Half-year Report 2017

UNIPETROL, a.s.

Contents

Business activities and financial results in the first half of 2017

Key financial and non-financial data

in CZK million	6M 2016	6M 2017
Revenues	38 237	61 031
Gross profit	1 815	6 664
EBITDA LIFO[1,2]	4 933	10 160
LIFO effect	(114)	(134)
EBITDA[1]	4 819	10 026
EBIT LIFO[1,3]	3 991	8 807
EBIT	3 877	8 673
Downstream segment		
EBITDA LIFO	4 530	9 514
LIFO effect	(114)	(134)
EBITDA	4 416	9 380
EBIT LIFO	3 768	8 358
EBIT	3 654	8 224
Retail segment		
EBITDA LIFO	376	681
LIFO effect	-	-
EBITDA	376	681
EBIT LIFO	221	517
EBIT	221	517
Corporate functions		
EBITDA	27	(35)
EBIT	2	(68)
Net finance income / costs	100	(734)
Profit/loss before tax	3 977	7 939
Tax expense	(896)	(1 540)
Net profit	3 081	6 399
Earnings per share (CZK)	16.99	35.30
Operating cash flow	5 139	8 315
Investing cash flow	(4 026)	(9 637)
CAPEX[1]	6 956	3 029
Free cash flow[1]	1 113	(1 322)
Net working capital[1]	3 992	6 804
Net debt / (net cash)[1]	(6 648)	(1 413)
Financial gearing[1]	(18.0%)	(3.0%)
Net debt / EBITDA LIFO[1]	(0.8)	(0.1)

kt	6M 2016	6M 2017
Refining sales, including retail	3 053	3 374
Petrochemical sales	420	956

[1] See definitions on the page 9.

[2] EBITDA LIFO = Downstream segment EBITDA LIFO + Retail segment EBITDA LIFO + Corporate functions EBITDA

[3] EBIT LIFO = Downstream segment EBIT LIFO + Retail segment EBIT LIFO + Corporate functions EBIT

Introduction

The general macro environment was favorable for Unipetrol during 6M2017. The GDP of both the Czech Republic and Eurozone continued to grow in 1Q2017 by 3.0% and 1.9% y/y respectively, according to OECD data. The second quarter data were not yet available before the publication date; however, the continuation of solid growth during 2Q2017 is expected. In regard to the downstream macro environment, the crude oil prices (Brent Dated) increased by 30% y/y from 40 USD/bbl in 6M2016 to 52 USD/bbl in 6M2017. In comparison to the same period last year, the model refining margin increased slightly from 3.4 USD/bbl in 6M2016 to 3.9 USD/bbl in 6M2017. The petrochemical margins declined in the second half of 2016; however, they recovered during the first half of 2017. The model combined petrochemical margin decreased by 5% y/y from the very high level of 881 EUR/t in 6M2016 to 834 EUR/t in 6M2017.

Revenues were significantly higher – by 60%, up to CZK 61.0 bn in 6M2017, which was mainly the result of higher crude oil prices and resumed operation of the steam cracker unit and the Kralupy refinery after extraordinary events which occurred in mid-August 2015, resp. in mid-May 2016.

The operating profit EBITDA LIFO increased from CZK 4,933 m in 6M2016 to CZK 10,160 m in 6M2017. Correspondingly, EBITDA increased from CZK 4,819 m to CZK 10,026 m and EBIT increased from CZK 3,877 m to CZK 8,673 m. Net profit increased from CZK 3,081 m in 6M2016 to CZK 6,399 m in 6M2017. However, 6M2016 financial indicators include received payments for the insurance claim regarding the steam cracker unit accident in the amount of CZK 3,934 m recognized in other operating income, and 6M2017 financial indicators include confirmed payments for the insurance claim regarding the steam cracker unit accident in the amount of CZK 2,754 m and for the insurance claim regarding the fluid catalytic cracking unit accident in the Kralupy refinery in the amount of CZK 1,320 m recognized in other operating income.

On 15 March 2017, the Unipetrol Group Strategy has been presented which includes strategy and objectives for 2017 and 2018. For the 2017-2018, the operating profit EBITDA LIFO was planned at the level of CZK 19.7 billion. However taking into account the subsequently agreed payments from the insurance claims for the steam cracker unit and the fluid catalytic cracking (FCC) unit amounting to CZK 4.1 bn already recognized in the financial statements for the first half of 2017, the forecasted EBITDA LIFO is almost CZK 24 bn. At the same time, the Group also intends to invest heavily in new technologies. The investments should exceed CZK 16 billion; the key investment is completing the construction of the new polyethylene unit PE3 in the Litvínov chemical complex. The Group's focus on innovation as well as on its own research and development will also play a more significant role. In the retail segment, Unipetrol will seek to strengthen the leading position of the Benzina filling station network on the Czech market and to increase its market share above 20%.

Downstream segment

The downstream macro environment was quite supportive during the first half of 2017, driven by an increase in refining margins and petrochemical margins recovering from decrease in the second half of 2016. The model refining margin increased slightly from 3.4 USD/bbl in 6M2016 to 3.9 USD/bbl in 6M2017 due to the increasing crude oil prices. The Brent-Ural differential decreased by almost 31% y/y from 2.6 USD/bbl in 6M2016 to 1.8 USD/bbl in 6M2017. The model combined petrochemical margin decreased by 5% y/y from 881 EUR/t in 6M2016 to the 834 EUR/t in 6M2017, which was driven by a decrease in both polyethylene and polypropylene spreads. From the production point of view, the production units were operating at standard capacity except for a minor shutdown of the steam cracker unit in February 2017 for maintenance reasons which lasted 14 days.

