
Buildings and constructions	(29 998)	13 028	(16 970)
Machinery and equipment	(69 192)	11 006	(58 186)
Vehicles and other	(3 337)	1 480	(1 857)
Construction in progress	(100)	-	(100)
	(102 627)	**25 514**	**(77 113)**

Information about the amount of recognition and reversal of impairment for each group of non-financial assets are set out in note 28.

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

As at 31 December 2012 due to existence of indications triggering impairment testing both of an internal and external character (deterioration of external environment, worsening macro economic projections, performance below forecasted level) tests were carried out for Cash Generating Units (CGUs) based on updated financial projections for the years 2013-2016.
Based on the results of the analysis, impairment allowance of CZK 4 075 234 thousand was recognized in 2012 in relation to non-current assets of the refining CGU. Impairment charges of CZK 51 595 thousand were allocated to goodwill, CZK 3 975 622 thousand was allocated to plant, property and equipment, and CZK 48 017 thousand to intangible assets and these were recorded in other operating costs.

As at 31 December 2013 UNIPETROL group has not identified any new impairment indicators.

The recoverable amounts of CGUs are estimated based on their value in use. The period of analysis is established on the basis of remaining useful life of the essential assets for the particular CGU. The analyses are performed based on 5 year financial projections adjusted to exclude the impact of capital expenditures enhancing the assets' performance.
For determining the value in use as at given balance sheet date forecasted cash flows are discounted using the discount rates after taxation reflecting the risk levels specific for particular sectors to which the CGU belongs.
The anticipated fixed annual growth rate of cash flows after 5 year period is assumed at the level of the long term inflation rate for Czech Republic.

The structure of the discount rates applied in the testing for impairment of assets of individual operating segments as at 31 December 2012

	Refining segment	Petrochemical segment	Retail segment
cost of capital	10.92%	10.99%	9.53%
cost of debt after tax	3.37%	3.37%	3.37%
capital structure	61.76%	76.67%	45.12%
Nominal discount rate	**8.03%**	**9.22%**	**6.15%**
Long term inflation rate	2.50%	2.50%	2.50%

Cost of debt includes the average level of credit margins and expected market value of money for the Czech Republic.

Cost of equity is determined by the profitability of the government bonds that are considered to be risk-free, with the level of market and operating segment risk premium (beta). The discount rate is calculated as the weighted average cost of capital. The sources of macroeconomic indicators necessary to determine the discount rate were the publications of prof. Aswath Damodoran (source: http://pages.stern.nyu.edu) of officially listed government bonds and agencies rating available at 31 December 2012.

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14. IMPAIRMENT OF NON-CURRENT ASSETS (CONTINUED)

Periods of analysis adopted for the analysis of the operating segments as at 31 December 2012

	2012
Refining segment	25
Petrochemical segment	20
Retail segment	15

The Group's future financial performance is based on a number of factors and assumptions in respect of macroeconomic development, such as foreign exchange rates, commodity prices, interest rates, partially outside the Group's control. The change of these factors and assumptions might influence the Group's financial position, including the results of the impairment tests of non-current assets, and consequently might lead to changes in the financial position and performance of the Group.

Sensitivity analysis of the value in use as at 31 December 2012

The crucial elements influencing the value in use of assets within individual units responsible for generating cash flows are: operating profit before depreciation and amortization (known as EBITDA) and the discount rate.

The effects of impairment sensitivity in relation to changes in these factors are presented below.

	in CZK million	EBITDA		
	change	-5%	0%	5%
DISCOUNT RATE	-0,5 p.p.	increase of impairment 89	decrease of impairment (407)	decrease of impairment (908)
	0,0 p.p.	increase of impairment 1 365	no impact	decrease of impairment (477)
	+0,5 p.p.	increase of impairment* 2 679	increase of impairment 629	decrease of impairment (80)

* Implementation of the above assumptions would result in an additional impairment allowance in the refining and the petrochemical segment as well as corporate functions

15. INVENTORIES

	31/12/2013	31/12/2012
Raw materials	3 970 818	3 619 971
Work in progress	1 567 387	1 660 423
Finished goods	3 942 012	3 654 949
Merchandise	295 867	443 050
Spare parts	929 174	1 190 429
Inventories, net	**10 705 258**	**10 568 822**
Impairment allowances of inventories to net realizable value	386 394	506 086
Inventories, gross	**11 091 652**	**11 074 908**

Change in impairment allowances to net realizable value

	2013	2012
At the beginning of the period	506 086	573 680
Recognition	356 026	659 364
Usage	(170 549)	(212 763)
Reversal	(305 172)	(514 195)
	386 394	**506 086**

Changes in the net realizable value allowances for inventories amount to CZK 50 854 thousand and are included in cost of sales (CZK 145 169 thousand in 2012) presented in note 27.

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16. TRADE AND OTHER RECEIVABLES

	31/12/2013	31/12/2012
Trade receivables	11 364 006	10 573 479
Receivables for CO2 allowances	254 601	-
Other	231 437	123 244
Financial assets	**11 850 044**	**10 696 723**
Excise tax and fuel charge receivables	359 837	204 574
Other taxation, duty, social security receivables	23 871	33 703
Advances for construction in progress	322	9 758
Prepayments and deferred costs	159 083	122 273
Non-financial assets	**543 113**	**370 308**
Receivables, net	**12 393 157**	**11 067 031**
Receivables impairment allowance	637 408	648 091
Receivables, gross	**13 030 565**	**11 715 122**

Trade receivables result primarily from sales of finished goods and sales of merchandise. The management considers that the carrying amount of trade receivables approximates their fair value. The average credit period on sales of goods is 33 days. No interest is charged on the trade receivables for the first 4 days after the due date. Thereafter, interest is based on terms agreed in the selling contracts.

The Group exposure to credit and currency risk related to trade and other receivables is disclosed in note 31.5 and detailed information about receivables from related parties is presented in note 36.

Movement in the impairment loss allowance

	31/12/2013	31/12/2012
At the beginning of the period	648 091	860 787
Recognition	12 133	49 592
Reversal	(4 720)	(24 164)
Usage	(24 618)	(242 952)
Foreign exchange differences	6 521	4 828
	637 408	**648 091**

The Group sets impairment charges based on analysis of customers' creditworthiness and ageing of receivables. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management considers that there is no further credit risk allowance required in excess of the allowance for impairment charges.

Increases and reversals of impairment allowances in respect of principal amount of trade and other receivables are included in other operating expense or income and in respect of interest for delayed payments in finance costs or income.

17. OTHER SHORT-TERM FINANCIAL ASSETS

	31/12/2013	31/12/2012
Cash flow hedge instruments		
foreign currency forwards	10 892	18 739
cross currency swap	-	2 628
Derivatives not designated as hedge accounting		
foreign currency forwards	36	2 998
commodity swaps	18 383	-
Loans granted	7 196	7 488
Cash pool	12 218	850
	48 725	**32 703**

Loans

The Group provided short-term loans to related entities and to operators of fuel stations. The carrying amount of the loans amounted CZK 7 196 thousand as at 31 December 2013 (31 December 2012: CZK 7 488 thousand). The interest rates are variable and are based on appropriate inter-bank rates and the fair value of the loans approximated its carrying amount as at 31 December 2013. Information regarding cash flow hedge instruments and derivatives not designed as hedge accounting is presented in note 31.3.

18. CASH AND CASH EQUIVALENTS

	31/12/2013	31/12/2012
Cash on hand and in bank	1 116 747	3 074 487
	1 116 747	**3 074 487**
incl. restricted cash	157 982	50 829

Cash includes the restricted cash regarding to the funds received for land restoration and government grants. The carrying amount of these assets approximates their fair value.

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19. SHAREHOLDERS' EQUITY

19.1 Share capital

The issued capital of the Company as at 31 December 2013 amounted to CZK 18 133 476 thousand (2012: CZK 18 133 476 thousand). This represents 181 334 764 (2012: 181 334 764) bearer ordinary shares, each with a nominal value of CZK 100. All issued shares have been fully paid and bear equal voting rights. The Company's shares are listed on the Prague stock exchange.

19.2 Statutory reserves

In accordance with the Czech Commercial Code, joint stock companies are required to establish a reserve fund for possible future losses and other events. Contributions must be a minimum of 20% of the profit for the period in the first year in which profits are generated and 5% of profit each year thereafter until the fund reaches at least 20% of the issued capital. The balance of the Statutory reserve fund as at 31 December 2013 amounted to CZK 2 643 849 thousand (31 December 2012: CZK 2 584 286 thousand).

19.3 Hedging reserve

The amount of the hedging reserve of CZK (190 291) thousand as at 31 December 2013 resulted from the valuation of derivatives meeting the requirements of cash flow hedge accounting (31 December 2012: CZK (16 510) thousand).

19.4 Revaluation reserve

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

19.5 Foreign exchange differences on subsidiaries from consolidation

The amount of reserve is adjusted by foreign exchange differences resulting from translation of the financial statements of foreign entities belonging to the Group from foreign currencies into CZK. The balance of this reserve as at 31 December 2013 amounted to CZK 17 139 thousand (31 December 2012: CZK (9 644) thousand).

