



# **UNIPETROL, a.s.**

**SEPARATE FINANCIAL STATEMENTS**  
Translation from the Czech original

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

**FOR THE YEAR 2014**

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

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

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

### *Statutory Body's Responsibility for the Separate Financial Statements*

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

### *Auditor's Responsibility*

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

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

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



*Opinion*

In our opinion, the separate financial statements give a true and fair view of the financial position of UNIPETROL, a.s. as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Prague  
3 March 2015

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

Separate statement of profit or loss and other comprehensive income

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

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 8-47.

**Separate statement of financial position**

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

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 8-47.

**Separate statement of changes in equity**

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

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 8-47.



**Separate statement of cash flows**

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

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 8-47.

## ACCOUNTING PRINCIPLES AND OTHER EXPLANATORY NOTES

### 1. DESCRIPTION OF THE COMPANY

#### *Establishment of the Company*

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

#### *Identification number of the Company*

616 72 190

#### *Registered office of the Company*

UNIPETROL, a.s.  
Na Pankraci 127  
140 00 Praha 4  
Czech Republic

#### *Principal activities*

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

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

#### *Ownership structure*

The shareholders as at 31 December 2014 are as follows:

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

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

#### *Statutory and supervisory bodies*

Members of the statutory and supervisory bodies of UNIPETROL, a.s. as at 31 December 2014 were as follows:

	Position	Name
<b>Board of Directors</b>	Chairman	Marek Świtajewski
	Vice-chairman	Piotr Wielowieyski
	Member	Martin Durčák
	Member	Miroslaw Kastelik
	Member	Andrzej Kozłowski
	Member	Lukasz Piotrowski
<b>Supervisory Board</b>	Chairman	Dariusz Jacek Krawiec
	Vice-chairman	Ivan Kočárník
	Vice-chairman	Sławomir Jędrzejczyk
	Member	Piotr Kearney
	Member	Zdeněk Černý
	Member	Krystian Pater
	Member	Rafał Sekuła
	Member	Piotr Chełmiński
	Member	Bogdan Dzdżewicz

## 1. DESCRIPTION OF THE COMPANY (CONTINUED)

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

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

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

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

## 2. STATEMENTS OF THE MANAGEMENT BOARD

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

## 3. ACCOUNTING PRINCIPLES

### 3.1 Principles of preparation of financial statements

The separate financial statements (hereinafter also “non-consolidated financial statements”) have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations approved by the International Accounting Standards Board (IASB) which were adopted by the European Union (EU) and were in force as at 31 December 2014. Financial statements have been prepared based on historical cost, except for: derivatives, financial instruments at fair value through profit and loss, financial assets available for sale, and investment properties stated at fair value.

The non-consolidated financial statements are compliant with all requirements of IFRSs adopted by the EU and present a true and fair view of the Company's financial position as at 31 December 2014, results of its operations and cash flows for the year ended 31 December 2014.

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

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

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

#### 3.2.1 Binding amendments and interpretations to IFRSs

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

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

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

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

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

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

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

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

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

### 3.3 Functional and presentation currency

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

### 3.4 Accounting policies applied by the Company

#### 3.4.1 Change in accounting policies, estimates and prior period errors

An entity shall change an accounting policy only if the change:

- is required by an IFRS or
- results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the financial position, financial performance or cash flows.

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

Items of financial statements based on an estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience.

The correction of a material prior period error is made to the equity. When preparing the financial statements it is assumed that the errors were corrected in the period when they occurred.

### 3.4.2 Foreign currency

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

At the end of the reporting period:

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

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

### 3.4.3 Revenues

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

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

Revenues from sale of finished goods, merchandise, materials and services are recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the sale transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenues from sale of finished goods, merchandise, raw materials and services are recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. Revenues are measured at fair value of the consideration received or receivable decreased by the amount of any discounts, value added tax (VAT), excise tax and fuel charges.

Revenues are measured at fair value of the received or due payments. Revenues realized on settlement of financial instruments hedging cash flows adjust revenues from sale of inventories and services.

Revenues and expenses relating to services for which the start and end dates fall within different reporting periods are recognized based on the percentage of completion method, if the outcome of a transaction can be measured reliably, i.e. when total contract revenue can be measured reliably, it is probable that the economic benefits associated with the contract will flow to the Company and the stage of completion can be measured reliably. If those conditions are not met, revenues are recognized up to the cost incurred, but not greater than the cost which are expected to be recovered by the Company.

#### 3.4.3.2 Revenue from licenses, royalties and trade marks

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

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

#### 3.4.3.3 Franchise revenues

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

#### 3.4.3.4 Rental income

Rental income from investment property is recognized in the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease.

### 3.4.4 Costs

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

#### 3.4.4.1 Cost of sales

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

#### 3.4.4.2 Distribution expenses

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

#### 3.4.4.3 Administrative expenses

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

#### 3.4.5 Other operating income and expenses

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

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

#### 3.4.6 Finance income and finance costs

Finance income includes, in particular, income from the sale of shares and other securities, dividends received, interest earned on cash in bank accounts, term deposits and loans granted, increase in the value of financial assets and net foreign exchange gains.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

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

#### 3.4.7 Income tax expenses

Income tax comprises current tax and deferred tax.

Current tax is determined in accordance with the relevant tax law based on the taxable profit for a given period.

Tax liabilities for current and prior periods represent the amounts payable at the reporting date. If the amount of the current income tax paid exceeds the amount due the excess is recognized as a receivable.

Taxable profit differs from net profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rate valid as at the first date of the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences, tax losses and tax reliefs carried forward to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Taxable temporary differences are temporary differences that will result in increasing taxable amounts of future periods when the carrying amount of the asset or liability is recovered or settled.

Taxable temporary differences arise when the carrying amount of an asset at the end of reporting period is higher than its tax base or when the carrying amount of a liability is lower than its tax base.

Deductible temporary differences are temporary differences that will result in reducing taxable amounts of future periods when the carrying amount of the asset or liability is recovered or settled. Deductible temporary differences arise when the carrying amount of an asset is lower than its tax base or when the carrying amount of a liability is higher than its tax base.