Even though the petrochemical margins were lower y/y, the downstream segment profitability improved. The main reasons were a significant increase in sales volume resulting from the resumed operations of the steam cracker unit in Litvínov and FCC unit in Kralupy nad Vltavou after the extraordinary events and confirmed payments for insurance claims related to those extraordinary events. EBITDA LIFO increased significantly from CZK 4,530 m in 6M2016 to CZK 9,514 m in 6M2017.

The corporate management agreed with the insurer on the final settlement of the FCC unit claim. The total amount recovered from the insurer amounts to CZK 1.3 bn which was fully recognized in the financial statements for the first half of 2017. Regarding the steam cracker unit claim, the Company estimates to recover CZK 13.5 bn from the insurer, out of which amount of CZK 7.9 bn was already recognized in the financial statements for 2016 and CZK 2.8 bn in the financial statements for the first half of 2017.

The refining sales volume, including the retail sales of the Benzina fuel stations network, increased by 11% y/y from 3,053 kt in 6M2016 to 3,374 kt in 6M2017, which was driven by higher utilization of refining capacity allowed by the resumed operations of the steam cracker unit and the Kralupy refinery after the extraordinary events.

Petrochemical sales reached 956 kt in 6M2017, which is higher by 128% than in 6M2016 when the sales were 420 kt. This significant y/y increase in the petrochemical sales volume was driven by the resumed operation of the steam cracker unit after its extraordinary event.

SPOLANA a.s. was granted an approval to change the integrated permit and extend the utilization of amalgam electrolysis for the production of chlorine and caustic soda until November 30, 2017.

Retail segment

The retail segment profitability recorded high improvement of 81% y/y. The EBITDA LIFO indicator increased from CZK 376 m in 6M2016 to CZK 681 m in 6M2017 driven by the higher Benzina fuel sales volume and non-fuel sales. The higher fuel sales were achieved by a set of activities in sales, marketing and standards increase, solid dynamics of the Czech GDP and ongoing overtaking of the OMV filling stations. The better performance of non-fuel segment was driven by a better shop and refreshment offer. The Benzina market share increased by approximately 1.9 percentage point y/y from 16.8% in 6M2016 to 18.7% in 6M2017 (the 6M2017 number is based on the last available official statistical data as at the end of April 2017).

Benzina has introduced newly developed advanced fuels EFECTA 95 and EFECTA Diesel, replacing the traditional fuels Natural 95 and Diesel Top Q, which had been previously available to the Czech drivers. The new generation fuels have exceptional cleaning properties unique to the Czech market, enabling to remove engine deposits while extending engine life.

CAPEX, cash flow and financial gearing

CAPEX reached CZK 3,029 m in 6M2017 compared with CZK 6,956 m in 6M2016. The main part of investments in the first half of 2017 was being realized in the downstream segment. Key projects there were related mostly to the petrochemical part with continuation of new polyethylene unit (PE3) construction and further proceeding of the installation of denitrification technology in power plant in Litvínov as the key focus. Other undertakings were less complex and encompassed investments at Spolana – predominantly granulation of ammonium sulphate, and other modernization and revamp projects. Within the retail segment the main CAPEX was spent on the purchase and rebranding of filling stations acquired from OMV.

The operating cash flow increased from CZK 5,139 m in 6M2016 to CZK 8,315 m in 6M2017 resulting from resumed operation of the steam cracker unit and Kralupy refinery after the extraordinary events. The investing cash flow was negative of CZK (-) 9,637 m in 6M2017 compared to CZK (-) 4,026 m in 6M2016, which was mainly due to extensive CAPEX spending. For the same reason, the free cash flow, defined as the sum of operating and investing cash flow, decreased y/y from CZK 1,113 m in 6M2016 to CZK (-) 1,322 m in 6M2017.

The net debt was at a negative level of CZK (-) 1,413 m as at 30 June 2017, implying a net cash position. Consequently, the financial gearing ratio was also at the negative level of (-) 3.0% as at 30 June 2017.

Expected development of business activities in the second half of 2017

Both the Czech GDP and Eurozone GDP are expected to maintain reasonable momentum during 2H2017 with a full year 2017 growth currently expected around 2.8% y/y, resp. 1.8% y/y (Bloomberg). According to the Czech Statistical Office data, the consumer and business confidence in the Czech economy was at a relatively high level in June, which also indicates a cautiously optimistic outlook for 2H2017.

In terms of the Brent crude oil, the prices are expected around the level of 50 USD/bbl; nevertheless, it cannot be underestimated that the crude oil prices also depend on geopolitical risks. In regard to the refining and petrochemical margins, a continuation of current levels is expected, supported by the relatively high demand for fuels and petrochemical products, as well as steady GDP dynamics in Europe.

The corporate management will focus to agree final settlement of the insurance claim for the steam cracker unit. The Company estimates to recover additional CZK 2.8 bn, however the amount depends on the final agreement with the insurer.

