



UNIPETROL, a.s.
CONSOLIDATED HALF-YEAR REPORT

FOR THE 1ST HALF

2017

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



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

FOR THE 6 AND 3 MONTHS ENDED 30 JUNE

2017

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

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

Consolidated statement of profit or loss and other comprehensive income

	Note	6 MONTHS ENDED 30/06/2017 (unaudited)	3 MONTHS ENDED 30/06/2017 (unaudited)	6 MONTHS ENDED 30/06/2016 (unaudited)	3 MONTHS ENDED 30/06/2016 (unaudited)
Statement of profit or loss					
Revenues	4.1.	61 031	31 181	38 237	20 551
Cost of sales	4.2.	(54 367)	(27 823)	(36 422)	(19 698)
Gross profit on sales		6 664	3 358	1 815	853
Distribution expenses		(1 375)	(698)	(1 283)	(639)
Administrative expenses		(776)	(373)	(684)	(361)
Other operating income	4.5.	4 225	3 095	4 218	3 983
Other operating expenses	4.5.	(65)	(37)	(189)	(62)
Profit from operations		8 673	5 345	3 877	3 774
Finance income	4.6.	186	92	252	154
Finance costs	4.6.	(920)	(793)	(152)	(66)
Net finance income/(costs)		(734)	(701)	100	88
Profit before tax		7 939	4 644	3 977	3 862
Tax expense	4.7.	(1 540)	(1 071)	(896)	(756)
Net profit		6 399	3 573	3 081	3 106
Other comprehensive income					
items which will be reclassified into profit or loss under certain conditions					
<i>Hedging instruments</i>		1 156	721	(616)	188
<i>Foreign exchange differences on subsidiaries from consolidation</i>		(2)	(2)	1	-
<i>Deferred tax</i>		(220)	(137)	117	(36)
		934	582	(498)	152
Total net comprehensive income		7 333	4 155	2 583	3 258
Net profit attributable to equity owners of the parent		6 399	3 573	3 081	3 106
<i>equity owners of the parent</i>		6 401	3 575	3 082	3 107
<i>non-controlling interests</i>		(2)	(2)	(1)	(1)
Total net comprehensive income attributable to equity owners of the parent		7 333	4 155	2 583	3 258
<i>equity owners of the parent</i>		7 335	4 157	2 584	3 259
<i>non-controlling interests</i>		(2)	(2)	(1)	(1)
Net profit and diluted net profit per share attributable to equity owners of the parent (in CZK per share)		35.30	19.72	16.99	17.13

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	30/06/2017 (unaudited)	31/12/2016 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	4.8.	31 787	30 080
Investment property		443	432
Intangible assets		1 483	1 492
Financial assets available for sale		1	2
Deferred tax assets		21	143
Other non-current assets		611	121
		34 346	32 270
Current assets			
Inventories		12 336	13 725
Trade and other receivables		16 150	16 175
Other financial assets	4.9.	9 372	3 416
Current tax receivables		136	133
Cash and cash equivalents		1 740	2 933
		39 734	36 382
Total assets		74 080	68 652
EQUITY AND LIABILITIES			
EQUITY			
Share capital		18 133	18 133
Statutory reserves		33	33
Hedging reserve		673	(263)
Revaluation reserve		10	10
Foreign exchange differences on subsidiaries from consolidation		14	16
Retained earnings		28 597	23 701
Total equity attributable to equity owners of the parent		47 460	41 630
Non-controlling interests		(11)	(9)
Total equity		47 449	41 621
LIABILITIES			
Non-current liabilities			
Provisions	4.10.	969	997
Deferred tax liabilities		1 279	859
Other non-current liabilities		218	170
		2 466	2 026
Current liabilities			
Trade and other liabilities		21 682	22 984
Loans, borrowings		-	1
Current tax liabilities		1 349	445
Provisions	4.10.	398	652
Deferred income		218	8
Other financial liabilities	4.11.	518	915
		24 165	25 005
Total liabilities		26 631	27 031
Total equity and liabilities		74 080	68 652

