



UNIPETROL, a.s.

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

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

FOR THE YEAR 2014



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

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

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

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

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

Statutory Body's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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



Opinion

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

Prague
3 March 2015

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

Karel Růžička
Karel Růžička
Partner
Registration number 1895

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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	2014	2013
Statement of profit or loss			
Revenues	8	124 229	99 415
Cost of sales	9.1	(118 243)	(97 112)
Gross profit on sales		5 986	2 303
Distribution expenses	9.2	(2 090)	(1 963)
Administrative expenses	9.2	(1 274)	(1 192)
Other operating income	10.1	1 645	188
Other operating expenses	10.2	(5 264)	(229)
Loss from operations		(997)	(893)
Finance income	11.1	1 272	1 076
Finance costs	11.2	(1 637)	(1 526)
Net finance costs		(365)	(450)
Loss before tax		(1 362)	(1 343)
Tax credit / (expense)	12	806	(53)
Net loss		(556)	(1 396)
Other comprehensive income			
items which will not be reclassified into profit or loss			
Actuarial gains and losses		(12)	(2)
Deferred tax		2	-
items which will be reclassified into profit or loss under certain conditions		728	(145)
Hedging instruments		899	(206)
Foreign exchange differences on subsidiaries from consolidation		-	28
Deferred tax		(171)	33
		718	(147)
Total net comprehensive income		162	(1 543)
Net loss attributable to			
equity owners of the parent		(556)	(1 394)
non-controlling interest		-	(2)
Total comprehensive income attributable to		162	(1 543)
equity owners of the parent		162	(1 541)
non-controlling interest		-	(2)
Net profit/(loss) and diluted net profit/(loss) per share attributable to equity owners of the parent (in CZK per share)	24.8	(3,07)	(7,70)

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8-64.

Consolidated statement of financial position

	NOTE	31/12/2014	31/12/2013
ASSETS			
Non-current assets			
Property, plant and equipment	13	18 893	23 177
Investment property	14	419	427
Intangible assets	15	1 792	1 748
Financial assets available for sale	17	1	1
Deferred tax assets	12.2	1 039	259
Other non-current assets	18	29	53
		22 173	25 665
Current assets			
Inventories	20	10 320	10 705
Trade and other receivables	21	12 506	12 393
Other financial assets	22	1 764	49
Current tax receivables		72	70
Cash and cash equivalents	23	1 682	1 117
		26 344	24 334
Total assets		48 517	49 999
EQUITY AND LIABILITIES			
EQUITY			
Share capital	24.1	18 133	18 133
Statutory reserves	24.2	2 703	2 643
Hedging reserve	24.3	538	(190)
Revaluation reserve	24.4	10	10
Foreign exchange differences on subsidiaries from consolidation	24.5	18	18
Retained earnings	24.6	7 069	7 695
Total equity attributable to equity owners of the parent		28 471	28 309
Non-controlling interest		(9)	(9)
Total equity		28 462	28 300
LIABILITIES			
Non-current liabilities			
Loans and borrowings	25	4 000	2 000
Provisions	26	457	433
Deferred tax liabilities	12.2	203	226
Other non-current liabilities	27	185	202
		4 845	2 861
Current liabilities			
Trade and other liabilities	28	13 582	17 313
Loans and borrowings	25	350	507
Current tax liabilities		8	19
Provisions	26	782	541
Deferred income	29	76	109
Other financial liabilities	30	412	349
		15 210	18 838
Total liabilities		20 055	21 699
Total equity and liabilities		48 517	49 999

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8-64.

Consolidated statement of 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		
1 January 2014	18 133	2 643	(190)	18	10	7 695	28 309	(9)	28 300
Net loss	-	-	-	-	-	(556)	(556)	-	(556)
Items of other comprehensive income	-	-	728	-	-	(10)	718	-	718
Total net comprehensive income	-	-	728	-	-	(566)	162	-	162
Allocation of profit	-	60	-	-	-	(60)	-	-	-
31 December 2014	18 133	2 703	538	18	10	7 069	28 471	(9)	28 462
1 January 2013	18 133	2 583	(16)	(10)	68	9 092	29 850	(7)	29 843
Net loss	-	-	-	-	-	(1 394)	(1 394)	(2)	(1 396)
Items of other comprehensive income	-	-	(174)	28	(58)	57	(147)	-	(147)
Total net comprehensive income	-	-	(174)	28	(58)	(1 337)	(1 541)	(2)	(1 543)
Allocation of profit	-	60	-	-	-	(60)	-	-	-
31 December 2013	18 133	2 643	(190)	18	10	7 695	28 309	(9)	28 300

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8-64.

Consolidated statement of cash flows

	NOTE	2014	2013
Cash flows - operating activities			
Net loss		(556)	(1 396)
Adjustments for:			
Depreciation and amortisation	9	2 270	2 415
Foreign exchange (gain)/loss		7	6
Interest and dividends, net		105	246
(Profit)/Loss on investing activities including impairment charge and profit from financial derivatives		4 371	(89)
Change in provisions		807	735
Tax expense	12	(805)	53
Income tax (paid)		(124)	(189)
Gain on bargain purchase	5	(1 186)	-
Other adjustments including change from financial instruments and movements in deferred income		(1 125)	(257)
Change in working capital		(3 027)	(1 224)
<i>inventories</i>		548	(436)
<i>receivables</i>		559	(942)
<i>liabilities</i>		(4 134)	154
Net cash provided by operating activities		737	300
Cash flows - investing activities			
Acquisition of property, plant and equipment and intangible assets		(2 093)	(1 728)
Disposal of property, plant and equipment and intangible assets		39	34
Acquisition of share in Česká rafinérská		(547)	-
Cash acquired in acquisition of share in Česká rafinérská		141	-
Settlement of financial derivatives		533	7
Proceeds/(Outflows) from loans granted		29	(1)
Other		(20)	-
Net cash provided used in investing activities		(1 918)	(1 688)
Cash flows - financing activities			
Proceeds/(Outflows) from loans and borrowings		1 824	1 883
Repayment of bonds issued		-	(2 000)
Proceeds/(Outflows) from cash pool liabilities		-	(176)
Interest paid		(90)	(284)
Payments of liabilities under finance lease agreements		(1)	(3)
Other		(5)	(3)
Net cash provided by/(used in) financing activities		1 728	(583)
Net increase/(decrease) in cash and cash equivalents		547	(1 971)
Effect of exchange rate changes		18	14
Cash and cash equivalents, beginning of the year		1 117	3 074
Cash and cash equivalents, end of the year	23	1 682	1 117

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8-64.

ACCOUNTING PRINCIPLES AND OTHER EXPLANATORY NOTES

1. DESCRIPTION OF THE COMPANY

Establishment of the Company

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

Identification number of the Company

616 72 190

Registered office of the Company

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

Principal activities

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

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

Ownership structure

The shareholders as at 31 December 2014 are as follows:

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

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

Statutory and supervisory bodies

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

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

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

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

Changes in the supervisory board in 2014 were as follows:

Position	Name	Change	Date of change
Member	Dariusz Jacek Krawiec	Re-elected into the office	1 July 2014
Member	Piotr Kearney	Re-elected into the office	1 July 2014
Member	Sławomir Jędrzejczyk	Re-elected into the office	1 July 2014

2. STATEMENTS OF THE MANAGEMENT BOARD

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

3. ACCOUNTING PRINCIPLES

3.1 Principles of preparation of financial statements

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

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

The consolidated financial statements of the Group for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred as the "Group") and the Group's interest in jointly controlled entities.

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

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

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

3.2.1 Binding amendments and interpretations to IFRSs

The following standards, which are significant for the preparation of these consolidated financial statements became effective on 1 January 2014: IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS 12 - Disclosure of Interest in Other Entities as well as changes in standards: IAS 27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures. According to IFRS 10 the Company performed evaluation of control over its subsidiaries, based on the analyses there were no changes in conclusions as to the Company's control over those entities.

The application of IFRS 11 Joint Arrangements did not have an impact on the consolidated financial statements, since the assessment of the joint arrangements under this standard has not resulted in a change of the accounting treatment of existing joint arrangements. In accordance with IFRS 11 entities belonging to the Group - Ceska Rafinerska and Butadien Kralupy were classified as a joint operations and as at 31 December 2014 are accounted based on the share in owned assets, liabilities, generated revenue and incurred costs. Implementation of IFRS 11 in relation to the above entities had no impact on the consolidated net result of the Group.

Adoption of IFRS 12 standard by the Group from January 2014 resulted in increased disclosures for investments in other entities.

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

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

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

- IFRIC Interpretation 21 - Levies
- Amendments to IAS 19 - Employee Benefits entitled Defined Benefit Plans: Employee Contributions
- Improvements to IFRS (2010-2012)
- Improvements to IFRS (2011-2013)

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

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

Those new standards and amendments which may be relevant to the Group are set out below:

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

It is expected that the aforementioned standards, amendments and interpretation to standards, when initially applied, will have no material impact on future consolidated financial statements of the Group, however, when the new standard IFRS 9 will be initially applied, financial assets will be assigned to changed financial instruments categories.

The impact of the initial application of the new standard IFRS 15, effective for annual periods beginning on or after 1 January 2017 will depend on the specific facts and conditions of the contracts with customers in which the Group will be a party.

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

3.3.1 Functional and presentation currency

These consolidated financial statements are presented in Czech crowns (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. In prior year the financial information were presented in CZK thousands. In current year the Company changed the presentation to CZK million and performed corresponding changes in prior year figures.

3.3.2 Methods applied to translation of 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 of statement of profit or loss and other comprehensive income and statement of cash flows are translated at average exchange rates published by the CNB.

All resulting exchange differences are recognized in equity, as foreign exchange differences on revaluation of subsidiaries. These differences are recognized in profit or loss in the period in which the foreign operation is disposed. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the balance sheet date.

Currency	Average exchange rate for the reporting period		Exchange rate as at the end of reporting period	
	2014	2013	2014	2013
CZK/EUR	27,533	25,974	27,730	27,425
CZK/USD	20,746	19,565	22,797	19,894

3.4. Accounting policies applied by the Group

3.4.1 Change in accounting policies, estimates and prior period errors

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

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

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

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

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

Starting from 1 January 2014 the Group has applied hedge accounting in relation to commodity swaps on crude oil. The accounting principles were applied in accordance with the note 3.4.26.10 Hedge accounting. Consequently, the result of commodity swaps settlement is included in operating part of the statement of profit or loss and other comprehensive income, not financial part as previously. In accordance with IFRSs the change was applied prospectively.

3.4.2 Foreign currency

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

At the end of the reporting period:

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

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

3.4.3 Principles of consolidation

The consolidated financial statements of the Group include financial statements of a group in which assets, liabilities, equity, income, expenses and cash flows of the Parent Company (further Parent) and its subsidiaries and joint arrangements (jointly controlled entities) are presented as those of a single economic entity and are prepared as at the same reporting period as separate financial statements of the Parent and using uniform accounting principles in relation to similar transactions and other events in similar circumstances.

3.4.3.1 Investments in subsidiaries

Subsidiaries are entities under the parent's control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiaries are consolidated using the full consolidation method.

Non-controlling interests shall be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the Parent.

3.4.3.2 Investments in joint arrangements (jointly controlled entities)

A joint arrangement (jointly controlled entity) is a joint venture or a joint operation, in which the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. An arrangement can be a joint arrangement even though not all of its parties have joint control of the arrangement, for this reason it is distinguished between parties that have joint control of a joint arrangement (joint operators or joint ventures) and parties that participate in, but do not have joint control of, a joint arrangement.

A joint arrangement is an arrangement of which two or more parties have joint control.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture requires the establishment of a legal person, partnership or other entity in which each venturer has participated. Such an entity operates on the same basis as other entities, except that the contractual arrangements between the operators of the arrangement establish joint control on the economic activity of the entity.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

3.4.3.3 Investments in associates

Investments in associates relate to entities over which investor has significant influence and that are neither controlled nor jointly controlled.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

If entity holds directly or indirectly (e.g. through subsidiaries), 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds, directly or indirectly (e.g. through subsidiaries), less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated.