With regard to the capital expenditures in the second half of 2017, petrochemical part of the downstream segment will remain the main area of investments with continuation of the major project – new polyethylene unit (PE3), as key activity. Tender for new boiler house for steam cracker unit should be finished in the second half of 2017. Spolana aims to finalize projects regarding granulation of ammonium sulphate and investment related to continuation of PVC production after electrolysis closure. A range of other less complex modernization and revamp projects will be also realized. Within the retail segment, Benzina will continue in taking over of filling station acquired from OMV and their rebranding and also will start major remodeling of its stations including launch of Stop Café 2.0 concept.

The corporate management will continue to be focused on delivering on targets set in the announced Unipetrol Group Strategy and continuation of execution of the internal efficiency initiatives (Operational Excellence) across all segments.

Information about the persons responsible for the Half-year Report 2017

Andrzej Mikołaj Modrzejewski, Unipetrol’s Chairman of the Board of Directors, and Mirosław Kastelik, Unipetrol’s Vice-Chairman of the Board of Directors, hereby represent that, to their best knowledge, the Half-year Report and the Consolidated and Separate financial statements as of 30 June 2017 present, in all aspects, a true and fair image of the financial standing, business, and results of the issuer and its consolidated group for the first half of 2017, as well as of the future outlook for the financial standing, business, and results.

Andrzej Mikołaj Modrzejewski
Chairman of the Board of Directors

Mirosław Kastelik
Vice-Chairman of the Board of Directors

Explanation on the use of alternative performance measures

<table>
<tr><th>Indicator</th><th>Definition</th><th>Purpose</th><th>Reconciliation</th></tr>
<tr><td>EBITDA</td><td>Operating profit/(loss) + depreciation and amortization</td><td>The indicator shows operating performance of the company. It allows comparing with other companies because it does not depend on the accounting depreciation method, capital structure or tax regime.</td><td>see note 3. Operating segments of the Notes to the Consolidated financial statements</td></tr>
<tr><td>EBITDA LIFO</td><td>Operating profit/(loss) + depreciation and amortization + LIFO effect</td><td>The indicator shows operating performance of the company and additionally it shows the impact of the change in the crude oil price. Using the LIFO methodology for inventory valuation (Last-In-First-Out).</td><td><table>
<tr><th>in CZK m</th><th>6M16</th><th>6M17</th></tr>
<tr><td>EBITDA</td><td>4 820</td><td>10 026</td></tr>
<tr><td>LIFO effect</td><td>114</td><td>134</td></tr>
<tr><td>EBITDA LIFO</td><td>4 934</td><td>10 160</td></tr>
</table></td></tr>
<tr><td>EBIT</td><td>Operating profit/(loss)</td><td>The indicator shows operating performance of the company without the influence of the company's capital structure and taxation. It allows monitoring of revenues and expenses on the operational level.</td><td>see note 3. Operating segments of the Notes to the Consolidated financial statements</td></tr>
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<tr><th>in CZK m</th><th>6M16</th><th>6M17</th></tr>
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<tr><td>EBIT LIFO</td><td>3 991</td><td>8 807</td></tr>
</table></td></tr>
<tr><td>Free cash flow (FCF)</td><td>Net cash from operating activities + net cash used in investing activities</td><td>The indicator measures the financial performance of the company. It shows what amount of cash is the company able to generate after deducting the capital expenses.</td><td>see Consolidated statement of cash flows</td></tr>
<tr><td>Net working capital</td><td>Inventories + trade and other receivables - trade and other liabilities</td><td>The indicator shows how much operating funds remains available to the company when all its short-term obligations are paid. It allows measuring of short-term financial health of the company.</td><td>see Consolidated statement of financial position</td></tr>
<tr><td>Net debt / (net cash)</td><td>Non-current loans and borrowings + current loans and borrowings + cash pool liabilities - cash and cash equivalents</td><td>The indicator shows the financial debt less cash and cash equivalents. It allows assessing the overall indebtedness of the company, i.e. ability of the company to pay all its debts if they were payable at the same time using only the available cash and cash equivalents.</td><td><table>
<tr><th>in CZK m</th><th>6M16</th><th>6M17</th></tr>
<tr><td>Non-current loans and borrowings</td><td>0</td><td>0</td></tr>
<tr><td>Current loans and borrowings</td><td>0</td><td>0</td></tr>
<tr><td>Cash pool liabilities</td><td>469</td><td>327</td></tr>
<tr><td>Cash and cash equivalents</td><td>7 117</td><td>1 740</td></tr>
<tr><td>Net debt / (net cash)</td><td>(6 648)</td><td>(1 413)</td></tr>
</table></td></tr>
</table>

<table>
<tr><td>Financial gearing</td><td>Net debt / (total equity – hedging reserve) x 100%</td><td>The indicator shows the financial debt in proportion to the equity less the hedging reserve (the amount of the hedging reserve results from the valuation of derivatives meeting the requirements of cash flow hedge accounting). It allows monitoring the company’s debt level.</td><td><u>Total equity</u>
see Consolidated statement of financial position