19.6 Retained earnings

Dividends

In accordance with appropriate Czech law, dividends can be paid from unconsolidated profit of the parent company. The Annual General Meeting of UNIPETROL, a.s. held on 24 June 2013 decided, pursuant to Article 12 (2) (v) of the Articles of Association of UNIPETROL, a.s., on distribution of the Company's profit generated on non-consolidated basis in 2012 in amount of CZK 403 972 thousand. Based on the decision the amount of CZK 20 199 thousand was allocated to the Company's Reserve Fund and CZK 383 774 thousand was transferred to retained earnings.

19.7 Capital management policy

Capital management is performed on the Group level in order to protect the Group's ability to continue its operations as a going concern while maximizing returns for shareholders.

The Group monitors equity debt ratio (net financial leverage). As at 31 December 2013 and 31 December 2012 Group´s financial leverage amounted to 5.02% and (0.72)%, respectively;

Net financial leverage = net debt / equity (calculated using the average balance for the period) x 100%

Net debt = long-term loans and borrowings + short-term loans and borrowings + cash pool liabilities - cash and cash equivalents

19.8 Earnings per share

Basic earnings per share

	2013	2012
Loss for the period attributable to equity holders (in CZK '000)	(1 396 472)	(3 098 038)
Weighted average number of shares	181 334 764	181 334 764
Earnings per share (in CZK)	**(7,70)**	**(17,08)**

Diluted earnings per share

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

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

20. LOANS, BORROWINGS AND DEBT SECURITIES

	Long-term		Short-term		Total	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Bank loans	-	-	504 781	621 351	504 781	621 351
Borrowings	2 000 000	-	1 850	175 598	2 001 850	175 598
Debt securities	-	-	-	2 034 582	-	2 034 582
	2 000 000	**-**	**506 631**	**2 831 531**	**2 506 631**	**2 831 531**

Loan granted by PKN Orlen S.A.
On 12 December 2013 the Group signed a mid-term loan agreement with its majority shareholder PKN ORLEN S.A. Based on the Agreement, the Group will receive a mid-term loan in the amount of CZK 4 000 000 thousand. The purpose of the loan is the diversification of Group's funding sources and extension of their maturity.
The loan has been divided into two tranches of CZK 2 billion each. First tranche was received 17 December 2013 and second tranche in January 2014.
The loan has a 3-year maturity, i.e. each tranche 36 months from its reception. Interests will be paid semi-annually and will be based on 6 months PRIBOR plus fixed margin. Pricing is in line with currently prevailing market conditions for 3-year loans provided in CZK.

Unsecured bonds issued

In 1998 the Group issued 2 000 bonds at a total nominal value of CZK 2 000 000 thousand. The bonds matured in 2013 at their nominal value of CZK 2 000 000 thousand. The interest rate was 0 % p.a. for the first two years and 12.53 % p.a. in subsequent years. The effective interest rate was 9.82 %. Interest was payable on an annual basis. Interest expense was accrued using the effective interest rate method. The bonds were repaid in December 2013.

Analyses of bank loans

- by currency (translated into CZK)

	31/12/2013	31/12/2012
CZK	443 001	596 706
EUR	42 627	16 950
USD	19 153	470
Other	-	7 226
	504 781	**621 351**

- by interest rate

	31/12/2013	31/12/2012
PRIBOR	443 001	596 706
EURIBOR	42 627	16 950
LIBOR	19 153	470
Other	-	7 226
	504 781	**621 351**

Short-term bank loans are subject to variable interests and their carrying amounts approximate fair values. Average effective interest rate as at 31 December 2013 was 0.73% (31 December 2012: 1.17%).

Disclosures resulting from IFRS 7 relating to loans and borrowings are included in note 31 and are presented jointly with other financial instruments.

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

21. PROVISIONS

	Long-term		Short-term		Total	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Environmental provision	339 854	332 968	-	-	339 854	332 968
Jubilee bonuses and post-employment benefits provision	57 343	25 075	-	-	57 343	25 075
Provisions for legal disputes	7 129	8 334	15 447	6 163	22 576	14 497
Shield programs provision	-	-	-	3 431	-	3 431
Provision for CO_2 emission	-	-	513 569	495 934	513 569	495 934
Other provision	28 800	7 026	12 439	19 693	41 239	26 719
	433 126	**373 403**	**541 455**	**525 221**	**974 581**	**898 624**

Change in provisions in 2013

	Environmental provision	Jubilee bonuses and post-employment benefits provision	Provisions for legal disputes	Shield programs provision	Provision for CO_2 emission	Other provision	Total
1 January 2013	332 968	25 075	14 497	3 431	495 934	26 719	898 624
Recognition	3 500	36 170	15 477	9 000	514 849	29 609	608 605
Discounting	7 636	-	-	-	-	-	7 636
Utilization of provision	(825)	-	(1 682)	(3 431)	(497 073)	(8 061)	(511 072)
Release of provision	(3 425)	(3 902)	(6 512)	(9 000)	(141)	(7 056)	(30 036)
F/X differences	-	-	796	-	-	28	824
	339 854	**57 343**	**22 576**	**-**	**513 569**	**41 239**	**974 581**

Change in provisions in 2012

	Environmental provision	Jubilee bonuses and post-employment benefits provision	Provisions for legal disputes	Shield programs provision	Provision for CO_2 emission	Other provision	Total
1 January 2012	319 050	28 432	145 056	22 977	977 965	43 204	1 536 684
Recognition	3 500	3 180	1 317	3 431	496 584	14 312	522 324
Discounting	11 241	-	-	-	-	-	11 241
Utilization of provision	(368)	-	-	(22 977)	(978 548)	(15 711)	(1 017 604)
Release of provision	(455)	(6 537)	(131 876)	-	(67)	(15 378)	(154 313)
F/X differences	-	-	-	-	-	292	292
	332 968	**25 075**	**14 497**	**3 431**	**495 934**	**26 719**	**898 624**

21.1 Environmental provision

Under environmental provision the Group had the provision for land restoration created as a result of the legal obligation to restore the fly-ash dump after it is discontinued, which is expected to happen after 2043. The provision amounted to CZK 327 854 thousand as at 31 December 2013 (31 December 2012: CZK 320 944 thousand). Additionally the Group had provision for compensation of damages to Lesy Česká republika in amount CZK 12 000 thousand included as at 31 December 2013 (31 December 2012: CZK 10 500 thousand).

21.2 Provisions for jubilee bonuses and retirement benefits

The companies of the Group realize the program of paying out retirement benefits and jubilee bonuses in line with remuneration policies in force. The jubilee bonuses are paid to employees after elapse of a defined number of years in service. The retirement benefits are paid as one-time payments at retirement. The amount of retirement benefits as well as jubilee bonuses depends on the number of years of service. The base for the calculation of provision for an employee is expected benefit which the Group is obliged to pay in accordance with internal regulation.

The present value of these obligations is estimated at the end of each reporting year and adjusted if there are any material indications impacting the value of the obligations. The accrued liabilities equal discounted future payments, considering employee rotation.

Employment benefit provisions for retirement and anniversary benefits received by employees were created using discount rate in the range 0.59% - 2.9% p.a. in 2013 (2012: 2.2% - 3.75%), assumptions used were based on Collective agreement.

Should the prior year's assumptions be used, the provision for the jubilee bonuses and post-employment benefits would be higher by CZK 1 978 thousand.

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

21.2 Provision from jubilee bonuses and retirement benefits (continued)

Change in employee benefits 2013

	Provision for jubilee bonuses	Post-employment benefits	Total
1 January 2013	732	24 343	25 075
Current service costs	146	2 022	2 168
Interest costs	35	901	935
Actuarial gains and losses net	3	2 015	2 018
financial assumptions	*(45)*	*2 015*	*1 970*
other issues	*48*	*-*	*48*
Past employment costs	1 759	25 388	27 147
	2 674	**54 669**	**57 343**

Change in employee benefits 2012

	Provision for jubilee bonuses	Post-employment benefits	Total
1 January 2012	2 934	25 497	28 432
Actuarial gains and losses net	(2 202)	-	(2 202)
demographic assumptions	*(2 202)*	*-*	*(2 202)*
Past employment costs	-	(1 155)	(1 155)
	732	**24 343**	**25 075**

Division of post-employee liability by employees

	Active employees		Pensioners		Total	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Czech Republic	57 343	25 075	-	-	57 343	25 075
					57 343	**25 075**

Geographical division of post-employment liability

	Provision for jubilee bonuses		Post-employment benefits		Total	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Czech Republic	2 674	732	54 669	24 343	57 343	25 075
					57 343	**25 075**