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	Foreign exchange differences on subsidiaries from consolidation	Revaluation reserve	Retained earnings	Total		
(unaudited)									
01/01/2017	18 133	33	(263)	16	10	23 701	41 630	(9)	41 621
Net profit	-	-	-	-	-	6 401	6 401	(2)	6 399
Items of other comprehensive income	-	-	936	(2)	-	(0)	934	-	934
Total net comprehensive income	-	-	936	(2)	-	6 401	7 335	(2)	7 333
Dividends	-	-	-	-	-	(1 505)	(1 505)	-	(1 505)
30/06/2017	18 133	33	673	14	10	28 597	47 460	(11)	47 449
(unaudited)									
01/01/2016	18 133	34	545	15	10	16 781	35 518	(9)	35 509
Net profit	-	-	-	-	-	3 082	3 082	(1)	3 081
Items of other comprehensive income	-	-	(499)	1	-	-	(498)	-	(498)
Total net comprehensive income	-	-	(499)	1	-	3 082	2 584	(1)	2 583
Dividends	-	-	-	-	-	(1 001)	(1 001)	-	(1 001)
Equity resulting from acquisition under common control transaction	-	-	-	-	-	(53)	(53)	-	(53)
30/06/2016	18 133	34	46	16	10	18 809	37 048	(10)	37 038

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

	6 MONTHS ENDED 30/06/2017 (unaudited)	3 MONTHS ENDED 30/06/2017 (unaudited)	6 MONTHS ENDED 30/06/2016 (unaudited)	3 MONTHS ENDED 30/06/2016 (unaudited)
Cash flows - operating activities				
Profit before tax	7 939	4 644	3 977	3 862
Adjustments for:				
Depreciation and amortisation	1 353	710	942	487
Foreign exchange (gain)/loss	20	16	(1)	(2)
Interest and dividends, net	(12)	(10)	3	3
(Profit)/Loss on investing activities	716	618	(45)	(140)
Change in provisions	219	108	(26)	69
Change in receivables and liabilities from insurance*	(1 696)	(2 962)	(18)	(2 232)
Other adjustments including change in financial instruments and deferred income	(476)	22	538	14
Change in working capital	570	3 311	(159)	(1 649)
<i>Inventories</i>	1 384	1 948	(1 877)	(2 702)
<i>Receivables*</i>	(268)	199	(1 029)	(1 770)
<i>Liabilities</i>	(546)	1 164	2 747	2 823
Income tax (paid)	(318)	(151)	(72)	(33)
Net cash from operating activities	8 315	6 306	5 139	379
Cash flows - investing activities				
Acquisition of property, plant and equipment and intangible assets	(3 403)	(2 152)	(5 939)	(3 830)
Disposal of property, plant and equipment and intangible assets	10	9	17	16
Acquisition of Spolana	-	-	(27)	(27)
Cash and cash equivalents acquired in acquisition of Spolana	-	-	84	84
Settlement of financial derivatives	(629)	(516)	16	43
Proceeds/(outflows) from cash pool assets	(5 611)	(6 725)	1 823	712
Other	(4)	(6)	-	1
Net cash used in investing activities	(9 637)	(9 390)	(4 026)	(3 001)
Cash flows - financing activities				
Proceeds from loans and borrowings	-	-	1	1
Proceeds from cash pool liabilities	153	38	121	130
Interest paid	(1)	-	(1)	-
Dividends paid	(3)	(3)	-	-
Other	(3)	-	(5)	(6)
Net cash from financing activities	146	35	116	125
Net increase/(decrease) in cash and cash equivalents	(1 176)	(3 049)	1 229	(2 497)
Effect of exchange rate changes	(17)	(13)	(3)	-
Cash and cash equivalents, beginning of the period	2 933	4 802	5 888	-
Cash and cash equivalents, end of the period	1 740	1 740	7 114	(2 497)

* The Group decided to present receivables and liabilities from insurance claims on separate position. Those receivables and liabilities in the Condensed consolidated financial statements for 1st half 2016 were reported within position Change in receivables. The amount CZK 3 904 million was reclassified in the comparative data for 6 and 3 months 2016 of the Consolidated statement of cash flow from the position Change in receivables to Change in receivables from insurance.

