



UNIPETROL, a.s.
CONSOLIDATED INTERIM REPORT

FOR THE 1ST QUARTER

2018

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



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**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE 3 MONTH PERIOD ENDED 31 MARCH

2018

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

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

Consolidated statement of profit or loss and other comprehensive income

	Note	3 MONTH PERIOD ENDED 31/03/2018 (unaudited)	3 MONTH PERIOD ENDED 31/03/2017 (unaudited)
Statement of profit or loss			
Revenues	4.1.	27 172	29 850
Cost of sales	4.2.	(25 354)	(26 544)
Gross profit on sales		1 818	3 306
Distribution expenses		(740)	(677)
Administrative expenses		(462)	(403)
Other operating income	4.5.	98	1 130
Other operating expenses	4.5.	(127)	(28)
Profit from operations		587	3 328
Finance income	4.6.	142	186
Finance costs	4.6.	(413)	(219)
Net finance costs		(271)	(33)
Profit before tax		316	3 295
Tax credit (expense)	4.7.	6	(469)
Net profit		322	2 826
Other comprehensive income			
items which will be reclassified into profit or loss under certain conditions		72	352
<i>Hedging instruments</i>		150	435
<i>Hedging costs</i>		(46)	-
<i>Exchange differences on translating foreign operations</i>		(1)	-
<i>Impact of IFRS 9 adoption – provision to receivables</i>		(11)	-
<i>Deferred tax</i>		(20)	(83)
		72	352
Total net comprehensive income		394	3 178
Net profit attributable to equity owners of the parent		322	2 826
<i>equity owners of the parent</i>		322	2 826
<i>non-controlling interests</i>		-	-
Total net comprehensive income attributable to equity owners of the parent		394	3 178
<i>equity owners of the parent</i>		394	3 178
<i>non-controlling interests</i>		-	-
Net profit and diluted net profit per share attributable to equity owners of the parent (in CZK per share)		1.78	15.58

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8-16.

Consolidated statement of financial position

	Note	31/03/2018 (unaudited)	31/12/2017 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	4.8.	35 096	34 583
Investment property		448	448
Intangible assets		1 906	1 626
Financial assets available for sale		1	1
Deferred tax assets		49	48
Other non-current assets		718	796
		38 218	37 502
Current assets			
Inventories		15 235	14 983
Trade and other receivables		14 072	14 432
Other financial assets	4.9.	4 255	6 352
Current tax assets		124	117
Cash and cash equivalents		1 807	2 459
		35 493	38 343
Total assets		73 711	75 845
EQUITY AND LIABILITIES			
EQUITY			
Share capital		18 133	18 133
Statutory reserves		33	33
Hedging reserve		914	830
Revaluation reserve		10	10
Exchange differences on translating foreign operations		10	11
Retained earnings		31 167	30 856
Equity attributable to equity owners of the parent		50 267	49 873
Non-controlling interests		(9)	(9)
Total equity		50 258	49 864
LIABILITIES			
Non-current liabilities			
Provisions	4.10.	818	798
Deferred tax liabilities		1 372	1 383
Other non-current liabilities		226	238
		2 416	2 419
Current liabilities			
Trade and other liabilities		17 830	20 733
Loans, borrowings		1	1
Current tax liabilities		929	1 072
Provisions	4.10.	1 312	942
Deferred income		384	16
Other financial liabilities	4.11.	581	798
		21 037	23 562
Total liabilities		23 453	25 981
Total equity and liabilities		73 711	75 845

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8-16.