Sensitivity analysis of actuarial assumptions

Actuarial assumptions	Assumed variations as at 31/12/2013	Czech Republic: Influence on provision for jubilee 2013	Czech Republic: Influence on post-employment benefits 2013
Demographic assumptions (+)		(60)	(2 503)
mortality	*0,50%*	*(6)*	*(133)*
staff turnover rates, disability and early retirement	*0,50%*	*(54)*	*(2 371)*
Financial assumptions (+)		(54)	(2 398)
discount rate	*0,50%*	*(54)*	*(2 398)*
level of future remuneration	*0,50%*	-	-
		(114)	**(4 901)**
Demographic assumptions (-)		66	2 720
mortality	*-0,50%*	*9*	*133*
staff turnover rates, disability and early retirement	*-0,50%*	*57*	*2 587*
Financial assumptions (-)		57	2 633
discount rate	*-0,50%*	*57*	*2 633*
level of future remuneration	*-0,50%*	-	-
		123	**5 353**

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

21.2 Provision from jubilee bonuses and retirement benefits (continued)

Duration of post-employment benefits liabilities

	Provision for jubilee bonuses		Post-employment benefits		Total	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Less than one year	569	86	3 621	1 437	4 190	1 523
Between one and three years	823	205	7 012	3 204	7 835	3 409
Between three and five years	374	144	6 070	4 698	6 444	4 842
Later than five years	908	297	37 966	15 004	38 874	15 300
	2 674	**732**	**54 669**	**24 343**	**57 343**	**25 075**
Weighted average duration of liability			15.18	20.13	15.18	20.13

Division of costs to Profit or loss and Other comprehensive income

	2013	2012
In profit or loss		
Current service costs	(2 168)	-
Interest expense	(935)	-
Actuarial gains and losses net	(3)	2 202
demographic assumptions	*-*	*2 202*
financial assumptions	*45*	*-*
other issues	*(48)*	*-*
Past employment costs	(27 147)	1 155
	(30 253)	**3 357**
In components of other comprehensive income		
Gains and losses arising from changes	(2 015)	-
financial assumptions	*(2 015)*	*-*
	(2 015)	**-**
	(32 268)	**3 357**

	2013	2012
Cost of sales	(14 913)	506
Distribution expenses	(9 914)	(34)
Administrative expenses	(5 427)	2 885
	(30 253)	**3 357**

Based on current legislation, the Group is obliged to pay contributions to the national pension insurance. These costs are recognized as expenses on social security and health insurance. The Group does not have any other commitments in this respect. Additional information about the post-employment benefits is in note 3.4.14.4.

21.3 Provisions for legal disputes

The provision for legal disputes is created for expected future outflows arising from legal disputes with third parties where the Group is the defendant. During year 2012 the Group released the provision for a penalty imposed by the Antimonopoly Office for a breach of the Economic Competition Protection Act in the amount of CZK 131 021 thousand, out of which CZK 98 000 thousand was the nominal amount and CZK 33 021 thousand accrued interests.

21.4 Provision for CO2 emissions

The provision for CO2 emissions is created for estimated CO2 emissions in the reporting period.

21.5 Other provisions

The Group created other provisions in respect of future liabilities related to dismantling costs connected with liquidation of unused assets and severance payments.

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22. OTHER NON-CURRENT LIABILITIES

	31/12/2013	31/12/2012
Investment liabilities	1 097	1 283
Financial lease liabilities	1 384	2 261
Other	34 474	18 145
Financial liabilities	**36 955**	**21 689**
Guarantee received	165 380	174 707
Non-financial liabilities	**165 380**	**174 707**
	202 335	**196 396**

The Group received cash advance from business partners presented as Guarantee received in connection with operation of fuel stations.

23. TRADE AND OTHER LIABILITIES

	31/12/2013	31/12/2012
Trade liabilities	11 186 676	11 435 519
Investment liabilities	870 908	319 631
Dividends	34 905	35 140
Financial lease liabilities	1 123	3 163
Other	55 781	35 462
Financial liabilities	**12 149 393**	**11 828 915**
Prepayments for deliveries	17 264	15 738
Payroll liabilities	272 931	324 387
Excise tax and fuel charge	3 886 164	3 334 636
Value added tax	791 074	771 216
Other taxation, duties, social security and other benefits	84 652	97 041
Accruals	111 119	85 778
holiday pay accrual	18 326	27 713
customers´ discounts and rebates	-	277
wages accrual	92 793	57 788
Non-financial liabilities	**5 163 204**	**4 628 796**
	17 312 597	**16 457 711**

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

24. DEFERRED INCOME

	31/12/2013	31/12/2012
Government grants received from European Regional Development Fund	104 291	93 004
Other	4 405	4 022
	108 696	**97 026**

The information about the government grants is presented in Note 8.

25. OTHER SHORT TERM FINANCIAL LIABILITIES

	31/12/2013	31/12/2012
Cash flow hedge instruments		
foreign currency forwards	245 817	39 119
Derivatives not designated as hedge accounting		
foreign currency forwards	3 704	64 129
commodity swaps	66 745	45 000
Cash pool	32 941	30 123
	349 207	**178 371**

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26. REVENUES

	2013	2012
Sales of finished goods	86 332 398	96 087 588
Sales of services	5 380 706	5 446 058
Revenues from sales of finished goods and services, net	**91 713 104**	**101 533 646**
Sales of merchandise	6 657 734	4 672 895
Sales of raw materials	1 043 953	953 245
Revenues from sales of merchandise and raw materials, net	**7 701 686**	**5 626 140**
	99 414 790	**107 159 786**

27. OPERATING EXPENSES

27.1 Cost of sales

	2013	2012
Cost of finished goods and services sold	(89 760 643)	(98 699 518)
Cost of merchandise and raw materials sold	(7 350 785)	(5 344 236)
	(97 111 428)	**(104 043 754)**

27.2 Cost by nature

	2013	2012
Materials and energy	(80 501 774)	(88 078 521)
Cost of merchandise and raw materials sold	(7 350 785)	(5 344 236)
External services	(7 373 901)	(7 439 484)
Employee benefits	(2 432 593)	(2 480 006)
Depreciation and amortisation	(2 415 318)	(2 807 100)
Taxes and charges	(351 165)	(92 130)
Other	(537 360)	(4 863 139)
	(100 962 896)	**(111 104 616)**
Change in inventories	466 957	(666 918)
Cost of products and services for own use	7	217
Operating expenses	**(100 495 932)**	**(111 771 317)**
Distribution expenses	1 963 457	1 944 982
Administrative expenses	1 192 297	1 249 831
Other operating expenses	228 750	4 532 750
Cost of sales	**(97 111 428)**	**(104 043 754)**

27.3 Employee benefits costs

2013	Employees	Key Management	Audit Committee	Board of Directors	Supervisory Board	Total
Wages and salaries	(1 564 925)	(158 668)	(747)	(3 078)	(6 565)	(1 733 983)
Social and health insurance	(515 266)	(36 835)	(155)	(489)	(2 006)	(554 751)
Social expense	(95 438)	(18 168)	-	-	-	(113 606)
Change of employee benefits provision	(30 253)	-	-	-	-	(30 253)
	(2 205 882)	**(213 671)**	**(902)**	**(3 567)**	**(8 571)**	**(2 432 593)**
Number of employees average per year*	3 567	62				3 629
Number of employees as at balance sheet day*	3 582	65				3 647

2012	Employees	Key Management	Audit Committee	Board of Directors	Supervisory Board	Total
Wages and salaries	(1 599 502)	(193 518)	(960)	(2 949)	(5 640)	(1 802 569)
Social and health insurance	(533 258)	(39 865)	(326)	(388)	(1 918)	(575 755)
Social expense	(89 357)	(15 682)	-	-	-	(105 039)
Change of employee benefits provision	3 273	84	-	-	-	3 357
	(2 218 844)	**(248 981)**	**(1 286)**	**(3 337)**	**(7 558)**	**(2 480 006)**
Number of employees average per year*	3 737	85				3 822
Number of employees as at balance sheet day*	3 668	83				3 751

*In case of jointly controlled entities the relevant consolidation percentage is used.

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28. OTHER OPERATING INCOME AND EXPENSES

28.1 Other operating income

	2013	2012
Profit on sale of non-current non-financial assets	18 506	32 197
Reversal of provisions	25 920	147 709
Reversal of receivables impairment allowances	4 720	24 164
Reversal of impairment allowances of property, plant and equipment and intangible assets	25 514	31 079
Penalties and compensations earned	46 267	77 932
Income from disposals of PARAMO ASFALT s.r.o.	-	85 731
Other	66 885	393 717
	187 812	**792 529**

The line "Other" in 2013 and 2012 included the effect of the settlement of the CO2 emission rights received free of charge in relation to actual emissions in amount of CZK 5 190 thousand and CZK 338 521 thousand respectively.