#### 3.4.7. Income tax expenses (continued)

Deductible and taxable temporary differences may also arise in connection with items not recognized in the accounting records as assets or liabilities. Tax base is determined in relation to expected recovery of assets or settlement of liabilities.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are recognized regardless of when the timing difference is likely to be realized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the statement of profit or loss and other comprehensive income.

The deferred tax assets and liabilities are measured at the end of each reporting period using enacted tax rates binding for the year in which the tax obligation arises, based on tax rates published in tax law.

Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities relating to transactions settled directly in equity are recognised in equity. Deferred tax assets and liabilities are accounted for as non-current assets or non-current liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends and is able to settle its current tax assets and liabilities on a net basis.

#### 3.4.8 Earnings per share

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

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

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

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

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

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

#### 3.4.9 Property, plant and equipment

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

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

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

The cost of an item of property, plant and equipment includes also estimated costs of dismantling and removing the item and restoring the site/land on which it is located, the obligation for which is connected with acquisition or construction of an item of property, plant and equipment and capitalized borrowing costs-

### 3.4.9 Property, plant and equipment (continued)

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

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

Components of property, plant and equipment which are material for the whole item are depreciated separately in accordance with their useful life.

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

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

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

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

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

### 3.4.10 Investment property

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

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

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

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

After initial recognition investment property shall be measured at fair value- Gains and losses resulting from changes in fair value of investment property are presented in the statement of profit or loss and other comprehensive income in the period which they arise. The Company determines fair value without any deduction for transaction costs it may incur on sale or other disposal.

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

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

### 3.4.11 Intangible assets

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

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



### 3.4.11 Intangible assets (continued)

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

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

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

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

Intangible assets are measured at acquisition or at construction cost less amortization and impairment allowances. Intangible assets with a finite useful life are amortized when it is available for use that is when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management over their estimated useful life. The depreciable amount of an asset with a finite useful life is determined after deducting its residual value. Excluding particular cases, the residual value of an intangible asset with a finite useful life shall be assumed to be zero.

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

The following standard useful lives are used for intangible assets:

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

Appropriateness of the applied amortization periods and rates is periodically reviewed, at least at the end of the reporting year, and potential adjustments to amortization allowances are made in the subsequent periods. Intangible assets with an indefinite useful life are not amortized. Their value is decreased by the eventual impairment allowances. Additionally, the useful life of an intangible asset that is not being amortized shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

#### 3.4.11.1 Goodwill

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

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

- the consideration transferred, which generally requires acquisition-date fair value,
- the amount of any non-controlling interest in the acquire, and
- in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquire;
- the value of b) corresponds to the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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

The acquirer shall measure goodwill in the amount recognised at the acquisition date less any accumulated impairment allowances.

A cash-generating unit to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired. The annual impairment test may be performed at any time during an annual period, provided the test is performed at the same time every year.

### 3.4.11.1 Goodwill (continued)

A cash-generating unit to which no goodwill has been allocated shall be tested for impairment only when there are indicators that the cash-generating unit might be impaired.

An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the acquirer shall also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

### 3.4.11.2 Carbon dioxide emission allowances

By the virtue of The Kyoto Protocol, the countries, which decided to ratify the Protocol, obliged themselves to reduce emissions of greenhouse gases, i.e. carbon dioxide (CO<sub>2</sub>).

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<sub>2</sub> in specified amount and are obliged to amortise those rights in the amount of the emissions of the given year.

CO<sub>2</sub> 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<sub>2</sub> 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<sub>2</sub> emission allowances are amortised against the book value of provision, at its settlement. Outgoing of allowances is recognised using FIFO method (First In, First Out) within the individual types of rights (EUA - European Union Allowances, ERU – Emission Reductions Units, CER – Certified Emission Reduction).

### 3.4.12 Borrowing costs

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

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

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

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

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

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

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

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

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

### 3.4.13 Impairment of assets

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

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

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

To the cash generating unit following assets are allocated:

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

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

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

### 3.4.13 Impairment of assets (continued)

The impairment loss shall be allocated to the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

At the end of each reporting period an assessment shall be made whether an impairment loss recognized in prior periods for an asset shall be partly or completely reversed. Indications of a potential decrease in an impairment loss mainly mirror the indications of a potential impairment loss in prior periods.

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

### 3.4.14 Inventories

Inventories are assets held for sale in the ordinary course of business, or in the process of production for such sale, or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

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

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

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

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

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

Merchandise and materials are measured initially at acquisition cost.

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

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

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

### 3.4.15 Trade and other receivables

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

### 3.4.16 Cash and cash equivalents

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

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

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale.

Non-current assets are classified as held for sale when the following criteria are simultaneously met:

- the sales were declared by the appropriate level of management;
- the assets are available for an immediate sale in their present condition;
- an active program to locate a buyer has been initiated;
- the sale transaction is highly probable and can be settled within 12 months following the sale decision;
- the selling price is reasonable in relation to its current fair value;
- it is unlikely that significant changes to the sales plan of these assets will be introduced.

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

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

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

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

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

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

### 3.4.18 Equity

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

#### 3.4.18.1 Share capital

The share capital is paid by shareholders and is stated at nominal value in accordance with the Company's articles of association and the entry in the Commercial Register. Declared but not paid share capital is presented as outstanding share capital contributions. The Company's own shares and outstanding shares capital contributions decrease the equity.

#### 3.4.18.2 Statutory reserves

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

#### 3.4.18.3 Hedging reserve

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

#### 3.4.18.4 Revaluation reserve

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

- change of the fair value of the available-for-sale financial assets;
- differences between the net book value and the fair value of the investment property at the date of reclassification from the property occupied by the Company to the investment property.

#### 3.4.18.5 Retained earnings

Retained earnings include:

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

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

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

#### 3.4.19 Liabilities

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

#### 3.4.20 Accruals

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

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

#### 3.4.21 Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured reliably. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation the provision is reversed. The provision is used only for expenditures for which the provision was originally recognized.