Consolidated statement of changes in equity

	Equity attributable to equity owners of the parent							Non-controlling interests	Total equity
	Share capital	Statutory reserves	Hedging reserve	Exchange differences on translating foreign operations	Revaluation reserve	Retained earnings	Total		
(unaudited)									
01/01/2018	18 133	33	830	11	10	30 856	49 873	(9)	49 864
Net profit	-	-	-	-	-	322	322	-	322
Items of other comprehensive income	-	-	84	(1)	-	(11)	72	-	72
Total net comprehensive income	-	-	84	(1)	-	311	394	-	394
31/03/2018	18 133	33	914	10	10	31 167	50 267	(9)	50 258
(unaudited)									
01/01/2017	18 133	33	(263)	15	10	23 702	41 630	(9)	41 621
Net profit	-	-	-	-	-	2 826	2 826	-	2 826
Items of other comprehensive income	-	-	352	1	-	(1)	352	-	352
Total net comprehensive income	-	-	352	1	-	2 825	3 178	-	3 178
31/03/2017	18 133	33	89	16	10	26 527	44 808	(9)	44 799

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8-16.

Consolidated statement of cash flows

	3 MONTH PERIOD ENDED 31/03/2018 (unaudited)	3 MONTH PERIOD ENDED 31/03/2017 (unaudited)
Cash flows from operating activities		
Profit before tax	316	3 295
Adjustments for:		
Depreciation and amortisation	779	643
Foreign exchange loss	3	4
Interest and dividends, net	(9)	(2)
Loss on investing activities	115	98
Change in provisions	390	111
Change in receivables and liabilities from insurance	-	1 266
Other adjustments including change in financial instruments and deferred income	(271)	(498)
Change in working capital	(1 786)	(2 741)
<i>inventories</i>	(253)	(564)
<i>receivables</i>	576	(467)
<i>liabilities</i>	(2 109)	(1 710)
Income tax (paid)	(177)	(167)
Net cash from/(used in) operating activities	(640)	2 009
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	(2 161)	(1 251)
Disposal of property, plant and equipment and intangible assets	4	1
Settlement of financial derivatives	(178)	(113)
Proceeds from cash pool assets	2 244	1 114
Other	10	2
Net cash used in investing activities	(81)	(247)
Cash flows from financing activities		
Proceeds from cash pool liabilities	77	115
Interest paid	-	(1)
Dividends paid	(3)	-
Other	(2)	(3)
Net cash from financing activities	72	111
Net increase/(decrease) in cash and cash equivalents	(649)	1 873
Effect of exchange rate changes on cash and cash equivalents	(3)	(2)
Cash and cash equivalents, beginning of the period	2 459	2 933
Cash and cash equivalents, end of the period	1 807	4 804

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8-16.

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF THE COMPANY

Establishment of the parent company

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

Identification number of the Company

616 72 190

Registered office of the Company

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

Principal activities

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

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

Ownership structure

The shareholders as at 31 March 2018 are as follows:

	Number of shares	Nominal value of shares (in CZK)	Share in share capital
POLSKI KONCERN NAFTOWY ORLEN S.A.	170 507 091	17 050 709 100	94.03%
Investment funds and other minority shareholders	10 827 673	1 082 767 300	5.97%
	181 334 764	18 133 476 400	100%

A voluntary tender offer to acquire UNIPETROL, a.s. shares was announced by PKN ORLEN S.A. on 12 December 2017. According to the published bid document, the offer was made for all UNIPETROL, a.s. shares except for the shares already owned by PKN ORLEN S.A. The bid price was CZK 380 per share and the acceptance period was from 28 December 2017 to 30 January 2018. The transaction was settled on 23 February 2018, PKN ORLEN S.A. purchased 56 280 592 UNIPETROL, a.s. shares which represent ca. 31.04% of the UNIPETROL, a.s. share capital.

Consolidated group structure

The subsidiaries and jointly controlled entities forming the consolidated group of UNIPETROL, a.s., and the parent company's interest in the capital of subsidiaries and jointly controlled entities held either directly by the parent company or indirectly by the consolidated subsidiaries are presented in the consolidated financial statements of the Group as at and for the year ended 31 December 2017.