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 HALF-YEAR 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 30 June 2017 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 the excerpt from the records of the book-entered shares of the Company as of 31 May 2017.

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 2016. Changes in the Group structure which occurred during 6 months ended 30 June 2017 are described in Note 4.20.

Statutory and supervisory bodies

Members of the statutory and supervisory bodies as at 30 June 2017 were as follows:

	Position	Name
Board of Directors	Chairman	Andrzej Mikołaj Modrzejewski
	Vice-chairman	Miroslaw Kastelik
	Vice-chairman	Krzysztof Zdziarski
	Member	Tomáš Herink
	Member	Andrzej Kozłowski
	Member	Robert Dominik Małek
Supervisory Board	Chairman	Wojciech Jasiński
	Vice-chairman	Ivan Kočánek
	Vice-chairman	Sławomir Jędrzejczyk
	Member	Piotr Kearney
	Member	Zdeněk Černý
	Member	Krystian Pater
	Member	Grażyna Baka
	Member	Zbigniew Leszczyński
	Member	Rafał Maciej Pasięka

Changes in the Board of Directors during the 6 months ended 30 June 2017 were as follows:

Position	Name	Change	Date of change
Member	Tomáš Herink	Elected to the office	14 March 2017
Member	Lukasz Piotrowski	The office expired	11 June 2017

Changes in the Supervisory Board during the 6 months ended 30 June 2017 were as follows:

Position	Name	Change	Date of change
Member	Bogdan Dzdzwewicz	Resigned from the office	with effect as of 18 January 2017
Member	Piotr Kearney	Resigned from the office	with effect as of 30 June 2017
Member	Rafał Maciej Pasięka	Elected to the office	with effect as of 7 June 2017
Vice-chairman	Sławomir Jędrzejczyk	Reelected to the office as a member	with effect as of 7 June 2017
Member	Jacek Marek Kosuniak	Elected to the office	with effect as of 2 July 2017
Member	Sławomir Jędrzejczyk	Resigned from the office	with effect as of 29 July 2017

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 30 June 2017 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 2016.

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. 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 2016. There were no changes in allocation of subsidiaries into the operating segments during the 6 months ended 30 June 2017.

Financial results and investment expenditures by operating segments

For the 6 months ended 30 June 2017

	Note	Downstream Segment	Retail Segment	Corporate Functions	Adjustments	Total
External revenues	4.1.	54 893	6 070	68	-	61 031
Inter-segment revenues		4 886	33	448	(5 367)	-
Sales revenues		59 779	6 103	516	(5 367)	61 031
Operating expenses		(55 725)	(5 593)	(567)	5 367	(56 518)
Other operating income	4.5.	4 213	8	4	-	4 225
Other operating expenses	4.5.	(43)	(1)	(21)	-	(65)
Profit/(Loss) from operations		8 224	517	(68)	-	8 673
Net finance costs	4.6.					(734)
Profit before tax						7 939
Tax expense	4.7.					(1 540)
Net profit						6 399
Depreciation and amortisation		(1 156)	(164)	(33)	-	(1 353)
EBITDA*		9 380	681	(35)	-	10 026
CAPEX**		2 571	360	98	-	3 029

For the 3 months ended 30 June 2017

	Note	Downstream Segment	Retail Segment	Corporate Functions	Adjustments	Total
External revenues	4.1.	27 951	3 198	32	-	31 181
Inter-segment revenues		2 507	16	236	(2 759)	-
Sales revenues		30 458	3 214	268	(2 759)	31 181
Operating expenses		(28 473)	(2 886)	(294)	2 759	(28 894)
Other operating income	4.5.	3 088	4	3	-	3 095
Other operating expenses	4.5.	(20)	(1)	(16)	-	(37)
Profit/(Loss) from operations		5 053	331	(39)	-	5 345
Net finance costs	4.6.					(701)
Profit before tax						4 644
Tax expense	4.7.					(1 071)
Net profit						3 573
Depreciation and amortisation		(608)	(84)	(18)	-	(710)
EBITDA*		5 661	415	(21)	-	6 055
CAPEX**		1 577	192	33	-	1 802