28.2 Other operating expenses

	2013	2012
Loss on sale of non-current non-financial assets	(24 619)	(27 754)
Recognition of provisions	(57 586)	(22 560)
Recognition of receivables impairment allowances	(12 133)	(49 592)
Recognition of impairment allowances of property, plant and equipment and intangible assets	(102 627)	(4 331 097)
Donations	(5 432)	(8 608)
Other	(26 353)	(93 139)
	(228 750)	**(4 532 750)**

29. FINANCE INCOME AND FINANCE COSTS

29.1 Finance income

	2013	2012
Interest	41 399	51 433
Settlement and valuation of financial instruments	1 032 588	1 833 504
Other	1 828	1 308
	1 075 815	**1 886 245**

29.2 Finance costs

	2013	2012
Interest	(247 166)	(316 362)
Foreign exchange loss	(266 872)	(220 091)
Settlement and valuation of financial instruments	(974 484)	(1 866 039)
Other	(37 518)	(36 674)
	(1 526 040)	**(2 439 166)**

30. TAX EXPENSE

	2013	2012
Tax expense in the statement of profit or loss		
Current income tax	(123 446)	(203 337)
Deferred income tax	70 529	1 477 222
	(52 917)	**1 273 885**
Tax expense in other comprehensive income		
Tax on hedge instruments	40 764	(18 111)
Tax on actuarial gains and losses	374	-
Tax on fair value measurement of investment property as at the date of reclassification	-	(3 711)
	41 138	**(21 822)**
	(11 779)	**1 252 063**

Domestic income tax is calculated in accordance with Czech tax regulations at the rate of 19% in 2013 (2012: 19%) of the estimated taxable income for the year. The deferred tax has been calculated using tax rate approved for years 2013 and forward i.e. 19%. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

Reconciliation of effective tax rate

	2013	2012
Loss for the year	(1 396 472)	(3 098 038)
Total income tax credit (expense)	(52 918)	1 273 885
Loss excluding income tax	(1 343 554)	(4 371 923)
Income tax using domestic income tax rate	255 275	830 665
Effect of tax rates in foreign jurisdictions	10 040	12 783
Non-deductible expenses	(33 359)	(9 217)
Tax exempt income	12 941	25 143
Recognition of previously unrecognized deferred tax related to tax losses	-	569 721
Change in not recognized deferred tax assets	(292 986)	(146 805)
Under (over) provided in prior periods	(4 827)	(8 406)
Total income tax credit (expense)	**(52 917)**	**1 273 884**
Effective tax rate	**(3.94%)**	**29.1%**

Line “Change in not recognized deferred tax assets” includes impact of not recognized deferred tax assets from tax losses of 2013 in amount of CZK 57 190 thousand and impact of deferred tax assets from tax losses created in prior periods, derecognized due to low probability of utilisation or their expiry in amount of CZK 235 796 thousand.

30.2 Deferred tax assets and liabilities

Deferred income taxes result from future tax benefits and costs related to the differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. The deferred income taxes have been calculated using the tax rate expected to apply to periods when the respective asset is realized or liability is settled (i.e. 19% in 2012 and onward).

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) recognized by the Group during the year is as follows:

	31/12/2012	Deferred tax recognized in statement of Profit or loss	Deferred tax recognized in Other comprehensive income	FX differences	31/12/2013
Deferred tax assets					
Property, plant and equipment	36 936	81 918	-	31	118 885
Provisions	111 538	85 824	-	-	197 362
Unused tax losses carried forward	911 452	694	-	-	912 146
10% investment relief	560	-	-	-	560
Financial instruments valuation	3 872	-	40 764	-	44 636
Other	251 957	3 296	361	-	255 614
	1 316 315	**171 732**	**41 125**	**31**	**1 529 203**
Deferred tax liabilities					
Property, plant and equipment	(983 753)	(47 188)	1	-	(1 030 940)
Inventory	(294 372)	(2 201)	-	-	(296 573)
Provisions	(34 815)	8 909	12	-	(25 894)
Finance lease	(77 159)	10 665	-	-	(66 494)
Other	(5 568)	(71 388)	-	-	(76 956)
	(1 395 667)	**(101 203)**	**13**	**-**	**(1 496 857)**
	(79 352)	**70 529**	**41 138**	**31**	**32 346**

Deferred income tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority.

Deferred income tax assets are recognized for tax loss and deductible temporary differences carried forward to the extent that realization of the related tax benefit through the future taxable profit is probable based on financial projections for years 2014 - 2018.
In the calculation of deferred tax assets as at 31 December 2013 the Group has not recognized unused tax losses in amount of CZK 3 156 026 thousand due to the unpredictability of future taxable income (CZK 2 288 707 thousand at 31 December 2012). These unrecognised tax losses will expire till end of 2018.

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31. FINANCIAL INSTRUMENTS

31.1 Financial instruments by category and class

Financial assets
as at 31 December 2013

Financial instruments by class	Note	Financial instruments by category: Financial assets at fair value through profit of loss	Loans and receivables	Financial assets available for sale	Hedging financial instruments	Total
Unquoted shares	12	-	-	522	-	522
Trade receivables	16	-	11 850 044	-	-	11 850 044
Borrowings granted	17	-	25 106	-	-	25 106
Financial derivatives and hedging instruments	17	18 419	-	-	10 892	29 311
Cash and cash equivalents	18	-	1 116 747	-	-	1 116 747
Other	17	-	44 317	-	-	44 317
		18 419	**13 036 214**	**522**	**10 892**	**13 066 047**

as at 31 December 2012

Financial instruments by class	Note	Financial instruments by category: Financial assets at fair value through profit of loss	Loans and receivables	Financial assets available for sale	Hedging financial instruments	Total
Unquoted shares	12	-	-	522	-	522
Trade receivables	16	-	10 696 723	-	-	10 696 723
Borrowings granted	17	-	20 654	-	-	20 654
Financial derivatives and hedging instruments	17	5 626	-	-	18 739	24 365
Cash and cash equivalents	18	-	3 074 487	-	-	3 074 487
Other	17	-	39 478	-	-	39 478
		5 626	**13 831 342**	**522**	**18 739**	**13 856 229**

Financial liabilities
as at 31 December 2013

Financial instruments by class	Note	Financial instruments by category: Financial liabilities at fair value through profit of loss	Financial liabilities measured at amortised cost	Hedging financial instruments	Liabilities excluded from the scope of IAS 39	Total
Non-current loans and borrowings	20	-	2 000 000	-	-	2 000 000
Other non-current liabilities	22	-	1 097	-	-	1 097
Current loans and borrowings	20	-	506 631	-	-	506 631
Trade and other payables and accruals	23	-	12 148 269	-	-	12 148 269
Other financial liabilities	25	70 449	296 649	245 817	2 507	615 422
		70 449	**14 952 646**	**245 817**	**2 507**	**15 271 419**

as at 31 December 2012

Financial instruments by class	Note	Financial instruments by category: Financial liabilities at fair value through profit of loss	Financial liabilities measured at amortised cost	Hedging financial instruments	Liabilities excluded from the scope of IAS 39	Total
Other non-current liabilities	22	-	1 283	-	-	1 283
Current loans and borrowings	20	-	2 831 531	-	-	2 831 531
Trade and other payables and accruals	23	-	11 824 376	-	-	11 824 376
Other financial liabilities	25	109 129	262 983	39 119	5 424	416 655
		109 129	**14 920 173**	**39 119**	**5 424**	**15 073 845**

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

For the year ended 31 December 2013

	Financial instruments by category				
	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Financial liabilities measured at amortised cost	Liabilities excluded from the scope of IAS 39	Total
Interest income	-	41 399	-	-	41 399
Interest costs	-		(246 930)	(236)	(247 166)
Foreign exchange gain/(loss)	-	198 651	(465 523)	-	(266 872)
Recognition/reversal of receivables impairment allowances recognized in:					-
other operating income/(expenses)	-	(7 413)	-	-	(7 413)
Settlement and valuation of financial instruments	58 105	-	-	-	58 105
Other	-	1 828	(29 883)	-	(28 055)
	58 105	**234 465**	**(742 335)**	**(236)**	**(450 001)**
other, excluded from the scope of IFRS 7					
Provisions discounting					(7 636)
					(7 636)

For the year ended 31 December 2012

	Financial instruments by category				
	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Financial liabilities measured at amortised cost	Liabilities excluded from the scope of IAS 39	Total
Interest income	-	51 433	-	-	51 433
Interest costs	-	-	(315 698)	(664)	(316 362)
Foreign exchange gain/(loss)	-	(248 140)	28 048	-	(220 091)
Recognition/reversal of receivables impairment allowances recognized in:					
other operating income/(expenses)	-	(8 089)	-	-	(8 089)
Settlement and valuation of financial instruments	(32 535)	-	-	-	(32 535)
Other	-	1 309	(146 634)	-	(145 326)
	(32 535)	**(203 487)**	**(434 284)**	**(664)**	**(670 971)**
other, excluded from the scope of IFRS 7					
Provisions discounting					(11 241)
					(11 241)

31.3 Hedge accounting

The Group hedges its cash flows from operating revenues due to sale of petrochemical and refinery products as well as operating expenses due to purchases of crude oil against changes in exchange rates (EUR/CZK for sale and USD/CZK for purchases and sale). Foreign exchange forwards are used as hedging instruments.
The Group has derivative financial instruments, which serve as a hedging instrument pursuant to the Group's risk management strategy. Changes in the fair value of derivatives that do not meet the hedge accounting criteria are included in derivatives held for trading and their fair value changes are reported in the Statement of profit or loss and other comprehensive income.