Statutory and supervisory bodies

Members of the statutory and supervisory bodies as at 31 March 2018 were as follows:

	Position	Name
Board of Directors	Chairman	Krzysztof Zdziarski
	Vice-Chairman	Miroslaw Kastelik
	Vice-Chairman	Tomasz Wiatrak
	Member	Tomáš Herink
	Member	Maciej Andrzej Libiszewski
	Member	Katarzyna Woś
Supervisory Board	Chairman	Zbigniew Leszczyński
	Vice-Chairman	Ivan Kočárník
	Vice-Chairman	Krystian Pater
	Member	Zdeněk Černý
	Member	Robert Harasimiuk
	Member	Wioletta Kandziak
	Member	Jacek Marek Kosuniak
	Member	Janusz Jakub Szurski
	Member	Rafał Warpechowski

1. DESCRIPTION OF THE COMPANY (CONTINUED)

Changes in the Board of Directors during the 3 month period ended at 31 March 2018 were as follows:

Position	Name	Change	Date of change
Member	Tomasz Wiatrak	Elected to the office	with effect as of 1 March 2018
Chairman	Andrzej Mikołaj Modrzejewski	Recalled from the office	with effect as of 9 March 2018
Member	Robert Dominik Małek	Recalled from the office	with effect as of 9 March 2018
Chairman	Krzysztof Zdziarski	Elected as Chairman	with effect as of 10 March 2018
Vice-Chairman	Tomasz Wiatrak	Elected as Vice-Chairman	with effect as of 10 March 2018
Member	Maciej Andrzej Libiszewski	Elected to the office	with effect as of 14 March 2018
Member	Katarzyna Woś	Elected to the office	with effect as of 14 March 2018

Changes in the Supervisory Board during the 3 month period ended at 31 March 2018 were as follows:

Position	Name	Change	Date of change
Chairman	Wojciech Jasiński	Recalled from the office of Chairman	with effect as of 21 February 2018
Chairman	Zbigniew Leszczyński	Elected as Chairman	with effect as of 22 February 2018
Member	Grażyna Baka	Resigned from the office	with effect as of 6 March 2018
Member	Wioletta Kandziak	Appointed to the office as member	with effect as of 7 March 2018
Member	Rafał Pasieka	Resigned from the office	with effect as of 7 March 2018
Member	Janusz Szurski	Appointed to the office as member	with effect as of 8 March 2018
Member	Wojciech Jasiński	Resigned from the office	with effect as of 8 March 2018
Member	Robert Harasimiuk	Appointed to the office as member	with effect as of 9 March 2018

Mr. Krystian Pater, Vice-chairman of the Supervisory Board of UNIPETROL, a.s., resigned from his office of a Member of the Supervisory Board on 23 March 2018. His office was terminated as of 6 April 2018.

2. PRINCIPLES OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1. Statement of compliance and general principles of preparation

The consolidated financial statements of the Company as at and for the period ended 31 March 2018 include the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2017.

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

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

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

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

3. OPERATING SEGMENTS

The operating activities of the Group are divided into the following segments:

- the Downstream segment, which includes integrated refining, petrochemical, sales and energy production activities,
- the Retail segment, which includes sales at petrol stations,

and Corporate Functions, which are reconciling items and include activities related to management, administration and other support functions as well as remaining activities not allocated to separate operating segments.

Allocation of subsidiaries into the operating activities is presented in the consolidated financial statements of the Group as at and for the year ended 31 December 2017. There were no changes in allocation of subsidiaries into the operating segments during the 3 month period ended 31 March 2018.

Financial results and investment expenditures by operating segments

For the 3 month period ended 31 March 2018

	Downstream Segment	Retail Segment	Corporate Functions	Elimination adjustments	Total
External revenues	23 865	3 271	36	-	27 172
Inter-segment revenues	2 650	16	272	(2 938)	-
Segment revenues	26 515	3 287	308	(2 938)	27 172
Operating expenses	(26 151)	(3 019)	(324)	2 938	(26 556)
Other operating income	84	14	-	-	98
Other operating expenses	(113)	(10)	(4)	-	(127)
Profit/(Loss) from operations	335	272	(20)	-	587
Net finance costs					(271)
Profit before tax					316
Tax credit					6
Net profit					322
Depreciation and amortisation	(662)	(95)	(22)	-	(779)
EBITDA*	997	367	2	-	1 366
CAPEX**	1 021	239	22	-	1 282

