



UNIPETROL, a.s.
CONSOLIDATED QUARTERLY REPORT

FOR THE 4TH QUARTER

2016

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



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**UNAUDITED QUARTERLY CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE 12 AND 3 MONTHS ENDED 31 DECEMBER

2016

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

A. QUARTERLY 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 | 12 MONTHS ENDED 31/12/2016 (unaudited) | 3 MONTHS ENDED 31/12/2016 (unaudited) | 12 MONTHS ENDED 31/12/2015 (audited) | 3 MONTHS ENDED 31/12/2015 (unaudited) |
|--|------|--|---|--|---|
| Statement of profit or loss | | | | | |
| Revenues | 4.3. | 87 813 | 26 466 | 108 907 | 22 957 |
| Cost of sales | 4.4. | (83 226) | (23 654) | (96 144) | (21 657) |
| Gross profit on sales | | 4 587 | 2 812 | 12 763 | 1 300 |
| Distribution expenses | | (2 563) | (655) | (2 140) | (511) |
| Administrative expenses | | (1 468) | (408) | (1 302) | (386) |
| Other operating income | 4.7. | 10 331 | 3 910 | 616 | 48 |
| Other operating expenses | 4.7. | (990) | (531) | (1 221) | (207) |
| Profit from operations | | 9 897 | 5 128 | 8 716 | 244 |
| Finance income | 4.8. | 685 | 413 | 1 260 | 547 |
| Finance costs | 4.8. | (554) | (385) | (1 307) | (513) |
| Net finance income/(costs) | | 131 | 28 | (47) | 34 |
| Profit before tax | | 10 028 | 5 156 | 8 669 | 278 |
| Tax expense | 4.9. | (2 053) | (984) | (1 633) | (96) |
| Net profit | | 7 975 | 4 172 | 7 036 | 182 |
| Other comprehensive income | | | | | |
| items which will not be reclassified into profit or loss | | (2) | (2) | 7 | 7 |
| Actuarial gains and losses | | (2) | (2) | 9 | 9 |
| Deferred tax | | - | - | (2) | (2) |
| items which will be reclassified into profit or loss under certain conditions | | (807) | (193) | 4 | 452 |
| Hedging instruments | | (998) | (238) | 9 | 558 |
| Foreign exchange differences on subsidiaries from consolidation | | 1 | - | (3) | - |
| Deferred tax | | 190 | 45 | (2) | (106) |
| | | (809) | (195) | 11 | 459 |
| Total net comprehensive income | | 7 166 | 3 977 | 7 047 | 641 |
| Net profit attributable to equity owners of the parent | | 7 975 | 4 172 | 7 036 | 182 |
| equity owners of the parent | | 7 975 | 4 169 | 7 036 | 179 |
| non-controlling interest | | - | 3 | - | 3 |
| Total comprehensive income attributable to equity owners of the parent | | 7 166 | 3 977 | 7 047 | 641 |
| equity owners of the parent | | 7 166 | 3 974 | 7 047 | 638 |
| non-controlling interest | | - | 3 | - | 3 |
| Net profit and diluted net profit per share attributable to equity owners of the parent (in CZK per share) | | 43.98 | 22.99 | 38.80 | 0.99 |

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

Consolidated statement of financial position

| | Note | 31/12/2016 (unaudited) | 31/12/2015 (audited) |
|---|-------|---------------------------|-------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 30 080 | 19 398 |
| Investment property | | 432 | 433 |
| Intangible assets | | 1 492 | 1 514 |
| Financial assets available for sale | | 2 | 1 |
| Deferred tax assets | | 143 | 1 204 |
| Other non-current assets | | 121 | 25 |
| | | 32 270 | 22 575 |
| Current assets | | | |
| Inventories | | 13 725 | 10 390 |
| Trade and other receivables | | 16 175 | 11 258 |
| Other financial assets | 4.10. | 3 416 | 4 281 |
| Current tax receivables | | 133 | 107 |
| Cash and cash equivalents | | 2 933 | 5 888 |
| | | 36 382 | 31 924 |
| Total assets | | 68 652 | 54 499 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | | 18 133 | 18 133 |
| Statutory reserves | | 33 | 34 |
| Hedging reserve | | (263) | 545 |
| Revaluation reserve | | 10 | 10 |
| Foreign exchange differences on subsidiaries from consolidation | | 16 | 15 |
| Retained earnings | | 23 701 | 16 781 |
| Total equity attributable to equity owners of the parent | | 41 630 | 35 518 |
| Non-controlling interest | | (9) | (9) |
| Total equity | | 41 621 | 35 509 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Provisions | 4.11. | 997 | 678 |
| Deferred tax liabilities | | 859 | 809 |
| Other non-current liabilities | | 170 | 166 |
| | | 2 026 | 1 653 |
| Current liabilities | | | |
| Trade and other liabilities | | 22 984 | 15 707 |
| Loans, borrowings | | 1 | - |
| Current tax liabilities | | 445 | 602 |
| Provisions | 4.11. | 652 | 892 |
| Deferred income | | 8 | 8 |
| Other financial liabilities | 4.12. | 915 | 128 |
| | | 25 005 | 17 337 |
| Total liabilities | | 27 031 | 18 990 |
| Total equity and liabilities | | 68 652 | 54 499 |

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

Consolidated statement of changes in equity

| | Equity attributable to equity owners of the parent | | | | | | | Non-controlling interest | Total equity |
|--|--|--------------------|-----------------|---|---------------------|-------------------|---------------|--------------------------|---------------|
| | Share capital | Statutory reserves | Hedging reserve | Foreign exchange differences on subsidiaries from consolidation | Revaluation reserve | Retained earnings | Total | | |
| (unaudited) | | | | | | | | | |
| 1 January 2016 | 18 133 | 34 | 545 | 15 | 10 | 16 781 | 35 518 | (9) | 35 509 |
| Net profit | - | - | - | - | - | 7 975 | 7 975 | - | 7 975 |
| Items of other comprehensive income | - | - | (808) | 1 | - | (2) | (809) | - | (809) |
| Total net comprehensive income | - | - | (808) | 1 | - | 7 973 | 7 166 | - | 7 166 |
| Dividends | - | - | - | - | - | (1 001) | (1 001) | - | (1 001) |
| Equity resulting from acquisition under common control | - | - | - | - | - | (53) | (53) | - | (53) |
| Transfer of statutory reserves to retained earnings | - | (1) | - | - | - | 1 | - | - | - |
| 31 December 2016 | 18 133 | 33 | (263) | 16 | 10 | 23 701 | 41 630 | (9) | 41 621 |
| (audited) | | | | | | | | | |
| 1 January 2015 | 18 133 | 2 703 | 538 | 18 | 10 | 7 069 | 28 471 | (9) | 28 462 |
| Net profit | - | - | - | - | - | 7 036 | 7 036 | - | 7 036 |
| Items of other comprehensive income | - | - | 7 | (3) | - | 7 | 11 | - | 11 |
| Total net comprehensive income | - | - | 7 | (3) | - | 7 043 | 7 047 | - | 7 047 |
| Transfer of statutory reserves to retained earnings | - | (2 669) | - | - | - | 2 669 | - | - | - |
| 31 December 2015 | 18 133 | 34 | 545 | 15 | 10 | 16 781 | 35 518 | (9) | 35 509 |