The fair value of derivative instruments are designated as hedging instruments according to the cash flow hedge accounting planned realization date and the planned date of the influence on the result of the hedged cash flow as well as the net fair value which will be recognized in the profit or loss at the realization date:

Planned realization date of hedged cash flows	31/12/2013	31/12/2012
Currency operating exposure		
2013	-	(20 380)
2014	(234 925)	-
Total	**(234 925)**	**(20 380)**

31.4 Financial risk management

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the risks outlined below relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other market price risk), credit risk and liquidity risk.
The Group seeks to minimize the effects of these risks by using natural hedging and derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess funds. Compliance with policies and exposure limits is reviewed by the internal auditors on a regular basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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31.5 Credit risk

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Statement of financial position are net of impairment losses, estimated by the Group's management based on prior experience and their assessment of the credit status of its customers.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of dealing only with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers.

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management. Before accepting any new customer, the Group uses own or external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. As at 31 December 2013 none of the customers represented more than 5% of the total balance of consolidated trade receivables.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of debtors and, where appropriate, credit guarantee insurance cover is purchased or sufficient collateral on debtor's assets obtained.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of financial position.

Based on the analysis of loans and receivables the counterparties were divided into two groups:

- I group – counterparties with good or very good history of cooperation in the current year,
- II group – other counterparties.

	31/12/2013	31/12/2012
Group I	12 644 882	12 763 047
Group II	-	-
	12 644 882	**12 763 047**

Aging of loans and receivables past due, not impaired:

	31/12/2013	31/12/2012
Up to 1 month	349 292	921 123
From 1 to 3 months	15 976	22 812
From 3 to 6 months	4 358	2 095
From 6 to 12 months	4 630	2 456
Above 1 year	17 076	119 809
	391 332	**1 068 295**

The maximum exposure to credit risk for financial assets at the reporting date was as follows:

	Note	31/12/2013	31/12/2012
Unquoted shares	*12*	522	522
Trade receivables	*16*	11 850 044	10 696 723
Borrowings granted	*13,17*	25 106	20 654
Financial derivatives and hedging instruments	*17*	29 311	24 365
Cash and cash equivalents	*18*	1 116 747	3 074 487
Other	*13,17*	44 317	39 478
		13 066 047	**13 856 229**

The Management of the Group believes that the risk of impaired financial assets is reflected by recognition of an impairment. Information about impairment allowances of particular classes of assets is disclosed in the note 14.

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31.6 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate liquid funds, borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at 31 December 2013 and 31 December 2012 the maximum available credit facilities relating to bank loans amounted to CZK 10 900 000 thousand and CZK 10 935 000 thousand respectively, of which as at 31 December 2013 and 31 December 2012 CZK 10 395 219 thousand and CZK 10 313 649 thousand respectively remained unused.

Liquidity risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities using the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Contractual maturity of non-derivative financial liabilities

				31/12/2013			
	Note	**up to 1 year**	**from 1 to 3 years**	**from 3 to 5 years**	**above 5 years**	**Total**	**Carrying amount**
Loans	20	550 044	2 086 827	-	-	2 636 871	2 506 631
Finance lease	23	1 123	1 384	-	-	2 507	2 507
Trade liabilities	23	12 148 269	-	-	-	12 148 269	12 148 269
Investment liabilities	23	-	1 097	-	-	1 097	1 097
Financial derivatives and hedging instruments	25	316 266	-	-	-	316 266	316 266
Other	25	296 649	-	-	-	296 649	296 649
		13 312 351	**2 089 308**	**-**	**-**	**15 401 659**	**15 271 419**

				31/12/2012			
	Note	**up to 1 year**	**from 1 to 3 years**	**from 3 to 5 years**	**above 5 years**	**Total**	**Carrying amount**
Loans	20	2 831 531	-	-	-	2 831 531	2 831 531
Trade liabilities	23	11 823 000	1 376	-	-	11 824 376	11 824 376
Investment liabilities	23	-	503	503	277	1 283	1 283
Financial derivatives and hedging instruments	25	148 248	-	-	-	148 248	148 248
Other	25	262 983	-	-	-	262 983	262 983
		15 068 925	**4 140**	**503**	**277**	**15 073 845**	**15 073 845**

31.7 Market risk

The Group is exposed to commodity price risk resulting from the adverse changes in raw material, mainly crude oil prices. Management addresses these risks by means of a commodity, supplier and client risk management. The Group analyses the exposure and enters to a minor extent into derivative commodity instruments to minimize the risk associated with the purchase of crude oil.

The Group's activities are exposed to the risks of changes in foreign currency exchange rates, and interest rates. The Group can enter into financial derivative contracts to manage its exposure to interest rate and currency risk.

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31.7.1 Currency risk

The currency risk arises most significantly from the exposure of trade payables and receivables denominated in foreign currencies, and the foreign currency denominated loans and borrowings. Foreign exchange risk regarding trade payables and receivables is mostly covered by natural hedging of trade payables and receivables denominated in the same currencies. Hedging instruments (forwards, currency swaps) also could be used, to cover significant foreign exchange risk exposure of trade payables and receivables not covered by natural hedging.

Currency structure of financial instruments as at 31 December 2013

Financial instruments by class	CZK	EUR	USD	Other currencies after translation to CZK	Total after translation to CZK
Financial assets					
Unquoted shares	-	522	-	-	522
Trade receivables	6 857 419	4 483 734	503 773	5 118	11 850 044
Loans granted	12 889	10 145	2 072	-	25 106
Financial derivatives and hedging instruments	10 928	-	18 383	-	29 311
Cash and cash equivalents	776 635	209 452	130 498	162	1 116 747
Other	44 317	-	-	-	44 317
	7 702 188	**4 703 853**	**654 726**	**5 280**	**13 066 047**
Financial liabilities					
Loans	2 444 851	42 627	19 153	-	2 506 631
Trade liabilities	4 971 161	1 699 090	5 461 963	6 241	12 138 455
Investment liabilities	1 097	-	-	-	1 097
Financial derivatives and hedging instruments	249 521	-	66 745	-	316 266
Other	273 523	30 997	1 944	-	306 464
	7 942 660	**1 772 714**	**5 549 805**	**6 241**	**15 271 419**

Currency structure of financial instruments as at 31 December 2012

Financial instruments by class	CZK	EUR	USD	Other currencies after translation to CZK	Total after translation to CZK
Financial assets					
Unquoted shares	-	522	-	-	522
Trade receivables	6 275 449	4 257 211	164 061	2	10 696 723
Loans granted	19 804	850	-	-	20 654
Financial derivatives and hedging instruments	24 365	-	-	-	24 365
Cash and cash equivalents	2 771 538	261 779	12 404	28 766	3 074 487
Other	39 478	-	-	--	39 478
	9 130 634	**4 520 362**	**176 465**	**28 768**	**13 856 229**
Financial liabilities					
Loans	2 776 706	45 469	2 130	7 226	2 831 531
Trade liabilities	4 787 476	937 265	6 085 913	5 217	11 815 871
Investment liabilities	1 283	-	-	-	1 283
Financial derivatives and hedging instruments	103 248	-	45 000	-	148 248
Other	271 488	-	-	-	271 488
	7 945 625	**982 734**	**6 133 043**	**12 443**	**15 073 845**

Foreign currency sensitivity analysis

The influence of potential changes in carrying amounts of financial instruments as at 31 December 2013 and 2012 arising from hypothetical changes in exchange rates of relevant currencies in relation to functional currency on profit before tax and hedging reserve:

	Influence on profit before tax			
2013	Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/CZK	15%	439 671	15%	(439 671)
USD/CZK	15%	(734 262)	15%	734 262
		(294 591)		**294 591**

	Influence on profit before tax			
2012	Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/CZK	15%	530 644	15%	(530 644)
USD/CZK	15%	(893 487)	15%	893 487
		(362 843)		**362 843**

(in thousands of CZK)

31.7.1 Currency risk (continued)

2013	Influence on hedging reserve Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/CZK	15%	(718 246)	15%	718 246
USD/CZK	15%	74 014	15%	(74 014)
		(644 232)		**644 232**

2012	Influence on hedging reserve Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/CZK	15%	(681 878)	15%	681 878
USD/CZK	15%	80 192	15%	(80 192)
		(601 686)		**601 686**

Variations of currency rates described above were calculated based on historical volatility of particular currency rates and analysts' forecasts.

Sensitivity of financial instruments for currency risk was calculated as a difference between the initial carrying amount of financial instruments (excluding derivative instruments) and their potential carrying amount calculated using assumed increases/(decreases) in currency rates. In case of derivative instruments, the influence of currency rate variations on fair value was examined at constant level of interest rates. The fair value of foreign currency forward contracts is determined based on discounted future cash flows of the transactions, calculated based on the difference between the forward rate and the transaction price.

31.7.2 Interest rate risk

The Group is exposed to the risk of volatility of cash flows arising from interest rate loans, bank loans and cash pool based on floating interest rates.