When the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation. If the discounting method is applied, the increase of provisions with time is recognised as financial expenses.

The Company establishes provisions for environmental damages, legal disputes, penalties, estimated expenditures related to the fulfilment of obligations as a result of warranty claims, CO<sub>2</sub> emission allowances and jubilee bonuses and retirement benefits. No provisions are established in respect of environmental damages which occurred prior to establishment of the Company as the Czech government contractually committed to reimburse the Company for clean-up costs. Provisions are not recognised for the future operating losses.

##### 3.4.21.1 Shield programs

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



#### 3.4.21.2 Environmental provision

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

#### 3.4.21.3 CO<sub>2</sub> emissions costs

The Company creates provision for the estimated CO<sub>2</sub> emission during the reporting period in operating activity costs (taxes and charges).

#### 3.4.21.4 Jubilee bonuses and retirement benefits

##### *Retirement benefits and jubilee bonuses*

Under the Company's remuneration plans, its employees are entitled to jubilee bonuses and retirement benefits. The jubilee bonuses are paid to employees after elapse of a defined number of years in service. The retirement benefits are paid once at retirement. The amount of retirement benefits and jubilee bonuses depends on the number of years of service and an employee's average remuneration. The Company creates a provision for future retirement benefits and jubilee bonuses in order to allocate costs to relevant periods.

The jubilee bonuses are other long-term employee benefits, whereas retirement and pension benefits are classified as retirement defined benefit plans.

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

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

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

#### 3.4.21.5 Business risk

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

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

#### 3.4.22 Government grants

Government grants are transfers of resources to the Company by government, government agencies and similar bodies whether local, national or international in return for past or future compliance with certain conditions relating to the activities of the entity.

Government grants are recognized in the statement of financial position as deferred income when there is reasonable assurance that it will be received and that the Company will comply with the conditions attached to it.

Grants related to costs are presented as compensation to the given cost at the period they are incurred. The surplus of the received grant over the value of the given cost is presented as other operating income.

If the government grants relates to assets, it is presented net with the related asset and is recognized in statement of profit or loss on a systematic basis over the useful life of the asset through the decreased depreciation charges, the treatment regarding Carbon dioxide emission allowances granted is described in note 3.4.11.2.

### 3.4.23 Non-consolidated statement of cash flows

The non-consolidated statement of cash flows is prepared using indirect method.

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

Dividends received are presented in cash flows from investing activities.

Dividends paid are presented in cash flows from financing activities.

Interest received from finance leases, loans granted, short-term securities and cash pool system are presented in cash flows from investing activities. Other interests received are presented in cash flows from operating activities.

Interest paid and provisions on bank loans and borrowings received, cash pool facility, debt securities issued and finance leases are presented in cash flows from financing activities. Other interests paid are presented in cash flows from operating activities.

### 3.4.24 Financial instruments

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

#### 3.4.24.1 Recognition and derecognition in the non-consolidated statement of financial position

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

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

The Company derecognises a financial asset from the statement of financial position when and only when:

- the contractual rights to the cash flows from the financial asset expire, or
- it transfers the financial asset to another party.

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

- is discharged, or
- is cancelled, or
- expired.

#### 3.4.24.2 Measurement of financial assets and liabilities

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

For the purpose of measuring a financial asset at the end of the reporting period or any other date after initial recognition, the Company classifies financial assets into the following four categories:

- financial assets at fair value through profit or loss,
- held-to-maturity investments,
- loans and receivables,
- available-for-sale financial assets.

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

A financial asset at fair value through profit or loss is a financial asset that has been designated by the Company upon initial recognition as at fair value through profit or loss or classified as held for trading if it is:

- acquired principally for the purpose of selling or repurchasing in the near term, or
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit making, or
- a derivative (except for a derivative that is an effective hedging instrument).

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

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

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



#### 3.4.24.3 Measurement of financial assets at fair value

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

Fair value of financial assets is determined in compliance with fair value measurement principle.

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

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

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

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

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

#### 3.4.24.4 Measurement of financial assets at amortized cost

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

#### 3.4.24.5 Measurement of financial liabilities at fair value

As at the end of the reporting period or other dates after the initial recognition the Company measures financial liabilities at fair value through profit or loss (including particularly derivatives which are not designated as hedging instruments). Regardless of characteristics and purpose of a purchase transaction, the Company classifies initially selected financial liabilities as financial liabilities at fair value through profit or loss, when doing so results in more relevant information. The fair value of incurred financial liability is measured in accordance with the principles of fair value measurement.

#### 3.4.24.6 Measurement of financial liabilities at amortized cost

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

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

#### 3.4.24.7 Transfers

The Company:

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

#### 3.4.24.8 Impairment of financial assets

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

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

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

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

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

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

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

#### 3.4.24.9 Embedded derivatives

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

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

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

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

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

### 3.4.24.10 Hedge accounting

Derivatives designated as hedging instruments whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a hedged item are accounted for in accordance with fair value or cash flow hedge accounting, if all of the following conditions are met:

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

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

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

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

If a fair value hedge is used, it is accounted for as follows:

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

The Company discontinues fair value hedge accounting if:

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

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

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

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

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

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

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

#### 3.4.24.10 Hedge Accounting (continued)

The Company discontinues cash flow hedge accounting if:

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

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

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

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

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

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

#### 3.4.25 Fair value measurement

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

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

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

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

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

The adjusted input include:

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

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

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

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

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

### 3.4.25 Fair value measurement (continued)

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

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

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

### 3.4.26 Lease

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

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

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

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

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

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

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

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

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

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

### 3.4.27 Contingent assets and liabilities

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

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

Contingent assets are not recognized in the statement of financial position as it may lead to recognition of the income, which will never be gained; however the respective information on the contingent receivable is disclosed if the inflow of assets relating to economic benefits is probable the Company discloses respective information on the contingent asset in the additional information to financial statements and if practicable, estimates the influence on financial results, as according to accounting principles for valuation of provisions.

