



**UNIPETROL, a.s.**  
CONSOLIDATED INTERIM REPORT

**FOR THE 1<sup>ST</sup> HALF**

**2018**

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



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**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE 6 AND 3 MONTH PERIOD ENDED 30 JUNE**

**2018**

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

INTERIM 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 MONTH PERIOD ENDED 30/06/2018 (unaudited)	3 MONTH PERIOD ENDED 30/06/2018 (unaudited)	6 MONTH PERIOD ENDED 30/06/2017 (unaudited)	3 MONTH PERIOD ENDED 30/06/2017 (unaudited)
<b>Statement of profits or loss</b>					
Revenues	4.1.	58 309	31 137	61 031	31 181
Cost of sales	4.2.	(54 597)	(29 243)	(54 367)	(27 823)
<b>Gross profit on sales</b>		<b>3 712</b>	<b>1 894</b>	<b>6 664</b>	<b>3 358</b>
Distribution expenses		(1 246)	(506)	(1 375)	(698)
Administrative expenses		(836)	(374)	(776)	(373)
Other operating income	4.5.	1 750	1 652	4 225	3 095
Other operating expenses	4.5.	(234)	(107)	(65)	(37)
<b>Profit from operations</b>		<b>3 146</b>	<b>2 559</b>	<b>8 673</b>	<b>5 345</b>
Finance income	4.6.	850	941	186	92
Finance costs	4.6.	(185)	(5)	(920)	(793)
<b>Net finance income/(costs)</b>		<b>665</b>	<b>936</b>	<b>(734)</b>	<b>(701)</b>
<b>Profit before tax</b>		<b>3 811</b>	<b>3 495</b>	<b>7 939</b>	<b>4 644</b>
Tax expense	4.7.	(603)	(609)	(1 540)	(1 071)
<b>Net profit</b>		<b>3 208</b>	<b>2 886</b>	<b>6 399</b>	<b>3 573</b>
<b>Other comprehensive income</b>					
<b>items which will be reclassified into profit or loss under certain conditions</b>		<b>(592)</b>	<b>(675)</b>	<b>934</b>	<b>582</b>
<i>Hedging instruments</i>		(731)	(835)	1 156	721
<i>Exchange differences on translating foreign operations</i>		-	1	(2)	(2)
<i>Deferred tax</i>		139	159	(220)	(137)
		<b>(592)</b>	<b>(675)</b>	<b>934</b>	<b>582</b>
<b>Total net comprehensive income</b>		<b>2 616</b>	<b>2 211</b>	<b>7 333</b>	<b>4 155</b>
<b>Net profit attributable to</b>		<b>3 208</b>	<b>2 886</b>	<b>6 399</b>	<b>3 573</b>
<i>equity owners of the parent</i>		3 209	2 887	6 401	3 575
<i>non-controlling interests</i>		(1)	(1)	(2)	(2)
<b>Total net comprehensive income attributable to</b>		<b>2 616</b>	<b>2 211</b>	<b>7 333</b>	<b>4 155</b>
<i>equity owners of the parent</i>		2 617	2 212	7 335	4 157
<i>non-controlling interests</i>		(1)	(1)	(2)	(2)
Net profit and diluted net profit per share attributable to equity owners of the parent (in CZK per share)		17.70	15.92	35.30	19.72

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8-20.

Consolidated statement of financial position

	Note	30/06/2018 (unaudited)	31/12/2017 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4.8.	36 580	34 583
Investment property		448	448
Intangible assets		1 324	1 626
Financial assets available for sale		1	1
Deferred tax assets		48	48
Financial derivatives	4.9.	107	700
Other non-current assets	4.9.	111	96
		<b>38 619</b>	<b>37 502</b>
<b>Current assets</b>			
Inventories		16 932	14 983
Trade and other receivables		18 997	14 432
Financial derivatives	4.9.	430	666
Other financial assets	4.9.	4 039	5 686
Current tax assets		132	117
Cash and cash equivalents		2 763	2 459
		<b>43 293</b>	<b>38 343</b>
<b>Total assets</b>		<b>81 912</b>	<b>75 845</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital		18 133	18 133
Statutory reserves		33	33
Hedging reserve		238	830
Revaluation reserve		10	10
Exchange differences on translating foreign operations		11	11
Retained earnings		34 054	30 856
<b>Equity attributable to equity owners of the parent</b>		<b>52 479</b>	<b>49 873</b>
<b>Non-controlling interests</b>		<b>(10)</b>	<b>(9)</b>
<b>Total equity</b>		<b>52 469</b>	<b>49 864</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Provisions	4.10.	814	798
Deferred tax liabilities		1 408	1 383
Other non-current liabilities	4.9.	227	238
		<b>2 449</b>	<b>2 419</b>
<b>Current liabilities</b>			
Trade and other liabilities		23 575	20 733
Loans, borrowings		16	1
Current tax liabilities		1 178	1 072
Provisions	4.10.	865	942
Deferred income		386	16
Financial derivatives	4.9.	251	398
Other financial liabilities	4.9.	723	400
		<b>26 994</b>	<b>23 562</b>
<b>Total liabilities</b>		<b>29 443</b>	<b>25 981</b>
<b>Total equity and liabilities</b>		<b>81 912</b>	<b>75 845</b>

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8-20.

Consolidated statement of changes in equity

	Equity attributable to equity owners of the parent							Non-controlling interests	Total equity
	Share capital	Statutory reserves	Hedging reserve	Exchange differences on translating foreign operations	Revaluation reserve	Retained earnings	Total		
(unaudited)									
01/01/2018 (previously reported)	18 133	33	830	11	10	30 856	49 873	(9)	49 864
Impact of IFRS 9 adoption	-	-	-	-	-	(11)	(11)	-	(11)
01/01/2018 (reclassified data)	18 133	33	830	11	10	30 845	49 862	(9)	49 853
Net profit/(loss)	-	-	-	-	-	3 209	3 209	(1)	3 208
Items of other comprehensive income	-	-	(592)	-	-	-	(592)	-	(592)
<b>Total net comprehensive income</b>	-	-	<b>(592)</b>	-	-	<b>3 209</b>	<b>2 617</b>	<b>(1)</b>	<b>2 616</b>
<b>30/06/2018</b>	<b>18 133</b>	<b>33</b>	<b>238</b>	<b>11</b>	<b>10</b>	<b>34 054</b>	<b>52 479</b>	<b>(10)</b>	<b>52 469</b>
(unaudited)									
01/01/2017	18 133	33	(263)	16	10	23 701	41 630	(9)	41 621
Net profit/(loss)	-	-	-	-	-	6 401	6 401	(2)	6 399
Items of other comprehensive income	-	-	936	(2)	-	-	934	-	934
<b>Total net comprehensive income</b>	-	-	<b>936</b>	<b>(2)</b>	-	<b>6 401</b>	<b>7 335</b>	<b>(2)</b>	<b>7 333</b>
Dividends	-	-	-	-	-	(1 505)	(1 505)	-	(1 505)
<b>30/06/2017</b>	<b>18 133</b>	<b>33</b>	<b>673</b>	<b>14</b>	<b>10</b>	<b>28 597</b>	<b>47 460</b>	<b>(11)</b>	<b>47 449</b>

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8-20.