3. OPERATING SEGMENTS (CONTINUED)

For the 6 months ended 30 June 2016

	Note	Downstream Segment	Retail Segment	Corporate Functions	Adjustments	Total
External revenues	4.1.	34 166	3 992	79		38 237
Inter-segment revenues		3 240	28	346	(3 614)	-
Sales revenues		37 406	4 020	425	(3 614)	38 237
Operating expenses		(37 794)	(3 802)	(407)	3 614	(38 389)
Other operating income	4.5.	4 209	8	1	-	4 218
Other operating expenses	4.5.	(167)	(5)	(17)	-	(189)
Profit from operations		3 654	221	2	-	3 877
Net finance income	4.6.					100
Profit before tax						3 977
Tax expense	4.7.					(896)
Net profit						3 081
Depreciation and amortisation		(762)	(155)	(25)	-	(942)
EBITDA*		4 416	376	27	-	4 819
CAPEX**		6 776	156	24	-	6 956

For the 3 months ended 30 June 2016

	Note	Downstream Segment	Retail Segment	Corporate Functions	Adjustments	Total
External revenues	4.1.	18 245	2 268	38	-	20 551
Inter-segment revenues		1 906	15	186	(2 107)	-
Sales revenues		20 151	2 283	224	(2 107)	20 551
Operating expenses		(20 401)	(2 190)	(214)	2 107	(20 698)
Other operating income	4.5.	3 976	6	1	-	3 983
Other operating expenses	4.5.	(47)	(4)	(11)	-	(62)
Profit from operations		3 679	95	-	-	3 774
Net finance income	4.6.					88
Profit before tax						3 862
Tax expense	4.7.					(756)
Net profit						3 106
Depreciation and amortisation		(395)	(79)	(13)	-	(487)
EBITDA*		4 074	174	13	-	4 261
CAPEX**		4 094	105	10	-	4 209

* 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

	30/06/2017	31/12/2016
Downstream Segment	55 149	54 841
Retail Segment	6 484	6 043
Segment assets	61 633	60 884
Corporate Functions	12 538	8 026
Adjustments	(91)	(258)
	74 080	68 653

4. OTHER NOTES

4.1. Revenues

	6 MONTHS ENDED 30/06/2017	3 MONTHS ENDED 30/06/2017	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016
Revenues from sales of finished goods and services, net	59 315	30 065	32 220	16 154
Revenues from sales of merchandise and raw materials, net	1 716	1 116	6 017	4 397
	61 031	31 181	38 237	20 551

4.2. Operating expenses

Cost of sales

	6 MONTHS ENDED 30/06/2017	3 MONTHS ENDED 30/06/2017	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016
Cost of finished goods and services sold	(52 697)	(26 752)	(30 421)	(15 317)
Cost of merchandise and raw materials sold	(1 670)	(1 071)	(6 001)	(4 381)
	(54 367)	(27 823)	(36 422)	(19 698)

4.2. Operating expenses (continued)

Cost by nature

	6 MONTHS ENDED 30/06/2017	3 MONTHS ENDED 30/06/2017	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016
Materials and energy	(46 862)	(23 318)	(24 960)	(11 971)
Cost of merchandise and raw materials sold	(1 670)	(1 071)	(6 001)	(4 381)
External services	(2 999)	(1 510)	(2 729)	(1 418)
Employee benefits	(1 672)	(843)	(1 425)	(719)
Depreciation and amortisation	(1 353)	(710)	(942)	(486)
Taxes and charges	(203)	(95)	(143)	(60)
Other	(475)	(244)	(507)	(234)
	(55 234)	(27 791)	(36 707)	(19 269)
Change in inventories	(1 349)	(1 140)	(2 060)	(1 680)
Cost of products and services for own use	-	-	189	189
Operating expenses	(56 583)	(28 931)	(38 578)	(20 760)
Distribution expenses	1 375	698	1 283	639
Administrative expenses	776	373	684	361
Other operating expenses	65	37	189	62
Cost of sales	(54 367)	(27 823)	(36 422)	(19 698)