3.4.3.4 Consolidation procedures

Consolidated financial statements are prepared using line by line and joint operation accounts for related assets, liabilities, revenues and expenses. Entities, over which investor has significant influence are accounted for using equity method.

In preparing consolidated financial statements using line by line method, an entity combines the financial statements of the Parent and its subsidiaries line by line by adding together like items of assets, liabilities, equity, income and expenses and then performs adequate consolidation procedures, including mainly:

- the carrying amount at the day of acquisition of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated;
- non-controlling interests in the profit or loss of consolidated subsidiaries for the reporting period are identified;
- non-controlling interests in the net assets of consolidated subsidiaries are identified and presented separately from the parent's ownership interests in them;
- intra group balances are eliminated;
- unrealized profits or losses from intra group transactions are eliminated;
- intra group revenues and expenses are eliminated;
- intra group cash flow should be eliminated.

A joint operator recognizes:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

A joint operator shall account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

A joint venturer shall recognise its interest in a joint venture as an investment and shall account for that investment using the equity method.

Investments in associates are accounted for using the equity method, based on the financial data derived from the financial statements of those entities.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the profit or loss of the investee is recognised in the investor's profit or loss as other operating activity. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for a change in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The investor's share of those changes is recognised in other comprehensive income of the investor.

3.4.4 Business combinations

An entity shall account for each business combination by applying the acquisition method. Applying the acquisition method requires:

- identifying the acquirer,
- determining the acquisition date,
- recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree and
- recognising and measuring goodwill or a gain from a bargain purchase.

Assets, liabilities and contingent liabilities for the purpose of allocating the acquisition cost is determined in the fair value at the acquisition date with following exceptions:

- deferred assets and liabilities arising from the assets acquired and liabilities assumed in a business combination are recognized according to general principles deferred tax,
- assets and liabilities related to the acquiree's employee benefit arrangements are recognized according to general principles of IAS 19 Employee benefits,
- non-current assets (or disposal group) that is classified as held for sale at the acquisition date are recognized according to general principles for non-current assets held for sale.

3.4.5 Operating segments

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

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

- the downstream segment which includes integrated refining, petrochemical and energy production activities,
- the retail segment which comprises trade in refinery products and secondary logistics, and corporate functions, constitute as agreement position which include activities related to management and administration, support functions as well as remaining activities not allocated to separate operating segments.

Segment revenues are revenues from sales to external customers and revenues from transactions with other operating segments, which are directly attributable to the segment.

Segment expenses are expenses relating to sales to external customers and expenses relating to transactions with other operating segments, which result from the operating activities of a segment that are directly attributable to the segment and the relevant portion of the Group's expenses that can be allocated on a reasonable basis to a segment.

Segment expenses do not include: income tax expense, interest, including interest incurred on advances or loans from other segments, unless the segment's operations are primarily of a financial nature, losses on sales of investments or losses on extinguishment of debt unless the segment's operations are primarily of a financial nature, administrative expenses and other expenses arising at the level of the Group as a whole, unless they are directly attributable to the segment and can be allocated to the segment on a reasonable basis. The segment result is determined at the level of operating result.

Segment assets are those operating assets that are employed by that segment in operating activity and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. In particular income tax items are not allocated to reportable segments.

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

3.4.6 Revenues

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

3.4.6.1 Revenue from sales of finished goods, merchandise, materials and services

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

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

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

3.4.6.2 Revenue from licenses, royalties and trade marks

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

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

3.4.6.3 Franchise revenues

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

3.4.6.4 Rental income

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

3.4.7 Costs

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

3.4.7.1 Cost of sales

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

3.4.7.2 Distribution expenses

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

3.4.7.3 Administrative expenses

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

3.4.8 Other operating income and expenses

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

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

3.4.9 Finance income and finance costs

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

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

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

3.4.10 Income tax expense

Income tax comprises current tax and deferred tax.

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

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

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

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

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

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

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

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

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

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

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

3.4.10 Income tax expense (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the statement of profit or loss and other comprehensive income. The deferred tax assets and liabilities are measured at the end of each reporting period using enacted tax rates binding for the year in which the tax obligation arises, based on tax rates published in tax law.

Deferred tax assets and liabilities are not discounted.

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

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

3.4.11 Earnings per share

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

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

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

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

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

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

3.4.12 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

3.4.13 Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment property shall be recognized as an asset when, and only when:

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

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

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

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

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

3.4.14 Intangible assets

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

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

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

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

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

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

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

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

The following standard useful lives are used for intangible assets:

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

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

3.4.14.1 Goodwill

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

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

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

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

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

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

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

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

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

3.4.14.2 Carbon dioxide emission allowances

By the virtue of The Kyoto Protocol, the countries, which decided to ratify the Protocol, obliged themselves to reduce emissions of greenhouse gases, i.e. carbon dioxide (CO₂).

In the European Union countries, the plants and companies, which reach productivity exceeding 20 MW and some other industrial plants were obliged to participate in emissions trading system. All mentioned entities are allowed to emit CO₂ in specified amount and are obliged to amortise those rights in the amount of the emissions of the given year.

CO₂ emission rights are initially recognised as intangible assets, which are not amortised (assuming the high residual value), but tested for impairment.

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

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

For the estimated CO₂ emission during the reporting period, a provision should be created in operating activity costs (taxes and charges).

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

Granted/purchased CO₂ emission allowances are amortised against the book value of provision, at its settlement.

Outgoing of allowances is recognised using FIFO method (First In, First Out) within the individual types of rights (EUA - European Union Allowances, ERU - Emission Reductions Units, CER - Certified Emission Reduction).

3.4.14.3 Borrowing costs

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

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

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

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

Borrowing costs may include:

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

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

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

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

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

3.4.15 Impairment of assets

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

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

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

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

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

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

To the cash generating unit following assets are allocated:

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

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

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

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

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

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

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

3.4.16 Inventories

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

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

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

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

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

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

Merchandise and materials are measured initially at acquisition cost.

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

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

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

3.4.17 Trade and other receivables

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

3.4.18 Cash and cash equivalents

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

3.4.19 Non-current assets held for sale and discontinued operation

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

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

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

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

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

3.4.19 Non-current assets held for sale and discontinued operation (continued)

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

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

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

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

3.4.20 Equity

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

3.4.20.1 Share capital

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

3.4.20.2 Statutory reserves

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

3.4.20.3 Hedging reserve

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

3.4.20.4 Revaluation reserve

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

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

3.4.20.5 Foreign exchange differences on subsidiaries from consolidation

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

3.4.20.6 Retained earnings

Retained earnings include:

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

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

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

3.4.21 Liabilities

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

3.4.22 Accruals

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

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

3.4.23 Provisions

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

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

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

The Group establishes provisions for environmental damages, legal disputes, penalties, estimated expenditures related to the fulfilment of obligations as a result of warranty claims, CO₂ emission allowances and jubilee bonuses and retirement benefits. No provisions are established in respect of environmental damages which occurred prior to establishment of the Group as the Czech government contractually committed to reimburse the Group for clean-up costs. Provisions are not recognised for the future operating losses.

3.4.23.1 Shield programs

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

3.4.23.2 Environmental provision

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

3.4.23.3 CO₂ emissions costs

The Group creates provision for the estimated CO₂ emission during the reporting period in operating activity costs (taxes and charges).

3.4.23.4 Jubilee bonuses and retirement benefits

Retirement benefits and jubilee bonuses

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

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

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

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

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

3.4.23.5 Business risk

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

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

3.4.24 Government grants

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

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

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

If the government grants relates to assets, it is presented net with the related asset and is recognized in statement of profit or loss on a systematic basis over the useful life of the asset through the decreased depreciation charges, the treatment regarding Carbon dioxide emission allowances granted is described in note 3.4.14.2.

3.4.25 Consolidated statement of cash flows

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

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

Dividends received are presented in cash flows from investing activities.

Dividends paid are presented in cash flows from financing activities.

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

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

3.4.26 Financial instruments

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

3.4.26.1 Recognition and derecognition in the consolidated statement of financial position

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

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

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

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

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

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

3.4.26.2 Measurement of financial assets and liabilities

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

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

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

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

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

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

3.4.26.2 Measurement of financial assets and liabilities (continued)

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

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

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

3.4.26.3 Measurement of financial assets at fair value

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

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

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

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

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

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

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

3.4.26.4 Measurement of financial assets at amortized cost

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

3.4.26.5 Measurement of financial liabilities at fair value

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

3.4.26.6 Measurement of financial liabilities at amortized cost

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

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

3.4.26.7 Transfers

The Group:

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

3.4.26.8 Impairment of financial assets

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

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

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

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

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

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

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

3.4.26.9 Embedded derivatives

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

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

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

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

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

3.4.26.10 Hedge accounting

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

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

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

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

3.4.26.10 Hedge accounting (continued)

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

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

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

The Group discontinues fair value hedge accounting if:

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

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

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

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

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

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

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

The Group discontinues cash flow hedge accounting if:

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

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

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

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

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

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

3.4.27 Fair value measurement

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

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

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

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

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

The adjusted input include:

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

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

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

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

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

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

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

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

3.4.28 Lease

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

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

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

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

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

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

3.4.28 Lease (continued)

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

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

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

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

3.4.29 Contingent assets and liabilities

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

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

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

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

3.4.30 Subsequent events after the reporting date

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

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

4. APPLICATION OF PROFESSIONAL JUDGEMENT AND ASSUMPTIONS

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

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

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

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in notes: 5 The parent company and structure of the consolidated group 12 Tax credit / (expense), 13 Property, plant and equipment, 14 Investment property, 15 Intangible assets in relation to impairment and 19 Impairment of non-current assets.

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

5. THE PARENT COMPANY AND STRUCTURE OF THE CONSOLIDATED GROUP

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

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

In comparison to prior period the allocation of subsidiaries into the operating segments was changed as described in note 6 Changes in disclosure of comparative period. The Group has 70,95% interest in HC VERVA LITVÍNŮV, a.s., remaining non-controlling interest in this company is owned by municipality Litvínov.

The ownership interests as at 31 December 2013 were the same as it is presented in the table above except for the changes described below.

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

Changes in structure of the Group

Liquidation of UNIPETROL TRADE Group

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

Acquisition of 16,335% stake in Česká rafinérská from Shell

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

Based on the completion of the transaction Unipetrol's stake on the Česká rafinérská's share capital has increased from 51,22% to 67,555%.

Unipetrol treats its investment in Česká rafinérská as joint operation in accordance with the principles of control and joint control set out in IFRSs. Contractual arrangements between the shareholders require unanimous consent of all shareholders in case of certain decisions of significant importance for the relevant activities of the entity.

As a result of the settlement of the transaction Unipetrol recognized in the consolidated statement of profit or loss and other comprehensive income a gain on bargain purchase (a result of the excess of fair value of net assets purchased by Unipetrol over the price paid) in amount of CZK 1 186 million. The result was calculated in line with the accounting principles described in note 3.4.4 Business combinations and 3.4.14.1 Goodwill in Group accounting principles and policies included in the consolidated financial statements of the Group as at and for the year ended 31 December 2014 based on the financial data of ČESKÁ RAFINÉRSKÁ, a.s. used for UNIPETROL Group consolidation purposes as at 31 January 2014.

The recognition of the amount above was preceded by the verification of completeness and accuracy of the values of the identified assets and liabilities purchased as part of the transaction and determining the fair value of identified assets and liabilities.