<u>Hedging reserve</u>
see Consolidated statement of financial position</td></tr>
<tr><td>Net debt / EBITDA LIFO (4-quarters trailing adjusted EBITDA LIFO)</td><td>Net debt / EBITDA LIFO, where the EBITDA LIFO indicator is 4-quarters trailing EBITDA LIFO adjusted for extraordinary (one-off) items, which do not relate to the ordinary economic activity.</td><td>The indicator measures the company’s ability to pay its debt. The indicator shows approximately in how long is the company able to pay back its debt out of its normal source of operating cash flow.</td><td><table>
<tr><td>in CZK m</td><td>6M16</td><td>6M17</td></tr>
<tr><td>EBITDA LIFO
(4-quarters trailing)</td><td>8 117</td><td>15 305</td></tr>
<tr><td>indicator adjusted for:</td><td></td><td></td></tr>
<tr><td>gain on acquisition</td><td>(429)</td><td>-</td></tr>
<tr><td>impairment of the steam cracker unit</td><td>597</td><td>-</td></tr>
<tr><td>impairment allowance of the downstream segment assets reversal</td><td>-</td><td>(1 919)</td></tr>
<tr><td>EBITDA LIFO
(4-quarters trailing)</td><td>8 285</td><td>13 386</td></tr>
<tr><td>Net debt</td><td>(6 648)</td><td>(1 413)</td></tr>
<tr><td>Net debt / EBITDA LIFO</td><td>(0.8)</td><td>(0.1)</td></tr>
</table></td></tr>
<tr><td>CAPEX</td><td>Acquisition of property, plant and equipment and intangible assets.</td><td>The indicator shows capital expenditures of the company for the period on the cash flow basis. It allows monitoring of investing activities of the company.</td><td>see note 3. Operating segments of the Notes to the Consolidated financial statements</td></tr>
</table>

UNIPETROL, a.s.

CONSOLIDATED HALF-YEAR REPORT

FOR THE 1ST HALF 2017

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

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UNAUDITED HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 AND 3 MONTHS ENDED 30 JUNE

2017

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

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (in CZK million)

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

Consolidated statement of profit or loss and other comprehensive income

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

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

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (in CZK million)

Consolidated statement of financial position

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

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

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (in CZK million)

Consolidated statement of changes in equity

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

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

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (in CZK million)

Consolidated statement of cash flows

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

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

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

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (in CZK million)

EXPLANATORY NOTES TO THE HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF THE COMPANY

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

Identification number of the Company
616 72 190

Registered office of the Company
UNIPETROL, a.s.
Na Pankráci 127
140 00 Praha 4
Czech Republic

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

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

Ownership structure
The shareholders as at 30 June 2017 are as follows:

	Number of shares	Nominal value of shares (in CZK)	Share in share capital
POLSKI KONCERN NAFTOWY ORLEN S.A.	114 226 499	11 422 649 900	62.99%
PAULININO LIMITED*	36 313 562	3 631 356 200	20.02%
Investment funds and other minority shareholders	30 794 703	3 079 470 300	16.99%
	181 334 764	**18 133 476 400**	**100%**

** According to the excerpt from the records of the book-entered shares of the Company as of 31 May 2017.*

Consolidated group structure
The subsidiaries and jointly controlled entities forming the consolidated group of UNIPETROL, a.s., and the parent company’s interest in the capital of subsidiaries and jointly controlled entities held either directly by the parent company or indirectly by the consolidated subsidiaries are presented in the consolidated financial statements of the Group as at and for the year ended 31 December 2016. Changes in the Group structure which occurred during 6 months ended 30 June 2017 are described in Note 4.20.

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

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

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

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

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

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

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (in CZK million)

2. PRINCIPLES OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1. Statement of compliance and general principles of preparation

The consolidated financial statements of the Company as at and for the period ended 30 June 2017 include the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2016.

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

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

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

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

3. OPERATING SEGMENTS

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

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

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

Allocation of subsidiaries into the operating activities is presented in the consolidated financial statements of the Group as at and for the year ended 31 December 2016.There were no changes in allocation of subsidiaries into the operating segments during the 6 months ended 30 June 2017.

Financial results and investment expenditures by operating segments

For the 6 months ended 30 June 2017

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

For the 3 months ended 30 June 2017

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

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (in CZK million)

3. OPERATING SEGMENTS (CONTINUED)

For the 6 months ended 30 June 2016

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

For the 3 months ended 30 June 2016

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

* Profit/(Loss) from operations+depreciation and amortization.
** Additions to non-current assets (investment expenditures in property, plant and equipment +investment expenditures in intangible assets-investment expenditures in CO_2 emission allowances).

Assets by operating segments

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

4. OTHER NOTES

4.1. Revenues

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

4.2. Operating expenses

Cost of sales

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

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (in CZK million)

4.2. Operating expenses (contined)

Cost by nature

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

4.3. Impairment allowances of inventories to net realisable value

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

4.4. Impairment allowances of assets

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

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

4.5. Other operating income and expenses

Other operating income

	6 MONTHS ENDED 30/06/2017	3 MONTHS ENDED 30/06/2017	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016
Penalties and compensations earned	4 120	3 074	3 960	3 941
Profit on sale of non-current non-financial assets	35	5	16	15
Reversal of provisions	2	1	16	16
Reversal of receivables impairment allowances	1	1	1	1
Reversal of impairment allowances of property, plant and equipment and intangible assets	2	1	7	7
Revaluation of provision to CO_2 consumption	49	2	207	1
Other	16	11	11	2
	4 225	**3 095**	**4 218**	**3 983**

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

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

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (in CZK million)

4.5. Other opearing income and expenses (contined)

Other operating expenses

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

The penalties, damages and compensations incurred in connection with the accident of the steam cracker unit which took place at the Chempark Záluží in Litvínov on 13 August 2015, amounted to CZK 17 and 12 million during the 6 and 3 months ended 30 June 2017 respectively (CZK 138 and 39 million during the 6 and 3 months ended 30 June 2016).

