



UNIPETROL, a.s.
SEPARATE QUARTERLY REPORT

FOR THE 4TH QUARTER

2017

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



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**UNAUDITED QUARTERLY CONDENSED SEPARATE
FINANCIAL STATEMENTS**

FOR THE 12 AND 3 MONTHS ENDED 31 DECEMBER

2017

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

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

Separate statement of profit or loss and other comprehensive income

| | Note | 12 MONTHS ENDED 31/12/2017 (unaudited) | 3 MONTHS ENDED 31/12/2017 (unaudited) | 12 MONTHS ENDED 31/12/2016 (audited) | 3 MONTHS ENDED 31/12/2016 (unaudited) |
|--|------|---|--|---|--|
| Statement of profit or loss | | | | | |
| Revenues | 3.1. | 144 | 35 | 134 | 33 |
| Cost of sales | 3.2. | (55) | (19) | (51) | (14) |
| Gross profit on sales | | 89 | 16 | 83 | 19 |
| Administrative expenses | | (129) | (32) | (120) | (31) |
| Other operating income | | 48 | 34 | - | - |
| Other operating expenses | | (2) | - | (2) | (1) |
| Profit/(loss) from operations | | 6 | 18 | (39) | (13) |
| Finance income | 3.3. | 163 | 24 | 103 | 20 |
| Finance costs | 3.3. | (180) | (98) | (7) | (1) |
| Net finance income (costs) | | (17) | (74) | 96 | 19 |
| Profit/(loss) before tax | | (11) | (56) | 57 | 6 |
| Tax expense | 3.4. | (18) | (9) | (10) | 1 |
| Net profit/(loss) | | (29) | (65) | 47 | 7 |
| Total net comprehensive income | | (29) | (65) | 47 | 7 |
| | | | | | |
| Net profit/(loss) and diluted net profit/(loss) per share attributable to equity owners of the parent (in CZK per share) | | (0.16) | (0.36) | 0.26 | 0.04 |

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.

Separate statement of financial position

| | Note | 31/12/2017 (unaudited) | 31/12/2016 (audited) |
|-------------------------------------|------|---------------------------|-------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 22 | 9 |
| Investment property | | 1 163 | 1 163 |
| Shares in related parties | | 17 419 | 17 579 |
| | | 18 604 | 18 751 |
| Current assets | | | |
| Trade and other receivables | | 133 | 124 |
| Other financial assets | 3.5. | 7 397 | 9 203 |
| Cash and cash equivalents | | 1 825 | 2 552 |
| | | 9 355 | 11 879 |
| Total assets | | 27 959 | 30 630 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | | 18 133 | 18 133 |
| Revaluation reserve | | 503 | 503 |
| Retained earnings | | 7 705 | 9 239 |
| Total equity | | 26 341 | 27 875 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Provisions | 3.7. | 50 | 50 |
| Deferred tax liabilities | | 106 | 106 |
| | | 156 | 156 |
| Current liabilities | | | |
| Trade and other liabilities | | 100 | 115 |
| Current tax liabilities | | 17 | 1 |
| Other financial liabilities | 3.8. | 1 345 | 2 483 |
| | | 1 462 | 2 599 |
| Total liabilities | | 1 618 | 2 755 |
| Total equity and liabilities | | 27 959 | 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.

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 loss | - | - | (29) | (29) |
| Total net comprehensive income | - | - | (29) | (29) |
| Dividends | - | - | (1 505) | (1 505) |
| 31/12/2017 | 18 133 | 503 | 7 705 | 26 341 |
| (audited) | | | | |
| 01/01/2016 | 18 133 | 503 | 10 193 | 28 829 |
| Net profit | - | - | 47 | 47 |
| Total net comprehensive income | - | - | 47 | 47 |
| Dividends | - | - | (1 001) | (1 001) |
| 31/12/2016 | 18 133 | 503 | 9 239 | 27 875 |

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.