Consolidated statement of cash flows

	6 MONTH PERIOD ENDED 30/06/2018 (unaudited)	3 MONTH PERIOD ENDED 30/06/2018 (unaudited)	6 MONTH PERIOD ENDED 30/06/2017 (unaudited)	3 MONTH PERIOD ENDED 30/06/2017 (unaudited)
<b>Cash flows from operating activities</b>				
<b>Profit before tax</b>	<b>3 811</b>	<b>3 495</b>	<b>7 939</b>	<b>4 644</b>
Adjustments for:				
Depreciation and amortisation	1 588	809	1 353	710
Foreign exchange (gain)/loss	(1)	(4)	20	16
Interest and dividends, net	(25)	(16)	(12)	(10)
(Profit)/Loss on investing activities	(185)	(300)	716	618
Change in provisions	736	346	219	108
Change in receivables and liabilities from insurance	(1 585)	(1 585)	(1 696)	(2 962)
Other adjustments including change in financial instruments and deferred income	(148)	123	(476)	22
Change in working capital	(1 255)	531	570	3 311
<i>inventories</i>	(1 953)	(1 700)	1 384	1 948
<i>receivables</i>	(2 699)	(3 275)	(268)	199
<i>liabilities</i>	3 397	5 506	(546)	1 164
Income tax (paid)	(350)	(173)	(318)	(151)
<b>Net cash from operating activities</b>	<b>2 586</b>	<b>3 226</b>	<b>8 315</b>	<b>6 306</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment and intangible assets	(4 432)	(2 271)	(3 403)	(2 152)
Disposal of property, plant and equipment and intangible assets	5	1	10	9
Settlement of financial derivatives	93	271	(629)	(516)
Proceeds/(outflows) from cash pool assets	1 723	(521)	(5 611)	(6 725)
Other	30	20	(4)	(6)
<b>Net cash used in investing activities</b>	<b>(2 581)</b>	<b>(2 500)</b>	<b>(9 637)</b>	<b>(9 390)</b>
<b>Cash flows from financing activities</b>				
Proceeds from loans and borrowings	15	15	-	-
Proceeds from cash pool liabilities	288	211	153	38
Interest paid	-	-	(1)	-
Dividends paid	(4)	(1)	(3)	(3)
Other	(3)	(1)	(3)	-
<b>Net cash from financing activities</b>	<b>296</b>	<b>224</b>	<b>146</b>	<b>35</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>301</b>	<b>950</b>	<b>(1 176)</b>	<b>(3 049)</b>
Effect of exchange rate changes on cash and cash equivalents	2	5	(17)	(13)
Cash and cash equivalents, beginning of the period	2 459	1 807	2 933	4 802
<b>Cash and cash equivalents, end of the period</b>	<b>2 762</b>	<b>2 762</b>	<b>1 740</b>	<b>1 740</b>

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8-20.

## EXPLANATORY NOTES TO THE INTERIM 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 2018 are as follows:

	Number of shares	Nominal value of shares (in CZK)	Share in share capital
POLSKI KONCERN NAFTOWY ORLEN S.A.	170 507 091	17 050 709 100	94.03%
Investment funds and other minority shareholders	10 827 673	1 082 767 300	5.97%
	<b>181 334 764</b>	<b>18 133 476 400</b>	<b>100%</b>

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 was made for all UNIPETROL, a.s. shares, except for the shares already owned by PKN ORLEN S.A. The bid price was CZK 380 per share and the acceptance period was from 28 December 2017 to 30 January 2018. The transaction was settled on 23 February 2018, PKN ORLEN S.A. purchased 56 280 592 UNIPETROL, a.s. shares which represent ca. 31.04% of the UNIPETROL, a.s. share capital.

#### *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 2017.

#### *Paramo Oil s.r.o. liquidation*

The liquidation of Paramo Oil s.r.o. has been completed and the company was deleted from the Commercial register on 29 May 2018.

In 6 month period ended 30 June 2018 there were no other changes in Group's structure.

#### *Statutory and supervisory bodies*

Members of the statutory and supervisory bodies as at 30 June 2018 were as follows:

	Position	Name
<b>Board of Directors</b>	Chairman	Krzysztof Zdziarski
	Vice-Chairman	Miroslaw Kastelik
	Vice-Chairman	Tomasz Wiatrak
	Member	Tomáš Herink
	Member	Maciej Andrzej Libiszewski
	Member	Katarzyna Woś
<b>Supervisory Board</b>	Member	Izabela Antos
	Member	Adam Wojciech Burak
	Member	Zdeněk Černý
	Member	Robert Harasimiuk
	Member	Robert Jasiński
	Member	Wioletta Kandziak
	Member	Ivan Kočárník
	Member	Janusz Jakub Szurski
Member	Edyta Wątor	



## 1. DESCRIPTION OF THE COMPANY (CONTINUED)

Changes in the Board of Directors during the 6 month period ended 30 June 2018 were as follows:

Position	Name	Change	Date of change
Member	Tomasz Wiatrak	Elected to the office	with effect as of 1 March 2018
Chairman	Andrzej Mikołaj Modrzejewski	Recalled from the office	with effect as of 9 March 2018
Member	Robert Dominik Małek	Recalled from the office	with effect as of 9 March 2018
Chairman	Krzysztof Zdziarski	Elected as Chairman	with effect as of 10 March 2018
Vice-Chairman	Tomasz Wiatrak	Elected as Vice-Chairman	with effect as of 10 March 2018
Member	Maciej Andrzej Libiszewski	Elected to the office	with effect as of 14 March 2018
Member	Katarzyna Woś	Elected to the office	with effect as of 14 March 2018