4.3. Impairment allowances of inventories to net realisable value

	6 MONTHS ENDED 30/06/2017	3 MONTHS ENDED 30/06/2017	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016
Increase	(345)	(330)	(440)	(79)
Decrease	380	336	888	318

4.4. Impairment allowances of assets

	6 MONTHS ENDED 30/06/2017	3 MONTHS ENDED 30/06/2017	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016
Property, plant and equipment				
Recognition	(4)	(2)	(13)	(13)
Reversal	2	1	7	7
Receivables				
Recognition	(11)	(1)	(2)	(2)
Reversal	1	1	1	1

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

4.5. Other operating income and expenses

Other operating income

	6 MONTHS ENDED 30/06/2017	3 MONTHS ENDED 30/06/2017	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016
Penalties and compensations earned	4 120	3 074	3 960	3 941
Profit on sale of non-current non-financial assets	35	5	16	15
Reversal of provisions	2	1	16	16
Reversal of receivables impairment allowances	1	1	1	1
Reversal of impairment allowances of property, plant and equipment and intangible assets	2	1	7	7
Revaluation of provision to CO ₂ consumption	49	2	207	1
Other	16	11	11	2
	4 225	3 095	4 218	3 983

During the 6 months and 3 months ended 30 June 2017 the Group recognized compensation from insurances in the amount of CZK 2 754 million in connection with steam cracker unit accident. In the same periods of 2016 the Group recognized compensation in the amount of CZK 3 934 million and CZK 3 918 million, respectively. Further information regarding the Steam cracker unit accident, insurance claim and recoveries is presented in note 4.17 and note 35.1. of the consolidated financial statements for the year 2016.

In Q2 2017 the Group succeeded to agree with insurer the final settlement amount of the claim relating to the Fluid Catalytic Cracking unit accident concerning property and mechanical damage as well as loss of business profits (business interruption) in the amount of CZK 1 320 million. This amount was recognized in Other operating income for 6 months ended 30 June 2017 (3 months ended 30 June 2017: CZK 297 million). As at 30 June the Group has received CZK 1 023 million, the amount of CZK 297 million 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 as at 30 June 2017. The information regarding Fluid Catalytic Cracking unit accident, insurance claim and recoveries is presented under note 35.1. of the consolidated financial statements for the year 2016.

4.5. Other operating income and expenses (continued)

Other operating expenses

	6 MONTHS ENDED 30/06/2017	3 MONTHS ENDED 30/06/2017	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016
Penalties, damages and compensations	(20)	(16)	(138)	(39)
Loss on sale of non-current non-financial assets	(17)	(17)	(2)	(2)
Recognition of provisions	(5)	-	(6)	(5)
Recognition of receivables impairment allowances	(11)	(1)	(2)	(2)
Recognition of impairment allowances of property, plant and equipment and intangible assets	(4)	(2)	(13)	(13)
Donations	(1)	(1)	(2)	(1)
Other	(7)	-	(26)	-
	(65)	(37)	(189)	(62)

The penalties, damages and compensations 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 17 and 12 million during the 6 and 3 months ended 30 June 2017 respectively (CZK 138 and 39 million during the 6 and 3 months ended 30 June 2016).