The fair value of identifiable assets and liabilities of ČESKÁ RAFINÉRSKÁ, a.s. as at the acquisition day:

	Book value as at the acquisition day	Adjustments to fair value	Fair value
Non-current assets	8 056	(117)	7 939
Current assets	7 095	1 225	8 320
Total assets	15 151	1 108	16 259
Non-current liabilities	80	-	80
Current liabilities	5 570	-	5 570
Total liabilities	5 650	-	5 650
Identifiable net assets at fair value	9 501	1 108	10 609
Share acquired			16,34%
Share on identifiable net assets at fair value			1 733
Cash paid/outflows on acquisition of shares			(547)
Gain on bargain purchase			1 186

Acquisition of 32,445% stake in Česká rafinérská from Eni

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

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



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

On 19 December 2014, the Czech Competition Office (CCO) issued a merger clearance for UNIPETROL, a.s. to take over the 32.445% in ČESKÁ RAFINÉRSKÁ, a.s. from Eni International B.V. Since the merger clearance was granted without any commitments or objections, UNIPETROL, a.s. did not appeal the CCO decision. SČS - Unie nezávislých petrolejářů, z.s. (UNIE) appealed the CCO merger clearance decision on 5 January 2015; UNIE claims that its right to appeal is stemming from a judgment of Regional Court in Prague in Litvínovská uhelná, a.s. case. UNIPETROL, a.s. claims that UNIE had no right to appeal the merger clearance decision and therefore, their filing of 5 January 2015 does not form an appeal capable of delaying the merger clearance decision coming into force. The matter is now pending with the Chairman of CCO for review and decision. UNIPETROL, a.s. is requesting the Chairman to reject the UNIE filing of 5 January 2015.

Unipetrol currently treats its investment in Česká rafinérská as joint operation. After obtaining relevant merger clearances and completion of the Transaction, Unipetrol, would obtain control over Česká rafinérská and would adopt full method of consolidation.

As at the date of authorizing these consolidated financial statements for publication the impact of the Transaction on the consolidated financial statements is not known. It will be recognized in the consolidated financial statements of Unipetrol at the date on which Unipetrol will obtain control over Česká rafinérská (the acquisition date) and will depend on the fair value of the identifiable assets and liabilities on that day.

The impact will be calculated based on the accounting principles described in notes 3.4.4 Business combinations and 3.4.14.1 Goodwill in Group accounting principles and policies.

6. CHANGES IN DISCLOSURE OF COMPARATIVE PERIOD

During the year 2014 the Group implemented changes in management of operating activities in order to improve their effectiveness and integration. The organizational structure was adjusted by implementation of changes in competences of the particular Management Board members. As a result presentation of the Group's operating segments was updated including merger of refining and petrochemical segment into integrated operating segment: Downstream. As a consequence, the segments' comparative data were adjusted for the year 2013 as well as at 31 December 2013. Detailed information is presented in note 7.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO OPERATING SEGMENTS

7. OPERATING SEGMENTS

7.1 Revenues and financial result by operating segments

2014	Note	Downstream Segment	Retail Segment	Corporate Functions	Adjustments	Total
Total external revenues	8	112 947	11 190	92	-	124 229
Transactions with other segments		9 651	251	568	(10 470)	-
Total segment revenue		122 598	11 441	660	(10 470)	124 229
Operating expenses		(120 200)	(11 085)	(792)	10 470	(121 607)
Other operating income	10.1	1 584	31	30	-	1 645
Other operating expenses	10.2	(5 192)	(65)	(7)	-	(5 264)
Segment operating profit/(loss)		(1 210)	322	(109)	-	(997)
Net finance costs	11					(365)
Loss before tax						(1 362)
Tax credit	12					806
Net loss						(556)
Depreciation and amortisation	13,15	(1 863)	(323)	(84)	-	(2 270)
EBITDA*		653	645	(25)	-	1 273
Additions to non-current assets	13,14,15	1 773	187	47	-	2 007
2013	Note	Downstream Segment	Retail Segment	Corporate Functions	Adjustments	Total
Total external revenues	8	88 881	10 453	81	-	99 415
Transactions with other segments		9 131	213	550	(9 894)	-
Total segment revenue		98 012	10 666	631	(9 894)	99 415
Operating expenses		(98 889)	(10 485)	(787)	9 894	(100 267)
Other operating income	10.1	137	31	20	-	188
Other operating expenses	10.2	(194)	(27)	(8)	-	(229)
Segment operating profit/(loss)		(934)	185	(144)	-	(893)
Net finance costs	11					(450)
Loss before tax						(1 343)
Tax expense	12					(53)
Net loss						(1 396)
Depreciation and amortisation	13,15	(2 004)	(329)	(82)	-	(2 415)
EBITDA*		1 070	514	(62)	-	1 522
Additions to non-current assets	13,14,15	2 175	157	72	-	2 404

*Operating profit before tax, depreciation and amortisation

7.2 Impact of new segment division on revenues and financial result presented in previous year

2013	Downstream Segment	Refining Segment	Petrochemical Segment	Retail Segment	Corporate Functions	Adjustments	Total
Total external revenues	88 881	(52 848)	(36 033)	-	-	-	-
Transactions with other segments	9 131	(22 487)	(1 893)	-	-	15 249	-
Total segment revenue	98 012	(75 335)	(37 926)	-	-	15 249	-
Operating expenses	(98 889)	77 124	37 014	-	-	(15 249)	-
Other operating income	137	(77)	(60)	-	-	-	-
Other operating expenses	(194)	29	165	-	-	-	-
Segment operating profit/(loss)	(934)	1 741	(807)	-	-	-	-
Net finance income (costs)							-
Loss before tax							-
Tax expense							-
Net loss							-

Changes in segment division are described in note 6.

7.3 Other segment data

7.3.1 Assets by operating segment

	31/12/2014	31/12/2013
Downstream Segment	38 138	42 357
Retail Segment	5 835	6 021
Segment assets	43 973	48 378
Corporate Functions	5 355	2 551
Adjustments	(811)	(930)
	48 517	49 999

7.3.2 Impact of new segment division on assets allocation in segments presented in previous year

	31/12/2013 published	impact of change in segment division	31/12/2013 after change in segment division
Refining Segment	20 074	(20 074)	-
Petrochemical Segment	22 547	(22 547)	-
Downstream	-	42 357	42 357
Retail Segment	6 021	-	6 021
Segment assets	48 642	(264)	48 378
Corporate Functions	2 550	1	2 551
Adjustments	(1 193)	263	(930)
	49 999	-	49 999

Changes in segment division are described in note 6.

7.3.3 Recognition and reversal of impairment allowances

	Recognition		Reversal	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Downstream Segment	(5 851)	(450)	271	329
Retail Segment	(61)	(20)	17	6
Impairment allowances by segments	(5 912)	(470)	288	335
Corporate Functions	(1)	(1)	22	-
Impairment allowances in operating activities	(5 913)	(471)	310	335
	(5 913)	(471)	310	335

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

	Recognition		Reversal	
	2014	2013	2014	2013
Downstream Segment	(4 986)	(85)	45	21
Retail Segment	(58)	(18)	16	4
Impairment allowances by segments	(5 044)	(103)	61	25
	(5 044)	(103)	61	25

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

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

7.3.4 Geographical information

	Revenues		Non-current assets	
	2014	2013	31/12/2014	31/12/2013
Czech Republic	83 405	68 774	21 094	25 341
Germany	13 555	10 097	1	1
Poland	2 624	1 574	-	-
Slovakia	10 721	10 191	9	10
Other countries	13 924	8 779	-	-
	124 229	99 415	21 104	25 352

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

7.4 Revenues from major products and services

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

	2014	2013
Downstream Segment	112 947	88 881
Diesel	37 588	27 629
Gasoline	17 366	12 569
JET	2 808	1 353
LPG	1 936	1 533
Fuel OILS	1 710	1 521
Bitumen	3 281	2 416
Lubricants	1 156	1 057
Other refinery products	2 576	2 606
Ethylene	4 727	4 145
Benzene	5 969	4 664
Propylene	1 304	852
Urea	-	34
Ammonia	2 040	1 860
C4 fraction	1 545	1 381
Butadiene	1 350	1 224
Polyethylene (HDPE)	10 301	8 646
Polypropylene	9 136	7 103
Other petrochemical products	2 859	2 557
Others	517	697
Services	4 778	5 034
Retail Segment	11 190	10 453
Refinery products	10 849	10 186
Services	341	267
Corporate Functions	92	81
	124 229	99 415

7.5 Information about major customer

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

NOTES TO STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

8. REVENUES

	2014	2013
Sales of finished goods	112 562	86 332
Sales of services	5 210	5 381
Revenues from sales of finished goods and services, net	117 772	91 713
Sales of merchandise	5 598	6 658
Sales of raw materials	859	1 044
Revenues from sales of merchandise and raw materials, net	6 457	7 702
	124 229	99 415

9. OPERATING EXPENSES

9.1 Cost of sales

	2014	2013
Cost of finished goods and services sold	(112 057)	(89 761)
Cost of merchandise and raw materials sold	(6 186)	(7 351)
	(118 243)	(97 112)

9.2 Cost by nature

	2014	2013
Materials and energy	(100 984)	(80 502)
Cost of merchandise and raw materials sold	(6 186)	(7 351)
External services	(7 911)	(7 374)
Employee benefits	(2 500)	(2 433)
Depreciation and amortisation	(2 270)	(2 415)
Taxes and charges	(433)	(351)
Other	(5 629)	(537)
	(125 913)	(100 963)
Change in inventories	(958)	467
Operating expenses	(126 871)	(100 496)
Distribution expenses	2 090	1 963
Administrative expenses	1 274	1 192
Other operating expenses	5 264	229
Cost of sales	(118 243)	(97 112)

9.3 Employee benefits costs

	2014	2013
Payroll expenses	(1 801)	(1 734)
Future benefits expenses	(7)	(30)
Social security expenses	(582)	(555)
Other employee benefits expenses	(110)	(114)
	(2 500)	(2 433)

2014	Employees	Key Management	Audit Committee	Board of Directors	Supervisory Board	Total
Wages and salaries	(1 632)	(157)	(1)	(3)	(8)	(1 801)
Social and health insurance	(545)	(34)	-	(1)	(2)	(582)
Social expense	(96)	(14)	-	-	-	(110)
Change of employee benefits provision	(7)	-	-	-	-	(7)
	(2 280)	(205)	(1)	(4)	(10)	(2 500)
Number of employees average per year*	3 624	50				3 674
Number of employees as at balance sheet day*	3 622	49				3 671

*In case of joint operations the relevant share is used.

2013	Employees	Key Management	Audit Committee	Board of Directors	Supervisory Board	Total
Wages and salaries	(1 565)	(159)	(1)	(3)	(6)	(1 734)
Social and health insurance	(515)	(37)	-	(1)	(2)	(555)
Social expense	(96)	(18)	-	-	-	(114)
Change of employee benefits provision	(30)	-	-	-	-	(30)
	(2 206)	(214)	(1)	(4)	(8)	(2 433)
Number of employees average per year*	3 567	62				3 629
Number of employees as at balance sheet day*	3 582	65				3 647

*In case of joint operations the relevant share is used.

10. OTHER OPERATING INCOME AND EXPENSES

10.1 Other operating income

	2014	2013
Profit on sale of non-current non-financial assets	38	19
Reversal of provisions	13	26
Reversal of receivables impairment allowances	23	5
Reversal of impairment allowances of property, plant and equipment and intangible assets	61	25
Penalties and compensations earned	104	46
Gain on bargain purchase	1 186	-
Other	220	67
	1 645	188

The line „gain on bargain purchase” relates to the settlement of ČESKÁ RAFINÉRSKÁ, a.s. shares acquisition - additional information is presented in note 5.

In 2014 in the line „Other” the revaluation of receivables from the CO₂ grant is included in amount of CZK 95 million and CO₂ provision update in amount of CZK 41 million. There was neither revaluation of receivables from the CO₂ grant nor CO₂ provision update booked in 2013.

10.2 Other operating expenses

	2014	2013
Loss on sale of non-current non-financial assets	(15)	(25)
Recognition of provisions	(59)	(58)
Recognition of receivables impairment allowances	(27)	(12)
Recognition of impairment allowances of property, plant and equipment and intangible assets	(5 044)	(103)
Donations	(3)	(5)
Other	(116)	(26)
	(5 264)	(229)

In the line „Other” the CO₂ provision update is included in amount of CZK 78 million and CZK 1 million in 2014 and 2013 respectively.