Changes in the Supervisory Board during the 6 month period ended 30 June 2018 were as follows:

Position	Name	Change	Date of change
Chairman	Wojciech Jasiński	Recalled from the office of Chairman	with effect as of 21 February 2018
Chairman	Zbigniew Leszczyński	Elected as Chairman	with effect from 22 February 2018
Member	Grażyna Baka	Resigned from the office	with effect as of 6 March 2018
Member	Wioletta Kandziak	Appointed to the office as substitute member	with effect from 7 March 2018
Member	Rafał Pasieka	Resigned from the office	with effect as of 7 March 2018
Member	Janusz Szurski	Appointed to the office as substitute member	with effect from 8 March 2018
Member	Wojciech Jasiński	Resigned from the office	with effect as of 8 March 2018
Member	Robert Harasimiuk	Appointed to the office as substitute member	with effect from 9 March 2018
Member	Krystian Pater	Resigned from the office	with effect as of 6 April 2018
Member	Zbigniew Leszczyński	Resigned from the office	with effect as of 28 June 2018
Member	Jacek Marek Kosuniak	Resigned from the office	with effect as of 28 June 2018
Member	Rafał Warpechowski	Office of substitute member expired	with effect as of 28 June 2018
Member	Izabela Antos	Elected to the office	elected by the General Meeting held on 28 June 2018
Member	Adam Wojciech Burak	Elected to the office	elected by the General Meeting held on 28 June 2018
Member	Robert Harasimiuk	Elected to the office	elected by the General Meeting held on 28 June 2018
Member	Robert Jasiński	Elected to the office	elected by the General Meeting held on 28 June 2018
Member	Wioletta Kandziak	Elected to the office	elected by the General Meeting held on 28 June 2018
Member	Ivan Kočárník	Elected to the office	elected by the General Meeting held on 28 June 2018
Member	Janusz Jakub Szurski	Elected to the office	elected by the General Meeting held on 28 June 2018
Member	Edyta Wątor	Elected to the office	elected by the General Meeting held on 28 June 2018

## 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 2018 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 2017.

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

The financial statements, except for 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 2017. There were no changes in allocation of subsidiaries into the operating segments during the 6 month period ended 30 June 2018.

#### Financial results and investment expenditures by operating segments

##### For the 6 month period ended 30 June 2018

	Downstream Segment	Retail Segment	Corporate Functions	Elimination adjustments	Total
External revenues	50 876	7 363	70	-	58 309
Inter-segment revenues	6 063	34	550	(6 647)	-
Segment revenues	56 939	7 397	620	(6 647)	58 309
Operating expenses	(55 833)	(6 833)	(660)	6 647	(56 679)
Other operating income	1 713	22	15	-	1 750
Other operating expenses	(212)	(13)	(9)	-	(234)
<b>Profit/(Loss) from operations</b>	<b>2 607</b>	<b>573</b>	<b>(34)</b>	<b>-</b>	<b>3 146</b>
Net finance income					665
<b>Profit before tax</b>					<b>3 811</b>
Tax expense					(603)
<b>Net profit</b>					<b>3 208</b>
<b>Depreciation and amortisation</b>	<b>(1 344)</b>	<b>(198)</b>	<b>(46)</b>	<b>-</b>	<b>(1 588)</b>
<b>EBITDA*</b>	<b>3 951</b>	<b>771</b>	<b>12</b>	<b>-</b>	<b>4 734</b>
<b>CAPEX**</b>	<b>2 920</b>	<b>555</b>	<b>102</b>	<b>-</b>	<b>3 577</b>

##### For the 3 month period ended 30 June 2018

	Downstream Segment	Retail Segment	Corporate Functions	Elimination adjustments	Total
External revenues	27 011	4 092	34	-	31 137
Inter-segment revenues	3 413	18	278	(3 709)	-
Segment revenues	30 424	4 110	312	(3 709)	31 137
Operating expenses	(29 682)	(3 814)	(336)	3 709	(30 123)
Other operating income	1 629	8	15	-	1 652
Other operating expenses	(99)	(3)	(5)	-	(107)
<b>Profit/(Loss) from operations</b>	<b>2 272</b>	<b>301</b>	<b>(14)</b>	<b>-</b>	<b>2 559</b>
Net finance income					936
<b>Profit before tax</b>					<b>3 495</b>
Tax expense					(609)
<b>Net profit</b>					<b>2 886</b>
<b>Depreciation and amortisation</b>	<b>(682)</b>	<b>(103)</b>	<b>(24)</b>	<b>-</b>	<b>(809)</b>
<b>EBITDA*</b>	<b>2 954</b>	<b>404</b>	<b>10</b>	<b>-</b>	<b>3 368</b>
<b>CAPEX**</b>	<b>1 899</b>	<b>316</b>	<b>80</b>	<b>-</b>	<b>2 295</b>

##### For the 6 month period ended 30 June 2017

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

### 3. OPERATING SEGMENTS (CONTINUED)

For the 3 month period ended 30 June 2017

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

\* 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<sub>2</sub> emission allowances).

#### Assets by operating segments

	30/06/2018	31/12/2017
Downstream Segment	65 793	58 788
Retail Segment	7 447	6 924
<b>Segment assets</b>	<b>73 240</b>	<b>65 712</b>
Corporate Functions	8 836	10 231
Adjustments	(164)	(98)
	<b>81 912</b>	<b>75 845</b>

### 4. OTHER NOTES

#### 4.1. Revenues

	6 MONTH PERIOD ENDED 30/06/2018	3 MONTH PERIOD ENDED 30/06/2018	6 MONTH PERIOD ENDED 30/06/2017	3 MONTH PERIOD ENDED 30/06/2017
Revenues from sales of finished goods and services, net	55 453	28 851	59 315	30 065
Revenues from sales of merchandise and raw materials, net	2 856	2 286	1 716	1 116
	<b>58 309</b>	<b>31 137</b>	<b>61 031</b>	<b>31 181</b>