3. OPERATING SEGMENTS (CONTINUED)

For the 3 month period ended 31 March 2017

	Downstream Segment	Retail Segment	Corporate Functions	Elimination adjustments	Total
External revenues	26 942	2 873	35	-	29 850
Inter-segment revenues	2 379	17	212	(2 608)	-
Segment revenues	29 321	2 890	247	(2 608)	29 850
Operating expenses	(27 252)	(2 707)	(273)	2 608	(27 624)
Other operating income	1 125	4	1	-	1 130
Other operating expenses	(22)	(1)	(5)	-	(28)
Profit/(Loss) from operations	3 172	186	(30)	-	3 328
Net finance costs					(33)
Profit before tax					3 295
Tax expense					(469)
Net profit					2 826
Depreciation and amortisation	(548)	(80)	(15)	-	(643)
EBITDA*	3 720	266	(15)	-	3 971
CAPEX**	994	168	65	-	1 227

* Profit/(Loss) from operations + depreciation and amortization.

** Additions to non-current assets (investment expenditures in property, plant and equipment + investment expenditures in intangible assets - investment expenditures in CO₂ emission allowances).

Assets by operating segments

	31/03/2018	31/12/2017
Downstream Segment	59 191	58 788
Retail Segment	7 172	6 924
Segment assets	66 363	65 712
Corporate Functions	7 459	10 231
Adjustments	(111)	(98)
	73 711	75 845

4. OTHER NOTES

4.1. Revenues

	3 MONTH PERIOD ENDED 31/03/2018	3 MONTH PERIOD ENDED 31/03/2017
Revenues from sales of finished goods and services, net	26 602	29 250
Revenues from sales of merchandise and raw materials, net	570	600
	27 172	29 850

Revenues by assortments

	3 MONTH PERIOD ENDED 31/03/2018	3 MONTH PERIOD ENDED 31/03/2017
Downstream Segment	23 865	26 942
Light distillates	3 635	5 168
Medium distillates	9 060	11 351
Heavy fractions	878	817
Monomers	1 367	696
Polymers	4 326	4 048
Aromas	1 071	647
Fertilizers	416	400
Plastics	578	710
Others	1 930	2 436
Services	604	669
Retail Segment	3 271	2 873
Light distillates	1 007	873
Medium distillates	2 103	1 879
Others	8	8
Services	153	113
Corporate Functions	36	35
	27 172	29 850

4.1. Revenues (continued)

Revenues by geographical division

	3 MONTH PERIOD ENDED 31/03/2018	3 MONTH PERIOD ENDED 31/03/2017
Czech Republic	16 922	18 577
Germany	3 967	3 161
Poland	1 249	2 664
Slovakia	1 372	1 698
Austria	259	509
Hungary	1 112	1 067
Other	2 291	2 174
	27 172	29 850

No other country than the Czech Republic and Germany accounted for more than 10% of consolidated revenues. Revenues are based on the country in which the customer is located.

4.2. Operating expenses

Cost of sales

	3 MONTH PERIOD ENDED 31/03/2018	3 MONTH PERIOD ENDED 31/03/2017
Cost of finished goods and services sold	(24 741)	(25 945)
Cost of merchandise and raw materials sold	(613)	(599)
	(25 354)	(26 544)

Cost by nature

	3 MONTH PERIOD ENDED 31/03/2018	3 MONTH PERIOD ENDED 31/03/2017
Materials and energy	(23 773)	(23 544)
Cost of merchandise and raw materials sold	(613)	(599)
External services	(1 447)	(1 489)
Employee benefits	(1 044)	(829)
Depreciation and amortisation	(779)	(643)
Taxes and charges	(232)	(108)
Other	(305)	(231)
	(28 193)	(27 443)
Change in inventories	1 510	(209)
Operating expenses	(26 683)	(27 652)
Distribution expenses	740	677
Administrative expenses	462	403
Other operating expenses	127	28
Cost of sales	(25 354)	(26 544)