11. FINANCE INCOME AND FINANCE COSTS

11.1 Finance income

	2014	2013
Interest	48	41
Settlement and valuation of financial instruments	1 223	1 033
Other	1	2
	1 272	1 076

11.2 Finance costs

	2014	2013
Interest	(116)	(247)
Net foreign exchange loss	(825)	(267)
Settlement and valuation of financial instruments	(653)	(974)
Other	(43)	(38)
	(1 637)	(1 526)

12. TAX CREDIT / (EXPENSE)

	2014	2013
Income tax credit / (expense) in the statement of profit or loss		
Current income tax	(112)	(123)
Deferred income tax	918	70
	806	(53)
Income tax credit / (expense) in other comprehensive income		
Tax on effective portion of changes in fair value of cash flow hedges	(171)	42
Tax on actuarial gains or losses	2	-
	(169)	42
	637	(11)

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

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

Reconciliation of effective tax rate

	2014	2013
Loss for the year	(556)	(1 396)
Total income tax credit (expense)	806	(53)
Loss before tax	(1 362)	(1 343)
Income tax using domestic income tax rate	259	255
Effect of tax rates in foreign jurisdictions	7	10
Non-deductible expenses	(6)	(33)
Tax exempt income	-	13
Recognition of previously unrecognized deferred tax asset related to tax losses	367	-
Change in not recognized deferred tax assets	(40)	(293)
Under (over) provided in prior periods	(1)	(5)
Gain on bargain purchase	225	-
Other differences	(5)	-
Total income tax credit (expense)	806	(53)
Effective tax rate	(59,18%)	(3,94%)

Line "Recognition of previously unrecognized deferred tax asset related to tax losses" includes impact of deferred tax assets from tax losses previously unrecognized in prior periods recognized in 2014 due to probability of utilisation.

12.2 Deferred tax assets and liabilities

Deferred income taxes result from future tax benefits and costs related to the differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. The deferred income taxes have been calculated using the tax rate expected to apply to periods when the respective asset is realized or liability is settled (i.e. 19% in 2014 and onward).

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

	31/12/2013	Deferred tax recognized in statement of Profit or loss	Deferred tax recognized in Other comprehensive income	Transfers	Changes in Group structure	31/12/2014
Deferred tax assets						
Property, plant and equipment	119	767	-	-	54	940
Provisions	197	(27)	2	-	-	172
Unused tax losses carried forward	912	(178)	-	-	-	734
Financial instruments valuation	45	-	(171)	126	-	-
Inventory	-	139	-	-	-	139
Other	256	(138)	-	-	-	118
	1 529	563	(169)	126	54	2 103
Deferred tax liabilities						
Property, plant and equipment	(1 030)	(79)	-	-	-	(1 109)
Inventory	(297)	279	-	-	-	(18)
Provisions	(26)	26	-	-	-	-
Finance lease	(66)	52	-	-	-	(14)
Derivative instruments	-	-	-	(126)	-	(126)
Other	(77)	77	-	-	-	-
	(1 496)	355	-	(126)	-	(1 267)
	33	918	(169)	-	54	836

The above positions of deferred tax assets and liabilities are netted of on the level of particular financial statements of the Group's companies for presentation purposes in the consolidated financial statement of UNIPETROL. As at 31 December 2014 deferred tax assets and liabilities amounted to CZK 1 039 million (CZK 259 million at 31 December 2013) and CZK 203 million (CZK 226 million at 31 December 2013).

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

Deferred income tax assets are recognized for tax loss and deductible temporary differences carried forward to the extent that realization of the related tax benefit through the future taxable profit is probable based on financial projections for years 2015 - 2019.

In the calculation of deferred tax assets as at 31 December 2014 the Group has not recognized unused tax losses in amount of CZK 1 571 million due to the unpredictability of future taxable income (CZK 3 156 million at 31 December 2013). These unrecognized tax losses will expire till end of 2019.

NOTES TO STATEMENT OF FINANCIAL POSITION

13. PROPERTY, PLANT AND EQUIPMENT

	31/12/2014	31/12/2013
Land	820	810
Buildings and constructions	9 056	10 486
Machinery and equipment	7 656	10 186
Vehicles and other	582	814
Construction in progress	779	881
	18 893	23 177

Changes in Property, plant and equipment by class

	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Total
Gross book value						
1 January 2014	1 160	24 699	42 435	2 942	1 130	72 366
Investment expenditures	-	24	84	106	1 652	1 866
Other increases	-	-	1	-	-	1
Reclassifications	11	346	1 125	65	(1 550)	(3)
Sale	-	(15)	(11)	(175)	-	(201)
Liquidation	-	(5)	(340)	(51)	-	(396)
Change in Group structure	-	1 207	3 358	85	50	4 700
Other decreases	-	-	(57)	(4)	-	(61)
31 December 2014	1 171	26 256	46 595	2 968	1 282	78 272
Accumulated depreciation, impairment allowances and settled government grants						
1 January 2014	350	14 186	32 228	2 126	103	48 993
Depreciation	-	474	1 455	204	-	2 133
Other increases	-	-	1	-	-	1
Impairment allowances	1	2 182	3 501	232	249	6 165
Sale	-	(4)	(11)	(166)	-	(181)
Liquidation	-	(5)	(337)	(47)	-	(389)
Change in Group structure	-	307	1 930	38	-	2 275
Other decreases	-	-	(16)	(4)	-	(20)
Government grants - settlement	-	-	18	1	-	19
31 December 2014	351	17 140	38 769	2 384	352	58 996
Gross book value						
1 January 2013	1 161	24 460	41 119	3 016	874	70 630
Investment expenditures	-	41	139	54	1 822	2 056
Other increases	-	31	-	-	-	31
Reclassifications	1	176	1 628	63	(1 560)	308
Sale	(2)	-	(5)	(96)	-	(103)
Liquidation	-	(10)	(408)	(92)	-	(510)
Other decreases	-	-	(38)	(4)	(6)	(48)
Foreign exchange differences	-	1	-	1	-	2
31 December 2013	1 160	24 699	42 435	2 942	1 130	72 366
Accumulated depreciation, impairment allowances and settled government grants						
1 January 2013	350	13 670	30 993	2 030	152	47 195
Depreciation	-	477	1 554	251	-	2 282
Other increases	-	31	-	-	-	31
Impairment allowances	-	27	103	(1)	(49)	80
Reclassifications	-	(14)	(14)	8	-	(20)
Sale	-	-	(4)	(88)	-	(92)
Liquidation	-	(7)	(395)	(73)	-	(475)
Other decreases	-	-	(13)	(3)	-	(16)
Government grants - settlement	-	1	4	1	-	6
Foreign exchange differences	-	1	-	1	-	2
31 December 2013	350	14 186	32 228	2 126	103	48 993
Government grants						
1 January 2014	-	27	21	2	146	196
31 December 2014	-	60	170	2	151	383
1 January 2013	-	26	17	-	32	75
31 December 2013	-	27	21	2	146	196
Net book value						
1 January 2014	810	10 486	10 186	814	881	23 177
31 December 2014	820	9 056	7 656	582	779	18 893
1 January 2013	811	10 764	10 109	986	690	23 360
31 December 2013	810	10 486	10 186	814	881	23 177

13. PROPERTY PLANT AND EQUIPMENT (CONTINUED)

According to IAS 23 the Group capitalizes those borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, as part of the cost of that asset. Borrowing costs capitalized in the year ended 31 December 2014 amounted to less than CZK 1 million (31 December 2013: CZK 2 million).

In 2013 the Group reclassified spare parts with expected useful lives longer than 1 year in amount of CZK 329 million from Inventories to Machinery and equipment.

13.1 Changes in impairment allowances of Property, plant and equipment

	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Total
1 January 2014	350	3 761	4 460	72	103	8 746
Recognition	1	1 670	2 630	232	404	4 937
Reversal	-	(33)	(23)	-	-	(56)
Reclassifications	-	45	121	-	(167)	(1)
Change in Group structure	-	508	784	1	12	1 305
Other decreases	-	(8)	(11)	(1)	-	(20)
	351	5 943	7 961	304	352	14 911
increase/(decrease) net	1	2 182	3 501	232	249	6 165
1 January 2013	350	3 734	4 357	73	152	8 666
Recognition	-	30	70	3	-	103
Reversal	-	(13)	(11)	(1)	-	(25)
Reclassifications	-	10	47	-	(43)	14
Other decreases	-	-	(3)	(3)	(6)	(12)
	350	3 761	4 460	72	103	8 746
increase/(decrease) net	-	27	103	(1)	(49)	80

Detailed information regarding impairment recognized in 2014 is presented in note 19.

The Group reviews useful lives of property, plant and equipment and introduces adjustments to depreciation charge prospectively according to its accounting policy. Should the depreciation policy from the previous year be applied, the depreciation expense for 2014 would be higher by CZK 80 million.

13.2 Other information regarding Property, plant and equipment

	31/12/2014	31/12/2013
The gross book value of all fully depreciated property, plant and equipment still in use	9 970	12 198
The net book value of temporarily idle property, plant and equipment	16	17
The net book value of leased non-current assets	276	324

The Group obtained in 1994 a government grant from the German Ministry for Environmental Protection and Safety of Reactors in amount of CZK 260 million. This environmental project targeted at limiting cross-border pollution, in connection with the reconstruction of the T-700 power station and its desulphurization. The carrying amount of the asset financed from the grant was CZK 35 million as at 31 December 2014 (31 December 2013: CZK 39 million).

The Group obtained a support grant from the European Regional Development Fund (ERDF) and the Czech national budget for the new research and education centre UniCRE construction for CZK 592 million. The resources provided will be used mainly for restoration of research laboratories, conference and education areas and the purchase of modern equipment and laboratory equipment. The carrying amount of the asset financed from the grant was CZK 295 million (in 2013: CZK 146 million).

14. INVESTMENT PROPERTY

Investment property at 31 December 2014 comprised the land and buildings owned by the Group and leased to third parties. The changes recorded during the year 2014 are presented in the following table:

	2014	2013
At the beginning of the year	427	423
Reclassification to Property, plant, equipment	(3)	(3)
Transfer from Property, plant, equipment	-	17
Fair value measurement	(5)	(10)
increase	15	-
decrease	(20)	(10)
	419	427

Rental income amounted to CZK 46 million in 2014 (2013: CZK 51 million). Operating costs related to the investment property amounted to CZK 6 million in 2014 (2013: CZK 11 million). Information concerning valuation of investment property is included in notes 3.4.13 and 32.

15. INTANGIBLE ASSETS

	31/12/2014	31/12/2013
Internally generated intangible assets	50	29
Assets under development	29	29
Other Internally generated intangible assets	21	-
Other intangible assets	1 742	1 719
Software	107	143
Licences, patents and trade marks	710	779
Goodwill	-	-
Assets under development	346	342
CO ₂ emission allowance	520	366
Other intangible assets	59	89
	1 792	1 748

15.1 Changes in Internally generated intangible assets

In the year 2014, the Group recognized internally generated intangible assets in the amount of CZK 30 million, which include development studies (2013: CZK 29 million).