4.6. Finance income and finance costs

Finance income

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

Finance costs

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

4.7. Tax expense

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

4.8. Property, plant and equipment

Material additions

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

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

4.9. Other financial assets

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

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (in CZK million)

4.10. Provisions

	Non-current		Current		Total	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016	30/06/2017	31/12/2016
Environmental provision	864	877	3	4	867	881
Jubilee bonuses and retirement benefits provision	97	97	7	7	104	104
Provision for CO_2 emission allowances	-	-	304	553	304	553
Other provision	8	23	84	88	92	111
	969	**997**	**398**	**652**	**1 367**	**1 649**

A provision for CO_2 allowances was created for estimated CO_2 emissions in the periods ended 30 June 2017 and 31 December 2016.

4.11. Other financial liabilities

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

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

Methods applied in determining fair value have been described in the consolidated financial statements as at and for the year ended 31 December 2016 in note 27.3. As compared to the previous reporting period, the Group has not changed valuation methods concerning derivative instruments and investment property.
Fair value of shares quoted on active markets is determined based on market quotations (so called Level 1). In other cases, fair value is determined based on other input data, which are directly or indirectly observable (so called Level 2) or unobservable market data (so called Level 3).

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

During the 6 months ended 30 June 2017 and year 2016 there were no transfers in the Group between Levels 1, 2 and 3 of the fair value hierarchy.

4.13. Future commitments resulting from signed investment contracts

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

4.14. Retained earnings and dividends

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

4.15. Guarantees

Based on the Group's request, the bank guarantees relating to the security of customs debt, excise tax at customs offices and other purposes were issued. The total amount of guarantees related to excise tax amounted to CZK 2 052 million as at 30 June 2017 (31 December 2016: CZK 2 988 million) and for other purposes amounted to CZK 107 million (31 December 2016: CZK 105 million).

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

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (in CZK million)

4.16. Related party transactions

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

Transactions with key management personnel
In the 6 months ended 30 June 2017 and 2016 the Group companies did not grant to key management personnel and their relatives any advances, borrowings, loans, guarantees and commitments or other agreements obliging them to render services to Group companies and related parties.

In the 6 months ended 30 June 2017 and 2016 there were no significant transactions concluded with members of the Board of Directors, the Supervisory Board, their spouses, siblings, descendants, ascendants or their other relatives.

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

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

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

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

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

4.17. Contingent assets

Contingent assets

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

The Group is insured against property and mechanical damage as well as loss of business profits (business interruption) and is in the process of seeking recourse from the insurer. The Group expects that, based on the insurance policies and the internal estimates made at the end of June 2017, it should be in a position to recover repair costs as well as recoverable lost business profits estimated at CZK 13.5 billion. Out of these amounts, the Group has already recognized CZK 7.9 billion in Other operating income of 2016 and CZK 2.8 billion in Other operating income of Q2 2017. The amount of CZK 2.8 billion is presented in Trade and other receivables in the Consolidated statement of financial position and in Other adjustments in the operating activities of the Consolidated statement of cash flows as at 30 June 2017.

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

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

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

Claim for unjustified enrichment against ČEZ Distribuce, a.s.
The claims are described in the consolidated financial statements of the Group as at and for the year ended 31 December 2016.

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

HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (in CZK million)

4.18. Contingent liabilities

Contingent liabilities and commitments related to Squeeze-out of PARAMO, a.s are described in the consolidated financial statements of the Group as at and for the year ended 31 December 2016.

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

Claims regarding award for employees' intellectual work
The claims are described in the consolidated financial statements of the Group as at and for the year ended 31 December 2016.

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

Claims on compensation of damages filed by I.P. – 95, s.r.o. against UNIPETROL RPA, s.r.o.
The claims are described in the consolidated financial statements of the Group as at and for the year ended 31 December 2016.

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

4.19. Accounting principles

Applied accounting principles and IFRS amendments
These interim condensed consolidated financial statements were prepared according to accounting principles described in note 33 in the consolidated financial statements of the Group as at and for the year ended 31 December 2016.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and main uncertainties were the same as those presented in note 34 in the consolidated financial statements as at and for the year ended 31 December 2016.

The Group intends to adopt new standards, amendments and interpretations to existing standards that have been published but are not effective as at the date of preparation of these interim condensed consolidated financial statements after their acceptance by the European Commission in accordance with their effective date. The possible impact of new standards, amendments and interpretations on the Group's future consolidated financial statements was described in note 33.1 of the consolidated financial statements of the Group as at and for the year ended 31 December 2016. As at 30 June 2017, in relation to IFRS 15 Revenue from Contracts with Customers the Group expects to have the results of the analysis available in the second half 2017.

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

Methods applied to translation of financial data for consolidation purposes
Financial statements of foreign entities, for consolidation purposes, are translated into CZK using the following methods:

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

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

Currency	Average exchange rate for the reporting period		Exchange rate as at the end of reporting period	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016
CZK/EUR	26.263	27.030	26.195	27.020
CZK/USD	23.389	25.641	22.952	25.639

4.20. Changes in the Group structure

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

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

4.21. Subsequent events after the reporting date

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

4.22. Approval of the financial statements

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

Signature of statutory representatives

Andrzej Mikołaj Modrzejewski	Mirosław Kastelik
Chairman of the Board of Directors	Vice-chairman of the Board of Directors

Deloitte.