4.3. Impairment allowances of inventories to net realisable value

	3 MONTH PERIOD ENDED 31/03/2018	3 MONTH PERIOD ENDED 31/03/2017
Increase	(81)	(15)
Decrease	86	44

4.4. Impairment allowances of asset

	3 MONTH PERIOD ENDED 31/03/2018	3 MONTH PERIOD ENDED 31/03/2017
Property, plant and equipment		
Recognition	(13)	(2)
Reversal	8	1
Receivables		
Recognition	(3)	(10)
Reversal	13	-

Recognitions and reversals of the impairment allowances were recorded in relation to overdue receivables, uncollectable receivables or receivables in court.

4.5. Other operating income and expenses

Other operating income

	3 MONTH PERIOD ENDED 31/03/2018	3 MONTH PERIOD ENDED 31/03/2017
Penalties and compensations	2	1 046
Profit on sale of non-current non-financial assets	4	30
Reversal of provisions	-	1
Reversal of receivables impairment allowances	13	-
Reversal of impairment allowances of property, plant and equipment and intangible assets	8	1
Revaluation of provision to CO ₂ consumption	-	47
Settlement and valuation of financial instruments	49	-
Other	22	5
	98	1 130

The Group has early adopted IFRS 9 in relation to hedge accounting. In the financial statements for the 3 month period ended 31 March 2018 the Group presents settlement and valuation of certain transactions with financial derivatives as well as ineffective part of the transactions under hedge accounting within other operating income and expenses. In previous periods these transactions were presented under finance income and costs. The result of settlement and valuation of financial instruments in the 3 month period ended 31 March 2017 was insignificant.

During the 3 month period ended 31 March 2017 the Group recognized compensation from insurances in the amount of CZK 1 025 million in connection with the accident on the Fluid Catalytic Cracking unit.

Other operating expenses

	3 MONTH PERIOD ENDED 31/03/2018	3 MONTH PERIOD ENDED 31/03/2017
Penalties, damages and compensations	(1)	(4)
Loss on sale of non-current non-financial assets	(9)	-
Recognition of provisions	-	(5)
Recognition of receivables impairment allowances	(3)	(10)
Recognition of impairment allowances of property, plant and equipment and intangible assets	(13)	(2)
Revaluation of provision to CO ₂ consumption	(59)	(5)
Donations	(2)	-
Settlement and valuation of financial instruments	(39)	-
Other	(1)	(2)
	(127)	(28)

4.6. Finance income and finance costs

Finance income

	3 MONTH PERIOD ENDED 31/03/2018	3 MONTH PERIOD ENDED 31/03/2017
Interest	15	9
Net foreign exchange gain	-	92
Settlement and valuation of financial instruments	127	85
	142	186

Finance costs

	3 MONTH PERIOD ENDED 31/03/2018	3 MONTH PERIOD ENDED 31/03/2017
Net foreign exchange loss	(182)	-
Settlement and valuation of financial instruments	(226)	(211)
Other	(5)	(8)
	(413)	(219)

4.7. Tax expense

	3 MONTH PERIOD ENDED 31/03/2018	3 MONTH PERIOD ENDED 31/03/2017
Income tax expense in the statement of profit or loss		
Current income tax	(23)	(410)
Deferred income tax	29	(59)
	6	(469)

4.8. Property, plant and equipment

Material additions

In the 3 month period ended 31 March 2018 the major additions to non-current assets were partial construction of the new PE3 unit in the amount of CZK 344 million and acquisition and reconstruction of petrol stations in the amount of CZK 142 million. The amounts of other investment projects have not exceeded CZK 100 million.

In 2017 the major additions to non-current assets were partial construction of the new PE3 unit in the amount of CZK 3 687 million, revamp of T700 in the amount of CZK 118 million, acquisition of petrol stations and its remodelling in the amount of CZK 428 million, locomotives in the amount of CZK 178 million and investment to granulation technology of ammonium sulphate in the amount of CZK 124 million. The amounts of other investment projects have not exceeded CZK 100 million.