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

Consolidated statement of cash flows

| | Note | 12 MONTHS ENDED 31/12/2016 (unaudited) | 3 MONTHS ENDED 31/12/2016 (unaudited) | 12 MONTHS ENDED 31/12/2015 (unaudited) | 3 MONTHS ENDED 31/12/2015 (unaudited) |
|---|-------|--|---|--|---|
| Cash flows - operating activities | | | | | |
| Profit before tax | | 10 028 | 5 156 | 8 669 | 278 |
| Adjustments for: | | | | | |
| Depreciation and amortisation | | 2 031 | 590 | 1 927 | 464 |
| Foreign exchange (gain)/loss | | (1) | (3) | (7) | 30 |
| Interest and dividends, net | | 2 | 1 | 31 | 2 |
| (Profit)/Loss on investing activities | | (2 294) | (2 277) | 523 | (105) |
| Change in provisions | | 457 | 394 | 985 | 286 |
| Gain on bargain purchase | | - | - | (429) | - |
| Change in receivables from insurance | 4.15. | (1 345) | (1 345) | - | - |
| Other adjustments including change in financial instruments and deferred income | | (1 111) | 907 | (262) | (341) |
| Change in working capital | | 1 162 | 264 | 3 644 | 1 371 |
| <i>Inventories</i> | | (2 843) | (1 217) | 234 | 1 026 |
| <i>Receivables</i> | | (410) | (1 038) | 3 827 | 1 669 |
| <i>Liabilities</i> | | 4 415 | 2 519 | (417) | (1 324) |
| Income tax (paid) | | (933) | (165) | (150) | (116) |
| Net cash from operating activities | | 7 996 | 3 522 | 14 931 | 1 869 |
| Cash flows - investing activities | | | | | |
| Acquisition of property, plant and equipment and intangible assets | | (10 133) | (1 765) | (3 357) | (1 870) |
| Disposal of property, plant and equipment and intangible assets | | 97 | 79 | 11 | 3 |
| Acquisition of Spolana | 4.1. | (28) | - | - | - |
| Cash acquired in acquisition of Spolana | 4.1. | 84 | - | - | - |
| Acquisition of share in Česká rafinérská | | - | - | (661) | - |
| Cash acquired in acquisition of share in Česká rafinérská | | - | - | 426 | - |
| Settlement of financial derivatives | | 436 | 414 | 286 | 147 |
| Proceeds/(outflows) from loans granted | | (200) | - | 4 | - |
| Outflows from cash pool assets | | (49) | (3 103) | (3 054) | (1 143) |
| Other | | 4 | - | 5 | - |
| Net cash used in investing activities | | (9 789) | (4 375) | (6 340) | (2 863) |
| Cash flows - financing activities | | | | | |
| Proceeds/(outflows) from loans and borrowings | | 1 | 1 | (4 329) | (3) |
| Proceeds/(outflows) from cash pool liabilities | | (171) | (20) | 1 | 1 |
| Interest paid | | (2) | - | (49) | 3 |
| Dividends paid | | (986) | (17) | - | - |
| Other | | (7) | (3) | (8) | (1) |
| Net cash used in financing activities | | (1 165) | (39) | (4 385) | - |
| Net increase/(decrease) in cash and cash equivalents | | (2 958) | (892) | 4 206 | (994) |
| Effect of exchange rate changes | | 3 | 6 | - | (33) |
| Cash and cash equivalents, beginning of the year | | 5 888 | 3 819 | 1 682 | 6 915 |
| Cash and cash equivalents, end of the year | | 2 933 | 2 933 | 5 888 | 5 888 |

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

EXPLANATORY NOTES TO THE QUARTERLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. THE PARENT COMPANY AND STRUCTURE OF THE CONSOLIDATED GROUP

Establishment of the parent company

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

Identification number of the Company

616 72 190

Registered office of the Company

UNIPETROL, a.s.

Na Pankráci 127

140 00 Praha 4

Czech Republic

Principal activities

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

Ownership structure

The shareholders as at 31 December 2016 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% |
| PAULININO LIMITED* | 36 313 562 | 3 631 356 200 | 20.02% |
| Investment funds and other minority shareholders | 30 794 703 | 3 079 470 300 | 16.99% |
| | 181 334 764 | 18 133 476 400 | 100% |

* According to notification received on 21 June 2016

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 2015. Changes in the Group structure which occurred during 12 months ended 31 December 2016 are described in Notes 4.1. and 4.2.

Statutory and supervisory bodies

Members of the statutory and supervisory bodies as at 31 December 2016 were as follows:

| | Position | Name |
|---------------------------|----------------------|----------------------|
| Board of Directors | Chairman | Andrzej Modrzejewski |
| | Vice-chairman | Mirosław Kastelik |
| | Vice-chairman | Krzysztof Zdziarski |
| | Member | Martin Durčák |
| | Member | Andrzej Kozłowski |
| | Member | Lukasz Piotrowski |
| Supervisory Board | Member | Robert Małek |
| | Chairman | Wojciech Jasiński |
| | Vice-chairman | Ivan Kočárník |
| | Vice-chairman | Sławomir Jędrzejczyk |
| | Member | Piotr Kearney |
| | Member | Zdeněk Černý |
| | Member | Krystian Pater |
| | Member | Grażyna Baka |
| Member | Zbigniew Leszczyński | |
| Member | Bogdan Dzdzewicz | |

Changes in the Board of Directors during the 12 months ended 31 December 2016 were as follows:

| Position | Name | Change | Date of change |
|-----------------------------------|----------------------|--------------------------|--|
| Member/Vice-chairman | Mirosław Kastelik | Re-elected to the office | 6 February 2016 (vice-chairman with the effect as of 1 July 2016) |
| Member | Andrzej Kozłowski | Re-elected to the office | 9 April 2016 |
| Vice-chairman | Piotr Wielowieyski | Recalled from the office | 11 May 2016 |
| Member | Robert Małek | Elected to the office | 11 May 2016 |
| Member/Vice-chairman/ Chairman | Andrzej Modrzejewski | Elected to the office | 12 May 2016 (vice-chairman with the effect as of 25 May 2016 and chairman with the effect as of 2 July 2016) |
| Chairman | Marek Świtajewski | Recalled from the office | 1 July 2016 |
| Member/Vice-chairman | Krzysztof Zdziarski | Elected to the office | 2 July 2016 |
| Member | Martin Durčák | Resigned from the office | 30 November 2016 with effect as of 31 December 2016 |

