UNIPETROL, a.s.

SEPARATE FINANCIAL STATEMENTS

Translation from the Czech original

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

FOR THE YEAR 2015

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

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

We have audited the accompanying separate financial statements of UNIPETROL, a.s., prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the separate statement of financial position as of 31 December 2015, and the separate statement of profit or loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and the notes to these separate financial statements including a summary of significant accounting policies and other explanatory notes. Information about UNIPETROL, a.s. is set out in Note 1 to these separate financial statements.

Statutory Body's Responsibility for the Separate Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the separate financial statements give a true and fair view of the unconsolidated financial position of UNIPETROL, a.s. as of 31 December 2015, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other Information

Other information is defined as information (other than the separate financial statements and our auditor's report) included in the annual report. The statutory body is responsible for the other information. In connection with our audit of the separate financial statements, our responsibility is to report on the other information.

As described in Note 1 to these separate financial statements, UNIPETROL, a.s. has not prepared an annual report as it included the respective information in a consolidated annual report. Consequently, this auditor's report does not include our statement on the other information.

Prague
15 March 2016

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

Karel Růžička
Partner
Registration number 1895

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SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

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	2015	2014
Statement of profit or loss			
Revenues	6.	167	155
Cost of sales	7.1.	(90)	(86)
Gross profit on sales		**77**	**69**
Administrative expenses	7.2.	(214)	(202)
Other operating income	8.1.	6	22
Other operating expenses	8.2.	(51)	(1)
Profit from operations		**(182)**	**(112)**
Finance income	9.1.	2 352	549
Finance costs	9.2.	(38)	(104)
Net finance income		**2 314**	**445**
Profit before tax		**2 132**	**333**
Tax expense	10.	11	(5)
Net profit		**2 143**	**328**
Total net comprehensive income		**2 143**	**328**
Net profit and diluted net profit per share (in CZK per share)	18.6.	11.82	1.81

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 8-36.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

Separate statement of financial position

	Note	31/12/2015	31/12/2014
ASSETS			
Non-current assets			
Property, plant and equipment	11.	9	9
Investment property	12.	1 161	1 156
Shares in related parties	13.	17 582	14 542
Other non-current assets	14.	24	1 472
		18 776	**17 179**
Current assets			
Trade and other receivables	15.	142	165
Other financial assets	16.	7 217	15 058
Current tax assets		16	12
Cash and cash equivalents	17.	5 435	516
		12 810	**15 751**
Total assets		**31 586**	**32 930**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	18.1.	18 133	18 133
Statutory reserves	18.2.	-	1 719
Revaluation reserve	18.3.	503	503
Retained earnings	18.4.	10 193	6 331
Total equity		**28 829**	**26 686**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	19.	-	4 000
Provisions	20.	50	-
Deferred tax liabilities	10.2.	100	113
		150	**4 113**
Current liabilities			
Trade and other liabilities	21.	145	135
Loans and borrowings	19.	-	21
Other financial liabilities	22.	2 462	1 975
		2 607	**2 131**
Total liabilities		**2 757**	**6 244**
Total equity and liabilities		**31 586**	**32 930**

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 8-36.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

Separate statement of changes in equity

	Share capital	Statutory reserves	Revaluation reserve	Retained earnings	Total equity
Note	18.1.	18.2.	18.3.	18.4.	
01/01/2015	18 133	1 719	503	6 331	26 686
Net profit	-	-	-	2 143	2 143
Total net comprehensive income	**-**	**-**	**-**	**2 143**	**2 143**
Transfer of statutory reserves to retained earnings	-	(1 719)	-	1 719	-
31/12/2015	**18 133**	**-**	**503**	**10 193**	**28 829**
01/01/2014	18 133	1 672	503	6 050	26 358
Net profit	-	-	-	328	328
Total net comprehensive income	**-**	**-**	**-**	**328**	**328**
Allocation of profit	-	47	-	(47)	-
31/12/2014	**18 133**	**1 719**	**503**	**6 331**	**26 686**

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 8-36.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

Separate statement of cash flows

	Note	2015	2014
Cash flows - operating activities			
Net profit		**2 143**	**328**
Adjustments for:			
Depreciation and amortisation	7.	-	1
Foreign exchange gain		(4)	(19)
Interest and dividends, net		(391)	(448)
Profit on investing activities		(1 928)	-
Change in provisions		50	-
Tax expense/(credit)	10.	(11)	5
Change in working capital		32	(14)
receivables		22	(13)
liabilities		10	(1)
Income tax (paid)		(5)	9
Net cash used in operating activities		**(114)**	**(138)**
Cash flows - investing activities			
Disposal of property, plant and equipment and intangible assets		1	-
Acquisition of shares in ČESKÁ RAFINÉRSKÁ, a.s.		(1 118)	(551)
Dividends received		330	359
Interest received		103	192
Proceeds/(Outflows) from loans granted		13 473	(2 076)
Proceeds/(Outflows) from cash pool assets		(4 188)	(249)
Net cash provided by/(used in) investing activities		**8 601**	**(2 325)**
Cash flows - financing activities			
Change in loans and borrowings		(4 000)	1 734
Proceeds/(Outflows) from cash pool liabilities		486	1 150
Interest paid		(52)	(76)
Other		(6)	(4)
Net cash provided by/(used in) financing activities		**(3 572)**	**2 804**
Net increase in cash and cash equivalents		**4 915**	**341**
Effect of exchange rate changes		4	17
Cash and cash equivalents, beginning of the year		516	158
Cash and cash equivalents, end of the year	**17.**	**5 435**	**516**

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 8-36.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

ACCOUNTING PRINCIPLES AND OTHER EXPLANATORY NOTES

1. DESCRIPTION OF THE COMPANY

Establishment of the Company
UNIPETROL, a.s. (the "Company" or "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 businesses of the Group include oil and petroleum products processing, production of commodity chemicals, polymer materials, mineral lubricants, plastic lubricants, paraffins, 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 2015 were 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*	42 976 339	4 297 633 900	23.70%
Investment funds and other minority shareholders	24 131 926	2 413 192 600	13.31%
	181 334 764	**18 133 476 400**	**100%**

**As of 19 March 2014 (last available data) - According to notification received on 31 March 2014 PAULININO LIMITED holds directly 17.97% share of votes and 5.73% share of votes is held by following companies acting in concert with PAULININO LIMITED under a contract: EGNARO INVESTMENTS LIMITED, LEVOS LIMITED, LCE COMPANY LIMITED, NEEVAS INVESTMENT LIMITED, UPRECHT INVESTMENT LIMITED, MUSTAND INVESTMENT LIMITED.*

Statutory and supervisory bodies
Members of the statutory and supervisory bodies of UNIPETROL, a.s. as at 31 December 2015 were as follows:

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

Changes in the Board of Directors in 2015 were as follows:

Position	Name	Change	Date of change
Vice-chairman	Piotr Wielowieyski	Re-elected to the office	28 March 2015
Chairman	Marek Świtajewski	Re-elected to the office	25 June 2015
Member	Martin Durčák	Re-elected to the office	5 December 2015

Changes in the Supervisory Board in 2015 were as follows:

Position	Name	Change	Date of change
Vice-chairman	Ivan Kočárník	Re-elected to the office	25 June 2015
Member	Bogdan Dzudzewicz	Re-elected to the office	25 June 2015

UNIPETROL, a.s. has not prepared a separate annual report as it included the respective information in a consolidated annual report.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

2. STATEMENTS OF THE BOARD OF DIRECTORS

The Board of Directors of UNIPETROL, a.s. hereby declares that to the best of its knowledge the foregoing separate financial statements and comparative data were prepared in compliance with the accounting principles adopted by the Company in force (disclosed in note 3) and that they reflect a true and fair view on the financial position and financial results, including basic risks and exposures.