	Assets under development	Other intangible assets	Total
Gross book value			
1 January 2014	29	-	29
Investment expenditures	30	-	30
Reclassifications	(31)	31	-
Change in Group structure	1	-	1
31 December 2014	29	31	60
Accumulated amortisation, impairment allowances and settled government grants			
1 January 2014	-	-	-
Amortization	-	6	6
Impairment allowances	-	4	4
31 December 2014	-	10	10
Gross book value			
1 January 2013	-	-	-
Investment expenditures	29	-	29
31 December 2013	29	-	29
Net book value			
1 January 2014	29	-	29
31 December 2014	29	21	50
1 January 2013	-	-	-
31 December 2013	29	-	29

15.2 Changes in impairment allowances of Internally generated intangible assets

	Assets under development	Other intangible assets	Total
1 January 2014	-	-	-
Recognition	4	-	4
Reclassifications	(4)	4	-
	-	4	4
increase/(decrease) net	-	4	4

15.3 Changes in Other intangible assets

	Software	Licences, patents and trade marks	Goodwill	Assets under development	CO ₂ emission allowance	Other intangible assets	Total
Gross book value							
1 January 2014	1 095	2 076	52	349	523	488	4 583
Investment expenditures	-	-	-	96	2	-	98
Other increases	-	-	-	-	724	-	724
Reclassifications	66	9	-	(75)	-	5	5
Sale	(1)	-	-	-	-	-	(1)
Liquidation	(22)	(59)	-	-	-	(35)	(116)
Change in Group structure	150	68	-	8	1	4	231
Other decreases	-	-	(1)	-	(709)	-	(710)
31 December 2014	1 288	2 094	51	378	541	462	4 814
Accumulated amortisation, impairment allowances and settled government grants							
1 January 2014	951	1 297	52	7	157	399	2 863
Amortization	49	66	-	-	-	16	131
Impairment allowances	53	17	(1)	24	(136)	22	(21)
Sale	(1)	-	-	-	-	-	(1)
Liquidation	(22)	(59)	-	-	-	(35)	(116)
Change in Group structure	134	63	-	-	-	1	198
31 December 2014	1 164	1 384	51	31	21	403	3 054
Gross book value							
1 January 2013	1 011	2 081	52	79	1 181	507	4 911
Investment expenditures	-	-	-	319	4	-	323
Other increases	35	-	-	-	-	-	35
Reclassifications	51	-	-	(48)	-	(1)	2
Liquidation	(2)	(5)	-	-	-	(18)	(25)
Other decreases	-	-	-	(1)	(662)	-	(663)
31 December 2013	1 095	2 076	52	349	523	488	4 583
Accumulated amortisation, impairment allowances and settled government grants							
1 January 2013	872	1 232	52	13	322	397	2 888
Amortization	44	70	-	-	-	19	133
Other increases	35	-	-	-	-	-	35
Impairment allowances	2	-	-	(6)	(165)	1	(168)
Liquidation	(2)	(5)	-	-	-	(18)	(25)
31 December 2013	951	1 297	52	7	157	399	2 863
Government grants							
1 January 2014	1	-	-	-	-	-	1
31 December 2014	17	-	-	1	-	-	18
1 January 2013	-	-	-	-	-	-	-
31 December 2013	1	-	-	-	-	-	1
Net book value							
1 January 2014	143	779	-	342	366	89	1 719
31 December 2014	107	710	-	346	520	59	1 742
1 January 2013	139	849	-	66	859	110	2 023
31 December 2013	143	779	-	342	366	89	1 719

15.4 Changes in impairment allowances of Other intangible assets

	Software	Licences, patents and trade marks	Goodwill	Assets under development	CO ₂ emission allowance	Other intangible assets	Total
1 January 2014	34	199	52	7	157	22	471
Recognition	37	5	-	35	-	26	103
Reversal	-	-	-	-	-	(5)	(5)
Usage	-	-	-	-	(136)	-	(136)
Reclassifications	7	8	-	(14)	-	-	1
Change in Group structure	9	4	-	3	-	1	17
Other decreases	-	-	(1)	-	-	-	(1)
	87	216	51	31	21	44	450
increase/(decrease) net	53	17	(1)	24	(136)	22	(21)
1 January 2013	32	199	52	13	322	21	639
Usage	-	-	-	-	(165)	-	(165)
Reclassifications	2	-	-	(6)	-	1	(3)
	34	199	52	7	157	22	471
increase/(decrease) net	2	-	-	(6)	(165)	1	(168)

Recognition and reversal of impairment allowances for intangible assets are recognized in other operating activities. Detailed information regarding impairment recognized in 2014 is presented in note 19.

Other information regarding Other intangible assets

	31/12/2014	31/12/2013
The gross book value of all fully depreciated intangible assets still in use	1 748	1 688
The net book value of intangible assets with indefinite useful life	10	13

The increase of assets under development in 2014 includes new PE3 licence – project in amount of CZK 31 million. Other intangible assets include development costs with a carrying amount of CZK 79 million as of 31 December 2014 (31 December 2013: CZK 88 million).

The Group reviews useful lives of intangible assets and introduces an adjustment to amortization charge prospectively according to its accounting policy. Should the amortization rates from the previous year be applied, amortization expense for 2014 would be higher by CZK 11 million.

15.5 CO₂ emission allowances

Based on Czech National Allocation Scheme for the years 2013-2020 the Group was to obtain CO₂ allowances free of charge. During the year ended 31 December 2014 the Group obtained CO₂ allowances in amount of 4 054 356 tons. As at 31 December 2013 the Group did not obtain any CO₂ allowances on its account and recognized the receivable for estimated amount of CO₂. In February 2014 the Group obtained allowances for carbon dioxide emissions for the year 2013 in amount of 1 918 086 tons which is in line with previous estimates based on which the receivable was created.

	2014	
	Value	Quantity (in tonnes)
Emission allowance at 1 January	366	2 268 921
Emission allowances granted for the year	724	4 054 356
Settled emission allowances for previous periods	(709)	(3 631 199)
Purchased/(Sold) emission allowances	2	194 883
Change in Group structure	1	6 299
Decrease in CO ₂ impairment allowances	136	-
Emission allowances at 31 December	520	2 893 260
Estimated annual consumption	707	3 777 898

As at 31 December 2014 the market value of one EUA allowance (European Union Emission Allowance) amounted to EUR 7,24 (as at 31 December 2013: 4,84 EUR).

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

16. JOINT OPERATIONS

	Place of business	Ownership interest of the parent company in share capital	Principal activities	Method of consolidation
ČESKÁ RAFINÉRSKÁ, a.s.	Czech Republic	67,56%	Refining of crude oil and production, distribution of petroleum based products	Share in assets and liabilities
Butadien Kralupy a.s.	Czech Republic	51,00%	Production of butadiene	Share in assets and liabilities

The Group in accordance with IFRS 11 classified ČESKÁ RAFINÉRSKÁ, a.s. and Butadien Kralupy a.s. as joint operations. Detail information is described in note 3.4.3.2.

17. FINANCIAL ASSETS AVAILABLE FOR SALE

	31/12/2014	31/12/2013
Unquoted shares		
Orlen Holding Malta LTD	1	1
	1	1

The Group had equity investments of CZK 0,5 million as at 31 December 2014 (31 December 2014: CZK 0,5 million) which represent ownership interests in companies that do not have a quoted market price and whose fair value cannot be reliably measured and therefore are carried at acquisition cost less any impairment losses.

18. OTHER NON-CURRENT ASSETS

	31/12/2014	31/12/2013
Loans granted	6	6
Other long term receivables	20	44
Financial assets	26	50
Prepayments	3	3
Non-financial assets	3	3
	29	53

19. IMPAIRMENT OF NON-CURRENT ASSETS

As at 30 June 2014 due to existence of indicators triggering impairment testing both of an internal and external character (deterioration of external refinery environment, performance of refinery activities below forecasted level in 2013 and in the first half of 2014, surplus of refinery production capacities and increased supply of products, updated macroeconomic assumptions for all Cash Generating Units (CGUs)) tests were carried out for all identified CGUs based on updated financial projections for the years 2014-2017.

As at 31 December 2014 the Unipetrol Group has not identified any new impairment indicators.

Based on performed analysis impairment allowance of CZK 4 989 million was recognized during the year 2014 in relation to non-current assets of refining CGU. Impairment charges of CZK 4 882 million were allocated to plant, property and equipment, and CZK 107 million to intangible assets and these were recorded in other operating costs.

The impairment charges recognized in refinery CGU related to non-current assets of the following entities: ČESKÁ RAFINÉRSKÁ, a.s., PARAMO, a.s., UNIPETROL RPA, s.r.o. in amounts: CZK 4 911 million, CZK 51 million, CZK 27 million respectively.

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 number of market transactions for similar assets to those held by the Group which would allow to reliably estimate their fair value makes this method of valuation not possible to implement. 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.

In the UNIPETROL group CGUs are established at the level of operating activities. The recoverable amounts of CGUs were estimated based on their value in use. The analyses were performed based on available projections for the years 2014-2017 adjusted to exclude the impact of capital expenditures enhancing the assets' performance.

The anticipated fixed annual growth rate of cash flows after 2017 year period is assumed at the level of the long term inflation rate for 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 macroeconomics development, such as foreign exchange rates, commodity prices, interest rates, partially outside the Group's control. The change of these factors and assumptions might influence the Group's financial position, including the results of the impairment test of non-current assets, and consequently might lead to changes in the financial position and performance of the Group.

19. IMPAIRMENT OF NON-CURRENT ASSETS (CONTINUED)

Impact of the impairment allowances of non-current assets on consolidated statement of profit or loss and other comprehensive income for the year 2014

	Recognition	Reversal	Total
Land	(1)	-	(1)
Buildings and constructions	(1 670)	33	(1 637)
Machinery and equipment	(2 630)	23	(2 607)
Vehicles and other	(232)	-	(232)
Construction in progress	(404)	-	(404)
Software	(37)	-	(37)
Licences, patents and trade marks	(5)	-	(5)
Goodwill	-	-	-
Assets under development	(45)	-	(45)
CO2 emission allowance	-	-	-
Other intangible assets	(26)	5	(21)
	(5 050)	61	(4 989)

Information about recognitions and reversals of impairment allowances for each category of non-current non-financial assets is presented in notes 13 and 15.

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 Damodaran (source: <http://pages.stern.nyu.edu>) of officially listed government bonds and agencies rating available at 30 June 2014 and 31 December 2014

The structure of the discount rates applied in the testing for impairment of assets of individual CGUs as at 30 June 2014

	Refining CGU	Petrochemical CGU	Retail CGU
cost of equity	10,72%	9,10%	9,28%
cost of debt after tax	2,58%	2,58%	2,58%
capital structure	66,39%	86,69%	57,40%
Nominal discount rate	7,99%	8,23%	6,43%
Long term inflation rate	1,96%	1,96%	1,96%

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 30 June 2014

	2014
Refining CGU	25
Petrochemical CGU	16
Retail CGU	15

Sensitivity analysis of the value in use as at 30 June 2014

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

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

in CZK million		EBITDA		
change		-5%	0%	5%
DISCOUNT RATE	-0,5 p.p.	increase of impairment	decrease of impairment	decrease of impairment
		191	1 439	2 125
	-0,0 p.p.	increase of impairment	-	decrease of impairment
		918		2 125
	+0,5 p.p.	increase of impairment	increase of impairment	decrease of impairment
		1 820	76	1 469

* Decrease in forecasted EBITDA and increase in discount rate would result in impairment allowance in the petrochemical and retail CGUs.

20. INVENTORIES

	31/12/2014	31/12/2013
Raw materials	4 382	3 971
Work in progress	1 049	1 567
Finished goods	3 548	3 942
Merchandise	367	296
Spare parts	974	929
Inventories, net	10 320	10 705
Impairment allowances of inventories to net realisable value	957	386
Inventories, gross	11 277	11 091

Change in impairment allowances to net realizable value

	2014	2013
At the beginning of the year	386	506
Recognition	842	356
Usage	(95)	(171)
Reversal	(226)	(305)
Change in the Group structure	50	-
	957	386

Changes in the net realizable value allowances for inventories amount to CZK 617 million and are included in cost of sales (CZK 51 million in 2013) presented in note 9.

21. TRADE AND OTHER RECEIVABLES

	31/12/2014	31/12/2013
Trade receivables	11 951	11 364
Receivables CO2 rights	-	255
Other	18	231
Financial assets	11 969	11 850
Excise tax and fuel charge receivables	401	360
Other taxation, duty, social security receivables	24	24
Prepayments and deferred costs	112	159
Non-financial assets	537	543
Receivables, net	12 506	12 393
Receivables impairment allowance	623	637
Receivables, gross	13 129	13 030

Trade receivables result primarily from sales of finished goods and sales of merchandise. The management considers that the carrying amount of trade receivables approximates their fair value. The average credit period on sales of goods is 34 days. No interest is charged on the trade receivables for the first 4 days after the due date. Thereafter, interest is based on terms agreed in the selling contracts.