1. THE PARENT COMPANY AND STRUCTURE OF THE CONSOLIDATION GROUP (CONTINUED)

Changes in the Supervisory Board during the 12 months ended 31 December 2016 were as follows:

| Position | Name | Change | Date of change |
|-----------------|-----------------------|--------------------------------|--|
| Chairman | Dariusz Jacek Krawiec | Resigned from the office | 21 December 2015 with the effect as of 21 January 2016 |
| Member | Rafał Sekuła | Resigned from the office | 11 February 2016 with the effect as of 11 March 2016 |
| Member/Chairman | Wojciech Jasiński | Appointed as substitute member | 7 April 2016 |
| Member | Zbigniew Leszczyński | Appointed as substitute member | 7 April 2016 |
| Member/Chairman | Wojciech Jasiński | Elected to the office | 21 June 2016 (chairman with the effect as of 21 June 2016) |
| Member | Zbigniew Leszczyński | Elected to the office | 21 June 2016 |
| Member | Grażyna Baka | Re-elected to the office | 21 June 2016 with the effect as of 25 June 2016 |
| Member | Piotr Chelminski | Termination of the office | 24 June 2016 |
| Member | Krystian Pater | Re-elected to the office | 21 June 2016 with the effect as of 1 July 2016 |
| Member | Zdeněk Černý | Re-elected to the office | 21 June 2016 with the effect as of 1 July 2016 |

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance and general principles of preparation

The consolidated financial statements of the Company as at and for the period ended 31 December 2016 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 2015.

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

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

2.2. Applied accounting principles and IFRS amendments

These interim condensed consolidated financial statements were prepared according to accounting principles described in note 3 in the consolidated financial statements of the Group as at and for the year ended 31 December 2015.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and main uncertainties were the same as those presented in note 4 in the consolidated financial statements as at and for the year ended 31 December 2015.

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 3.2 of the consolidated financial statements of the Group as at and for the year ended 31 December 2015.

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

2.3.1. Functional and presentation currency

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

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

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

- assets and liabilities of each presented statement of financial position are translated at the closing rate published by the Czech National Bank (CNB) at the end of the reporting period;
- respective items 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 | |
|----------|--|------------|---|------------|
| | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 |
| CZK/EUR | 27.030 | 27.283 | 27.020 | 27.025 |
| CZK/USD | 25.641 | 24.600 | 25.639 | 24.824 |

2.4. 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 2015. The company SPOLANA a.s. has been allocated into the Downstream segment. There were no other material changes in allocation of subsidiaries into the operating segments during the 12 months ended 31 December 2016.

Revenues and operating result by operating segments

For the 12 months ended 31 December 2016

| | Downstream Segment | Retail Segment | Corporate Functions | Adjustments | Total |
|--|--------------------|----------------|---------------------|-------------|----------------|
| Total external revenues | 78 543 | 9 105 | 165 | - | 87 813 |
| Inter-segment revenues | 7 392 | 61 | 688 | (8 141) | - |
| Total segment revenue | 85 935 | 9 166 | 853 | (8 141) | 87 813 |
| Operating expenses | (85 961) | (8 526) | (911) | 8 141 | (87 257) |
| Other operating income | 10 291 | 23 | 25 | (8) | 10 331 |
| Other operating expenses | (901) | (24) | (73) | 8 | (990) |
| Segment operating profit/(loss) | 9 364 | 639 | (106) | - | 9 897 |
| Net finance income | | | | | 131 |
| Profit before tax | | | | | 10 028 |
| Tax expense | | | | | (2 053) |
| Net profit | | | | | 7 975 |
| Depreciation and amortisation | (1 662) | (318) | (51) | - | (2 031) |
| EBITDA | 11 026 | 957 | (55) | - | 11 928 |
| Additions to non-current assets | 10 247 | 472 | 69 | - | 10 788 |

For the 3 months ended 31 December 2016

| | Downstream Segment | Retail Segment | Corporate Functions | Adjustments | Total |
|--|--------------------|----------------|---------------------|-------------|--------------|
| Total external revenues | 23 821 | 2 593 | 52 | - | 26 466 |
| Inter-segment revenues | 2 205 | 16 | 139 | (2 360) | - |
| Total segment revenue | 26 026 | 2 609 | 191 | (2 360) | 26 466 |
| Operating expenses | (24 368) | (2 441) | (268) | 2 360 | (24 717) |
| Other operating income | 3 887 | 12 | 18 | (7) | 3 910 |
| Other operating expenses | (487) | (18) | (33) | 7 | (531) |
| Segment operating profit/(loss) | 5 058 | 162 | (92) | - | 5 128 |
| Net finance income | | | | | 28 |
| Profit before tax | | | | | 5 156 |
| Tax expense | | | | | (984) |
| Net profit | | | | | 4 172 |
| Depreciation and amortisation | (494) | (83) | (13) | - | (590) |
| EBITDA | 5 552 | 245 | (79) | - | 5 718 |
| Additions to non-current assets | 1 859 | 170 | 34 | - | 2 063 |

For the 12 months ended 31 December 2015

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

3. OPERATING SEGMENTS (CONTINUED)

For the 3 months ended 31 December 2015

| | Downstream Segment | Retail Segment | Corporate Functions | Adjustments | Total |
|--|--------------------|----------------|---------------------|-------------|------------|
| Total external revenues | 20 681 | 2 243 | 33 | - | 22 957 |
| Inter-segment revenues | 1 731 | 18 | 102 | (1 851) | - |
| Total segment revenue | 22 412 | 2 261 | 135 | (1 851) | 22 957 |
| Operating expenses | (22 198) | (2 042) | (165) | 1 851 | (22 554) |
| Other operating income | 43 | 3 | 2 | - | 48 |
| Other operating expenses | (174) | (18) | (15) | - | (207) |
| Segment operating profit/(loss) | 83 | 204 | (43) | - | 244 |
| Net finance income | | | | | 34 |
| Profit before tax | | | | | 278 |
| Tax expense | | | | | (96) |
| Net profit | | | | | 182 |
| Depreciation and amortisation | (371) | (84) | (9) | - | (464) |
| EBITDA | 454 | 288 | (34) | | 708 |
| Additions to non-current assets | 1 718 | 118 | 49 | - | 1 885 |

Assets by operating segments

| | 31/12/2016 | 31/12/2015 |
|-----------------------|---------------|---------------|
| Downstream Segment | 54 421 | 37 652 |
| Retail Segment | 6 043 | 5 597 |
| Segment assets | 60 464 | 43 249 |
| Corporate Functions | 8 459 | 12 091 |
| Adjustments | (258) | (841) |
| | 68 652 | 54 499 |

4. OTHER NOTES

4.1. Acquisition of SPOLANA a.s.

On 10 June 2016 the Group concluded a purchase contract with ANWIL S.A., a Company owned by PKN ORLEN S.A., under which it acquired the production company SPOLANA a.s. The transaction supports Unipetrol's reorganization of activities, which was triggered by taking full control over the ČESKÁ RAFINÉRSKÁ, a.s and will allow the Group to be more flexible and resilient in terms of production optimization, production and sales of ethylene as well as facilitate better coordination and extension of the Group's value chain.