3. ACCOUNTING PRINCIPLES

3.1. Principles of preparation of financial statements

The separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations approved by the International Accounting Standards Board (IASB) which were adopted by the European Union (EU) and were in force as at 31 December 2015. The financial statements have been prepared based on historical cost, except for: derivatives, financial instruments at fair value through profit and loss, financial assets available for sale, and investment properties stated at fair value.
The separate financial statements are compliant with all requirements of IFRSs adopted by the EU and present a true and fair view of the Company's financial position as at 31 December 2015, results of its operations and cash flows for the year ended 31 December 2015.
These separate financial statements have been prepared on a going concern basis. As at the date of approval of the financial statements there is no uncertainty that the Company will not be able to continue as a going concern in the foreseeable future.
The separate financial statements, except for the statement of cash flows, are prepared on the accrual basis of accounting.

3.2. Impact of IFRS amendments and interpretations on separate financial statements of the Company

3.2.1. Binding amendments and interpretations to IFRSs

The amendments to standards and IFRS interpretations, in force from 1 January 2015 until the date of publication of these separate financial statements had no impact on the foregoing separate financial statements.

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

Standards and Interpretations adopted by the EU	Possible impact on financial statements
Amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions	no impact expected
Improvements to IFRS 2010-2012; 2012-2014	no impact expected
Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations	no impact expected
Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Agriculture: Bearer Plants	no impact expected
Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation	no impact expected
Amendments to IAS 1 Presentation of Financial Statements: Disclosure initiative	no impact expected
Amendments to IAS 27 Separate Financial Statements: Equity Method in Separate Financial Statements	no impact expected

3.2.3. Standards, amendments and interpretations adopted by International Accounting Standards Board, waiting for approval of the European Union

Standards and Interpretations waiting for approval of the EU	Possible impact on financial statements
New standard IFRS 9 Financial Instruments	impact*
New standard IFRS 14 Regulatory Deferral Accounts	no impact expected
New standard IFRS 15 Revenue from Contracts with Customers	impact**
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates: Sale or Contribution of Assets between an Investor and its Associate of Joint Venture	no impact expected
Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interest in Other Entities and IAS 28 Investments in Associates and Joint Ventures: Investment Entities: Applying the Consolidation Exception	no impact expected
IFRS 16 Leasing	impact***
Amendments to IAS 7 Statement of Cash Flows: Disclosure initiative	no impact expected
Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses	no impact expected

*At the time of the implementation of the new IFRS 9, allocation of the appropriate financial assets to the new categories of financial instruments will be made.
**At the time of the implementation, i.e. on 1 January 2017, the impact of the new IFRS 15 will depend on the specific facts and conditions of the contracts with customers, to which the Company will be a party.
***At the time of implementation, the impact of the new IFRS 16 will depend on the specific facts and circumstances relating to the lease contracts, to which the Company will be a party.

3.3. Functional currency and presentation currency

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

3.4. Applied accounting policies

3.4.1. Changes in accounting policies, estimates and prior period errors

An entity shall change an accounting policy only if the change:
- is required by an IFRS or
- results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the financial position, financial performance or cash flows.

In the case of a change in accounting policy it is assumed that the new policy had always been applied. The amount of the resulting adjustment is made to the equity. For comparability, the entity shall adjust the financial statements (comparative information) for the earliest prior period presented as if the new accounting policy had always been applied, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change.
Items of financial statements based on an estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience.
The correction of a material prior period error is made to equity. When preparing the financial statements it is assumed that the errors were corrected in the period in which they occurred.

3.4.2. Transactions in foreign currency

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.
At the end of the reporting period:
- foreign currency monetary items including units of currency held by the Company as well as receivables and liabilities due in defined or definable units of currency are translated using the closing rate, i.e. spot exchange rate as at the end of the reporting period,
- non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition as finance income or expense in the period in which they arise, except for monetary items which hedge the currency risk are accounted for in accordance with cash flow hedge accounting principles.

3.4.3. Revenues

Revenues from sales (from operating activity) include revenues that relate to core activities, i.e. activities for which the Company was founded, revenues are recurring and are not of incidental character.
Revenues from sales are recognized when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the sale transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenues from the sale of goods and services are recognized when the Company has transferred to the buyer the significant risks and rewards of ownership and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. Revenues include received or due payments for delivered goods and services decreased by the amount of any trade discounts, value added tax (VAT), excise tax and fuel charges.
Revenues are measured at the fair value of the received or due payments. Revenues from sales are adjusted for profit or loss from settlement of cash flow hedging instrumenst related to the above mentioned revenues.
Revenues and expenses relating to services for which the start and end dates fall within different reporting periods are recognized based on the percentage of completion method, if the outcome of a transaction can be measured reliably, i.e. when total contract revenue can be measured reliably, it is probable that the economic benefits associated with the contract will flow to the Company and the stage of completion can be measured reliably. If those conditions are not met, revenues are recognized up to the cost incurred, but not greater than the cost which is expected to be recovered by the Company.

3.4.4. Costs

Costs (relating to operating activity) include costs that relate to core activities, i.e. activities for which the Company was founded, costs are recurring and are not of incidental character.
Cost of sales comprises costs of finished goods, merchandise and raw materials sold and adjustments related to inventories written down to net realizable value.
Distribution expenses include selling brokerage expenses, trading expenses, advertising and promotion expenses as well as distribution expenses.
Administrative expenses include expenses relating to management and administration of the Company as a whole.

3.4.5. Other operating income and expenses

Other operating income, in particular, includes income from liquidation and sale of non-financial, non-current assets, surplus assets, return of court fees, penalties earned, excess of grants received to revenues over the value of costs, assets received free of charge, reversal of receivable impairment allowances and some provisions, compensations earned and revaluation gains, gain on the sale of investment property.
Other operating expenses include, in particular, loss on liquidation and sale of non-financial, non-current assets, assets deficit, court fees, contractual penalties and fines, penalties for non-compliance with environmental protection regulations, cash and tangible assets transferred free of charge, impairment allowances (except those that are recognized as financial costs and cost of sales), compensation paid, write-off of construction–in-progress which have not produced the desired economic effect, cost of recovery of receivables and revaluation losses, loss on sale of investment property.

3.4.6. Finance income and costs

Finance income includes, in particular, income from the sale of shares and other securities, dividends received, interest earned on cash in bank accounts, term deposits and loans granted, increase in the value of financial assets and net foreign exchange gains.
Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.
Finance costs include, in particular, loss on sale of shares and securities and costs associated with such sale, impairment losses relating to financial assets such as shares, securities and interest, net foreign exchange losses, interest on own bonds and other securities issued, interest on finance leases, commissions on bank loans, borrowings and guarantees.

3.4.7. Tax expense

Income tax expenses include of current tax and deferred tax.
Current tax expense is determined in accordance with the relevant tax law based on the taxable profit for a given period and is recognized as a liability, in the amount which has not been paid or receivable, if the amount of the current and prior periods income tax paid exceeds the amount due.
Deferred tax assets and liabilities are accounted for as non-current are not discounted and are offset in the statement of financial position, if there is a legally enforceable right to offset the recognized amounts.
The transactions settled directly in equity are recognized in equity.

3.4.8. Profit/(loss) per share

Basic profit/(loss) per share is calculated by dividing the net profit or loss for a given period which is attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the period.
The Company has no potential dilutive shares.