The Group exposure to credit and currency risk related to trade and other receivables is disclosed in note 31.5 and detailed information about receivables from related parties is presented in note 37.

Movement in the impairment loss allowance

	2014	2013
At the beginning of the year	637	648
Recognition	27	12
Change in the Group structure	8	-
Reversal	(23)	(5)
Usage	(44)	(25)
Other	5	-
Foreign exchange differences	13	7
	623	637

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

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

22. OTHER FINANCIAL ASSETS

	31/12/2014	31/12/2013
Cash flow hedge instruments		
<i>foreign currency forwards</i>	15	11
<i>commodity swaps</i>	872	-
Derivatives not designated as hedge accounting		
<i>foreign currency forwards</i>	23	-
<i>commodity swaps</i>	165	18
Loans granted	6	7
Cash pool	36	13
Receivables from settled financial derivatives	647	-
	1 764	49

Information regarding cash flow hedge instruments and derivatives not designated as hedge accounting is presented in note 31.3.

The Group provided short-term loans to related entities and to operators of fuel stations. The carrying amount of the loans amounted CZK 6 million as at 31 December 2014 (31 December 2013: CZK 7 million). The interest rates are variable and are based on appropriate inter-bank rates and the fair value of the loans can be approximated by its carrying amount as at 31 December 2014.

23. CASH AND CASH EQUIVALENTS

	31/12/2014	31/12/2013
Cash on hand and in bank	1 682	1 117
	1 682	1 117

24. SHAREHOLDERS' EQUITY

24.1 Share capital

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

24.2 Statutory reserves

The Company established a reserve fund for possible future losses. The balance of the Statutory reserve fund as at 31 December 2014 amounted to CZK 2 703 million (31 December 2013: CZK 2 643 million).

24.3 Hedging reserve

The amount of the hedging reserve of CZK 538 million as at 31 December 2014 resulted from the valuation of derivatives meeting the requirements of cash flow hedge accounting (31 December 2013: CZK (190) million).

24.4 Revaluation reserve

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

24.5 Foreign exchange differences on subsidiaries from consolidation

The amount of reserve is adjusted by foreign exchange differences resulting from translation of the financial statements of foreign entities belonging to the Group from foreign currencies into CZK. The balance of this reserve as at 31 December 2014 amounted to CZK 18 million (31 December 2013: CZK 18 million).

24.6 Retained earnings

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

24.7 Capital management policy

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

The Group monitors equity debt ratio (net financial leverage). As at 31 December 2014 and 31 December 2013 Group's financial leverage amounted to 9,49% and 5,02%, respectively.

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

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

24.8 Earnings per share

Basic earnings per share

	2014	2013
Loss for the year attributable to equity owners	(556)	(1 396)
Weighted average number of shares	181 334 764	181 334 764
Earnings per share (in CZK per share)	(3,07)	(7,70)

Diluted earnings per share

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

25. LOANS AND BORROWINGS

	Long-term		Short-term		Total	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Bank loans	-	-	327	505	327	505
Borrowings	4 000	2 000	23	2	4 023	2 002
	4 000	2 000	350	507	4 350	2 507

Loan granted by PKN Orlen S.A.

On 12 December 2013 the Group signed a mid-term loan agreement with its majority shareholder PKN ORLEN S.A. Based on the Agreement, the Group received a mid-term loan in the amount of CZK 4 000 million. The loan has been divided into two tranches of CZK 2 billion each. First tranche was received in December 2013 and second tranche in January 2014.

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

Analyses of bank loans

- by currency (translated into CZK)

	31/12/2014	31/12/2013
CZK	327	443
EUR	-	43
USD	-	19
	327	505

- by interest rate

	31/12/2014	31/12/2013
PRIBOR	327	443
EURIBOR	-	43
LIBOR	-	19
	327	505

Short-term bank loans are subject to variable interests and their carrying amounts approximate fair values. Average effective interest rate as at 31 December 2014 was 0,76% (31 December 2013: 0,73%).

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

26. PROVISIONS

	Long-term		Short-term		Total	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Environmental provision	350	340	-	-	350	340
Jubilee bonuses and retirement benefits provision	71	57	5	-	76	57
Provisions for legal disputes	7	7	19	15	26	22
Provision for CO ₂ emission	-	-	707	514	707	514
Other provision	29	29	51	12	80	41
	457	433	782	541	1 239	974

Change in provisions in 2014

	Environmental provision	Jubilee bonuses and retirement benefits provision	Provisions for legal disputes	Shield programs provision	Provision for CO ₂ emission	Other provision	Total
1 January 2014	340	57	22	-	514	41	974
Recognition	4	18	4	1	775	51	853
Discounting	7	-	-	-	-	-	7
Utilization of provision	(1)	(3)	-	-	(562)	(2)	(568)
Release of provision	-	-	-	(1)	(41)	(12)	(54)
Change in the Group structure	-	4	-	-	21	2	27
	350	76	26	-	707	80	1 239

Change in provisions in 2013

	Environmental provision	Jubilee bonuses and retirement benefits provision	Provisions for legal disputes	Shield programs provision	Provision for CO ₂ emission	Other provision	Total
1 January 2013	333	25	14	3	496	27	898
Recognition	4	36	15	9	515	30	609
Discounting	8	-	-	-	-	-	8
Utilization of provision	(1)	-	(2)	(3)	(497)	(8)	(511)
Release of provision	(4)	(4)	(6)	(9)	-	(6)	(29)
Foreign exchange differences	-	-	1	-	-	(2)	(1)
	340	57	22	-	514	41	974

26.1 Environmental provision

Under environmental provision the Group had the provision for land restoration created as a result of the legal obligation to restore the fly-ash dump after it is discontinued, which is expected to happen after 2043. The provision amounted to CZK 335 million as at 31 December 2014 (31 December 2013: CZK 328 million). Additionally the Group had provision for compensation of damages to Lesy Česká republika in amount CZK 15 million included as at 31 December 2014 (31 December 2013: CZK 12 million).

26.2 Provisions for jubilee bonuses and retirement benefits

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

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

Employment benefit provisions for retirement and anniversary benefits received by employees were created using discount rate in the range 0,62% - 2,6% p.a. in 2014 (2013: 0,59% - 2,9%), assumptions used were based on Collective agreement.

Should the prior year's assumptions be used, the provision for the jubilee bonuses and retirement benefits would be lower by CZK 11 million.

26.2 Provision from jubilee bonuses and retirement benefits (continued)

Change in employee benefits 2014

	Provision for jubilee bonuses	Retirement benefits	Total
1 January 2014	3	54	57
Current service cost	1	5	6
Interest expense	-	1	1
Actuarial gains and losses net <i>financial assumptions</i>	-	12	12
Change in Group structure	-	3	3
Payments under program	(1)	(2)	(3)
	3	73	76

Change in employee benefits 2013

	Provision for jubilee bonuses	Retirement benefits	Total
1 January 2013	1	24	25
Current service cost	-	2	2
Interest expense	-	1	1
Actuarial gains and losses net <i>financial assumptions</i>	-	2	2
Past employment costs	2	25	27
	3	54	57

Division of retirement liability by employees

	Active employees		Pensioners		Total	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Czech Republic	76	57	-	-	76	57
	76	57			76	57

Geographical division of retirement liability

	Provision for jubilee bonuses		Retirement benefits		Total	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Czech Republic	3	3	73	54	76	57
	3	3	73	54	76	57

Sensitivity analysis of actuarial assumptions

Actuarial assumptions	Assumed variations as at 31/12/2014	Czech Republic	
		Influence on provision for jubilee bonuses 2014	Influence on retirement benefits 2014
Demographic assumptions (+)	0,5pp	-	(3)
<i>staff turnover rates, disability and early retirement</i>	0,5pp	-	(3)
Financial assumptions (+)	0,5pp	-	(3)
<i>discount rate</i>	0,5pp	-	(3)
			(6)
Demographic assumptions (-)	-0,5pp	-	3
<i>staff turnover rates, disability and early retirement</i>	-0,5pp	-	3
Financial assumptions (-)	-0,5pp	-	3
<i>discount rate</i>	-0,5pp	-	3
			6

Actuarial assumptions	Assumed variations as at 31/12/2013	Czech Republic	
		Influence on provision for jubilee bonuses 2013	Influence on retirement benefits 2013
Demographic assumptions (+)	0,5pp	-	(3)
<i>staff turnover rates, disability and early retirement</i>	0,5pp	-	(3)
Financial assumptions (+)	0,5pp	-	(2)
<i>discount rate</i>	0,5pp	-	(2)
			(5)
Demographic assumptions (-)	-0,5pp	-	3
<i>staff turnover rates, disability and early retirement</i>	-0,5pp	-	3
Financial assumptions (-)	-0,5pp	-	2
<i>discount rate</i>	-0,5pp	-	2
			5

26.2 Provision from jubilee bonuses and retirement benefits (continued)

Duration of retirement benefits liabilities

	Provision for jubilee bonuses		Retirement benefits		Total	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Less than one year	1	1	4	3	5	4
Between one and three years	1	1	9	7	10	8
Between three and five years	-	-	6	6	6	6
Later than five years	1	1	54	38	55	39
	3	3	73	54	76	57
Weighted average duration of liability (years)			15	15	15	15

Aging of employee benefits payments analysis

	Provision for jubilee bonuses		Retirement benefits		Total	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Less than one year	1	1	5	4	6	5
Between one and three years	1	1	9	8	10	9
Between three and five years	2	1	8	9	10	10
Later than five years	8	7	204	188	212	195
	12	10	226	209	238	219

Division of costs to Profit or loss and Other comprehensive income

	2014	2013
In profit and loss		
Current service cost	(6)	(2)
Interest expense	(1)	(1)
Past employment costs	-	(27)
	(7)	(30)
In components of other comprehensive income		
Gains and losses arising from changes <i>financial assumptions</i>	(12)	(2)
	(12)	(2)
	(19)	(32)

Provisions for employee benefits recognized in profit or loss were accounted as follows:

	2014	2013
Cost of sales	(4)	(15)
Distribution expenses	-	(10)
Administrative expenses	(3)	(5)
	(7)	(30)

Based on current legislation, the Group is obliged to pay contributions to the national pension insurance. These costs are recognized as expenses on social security and health insurance. The Group does not have any other commitments in this respect. Additional information about the retirement benefits is in note 3.4.23.4.

26.3 Provisions for legal disputes

The provision for legal disputes is created for expected future outflows arising from legal disputes with third parties where the Group is the defendant.

26.4 Provision for CO₂ emissions

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

26.5 Other provisions

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

27. OTHER NON-CURRENT LIABILITIES

	31/12/2014	31/12/2013
Investment liabilities	1	1
Financial lease liabilities	-	1
Other	20	34
Financial liabilities	21	36
Guarantee payment received	164	166
Non-financial liabilities	164	166
	185	202

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

28. TRADE AND OTHER LIABILITIES

	31/12/2014	31/12/2013
Trade liabilities	7 404	11 187
Investment liabilities	580	871
Dividends	35	35
Financial lease liabilities	1	1
Other	49	56
Financial liabilities	8 069	12 150
Prepayments for deliveries	42	17
Payroll liabilities	283	273
Excise tax and fuel charge	3 987	3 886
Value added tax	1 003	791
Other taxation, duties, social security and other benefits	92	85
Accruals	106	111
holiday pay accrual	15	18
wages accrual	90	93
other	1	-
Non-financial liabilities	5 513	5 163
	13 582	17 313

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

29. DEFERRED INCOME

	31/12/2014	31/12/2013
Government grants received from European Regional Development Fund	72	104
Other	4	5
	76	109

The information about the government grants is presented in note 13.