#### Revenues by assortments

	6 MONTH PERIOD ENDED 30/06/2018	3 MONTH PERIOD ENDED 30/06/2018	6 MONTH PERIOD ENDED 30/06/2017	3 MONTH PERIOD ENDED 30/06/2017
<b>Downstream Segment</b>	<b>50 876</b>	<b>27 011</b>	<b>54 893</b>	<b>27 951</b>
Light distillates	7 925	4 290	10 613	5 445
Medium distillates	20 866	11 807	22 524	11 173
Heavy fractions	2 610	1 507	2 441	1 384
Monomers	2 302	935	1 873	1 177
Polymers	8 566	4 240	7 935	3 887
Aromas	2 050	982	1 525	883
Fertilizers	310	142	284	137
Plastics	1 302	724	1 390	680
Others	3 746	1 789	4 992	2 538
Services	1 199	595	1 315	646
<b>Retail Segment</b>	<b>7 363</b>	<b>4 092</b>	<b>6 070</b>	<b>3 198</b>
Light distillates	2 352	1 345	1 942	1 069
Medium distillates	4 640	2 537	3 855	1 976
Others	13	5	13	5
Services	358	205	261	149
<b>Corporate Functions</b>	<b>70</b>	<b>34</b>	<b>68</b>	<b>32</b>
	<b>58 309</b>	<b>31 137</b>	<b>61 031</b>	<b>31 181</b>

#### 4.1. Revenues (continued)

	6 MONTH PERIOD ENDED 30/06/2018	3 MONTH PERIOD ENDED 30/06/2018	6 MONTH PERIOD ENDED 30/06/2017	3 MONTH PERIOD ENDED 30/06/2017
Czech Republic	37 422	20 500	38 935	20 356
Germany	7 752	3 786	6 506	3 345
Poland	2 858	1 608	4 910	2 246
Slovakia	3 183	1 811	3 322	1 625
Switzerland	1 321	450	1 110	582
Hungary	2 396	1 284	2 240	1 173
Other countries	3 377	1 698	4 008	1 854
	<b>58 309</b>	<b>31 137</b>	<b>61 031</b>	<b>31 181</b>

No countries, other than the Czech Republic and Germany, accounted for more than 10% of consolidated revenues. Revenues are based on the country in which the customer is located.

During the 6 month period ended 30 June 2018 revenues from contracts with customers amounted to CZK 58 009 million, while other revenues related to rent and lease services amounted to CZK 300 million.

#### 4.2. Operating expenses

##### Cost of sales

	6 MONTH PERIOD ENDED 30/06/2018	3 MONTH PERIOD ENDED 30/06/2018	6 MONTH PERIOD ENDED 30/06/2017	3 MONTH PERIOD ENDED 30/06/2017
Cost of finished goods and services sold	(51 778)	(27 037)	(52 697)	(26 752)
Cost of merchandise and raw materials sold	(2 819)	(2 206)	(1 670)	(1 071)
	<b>(54 597)</b>	<b>(29 243)</b>	<b>(54 367)</b>	<b>(27 823)</b>

##### Cost by nature

	6 MONTH PERIOD ENDED 30/06/2018	3 MONTH PERIOD ENDED 30/06/2018	6 MONTH PERIOD ENDED 30/06/2017	3 MONTH PERIOD ENDED 30/06/2017
Materials and energy	(47 455)	(23 682)	(46 862)	(23 318)
Cost of merchandise and raw materials sold	(2 819)	(2 206)	(1 670)	(1 071)
External services	(2 970)	(1 523)	(2 999)	(1 510)
Employee benefits	(2 031)	(987)	(1 672)	(843)
Depreciation and amortisation	(1 588)	(809)	(1 353)	(710)
Taxes and charges	(511)	(279)	(203)	(95)
Other	(639)	(331)	(475)	(244)
	<b>(58 013)</b>	<b>(29 820)</b>	<b>(55 234)</b>	<b>(27 791)</b>
Change in inventories	1 095	(415)	(1 349)	(1 140)
Cost of products and services for own use	5	5	-	-
<b>Operating expenses</b>	<b>(56 913)</b>	<b>(30 230)</b>	<b>(56 583)</b>	<b>(28 931)</b>
Distribution expenses	1 246	506	1 375	698
Administrative expenses	836	374	776	373
Other operating expenses	234	107	65	37
<b>Cost of sales</b>	<b>(54 597)</b>	<b>(29 243)</b>	<b>(54 367)</b>	<b>(27 823)</b>

#### 4.3. Impairment allowances of inventories to net realisable value

	6 MONTH PERIOD ENDED 30/06/2018	3 MONTH PERIOD ENDED 30/06/2018	6 MONTH PERIOD ENDED 30/06/2017	3 MONTH PERIOD ENDED 30/06/2017
Increase	(87)	(5)	(345)	(330)
Decrease	103	17	380	336

#### 4.4. Impairment allowances of assets

	6 MONTH PERIOD ENDED 30/06/2018	3 MONTH PERIOD ENDED 30/06/2018	6 MONTH PERIOD ENDED 30/06/2017	3 MONTH PERIOD ENDED 30/06/2017
<b>Property, plant and equipment</b>				
Recognition	(33)	(20)	(4)	(2)
Reversal	14	6	2	1
<b>Receivables</b>				
Recognition	(3)	-	(11)	(1)
Reversal	22	9	1	1

Recognitions and reversals of the impairment allowances were recorded in relation to overdue receivables, uncollectable receivables or receivables in court.

#### 4.5. Other operating income and expenses

##### Other operating income

	6 MONTH PERIOD ENDED 30/06/2018	3 MONTH PERIOD ENDED 30/06/2018	6 MONTH PERIOD ENDED 30/06/2017	3 MONTH PERIOD ENDED 30/06/2017
Penalties and compensations	1 592	1 590	4 120	3 074
Profit on sale of non-current non-financial assets	4	-	35	5
Reversal of provisions	3	3	2	1
Reversal of receivables impairment allowances	22	9	1	1
Reversal of impairment allowances of property, plant and equipment and intangible assets	14	6	2	1
Revaluation of provision to CO <sub>2</sub> consumption	-	-	49	2
Settlement and valuation of financial instruments related to operational exposure	85	36	-	-
Other	30	8	16	11
	<b>1 750</b>	<b>1 652</b>	<b>4 225</b>	<b>3 095</b>

In the 2nd quarter 2018 the Group succeeded to agree with insurers the final settlement amount of the insurance claim relating to the Steam Cracker unit accident, which took place at the Chempark Záluží in Litvínov on 13 August 2015. The total recovery relates to property and mechanical damage as well as the loss of business profits (business interruption) in the amount of USD 515 million. The amount of USD 444 million (CZK 10 648 million) was previously recognized in Other operating income in 2016 and 2017. The remaining amount of CZK 1 585 million (USD 71 million) is currently recognized as Other operating income in the 2nd quarter 2018 and as at 30 June 2018 there are no contingent assets from the insurance claim disclosed by the Group.