The net book value of assets and liabilities of SPOLANA a.s. as at the acquisition date:

| | Book value as at the acquisition day |
|---|--------------------------------------|
| Net assets | (26) |
| Share acquired | 100% |
| Share on net assets | (26) |
| Cash paid/outflows on acquisition of shares | 27 |
| Equity resulting from acquisition under common control | (53) |

Equity resulting from acquisition under common control is presented in the consolidated statement of changes in equity as at 31 December 2016.

4.2. Changes in the Group

Liquidation of UNIPETROL AUSTRIA HmbH

The liquidation of UNIPETROL AUSTRIA HmbH has been completed and the company was deleted from the Commercial register on 9 September 2016.

Merger between UNIPETROL RPA, s.r.o. and ČESKÁ RAFINÉRSKÁ, a.s.

The merger by amalgamation of UNIPETROL RPA, s.r.o. and ČESKÁ RAFINÉRSKÁ, a.s. was approved by the companies' General Meetings with legal succession of UNIPETROL RPA, s.r.o. on 26 September 2016. The legal effects of the merger came into force as at 1 January 2017.

Foundation Unipetrol

Foundation Unipetrol was registered in the Register of Foundation on 27 December 2016. Start of the foundation activities is planned in 2017. It is planned that the foundation will focus mainly on promotion of education, supporting young people and their educational development and popularization of science and technology.

4.3. Revenues

| | 12 MONTHS ENDED 31/12/2016 | 3 MONTHS ENDED 31/12/2016 | 12 MONTHS ENDED 31/12/2015 | 3 MONTHS ENDED 31/12/2015 |
|---|----------------------------|---------------------------|----------------------------|---------------------------|
| Revenues from sales of finished goods and services, net | 70 867 | 24 208 | 102 187 | 20 653 |
| Revenues from sales of merchandise and raw materials, net | 16 946 | 2 258 | 6 720 | 2 304 |
| | 87 813 | 26 466 | 108 907 | 22 957 |

4.4. Operating expenses

Cost of sales

| | 12 MONTHS ENDED 31/12/2016 | 3 MONTHS ENDED 31/12/2016 | 12 MONTHS ENDED 31/12/2015 | 3 MONTHS ENDED 31/12/2015 |
|--|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| Cost of finished goods and services sold | (66 412) | (21 556) | (89 590) | (19 385) |
| Cost of merchandise and raw materials sold | (16 814) | (2 098) | (6 554) | (2 272) |
| | (83 226) | (23 654) | (96 144) | (21 657) |

Cost by nature

| | 12 MONTHS ENDED 31/12/2016 | 3 MONTHS ENDED 31/12/2016 | 12 MONTHS ENDED 31/12/2015 | 3 MONTHS ENDED 31/12/2015 |
|--|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| Materials and energy | (60 257) | (22 060) | (79 958) | (16 683) |
| Cost of merchandise and raw materials sold | (16 814) | (2 098) | (6 554) | (2 272) |
| External services | (5 686) | (1 530) | (7 423) | (1 829) |
| Employee benefits | (3 019) | (842) | (2 617) | (704) |
| Depreciation and amortisation | (2 031) | (590) | (1 927) | (464) |
| Taxes and charges | (344) | (158) | (425) | (88) |
| Other | (1 695) | (735) | (1 631) | (356) |
| | (89 846) | (28 013) | (100 535) | (22 396) |
| Change in inventories | 1 410 | 2 765 | (355) | (365) |
| Cost of products and services for own use | 189 | - | 83 | - |
| Operating expenses | (88 247) | (25 248) | (100 807) | (22 761) |
| Distribution expenses | 2 563 | 655 | 2 140 | 511 |
| Administrative expenses | 1 468 | 408 | 1 302 | 386 |
| Other operating expenses | 990 | 531 | 1 221 | 207 |
| Cost of sales | (83 226) | (23 654) | (96 144) | (21 657) |

4.5. Impairment allowances of inventories to net realisable value

| | 12 MONTHS ENDED 31/12/2016 | 3 MONTHS ENDED 31/12/2016 | 12 MONTHS ENDED 31/12/2015 | 3 MONTHS ENDED 31/12/2015 |
|----------|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| Increase | (559) | (19) | (730) | (428) |
| Decrease | 1 053 | 61 | 901 | 56 |

4.6. Impairment allowances of assets

| | 12 MONTHS ENDED 31/12/2016 | 3 MONTHS ENDED 31/12/2016 | 12 MONTHS ENDED 31/12/2015 | 3 MONTHS ENDED 31/12/2015 |
|--------------------------------------|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| Property, plant and equipment | | | | |
| Recognition | (101) | (79) | (742) | (23) |
| Reversal | 1 928 | 1 920 | 19 | 11 |
| Intangible assets | | | | |
| Recognition | - | - | (7) | - |
| Reversal | - | - | 1 | 1 |
| Receivables | | | | |
| Recognition | (15) | (12) | (81) | (30) |
| Reversal | 1 | - | - | - |

Impairment allowances recognitions and reversals were recorded in relation to overdue receivables, uncollectable receivables or receivables in court.

Impairment of non-current assets

Impact of impairment allowances of non-current assets on consolidated statement of profit or loss and other comprehensive income for the period ended 31 December 2016

| | Recognition | Reversal | Total |
|-----------------------------|--------------|--------------|--------------|
| Buildings and constructions | (72) | 735 | 663 |
| Machinery and equipment | (21) | 1 192 | 1 171 |
| Construction in progress | (8) | 1 | (7) |
| | (101) | 1 928 | 1 827 |

As at 31 December 2016 in accordance with International Accounting Standard 36 "Impairment of assets" the Group has verified the existence of impairment indicators in relation to Cash Generating Units (CGUs). In the Group CGUs are established at the level of operating activities. As at 31 December 2016 tests were carried out for CGUs based on most recent available financial projections for the years 2017-2021.

During development of assumptions to impairment tests the possibility of estimation of the fair value and value in use of individual assets was considered. Lack of a number of market transactions for similar assets to those held by the Group which would allow reliable estimate of their fair value, making this method of valuation not possible to implement.