Interest rate structure of financial instruments as at 31 December 2013:

	PRIBOR	EURIBOR	LIBOR	Total after translation to CZK
Financial assets				
Loans granted	12 888	10 145	2 072	12 008
	-	**3 461**	**8 547**	**12 008**
Financial liabilities				
Loans	2 444 851	91 136	22 092	2 558 079
Cash pool	-	30 997	1 944	32 941
	2 444 851	**73 624**	**21 097**	**2 539 572**

Interest rate structure of financial instruments as at 31 December 2012:

	PRIBOR	EURIBOR	LIBOR	Total after translation to CZK
Financial assets				
Loans granted	19 804	850	-	20 654
	-	**850**	**-**	**20 654**
Financial liabilities				
Loans	596 708	45 469	2 130	644 307
Cash pool	-	28 463	1 660	30 123
	596 708	**73 932**	**3 790**	**674 430**

Interest rate sensitivity analysis

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

Interest rate	Assumed variation (in basis points) 2013	2012	Influence on profit before tax 2013	2012
Financial assets:				
EURIBOR	50	50	101	8
LIBOR	50	50	21	-
PRIBOR	50	50	64	99
			187	**108**
Financial liabilities:				
EURIBOR	50	50	611	370
LIBOR	50	50	120	19
PRIBOR	50	50	12 224	3 861
			12 955	**4 250**

The above interest rates variations were calculated based on observations of interest rates fluctuations in the current and prior year as well as on the basis of available forecasts.

The sensitivity analysis was performed on the basis of instruments held as at 31 December 2013 and 31 December 2012. The influence of interest rates changes was presented on annual basis.

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31.7.3 The risk of commodity prices and oil products

The Group is exposed to commodity price risk resulting from the adverse changes in raw material, mainly crude oil prices. Management addresses these risks by means of a commodity, supplier and client risk management. The Group analyses the exposure and enters to a minor extent into derivative commodity instruments to minimize the risk associated with the purchase of crude oil.

Sensitivity analysis of changes in crude oil, diesel oil, gasoline, bitumen and heating oil prices

Analysis of the influence of potential changes in the book values of financial instruments on profit before tax and hedging reserve in relation to a hypothetical change in prices of crude oil:

	Influence on financial result			
2013	**Increase of rate by**	**Total influence**	**Decrease of exchange rate by**	**Total influence**
Crude oil USD/BBL	5 USD/BBL	252 128	5 USD/BBL	(252 128)

	Influence on financial result			
2012	**Increase of rate by**	**Total influence**	**Decrease of exchange rate by**	**Total influence**
Crude oil USD/BBL	5 USD/BBL	126 972	5 USD/BBL	(126 972)

31.7.4 Emission allowances risk

The Group monitors the emission allowances granted to the Group under the National Allocation Plan and CO_2 emissions planned. The Group might enter into transactions on emission allowances market in order to cover for shortages or utilize the excess of obtained emission allowances over the required amount.

32. FAIR VALUE DETERMINATION

32.1 Financial instrument for which fair value cannot be measured reliably

As at 31 December 2013 and 31 December 2012 the Group held unquoted shares in entities amounting to CZK 522 thousand, for which fair value cannot be reliably measured, due to the fact that there are no active markets for these entities and no comparable transactions in the same type of instruments. Above mentioned shares were recognized as financial assets available for sale and measured at acquisition cost less impairment allowances. As at 31 December 2013 there are no binding decisions relating to the means and dates of disposal of those assets.

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

Fair value of shares quoted on active markets is determined based on market quotations (so called Level 1). In other cases, fair value is determined based on other input data, apart from market quotations, which are directly or indirectly possible to observe (so called Level 2) and data to valuation, which aren’t based on observable market data (Level 3).

The Group measures derivative instruments at fair value using valuation models for financial instruments based on generally available exchange rates, interest rates, forward and volatility curves for currencies and commodities quoted on active markets. As compared to the previous reporting period the Group has not changed valuation methods concerning derivative instruments.

The fair value of derivative instruments is based on discounted future cash flows of the transactions, calculated based on the difference between the forward rate and the transaction. Forward exchange rate is not modelled as a separate risk factor, but is derived from the relevant spot rate and forward interest rate for foreign currencies in relation to CZK.

Derivative instruments are presented as assets, when their valuation is positive and as liabilities, when their valuation is negative. Gains and losses resulting from changes in fair value of derivative instruments, for which hedge accounting is not applicable, are recognized in a current year profit or loss.

Derivative instruments presented as financial assets in amount of CZK 29 311 thousand as at 31 December 2013 (CZK 24 365 thousand as at 31 December 2012) and derivative instruments presented as financial liabilities in amount of CZK 316 266 thousand as at 31 December 2013 (CZK 148 248 thousand as at 31 December 2012) belong to Level 2 as defined by IFRS. The carrying amount of remaining financial assets and liabilities approximates their fair value.

In the year ended 31 December 2013 and the comparative period in the Group were no transfers between Levels 1, 2 and 3.

Investment property

As at 31 December 2013 and 31 December 2012 the Group possessed under non-financial assets the investment property, which fair value was estimated depending on the characteristics based on comparison or revenue approach.

The comparison approach was applied assuming, that the value of assessed property was equal to the market price of a similar property. The Group presented Investment property in carrying amount of CZK 116 826 thousand as at 31 December 2013 (31 December 2012: CZK 126 294 thousand) for which the fair value was estimated using comparison approach. Such assets belong to Level 3 as defined by IFRS 7.

In the revenue approach the calculation was based on the discounted cash flow method. 10 year period forecasts were applied in the analysis. The discount rate used reflects the relation, as expected by the buyer, between yearly revenue from an investment property and expenditures required to purchase investment property. Forecasts of discounted cash flows relating to the property consider arrangements included in all rent agreements as well as external data, e.g. current market rent charges for similar property, in the same location, technical conditions, standard and designed for similar purposes. The Group applied the revenue approach to investment property with carrying amount of CZK 310 657 thousand as at 31 December 2013 (31 December 2012: 297 055 thousand). The investment property valued under revenue approach is classified as the Level 3 defined by IFRS 7.

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32.2 Methods applied in determining fair values of financial instruments (fair value hierarchy) (continued)

The movements in the assets classified to the Level 3 fair values were as follows:

	2013	2012
Beginning of the period	297 055	296 243
Transfer from Property plant and equipment	17 347	491
Transfer to Property plant and equipment	(2 606)	-
Sum in profit or loss for the period	(1 139)	321
	310 657	**297 055**

Sensitivity analysis of changes in fair value of investment property classified under Level 3 fair value

Analysis of the influence of potential changes in the fair value of investment property on profit before tax in relation to a hypothetical change in discount rate:

		Level 3		
	Increase by	Total influence	Decrease by	Total influence
change in discount rate	+1pp	(18 065)	-1pp	18 065
		(18 065)		**18 065**

33. LEASES

33.1 The Group as lessee

Operating lease

At the balance sheet date, the Group possessed non-cancellable operating lease arrangements as a lessee.

Future minimum lease payments under non-cancellable operating lease arrangements were as follows:

	31/12/2013	31/12/2012
No later than one year	56 668	50 403
Later than one year and not later than five years inclusive	204 598	192 744
Later than five years	290 256	160 922
	551 522	**404 069**

The Group leases vehicles and offices under operating leases. The vehicle leases typically run for a two year period. Lease payments are increased annually to reflect market conditions. None of the leases includes contingent rentals.

Payments recognized as an expense were as follows:

	2013	2012
Non-cancellable operating lease	54 935	63 767
Cancellable operating lease	121 345	89 651
	176 280	**153 418**

Finance lease

At the balance sheet date, the Group possessed finance lease arrangements as a lessee.

Future minimum lease payments under finance lease arrangements were as follows:

	31/12/2013	31/12/2012
Less than one year	1 168	3 408
Between one and five years	1 430	2 409
	2 598	**5 817**

Present value of minimum lease payments under finance lease arrangements were as follows:

	31/12/2013	31/12/2012
Less than one year	1 123	3 163
Between one and five years	1 384	2 261
	2 507	**5 424**

The difference between total value of future minimum lease payments and their present value results from discounting of lease payments by the interest rate implicit in the agreement.

All leases are on a fixed repayment basis and no arrangements for contingent rental payments exist. The fair value of the Group's lease obligations approximates their carrying amount. All lease obligations are denominated in Czech crowns.

Net carrying amount of leased assets was as follows:

	31/12/2013	31/12/2012
Machinery and equipment	237 666	205 606
Vehicles and other	86 735	110 034
	324 401	**315 640**

33.2 The Group as lessor

As at 31 December 2013 and as at 31 December 2012 the Group did not possess any financial or operating lease agreements as a lessor.

34. INVESTMENT EXPENDITURE INCURRED AND CONTINGENT LIABILITIES FROM SIGNED INVESTMENT CONTRACTS

The total value of investment expenditure with borrowing costs amounted to CZK 2 404 089 thousand to 31 December 2013 and CZK 1 345 395 thousand to 31 December 2012, included to environmental expenditures of CZK 26 068 thousand and CZK 57 152 thousand.

As at 31 December 2013 the value of future liabilities resulting from contracts signed until this date amounted to CZK 826 363 thousand (as at 31 December 2012: CZK 336 501 thousand).