4.9. Other financial assets

	31/03/2018	31/12/2017
Cash flow hedge instruments		
<i>currency forwards</i>	696	599
<i>commodity swaps</i>	50	61
Derivatives not designated as hedge accounting		
<i>currency forwards</i>	9	-
<i>commodity swaps</i>	-	6
Cash pool	3 422	5 671
Receivables on settled cash flow hedge instruments	78	15
	4 255	6 352

4.10. Provisions

	Non-current		Current		Total	
	31/03/2018	31/12/2017	31/03/2018	31/12/2017	31/03/2018	31/12/2017
Environmental provision	701	695	158	163	859	858
Jubilee bonuses and retirement benefits provision	94	94	10	10	104	104
Provision for CO ₂ emission allowances	-	-	1 123	729	1 123	729
Other provision	23	9	21	40	44	49
	818	798	1 312	942	2 130	1 740

A provision for CO₂ allowances was created for estimated CO₂ emissions in the periods ended 31 March 2018 and 31 December 2017.

4.11. Other financial liabilities

	31/03/2018	31/12/2017
Cash flow hedge instruments		
<i>currency forwards</i>	49	-
<i>commodity swaps</i>	222	321
Derivatives not designated as hedge accounting		
<i>currency forwards</i>	1	66
<i>commodity swaps</i>	-	11
Cash pool	301	225
Liabilities on settled cash flow hedge instruments	8	175
	581	798

4.12. Methods applied in determining fair values (fair value hierarchy)

Methods applied in determining fair value have been described in the consolidated financial statements as at and for the year ended 31 December 2017 in note 26.3. As compared to the previous reporting period, the Group has not changed the valuation methodology concerning derivative instruments and investment property.

Fair value of shares quoted on active markets is determined based on market quotations (so called Level 1). In other cases, fair value is determined based on other input data, which are directly or indirectly observable (so called Level 2) or unobservable market data (so called Level 3).

	31/03/2018		31/12/2017	
	Level 2	Level 3	Level 2	Level 3
Financial assets				
Hedging instruments at fair value	1 362	-	1 366	-
Investment property	116	332	116	332
	1 478	332	1 482	332
Financial liabilities				
Hedging instruments at fair value	272	-	398	-
	272	-	398	-

During the 3 month period ended 31 March 2018 and year 2017 there were no transfers in the Group between Levels 1, 2 and 3 of the fair value hierarchy.

4.13. Future commitments resulting from signed investment contracts

As at 31 March 2018 and as at 31 December 2017 the value of future commitments of the Group resulting from signed investment contracts amounted to CZK 4 443 million and CZK 4 497 million.

4.14. Retained earnings and dividends

In accordance with appropriate Czech law, dividends can be paid from unconsolidated profits of the parent company.

The decision regarding appropriation of 2017 profit will be made at the annual meeting of shareholders, which will be held in June 2018.

On 7 June 2017 the Annual General Meeting of UNIPETROL, a.s. decided to allocate the amount of CZK 1 505 million for dividend payment (representing CZK 8.30 per each Company's share). The dividends were payable on 7 September 2017.

4.15. Guarantees

At the Group's request, the bank guarantees relating to the security of customs debt, excise tax at customs offices and other purposes were issued. The total amount of guarantees related to excise tax amounted to CZK 2 110 million as at 31 March 2018 (31 December 2017: CZK 1 948 million) and for other purposes amounted to CZK 51 million (31 December 2017: CZK 106 million).

The Group was the beneficiary of guarantees in the amount of CZK 414 million as at 31 March 2018 (31 December 2017: CZK 531 million).

4.16. Related party transactions

Material transactions concluded by the Group companies with related parties

In the 3 month period ended 31 March 2018 and 2017 there were no transactions concluded by the Group with related parties on other than arm's length terms.

Transactions with key management personnel

In the 3 month period ended 31 March 2018 and 2017 the Group companies did not grant to key management personnel and their relatives any advances, borrowings, loans, guarantees and commitments or other agreements obliging them to render services to Group companies and related parties.