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

### 3.4.28 Subsequent events after the reporting date

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

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

## 4. APPLICATION OF PROFESSIONAL JUDGEMENTS AND ASSUMPTIONS

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

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

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

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in notes: 10 Tax expense, 11 Property, plant and equipment in relation to impairment, 12 Investment property.

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



## 5. THE PARENT COMPANY AND STRUCTURE OF THE CONSOLIDATED GROUP

The following table shows subsidiaries and joint operations forming the consolidated Group of UNIPETROL, a.s., and the parent company's interest in the capital of subsidiaries and joint operations held either directly by the parent company or indirectly by the consolidated subsidiaries and allocation of subsidiaries into the Operating segments (information as of 31 December 2014).

Name and place of business	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries	Operating segment	Website
<b>Parent company</b>				
UNIPETROL, a.s. Na Pankráci 127, 140 00 Praha 4, Czech Republic			Corporate functions	www.unipetrol.cz
<b>Subsidiaries consolidated in full method</b>				
BENZINA, s.r.o. Na Pankráci 127, 140 00 Praha 4, Czech Republic	100.00%	--	Retail	www.benzinaplus.cz
PARAMO, a.s. Přerovská 560, 530 06 Pardubice, Czech Republic	100.00%	--	Downstream	www.paramo.cz
UNIPETROL RPA, s.r.o. Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00%	--	Downstream Corporate functions	www.unipetrolrpa.cz
UNIPETROL SERVICES, s.r.o. Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00%	--	Corporate functions	www.unipetrolservices.cz
UNIPETROL DOPRAVA s.r.o. Litvínov - Růžodol č.p. 4, 436 70 Litvínov, Czech Republic	0.12%	99.88%	Downstream	www.unipetrol doprava.cz
UNIPETROL Deutschland GmbH Paul Ehrlich Str. 1/B, 63225 Langen/Hessen, Germany	0.10%	99.90%	Downstream	www.unipetrol.de
PETROTRANS, s.r.o. Střelnická 2221, 182 00 Praha 8, Czech Republic	0.63%	99.37%	Retail	www.petrotrans.cz
UNIPETROL SLOVENSKO s.r.o. Panónská cesta 7, 850 00 Bratislava, Slovak Republic	13.04%	86.96%	Downstream	www.unipetrol.sk
POLYMER INSTITUTE BRNO, spol. s r.o. Tkalcovská 36/2, 656 49 Brno, Czech Republic	1.00%	99.00%	Downstream	www.polymer.cz
Paramo Oil s.r.o. (dormant entity) Přerovská 560, 530 06 Pardubice, Czech Republic	--	100.00%	Downstream	
Výzkumný ústav anorganické chemie, a.s. Revoluční 84/č.p. 1521, Ústí nad Labem, Czech Republic	100.00%	--	Downstream	www.vuanch.cz
UNIPETROL RAFINÉRIE, s.r.o. (dormant entity) Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00%	--	Downstream	
HC VERVA Litvínov, a.s. Litvínov, S.K. Neumanna 1598, Czech Republic	--	70.95%	Corporate functions	www.hokej-litvinov.cz
CHEMOPETROL, a.s. (dormant entity) Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	--	100.00%	Downstream	
MOGUL SLOVAKIA s.r.o. Hradiště pod Vrátnom, U ihriska 300, Slovak Republic	--	100.00%	Downstream	www.mogul.sk
UNIPETROL AUSTRIA HmbH in Liquidation Viedeň, Apfelfgasse 2, Austria	100.00%	--	Downstream	
<b>Joint operations consolidated based on shares in assets and liabilities</b>				
ČESKÁ RAFINÉRSKÁ, a.s. Záluží 2, 436 70 Litvínov, Czech Republic	67.56%	--	Downstream	www.ceskarafinerska.cz
Butadien Kralupy a.s. O. Wichterleho 810, 278 01 Kralupy nad Vltavou, Czech Republic	51.00%	--	Downstream	

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

### *Changes in structure of the Group*

#### **Liquidation of UNIPETROL TRADE Group**

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

#### **Acquisition of 16,335% stake in Česká rafinérská from Shell Overseas Investments B.V.**

On 31 January 2014 UNIPETROL, a.s. ("Unipetrol") completed the transaction of the acquisition of 152 701 shares of ČESKÁ RAFINÉRSKÁ, a.s. ("Česká rafinérská") amounting to 16,335% of the Česká rafinérská's share capital from Shell Overseas Investments B.V. ("Shell") following the conclusion of a share purchase agreement on 7 November 2013. The acquisition price for the shares in amount of USD 27,2 million was settled in cash. The transaction was an opportunistic acquisition fully in line with Unipetrol Group Strategy 2013-2017 announced in June 2013 and supporting its execution thanks to: increasing the security of petrochemical feedstock supplies, faster implementation of Operational Excellence initiatives and strengthening long-term presence on the Czech market.

Based on the completion of the transaction Unipetrol's stake on the Česká rafinérská's share capital has increased from 51,22% to 67,555%. In line with Articles of Association of Česká rafinérská, adoption of decision on all important matters requires consent of all shareholders.

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

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

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

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



## EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS

### 6. REVENUES

	2014	2013
Fees for use of lands	114	113
Other services	41	28
	<b>155</b>	<b>141</b>

#### 6.1 Geographical information

All revenues were realized in the Czech Republic.