4.6. Finance income and finance costs

Finance income

	6 MONTHS ENDED 30/06/2017	3 MONTHS ENDED 30/06/2017	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016
Interest	23	14	9	4
Net foreign exchange gain	-	-	53	-
Settlement and valuation of financial instruments	163	78	190	150
	186	92	252	154

Finance costs

	6 MONTHS ENDED 30/06/2017	3 MONTHS ENDED 30/06/2017	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016
Interest	-	-	(1)	(1)
Net foreign exchange loss	(25)	(118)	-	(52)
Settlement and valuation of financial instruments	(880)	(669)	(137)	(6)
Other	(15)	(6)	(14)	(7)
	(920)	(793)	(152)	(66)

4.7. Tax expense

	6 MONTHS ENDED 30/06/2017	3 MONTHS ENDED 30/06/2017	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016
Current income tax	(1 218)	(808)	(332)	(319)
Deferred income tax	(322)	(263)	(564)	(437)
	(1 540)	(1 071)	(896)	(756)

4.8. Property, plant and equipment

Material additions

In 6 months period ended 30 June 2017 the major additions to non-current assets were partial construction of the new PE3 unit in the amount of CZK 1 804 million and acquirement of filling stations in amount of CZK 175 million. The amounts of other investment projects have not exceeded CZK 100 million.

In 2016 the major additions to non-current assets were the capitalized repairs of the steam cracker unit following to the accident in 2015 in the amount of CZK 3 164 million, partial construction of the new PE3 unit with a value of CZK 2 863 million and capitalized spendings connected with periodical turnaround in Litvínov premises in the amount of CZK 1 250 million.

4.9. Other financial assets

	30/06/2017	31/12/2016
Cash flow hedge instruments		
<i>currency forwards</i>	213	2
<i>commodity swaps</i>	127	144
Derivatives not designated as hedge accounting		
<i>currency forwards</i>	-	33
Cash pool	8 747	3 135
Receivables on settled cash flow hedge instruments	285	102
	9 372	3 416

4.10. Provisions

	Non-current		Current		Total	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016	30/06/2017	31/12/2016
Environmental provision	864	877	3	4	867	881
Jubilee bonuses and retirement benefits provision	97	97	7	7	104	104
Provision for CO ₂ emission allowances	-	-	304	553	304	553
Other provision	8	23	84	88	92	111
	969	997	398	652	1 367	1 649

A provision for CO₂ allowances was created for estimated CO₂ emissions in the periods ended 30 June 2017 and 31 December 2016.

4.11. Other financial liabilities

	30/06/2017	31/12/2016
Cash flow hedge instruments		
<i>currency forwards</i>	-	-
<i>commodity swaps</i>	33	470
Derivatives not designated as hedge accounting		
<i>currency forwards</i>	80	24
Cash pool	327	175
Liabilities on settled cash flow hedge instruments	78	246
	518	915

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 2016 in note 27.3. 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).

	30/06/2017		31/12/2016	
	Level 2	Level 3	Level 2	Level 3
Financial assets				
Derivative instruments at fair value	864	-	179	-
Investment property	127	316	116	316
	991	316	295	316
Financial liabilities				
Derivative instruments at fair value	113	-	494	-
	113	-	494	-

During the 6 months ended 30 June 2017 and year 2016 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 30 June 2017 and as at 31 December 2016 the value of future commitments of the Group resulting from signed investment contracts amounted to CZK 4 973 million and CZK 5 799 million.

4.14. Retained earnings and dividends

In accordance with appropriate Czech law, dividends can be paid from unconsolidated profits of the parent company. On 7 June 2017 the Annual General Meeting of Unipetrol decided to allocate the amount of CZK 1 505 million for dividend payment (representing CZK 8.30 per each Company's share). The dividends are payable on 7 September 2017.

4.15. 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 2 052 million as at 30 June 2017 (31 December 2016: CZK 2 988 million) and for other purposes amounted to CZK 107 million (31 December 2016: CZK 105 million).

The Group was the beneficiary of guarantees in the amount of CZK 558 million as at 30 June 2017 (31 December 2016: CZK 770 million).

4.16. Related party transactions

Material transactions concluded by the Group companies with related parties

In the 6 months ended 30 June 2017 and 2016 there were no transactions concluded by the Group with related parties on other than arm's length terms.

Transactions with key management personnel

In the 6 months ended 30 June 2017 and 2016 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 6 months ended 30 June 2017 and 2016 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 6 months ended 30 June 2017 and 2016 members of the key management personnel of the parent company and the Group companies submitted statements that they have not concluded any transactions with related parties.