In the 3 month period ended 31 March 2018 and 2017 there were no significant transactions concluded with members of the Board of Directors, the Supervisory Board, their spouses, siblings, descendants, ascendants or their other relatives.

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

In the 3 month period ended 31 March 2018 and 2017 members of the key management personnel of the Group submitted statements that they have not concluded any transactions with related parties.

Parent and ultimate controlling party

During 2018 and 2017 a majority (94.03%, respectively 62.99%) of the Company's shares were held by POLSKI KONCERN NAFTOWY ORLEN S.A. (PKN Orlen).

for 3 month period ended	PKN Orlen		Joint operations		Entities under control or significant influence of PKN Orlen	
	31/03/2018	31/03/2017	31/03/2018	31/03/2017	31/03/2018	31/03/2017
Sales	725	1 929	257	209	2 371	1 760
Purchases	17 809	19 416	153	160	465	271
Finance income	10	-	-	-	-	4
Finance costs	-	-	-	-	-	1

	PKN Orlen		Joint operations		Entities under control or significant influence of PKN Orlen	
	31/03/2018	31/12/2017	31/03/2018	31/12/2017	31/03/2018	31/12/2017
Other financial assets	3 422	5 672	-	-	-	-
Trade and other receivables	233	290	101	127	871	594
Trade and other liabilities	3 478	4 946	58	49	184	266
Other financial liabilities	-	-	-	-	301	225

4.17. Contingent assets

Steam cracker unit accident

As a consequence of the steam cracker unit accident which took place at the Chempark Záluží in Litvínov on 13 August 2015, the Group recognized in 3Q 2015 an impairment charge of CZK 597 million in relation to damaged assets. During 4Q 2016 the unit was restored to normal modes of operation.

The Group is insured against property and mechanical damage as well as loss of business profits (business interruption) and is in the process of seeking recourse from the insurer. The Group expects that, based on the insurance policies and the internal estimates made at the end of March 2018, it should be in a position to recover repair costs as well as recoverable lost business profits estimated at CZK 13.3 billion. Out of these amounts, the Group has already recognized CZK 7.9 billion in Other operating income of 2016 and CZK 2.8 billion in Other operating income of 2017.

The Group estimates the value of the contingent asset from an insurance claim in the amount of CZK 2.5 billion as at 31 March 2018. The final amount of compensation will depend on the final agreement with insurers.

4.18. Information concerning significant proceedings in front of court or in front of public administration bodies

Tax proceeding

The claims are described in the consolidated financial statements of the Group as at and for the year ended 31 December 2017.

During the 3 month period ended 31 March 2018 there were no material changes in relation to this issue. The case is now pending with the Appellate Tax Authority.

Claim for unjustified enrichment against ČEZ Distribuce, a.s.

The claims are described in the consolidated financial statements of the Group as at and for the year ended 31 December 2017. During the 3 month period ended 31 March 2018 there were no material changes in relation to this issue. The case is pending, currently being reviewed by Ústí nad Labem Regional court.

Contingent liabilities and commitments related to Squeeze-out of PARAMO, a.s are described in the consolidated financial statements of the Group as at and for the year ended 31 December 2017.

During the 3 month period ended 31 March 2018 there were no material changes in relation to this issue. The matter is now with Regional Court in Hradec Králové pending a decision by the court.

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

The claims are described in the consolidated financial statements of the Group as at and for the year ended 31 December 2017.

On 9 February 2018, the District Court in Ostrava dismissed the "I.P. - 95, s.r.o." claim in full. On 3 April 2018 "I.P. – 95 s.r.o." filed an appeal against the ruling of the District Court in Ostrava.

4.19. Accounting principles

Applied accounting principles and IFRS amendments

These interim condensed consolidated financial statements were prepared according to accounting principles described in note 32 in the consolidated financial statements of the Group as at and for the year ended 31 December 2017 except for the adopted new IFRS 9 Financial instruments and IFRS 15 Revenues from Contracts with Customers.