#### 6.2 Major customers

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

### 7. OPERATING EXPENSES

#### 7.1 Cost of sales

	2014	2013
Cost of services sold	(86)	(85)
	<b>(86)</b>	<b>(85)</b>

#### 7.2 Cost by nature

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

#### 7.3 Employee benefits

	2014	2013
Payroll expenses	(104)	(115)
Social security expenses	(25)	(26)
Other employee benefits expenses	(17)	(22)
	<b>(146)</b>	<b>(163)</b>

### 7.3.1 Employee benefits – additional information

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

  

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

## 8. OTHER OPERATING INCOME AND EXPENSES

### 8.1 Other operating income

	2014	2013
Profit on sale of non-current non-financial assets	-	1
Reversal of receivables impairment allowances	21	-
Other	1	2
	<b>22</b>	<b>3</b>

### 8.2 Other operating expenses

	2014	2013
Donations	(1)	(1)
	<b>(1)</b>	<b>(1)</b>

## 9. FINANCE INCOME AND FINANCE COSTS

### 9.1 Finance income

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

### 9.2 Finance costs

	2014	2013
Interest	(95)	(227)
Net foreign exchange loss	-	(2)
Other	(9)	(4)
	<b>(104)</b>	<b>(233)</b>

## 10. TAX EXPENSE

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

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

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

#### Reconciliation of tax effective

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

### 10.2 Deferred tax assets and liabilities

Deferred income taxes result from future tax benefits and costs related to the differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. The deferred income taxes have been calculated using the tax rate expected to apply to periods when the respective asset is realized or liability is settled (i.e. 19% in 2015 and onward).

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

## 11. PROPERTY, PLANT AND EQUIPMENT

	31/12/2014	31/12/2013
Land	9	9
Vehicles and other	-	1
	<b>9</b>	<b>10</b>

### Changes in property, plant and equipment:

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

### Other information regarding property, plant and equipment

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

## 12. INVESTMENT PROPERTY

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

	2014	2013
At the beginning of year	1 156	1 149
Reclassification from property, plant, equipment	-	7
	<b>1 156</b>	<b>1 156</b>

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

### 13. SHARES IN RELATED PARTIES

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

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

Shares in related parties as at 31 December 2013 were as follows:

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

The Company had equity investments of CZK 14 542 million as at 31 December 2014 and CZK 13 991 million as at 31 December 2013 which represent ownership interests in companies that do not have a quoted market price and whose fair value cannot be reliably measured and therefore are carried at acquisition cost less any impairment losses.

#### 14. OTHER NON-CURRENT ASSETS

	31/12/2014	31/12/2013
Loans granted	1 472	1 520
<b>Financial assets</b>	<b>1 472</b>	<b>1 520</b>

##### Loans granted to subsidiaries

During year 2013 the Company provided a non-current loan to BENZINA s.r.o. in amount of CZK 1 400 million. The loan will be repaid within 3 years and interest rate is based on 6M PRIBOR. The fair value of loan approximates its carrying amount.

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

#### 15. TRADE AND OTHER RECEIVABLES

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

Trade receivables result primarily from sales of services. The management considers that the carrying amount of trade receivables approximates their fair value.

The Company exposure to credit and currency risk related to trade and other receivables is disclosed in note 22 and detailed information about receivables from related parties is presented in note 27.

##### Movement in the impairment loss allowance

	2014	2013
At the beginning of the year	121	121
Reversal	(21)	-
	<b>100</b>	<b>121</b>

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

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

#### 16. OTHER FINANCIAL ASSETS

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

##### Loans and cash pool granted

The Company provided financing to its subsidiaries: UNIPETROL RPA, s.r.o., BENZINA, s.r.o., Butadien Kralupy a.s., PARAMO, a.s. and MOGUL SLOVAKIA, s.r.o.

The interest rates were based on appropriate inter-bank rates and fair value of loans approximates their carrying amount.

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

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

## 17. CASH AND CASH EQUIVALENTS

	31/12/2014	31/12/2013
Cash on hand and in bank	516	158
	<b>516</b>	<b>158</b>

The carrying amount of these assets approximates their fair value.

## 18. SHAREHOLDERS' EQUITY

### 18.1 Share capital

The issued capital of the Company as at 31 December 2014 amounted to CZK 18 133 million (2013: CZK 18 133 million). This represents 181 334 764 (2013: 181 334 764) bearer ordinary shares, each with a nominal value of CZK 100. All issued shares have been fully paid and bear equal voting rights. The Company's shares are listed on the Prague stock exchange.

### 18.2 Statutory reserves

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

### 18.3 Revaluation reserve

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

### 18.4 Retained earnings

In accordance with appropriate Czech law, dividends can be paid from unconsolidated profit of the parent company. The Annual General Meeting of UNIPETROL, a.s. held on 26 May 2014 decided, pursuant to Article 12 (2) (v) of the Articles of Association of UNIPETROL, a.s., on transfer of the Company's profit generated on non-consolidated basis in 2013 in amount of CZK 938 million. Based on the decision the amount of CZK 47 million was allocated to the Company's Reserve Fund and CZK 891 million was transferred to retained earnings.

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

### 18.5 Capital management policy

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

The Company monitors equity debt ratio (net financial leverage). As at 31 December 2014 and 31 December 2013 Company's financial leverage amounted to 20,54% and 11,14%, respectively.

Net financial leverage = net debt / equity x 100

Net debt = Non-current loans and borrowings + current loans and borrowings + cash pool liabilities - cash and cash equivalents

### 18.6 Earnings per share

#### Basic earnings per share

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

#### Diluted earnings per share

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

## 19. LOANS, BORROWINGS

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

### Bank loans and cash pool agreements

During the year 2014 the Company had cash pool and loan agreements with the following banks, subsidiaries and related companies:

Banks: CITIBANK a.s., ING Bank N.V., organizační složka, Česká spořitelna, a.s., and Nordea Bank Finland Plc.

Subsidiaries and related companies: UNIPETROL RPA, s.r.o., BENZINA, s.r.o., PARAMO, a.s., UNIPETROL DOPRAVA, s.r.o., POLYMER INSTITUTE BRNO, spol s r.o., PETROTRANS, s.r.o., UNIPETROL SERVICES, s.r.o., UNIPETROL SLOVENSKO, s.r.o., Butadien Kralupy a.s., MOGUL SLOVAKIA, s.r.o. a ORLEN FINANCE AB.

Cash held at bank accounts of above mentioned banks is drawn by the Company and above mentioned subsidiaries. The contracts enable to access bank loans from CZK 850 million to CZK 4 000 million from each bank. Interest income/expense are calculated from the drawn amount and consequently divided among the parties involved.