4.6. Impairment allowances on assets (continued)

As a result, it was concluded that the best estimate of the actual values of individual assets of the Group will be its value in use.

The recoverable amounts of CGUs were estimated based on their value in use. The analyses were performed based on available projections for the years 2017-2021 adjusted to exclude the impact of capital expenditures enhancing the assets' performance.

The anticipated fixed annual growth rate of cash flows after 2021 year period is assumed at the level of the long term inflation rate for the Czech Republic.

For determining the value in use as at given balance sheet date forecasted cash flows are discounted using the discount rates after taxation reflecting the risk levels specific for particular sectors to which the CGU belongs.

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

The discount rate is calculated as the weighted average cost of capital. The sources of macroeconomic indicators necessary to determine the discount rate were the publications of prof. Aswath Damodoran (source: <http://pages.stern.nyu.edu>), the official listing of government bonds and rating agencies available at 31 December 2016.

The structure of the discount rates and long term inflation rate applied in the testing for impairment of assets of individual CGUs as at 31 December 2016

| | Refining CGU | Petrochemical CGU | Retail CGU |
|------------------------------|--------------|-------------------|--------------|
| Cost of capital | 11.88% | 11.21% | 14.07% |
| Cost of debt after tax | 1.56% | 1.56% | 1.56% |
| Capital structure | 62.44% | 77.55% | 47.10% |
| Nominal discount rate | 8.00% | 9.04% | 7.45% |
| Long term inflation rate | 1.98% | 1.98% | 1.98% |

Cost of equity is determined by the profitability of the government bonds that are considered to be risk-free, with the level of market and operating segment risk premium (beta).

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

The period of analysis was established on the basis of remaining useful life of the essential assets for the particular CGU.

Periods of analysis adopted for the analysis of the individual CGUs as at 31 December 2016

| | 31/12/2016 |
|-------------------|------------|
| Refining CGU | 25 |
| Petrochemical CGU | 16 |
| Retail CGU | 15 |

Based on the results of the analysis performed as at 31 December 2016 impairment allowance of CZK 1 919 million was reversed in the period ended 31 December 2016 in relation to non-current assets of the refining CGU. The amount of CZK 1 187 million was allocated to machinery and equipment, and the amount of CZK 731 million was allocated to buildings and constructions and these were recorded in other operating income.

The impairment charges reversed in refinery CGU related to non-current assets of ČESKÁ RAFINÉRSKÁ, a.s.

4.7. Other operating income and expenses

Other operating income

| | 12 MONTHS ENDED 31/12/2016 | 3 MONTHS ENDED 31/12/2016 | 12 MONTHS ENDED 31/12/2015 | 3 MONTHS ENDED 31/12/2015 |
|--|----------------------------|---------------------------|----------------------------|---------------------------|
| Penalties and compensations earned | 7 965 | 1 815 | 61 | 19 |
| Reversal of impairment allowances of property, plant and equipment and intangible assets | 1 928 | 1 920 | 20 | 12 |
| Revaluation of provision to CO ₂ consumption | 207 | - | - | - |
| Profit on sale of non-current non-financial assets | 91 | 73 | 9 | 1 |
| Revaluation of investment properties | 48 | 48 | 6 | 6 |
| Reversal of provisions | 27 | 10 | 13 | 2 |
| Gain on bargain purchase of share in Česká rafinérská | - | - | 429 | - |
| Other | 65 | 44 | 78 | 8 |
| | 10 331 | 3 910 | 616 | 48 |

During the 12 and 3 months 2016 the Group recognized compensation from insurances in the amount of CZK 7 922 million and CZK 1 809 million in connection with the Steam cracker accident. Further information regarding the insurance claim and recoveries is presented in note 4.16.

4.7. Other operating income and expenses (continued)

Other operating expenses

| | 12 MONTHS ENDED 31/12/2016 | 3 MONTHS ENDED 31/12/2016 | 12 MONTHS ENDED 31/12/2015 | 3 MONTHS ENDED 31/12/2015 |
|---|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| Penalties, damages and compensation | (617) | (225) | (156) | (110) |
| Recognition of provisions | (159) | (151) | (196) | (25) |
| Recognition of impairment allowances of property, plant and equipment and intangible assets | (101) | (79) | (749) | (23) |
| Revaluation of investment properties | (34) | (34) | (1) | (1) |
| Loss on sale of non-current non-financial assets | (31) | (29) | (27) | (12) |
| Recognition of receivables impairment allowances | (15) | (12) | (81) | (30) |
| Donations | (7) | (1) | (6) | (4) |
| Other | (26) | - | (5) | (26) |
| | (990) | (531) | (1 221) | (207) |

The other operating costs incurred in connection with the accident of the steam cracker unit which took place at the Chempark Záluží in Litvínov on 13 August 2015, amounted to CZK 433 million and CZK 149 million during the 12 and 3 months ended 31 December 2016 respectively (CZK 156 million and CZK 110 million during the 12 and 3 months ended 31 December 2015) and in connection with the accident on Fluid Catalytic Cracking unit which occurred on 17 May 2016 at the Kralupy refinery amounted to CZK 121 million and CZK 13 million during the 12 and 3 months ended 31 December 2016.

The Group increased the provision for expected costs connected with closing of mercury electrolysis unit in Neratovice by CZK 130 million.

4.8. Finance income and finance costs

Finance income

| | 12 MONTHS ENDED 31/12/2016 | 3 MONTHS ENDED 31/12/2016 | 12 MONTHS ENDED 31/12/2015 | 3 MONTHS ENDED 31/12/2015 |
|---|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| Settlement and valuation of financial instruments | 667 | 408 | 1 229 | 542 |
| Interest | 17 | 5 | 30 | 5 |
| Other | 1 | - | 1 | - |
| | 685 | 413 | 1 260 | 547 |

Finance costs

| | 12 MONTHS ENDED 31/12/2016 | 3 MONTHS ENDED 31/12/2016 | 12 MONTHS ENDED 31/12/2015 | 3 MONTHS ENDED 31/12/2015 |
|---|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| Foreign exchange loss, net | (294) | (366) | (273) | (107) |
| Settlement and valuation of financial instruments | (231) | (17) | (968) | (401) |
| Interest | (2) | (1) | (32) | - |
| Other | (27) | (1) | (34) | (5) |
| | (554) | (385) | (1 307) | (513) |

4.9. Tax expense

| | 12 MONTHS ENDED 31/12/2016 | 3 MONTHS ENDED 31/12/2016 | 12 MONTHS ENDED 31/12/2015 | 3 MONTHS ENDED 31/12/2015 |
|---------------------|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| Current income tax | (752) | (397) | (709) | (42) |
| Deferred income tax | (1 301) | (587) | (924) | (54) |
| | (2 053) | (984) | (1 633) | (96) |

Deferred tax of CZK 365 million was recognized during the 12 and 3 months ended 31 December 2016 in relation to the impairment allowance reversal in amount of CZK 1 919 million recorded to non-current assets of the refining CGU as described in Note 4.6.