3.4.9. Property, plant and equipment

Property, plant and equipment are assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one period (one year or the operating cycle, if longer than one year).
Property, plant and equipment include both fixed assets (assets that are in the condition necessary for them to be capable of operating in the manner intended by management) as well as construction in progress (assets that are in the course of construction or development necessary for them to be capable of operating in the manner intended by management).
Property, plant and equipment are initially stated at cost, including grants related to assets (IAS20). The cost of an item of property, plant and equipment comprises its purchase price, including any costs directly attributable to bringing the asset into use.
The cost of an item of property, plant and equipment also includes estimated costs of dismantling and removing the item and restoring the site/land on which it is located, the obligation for which is connected with acquisition or construction of an item of property, plant and equipment and capitalized borrowing costs.
Property, plant and equipment are stated in the statement of financial position prepared at the end of the reporting period at the carrying amount, including grants related to assets. The carrying amount is the amount at which an asset is initially recognized (cost) after deducting any accumulated depreciation and accumulated impairment losses.
Depreciation of an item of property, plant and equipment begins when it is available for use, that is from the month it is in the location and condition necessary for it to be capable of operating in the manner intended by the management, over the period reflecting their estimated useful life, considering the residual value.
Components of property, plant and equipment which are material for the whole item are depreciated separately in accordance with their useful lives.
The following standard useful lives are used for property, plant and equipment:

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

Residual values, estimated useful lives and depreciation methods are reassessed annually. The adjustments to depreciation expense are accounted for in subsequent period (prospectively).
The costs of significant repairs and regular maintenance programs are recognized as property, plant and equipment and depreciated in accordance with their useful lives. The costs of current maintenance of property, plant and equipment are recognized as an expense when they are incurred.
Property, plant and equipment are tested for impairment, when there are indicators or events that may imply that the carrying amount of those assets may not be recoverable.

3.4.10. Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation, or for both.
Investment property shall be recognized as an asset when, and only when:
- it is probable that the future economic benefits that are associated with the investment property will flow to the Company, and
- the cost of the investment property can be measured reliably.

An investment property shall be measured initially at its cost. Transaction costs shall be included in the initial measurement. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes and other transaction costs. For internally constructed investment property the cost is set at the date of construction completion when the asset is brought into use, in accordance with rules set for property, plant and equipment.
After initial recognition investment property shall be measured at fair value. Gains and losses resulting from changes in fair value of investment property are presented in the statement of profit or loss and other comprehensive income in the period which they arise. The Company determines fair value without any deduction for transaction costs it may incur on sale or other disposal.
If the Company determines that the fair value of an investment property is not reliably determinable on a continuing basis, the Company shall measure that investment property at cost in accordance with rules set for property, plant and equipment.
An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected.

3.4.11. Intangible assets

Intangible assets include identifiable non-monetary assets without physical substance. An asset is identifiable if it is either separable, i.e. is capable of being separated or divided from the Company and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Company intends to do so, or arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the Company or from other rights and obligations.
Intangible assets are recognized if it is probable that the expected future economic benefits that are attributable to the assets will flow to the Company and the cost of the asset can be measured reliably.
An intangible asset arising from development (or from development phase of an internal project) shall be recognized if, and only if, the Company can demonstrate all of the following: the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete the intangible asset and use or sell it, its ability to use or sell the intangible asset, how the intangible asset will generate probable future economic benefits, among other things, the Company can demonstrate the existence of a market for the output of the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset, the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, its ability to measure reliably the expenditure attributable to the intangible asset during its development.
If the definition criteria of an intangible asset are not met, the cost incurred to acquire or self develop an asset are recognized in profit or loss when incurred.
An intangible asset shall be measured initially at cost, including grants related to assets (IAS20). An intangible asset that is acquired in a business combination, is recognized initially at fair value.
After initial recognition, an intangible asset shall be presented in the financial statements at its net carrying amount, including grants related to assets.
Intangible assets are measured at acquisition or at construction cost less amortization and impairment allowances. Intangible assets with a finite useful life are amortized when they become available for use, that is when they are in the location and condition necessary for them to be capable of operating in the manner intended by the management over their estimated
useful life. The depreciable amount of an asset with a finite useful life is determined after deducting its residual value. Excluding particular cases, the residual value of an intangible asset with a finite useful life shall be assumed to be zero.
Borrowing costs directly attributable to the acquisition or construction of a qualifying asset, e.g. interest, commissions, are part of the initial cost.
The following standard useful lives are used for intangible assets:

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

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

3.4.12. Impairment of property, plant and equipment and intangible assets

At the end of the reporting period the Company assesses whether there are any indicators that an asset or cash generating unit (CGU) may be impaired. If any such indicator exists, the entity shall estimate the recoverable amount of the asset (CGU).
The recoverable amount of other assets is the higher of the fair value less costs to sell and value in use.
Fair value less costs to sell is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, less costs to sell.
Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
Assets that do not generate the independent cash flows are grouped at the lowest level at which cash flows, independent from cash flows from other assets, are generated (cash generating units).
To the cash generating unit the following assets are allocated:

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

If there are external or internal indicators that the carrying amount of an asset as at the end of the reporting period may not be recoverable, the impairment tests are carried out. The tests are also carried out annually for intangible assets with an indefinite useful life and for goodwill.
When the carrying amount of an asset or a cash generating unit exceeds its recoverable amount, the carrying amount is decreased to the recoverable amount by an adequate impairment allowance charged against cost in profit or loss. The recoverable amount is the higher of its fair value less costs to sell and its value in use.
The impairment loss shall be allocated to the carrying amount of the assets of the unit in the following order:

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

At the end of each reporting period an assessment shall be made whether an impairment loss recognized in prior periods for an asset shall be partly or completely reversed. Indications of a potential decrease in an impairment loss mainly mirror the indications of a potential impairment loss in prior periods.
A reversal of an impairment loss for an asset other than goodwill shall be recognized immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another standard.

3.4.13. Shares in related parties

The investments in subsidiaries, jointly controlled entities and associated, not classified as held for sale (and not included in the group of assets classified as held for sale) in accordance with IFRS 5, are accounted at cost less impairment losses.

3.4.14. Trade and other receivables

Trade and other receivables are recognized initially at the fair value increased by transaction costs and subsequently, at amortized cost using the effective interest method less impairment allowances.
Impairment allowances of receivables are based on an individual analysis of the value of held collaterals, and based on the possible compensations of debts, allowances.
Recognition and reversal of impairment losses of receivables are recognized in other operating activity in relation to the principal amount and in financial activities in relation to interest for delayed payments.

3.4.15. Cash and cash equivalents

Cash comprises cash on hand and in a bank accounts. Cash equivalents are short-term, highly liquid investments (of original maturity up to three months) that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3.4.16. Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale.
Non-current assets are classified as held for sale when the following criteria are simultaneously met:
- the sales were declared by the appropriate level of management;
- the assets are available for an immediate sale in their present condition;
- an active program to locate a buyer has been initiated;
- the sale transaction is highly probable and can be settled within 12 months following the sale decision;
- the selling price is reasonable in relation to its current fair value;
- it is unlikely that significant changes to the sales plan of these assets will be introduced.

The classification of assets into this category is made in the reporting period when the classification criteria are met. If the criteria for classification of a non-current asset as held for sale are met after the reporting period, an entity shall not classify a non-current asset as held for sale in those financial statements when issued.
Immediately, before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Company's accounting policies. Thereafter, generally the assets (excluding financial assets) are measured at the lower of their carrying amount or fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, or investment property, which continue to be measured in accordance with the Company's accounting policies. While a non-current asset is classified as held for sale it shall not be depreciated (or amortized). A gain is recognized for any subsequent increase in fair value less costs to sell an asset, but not in excess of the cumulative impairment loss that has been previously recognized.
A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:
- represents a separate major line of business or geographical area of operations,
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

The Company shall re-present the disclosures presented with refer to discontinued operation for prior periods presented in the separate financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.
If the Company ceases to classify a discontinued operation, the results of operations previously presented in discontinued operations shall be reclassified and included in the results from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented.

3.4.17. Equity

Equity is recorded in the accounting records by type, in statutory with legal regulations and the Company's articles of association. Equity includes:

3.4.17.1. Share capital

The share capital is paid by shareholders and is stated at nominal value in accordance with the Company's articles of association and the entry in the Commercial Register.

3.4.17.2. Hedging reserve

The hedging reserve relates to valuation and settlement of hedging instruments that meet the criteria of cash flow hedge accounting. The Company applies cash flow hedge accounting to hedge commodity risk, exchange rate risk and interest rate risk. Changes in fair value, which are an ineffective part of the hedge relationship, are recognized in the statement of profit or loss.