### Loan granted by PKN Orlen S.A.

On 12 December 2013 the Company signed a mid-term loan agreement with its majority shareholder PKN ORLEN S.A. Based on the Agreement, Unipetrol has received a mid-term loan in the amount of CZK 4 000 million. The purpose of the loan is the diversification of Unipetrol's funding sources and extension of their maturity.

The loan has been divided into two tranches of CZK 2 billion each. First tranche was received in December 2013 and second tranche in January 2014.

The loan has a 3-year maturity, i.e. each tranche 36 months from its reception. Interests will be paid semi-annually and will be based on 6 months PRIBOR plus fixed margin. Pricing is in line with currently prevailing market conditions for 3-year loans provided in CZK.

### Analyses of bank loans

- by currency (translated into CZK)

	31/12/2014	31/12/2013
CZK	-	204
EUR	-	43
USD	-	19
	<b>-</b>	<b>266</b>

- by interest rate

	31/12/2014	31/12/2013
PRIBOR	-	204
EURIBOR	-	43
LIBOR	-	19
	<b>-</b>	<b>266</b>

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

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

### Analyses of borrowings

- by currency (translated into CZK)

	31/12/2014	31/12/2013
CZK	4 021	2 002
	<b>4 021</b>	<b>2 002</b>

- by interest rate

	31/12/2014	31/12/2013
PRIBOR	4 021	2 002
	<b>4 021</b>	<b>2 002</b>



## 20. TRADE AND OTHER LIABILITIES

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

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

## 21. OTHER FINANCIAL LIABILITIES

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

## 22. FINANCIAL INSTRUMENTS

### 22.1 Financial instruments by category and class

#### Financial assets

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

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

#### Financial liabilities

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

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

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

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

  

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

## 22.3 Financial risk management

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the risks outlined below relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other market price risk), credit risk and liquidity risk.

The Company seeks to minimize the effects of these risks by using natural hedging and derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess funds. Compliance with policies and exposure limits is reviewed by the internal auditors on a regular basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

## 22.4 Credit risk

The Company has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Loans granted (note 14 and note 16) and receivables (note 15) principally consist of amounts due from subsidiaries and joint operations. The Company does not require collateral in respect of these financial assets. The Company's management monitors the most significant debtors and assesses their creditworthiness. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of financial position.

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

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

	31/12/2014	31/12/2013
Group I	163	148
Group II	-	-
	<b>163</b>	<b>148</b>

The carrying amount of financial assets represents the maximum credit exposure.

The Company does not have any past due, not impaired financial assets.

The maximum credit risk in respect of each class of financial assets is equal to the book value.

## 22.5 Liquidity risk management

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

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

### Liquidity risk tables

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

#### Contractual maturity of financial liabilities

	Note	31/12/2014		Total	Carrying amount
		Up to 1 year	From 1 to 3 years		
Borrowings - undiscounted value	19	87	4 087	4 174	4 021
Cash pool - undiscounted value	21	1 975	-	1 975	1 975
Trade and other liabilities	20	87	-	87	87
		<b>2 149</b>	<b>4 087</b>	<b>6 236</b>	<b>6 083</b>

  

	Note	31/12/2013		Total	Carrying amount
		Up to 1 year	From 1 to 3 years		
Loans - undiscounted value	19	266	-	266	266
Borrowings - undiscounted value	19	45	2 087	2 132	2 002
Cash pool - undiscounted value	21	825	-	825	825
Trade and other liabilities	20	79	-	79	79
		<b>1 215</b>	<b>2 087</b>	<b>3 302</b>	<b>3 172</b>

## 22.6 Market risk

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

### 22.6.1 Currency risk

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

Currency structure of financial instruments denominated in foreign currency as at 31 December 2014

	EUR	USD	Total after translation to CZK
<b>Financial assets</b>			
Borrowings granted	4	-	122
Cash pool	-	11	257
Cash and cash equivalents	5	-	155
	<b>9</b>	<b>11</b>	<b>534</b>
<b>Financial liabilities</b>			
Cash pool	5	11	409
Trade and other liabilities	-	-	3
	<b>5</b>	<b>11</b>	<b>412</b>

## 22.6.1 Currency risk (continued)

Currency structure of financial instruments denominated in foreign currency as at 31 December 2013

	EUR	USD	Total after translation to CZK
<b>Financial assets</b>			
Trade receivables	-	-	2
Cash pool	3	1	106
Cash and cash equivalents	-	7	133
	<b>3</b>	<b>8</b>	<b>241</b>
<b>Financial liabilities</b>			
Loans	2	1	62
Cash pool	2	7	174
Trade and other liabilities	-	-	8
	<b>4</b>	<b>8</b>	<b>244</b>

### Foreign currency sensitivity analysis

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

The following table details the Company's sensitivity to percentage increase and decrease in the CZK against the relevant foreign currencies.

Influence on profit before tax				
2014	Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/CZK	15%	18	15%	(18)

Influence on profit before tax				
2013	Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/CZK	15%	(1)	15%	1

## 22.6.2 Interest rate risk

The Company is exposed to the risk of volatility of cash flows arising from interest rate loans and cash pool arrangements granted and taken.

### Interest rate structure of financial instruments:

	PRIBOR		EURIBOR		LIBOR		Carrying amount	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
<b>Financial assets</b>								
Borrowings granted	13 522	11 572	122	-	-	-	13 644	11 572
Cash pool	2 629	2 531	-	86	257	20	2 886	2 637
	<b>16 151</b>	<b>14 103</b>	<b>122</b>	<b>86</b>	<b>257</b>	<b>20</b>	<b>16 530</b>	<b>14 209</b>
<b>Financial liabilities</b>								
Loans	-	204	-	43	-	19	-	266
Borrowings	4 021	2 002	-	-	-	-	4 021	2 002
Cash pool	1 566	651	150	44	259	130	1 975	825
	<b>5 587</b>	<b>2 857</b>	<b>150</b>	<b>87</b>	<b>259</b>	<b>149</b>	<b>5 996</b>	<b>3 093</b>

### Interest rate sensitivity analysis

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

Interest rate	Assumed variation		Influence on profit before tax		Influence on hedging reserve		Total	
	31/12/2014	31/12/2013	2014	2013	2014	2013	2014	2013
EURIBOR	+0,5 pp	+0,5 pp	-	-	-	-	-	-
LIBOR	+0,5 pp	+0,5 pp	-	(1)	-	-	-	(1)
PRIBOR	+0,5 pp	+0,5 pp	53	56	-	-	53	56
			<b>53</b>	<b>55</b>	<b>-</b>	<b>-</b>	<b>53</b>	<b>55</b>

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

The sensitivity analysis was performed on the basis of instruments held as at 31 December 2014 and 31 December 2013. The influence of interest rates changes was presented on annual basis.