Separate statement of cash flows

| | 12 MONTHS ENDED 31/12/2017 (unaudited) | 3 MONTHS ENDED 31/12/2017 (unaudited) | 12 MONTHS ENDED 31/12/2016 (audited) | 3 MONTHS ENDED 31/12/2016 (unaudited) |
|--|---|--|---|--|
| Cash flows from operating activities | | | | |
| Profit/(loss) before tax | (11) | (56) | 57 | 6 |
| Adjustments for: | | | | |
| Foreign exchange (gain)/loss | 19 | 1 | (2) | (1) |
| Interest and dividends, net | (157) | (22) | (85) | (19) |
| Loss on investing activities | 147 | 94 | 3 | - |
| Change in working capital | 1 | 9 | (27) | 19 |
| <i>receivables</i> | (4) | 33 | 18 | 47 |
| <i>liabilities</i> | 5 | (24) | (45) | (28) |
| Income tax (paid) | (3) | (1) | 13 | 5 |
| Net cash from/used in operating activities | (4) | 25 | (41) | 10 |
| Cash flows from investing activities | | | | |
| Acquisition of property, plant and equipment and intangible assets | (6) | (6) | (2) | (1) |
| Dividends received | 88 | - | 30 | - |
| Interest received | 72 | 17 | 60 | 17 |
| Proceeds/(Outflows) from loans granted | 1 554 | 193 | (1 401) | (231) |
| Proceeds/(Outflows) from cash pool assets | 245 | (727) | (561) | (659) |
| Other | 1 | 1 | - | - |
| Net cash from/used in investing activities | 1 954 | (522) | (1 874) | (874) |
| Cash flows from financing activities | | | | |
| Proceeds/(Outflows) from cash pool liabilities | (1 138) | (120) | 21 | 130 |
| Dividends paid | (1 525) | (57) | (986) | (17) |
| Other | (6) | (1) | (5) | (1) |
| Net cash from/used in financing activities | (2 669) | (178) | (970) | 112 |
| Net decrease in cash and cash equivalents | (719) | (675) | (2 885) | (752) |
| Effect of exchange rate changes on cash and cash equivalents | (8) | (2) | 2 | (1) |
| Cash and cash equivalents, beginning of the period | 2 552 | 2 502 | 5 435 | 3 305 |
| Cash and cash equivalents, end of the period | 1 825 | 1 825 | 2 552 | 2 552 |

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.

EXPLANATORY NOTES TO THE QUARTERLY 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 31 December 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.

A voluntary tender offer to acquire UNIPETROL, a.s. shares was announced by PKN ORLEN S.A. on 12 December 2017. According to the published bid document, the offer is made for all UNIPETROL, a.s. shares except for the shares already owned by PKN ORLEN S.A. The bid price is CZK 380 per share and the acceptance period is from 28 December 2017 to 30 January 2018. The transaction settlement is planned for 23 February 2018.

The offer is announced under the condition that PKN ORLEN S.A. reaches a threshold of at least 90% of the shares in UNIPETROL, a.s. However, PKN ORLEN S.A. reserves its right to waive fulfilment of this condition.

Statutory and supervisory bodies

Members of the statutory and supervisory bodies as at 31 December 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 | Robert Dominik Małek |
| Supervisory Board | Chairman | Wojciech Jasiński |
| | Vice-chairman | Ivan Kočárník |
| | Vice-chairman | Krzysztof Pater |
| | Member | Grażyna Baka |
| | Member | Zdeněk Černý |
| | Member | Jacek Marek Kosuniak |
| | Member | Zbigniew Leszczyński |
| | Member | Rafał Maciej Pasieka |
| | Member | Rafał Warpechowski |

1. DESCRIPTION OF THE COMPANY (CONTINUED)

Changes in the Board of Directors during the 12 months ended at 31 December 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 |
| Member | Andrzej Kozłowski | Resigned from the office | 24 November 2017 |

Changes in the Supervisory Board during the 12 months ended at 31 December 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 2 July 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 |
| Member | Rafał Warpechowski | Appointed to the office as a member | with effect as of 8 November 2017 |
| Vice-chairman | Krystian Pater | Elected as Vice-chairman | with effect as of 8 November 2017 |

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 statements approval, 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

| | 12 MONTHS ENDED 31/12/2017 | 3 MONTHS ENDED 31/12/2017 | 12 MONTHS ENDED 31/12/2016 | 3 MONTHS ENDED 31/12/2016 |
|-----------------------|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| Fees for use of lands | 116 | 29 | 115 | 29 |
| Other services | 28 | 6 | 19 | 4 |
| | 144 | 35 | 134 | 33 |

3.2. Operating expenses

Cost of sales

| | 12 MONTHS ENDED 31/12/2017 | 3 MONTHS ENDED 31/12/2017 | 12 MONTHS ENDED 31/12/2016 | 3 MONTHS ENDED 31/12/2016 |
|-----------------------|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| Cost of services sold | (55) | (19) | (51) | (14) |
| | (55) | (19) | (51) | (14) |

Cost by nature

| | 12 MONTHS ENDED 31/12/2017 | 3 MONTHS ENDED 31/12/2017 | 12 MONTHS ENDED 31/12/2016 | 3 MONTHS ENDED 31/12/2016 |
|---------------------------|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| External services | (66) | (20) | (62) | (20) |
| Employee benefits | (77) | (18) | (78) | (21) |
| Taxes and charges | (19) | (5) | (19) | (5) |
| Other | (24) | (8) | (14) | - |
| Operating expenses | (186) | (51) | (173) | (46) |
| Administrative expenses | 129 | 32 | 120 | 31 |
| Other operating expenses | 2 | - | 2 | 1 |
| Cost of sales | (55) | (19) | (51) | (14) |

3.3. Finance income and finance costs

Finance income

| | 12 MONTHS ENDED 31/12/2017 | 3 MONTHS ENDED 31/12/2017 | 12 MONTHS ENDED 31/12/2016 | 3 MONTHS ENDED 31/12/2016 |
|-----------------------------|-------------------------------|------------------------------|-------------------------------|------------------------------|
| Interest | 61 | 24 | 39 | 15 |
| Dividends received | 88 | - | 30 | - |
| Income from guarantee given | 14 | - | 21 | 5 |
| Other | - | - | 13 | - |
| | 163 | 24 | 103 | 20 |