3.4.17.3. Revaluation reserve

The Revaluation reserve includes revaluation of items, which, according to the Company's regulations, relates to the revaluation reserve, including particularly:
- change in the fair value of the available-for-sale financial assets;
- differences between the net book value and the fair value of investment property at the date of reclassification from the property occupied by the Company to investment property.

3.4.17.4. Retained earnings

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

3.4.18. Trade and other liabilities

Liabilities, including trade liabilities, are initially stated at fair value, increased by transaction cost and subsequently, at amortized cost using the effective interest rate method.
Accruals are liabilities due for goods received or services provided, but not paid, invoiced or formally agreed with the seller, together with amounts due to employees.
Although it is sometimes necessary to estimate the amount or timing of accruals, the related uncertainty is generally much lower than it is for provisions.

3.4.19. Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is more likely that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured reliably. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.
The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.
Provisions are not recognized for future operating losses.

3.4.19.1. Environmental provision

The Company creates provisions for future liabilities due to reclamation of contaminated land or water or elimination of harmful substances if there is such a legal or constructive obligation. The environmental provision for reclamation is periodically reviewed on the basis of contaminated assessment.

3.4.19.2. Jubilee bonuses and retirement benefits

Under the Company's remuneration plans, its employees are entitled to jubilee bonuses and retirement benefits. Jubilee bonuses are paid to employees after an elapse of a defined number of years in service. Retirement benefits are paid once at retirement. The amount of retirement benefits and jubilee bonuses depends on the number of years of service and an employee's average remuneration.
The jubilee bonuses are other long-term employee benefits, whereas retirement and pension benefits are classified as retirement defined benefit plans.
The provision for jubilee bonuses, retirement and pension benefits is created in order to allocate costs to relevant periods.
The present value of those liabilities is estimated at the end of each reporting period by an independent actuary and adjusted if there are any material indications impacting the value of the liabilities. The accumulated liabilities equal discounted future payments, considering the demographic and financial assumptions including employee rotation, planned increase of remuneration and relate to the period ended at the last day of the reporting year. Actuarial gains and losses from:
- post employment benefits are recognized in components of other comprehensive income,
- other employment benefits, including jubilee bonuses, are recognized in the statement of profit and loss.

3.4.19.3. Shield programs

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

3.4.19.4. Other provisions

Other provisions include mainly provisions for legal proceedings and are recognized after consideration of all available information, including opinions of independent experts. If on the basis of such information it is more likely than not that a present obligation exists at the end of the reporting period, the Company recognizes a provision (if the recognition criteria are met).
If it is more likely that no present obligation exists at the end of the reporting period, the Company discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.

3.4.20. Government grants

Government grants are transfers of resources to the Company by the government, government agencies and similar bodies whether local, national or international, in return for past or future compliance with certain conditions relating to the activities of the entity.
Government grants are recognized in the statement of financial position as deferred income when there is reasonable assurance that it will be received and that the Company will comply with the conditions attached to it.
Grants related to costs are presented as compensation to the given cost in the period they are incurred. Surplus of the received grant over the value of the given cost is presented as other operating income.
If the government grants relate to assets, thet are presented net with the related asset and are recognized in the statement of profit or loss on a systematic basis over the useful life of the related asset through decreased depreciation charges.

3.4.21. Separate statement of cash flows

The separate statement of cash flows is prepared using the indirect method.
Cash and cash equivalents presented in the separate statement of cash flows include cash and cash equivalents less bank overdrafts, if they form an integral part of the Company's cash management.
Dividends received are presented in cash flows from investing activities.
Dividends paid are presented in cash flows from financing activities.
Interests received from finance leases, loans granted, short-term securities and cash pooling system are presented in cash flows from investing activities. Other interests received are presented in cash flows from operating activities.
Interests paid and provisions on bank loans and borrowings received, cash pool facility, debt securities issued and finance leases are presented in cash flows from financing activities. Other interests paid are presented in cash flows from operating activities.

3.4.22. Financial instruments

3.4.22.1. Measurement of financial assets and liabilities

At initial recognition, the Company measures financial assets and liabilities at their fair value plus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.
At the end of the reporting period, the Company measures loans and receivables including trade receivables at amortized cost using the effective interest rate method. Effective interest is the rate which discounts estimated future cash flows or payments made in expected periods until financial instrument expiration, and for shorter periods in justified situations up to the net book value of financial asset or liability.
At the end of the reporting period, the Company measures its financial liabilities at amortized cost using the effective interest rate method.

3.4.22.2. Transfers

In the Company, there were no particular circumstances for the reclassification of financial instruments measured at fair value through profit or loss.

3.4.23. Fair value measurement

The Company maximises the use of relevant observable inputs and minimizes the use of unobservable inputs to meet the objective of fair value measurement, which is to estimate the price at which an orderly transaction to transfer the liability or equity instrument would take place between market participants as at the measurement date under current market conditions.
The Company measures derivative instruments at fair value using valuation models for financial instruments based on generally available exchange rates, interest rates, forward and volatility curves, for currencies and commodities quoted on active markets.
The fair value of derivatives is based on discounted future flows related to contracted transactions as the difference between term price and transaction price.
Forward rates of exchange are not modeled as a separate risk factor, but they are calculated as a result of a spot rate and a forward interest rate for foreign currency in relation to CZK.
Derivative instruments are presented as assets when their valuation is positive and as liabilities when their valuation is negative.
Gains and losses resulting from changes in fair value of derivative instruments, for which hedge accounting is not applicable, are recognized in the current year profit or loss.
As compared to the previous reporting period, the Company has not changed valuation methods concerning derivative instruments.

3.4.24. Lease

A lease is an agreement whereby a lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.
Assets used under the operating lease, that is under the agreement that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee, are recognized as assets of the lessor. Determining whether the transfer or risks and rewards exists depends on the assessment of the essence of the economic substance of the transaction.

3.4.25. Contingent assets and liabilities

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

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

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

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

3.4.26. Subsequent events after the reporting date

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

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

4. APPLICATION OF PROFESSIONAL JUDGEMENTS AND ASSUMPTIONS

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

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

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

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in notes: 5. The parent company and structure of the consolidated group, 10. Tax expense, 12. Investment property, 15. Changes in impairment allowances of trade and other receivables, 23. Financial instruments.

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

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

5. THE PARENT COMPANY AND STRUCTURE OF THE CONSOLIDATED GROUP

The following table shows subsidiaries and joint operations forming the consolidated Group of UNIPETROL, a.s., and the parent company's interest in the capital of subsidiaries and joint operations held either directly by the parent company or indirectly by the consolidated subsidiaries and allocation of subsidiaries into the Operating segments (information as of 31 December 2015).