30. OTHER FINANCIAL LIABILITIES

	31/12/2014	31/12/2013
Cash flow hedge instruments		
foreign currency forwards	55	246
commodity swaps	169	-
Derivatives not designated as hedge accounting		
foreign currency forwards	-	3
commodity swaps	155	67
Cash pool	33	33
	412	349

Information regarding cash flow hedge instruments and derivatives not designated as hedge accounting is presented in note 31.3.

NOTES TO FINANCIAL INSTRUMENTS

31. FINANCIAL INSTRUMENTS

31.1 Financial instruments by category and class

Financial assets as at 31 December 2014

Financial instruments by class	Note	Financial instruments by category			Total
		Financial assets at fair value through profit or loss	Loans and receivables	Hedging financial instruments	
Trade receivables	21	-	11 951	-	11 951
Borrowings granted	18,22	-	6	-	6
Cash pool	22	-	36	-	36
Financial derivatives	22	188	-	887	1 075
Cash and cash equivalents	23	-	1 682	-	1 682
Receivables from settled financial derivatives	22	647	-	-	647
Other financial assets	18,21	-	44	-	44
		835	13 719	887	15 441

as at 31 December 2013

Financial instruments by class	Note	Financial instruments by category			Total
		Financial assets at fair value through profit or loss	Loans and receivables	Hedging financial instruments	
Trade receivables	21	-	11 364	-	11 364
Borrowings granted	18,22	-	13	-	13
Cash pool	22	-	13	-	13
Financial derivatives	22	18	-	11	29
Cash and cash equivalents	23	-	1 117	-	1 117
Other financial assets	18,21	-	530	-	530
		18	13 037	11	13 066

Financial liabilities as at 31 December 2014

Financial instruments by class	Note	Financial instruments by category				Total
		Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortised cost	Hedging financial instruments	Liabilities excluded from the scope of IAS 39	
Non-current borrowings	25	-	4 000	-	-	4 000
Other non-current liabilities	27	-	20	-	-	20
Current borrowings	25	-	23	-	-	23
Current loans	25	-	327	-	-	327
Trade liabilities	28	-	7 404	-	-	7 404
Investment liabilities	27,28	-	581	-	-	581
Cash pool	30	-	33	-	-	33
Financial derivatives	30	155	-	224	-	379
Other financial liabilities	28	-	84	-	1	85
		155	12 472	224	1	12 852

as at 31 December 2013

Financial instruments by class	Note	Financial instruments by category				Total
		Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortised cost	Hedging financial instruments	Liabilities excluded from the scope of IAS 39	
Non-current borrowings	25	-	2 000	-	-	2 000
Other non-current liabilities	27	-	34	-	-	34
Current borrowings	25	-	2	-	-	2
Current loans	25	-	505	-	-	505
Trade liabilities	28	-	11 187	-	-	11 187
Investment liabilities	27,28	-	872	-	-	872
Cash pool	30	-	33	-	-	33
Financial derivatives	30	70	-	246	-	316
Other financial liabilities	28	-	91	-	2	93
		70	14 724	246	2	15 042

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

For the year ended 31 December 2014

	Financial instruments by category			Total
	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Financial liabilities measured at amortised cost	
Interest income	-	48	-	48
Interest costs	-	-	(116)	(116)
Foreign exchange gain/(loss)	-	229	(1 054)	(825)
Recognition/reversal of receivables impairment allowances recognized in:				
other operating income/(expenses)	-	(4)	-	(4)
Settlement and valuation of financial instruments	570	-	-	570
Other	-	1	(36)	(35)
	570	274	(1 206)	(362)
other, excluded from the scope of IFRS 7				
Provisions discounting				(7)
				(7)

For the year ended 31 December 2013

	Financial instruments by category			Total
	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Financial liabilities measured at amortised cost	
Interest income	-	41	-	41
Interest costs	-	-	(247)	(247)
Foreign exchange gain/(loss)	-	199	(466)	(267)
Recognition/reversal of receivables impairment allowances recognized in:				
other operating income/(expenses)	-	(7)	-	(7)
Settlement and valuation of financial instruments	59	-	-	59
Other	-	2	(30)	(28)
	59	235	(743)	(449)
other, excluded from the scope of IFRS 7				
Provisions discounting				(8)
				(8)

31.3 Hedge accounting

The Group hedges its cash flows from operating revenues due to sale of petrochemical and refinery products as well as operating expenses due to purchases of crude oil against changes in exchange rates (EUR/CZK for sale and USD/CZK for purchases and sale). Foreign exchange forwards are used as hedging instruments.

The Group has derivative financial instruments, which serve as a hedging instrument pursuant to the Group's risk management strategy. Changes in the fair value of derivatives that do not meet the hedge accounting criteria are included in derivatives held for trading and their fair value changes are reported in profit or loss.

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

Planned realization date of hedged cash flow	31/12/2014	31/12/2013
Currency operating exposure		
2014 (currency investment exposure)	-	(235)
2015 (currency investment exposure)	664	-
	664	(235)

31.4 Financial risk management

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

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

31.5 Credit risk

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

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

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

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management. Before accepting any new customer, the Group uses own or external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. As at 31 December 2014 none of the customers represented more than 10% of the total balance of consolidated trade receivables.

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

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

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

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

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

	31/12/2014	31/12/2013
Group I	11 143	11 503
Group II	442	-
	11 585	11 503

Aging of loans and receivables past due, not impaired:

	31/12/2014	31/12/2013
Up to 1 month	346	349
From 1 to 3 months	14	16
From 3 to 6 months	7	4
From 6 to 12 months	2	5
Above 1 year	41	17
	410	391

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

	Note	31/12/2014	31/12/2013
Trade receivables	21	11 951	11 364
Borrowings granted	18,22	6	13
Cash pool	22	36	13
Financial derivatives	22	1 075	29
Cash and cash equivalents	23	1 682	1 117
Other financial assets	18,21,22	691	530
		15 441	13 066

The Management of the Group believes that the risk of impaired financial assets is reflected by recognition of an impairment. Information about impairment allowances of particular classes of assets is disclosed in the notes 19 and 21.

31.6 Liquidity risk management

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

As at 31 December 2014 and 31 December 2013 the maximum available credit facilities relating to bank loans amounted to CZK 15 219 million and CZK 13 769 million respectively, of which as at 31 December 2014 and 31 December 2013 CZK 13 340 million and CZK 11 980 million respectively remained unused. The description of the loans and guarantees drawn from credit facilities are presented in notes 25 and 36.

Liquidity risk tables

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

Contractual maturity of financial liabilities

	Note	31/12/2014		Total	Carrying amount
		Up to 1 year	From 1 to 3 years		
Loans - undiscounted value	25	327	-	327	327
Borrowings - undiscounted value	25	89	4 087	4 176	4 023
Cash pool - undiscounted value	30	33	-	33	33
Finance lease	28	1	-	1	1
Trade liabilities	28	7 404	-	7 404	7 404
Investment liabilities	27,28	580	1	581	581
Financial derivatives	30	379	-	379	379
Other financial liabilities	27,28	84	20	104	104
		8 897	4 108	13 005	12 852

	Note	31/12/2013		Total	Carrying amount
		Up to 1 year	From 1 to 3 years		
Loans - undiscounted value	25	505	-	505	505
Borrowings - undiscounted value	25	45	2 087	2 132	2 002
Cash pool - undiscounted value	30	33	-	33	33
Finance lease	27,28	1	1	2	2
Trade liabilities	28	11 187	-	11 187	11 187
Investment liabilities	28	871	1	872	872
Financial derivatives	30	316	-	316	316
Other financial liabilities	27,28	91	34	125	125
		13 049	2 123	15 172	15 042

31.7 Market risk

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

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

31.7.1 Currency risk

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

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

Financial instruments by class	EUR	USD	Total after translation to CZK
Financial assets			
Trade receivables	168	23	5 181
Cash pool	1	-	36
Financial derivatives	-	7	165
Cash and cash equivalents	13	-	373
	182	30	5 755
Financial liabilities			
Cash pool	1	-	33
Trade liabilities	51	112	3 970
Investment liabilities	8	-	225
Financial derivatives	-	7	155
	60	119	4 383

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

Financial instruments by class	EUR	USD	Total after translation to CZK
Financial assets			
Trade receivables	162	25	4 936
Cash pool	-	-	13
Financial derivatives	-	1	18
Cash and cash equivalents	8	7	340
	170	33	5 307
Financial liabilities			
Loans	2	1	62
Cash pool	1	-	33
Trade liabilities	50	274	6 836
Investment liabilities	10	-	270
Financial derivatives	-	3	67
	63	278	7 268

Foreign currency sensitivity analysis

The influence of potential changes in carrying amounts of financial instruments as at 31 December 2014 and 2013 arising from hypothetical changes in exchange rates of relevant currencies in relation to functional currency on profit before tax and hedging reserve:

2014	Influence on profit before tax			
	Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/CZK	15%	508	15%	(508)
USD/CZK	15%	(302)	15%	302
		206		(206)

2013	Influence on profit before tax			
	Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/CZK	15%	440	15%	(440)
USD/CZK	15%	(734)	15%	734
		(294)		294

31.7.1 Currency risk (continued)

2014	Influence on hedging reserve			
	Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/CZK	15%	(927)	15%	927
USD/CZK	15%	44	15%	(44)
		(883)		883

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

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

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

31.7.2 Interest rate risk

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

Interest rate structure of financial instruments:

Interest rate	PRIBOR		EURIBOR		LIBOR		Carrying amount	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Financial assets								
Borrowings granted	6	13	-	-	-	-	6	13
Cash pool	-	-	34	11	2	2	36	13
	6	13	34	11	2	2	42	26
Financial liabilities								
Loans	327	443	-	43	-	19	327	505
Borrowings	4 023	2 002	-	-	-	-	4 023	2 002
Cash pool	-	-	33	31	-	2	33	33
	4 350	2 445	33	74	-	21	4 383	2 540

Interest rate sensitivity analysis

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

Interest rate	Assumed variation		Influence on profit before tax		Total	
	31/12/2014	31/12/2013	2014	2013	2014	2013
EURIBOR	+0,5 pp	+0,5 pp	-	-	-	-
LIBOR	+0,5 pp	+0,5 pp	-	-	-	-
PRIBOR	+0,5 pp	+0,5 pp	(22)	(12)	(22)	(12)
			(22)	(12)	(22)	(12)

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

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

31.7.3 The risk of commodity prices and oil products

The Group is exposed to commodity price risk resulting from the adverse changes in raw material, mainly crude oil prices. Management addresses these risks by means of a commodity, supplier and client risk management.

Sensitivity analysis

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

Influence on hedging reserve				
2014	Increase of price by	Total influence	Decrease of price by	Total influence
Crude oil USD/BBL	5 USD/BBL	(218)	5 USD/BBL	218

Influence on profit before tax				
2013	Increase of price by	Total influence	Decrease of price by	Total influence
Crude oil USD/BBL	5 USD/BBL	(252)	5 USD/BBL	252

31.7.4 Emission allowances risk

The Group monitors the emission allowances granted to the Group under the National Allocation Plan and CO₂ emissions planned. The Group might enter into transactions on emission allowances market in order to cover for shortages or utilize the excess of obtained emission allowances over the required amount.

32. FAIR VALUE DETERMINATION

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

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

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

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

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

Derivative instruments presented as financial assets in amount of CZK 1 075 million as at 31 December 2014 (CZK 29 million as at 31 December 2013) and derivative instruments presented as financial liabilities in amount of CZK 379 million as at 31 December 2014 (CZK 316 million as at 31 December 2013) belong to Level 2 as defined by IFRS. The carrying amount of remaining financial assets and liabilities approximates their fair value.

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

Investment property

As at 31 December 2014 and 31 December 2013 the Group possessed under non-financial assets the investment property, which fair value was estimated depending on the characteristics based on comparison or revenue approach.

The comparison approach was applied assuming, that the value of assessed property was equal to the market price of a similar property. The Group presented Investment property in carrying amount of CZK 117 million as at 31 December 2014 (31 December 2013: CZK 117 million) for which the fair value was estimated using comparison approach. Such assets belong to Level 2 as defined by IFRS 7.