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.

During the 6 month period ended 30 June 2017 the Group recognized final compensation from insurances in the amount of CZK 1 320 million in connection with the accident on the Fluid Catalytic Cracking unit.

The Group has early adopted IFRS 9 in relation to hedge accounting. In the financial statements for the 6 month period ended 30 June 2018 the Group presents settlement and valuation of certain transactions with financial derivatives as well as, the ineffective part of the transactions under hedge accounting within other operating income and expenses. In previous periods these transactions were presented in finance income and costs. The result of settlement and valuation of financial instruments in the 6 month period ended 30 June 2017 was insignificant.

##### Other operating expenses

	6 MONTH PERIOD ENDED 30/06/2018	3 MONTH PERIOD ENDED 30/06/2018	6 MONTH PERIOD ENDED 30/06/2017	3 MONTH PERIOD ENDED 30/06/2017
Penalties, damages and compensations	(3)	(2)	(20)	(16)
Loss on sale of non-current non-financial assets	(13)	(4)	(17)	(17)
Recognition of provisions	-	-	(5)	-
Recognition of receivables impairment allowances	(3)	-	(11)	(1)
Recognition of impairment allowances of property, plant and equipment and intangible assets	(33)	(20)	(4)	(2)
Revaluation of provision to CO <sub>2</sub> consumption	(68)	(9)	(3)	2
Donations	(4)	(2)	(1)	(1)
Settlement and valuation of financial instruments related to operational exposure	(108)	(69)	-	-
Other	(2)	(1)	(4)	(2)
	<b>(234)</b>	<b>(107)</b>	<b>(65)</b>	<b>(37)</b>

#### 4.6. Finance income and finance costs

##### Finance income

	6 MONTH PERIOD ENDED 30/06/2018	3 MONTH PERIOD ENDED 30/06/2018	6 MONTH PERIOD ENDED 30/06/2017	3 MONTH PERIOD ENDED 30/06/2017
Settlement and valuation of financial instruments	388	313	163	78
Interest	36	20	23	14
Net foreign exchange gain	426	608	-	-
	<b>850</b>	<b>941</b>	<b>186</b>	<b>92</b>

##### Finance costs

	6 MONTH PERIOD ENDED 30/06/2018	3 MONTH PERIOD ENDED 30/06/2018	6 MONTH PERIOD ENDED 30/06/2017	3 MONTH PERIOD ENDED 30/06/2017
Net foreign exchange loss	-	-	(25)	(118)
Settlement and valuation of financial instruments	(175)	-	(880)	(669)
Other	(10)	(5)	(15)	(6)
	<b>(185)</b>	<b>(5)</b>	<b>(920)</b>	<b>(793)</b>

#### 4.7. Tax expense

	6 MONTH PERIOD ENDED 30/06/2018	3 MONTH PERIOD ENDED 30/06/2018	6 MONTH PERIOD ENDED 30/06/2017	3 MONTH PERIOD ENDED 30/06/2017
Current income tax	(438)	(415)	(1 218)	(808)
Deferred income tax	(165)	(194)	(322)	(263)
	<b>(603)</b>	<b>(609)</b>	<b>(1 540)</b>	<b>(1 071)</b>

#### 4.8. Property, plant and equipment

##### Material additions

In the 6 month period ended 30 June 2018, the major additions to non-current assets were: capitalized spendings connected with periodical turnaround in amount of CZK 659 million, partial construction of the new PE3 unit in the amount of CZK 634 million, acquisition and reconstruction of petrol stations in the amount of CZK 312 million, locomotives in the amount of CZK 199 million, spare parts in the amount of CZK 188 million and catalysts in the amount of CZK 135 million. The amounts of other investment projects have not exceeded CZK 100 million.

In 2017 the major additions to non-current assets were: partial construction of the new PE3 unit in the amount of CZK 3 687 million, acquisition of petrol stations and their remodelling in the amount of CZK 428 million, locomotives in the amount of CZK 178 million, investment to granulation technology of ammonium sulphate in the amount of CZK 124 million and revamp of T700 in the amount of CZK 118 million. The amounts of other investment projects have not exceeded CZK 100 million.

#### 4.9. Derivatives and other assets and liabilities

##### Derivatives and other assets

	Non-current		Current		Total	
	30/06/2018	31/12/2017	30/06/2018	31/12/2017	30/06/2018	31/12/2017
Cash flow hedging instruments	107	700	381	660	488	1 360
<i>currency forwards</i>	107	700	362	599	469	1 299
<i>commodity swaps</i>	-	-	19	61	19	61
Derivatives not designated as hedge accounting	-	-	49	6	49	6
<i>currency forwards</i>	-	-	49	-	49	-
<i>commodity swaps</i>	-	-	-	6	-	6
<b>Financial derivatives</b>	<b>107</b>	<b>700</b>	<b>430</b>	<b>666</b>	<b>537</b>	<b>1 366</b>
Other financial assets	20	20	4 039	5 686	4 059	5 706
<i>cash pool</i>	-	-	3 946	5 671	3 946	5 671
<i>receivables on settled cash flow hedging instruments</i>	-	-	93	15	93	15
<i>other</i>	20	20	-	-	20	20
Other non-financial assets	91	76	-	-	91	76
<i>prepayments</i>	91	76	-	-	91	76
<b>Other assets</b>	<b>111</b>	<b>96</b>	<b>4 039</b>	<b>5 686</b>	<b>4 150</b>	<b>5 782</b>