Name and place of business	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries	Operating segment	Website
Parent company				
UNIPETROL, a.s. Na Pankráci 127, 140 00 Praha 4, Czech Republic			Corporate Functions	www.unipetrol.cz
Subsidiaries consolidated in full method				
BENZINA, s.r.o. Na Pankráci 127, 140 00 Praha 4, Czech Republic	100.00%	--	Retail	www.benzinaplus.cz
ČESKÁ RAFINÉRSKÁ, a.s. Záluží 2, 436 70 Litvínov, Czech Republic	100.00%	--	Downstream	www.ceskarafinerska.cz
HC VERVA Litvínov, a.s. Litvínov, S.K. Neumanna 1598, Czech Republic	--	70.95%	Corporate Functions	www.hokej-litvinov.cz
CHEMOPETROL, a.s. (dormant entity) Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	--	100.00%	Downstream	
MOGUL SLOVAKIA s.r.o.* Hradiště pod Vrátnom, U ihriska 300, Slovak Republic	--	100.00%	Downstream	www.mogul.sk
PARAMO, a.s. Přerovská 560, 530 06 Pardubice, Czech Republic	100.00%	--	Downstream	www.paramo.cz
Paramo Oil s.r.o. (dormant entity) Přerovská 560, 530 06 Pardubice, Czech Republic	--	100.00%	Downstream	
PETROTRANS, s.r.o. Střelničná 2221, 182 00 Praha 8, Czech Republic	0.63%	99.37%	Downstream	www.petrotrans.cz
UNIPETROL AUSTRIA HmbH in Liquidation Vídeň, Apfelgasse 2, Austria	100.00%	--	Downstream	
UNIPETROL Deutschland GmbH Paul Ehrlich Str. 1/B , 63225 Langen/Hessen, Germany	0.10%	99.90%	Downstream	www.unipetrol.de
UNIPETROL DOPRAVA s.r.o. Litvínov - Růžodol č.p. 4, 436 70 Litvínov, Czech Republic	0.12%	99.88%	Downstream	www.unipetroldoprava.cz
UNIPETROL RAFINÉRIE, s.r.o. (dormant entity) Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00%	--	Downstream	
UNIPETROL RPA, s.r.o. Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00%	--	Downstream Corporate Functions	www.unipetrolrpa.cz
UNIPETROL RPA Hungary Kft. 1042 Budapest, Arpad ut 48-50. I. em.5, Hungary	--	100.00%	Downstream	
UNIPETROL SERVICES, s.r.o. Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00%	--	Corporate Functions	www.unipetrolservices.cz
UNIPETROL SLOVENSKO s.r.o. Panónská cesta 7, 850 00 Bratislava, Slovak Republic	13.04%	86.96%	Downstream	www.unipetrol.sk
Výzkumný ústav anorganické chemie, a.s.** Revoluční 84/č.p. 1521, Ústí nad Labem, Czech Republic	100.00%	--	Downstream	www.vuanch.cz
Joint operations consolidated based on shares in assets and liabilities				
Butadien Kralupy a.s. O. Wichterleho 810, 278 01 Kralupy nad Vltavou, Czech Republic	51.00%	--	Downstream	www.butadien.cz

*MOGUL SLOVAKIA s.r.o was mergered with UNIPETROL SLOVENSKO s.r.o. as of 1 January 2016.
**As of 1 January 2016 the company Výzkumný ústav anorganické chemie, a.s. has changed the name to Unipetrol výzkumně vzdělávací centrum, a.s.

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

Changes in structure of the Group

Acquisition of 32.445% stake in ČESKÁ RAFINÉRSKÁ, a.s. from Eni International B.V.
On 30 April 2015 UNIPETROL, a.s. completed the acquisition of 303 301 shares of ČESKÁ RAFINÉRSKÁ, a.s. ("Česká rafinérská") amounting to 32.445% of the Česká rafinérská's share capital from Eni International B.V. ("Eni") following the conclusion of a share purchase agreement on 3 July 2014. The acquisition price for the shares in the amount of EUR 24 million was settled in cash. The Company paid CZK 456 million as a compensation to UNIPETROL RPA, s.r.o. following to the Assignment agreement and a provision of UNIPETROL RPA, s.r.o. to return of the part of the Line fill loan to ČESKÁ RAFINÉRSKÁ, a.s. The total price of the share amounted to CZK 1 118 million.
Based on the completion of the transaction Unipetrol's stake in the Česká rafinérská's share capital has increased from 67.555% to 100%. After settlement of the transaction Unipetrol obtained control over Česká rafinérská, and adopted the full method of consolidation.
As a result of the completion of the transaction, Unipetrol recognized a gain on bargain purchase (the excess of fair value of net assets purchased by Unipetrol over the price paid) in the amount of CZK 429 million in the consolidated statement of profit or loss and other comprehensive income. The gain was calculated in accordance with the accounting principles described in note 3.4.4. Business combinations and 3.4.14.1. Goodwill in Group accounting principles and policies included in the consolidated financial statements of the Group as at and for the year ended 31 December 2014 based on the financial data of ČESKÁ RAFINÉRSKÁ, a.s. used for UNIPETROL Group consolidation purposes as at 30 April 2015.
The recognition of the gain on bargain purchase was preceded by verification of completeness and accuracy of the values of the identified assets and liabilities purchased as part of the transaction and determination of the fair value of identified assets and liabilities.

Liquidation of UNIPETROL TRADE Group
CHEMAPOL (SCHWEIZ) AG was deleted from Commercial register on 18 August 2015.
The liquidation of UNIPETROL AUSTRIA HmbH is ongoing.

UNIPETROL RPA Hungary Kft.
The company UNIPETROL RPA, s.r.o. has established a new subsidiary company in Hungary, named UNIPETROL RPA Hungary Kft. The subject of its business will be wholesale sales of solid, liquid and gaseous fuels and related products as well as retail sales of motor fuels in the specialized shops.

Merger between UNIPETROL RPA, s.r.o. and POLYMER INSTITUTE BRNO, spol. s r.o.
The merger by amalgamation of UNIPETROL RPA, s.r.o. and POLYMER INSTITUTE BRNO, spol. s r.o. was approved by the companies' General Meetings with legal succession of UNIPETROL RPA, s.r.o. on 28 December 2015. The legal effects of the merger came into force as at 31 December 2015.

Merger between UNIPETROL RPA, s.r.o. and BENZINA, s.r.o.
The merger by amalgamation of UNIPETROL RPA, s.r.o. and BENZINA, s.r.o. was approved by the companies' General Meetings with legal succession of UNIPETROL RPA, s.r.o. on 21 December 2015. The legal effects of the merger came into force as at 1 January 2016.

Merger between UNIPETROL SLOVENSKO s.r.o. and MOGUL SLOVAKIA s.r.o.
The merger by amalgamation of UNIPETROL SLOVENSKO s.r.o. and MOGUL SLOVAKIA s.r.o. was approved by the companies's General Meetings with legal succession of UNIPETROL SLOVENSKO s.r.o. on 21 December 2015. The legal effects of the merge came into force as at 1 January 2016.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS

6. REVENUES

	2015	2014
Fees for use of lands	115	114
Other services	52	41
	167	**155**

6.1. Geographical information

All revenues were realized in the Czech Republic.

6.2. Major customers

The Company has individual customers who accounted for 10% or more of the Company's total revenues. These customers are entities related to UNIPETROL, a.s.

7. OPERATING EXPENSES

7.1. Cost of sales

	2015	2014
Cost of services sold	(90)	(86)
	(90)	**(86)**

7.2. Cost by nature

	2015	2014
Materials and energy	(2)	(2)
External services	(100)	(97)
Employee benefits	(148)	(146)
Depreciation and amortisation	-	(1)
Taxes and charges	(19)	(19)
Repairs and maintenance	-	(1)
Insurance	(1)	(2)
Other	(85)	(21)
Operating expenses	**(355)**	**(289)**
Administrative expenses	214	202
Other operating expenses	51	1
Cost of sales	**(90)**	**(86)**

7.3. Employee benefits costs

	2015	2014
Wages and salaries	(107)	(104)
Social and health insurance	(25)	(25)
Social expense	(16)	(17)
	(148)	**(146)**

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

7.3.1. Employee benefits costs – additional information

2015	Employees	Key Management	Audit Committee	Board of Directors	Supervisory Board	Total
Wages and salaries	(51)	(16)	(1)	(32)	(7)	(107)
Social and health insurance	(15)	(3)	-	(5)	(2)	(25)
Social expense	(8)	(3)	-	(5)	-	(16)
	(74)	**(22)**	**(1)**	**(42)**	**(9)**	**(148)**
Number of employees average per year						46.92
Number of employees as at balance sheet day						47

2014	Employees	Key Management	Audit Committee	Board of Directors	Supervisory Board	Total
Wages and salaries	(52)	(41)	(1)	(3)	(7)	(104)
Social and health insurance	(15)	(7)	-	(1)	(2)	(25)
Social expense	(10)	(7)	-	-	-	(17)
	(77)	**(55)**	**(1)**	**(4)**	**(9)**	**(146)**
Number of employees average per year						46.67
Number of employees as at balance sheet day						52

8. OTHER OPERATING INCOME AND EXPENSES

8.1. Other operating income

	2015	2014
Profit on sale of non-current non-financial assets	1	-
Reversal of receivables impairment allowances	-	21
Other	5	1
	6	**22**

8.2. Other operating expenses

	2015	2014
Recognition of provisions	(50)	-
Donations	(1)	(1)
	(51)	**(1)**

9. FINANCE INCOME AND COSTS, NET

	2015	2014
Interest	53	89
Dividends received	330	359
Reversal of impairment of financial assets	1 922	-
Other	9	(3)
	2 314	**445**

9.1. Finance income

	2015	2014
Interest	84	184
Dividends received	330	359
Reversal of impairment of financial assets	1 922	-
Other	16	6
	2 352	**549**

During the year 2015 the Company reversed the impairment to the financial investment in BENZINA, s.r.o. due to improved financial result and planned merger with UNIPETROL RPA, s.r.o.