4.10. Other financial assets

| | 31/12/2016 | 31/12/2015 |
|--|--------------|--------------|
| Cash flow hedge instruments | | |
| <i>currency forwards</i> | 2 | 30 |
| <i>commodity swaps</i> | 144 | 670 |
| Derivatives not designated as hedge accounting | | |
| <i>currency forwards</i> | 33 | 14 |
| Cash pool | 3 135 | 3 086 |
| Receivables on settled cash flow hedge instruments | 102 | 481 |
| | 3 416 | 4 281 |

4.11. Provisions

| | Non-current | | Current | | Total | |
|---|-------------|------------|------------|------------|--------------|--------------|
| | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 |
| Environmental provision | 877 | 571 | 4 | 3 | 881 | 574 |
| Jubilee bonuses and retirement benefits provision | 97 | 76 | 7 | 7 | 104 | 83 |
| Provision for CO ₂ emission | - | - | 553 | 772 | 553 | 772 |
| Other provision | 23 | 31 | 88 | 110 | 111 | 141 |
| | 997 | 678 | 652 | 892 | 1 649 | 1 570 |

A provision for CO₂ allowances was created for estimated CO₂ emissions in the periods ended 31 December 2016 and 31 December 2015.

4.12. Other financial liabilities

| | 31/12/2016 | 31/12/2015 |
|--|------------|------------|
| Cash flow hedge instruments | | |
| <i>commodity swaps</i> | 470 | 27 |
| Derivatives not designated as hedge accounting | | |
| <i>currency forwards</i> | 24 | 5 |
| Cash pool | 175 | 31 |
| Liabilities on settled cash flow hedge instruments | 246 | 65 |
| | 915 | 128 |

4.13. 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 2015 in note 32.1. As compared to the previous reporting period, the Group has not changed valuation methods concerning derivative instruments and investment property.

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

| | 31/12/2016 | | 31/12/2015 | |
|--------------------------------------|------------|------------|------------|------------|
| | Level 2 | Level 3 | Level 2 | Level 3 |
| Financial assets | | | | |
| Derivative instruments at fair value | 179 | - | 714 | - |
| Investment property | 116 | 316 | 117 | 316 |
| | 295 | 316 | 831 | 316 |
| Financial liabilities | | | | |
| Derivative instruments at fair value | 494 | - | 32 | - |
| | 494 | - | 32 | - |

During the 12 months ended 31 December 2016 and year 2015 there were no transfers in the Group between Levels 1, 2 and 3 of the fair value hierarchy.

4.14. Future commitments resulting from signed investment contracts

As at 31 December 2016 and as at 31 December 2015 the value of future commitments resulting from signed investment contracts amounted to CZK 5 799 million and CZK 11 121 million.

4.15. Retained earnings and dividends

Dividends

In accordance with appropriate Czech law, dividends can be paid from unconsolidated profits of the parent company. The decision regarding appropriation of 2016 profit will be made at the annual meeting of shareholders, which will be held in May/June 2017.

On 21 June 2016 the Annual General Meeting of Unipetrol decided to pay a dividend equal to CZK 5.52 per share to the Company's shareholders.

4.16. Contingent assets and liabilities

Contingent assets

Steam cracker unit accident

As a consequence of the steam cracker unit accident which took place at the Chempark Záluží in Litvínov on 13 August 2015, the Group recognized in the 3rd quarter 2015 an impairment charge of CZK 597 million in relation to damaged assets. During the 4th quarter 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 December 2016, it should be in a position to recover repair costs estimated at approximately CZK 3.9 billion, as well as recoverable lost business profits estimated at CZK 10.1 billion. Out of these amounts in the period ended 31 December 2016, the Group has already recognized CZK 7.9 billion in Other operating income. The Group has received CZK 6.6 billion, CZK 1.3 billion is presented in Trade and other receivables in the Consolidated statement of financial position and in Other adjustments in the operating activities of the Consolidated statement of cash flows. The Group estimates the value of the contingent asset from an insurance claim in the amount of CZK 6.1 billion as at 31 December 2016. The final amount of compensation will depend on the final agreement with insurers.

Fluid Catalytic Cracking unit accident

Following the accident of the Fluid Catalytic Cracking unit at the Kralupy refinery which occurred on 17 May 2016, crude oil processing in the Kralupy refinery was suspended. The assets damaged in the accident at the Kralupy refinery had already been fully impaired in June 2014. In October 2016 the Kralupy refinery achieved full standard processing capacity.

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 September 2016, it should be in a position to recover repair costs estimated at approximately CZK 0.3 billion, as well as recoverable lost business profits estimated at CZK 0.9 billion. The Group estimates the value of the contingent asset from an insurance claim in the amount of CZK 1.2 billion as at 31 December 2016. The final amount of compensation will depend on the final agreement with insurers.

Tax proceeding

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

On 14 October 2015, the Czech Supreme Administrative Court annulled the Regional Court in Ústí nad Labem judgment and decided to return the case back to the Regional Court in Ústí nad Labem for re-examination. The Supreme Administrative Court commented that the Regional Court did not correctly deal with the legitimate expectations objection raised by UNIPETROL RPA, s.r.o. On 30 November 2016 the Regional Court in Ústí nad Labem resolved to annul the Appellate Tax Authority decision dated 27 October 2010. The case is now pending with the Appellate Tax Authority.

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

On 31 August 2015 UNIPETROL RPA, s.r.o., as petitioner, submitted its action to the District Court in Děčín requesting issuance of a payment order ordering ČEZ Distribuce, a.s., as respondent, to pay an unjustified enrichment to UNIPETROL RPA, s.r.o. in the amount of CZK 303 million including interest and legal fees. The unjustified enrichment of ČEZ Distribuce, a.s. results from ČEZ Distribuce, a.s., during the period from 1 January 2013 until 30 September 2013, charging UNIPETROL RPA, s.r.o. a monthly fee for renewable sources of energy and combined heat and power production with respect to the electricity produced and distributed by UNIPETROL RPA, s.r.o. itself. The Group is of the opinion that ČEZ Distribuce, a.s., as distribution system provider, is not entitled to charge a fee to its customers with respect to electricity which was produced and consumed by the customers themselves, i.e. for electricity for which no distribution service was provided.

On 25 November 2016 UNIPETROL RPA, s.r.o. filed action, same as the one filed against ČEZ Distribuce, a.s., against OTE, a.s. (Czech operator of energy market responsible for, among others collecting (POZE) fees from energy distributors including ČEZ Distribuce, a.s.) The action was filed as a precaution.