## 23. FAIR VALUE DETERMINATION

	Note	31/12/2014		31/12/2013	
		Fair value	Carrying amount	Fair value	Carrying amount
<b>Financial assets</b>					
Trade receivables	15	160	160	145	145
Borrowings granted	14, 16	13 644	13 644	11 572	11 572
Cash pool	16	2 886	2 886	2 637	2 637
Cash and cash equivalents	17	516	516	158	158
Other financial assets	15	3	3	3	3
		<b>17 209</b>	<b>17 209</b>	<b>14 515</b>	<b>14 515</b>
<b>Financial liabilities</b>					
Loans	19	-	-	266	266
Borrowings	19	4 021	4 021	2 002	2 002
Trade liabilities	20	38	38	29	29
Cash pool	21	1 975	1 975	825	825
Other financial liabilities	20	49	49	50	50
		<b>6 083</b>	<b>6 083</b>	<b>3 172</b>	<b>3 172</b>

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

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

Financial assets and liabilities carried at fair value by the Company belong to Level 2 as defined by IFRS.

In the year ended 31 December 2014 and the comparative period in the Company were no transfers between Levels 1, 2 and 3.

#### Investment property

The Company applied the revenue approach to investment property with carrying amount of CZK 1 156 million as at 31 December 2014 (31 December 2013: CZK 1 156 million). In the revenue approach the calculation was based on the discounted cash flow method. The discount rate used reflects the relation, as expected by the buyer, between yearly revenue from an investment property and expenditures required to purchase investment property. Forecasts of discounted cash flows relating to the property consider arrangements included in all rent agreements as well as external data, e.g. current market rent charges for similar property, in the same location, technical conditions, standard and designed for similar purposes. The investment property valued under revenue approach is classified to the Level 3 defined by IFRS 7.

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

	31/12/2014	31/12/2013
At the beginning of the year	1 156	1 149
Transfer from Property, plant and equipment	-	7
	<b>1 156</b>	<b>1 156</b>

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

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

	Level 3	
	Increase by	Total impact
Change in discount rate	+1 pp	(90)

As at 31 December 2014 the Company held unquoted shares in entities amounting to CZK 14 542 million (31 December 2013: CZK 13 991 million), for which fair value cannot be reliably measured, due to the fact that there are no active markets for these entities and no comparable transactions in the same type of instruments. Above mentioned shares were recognized as financial assets available for sale and measured at acquisition cost less impairment allowances. As at 31 December 2014 there are no binding decisions relating to the means and dates of disposal of those assets.

## 24. LEASES

### 24.1 The Company as lessee

#### **Operating lease**

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

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

	31/12/2014	31/12/2013
Less than one year	7	6
Between one and five years	20	27
	<b>27</b>	<b>33</b>

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

Payments recognized as an expense were as follows:

	2014	2013
Non-cancellable operating lease	1	5

#### **Finance lease**

At the balance sheet date the Company did not possess any finance lease arrangements as a lessee.

### 24.2 The Company as lessor

As at 31 December 2014 and as at 31 December 2013 the Company did not possess any finance or operating lease agreements as a lessor.

## 25. CONTINGENT LIABILITIES

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

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

In accordance with the resolutions of the Extraordinary General Meeting of PARAMO, a.s. of 6 January 2009, all other shares in PARAMO, a.s. were transferred to the Company and the Company provided to the other shareholders of PARAMO, a.s. and/or pledges, the monetary consideration of CZK 977 per share of PARAMO, a.s. On 4 February 2009 the registration of the above resolution of the Extraordinary General Meeting was published in the Czech Commercial Register. Pursuant to the Czech Commercial Code, the ownership title to shares of the other shareholders passed to the Company on 4 March 2009 upon expiration of one month from the above publication and UNIPETROL, a.s. became the sole shareholder of PARAMO, a.s.

In connection with the squeeze-out, certain minority shareholders of PARAMO, a.s. filed a petition with the Regional Court in Hradec Králové for a review of the adequacy of compensation within the meaning of the Czech Commercial Code. The case is now pending at the Regional Court in Hradec Králové.

Furthermore some former minority shareholders of PARAMO, a.s. requested the Regional Court in Hradec Králové to declare the invalidity of PARAMO, a.s. general meeting resolution dated 6 January 2009 and the District Court in Prague 4 to review the decision of 28 November 2008 by which the Czech National Bank granted in accordance with Section 183n(1) of the Czech Commercial Code its previous approval with the monetary consideration provided under the above squeeze-out.

Regarding the case for declaration of invalidity of the PARAMO, a.s., the Regional Court in Hradec Králové dismissed the petition for declaration of invalidity of the PARAMO, a.s. general meeting resolution dated 6 January 2009. Certain minority shareholders filed an extraordinary appeal against this decision and the case is now pending before the Supreme Court of the Czech Republic.

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

The cassation appeal of certain minority shareholders concerning the invalidity of the General Meeting resolution was dismissed by the Supreme Court though the resolution dated 19 December 2013. The Supreme Court's resolution is final and unappealable.

Within the adequacy of compensation proceedings, the court ordered preparation of a third expert's valuation (Ústav oceňování majetku při Ekonomické fakultě Vysoké školy báňské – Technické univerzity Ostrava, i.e. an institute established by the Faculty of Economy of the Technical University in Ostrava was appointed by the court to carry out the valuation).