9.2. Finance costs

	2015	2014
Interest	(31)	(95)
Other	(7)	(9)
	(38)	**(104)**

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

10. TAX EXPENSE

	2015	2014
Tax expense in the statement of profit or loss		
Current tax	(2)	(4)
Deferred tax	13	(1)
	11	**(5)**

Domestic tax is calculated in accordance with Czech tax regulations at the rate of 19% in 2015 (2014: 19%) of the estimated taxable income for the year. The deferred tax has been calculated using the tax rate approved for the years 2016 and forward, i.e. 19%.

10.1. The differences between tax expense recognized in profit or loss and the amount calculated based on rate from profit before tax

	2015	2014
Profit for the year	2 143	328
Total tax credit/(expense)	11	(5)
Profit before tax	2 132	333
Tax using domestic tax rate	(405)	(63)
Non-deductible expenses	(11)	(9)
Tax exempt income	428	69
Under (over) provided in prior periods	(1)	(2)
Total tax credit/(expense)	**11**	**(5)**
Effective tax rate	**0.51%**	**(1.46%)**

10.2. Deferred tax

Deferred taxes result from future tax benefits and costs related to the differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. The deferred taxes have been calculated using the tax rate expected to apply to periods when the respective asset is realized or liability is settled (i.e. 19% in 2016 and onward).

	31/12/2014	Deferred tax recognized in statement of profit or loss	31/12/2015
Deferred tax assets			
Provisions	-	10	10
Unused tax losses carried forward	-	3	3
Employee benefit costs	6	-	6
	6	**13**	**19**
Deferred tax liabilities			
Investment property	(119)	-	(119)
	(119)	**-**	**(119)**
	(113)	**13**	**(100)**

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

11. PROPERTY, PLANT AND EQUIPMENT

	31/12/2015	31/12/2014
Land	9	9
	9	**9**

Changes in property, plant and equipment

	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Total
01/01/2015					
Net book value					
Gross book value	9	-	3	9	**21**
Accumulated depreciation and impairment allowances	-	-	(3)	(9)	**(12)**
	9	**-**	**-**	**-**	**9**
increase/(decrease) net					
Reclassifications	-	(5)			**(5)**
Other increases	-	5	-	-	**5**
31/12/2015					
Net book value	**9**	**-**	**-**	**-**	**9**
Gross book value	9	-	2	2	**13**
Accumulated depreciation and impairment allowances	-	-	(2)	(2)	**(4)**
	9	**-**	**-**	**-**	**9**
01/01/2014					
Net book value					
Gross book value	9	-	3	9	21
Accumulated depreciation and impairment allowances	-	-	(3)	(8)	(11)
	9	**-**	**-**	**1**	**10**
increase/(decrease) net					
Depreciation	-	-	-	(1)	(1)
31/12/2014					
Net book value	**9**	**-**	**-**	**-**	**9**

Other information on property, plant and equipment

	31/12/2015	31/12/2014
The gross book value of fully depreciated property, plant and equipment still in use	5	6

12. INVESTMENT PROPERTY

	2015	2014
At the beginning of the year	1 156	1 156
Reclassification from property, plant and equipment	5	-
	1 161	**1 156**

Rental income amounted to CZK 115 million in 2015 (2014: CZK 114 million). Operating costs related to the investment property in reporting period amounted to CZK 23 million in 2015 (2014: CZK 22 million).

12.1. Fair value of investment property measurement

Investment property as at 31 December 2015 included the lands owned by the Company and leased to subsidiaries of the Company and third parties, which fair value was estimated by revenue approach.
In the revenue approach the calculation was based on the discounted cash flow method. The discount rate used reflects the relation, as expected by the buyer, between annual revenue from an investment property and expenditures required to purchase investment property. Forecasts of discounted cash flows relating to the property consider arrangements included in all rent agreements as well as external data, e.g. current market rent charges for similar property, in the same location, technical conditions, standard and designed for similar purposes. The investment property valued under the revenue approach is classified to Level 3 as defined by IFRS 7. The discount rate of 8.10% was used for the calculation of the investment property fair value.

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

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

	Level 3			
	Increase by	Total impact	Decrease by	Total impact
Change in discount rate	+1 pp	(91)	-1 pp	91

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13. SHARES IN RELATED PARTIES

Shares in related parties as at 31 December 2015 were as follows:

Name of the entity	Registered office	Cost of investment	Ownership percentage	Impairment	Carrying amount	Dividend income for the year
Subsidiaries consolidated in full method						
UNIPETROL RPA, s.r.o.	Litvínov	7 361	100.00	-	7 361	0.3
ČESKÁ RAFINÉRSKÁ, a.s.	Litvínov	5 541	100.00	-	5 541	-
Výzkumný ústav anorganické chemie, a.s.	Ústí nad Labem	59	100.00	8	51	-
BENZINA, s.r.o.	Praha 4	4 181	100.00	-	4 181	-
PARAMO, a.s.	Pardubice	1 251	100.00	1 073	178	-
UNIPETROL SERVICES, s.r.o.	Litvínov	100	100.00	-	100	18
UNIPETROL RAFINÉRIE, s.r.o.	Praha 4	0.4	100.00	-	0.4	-
UNIPETROL AUSTRIA HmbH	Vídeň	3	100.00	-	3	-
Joint operations consolidated based on shares in assets and liabilities						
Butadien Kralupy a.s.	Kralupy nad Vltavou	162	51.00	-	162	306
Other investments						
ORLEN MALTA HOLDING	La Valeta	1	-	-	1	-
Spolek pro chemickou a hutní výrobu, akciová společnost	Ústí nad Labem	0.0002	-	-	0.0002	-
UNIPETROL DOPRAVA, s.r.o.	Litvínov	2	0.12	-	2	0.1
UNIPETROL SLOVENSKO s.r.o.	Bratislava	0.1	13.04	-	0.1	5
PETROTRANS, s.r.o.	Praha 4	1	0.63	-	1	0.1
UNIPETROL DEUTSCHLAND GmbH	Langen/Hessen	0.1	0.10	-	0.1	-
Total		**18 663**	**-**	**1 081**	**17 582**	**330**

Shares in related parties as at 31 December 2014 were as follows:

Name of the entity	Registered office	Cost of investment	Ownership percentage	Impairment	Carrying amount	Dividend income for the year
Subsidiaries consolidated in full method						
UNIPETROL RPA, s.r.o.	Litvínov	7 360	100.00	-	7 360	-
Výzkumný ústav anorganické chemie, a.s.	Ústí nad Labem	59	100.00	8	51	-
BENZINA, s.r.o.	Praha 4	4 181	100.00	1 922	2 259	-
PARAMO, a.s.	Pardubice	1 251	100.00	1 073	178	-
UNIPETROL SERVICES, s.r.o.	Litvínov	100	100.00	-	100	11
UNIPETROL RAFINÉRIE, s.r.o.	Praha 4	0.4	100.00	-	0.4	-
UNIPETROL AUSTRIA HmbH	Vídeň	3	100.00	-	3	-
Joint operations consolidated based on shares in assets and liabilities						
ČESKÁ RAFINÉRSKÁ, a.s.	Litvínov	4 423	67.56	-	4 423	338
Butadien Kralupy a.s.	Kralupy nad Vltavou	162	51.00	-	162	-
Other investments						
ORLEN MALTA HOLDING	La Valeta	1	-	-	1	-
Spolek pro chemickou a hutní výrobu, akciová společnost	Ústí nad Labem	0.0002	-	-	0.0002	-
UNIPETROL DOPRAVA, s.r.o.	Litvínov	2	0.12	-	2	0.2
UNIPETROL SLOVENSKO s.r.o.	Bratislava	0.1	13.04	-	0.1	10
PETROTRANS, s.r.o.	Praha 4	1	0.63	-	1	0.2
POLYMER INSTITUTE BRNO, spol. s r.o.	Brno	1	1.00	-	1	0.2
UNIPETROL DEUTSCHLAND GmbH	Langen/Hessen	0.1	0.10	-	0.1	-
Total		**17 545**	**-**	**3 003**	**14 542**	**359**

The Company had equity investments of CZK 17 582 million as at 31 December 2015 and CZK 14 542 million as at 31 December 2014 which represent ownership interests in companies that do not have a quoted market price and whose fair value cannot be reliably measured and therefore are carried at acquisition cost less any impairment losses.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

14. OTHER NON-CURRENT ASSETS

	31/12/2015	31/12/2014
Loans granted	24	1 472
Financial assets	**24**	**1 472**

Loans granted to subsidiaries

As at 31 December 2015 the Company had non-current loan in the amount of CZK 24 million (31 December 2014: CZK 72 million) granted to its jointly controlled entity Butadien Kralupy a.s. The loan is repayable by regular fixed instalments over next 3 years and interest rates are based on 6M PRIBOR. The fair value of the loan approximates its carrying amount. During the year 2014 the Company provided a non-current loan to BENZINA, s.r.o. in the amount of CZK 1 400 million. The loan should have been repaid within 3 years and interest rate was based on 6M PRIBOR. The loan was repaid on March 2015.

15. TRADE AND OTHER RECEIVABLES

	31/12/2015	31/12/2014
Trade receivables	133	160
Other	2	3
Financial assets	**135**	**163**
Prepayments and deferred costs	7	2
Non-financial assets	**7**	**2**
Receivables, net	**142**	**165**
Receivables impairment allowance	100	100
Receivables, gross	**242**	**265**

Trade receivables result primarily from sales of services. The management considers that the carrying amount of trade receivables approximates their fair value.
The Company exposure to credit and currency risk related to trade and other receivables is disclosed in note 23 and detailed information about receivables from related parties is presented in note 28.

Changes in the impairment allowances of trade and other receivables

	31/12/2015	31/12/2014
At the beginning of the year	100	121
Reversal	-	(21)
	100	**100**

The Company sets impairment charges based on analysis of customers' creditworthiness and ageing of receivables. In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the debtor from the date credit was initially granted up to the reporting date. Accordingly, the management considers that there is no further credit risk allowance required in excess of the allowance for impairment charges.
Increases and reversals of impairment allowances in respect of the principal amount of trade and other receivables are included in other operating expense or income and in respect of interest for delayed payments in financial expense or income.

16. OTHER FINANCIAL ASSETS

	31/12/2015	31/12/2014
Loans granted	142	12 172
Cash pool	7 075	2 886
	7 217	**15 058**

Loans and cash pool granted

The Company provided financing to its subsidiaries: UNIPETROL RPA, s.r.o., BENZINA, s.r.o., Butadien Kralupy a.s., PARAMO, a.s., UNIPETROL SLOVENSKO s.r.o. and MOGUL SLOVAKIA s.r.o.
The interest rates were based on appropriate inter-bank rates and fair value of loans approximates their carrying amount.
The current loans provided to subsidiaries are not collateralised. The current loans to the subsidiaries as at 31 December 2015 included the portion of non-current loans due within one year in the amount of CZK 48 million.
The analysis of current loans by currency of denomination is presented in the note 23.
The Company provides its subsidiaries with short term loans within the Group's cash pool. The loans are not collateralized and their fair value approximates the carrying amount. Further information is presented in note 19.

17. CASH AND CASH EQUIVALENTS

	31/12/2015	31/12/2014
Cash on hand and in bank	5 435	516
	5 435	**516**

The carrying amount of these assets approximates their fair value.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

18. SHAREHOLDERS' EQUITY

18.1. Share capital

The issued capital of the Company as at 31 December 2015 amounted to CZK 18 133 million (31 December 2014: CZK 18 133 million). This represents 181 334 764 (2014: 181 334 764) bearer ordinary shares, each with a nominal value of CZK 100. All issued shares have been fully paid and bear equal voting rights. The Company's shares are listed on the Prague Stock Exchange.

18.2. Statutory reserves

The Annual General Meeting of UNIPETROL, a.s. held on 2 June 2015 approved the cancellation of the reserve fund in the amount of CZK 1 719 million and transfer of that amount to retained earnings.

18.3. Revaluation reserve

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

18.4. Retained earning

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 2 June 2015 decided, pursuant to Article 8 (2) (k) of the Articles of Association of UNIPETROL, a.s., on transfer of the Company's profit generated on separate basis in 2014 in the amount of CZK 328 million to retained earnings.
The decision regarding appropriation of 2015 profit will be made at the annual meeting of shareholders, which will be held in May/June 2016.

18.5. Equity management policy

Equity management is performed on the Group level in order to protect the Group's ability to continue its operations as a going concern while maximizing returns for shareholders.
The Company monitors the equity debt ratio (net financial leverage). As at 31 December 2015 and as at 31 December 2014 Company´s financial leverage amounted to -10.31% and 20.54%, respectively.

Net financial leverage = net debt/equity x 100
Net debt = Non-current loans and borrowings + current loans and borrowings + cash pool liabilities - cash and cash equivalents

18.6. Profit per share

Basic profit per share

	2015	2014
Profit for the year	2 143	328
Weighted average number of shares	181 334 764	181 334 764
Profit per share (in CZK per share)	**11.82**	**1.81**

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

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

19. LOANS AND BORROWINGS

	Non-current		Current		Total	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Borrowings	-	4 000	-	21	-	4 021
	-	**4 000**	**-**	**21**	**-**	**4 021**

Bank loans and cash pool agreements

During the year 2015 the Company had cash pool and loan agreements with the following banks, subsidiaries and related companies:

Banks: CITIBANK a.s., ING Bank N.V., organizační složka, Česká spořitelna, a.s., The Royal Bank of Scotland plc, organizační složka and Nordea Bank Finland Plc.

Subsidiaries and related companies: UNIPETROL RPA, s.r.o., BENZINA, s.r.o., PARAMO, a.s., UNIPETROL DOPRAVA, s.r.o., POLYMER INSTITUTE BRNO, spol s r.o., PETROTRANS, s.r.o., UNIPETROL SERVICES, s.r.o., UNIPETROL SLOVENSKO s.r.o., Butadien Kralupy a.s., MOGUL SLOVAKIA s.r.o., Česká rafinérská, a.s., HC VERVA Litvínov, a.s., Orlen Asfalt Česká republika s.r.o. and ORLEN FINANCE AB.

Cash held at bank accounts of above mentioned banks is drawn by the Company and above mentioned subsidiaries. The contracts enable to access bank loans from CZK 500 million to CZK 4 000 million from each bank. Interest income/expense is calculated from the drawn amount and consequently divided among the parties involved.

Loan granted by PKN Orlen S.A.

On 12 December 2013 the Company signed a mid-term loan agreement with its majority shareholder PKN ORLEN S.A. Based on the Agreement, Unipetrol has received a mid-term loan in the amount of CZK 4 000 million. The purpose of the loan was the diversification of Unipetrol's funding sources and extension of their maturity.