Contingent liabilities

Mercury electrolysis termination in SPOLANA a.s.

SPOLANA a.s. currently produces chlorine using a mercury electrolysis. In the event that production is terminated, the company is required to present a reclamation program after it stops using its fixed assets. On 9 September 2013, as a result of administrative proceedings, SPOLANA a.s. received a consent of the Regional Office of Central Bohemian Region to extend the integrated pollution prevention and control license from the end of 2014 until 30 June 2017. At the same time, the company was obliged to submit an action plan aiming to cease production of chlorine using mercury electrolysis by 31 December 2016. The company prepared the program and measures related to it, delivered it to the relevant authorities according to the agreed schedule and awaits authorities' comments. The proposed program assumes continuation of PVC production with usage of an externally bought semi-product (EDC – ethylene dichloride) and the closure of mercury electrolysis unit. The new approach to production of PVC at Spolana still requires supplies of ethylene to its plant in Neratovice.

4.16. Contingent assets and liabilities (continued)

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 2015.

The Expert Group valuation report regarding of PARAMO, a.s. shares received by UNIPETROL, a.s. on 1 December 2016 provides for PARAMO, a.s. share value as at:

- a) 6 January 2009 – CZK 1 853/share;
- b) 4 March 2009 – CZK 1 691.53/share.

In 2009 UNIPETROL, a.s. paid the squeezed out shareholders CZK 977 per one PARAMO share; the monetary compensation was approved by the Czech National Bank before effecting the squeeze out.

UNIPETROL, a.s. is currently preparing a filing to comment on the recently submitted expert opinion.

Claims regarding award for employees' intellectual work

The claims are described in the consolidated financial statements of the Group as at and for the year ended 31 December 2015.

An experts' valuation ordered by the court confirmed the amount of the reward payable to the employees in the amount of CZK 1.6 million. Both employees were paid their share of the award confirmed by the expert in the expert valuation ordered by the court, however the former employees have not withdrawn their claim.

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 2015.

During the 12 months ended 31 December 2016 there were no material changes in relation to this issue.

Transportation contracts

The transportation of crude oil supplies through pipelines for UNIPETROL RPA, s.r.o. is provided by MERO ČR, a.s. and TRANSPETROL, a.s. via ČESKÁ RAFINÉRSKÁ, a.s. As at 31 December 2016, ČESKÁ RAFINÉRSKÁ, a.s. held a contract for transportation with TRANSPETROL, a.s., covering crude oil supplies until 2020.

ČESKÁ RAFINÉRSKÁ, a.s. and MERO ČR, a.s. agreed on the terms and conditions of the crude oil transportation into the Czech Republic. The contract for storage and transportation of crude oil via the IKL and Družba pipelines came into force as of 1 January 2016. On 7 April 2016 ČESKÁ RAFINÉRSKÁ, a.s. and MERO ČR, a.s. entered into an amendment to the contract for storage and transportation of crude oil via the IKL and Družba pipelines setting for the transportation tariff for the crude oil transportation service and fees for certain related services. Furthermore, on 7 April 2016 ČESKÁ RAFINÉRSKÁ, a.s. and MERO ČR, a.s. entered into a contract for storage and transportation of crude oil via the TAL pipeline.

4.17. Guarantees

Based on the Group's request, the bank guarantees relating to the security of customs debt, excise tax at customs offices and other purposes were issued. The total amount of guarantees related to excise tax amounted to CZK 2 988 million as at 31 December 2016 (31 December 2015: CZK 2 415 million) and for other purposes amounted to CZK 105 million (31 December 2015: CZK 37 million).

The Group was the beneficiary of guarantees in the amount of CZK 770 million as at 31 December 2016 (31 December 2015: CZK 621 million).

4.18. Related party transactions

Material transactions concluded by the Group companies with related parties

In the 12 months ended 31 December 2016 and 2015 there were no transactions concluded by the Group with related parties on other than an arm's length terms.

Transactions with key management personnel

In the 12 months ended 31 December 2016 and 2015 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 12 months ended 31 December 2016 and 2015 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 12 months ended 31 December 2016 and 2015 members of the key management personnel of the parent company and the Group companies submitted statements that they have not concluded any transactions with related parties.

4.18. Related party transactions (continued)

Parent and ultimate controlling party

During 2016 and 2015 a majority (62.99%) of the Company's shares were held by POLSKI KONCERN NAFTOWY ORLEN S.A. (PKN Orlen).

| for 12 months ended | PKN Orlen | | Joint operations | | Entities under control or significant influence of PKN Orlen | |
|---------------------|------------|------------|------------------|------------|--|------------|
| | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 |
| Sales | 1 650 | 532 | 179 | 882 | 4 731 | 7 641 |
| Purchases | 45 743 | 63 072 | 147 | 1 159 | 1 618 | 1 629 |
| Finance income | - | - | 13 | 150 | 3 | - |
| Finance costs | - | 30 | - | - | 11 | 11 |

| for 3 months ended | PKN Orlen | | Joint operations | | Entities under control or significant influence of PKN Orlen | |
|--------------------|------------|------------|------------------|------------|--|------------|
| | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 |
| Sales | 452 | 408 | 178 | 1 | 1 871 | 1 442 |
| Purchases | 16 517 | 12 842 | 124 | 19 | 241 | 303 |
| Finance income | - | - | - | - | - | - |
| Finance costs | - | - | - | - | 9 | 1 |

| | PKN Orlen | | Joint operations | | Entities under control or significant influence of PKN Orlen | |
|-----------------------------|------------|------------|------------------|------------|--|------------|
| | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 | 31/12/2016 | 31/12/2015 |
| Other financial assets | - | - | - | - | 3 135 | 3 086 |
| Trade and other receivables | 439 | 190 | 94 | 1 | 519 | 541 |
| Trade and other liabilities | 6 086 | 2 580 | 77 | 4 | 57 | 95 |

In June 2016 the Group signed a share purchase agreement with ANWIL S.A., 100% owned subsidiary of PKN ORLEN S.A., based on which the Group acquired the production company SPOLANA a.s. Further information is presented in note 4.1.

4.19. Subsequent events after the reporting date

The Supervisory Board of UNIPETROL, a.s. at its meeting held on 18 January 2017 approved the resignation of Mr. Bogdan Dżudzewicz from the position of the Member of the Supervisory Board of UNIPETROL, a.s. with the effect from 18 January 2017.

The Group's management is not aware of any events that have occurred since the end of the reporting period that would have any material impact on the financial statements as at 31 December 2016.