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in Prague, Section C, File 24349
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Tax ID. No.: CZ49620592

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

For shareholders of UNIPETROL, a.s.

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

Introduction

We have reviewed the accompanying consolidated statement of financial position of UNIPETROL, a.s. as of 30 June 2017 and the related consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standards as adopted by European Union and for such internal control as management determines is necessary to enable the preparation of interim financial information that are free from material misstatement, whether due to fraud or error. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the consolidated financial position of UNIPETROL, a.s. as of 30 June 2017 and of its consolidated financial performance and cash flows for the six-month period then ended in accordance with International Financial Reporting Standards as adopted by European Union.

Other Matters

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

In Prague on 20 July 2017

Audit Firm:	Represented by:
Deloitte Audit s.r.o.	Martin Tesař statutory executive
Deloitte	

UNIPETROL, a.s.

SEPARATE HALF-YEAR REPORT

FOR THE 1ST HALF 2017

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

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UNAUDITED HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS

FOR THE 6 AND 3 MONTHS ENDED 30 JUNE

2017

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

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS (in CZK million)

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

Separate statement of profit or loss and other comprehensive income

	Note	6 MONTHS ENDED 30/06/2017 (unaudited)	3 MONTHS ENDED 30/06/2017 (unaudited)	6 MONTHS ENDED 30/06/2016 (unaudited)	3 MONTHS ENDED 30/06/2016 (unaudited)
Statement of profit or loss					
Revenues	3.1.	74	36	67	33
Cost of sales	3.2.	(40)	(20)	(36)	(18)
Gross profit on sales		**34**	**16**	**31**	**15**
Administrative expenses	3.2.	(46)	(28)	(42)	(25)
Other operating expenses		(1)	(1)	-	-
Loss from operations		**(13)**	**(13)**	**(11)**	**(10)**
Finance income	3.3.	117	104	53	38
Finance costs	3.3.	(79)	(77)	(3)	(2)
Net finance income		**38**	**27**	**50**	**36**
Profit before tax		**25**	**14**	**39**	**26**
Tax expense	3.4.	(3)	1	(9)	(4)
Net profit		**22**	**15**	**30**	**22**
Total net comprehensive income		**22**	**15**	**30**	**22**
Net profit and diluted net profit per share attributable to equity owners of the parent (in CZK per share)		0.12	0.08	0.17	0.12

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 8-12.

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS (in CZK million)

Separate statement of financial position

	Note	30/06/2017 (unaudited)	31/12/2016 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		9	9
Investment property		1 163	1 163
Shares in related parties		17 512	17 579
		18 684	**18 751**
Current assets			
Trade and other receivables		127	124
Other financial assets	3.5.	9 460	9 203
Cash and cash equivalents		1 213	2 552
		10 800	**11 879**
Total assets		**29 484**	**30 630**
EQUITY AND LIABILITIES			
EQUITY			
Share capital		18 133	18 133
Revaluation reserve		503	503
Retained earnings	3.6.	7 756	9 239
Total equity		**26 392**	**27 875**
LIABILITIES			
Non-current liabilities			
Provisions	3.7.	50	50
Deferred tax liabilities		109	106
		159	**156**
Current liabilities			
Trade and other liabilities	3.8.	1 628	115
Current tax liabilities		1	1
Other financial liabilities	3.9.	1 304	2 483
		2 933	**2 599**
Total liabilities		**3 092**	**2 755**
Total equity and liabilities		**29 484**	**30 630**

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 8-12.

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS (in CZK million)

Separate statement of changes in equity

	Share capital	Revaluation reserve	Retained earnings	Total equity
(unaudited)				
01/01/2017	18 133	503	9 239	27 875
Net profit	-	-	22	22
Total net comprehensive income	**-**	**-**	**22**	**22**
Dividends	-	-	(1 505)	(1 505)
30/06/2017	**18 133**	**503**	**7 756**	**26 392**
(unaudited)				
01/01/2016	18 133	503	10 193	28 829
Net profit	-	-	30	30
Total net comprehensive income	**-**	**-**	**30**	**30**
Dividends	-	-	(1 001)	(1 001)
30/06/2016	**18 133**	**503**	**9 222**	**27 858**

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 8-12.

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS (in CZK million)