## 25. CONTINGENT LIABILITIES (CONTINUED)

UNIPETROL appointed Pricewaterhousecoopers to provide a valuation of PARAMO shares.  
The Court scheduled the next hearing in the adequacy of compensation proceedings for April 2015.

### Support letter issued in favour of PARAMO, a.s.

The Company has confirmed in a letter of support its commitment to provide loan financing to its subsidiary PARAMO, a.s. for at least 12 months from the date of PARAMO, a.s.'s 2014 financial statements.

### Guarantees issued

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

Furthermore UNIPETROL, a.s. issued a guarantee for the company UNIPETROL RPA, s.r.o. in favor of ČEPRO, a.s. to ensure the excise tax in the amount of CZK 150 million.

## 26. PAST ENVIRONMENTAL LIABILITIES

The Company is the recipient of funds provided by the National Property Fund of the Czech Republic for settling environmental liabilities relating to historic environmental damage. Funds up to CZK 10 256 million are provided to cover cost actually incurred in relation to settlement of historic environmental damage.

An overview of funds provided by the National Property Fund (currently administered by the Ministry of Finance) for the environmental contracts is provided below:

	Total amount of funds to be provided	Used funds as at 31/12/2014	Unused funds as at 31/12/2014
UNIPETROL, a.s. / premises of UNIPETROL RPA, s.r.o.	6 012	3 868	2 144
UNIPETROL, a.s. / premises of SYNTHOS Kralupy a.s.	4 244	51	4 193
	<b>10 256</b>	<b>3 919</b>	<b>6 337</b>

	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
	<b>10 256</b>	<b>3 737</b>	<b>6 519</b>

## 27. RELATED PARTIES

### 27.1 Material transactions concluded by the Company with related parties

In year 2014 and in 2013 there were no transactions concluded by the Company with related parties on other than arm's length.

### 27.2 Transactions with key management personnel

In year 2014 and in 2013 the Company did not grant to key management personnel and their relatives any advances, loans, guarantees and commitments or other agreements obliging them to render services to Company and related parties. In year ended 31 December 2014 and in 2013 there were no significant transactions concluded with members of the Board of Directors, Supervisory Board, their spouses, siblings, descendants, ascendants or their other relatives.

### 27.3 Transaction with related parties concluded by key management personnel of the Company

In year 2014 and in 2013 members of the key management personnel of the Parent Company and the Group companies submitted statements that they have not concluded any transaction with related parties.

## 27.4 Transactions and balances of settlements of the Company with related parties

### Parent and ultimate controlling party

During 2014 and 2013 a majority (62,99%) of the Company's shares were in possession of POLSKI KONCERN NAFTOWY ORLEN S.A.

2014	PKN Orlen	Entities under control or significant influence of UNIPETROL, a.s.	Entities under control or significant influence of PKN Orlen
Sales	-	132	-
Purchases	3	41	-
Finance income, including dividends	-	547	-
Finance costs	86	359	-
		-	-

31/12/2014	PKN Orlen	Entities under control or significant influence of UNIPETROL, a.s.	Entities under control or significant influence of PKN Orlen
Long term receivables and loans granted	-	1 472	-
Short term financial assets	-	15 058	-
Trade and other receivables	-	109	-
Trade and other liabilities, including loans	4 023	1 981	-

2013	PKN Orlen	Entities under control or significant influence of UNIPETROL, a.s.	Entities under control or significant influence of PKN
Sales	-	118	-
Purchases	2	38	-
Finance income, including Dividends	-	1 304	-
Finance costs	2	968	-
		-	-

31/12/2013	PKN Orlen	Entities under control or significant influence of UNIPETROL, a.s.	Entities under control or significant influence of PKN
Long term receivables and loans granted	-	1 520	-
Short term financial assets	-	12 689	-
Trade and other receivables	-	103	-
Trade and other liabilities, including loans	2 002	830	-

## 28. REMUNERATION PAID AND DUE OR POTENTIALLY DUE TO MANAGEMENT BOARD, SUPERVISORY BOARD AND OTHER MEMBERS OF KEY EXECUTIVE PERSONNEL IN ACCORDANCE WITH IAS 24

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

	2014		2013	
	Short-term benefits	Termination benefits	Short-term benefits	Termination benefits
Remuneration of current period	67	2	69	2
Paid for previous year	15	-	14	-
Potentially due to be paid in the following year	15	-	14	-

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

**28.1 Bonus system for key executive personnel of the Company**

In 2014 the key executive personnel was participating in the annual MBO bonus system (management by objectives). The regulations applicable to Management Board, directors directly reporting to Management Boards of entities and other key positions have certain common features. The persons subject to the above mentioned systems are remunerated for the accomplishment of specific goals set at the beginning of the bonus period, by the Supervisory Board for the Management Board Members and by the Management Board members for the key executive personnel. The bonus systems are structured in such way, so as to promote the cooperation between individual employees in view to achieve the best possible results for the Company. The goals so-said are qualitative or quantitative (measurable) and are accounted for following the end of the year for which they were set, on the rules adopted in the applicable Bonus System Regulations. Regulation gives the possibility to promote employees, who significantly contribute to results generated by the Company.

**28.2 The entitlements upon the termination of employment**

The entitlements arising from contracts with key management personnel upon the termination of employment contained both a competition and a stabilization clause. The competition and stabilization clause ranges between three and six average monthly earnings or monthly base salary respectively.

**29. SUBSEQUENT EVENTS AFTER THE REPORTING DATE**

The Company's management is not aware of any other events that have occurred since end of the reporting period that would have any material impact on the financial statements as at 31 December 2014.

**30. APPROVAL OF THE FINANCIAL STATEMENTS**

These non-consolidated financial statements were authorized by the Board of Directors' meeting held on 3 March 2015.

Signature of statutory representatives



Marek Świtajewski

Chairman of the Board of Directors



Mirosław Kastelik

Member of the Board of Directors