In the revenue approach the calculation was based on the discounted cash flow method. 10 year period forecasts were applied in the analysis. The discount rate used reflects the relation, as expected by the buyer, between yearly revenue from an investment property and expenditures required to purchase investment property. Forecasts of discounted cash flows relating to the property consider arrangements included in all rent agreements as well as external data, e.g. current market rent charges for similar property, in the same location, technical conditions, standard and designed for similar purposes. The Group applied the revenue approach to investment property with carrying amount of CZK 302 million as at 31 December 2014 (31 December 2013: CZK 310 million). The investment property valued under revenue approach is classified as the Level 3 defined by IFRS 7.

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

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

	2014	2013
Beginning of the year	310	297
Transfer from Property, plant and equipment	-	17
Reclassification to Property, plant and equipment	(3)	(3)
Fair value measurement	(5)	(1)
	302	310

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

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

	Increase by	Total impact	Level 3 Decrease by	Total impact
Change in discount rate	+1 pp	(19)	-1 pp	19

As at 31 December 2014 and 31 December 2013 the Group held unquoted shares in entities amounting to CZK 0,5 million, for which fair value cannot be reliably measured, due to the fact that there are no active markets for these entities and no comparable transactions in the same type of instruments. Above mentioned shares were recognized as financial assets available for sale and measured at acquisition cost less impairment allowances. As at 31 December 2014 there are no binding decisions relating to the means and dates of disposal of those assets.

OTHER NOTES

33. LEASES

33.1 The Group as lessee

Operating lease

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

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

	31/12/2014	31/12/2013
Less than one year	56	57
Between one and five years	178	205
Later than five years	236	290
	470	552

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

Payments recognized as an expense were as follows:

	2014	2013
Non-cancellable operating lease	51	55

Finance lease

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

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

	31/12/2014	31/12/2013
Less than one year	1	1
Between one and five years	-	1
	1	2

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

	31/12/2014	31/12/2013
Less than one year	1	1
Between one and five years	-	1
	1	2

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

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

Net carrying amount of leased assets was as follows:

	31/12/2014	31/12/2013
Machinery and equipment	208	238
Vehicles and other	68	87
	276	325

33.2 The Group as lessor

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

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

The total value of investment expenditure including borrowing costs amounted to CZK 2 007 million as at 31 December 2014 and CZK 2 404 million as at 31 December 2013, comprising environmental expenditures in amount of CZK 175 million and CZK 26 million respectively.

As at 31 December 2014 the value of future liabilities resulting from contracts signed until this date amounted to CZK 459 million (as at 31 December 2013: CZK 826 million).

35. CONTINGENT LIABILITIES

Purchase of shares of PARAMO, a.s.

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

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

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

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

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

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

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

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

Next hearing is scheduled for April 2015.

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 2014, ČESKÁ RAFINÉRSKÁ, a.s. held a contract for transportation with TRANSPETROL, a.s., covering years 2014, 2015 and 2016. Due to complicated and lengthy negotiations, there is no framework transportation contract in place with MERO ČR, a.s. Transportation of crude oil is provided by MERO ČR, a.s. on a regular basis with no disruptions; transportation is based on conditions and transportation tariff of the previous contract.

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

36. GUARANTES AND SECURITIES

Guarantees

Based on the Group's request the bank guarantees relating to the security of customs debt, excise tax at customs offices and other purposes were issued. The total balance of guarantees related to excise tax amounted to CZK 1 521 million as at 31 December 2014 (31 December 2013: CZK 1 261 million) and to other purposes amounted to CZK 31 million (31 December 2013: CZK 23 million).

The Group is the beneficiary of guarantees amounted CZK 1 464 million as at 31 December 2014 (31 December 2013: CZK 542 million).

Past environmental liabilities

The Group is the recipient of funds provided by the National Property Fund of the Czech Republic for settling environmental liabilities relating to historic environmental damage. Funds up to CZK 14 753 million are provided to cover cost actually incurred in relation to settlement of historic environmental damage.

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

	Total amount of funds to be provided	Used funds as at 31/12/2014	Unused funds as at 31/12/2014
UNIPETROL, a.s. / premises of UNIPETROL RPA, s.r.o.	6 012	3 868	2 144
UNIPETROL, a.s. / premises of SYNTHOS Kralupy a.s.	4 244	51	4 193
BENZINA s.r.o.	1 349	471*	878
PARAMO, a.s. / premises in Pardubice	1 241	500	741
PARAMO, a.s. / premises in Kolin	1 907	1 728	179
	14 753	6 618	8 135

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

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

37. RELATED PARTIES

37.1 Material transactions concluded by the Group Companies with related parties

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

37.2 Transactions with key management personnel

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

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

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

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

Parent and ultimate controlling party

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

2014	PKN Orlen	Joint operations	Entities under control or significant influence of PKN Orlen
Sales	1 158	2 265	7 958
Purchases	77 075	3 070	2 839
Finance income, including <i>dividends</i>	-	110	-
Finance costs	86	-	30

31/12/2014	PKN Orlen	Joint operations	Entities under control or significant influence of PKN Orlen
Long term receivables	-	6	-
Short term financial assets	-	-	36
Trade and other receivables	112	292	570
Trade and other liabilities, including loans and borrowings	6 272	358	211

2013	PKN Orlen	Joint operations	Entities under control or significant influence of PKN Orlen
Sales	468	2 416	5 176
Purchases	57 010	3 258	2 754
Finance income, including <i>dividends</i>	-	452	-
Finance costs	3	-	23

31/12/2013	PKN Orlen	Joint operations	Entities under control or significant influence of PKN Orlen
Long term receivables	-	24	-
Short term financial assets	-	-	12
Trade and other receivables	24	389	611
Trade and other liabilities, including loans and borrowings	6 923	357	390

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

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

38.1 Key management personnel and statutory bodies' members' compensation

	2014		2013	
	Short-term benefits	Termination benefits	Short-term benefits	Termination benefits
Remuneration of current year	213	7	219	7
Paid for previous year	46	2	49	1
Potentially due to be paid in the following year	43	2	43	2

Further detailed information regarding remuneration of key management personnel is included in note 9.3.

38.2 Bonus system for key executive personnel of the Group

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

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

Claims regarding reward for employees' intellectual work

In the year 2001 the court case commenced regarding the reward for the employees' intellectual work between UNIPETROL RPA, s.r.o. and its two employees. Employees demanded reward of approx. CZK 1,8 million. UNIPETROL RPA, s.r.o. as defendant did not agree and offered the reward amounting to approx. CZK 1,4 million, based on experts' valuations. In 2005 Employees plaintiffs filed the next petition to the court to extend the action to an amount of approx. CZK 82 million. The first instance hearing was held on 18 October 2011. An experts' valuation ordered by the court confirmed the amount of the reward payable to the employees in the amount of CZK 1,6 million. One of the employees accepted payment of his share in the reward confirmed by the expert in the expert valuation ordered by the court.

During the twelve month period ended 31 December 2014 there were no material changes in relation to the issue.

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

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

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

In a relating court proceedings, the Upper (Vrchní) Court in Olomouc ruled that receivable of UNIPETROL RPA, s.r.o., which was claimed by UNIPETROL RPA, s.r.o. in the bankruptcy against I.P. – 95, s.r.o., was rightful, justified and existing at the time of making the insolvency filing. On basis of applicable jurisprudence – claiming of justified receivable within a bankruptcy proceedings can not cause any damage to the debtor. Hence we expect that the damages compensation claim against UNIPETROL RPA, s.r.o. will be rejected by the relevant court.

On the basis of provisions of the Czech Insolvency Act, the proceedings has been suspended due to I.P.-95 s.r.o. becoming insolvent and the insolvency trustee failing to give consent for the proceedings to continue. I.P. – 95 s.r.o. gave consent with the proceedings to continue and therefore, as per the most recent decision of the court, the proceedings will continue with I.P. – 95 s.r.o. in its position as petitioner. The court has also submitted the case to the Czech Supreme Court to decide on local jurisdiction matters; Czech Supreme Court remanded the case District Court in Ostrava.

The Group's management does not recognize the alleged claim and considers the claim as unjustified and unfounded. The Group's management is taking all legal actions to defend itself against this claim.

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

Claims for compensation of damages filed by SDP Logistics sklady a.s against UNIPETROL RPA, s.r.o.

On 9 July 2012 UNIPETROL RPA, s.r.o. received a petition filed by SDP Logistics sklady a.s. for compensation of damages.

UNIPETROL RPA, s.r.o. concluded on 21 March 2010 with SDP Logistics sklady a.s. ("SDP") a contract relating to storage ("Contract") for a definite period of time - until 31 July 2011. SDP claims that UNIPETROL RPA, s.r.o. failed to remove all stored products before the contract termination date.

SDP claims CZK 25 million as a contractual penalty payable to SDP as a result of not making the storage space available for a new client. SDP additionally claims CZK 120 million as loss of profit caused by not being able to provide the contracted storage capacity to a new SDP client after 1 August 2011. Furthermore SDP has blocked the goods of UNIPETROL RPA, s.r.o. (stored in the warehouse) until the said damages are covered by UNIPETROL RPA, s.r.o.

UNIPETROL RPA, s.r.o. does not recognize the alleged claim and considers the claim as unjustified and unfounded.

On 18 December 2014 UNIPETROL RPA, s.r.o. signed a settlement agreement with SDP Logistics sklady, a.s. under which, among others:

SDP released all the blocked (arrested) goods to UNIPETROL RPA;

UNIPETROL RPA has withdrawn the petition in full.

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

a) UNIPETROL RPA, s.r.o. complaint for unlawful intervention

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

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

The Czech Supreme Administrative Court's issued a decision dated 19 March 2014 on the cassation appeals filed by the parties within the proceedings regarding declining of the tax authority decisions. The Czech Supreme Administrative Court annulled the Regional Court's decision on annulment of the tax authorities' decisions and dismissed the cassation appeal filed by UNIPETROL RPA, s.r.o. The matter was returned to the Regional Court in Usti nad Labem.

UNIPETROL RPA, s.r.o. filed a petition with the Czech Constitutional Court claiming that by the decisions of the Czech Supreme Administrative Court its right for a fair trial was breached. Following filing of the petition with the Czech Constitutional Court, the Regional Court in Usti nad Labem suspended the proceedings regarding UNIPETROL RPA, s.r.o. complaint for dismissal of the tax authority decisions.

On 16 October 2014 the Czech Constitutional Court decided to reject the UNIPETROL RPA, s.r.o. 's constitutional complaint dated 7 April 2014.

On 8 December 2014 the Regional Court in Usti nad Labem, based on the legal opinion presented by the Czech Supreme Administrative Court in their decision of 19 March 2014, dismissed UNIPETROL RPA, s.r.o. complaint for unlawful intervention filed against the tax authorities.

b) UNIPETROL RPA, s.r.o. complaint for dismissal of the tax authority decisions

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

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

The Czech Supreme Administrative Court's issued a decision dated 19 March 2014 on the cassation appeals filed by the parties within the proceedings regarding declining of the tax authority decisions. The Czech Supreme Administrative Court annulled the Regional Court's decision on annulment of the tax authorities' decisions and dismissed the cassation appeal filed by UNIPETROL RPA, s.r.o. The matter was returned to the Regional Court in Usti nad Labem.

The Regional Court in Usti nad Labem on a hearing hold on 25 February 2015 Court decided to dismiss the UNIPETROL RPA, s.r.o. complaint for abrogation of the tax authority decisions, UNIPETROL RPA, s.r.o. is now waiting to receive the Regional Court's judgment in writing. UNIPETROL RPA, s.r.o. will consider filing a cassation appeal against the judgment of the Regional Court.


40. SUBSEQUENT EVENTS AFTER THE REPORTING DATE

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

41. APPROVAL OF THE FINANCIAL STATEMENT

The consolidated financial statements were authorized by the Board of directors meeting of the Company held on 3 March 2015.

Signature of statutory representatives



Marek Świtajewski

Chairman of the Board of Directors



Mirosław Kastelik

Member of the Board of Directors