Separate statement of cash flows

	6 MONTHS ENDED 30/06/2017 (unaudited)	3 MONTHS ENDED 30/06/2017 (unaudited)	6 MONTHS ENDED 30/06/2016 (unaudited)	3 MONTHS ENDED 30/06/2016 (unaudited)
Cash flows - operating activities				
Profit before tax	**25**	**14**	**39**	**26**
Adjustments for:				
Foreign exchange (gain)/loss	14	11	(1)	(1)
Interest and dividends, net	(114)	(104)	(51)	(36)
Loss on investing activities	67	67	-	(1)
Change in working capital	10	(46)	12	(43)
receivables	*(2)*	*(65)*	*19*	*(32)*
liabilities	*12*	*19*	*(7)*	*(11)*
Income tax (paid)	(2)	(2)	8	9
Net cash from/(used in) operating activities	**-**	**(60)**	**7**	**(46)**
Cash flows - investing activities				
Dividends received	88	88	30	26
Interest received	33	17	26	13
Outflows from loans granted	(1 198)	(2 421)	(329)	(284)
Proceeds/(Outflows) from cash pool assets	927	(508)	1 358	(2 515)
Other	-	1	(1)	(1)
Net cash from/(used in) investing activities	**(150)**	**(2 823)**	**1 084**	**(2 761)**
Cash flows - financing activities				
Proceeds/(Outflows) from cash pool liabilities	(1 179)	(36)	44	277
Dividends paid	(3)	(3)	-	-
Other	(3)	(1)	(3)	(3)
Net cash from/(used in) financing activities	**(1 185)**	**(40)**	**41**	**274**
Net increase/(decrease) in cash and cash equivalents	**(1 335)**	**(2 923)**	**1 132**	**(2 533)**
Effect of exchange rate changes	(4)	-	2	2
Cash and cash equivalents, beginning of the period	2 552	4 136	5 435	9 100
Cash and cash equivalents, end of the period	**1 213**	**1 213**	**6 569**	**6 569**

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 8-12.

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS (in CZK million)

EXPLANATORY NOTES TO THE HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS

1. DESCRIPTION OF THE COMPANY

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

Identification number of the Company
616 72 190

Registered office of the Company
UNIPETROL, a.s.
Na Pankráci 127
140 00 Praha 4
Czech Republic

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

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

Ownership structure
The shareholders as at 30 June 2017 are as follows:

	Number of shares	Nominal value of shares (in CZK)	Share in share capital
POLSKI KONCERN NAFTOWY ORLEN S.A.	114 226 499	11 422 649 900	62.99%
PAULININO LIMITED*	36 313 562	3 631 356 200	20.02%
Investment funds and other minority shareholders	30 794 703	3 079 470 300	16.99%
	181 334 764	**18 133 476 400**	**100%**

** According to the excerpt from the records of the book-entered shares of the Company as of 31 May 2017.*

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

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

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

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

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

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

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS (in CZK million)

2. PRINCIPLES OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1. Statement of compliance and general principles of preparation

These condensed separate interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the separate financial statements of the Company as at and for the year ended 31 December 2016.

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

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

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

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

3. OTHER NOTES

3.1. Revenues

	6 MONTHS ENDED 30/06/2017	3 MONTHS ENDED 30/06/2017	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016
Fees for use of lands	58	29	57	28
Other services	16	7	10	5
	74	**36**	**67**	**33**

3.2. Operating expenses

Cost of sales

	6 MONTHS ENDED 30/06/2017	3 MONTHS ENDED 30/06/2017	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016
Cost of services sold	(40)	(20)	(36)	(18)
	(40)	**(20)**	**(36)**	**(18)**

Cost by nature

	6 MONTHS ENDED 30/06/2017	3 MONTHS ENDED 30/06/2017	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016
External services	(31)	(20)	(27)	(14)
Employee benefits	(42)	(21)	(36)	(21)
Taxes and charges	(10)	(5)	(9)	(4)
Other	(4)	(3)	(6)	(4)
Operating expenses	**(87)**	**(49)**	**(78)**	**(43)**
Administrative expenses	46	28	42	25
Other operating expenses	1	1	-	-
Cost of sales	**(40)**	**(20)**	**(36)**	**(18)**

3.3. Finance income and finance costs

Finance income

	6 MONTHS ENDED 30/06/2017	3 MONTHS ENDED 30/06/2017	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016
Interest	20	12	12	6
Dividends	88	88	30	26
Income from guarantee given	9	4	11	6
	117	**104**	**53**	**38**

Finance costs

	6 MONTHS ENDED 30/06/2017	3 MONTHS ENDED 30/06/2017	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016
Impairment to financial investment in PARAMO, a.s.	(67)	(67)	-	-
Net foreign exchange loss	(8)	(8)	(1)	(1)
Other	(4)	(2)	(2)	(1)
	(79)	**(77)**	**(3)**	**(2)**

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS (in CZK million)

3.4. Tax expense

	6 MONTHS ENDED 30/06/2017	3 MONTHS ENDED 30/06/2017	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016
Current income tax	-	4	(2)	-
Deferred income tax	(3)	(3)	(7)	(4)
	(3)	**1**	**(9)**	**(4)**

3.5. Other financial assets

	30/06/2017	31/12/2016
Loans granted	2 752	1 565
Cash pool	6 708	7 638
	9 460	**9 203**

3.6. Retained earnings and dividends

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

On 7 June 2017 the Annual General Meeting of Unipetrol decided to allocate the amount of CZK 1 505 million for dividend payment (representing CZK 8.30 per each Company's share). The dividend represents the net profit of UNIPETROL, a.s. for the year 2016 in the amount of CZK 47 million and amount of CZK 1 458 million from the Company's retained earnings. The dividends are payable on 7 September 2017.

3.7. Provisions

	Non-current		Current		Total	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016	30/06/2017	31/12/2016
Environmental provision	50	50	-	-	50	50
	50	**50**	**-**	**-**	**50**	**50**

3.8. Trade and other liabilities

	30/06/2017	31/12/2016
Trade liabilities	51	21
Dividends	1 552	50
Other	12	14
Financial liabilities	**1 615**	**85**
Payroll liabilities	4	4
Value added tax	-	4
Other taxation, duties, social security and other benefits	2	8
Accruals	7	14
wages accrual	7	13
other	-	1
Non-financial liabilities	**13**	**30**
	1 628	**115**

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

3.9. Other financial liabilities

	30/06/2017	31/12/2016
Cash pool	1 304	2 483
	1 304	**2 483**

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

Methods applied in determining fair value have been described in the separe financial statements as at and for the year ended 31 December 2016 in note 20.3. As compared to the previous reporting period, the Company has not changed valuation methods concerning derivative instruments and investment property.