##### Derivatives and other liabilities

	Non-current		Current		Total	
	30/06/2018	31/12/2017	30/06/2018	31/12/2017	30/06/2018	31/12/2017
Cash flow hedging instruments	-	-	251	321	251	321
<i>currency forwards</i>	-	-	100	-	100	-
<i>commodity swaps</i>	-	-	151	321	151	321
Derivatives not designated as hedge accounting	-	-	-	77	-	77
<i>currency forwards</i>	-	-	-	66	-	66
<i>commodity swaps</i>	-	-	-	11	-	11
<b>Financial derivatives</b>	<b>-</b>	<b>-</b>	<b>251</b>	<b>398</b>	<b>251</b>	<b>398</b>
Other financial liabilities	225	236	723	400	948	636
<i>investment liabilities</i>	54	64	-	-	54	64
<i>cash pool</i>	-	-	512	225	512	225
<i>liabilities on settled cash flow hedging instruments</i>	-	-	211	175	211	175
<i>guarantee payment received</i>	169	170	-	-	169	170
<i>other</i>	2	2	-	-	2	2
Other non-financial liabilities	2	2	-	-	2	2
<i>other</i>	2	2	-	-	2	2
<b>Other non-financial liabilities</b>	<b>227</b>	<b>238</b>	<b>723</b>	<b>400</b>	<b>950</b>	<b>638</b>

#### 4.10. Provisions

	Non-current		Current		Total	
	30/06/2018	31/12/2017	30/06/2018	31/12/2017	30/06/2018	31/12/2017
Environmental provision	698	695	149	163	847	858
Jubilee bonuses and retirement benefits provision	93	94	10	10	103	104
Provision for CO <sub>2</sub> emission allowances	-	-	685	729	685	729
Other provision	23	9	21	40	44	49
	<b>814</b>	<b>798</b>	<b>865</b>	<b>942</b>	<b>1 679</b>	<b>1 740</b>

A provision for CO<sub>2</sub> allowances was created for estimated CO<sub>2</sub> emissions in the periods ended 30 June 2018 and 31 December 2017.

#### 4.11. 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 2017 in note 26.3. As compared to the previous reporting period, the Group 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).

	30/06/2018		31/12/2017	
	Level 2	Level 3	Level 2	Level 3
Financial assets				
Financial derivatives	537	-	1 366	-
Investment property	116	332	116	332
	<b>653</b>	<b>332</b>	<b>1 482</b>	<b>332</b>
Financial liabilities				
Financial derivatives	251	-	398	-
	<b>251</b>	<b>-</b>	<b>398</b>	<b>-</b>

During the 6 month period ended 30 June 2018 and year 2017 there were no transfers in the Group between Levels 1, 2 and 3 of the fair value hierarchy.

#### 4.12. Future commitments resulting from signed investment contracts

As at 30 June 2018 and as at 31 December 2017 the value of future commitments of the Group resulting from signed investment contracts amounted to CZK 5 076 million and CZK 4 497 million, respectively.

#### 4.13. Retained earnings and dividends

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

The Annual General Meeting of UNIPETROL, a.s., held on 28 June 2018, resolved to approve to cover the entire non-consolidated loss of the company for 2017 in the amount of CZK 29 million from the company non-consolidated retained earnings of prior years in the same amount.

#### 4.14. Guarantees

At 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 2 001 million as at 30 June 2018 (31 December 2017: CZK 1 948 million) and for other purposes amounted to CZK 65 million (31 December 2017: CZK 106 million).

The Group was the beneficiary of guarantees in the amount of CZK 468 million as at 30 June 2018 (31 December 2017: CZK 531 million).

#### 4.15. Related party transactions

##### Material transactions concluded by the Group companies with related parties

In the 6 month period ended 30 June 2018 and 2017 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 month period ended 30 June 2018 and 2017 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 month period ended 30 June 2018 and 2017 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 month period ended 30 June 2018 and 2017 members of the key management personnel of the Group submitted statements that they have not concluded any transactions with related parties.

#### 4.15. Related party transactions (continued)

##### Remuneration of key executive personnel of the Parent Company and Group companies

	6 MONTH PERIOD ENDED 30/06/2018	3 MONTH PERIOD ENDED 30/06/2018	6 MONTH PERIOD ENDED 30/06/2017	3 MONTH PERIOD ENDED 30/06/2017
<b>Parent Company</b>	<b>(35)</b>	<b>(17)</b>	<b>(37)</b>	<b>(18)</b>
Short-term employee benefits	(34)	(16)	(37)	(18)
Termination benefits	(1)	(1)	-	-
<b>Subsidiaries</b>	<b>(108)</b>	<b>(56)</b>	<b>(111)</b>	<b>(61)</b>
Short-term employee benefits	(107)	(55)	(111)	(61)
Termination benefits	(1)	(1)	-	-
	<b>(143)</b>	<b>(73)</b>	<b>(148)</b>	<b>(79)</b>

The above table presents remuneration paid and due or potentially due to the key management personnel of the Parent Company and subsidiaries in the reporting period.

##### Parent and ultimate controlling party

During 2018 and 2017 a majority (94.03%, respectively 62.99%) of the Company's shares were held by POLSKI KONCERN NAFTOWY ORLEN S.A. (PKN Orlen).

for 6 month period ended	PKN Orlen		Joint operations		Entities under control or significant influence of PKN Orlen	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Sales	1 747	3 419	527	465	5 470	4 356
Purchases	38 078	37 714	308	338	1 805	769
Finance income	27	-	-	45	-	14
Finance costs	-	-	-	-	-	2

for 3 month period ended	PKN Orlen		Joint operations		Entities under control or significant influence of PKN Orlen	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Sales	1 022	1 490	270	256	3 099	2 596
Purchases	20 269	18 298	155	178	1 340	498
Finance income	-	-	-	45	-	10
Finance costs	-	-	-	-	-	1

	PKN Orlen		Joint operations		Entities under control or significant influence of PKN Orlen	
	30/06/2018	31/12/2017	30/06/2018	31/12/2017	30/06/2018	31/12/2017
Other financial assets	3 946	5 672	-	-	-	-
Trade and other receivables	560	290	128	127	1 152	594
Trade and other liabilities	6 557	4 946	66	49	425	266
Other financial liabilities	-	-	-	-	511	225

#### 4.16. Information concerning significant proceedings in front of court or in front of public administration bodies

##### Tax proceeding

The claims are described in the consolidated financial statements of the Group as at and for the year ended 31 December 2017.

During the 6 month period ended 30 June 2018 there were no material changes in relation to this issue. The case is now pending with the Appellate Tax Authority.

##### 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 2017. During the 6 month period ended 30 June 2018 there were no material changes in relation to this issue. The case is pending, currently being reviewed by Ústí nad Labem Regional court.

**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 2017.

During the 6 month period ended 30 June 2018 there were no material changes in relation to this issue. The matter is now with Regional Court in Hradec Králové pending a decision by the court.