35. CONTINGENT LIABILITIES

Contingent liabilities and commitments related to the sale of shares in KAUČUK, a.s. (currently SYNTHOS Kralupy a.s.)

On 30 January 2007, UNIPETROL, a.s., as seller, and FIRMA CHEMICZNA DWORY S.A., with its registered office at ul. Chemików 1, 32-600 Oświęcim, Poland, KRS No.: 38981 ("Dwory"), as purchaser, executed the Share Purchase Agreement (the "Share Purchase Agreement") on sale of 100% shares of SYNTHOS Kralupy a.s., with its registered office at Kralupy nad Vltavou, O. Wichterleho 810, District Mělník, Postal Code: 278 52, Czech Republic, Id. No: 25053272.

Determination of Liability for the Impacts of the Operation of SYNTHOS Kralupy a.s. on the Environment

The environmental audit of plots of land owned by UNIPETROL, a.s. and used by SYNTHOS Kralupy a.s. was performed for the purpose of determining the liability of contractual parties arising from the existing or future impacts of SYNTHOS Kralupy a.s.´s operation on the environment.

The Share Purchase Agreement provides that liability for the environmental conditions originating prior to the closing of the transaction lies with UNIPETROL, a.s. and liability for the environmental conditions originating after the closing of the transaction lies with Dwory. Liability of the contractual parties for the environmental conditions is limited up to 10 % of the purchase price paid by Dwory for the shares in SYNTHOS Kralupy a.s. and the claim notice period available to Dwory was 5 years from closing of the transaction.

The Group's management, based on available information and current knowledge of the situation, does not expect any additional expense / payment related to the described issue.

Execution of an Agreement on Pre-emptive Right to Plots of Land Owned by UNIPETROL, a.s. and Used by SYNTHOS Kralupy a.s. for Its Operations

On 10 July 2007, UNIPETROL, a.s. and SYNTHOS Kralupy a.s. executed the agreement pursuant to which UNIPETROL, a.s. undertook to create in favour of SYNTHOS Kralupy a.s. the pre-emptive right and other rights to certain plots of land owned by UNIPETROL, a.s. in an industrial area in Kralupy nad Vltavou which are used by SYNTHOS Kralupy a.s. for its operations.

The share purchase agreement anticipates that the sale of the subject plots of land will be realized after satisfaction of all administrative, operational and legal conditions necessary for a split of parts of industrial area in Kralupy nad Vltavou.

Apart from the foregoing, the sale of shares of SYNTHOS Kralupy a.s. owned by UNIPETROL, a.s. to Dwory was based on the following major principles, among others:

- uninterrupted operation of the present butadiene unit;
- contractual satisfaction of supplies of energies, steam, water and other services within the industrial area in Kralupy nad Vltavou which are at present provided by SYNTHOS Kralupy a.s. to ČESKÁ RAFINÉRSKÁ, a.s.; and
- continuation of all important agreements with the companies of Unipetrol Group and further operation of the energy unit.

The Group's management, based on available information and current knowledge of the situation, does not expect any additional expense / payment related to the described issue.

Contingent liabilities related to the sale of shares in SPOLANA a.s.

The purchase price, in accordance with the share purchase agreement entered into in 2006 between UNIPETROL, a.s., and Zakłady Azotowe ANWIL Spółka Akcyjna (further Anwil), may be subject to price adjustments which would result mainly on the occurrence of any of the following events:

- Environmental guarantees provided by the National Property Fund of the Czech Republic will not be sufficient for compensation of costs for the environmental damage remediation of the Old Amalgam Electrolysis project.
  In this case UNIPETROL, a.s. will be obligated to financially indemnify Anwil up to 40 % of the purchase price provided that all necessary steps will have been taken by Anwil and SPOLANA a.s. without success for obtaining additional funds for this purpose.
- Other potential obstacles in the future operation of SPOLANA a.s. In this case UNIPETROL, a.s. will be obligated to financially indemnify Anwil up to 1-3 % of the purchase price.

The Group's management, based on available information and current knowledge of the situation, does not expect any additional expense / payment related to the described issue.

Purchase of shares of PARAMO, a.s.

In January 2009 UNIPETROL, a.s. effected a squeeze out of PARAMO, a.s. shares within the meaning of Sections 183i et seq. of the Commercial Code and became sole shareholder of PARAMO, a.s.

In accordance with the resolutions of the Extraordinary General Meeting of PARAMO, a.s. of 6 January 2009, all other shares in PARAMO, a.s were transferred to the Company and the Company provided to the other shareholders of PARAMO, a.s. and/or pledges, the monetary consideration of CZK 977 per share of PARAMO, a.s. On 4 February 2009 the registration of the above resolution of the Extraordinary General Meeting was published in the Czech Commercial Register.

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35. CONTINGENT LIABILITIES (CONTINUED)

Pursuant to the Czech Commercial Code, the ownership title to shares of the other shareholders passed to the Company on 4 March 2009 upon expiration of one month from the above publication and UNIPETROL, a.s. became the sole shareholder of PARAMO, a.s.
In connection with the squeeze-out, certain minority shareholders of PARAMO, a.s. filed a petition with the Regional Court in Hradec Králové for a review of the adequacy of compensation within the meaning of the Czech Commercial Code. The case is now pending at the Regional Court in Hradec Kralové.

Furthermore some former minority shareholders of PARAMO, a.s. requested the Regional Court in Hradec Králové to declare the invalidity of PARAMO, a.s. general meeting resolution dated 6 January 2009 and the District Court in Prague 4 to review the decision of 28 November 2008 by which the Czech National Bank granted in accordance with Section 183n(1) of the Czech Commercial Code its previous approval with the monetary consideration provided under the above squeeze-out. Regarding the case for declaration of invalidity of the PARAMO, a.s., the Regional Court in Hradec Kralove dismissed the petition for declaration of invalidity of the PARAMO, a.s. general meeting resolution dated 6 January 2009. Certain minority shareholders filed an extraordinary appeal against this decision and the case is now pending before the Supreme Court of the Czech Republic. The cassation appeal of certain minority shareholders concerning the invalidity of the General Meeting resolution was dismissed by the Supreme Court though the resolution dated 19 December 2013. The Supreme Court´s resolution is final and unappealable.

In the case of the proceedings concerning the previous approval of the Czech National Bank, the action was dismissed by the District Court for Prague 4 in favor of the Czech National Bank and UNIPETROL, a.s. The proceedings are pending before the Municipal Court in Prague.

With respect to the above described facts regarding determination of the consideration value, the Czech National Bank decision and approval of the Extraordinary General Meeting of PARAMO, a.s., UNIPETROL, a.s. considers that the petition for review of reasonableness of consideration is unfounded.

Transportation contracts

The transportation of crude oil supplies through pipelines for UNIPETROL RPA, s.r.o. is provided by MERO ČR, a.s. and TRANSPETROL, a.s. via ČESKÁ RAFINÉRSKÁ, a.s. As at 31 December 2013, ČESKÁ RAFINÉRSKÁ, a.s. held a contract for transportation with TRANSPETROL, a.s., covering years 2013 and 2014. Due to complicated and lengthy negotiations, there is no transportation contract in place with MERO ČR, a.s. Transportation of crude oil is provided by MERO ČR, a.s. on a regular basis with no disruptions; transportation is based on conditions and transportation tariff of the previous contract.

The Group management does not expect any impact on the business activities caused by non-existence of long-term contract with MERO ČR, a.s. The effect on financial statements is currently not measurable.

36. GUARANTEES AND SECURITIES

Guarantees

Based on the Group's request the bank guarantees relating to the security of customs debt, excise tax at customs offices and other purposes were issued. The total balance of guarantees related to excise tax amounted to CZK 1 261 864 thousand as at 31 December 2013 (31 December 2012: CZK 1 845 301 thousand) and to other purposes amounted to CZK 22 935 thousand (31 December 2012: CZK 13 394 thousand).

Past environmental liabilities

The Group is the recipient of funds provided by the National Property Fund of the Czech Republic for settling environmental liabilities relating to historic environmental damage.
An overview of funds provided by the National Property Fund (currently administered by the Ministry of Finance) for the environmental contracts is provided below:

In CZK million	Total amount of funds to be provided	Used funds as at 31/12/2013	Unused funds as at 31/12/2013
UNIPETROL, a.s./ premises of UNIPETROL RPA, s.r.o.	6 012	3 688	2 324
UNIPETROL, a.s./ premises of SYNTHOS Kralupy a.s.	4 244	49	4 195
BENZINA, s.r.o.	1 349	458*	891
PARAMO, a.s./ premises in Pardubice	1 241	479	762
PARAMO, a.s./ premises in Kolín	1 907	1 694	213
	14 753	**6 368**	**8 385**

In CZK million	Total amount of funds to be provided	Used funds as at 31/12/2012	Unused funds as at 31/12/2012
UNIPETROL, a.s./ premises of UNIPETROL RPA, s.r.o.	6 012	3 395	2 617
UNIPETROL, a.s./ premises of SYNTHOS Kralupy a.s.	4 244	48	4 196
BENZINA, s.r.o.	1 349	430*	919
PARAMO, a.s./ premises in Pardubice	1 241	387	854
PARAMO, a.s./ premises in Kolín	1 907	1 651	256
	14 753	**5 911**	**8 842**

* Without the costs of the already completed rehabilitation of the petrol stations network of the former Kpetrol 1995-1999 of CZK 40 million and clean-up costs spent before 1997 in amount of approximately of CZK 500 million.