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

	30/06/2017		31/12/2016	
	Level 2	Level 3	Level 2	Level 3
Financial assets				
Investment property	-	1 163	-	1 163

During the 6 months ended 30 June 2017 and year 2016 there were no transfers in the Company between Levels 1, 2 and 3 of the fair value hierarchy.

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS (in CZK million)

3.11. Guarantees

Based on the Company's request, the bank guarantees relating to the security of customs debt, excise tax at customs offices and other purposes were issued. The total amount of guarantees related to excise tax amounted to CZK 1 915 million as at 30 June 2017 (31 December 2016: CZK 1 936 million) and for other purposes amounted to CZK 104 million (31 December 2016: CZK 82 million).
Furthermore UNIPETROL, a.s. issued a guarantee for the company UNIPETROL RPA, s.r.o. in favour of ČEPRO, a.s. to ensure the excise tax in the amount of CZK 150 million and in favour of UNIPETROL RPA, s.r.o. in the amount of CZK 2 850 million.

3.12. Related party transactions

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

Transactions with key management personnel
In the 6 months ended 30 June 2017 and 2016 the Company did not grant to key management personnel and their relatives any advances, borrowings, loans, guarantees and commitments or other agreements obliging them to render services to Company and related parties.

In the 6 months ended 30 June 2017 and 2016 there were no significant transactions concluded with members of the Board of Directors, the Supervisory Board, their spouses, siblings, descendants, ascendants or their other relatives.

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

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

	PKN Orlen		Entities under control or significant influence of UNIPETROL, a.s.		Entities under control or significant influence of PKN Orlen	
for 6 months ended	30/06/2017	30/06/2016	30/06/2017	30/06/2016	30/06/2017	30/06/2016
Sales	-	-	62	56	-	-
Purchases	-	2	12	10	-	-
Finance income, including	-	-	117	53	-	-
dividends	-	-	*88*	*30*	-	-

	PKN Orlen		Entities under control or significant influence of UNIPETROL, a.s.		Entities under control or significant influence of PKN Orlen	
for 3 months ended	30/06/2017	30/06/2016	30/06/2017	30/06/2016	30/06/2017	30/06/2016
Sales	-	-	30	28	-	-
Purchases	-	-	-	5	-	-
Finance income, including	-	-	105	38	-	-
dividends	-	-	*88*	*26*	-	-

	PKN Orlen		Entities under control or significant influence of UNIPETROL, a.s.		Entities under control or significant influence of PKN Orlen	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016	30/06/2017	31/12/2016
Other financial assets	-	-	9 460	9 203	-	-
Trade and other receivables	-	-	59	64	-	-
Trade and other liabilities	950	-	993	2 312	322	175

3.13. Contingent liabilities

Contingent liabilities and commitments related to Sqeeze-out of PARAMO, a.s. are described in the separate financial statements of the Company as at 31 December 2016.

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

3.14. Accounting principles

Applied accounting principles and IFRS amendments
These interim condensed separate financial statements were prepared according to accounting principles described in note 25 in the separate financial statements of the Company as at and for the year ended 31 December 2016.
In preparing these condensed separate interim financial statements, the significant judgements made by management in applying the Company's accounting policies and main uncertainties were the same as those presented in note 26 in the separate financial statements as at and for the year ended 31 December 2016.
The Company intends to adopt new standards, amendments and interpretations to existing standards that have been published but are not effective as at the date of preparation of these interim condensed separate financial statements after their acceptance by the European Commission in accordance with their effective date. The possible impact of new standards, amendments and interpretations on the Company's future separate financial statements was described in note 25.1.3. of the separate financial statements for the year 2016.

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

HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS (in CZK million)

3.15. Changes in Group structure

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

The merger by amalgamation of UNIPETROL RPA, s.r.o. and ČESKÁ RAFINÉRSKÁ, a.s was approved by the companies' General Meetings with legal succession of UNIPETROL RPA, s.r.o. on 21 September 2016. The legal effects of the merger came into force as at 1 January 2017.

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

3.16. Subsequent events after the reporting date

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

3.17. Approval of the financial statements

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

Signature of statutory representatives

Andrzej Mikołaj Modrzejewski	Mirosław Kastelik
Chairman of the Board of Directors	Vice-chairman of the Board of Directors

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

For shareholders of UNIPETROL, a.s.

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

Introduction

We have reviewed the accompanying separate statement of financial position of UNIPETROL, a.s. as of 30 June 2017 and the related separate statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standards as adopted by European Union and for such internal control as management determines is necessary to enable the preparation of interim financial information that are free from material misstatement, whether due to fraud or error. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of UNIPETROL, a.s. as of 30 June 2017 and of its financial performance and cash flows for the six-month period then ended in accordance with International Financial Reporting Standards as adopted by European Union.

Other Matters

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

In Prague on 20 July 2017

Audit Firm:	Represented by:
Deloitte Audit s.r.o.	Martin Tesař statutory executive