Parent and ultimate controlling party

During 2017 and 2016 a majority (62.99%) of the Company's shares were held by POLSKI KONCERN NAFTOWY ORLEN S.A. (PKN Orlen).

for 6 months ended	PKN Orlen		Joint operations		Entities under control or significant influence of PKN Orlen	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016	30/06/2017	30/06/2016
Sales	3 419	886	465	1	4 356	2 059
Purchases	37 328	20 290	338	19	769	1 515
Finance income	-	-	45	13	14	2
Finance costs	-	-	-	-	2	2

for 3 months ended	PKN Orlen		Joint operations		Entities under control or significant influence of PKN Orlen	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016	30/06/2017	30/06/2016
Sales	1 490	434	256	1	2 596	1 012
Purchases	17 912	10 734	178	-	498	980
Finance income	-	-	45	13	10	1
Finance costs	-	-	-	-	1	1

	PKN Orlen		Joint operations		Entities under control or significant influence of PKN Orlen	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016	30/06/2017	31/12/2016
Other financial assets	-	-	-	-	8 747	3 135
Trade and other receivables	478	439	84	94	928	519
Trade and other liabilities	5 298	6 086	54	77	428	57

4.17. Contingent assets

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 June 2017, it should be in a position to recover repair costs as well as recoverable lost business profits estimated at CZK 13.5 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 Q2 2017. The amount of CZK 2.8 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 as at 30 June 2017.

The Group estimates the value of the contingent asset from an insurance claim in the amount of CZK 2.8 billion as at 30 June 2017. The final amount of compensation will depend on the final agreement with insurers.

Tax proceeding

The claims are described in the consolidated financial statements of the Group as at and for the year ended 31 December 2016.

During the 6 months ended 30 June 2017 there were no material changes in relation to this issue.

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 2016.

During the 6 months ended 30 June 2017 there were no material changes in relation to this issue.

4.18. Contingent liabilities

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 2016.

During the 6 months ended 30 June 2017 there were no material changes in relation to this issue.

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 2016.

During the 6 months ended 30 June 2017 there were no material changes in relation to this issue.

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

The claims are described in the consolidated financial statements of the Group as at and for the year ended 31 December 2016.

During the 6 months ended 30 June 2017 there were no material changes in relation to this issue.

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 33 in the consolidated financial statements of the Group as at and for the year ended 31 December 2016.

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 34 in the consolidated financial statements as at and for the year ended 31 December 2016.

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 33.1 of the consolidated financial statements of the Group as at and for the year ended 31 December 2016. As at 30 June 2017, in relation to IFRS 15 Revenue from Contracts with Customers the Group expects to have the results of the analysis available in the second half 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	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016
CZK/EUR	26.263	27.030	26.195	27.020
CZK/USD	23.389	25.641	22.952	25.639

4.20. Changes in the Group structure

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.

In 6 months ended 30 June 2017 there were no other changes in Group structure.

4.21. Subsequent events after the reporting date

The Group's management is not aware of any events that have occurred since the end of the reporting period that would have any material impact on the financial statements as at 30 June 2017.

4.22. Approval of the financial statements

The foregoing financial report for the period ended 30 June 2017 was authorized for issue by the Board of Directors on 19 July 2017.

Signature of statutory representatives



Andrzej Mikołaj Modrzejewski

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 30 June 2017 and the related consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-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 30 June 2017 and of its consolidated financial performance and cash flows for the six-month period then ended in accordance with International Financial Reporting Standards as adopted by European Union.

Other Matters

Corresponding figures as at 31 March 2017, 31 March 2016 and 30 June 2016 and for the periods then ended were not subject to review of interim financial information. The consolidated financial statements of UNIPETROL, a.s. for the year ended 31 December 2016 were audited by another auditor who expressed unmodified opinions on those statements on 13 March 2017.

In Prague on 20 July 2017

Audit Firm:

Deloitte Audit s.r.o.



Represented by:

Martin Tesař
statutory executive