**QUARTERLY CONDENSED SEPARATE
FINANCIAL STATEMENTS
UNIPETROL, a.s.**

FOR THE 12 AND 3 MONTHS ENDED 31 DECEMBER

2016

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

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

Separate statement of profit or loss and other comprehensive income

| | 12 MONTHS ENDED 31/12/2016 (unaudited) | 3 MONTHS ENDED 31/12/2016 (unaudited) | 12 MONTHS ENDED 31/12/2015 (audited) | 3 MONTHS ENDED 31/12/2015 (unaudited) |
|--|--|---|--|---|
| Statement of profit or loss | | | | |
| Revenues | 134 | 33 | 167 | 42 |
| Cost of sales | (51) | (14) | (90) | (21) |
| Gross profit on sales | 83 | 19 | 77 | 21 |
| Administrative expenses | (120) | (31) | (214) | (67) |
| Other operating income | - | - | 6 | 1 |
| Other operating expenses | (2) | (1) | (51) | (1) |
| Loss from operations | (39) | (13) | (182) | (46) |
| Finance income | 103 | 20 | 2 352 | 1 937 |
| Finance costs | (7) | (1) | (38) | (1) |
| Net finance income | 96 | 19 | 2 314 | 1 936 |
| Profit before tax | 57 | 6 | 2 132 | 1 890 |
| Tax expense | (10) | 1 | 11 | 8 |
| Net profit | 47 | 7 | 2 143 | 1 898 |
| Total net comprehensive income | 47 | 7 | 2 143 | 1 898 |
| Net profit and diluted net profit per share attributable to equity owners of the parent (in CZK per share) | 0.26 | 0.04 | 11.82 | 10.47 |

Separate statement of financial position

| | 31/12/2016 (unaudited) | 31/12/2015 (audited) |
|-------------------------------------|---------------------------|-------------------------|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 9 | 9 |
| Investment property | 1 163 | 1 161 |
| Shares in related parties | 17 579 | 17 582 |
| Other non-current assets | - | 24 |
| | 18 751 | 18 776 |
| Current assets | | |
| Trade and other receivables | 124 | 142 |
| Other financial assets | 9 203 | 7 217 |
| Current tax receivables | - | 16 |
| Cash and cash equivalents | 2 552 | 5 435 |
| | 11 879 | 12 810 |
| Total assets | 30 630 | 31 586 |
| EQUITY AND LIABILITIES | | |
| EQUITY | | |
| Share capital | 18 133 | 18 133 |
| Revaluation reserve | 503 | 503 |
| Retained earnings | 9 239 | 10 193 |
| Total equity | 27 875 | 28 829 |
| LIABILITIES | | |
| Non-current liabilities | | |
| Provisions | 50 | 50 |
| Deferred tax liabilities | 106 | 100 |
| | 156 | 150 |
| Current liabilities | | |
| Trade and other liabilities | 115 | 145 |
| Current tax liabilities | 1 | - |
| Other financial liabilities | 2 483 | 2 462 |
| | 2 599 | 2 607 |
| Total liabilities | 2 755 | 2 757 |
| Total equity and liabilities | 30 630 | 31 586 |

Separate statement of changes in equity

| | Share capital | Statutory reserves | Revaluation reserve | Retained earnings | Total equity |
|---|---------------|--------------------|---------------------|-------------------|---------------|
| (unaudited) | | | | | |
| 1 January 2016 | 18 133 | - | 503 | 10 193 | 28 829 |
| Net profit | - | - | - | 47 | 47 |
| Total net comprehensive income | - | - | - | 47 | 47 |
| Dividends | - | - | - | (1 001) | (1 001) |
| 31 December 2016 | 18 133 | - | 503 | 9 239 | 27 875 |
| (audited) | | | | | |
| 1 January 2015 | 18 133 | 1 719 | 503 | 6 331 | 26 686 |
| Net profit | - | - | - | 2 143 | 2 143 |
| Total net comprehensive income | - | - | - | 2 143 | 2 143 |
| Transfer of statutory reserves to retained earnings | - | (1 719) | - | 1 719 | - |
| 31 December 2015 | 18 133 | - | 503 | 10 193 | 28 829 |

Separate statement of cash flows

| | 12 MONTHS ENDED 31/12/2016 (unaudited) | 3 MONTHS ENDED 31/12/2016 (unaudited) | 12 MONTHS ENDED 31/12/2015 (audited) | 3 MONTHS ENDED 31/12/2015 (unaudited) |
|--|--|---|--|---|
| Cash flows - operating activities | | | | |
| Profit before tax | 57 | 6 | 2 132 | 1 890 |
| Adjustments for: | | | | |
| Foreign exchange (gain)/loss | (2) | (1) | (4) | - |
| Interest and dividends, net | (85) | (19) | (391) | (13) |
| (Profit)/Loss on investing activities | 3 | - | (1 928) | (1 922) |
| Change in provisions | - | - | 50 | 50 |
| Change in working capital | (27) | 19 | 32 | (4) |
| <i>Receivables</i> | 18 | 47 | 22 | 21 |
| <i>Liabilities</i> | (45) | (28) | 10 | (25) |
| Income tax (paid) | 13 | 5 | (5) | (2) |
| Net cash provided by/(used in) operating activities | (41) | 10 | (114) | (1) |
| Cash flows - investing activities | | | | |
| Acquisition of property, plant and equipment and intangible assets | (2) | (1) | - | - |
| Disposal of property, plant and equipment and intangible assets | - | - | 1 | - |
| Acquisition of share in Česká rafinérská | - | - | (1 118) | - |
| Dividends received | 30 | - | 330 | - |
| Interest received | 60 | 17 | 103 | 13 |
| Proceeds/(Outflows) from loans granted | (1 401) | (231) | 13 473 | (95) |
| Outflows from cash pool assets | (561) | (659) | (4 188) | (731) |
| Net cash provided by/(used in) investing activities | (1 874) | (874) | 8 601 | (813) |
| Cash flows - financing activities | | | | |
| Outflows from loans and borrowings | - | - | (4 000) | - |
| Proceeds from cash pool liabilities | 21 | 130 | 486 | 1 062 |
| Interest paid | - | - | (52) | - |
| Dividends paid | (986) | (17) | - | - |
| Other | (5) | (1) | (6) | (1) |
| Net cash provided by/(used in) financing activities | (970) | 112 | (3 572) | 1 061 |
| Net increase/(decrease) in cash and cash equivalents | (2 885) | (752) | 4 915 | 247 |
| Effect of exchange rate changes | 2 | (1) | 4 | 2 |
| Cash and cash equivalents, beginning of the year | 5 435 | 3 305 | 516 | 5 186 |
| Cash and cash equivalents, end of the year | 2 552 | 2 552 | 5 435 | 5 435 |

The foregoing financial report for the period ended 31 December 2016 was authorized for issue by the Board of Directors on 24 January 2017.

Signature of statutory representatives


Andrzej Modrzejewski
Chairman of the Board of Directors


Mirosław Kastelik
Vice-chairman of the Board of Directors