Finance costs

| | 12 MONTHS ENDED 31/12/2017 | 3 MONTHS ENDED 31/12/2017 | 12 MONTHS ENDED 31/12/2016 | 3 MONTHS ENDED 31/12/2016 |
|--|-------------------------------|------------------------------|-------------------------------|------------------------------|
| Impairment to financial investment in PARAMO, a.s. | (160) | (93) | - | - |
| Net foreign exchange loss | (12) | (2) | (1) | - |
| Other | (8) | (3) | (6) | (1) |
| | (180) | (98) | (7) | (1) |

3.4. Tax expense

| | 12 MONTHS ENDED 31/12/2017 | 3 MONTHS ENDED 31/12/2017 | 12 MONTHS ENDED 31/12/2016 | 3 MONTHS ENDED 31/12/2016 |
|---------------------|-------------------------------|------------------------------|-------------------------------|------------------------------|
| Current income tax | (18) | (10) | (4) | (2) |
| Deferred income tax | - | 1 | (6) | 3 |
| | (18) | (9) | (10) | 1 |

3.5. Other financial assets

| | 31/12/2017 | 31/12/2016 |
|---------------|--------------|--------------|
| Loans granted | - | 1 565 |
| Cash pool | 7 397 | 7 638 |
| | 7 397 | 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 payment date was 7 September 2017.

3.7. Provisions

| | Non-current | | Current | | Total | |
|-------------------------|-------------|------------|------------|------------|------------|------------|
| | 31/12/2017 | 31/12/2016 | 31/12/2017 | 31/12/2016 | 31/12/2017 | 31/12/2016 |
| Environmental provision | 50 | 50 | - | - | 50 | 50 |
| | 50 | 50 | - | - | 50 | 50 |

3.8. Other financial liabilities

| | 31/12/2017 | 31/12/2016 |
|-----------|--------------|--------------|
| Cash pool | 1 345 | 2 483 |
| | 1 345 | 2 483 |

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

Methods applied in determining fair value have been described in the separate 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 the valuation methodology concerning derivative instruments and investment property.

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

| | 31/12/2017 | | 31/12/2016 | |
|---------------------|------------|--------------|------------|--------------|
| | Level 2 | Level 3 | Level 2 | Level 3 |
| Investment property | - | 1 163 | - | 1 163 |
| | - | 1 163 | - | 1 163 |

During the 12 months ended 31 December 2017 and year 2016 there were no transfers in the Company between Levels 1, 2 and 3 of the fair value hierarchy.

3.10. 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 1 898 million as at 31 December 2017 (31 December 2016: CZK 1 936 million) and for other purposes amounted to CZK 103 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.

3.11. Related party transactions

Material transactions concluded by the Company with related parties

In the 12 months ended 31 December 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 12 months ended 31 December 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 12 months ended 31 December 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 12 months ended 31 December 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 | |
|--|------------|------------|--|------------|--|------------|
| | 31/12/2017 | 31/12/2016 | 31/12/2017 | 31/12/2016 | 31/12/2017 | 31/12/2016 |
| for 12 months ended | | | | | | |
| Sales | - | 1 | 121 | 111 | - | - |
| Purchases | 2 | 2 | 27 | 22 | - | - |
| Finance income, including dividends | - | - | 163 | 89 | - | - |
| | - | - | 88 | 30 | - | - |
| for 3 months ended | | | | | | |
| Sales | - | - | 29 | 28 | - | - |
| Purchases | 1 | - | 8 | 6 | - | - |
| Finance income | - | - | 24 | 19 | - | - |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Other financial assets | - | - | 7 396 | 9 203 | - | - |
| Trade and other receivables | - | - | 66 | 64 | - | - |
| Trade and other liabilities, including loans | - | - | 6 | 4 | - | - |
| Other financial liabilities | - | - | 1 120 | 2 308 | 225 | 175 |

3.12. Contingent liabilities

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

UNIPETROL, a.s. submitted two independent expert reports to the court – one expert report reviewed conclusions made by the Expert Group s.r.o. report and the other expert report provided valuation of PARAMO, a.s. and comments on methodology applied by Expert Group s.r.o. and reliability of their conclusions. The court expert determined value of PARAMO, a.s. share at CZK 909/share as at 6 January 2009 and CZK 905/share as at 4 March 2009.

The matter is now with Regional Court in Hradec Králové pending a decision by the court.

3.13. 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 ended 31 December 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.

3.14. 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 12 months ended 31 December 2017 there were no other changes in Group structure.

3.15. 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 31 December 2017.

3.16. Approval of the financial statements

The foregoing financial report for the period ended 31 December 2017 was authorized for issue by the Board of Directors on 24 January 2018.

Signature of statutory representatives



Andrzej Mikołaj Modrzejewski

Chairman of the Board of Directors



Mirosław Kastelik

Vice-chairman of the Board of Directors