The Group adopted the requirements of IFRS 15 prospectively and IFRS 9 with a modified retrospective approach with effect from 1 January 2018. According to the option allowed by the standard, the Group resigned from disclosing comparable data. Data as at 31 December 2017 and for the 1st quarter of 2017 were prepared based on IAS 39, IAS 18 and IAS 11. The previously adopted selected accounting principles within sales revenues (IAS 18, IAS 11) and financial instruments (IAS 39) were disclosed in the financial statements for 2017.

Application of IFRS 15

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The management of the Group have assessed that in relation to the products and services of the Group, revenue will be recognised for each performance obligations when control over the corresponding goods and services is transferred to the customer. This is similar to the identification of separate revenue components under IAS 18.

Application of IFRS 9

As the new hedge accounting requirements align more closely with the Group's risk management policies, with more qualifying hedging instruments and hedged items, an assessment of the Group's hedging relationships indicated that they qualify as continuing hedging relationships under IFRS 9. The transition from IAS 39 to IFRS 9 has been evaluated closely with insignificant effect to the consolidated financial statements as at 31 March 2018.

As at 1 January 2018 the Group calculated the impact of the expected credit loss in accordance with IFRS 9 and recognized the adjustment decreasing Other comprehensive income and Trade receivables of the Group by the amount of CZK 11 million.

4.19. Accounting principles (continued)

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and main uncertainties were the same as those presented in note 33 in the consolidated financial statements as at and for the year ended 31 December 2017.

The Group intends to adopt new standards, amendments and interpretations to existing standards that have been published but are not effective as at the date of preparation of these interim condensed consolidated financial statements after their acceptance by the European Commission in accordance with their effective date. The possible impact of new standards, amendments and interpretations on the Group's future consolidated financial statements was described in note 32.1 of the consolidated financial statements of the Group as at and for the year ended 31 December 2017.

Functional and presentation currency

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

Methods applied to translation of financial data for consolidation purposes

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

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

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

Currency	Average exchange rate for the reporting period		Exchange rate as at the end of reporting period	
	31/03/2018	31/03/2017	31/03/2018	31/12/2017
CZK/EUR	25.402	27.002	25.430	25.540
CZK/USD	20.669	25.378	20.641	21.291
CZK/100 HUF	8.167	8.742	8.147	8.230

4.20. Subsequent events after the reporting date


The Supervisory Board of UNIPETROL, a.s. at its meeting held on 6 April 2018, discussed the resignation of the Vice-chairman of Supervisory Board, Mr. Krystian Pater, from the office of a member of the Supervisory Board of UNIPETROL, a.s. from 23 March 2018 and approved the termination of his office with the effect as of 6 April 2018.

The Group's management is not aware of any other events that have occurred since the end of the reporting period that would have any material impact on the financial statements as at 31 March 2018.


4.21. Approval of the financial statements

The foregoing financial report for the period ended 31 March 2018 was authorized for issue by the Board of Directors on 24 April 2018.

Signature of statutory representatives



Krzysztof Zdziarski
Chairman of the Board of Directors



Mirosław Kastelik
Vice-chairman of the Board of Directors

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

For shareholders of UNIPETROL, a.s.

Having its registered office at: Na Pankráci 127, 140 00 Praha 4

Introduction

We have reviewed the accompanying consolidated statement of financial position of UNIPETROL, a.s. as of 31 March 2018 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standards as adopted by European Union and for such internal control as management determines is necessary to enable the preparation of interim financial information that are free from material misstatement, whether due to fraud or error. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the consolidated financial position of UNIPETROL, a.s. as of 31 March 2018 and of its consolidated financial performance and consolidated cash flows for the three-month period then ended in accordance with International Financial Reporting Standards as adopted by European Union.

Other Matter

Corresponding figures for the period ended 31 March 2017 were not subject to review of interim financial information.

In Prague on 25 April 2018

Audit firm:

Deloitte Audit s.r.o.



Statutory auditor:

Martin Tesař
statutory executive