##### 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 2017.

On 9 February 2018, the District Court in Ostrava dismissed the "I.P. - 95, s.r.o." claim in full. On 3 April 2018 "I.P. - 95, s.r.o." filed an appeal against the ruling of the District Court in Ostrava.



#### 4.17. Accounting principles

##### Applied accounting principles and IFRS amendments

These interim condensed consolidated financial statements were prepared according to accounting principles described in note 32 in the consolidated financial statements of the Group as at and for the year ended 31 December 2017 except for the adopted new IFRS 9 Financial instruments and IFRS 15 Revenues from Contracts with Customers.

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 32.1 of the consolidated financial statements of the Group as at and for the year ended 31 December 2017.

The Group adopted the requirements of IFRS 15 prospectively and IFRS 9 with a modified retrospective approach with effect from 1 January 2018. According to the option allowed by the standard, the Group resigned from disclosing comparable data. Data as at 31 December 2017 and for the 1st half of 2017 were prepared based on IAS 39, IAS 18 and IAS 11. The previously adopted selected accounting principles within sales revenues (IAS 18, IAS 11) and financial instruments (IAS 39) were disclosed in the financial statements for 2017.

##### Application of IFRS 15

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The management of the Group have assessed that in relation to the products and services of the Group, revenue will be recognised for each performance obligations when control over the corresponding goods and services is transferred to the customer. This is similar to the identification of separate revenue components under IAS 18.

The Group applies the principles of IFRS 15 in a five-step model in relation to the portfolio of contracts with similar characteristics, if the entity reasonably expects that the impact of the following principles on the financial statements will not significantly differ from the application of the following principles to individual contracts.

##### *Requirements to identify a contract with a customer*

A contract with a customer meets its definition when all of the following criteria are met: the parties of the contract have approved the contract and are committed to perform their obligations; the Group can identify each party's rights regarding goods or services to be transferred; the Group can identify the payment terms for the goods or services to be transferred; the contract has commercial substance and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

##### *Identification of performance obligations*

At contract inception the Group assesses the goods or services promised in the contract with a customer and identifies as a performance obligation each promise to transfer to the customer: goods or services (or a bundle of goods or services) that can be separated or groups of separate goods or services which are basically the same and for which the transfer to the customer is of the same nature.

While establishing contracts, the Group commits to deliver mainly refining and petrochemical products and merchandise to customers. Within the contracts, the Group acts as a principal, there are no obligations for returns and refunds. The guarantees provided within the contracts assure the customer that the product complies with the established specification and do not involve the performance of a separate service.

Within the Downstream segment, in the sales of refinery and petrochemical products, the moment of performance all obligations within the contract follows the delivery of goods and the moment of revenue recognition from individual performance obligations depends on the applied delivery terms. Within the Downstream segment, there are mainly sales with deferred payment dates.

Within the Retail segment, there are both cash sales and sales with deferred payment dates, performed based on fleet contracts. The moment of satisfaction of the performance obligation is the moment of good release.

##### *Determination of the transaction price*

The Group considers the terms of the contract and its the customary business practices to determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes, fuel charges, excise taxes). The consideration promised in the contract with a customer may include fixed amounts, variable amounts or both.

##### *Allocating the transaction price to individual performance obligations*

The Group allocates the transaction price to each performance obligation (or distinct good or service) at an amount that reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

##### *Recognition of revenue when performance obligations are satisfied*

The Group recognises revenue when (or as) the Group satisfies performance obligations by transferring a promised good or service (i.e. an asset) to a customer (the customer obtains control of that asset). Revenue is recognised as amounts equal to the transaction price that has been allocated to a given performance obligation.

#### 4.17. Accounting principles (continued)

The Group transfers control of good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits from performance as the Group performs,
- the asset is created or enhanced as a result of the performance, and the customer controls the asset as it is created or enhanced,
- as a result of the performance of the service, an alternative component for the Group is not created, and the Group has an enforceable right to payment for performance completed to date.

In contracts with costumers of the Downstream and Retail segments, payment dates in most cases do not exceed 35 days.

#### Application of IFRS 9

##### Measurement of financial assets and liabilities

From 1 January 2018, the Group classifies financial assets into one of the following categories:

- measured at amortized cost,
- measured at fair value through other comprehensive income,
- measured at fair value through profit or loss,
- hedging financial instruments.

The Group classifies debt financial assets to the appropriate category depending on the business model of financial assets management and on the characteristics of contractual cash flows for a given financial asset.

The Group as assets measured at amortized cost classifies trade receivables, loans granted, other financial receivables as well as cash and cash equivalents.

At the moment of initial recognition, the Group classifies equity instruments, i.e. shares in other entities, to the category of financial instruments measured at fair value through other comprehensive income.

The Group classifies to assets measured at fair value through profit or loss derivatives that are not designated for hedge accounting and hedged items that are measured in accordance with hedge accounting principles.

The Group classifies financial liabilities into one of the following categories:

- measured at amortized cost,
- measured at fair value through profit or loss,
- hedging financial instruments.

The Group as liabilities measured at amortized cost classifies trade liabilities, loans, borrowings and bonds. Liabilities on derivatives not designated for hedge accounting are classified by the Group as measured at fair value through profit or loss.

The Group classifies to the category of hedging financial instruments, financial assets and liabilities which constitute derivative hedging cash flows and fair value.

The table below presents the impact of the implementation of IFRS 9 on the change in the classification and measurement of the Group's financial assets as at 1 January 2018.

Financial instruments by class	Classification according to IAS 39	Classification according to IFRS 9
Unquoted shares	Available for sale	Financial assets at fair value through other comprehensive income
Loans granted	Loans and receivables	Measured at amortized cost
Trade and other receivables	Loans and receivables	Measured at amortized cost
Derivatives not designated as hedge accounting	At fair value through profit or loss	At fair value through profit or loss
Cash flow hedging instruments	Hedging financial instruments	Hedging financial instruments
Cash and cash equivalents	Loans and receivables	Measured at amortized cost
Receivables on settled derivatives	Loans and receivables	Measured at amortized cost

##### Measurement of financial assets at amortized cost

The Group applies the effective interest rate method to measure financial assets at amortized cost.

Trade receivables after initial recognition are measured at amortized cost using the effective interest rate method, including impairment allowances, while trade receivables with a maturity of less than 12 months from the date of recognition (i.e. not including the financing component) are not discounted and are measured at nominal value.