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37. RELATED PARTIES

37.1 Material transactions concluded by the Group Companies with related parties

In year ended 31 December 2013 and in 2012 there were no transactions concluded by the Group with related parties on other than arm's length terms.

37.2 Transactions with key management personnel

In year ended 31 December 2013 and in 2012 the Group companies did not grant to key management personnel and their relatives any advances, loans, guarantees and commitments or other agreements obliging them to render services to Group companies and related parties. In year ended 31 December 2013 and in 2012 there were no significant transactions concluded with members of the Board of Directors, Supervisory Board, their spouses, siblings, descendants, ascendants or their other relatives.

37.3 Transaction with related parties concluded by key management personnel of the Group companies

In year ended 31 December 2013 and in 2012 members of the key management personnel of the parent company and the Group companies submitted statements that they have not concluded any transaction with related parties.

37.4 Transactions and balances of settlements of the Group companies with related parties

Parent and ultimate controlling party

During 2013 and 2012 a majority (62.99%) of the Company's shares were in possession of POLSKI KONCERN NAFTOWY ORLEN S.A.

2013	PKN Orlen	Jointly-controlled entities	Entities under control or significant influence of PKN Orlen
Sales	467 939	2 416 363	5 176 424
Purchases	57 010 298	3 257 955	2 753 853
Finance income, including	-	452 153	-
dividends	-	449 729	-
Finance costs	2 689	30	22 742

31/12/2013	PKN Orlen	Jointly-controlled entities	Entities under control or significant influence of PKN Orlen
Long term receivables	-	24 201	-
Short term financial assets	-	-	12 217
Trade and other receivables	24 355	389 276	610 615
Trade and other liabilities, loans	6 923 050	356 638	389 630

2012	PKN Orlen	Jointly-controlled entities	Entities under control or significant influence of PKN Orlen
Sales	252 540	3 472 628	2 546 193
Purchases	60 942 489	2 385 297	2 399 323
Finance income, including	-	72 697	116 095
dividends	-	68 680	-
Finance costs	19 489	306	12 449

31/12/2012	PKN Orlen	Jointly-controlled entities	Entities under control or significant influence of PKN Orlen
Long term receivables	-	39 486	-
Short term financial assets	-	-	848
Trade and other receivables	69	310 801	273 717
Trade and other liabilities, loans	5 853 280	369 414	222 951

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38. REMUNERATION PAID AND DUE OR POTENTIALLY DUE TO MANAGEMENT BOARD, SUPERVISORY BOARD AND OTHER MEMBERS OF KEY EXECUTIVE PERSONNEL OF PARENT COMPANY AND THE GROUP COMPANIES IN ACCORDANCE WITH IAS 24

The Management Board's, the Supervisory Board's and other key executive personnel's remuneration includes short term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits paid, due and potentially due during the period.

38.1 Key management personnel and statutory bodies' members' compensation

Further detailed information regarding remuneration of key management personnel is included in note 27.3.

	2013		2012	
	Short-term benefits	Termination benefits	Short-term benefits	Termination benefits
Remuneration of current period	219 140	7 571	250 835	10 327
Paid for previous year	49 450	1 065	45 365	-

38.2 Bonus system for key executive personnel of the Group

In 2013 the key executive personnel was participating in the annual MBO bonus system (management by objectives). The regulations applicable to Management Board, directors directly reporting to Management Boards of entities and other key positions have certain common features. The persons subject to the above mentioned systems are remunerated for the accomplishment of specific goals set at the beginning of the bonus period, by the Supervisory Board for the Management Board Members and by the Management Board members for the key executive personnel. The bonus systems are structured in such way, so as to promote the cooperation between individual employees in view to achieve the best possible results for the Group. The goals so-said are qualitative or quantitative (measurable) and are accounted for following the end of the year for which they were set, on the rules adopted in the applicable Bonus System Regulations. Regulation gives the possibility to promote employees, who significantly contribute to results generated by the Group.

39. INFORMATION CONCERNING SIGNIFICANT PROCEEDINGS IN FRONT OF COURT, BODY APPROPRIATE FOR ARBITRATION PROCEEDINGS OR IN FRONT OF PUBLIC ADMINISTRATION BODIES

Claims regarding reward for employees' intellectual work

In the year 2001 the court case commenced regarding the reward for the employees' intellectual work between UNIPETROL RPA, s.r.o. and its two employees. Employees demanded reward of approx. CZK 1.8 million. UNIPETROL RPA, s.r.o. as defendant did not agree and offered the reward amounting to approx. CZK 1.4 million, based on experts' valuations. In 2005 Employees plaintiffs filed the next petition to the court to extend the action to an amount of approx. CZK 82 million. The first instance hearing was held on 18 October 2011. An experts´ valuation ordered by the court confirmed the amount of the reward payable to the employees in the amount of CZK 1.6 million. One of the employees accepted payment of his share in the reward confirmed by the expert in the expert valuation order by the court.

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

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

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

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

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

39. INFORMATION CONCERNING SIGNIFICANT PROCEEDINGS IN FRONT OF COURT, BODY APPROPRIATE FOR ARBITRATION PROCEEDINGS OR IN FRONT OF PUBLIC ADMINISTRATION BODIES (CONTINUED)

Claims for compensation of damages filed by SDP Logistics sklady a.s against UNIPETROL RPA, s.r.o.
On 9 July 2012 UNIPETROL RPA, s.r.o. received a petition filed by SDP Logistics sklady a.s. for compensation of damages.
UNIPETROL RPA, s.r.o. concluded on 21 March 2010 with SDP Logistics sklady a.s. ("SDP") a contract relating to storage ("Contract") for a definite period of time - until 31 July 2011. SDP claims that UNIPETROL RPA, s.r.o. failed to remove all stored products before the contract termination date.
SDP claims CZK 25 million as a contractual penalty payable to SDP as a result of not making the storage space available for a new client. SDP additionally claims CZK 120 million as loss of profit caused by not being able to provide the contracted storage capacity to a new SDP client after 1 August 2011. Furthermore SDP has blocked the goods of UNIPETROL RPA, s.r.o. (stored in the warehouse) until the said damages are covered by UNIPETROL RPA, s.r.o.
UNIPETROL RPA, s.r.o. does not recognize the alleged claim and considers the claim as unjustified and unfounded.
During the twelve month period ended 31 December 2013 there were no material changes in relation to the issue. The next hearing is scheduled for 29 April 2014.

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

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

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

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

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

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40. SIGNIFICANT POST BALANCE SHEET EVENTS

Acquisition of 16.335% stake in ČESKÁ RAFINÉRSKÁ, a.s. from Shell

On 31 January 2014 UNIPETROL, a.s. ("Unipetrol") completed the transaction of acquisition of 152 701 shares of ČESKÁ RAFINÉRSKÁ, a.s. ("Česká rafinérská") amounting to 16.335% of the Česká rafinérská's share capital from Shell Overseas Investments B.V. ("Shell") following the conclusion of share purchase agreement on 7 November 2013. The acquisition price for the shares in amount of USD 27.2 million was settled by cash. The transaction was an opportunistic acquisition fully in line with Unipetrol Group Strategy 2013-2017 announced in June 2013 and supporting its execution thanks to: increasing security of petrochemical feedstock supplies, faster implementation of Operational Excellence initiatives and strengthening long-term presence on the Czech market.

Based on the completion of the transaction Unipetrol's stake on the Česká rafinérská's share capital has increased from 51.22% to 67.555%.

Unipetrol based on regulations included in IFRSs will continue to account for its investment in Ceska rafinerska as jointly controlled entity due to existence of collective control of all shareholders. Contractual arrangements between shareholders require unanimous consent of all shareholders in case of certain decision of significant importance for relevant activities of the entity.

As at the date of authorizing these consolidated financial statements for publication the impact of the transaction is being estimated. It will be recognized in the consolidated financial statements of the Group in 2014. The impact will be calculated based on the accounting principles described under point 3.5.1 Business combinations and 3.5.6.1 Goodwill in Group accounting principles and policies. Based on data of ČESKÁ RAFINÉRSKÁ, a.s. used for UNIPETROL Group consolidation purposes as at 31 December 2013 the Group expects as a result of the transaction an increase of net consolidated assets approximately in amount of CZK 1 billion. The actual result will be calculated based on data as at day of the transaction and can differ from current estimate.

The Group's management is not aware of any other events that have occurred since the balance sheet date that would have any material impact on the financial statements as at 31 December 2013.

41. APPROVAL OF THE FINANCIAL STATEMENT

The consolidated financial statements were authorized for issue by the Board of directors meeting of the Company held on 12 March 2014.

Signature of statutory representatives	12 March 2014
Marek Switajewski	
Marek Świtajewski	Mirosław Kastelik
Chairman of the Board of Directors	Member of the Board of Directors