##### Measurement of financial assets at fair value through other comprehensive income

Gains and losses on a financial asset constituting an equity instrument for which was applied the option of fair value through other comprehensive income is recognized in other comprehensive income, except for revenues from received dividends.

##### Measurement of financial assets at fair value through profit or loss

Gains or losses on the measurement of a financial asset that is classified as measured at fair value through profit or loss are recognized in profit or loss during the period in which they were recognized. Gains or losses from the valuation of items measured at fair value through profit or loss also include interest and dividend income.

#### 4.17. Accounting principles (continued)

##### *Measurement of hedging financial instruments*

Hedging financial instruments are measured in accordance with the principles of hedge accounting.

##### *Impairment of financial assets*

IFRS 9 introduces a new approach to estimating the impairment of financial assets measured at amortized cost or at fair value through other comprehensive income (with the exception of investments in capital assets and contract assets). The impairment model is based on the expected loss calculation as opposed to the currently applied model resulting from IAS 39, which was based on the concept of incurred loss. The most important items of financial assets in the Group's financial statements, which are subject to the new principles of calculating expected credit losses, are trade receivables.

The Group uses the simplified model for determining impairment allowances of trade receivables. In the model, the Group does not monitor changes in the credit risk level during the life of the instrument and estimates the expected credit loss in the horizon up to maturity of the instrument.

In particular, for the insolvency event, the Group recognizes when the contractor has not satisfied the obligation after 90 days from the due receivables date.

For the purpose of estimating the expected credit loss, the Group uses a provision matrix estimated on the basis of historical levels of repayment and recoveries from receivables from contractors.

The Group includes information about the future in the parameters used in the expected loss estimation model, through the management adjustment of the basic insolvency probability parameters. To calculate the expected credit loss, the Group determines the probability parameter of receivables defaults estimated on the basis of the analysis of the number of unpaid invoices in the last five years, and the liabilities default rate estimated on the basis of the value of unpaid invoices in the last five years.

The expected credit loss is calculated when the receivable is recognized in the statement of financial position and is updated on each subsequent day ending the reporting period, depending on the number of days for which the receivable is due.

##### **Hedge accounting**

Derivatives designated as hedging instruments from which it is expected that their fair value or resulting from them cash flows will offset changes in fair value or cash flows of hedged item are recognized in accordance with the principles of fair value hedge accounting or cash flow hedges.

The Group assesses the effectiveness of hedging both at the moment of establishing the hedging and in subsequent periods, at least at each end of the reporting period. Verification of satisfaction of the conditions for the effectiveness of linking is made on a prospective basis, based on a qualitative analysis. If necessary, the Group uses a quantitative analysis (linear regression method) to confirm an economic relation between the hedging instrument and the hedged item.

In the case of cash flow hedge accounting, the Group:

- the part of profits or losses related to the hedging instrument, which constitute an effective hedge due to the hedged risk, is recognized in other comprehensive income,
  - in addition (in the case of FX hedging - spot risk element), a change in the fair value due to the forward element (including the cross-currency margin) is recognized within the capital in a separate position (hedging cost),
  - the inefficient part of profits or losses related to the hedging instrument is recognized in the statement of profit or loss.
- In the case of hedging cash flows from operating activities, the ineffective part is recognized in other operating income/expenses, and in the case of hedging cash flows of financing activities in finance income/costs.
- reclassification from capital to the statement of profit or loss is to the line in which the hedged item is presented,
  - reclassification from capital is made as an adjustment to the initial value of the hedged item (if the realization of the hedged item results in the recognition of the non-financial asset - for example, an inventory).

In the case of fair value hedge (operating activity), changes in the fair value of the hedging instrument and the hedged item are recognized in the statement of profit or loss in the item other operating income/expenses.

In the area of hedge accounting, the Group applies the requirements of IFRS 9 in the construction of hedging relationships. In particular, it concerns matching of the definitions of commodity risk hedging to the exposure characteristics and applied risk management strategies. The Group aims to limit the underlying risk in hedging relationships (resulting from various commodity indices on the side of the hedging instrument and the hedged item).

The Group applied principles of recognition the hedging cost within FX hedging transactions, where the forward component and the cross-currency margin is recorded in a separate item in other comprehensive income.

As the new hedge accounting requirements align more closely with the Group's risk management policies, with more qualifying hedging instruments and hedged items, an assessment of the Group's hedging relationships indicated that they qualify as continuing hedging relationships under IFRS 9. The transition from IAS 39 to IFRS 9 has been evaluated closely with insignificant effect to the consolidated financial statements as at 30 June 2018.

As at 1 January 2018 the Group calculated the impact of the expected credit loss in accordance with IFRS 9 and recognized the adjustment decreasing Other comprehensive income and Trade receivables of the Group by the amount of CZK 11 million.

#### 4.17. Accounting principles (continued)

##### Application of professional judgement and assumption

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 33 in the consolidated financial statements as at and for the year ended 31 December 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	
	30/06/2018	30/06/2017	30/06/2018	31/12/2017
CZK/EUR	25.500	26.263	26.020	25.540
CZK/USD	21.080	23.389	22.318	21.291
CZK/100 HUF	8.119	8.519	7.889	8.230

#### 4.18. Subsequent events after the reporting date


On 19 July 2018 UNIPETROL, a.s. received a request from PKN ORLEN S.A., to convene the General Meeting and to approve a proposal for transfer of all remaining UNIPETROL, a.s. shares to PKN ORLEN S.A.

The Group's management is not aware of any other 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 2018.


#### 4.19. Approval of the financial statements

The foregoing financial report for the period ended 30 June 2018 was authorized for issue by the Board of Directors on 19 July 2018.

Signature of statutory representatives



Krzysztof Zdziarski  
Chairman of the Board of Directors



Mirosław Kastelik  
Vice-chairman of the Board of Directors

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION To the 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 2018 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 the European Union and for such internal control as management determines is necessary to enable the preparation of this interim financial information that is 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.

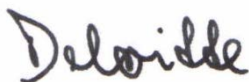
### Conclusion

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 2018 and of its consolidated financial performance and consolidated cash flows for the six-month period then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

In Prague on 19 July 2018

Audit firm:

Deloitte Audit s.r.o.



Represented by:

Martin Tesař  
statutory executive