The loan has been divided into two tranches of CZK 2 billion each. First tranche was received in December 2013 and second tranche in January 2014

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

The loan was paid in March and June 2015.

Disclosures resulting from IFRS 7 relating to loans and borrowings are included in note 23 and are presented jointly with other financial instruments.

Analysis of borrowings

- by currency (translated into CZK)/by interest rate

	31/12/2015	31/12/2014
CZK/PRIBOR	-	4 021
	-	**4 021**

20. PROVISIONS

Following the decision of the Czech inspection of environment, the Company recognized a provision in the amount of CZK 50 million in respect of remediation of historical ecological contamination in the Kralupy location. Based on the decision the remediation works have to be finalized till 21 years after their start.

21. TRADE AND OTHER LIABILITIES

	31/12/2015	31/12/2014
Trade liabilities	35	38
Dividends	35	35
Other	27	14
Financial liabilities	**97**	**87**
Payroll liabilities	6	6
Value added tax	8	7
Other taxation, duties, social security and other benefits	4	4
Accruals	30	31
holiday pay accrual	1	1
wages accrual	29	30
Non-financial liabilities	**48**	**48**
	145	**135**

The management considers that the carrying amount of trade and other liabilities and accruals approximate their fair value. The currency structure of financial liabilities is presented in note 23.3.1.1.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

22. OTHER FINANCIAL LIABILITIES

The Company had cash pool liabilities to subsidiaries and related entities in the amount of CZK 2 462 million as at 31 December 2015 (31 December 2014: CZK 1 975 million). The description of cash pool agreements is presented in note 19.

23. FINANCIAL INSTRUMENTS

23.1. Financial instruments by category and class

Financial assets

31/12/2015		Financial instruments by category	
Financial instruments by class	Note	Loans and receivables	Total
Trade receivables	*15.*	133	133
Loans granted	*14.,16.*	166	166
Cash pool	*16.*	7 075	7 075
Cash and cash equivalents	*17.*	5 435	5 435
Other financial assets	*15.*	2	2
		12 811	**12 811**

31/12/2014		Financial instruments by category	
Financial instruments by class	Note	Loans and receivables	Total
Trade receivables	*15.*	160	160
Loans granted	*14.,16.*	13 644	13 644
Cash pool	*16.*	2 886	2 886
Cash and cash equivalents	*17.*	516	516
Other financial assets	*15.*	3	3
		17 209	**17 209**

Financial liabilities

31/12/2015		Financial instruments by category	
Financial instruments by class	Note	Financial liabilities measured at amortised cost	Total
Trade liabilities	*21.*	35	35
Cash pool	*22.*	2 462	2 462
Other financial liabilities	*21.*	62	62
		2 559	**2 559**

31/12/2014		Financial instruments by category	
Financial instruments by class	Note	Financial liabilities measured at amortised cost	Total
Borrowings	*19.*	4 021	4 021
Trade liabilities	*21.*	38	38
Cash pool	*22.*	1 975	1 975
Other financial liabilities	*21.*	49	49
		6 083	**6 083**

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

23.2. Income, expenses, profit and loss in the separate statement of profit or loss and other comprehensive income

2015	Financial instruments by category		
	Loans and receivables	Financial liabilities measured at amortised cost	Total
Interest income	84	-	84
Interest costs	-	(31)	(31)
Foreign exchange gain/(loss)	4	(4)	-
Other	16	(7)	9
	104	**(42)**	**62**
other, exluded from the scope of IFRS 7			
Dividends			330
Impairment allowances of shares in related parties			1 922
			2 252

2014	Financial instruments by category		
	Loans and receivables	Financial liabilities measured at amortised cost	Total
Interest income	184	-	184
Interest costs	-	(95)	(95)
Foreign exchange gain/(loss)	(1)	1	-
Recognition/reversal of receivables impairment allowances recognized in:			
other operating income/(expenses)	21	-	21
Other	6	(9)	(3)
	210	**(103)**	**107**
other, exluded from the scope of IFRS 7			
Dividends			359
			359

23.3. Financial risk management

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the risks outlined below relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other market price risk), credit risk and liquidity risk.
The Company seeks to minimize the effects of these risks by using natural hedging and derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess funds. Compliance with policies and exposure limits is reviewed by the internal auditors on a regular basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

23.3.1. Market risks

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

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

23.3.1.1. Currency risk

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

Currency structure of financial instruments denominated in foreign currency

Financial instruments by class	EUR		USD		Total after translation to CZK	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Financial assets						
Loans granted	4	4	-	-	95	122
Cash pool	-	-	-	11	-	257
Cash and cash equivalents	-	5	-	-	4	155
	4	**9**	**-**	**11**	**99**	**534**
Financial liabilities						
Cash pool	-	5	-	11	4	409
Trade and other liabilities	-	-	-	-	13	3
	-	**5**	**-**	**11**	**17**	**412**

Sensitivity analysis for currency changes risk

The Company is mainly exposed to the fluctuation of exchange rates of CZK/EUR.
The influence of changes in carrying amount of financial instruments arising from hypothetical changes in exchange rates of relevant currencies in relation to presentation currency (CZK) on profit before tax is presented below:

	Assumed variation		Influence on profit before tax		Total	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
EUR/CZK	15%	15%	12	18	12	18
			12	**18**	**12**	**18**
EUR/CZK	-15%	-15%	(12)	(18)	(12)	(18)
			(12)	**(18)**	**(12)**	**(18)**

23.3.1.2. Interest rate risk

The Company is exposed to the risk of volatility of cash flows arising from interest rate loans and cash pool arrangements granted and taken.

Interest rate structure of financial instruments

	PRIBOR		EURIBOR		LIBOR		Total	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Financial assets								
Borrowings granted	72	13 522	94	122	-	-	166	13 644
Cash pool	7 075	2 629	-	-	-	257	7 075	2 886
	7 147	**16 151**	**94**	**122**	**-**	**257**	**7 241**	**16 530**
Financial liabilities								
Borrowings	-	4 021	-	-	-	-	-	4 021
Cash pool	2 458	1 566	3	150	1	259	2 462	1 975
	2 458	**5 587**	**3**	**150**	**1**	**259**	**2 462**	**5 996**

Sensitivity analysis for interest rate risk

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

	Assumed variation		Influence on profit before tax	
	31/12/2015	31/12/2014	2015	2014
PRIBOR	+0.5 pp	+0.5 pp	23	53
			23	**53**

The Company does not consider in the sensitivity analysis change of EURIBOR and LIBOR due to their insignificant impact.
The above interest rates variations were calculated based on observations of interest rates fluctuations in the current and prior year as well as on the basis of available forecasts.
The sensitivity analysis was performed on the basis of instruments held as at 31 December 2015 and as at 31 December 2014. The influence of interest rates changes was presented on annual basis.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

23.3.2. Credit and liquidity risk

The Company has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Loans granted (note 14 and note 16) and receivables (note 15) principally consist of amounts due from subsidiaries and joint operations. The Company does not require collateral in respect of these financial assets. The Company's management monitors the most significant debtors and assesses their creditworthiness. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.
Based on the analysis of receivables the counterparties were divided into two groups:
Group I – counterparties with a good or very good history of cooperation in the current year,
Group II – other counterparties.

	31/12/2015	31/12/2014
Group I	135	163
Group II	-	-
	135	**163**

The carrying amount of financial assets represents the maximum credit exposure.
The Company does not have any past due, not impaired financial assets.
The maximum credit risk in respect of each class of financial assets is equal to the book value.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate liquid funds, borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.
As at 31 December 2015 and as at 31 December 2014, the maximum available credit facilities relating to bank loans and guarantees amounted to CZK 9 500 million and CZK 13 485 million respectively, of which as at 31 December 2015 and as at 31 December 2014, CZK 8 006 million and CZK 12 113 million respectively, remained unused for bank loans. The description of the loans and guarantees drawn from credit facilities is presented in notes 19 and 26.

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

Maturity analysis of financial liabilities

		31/12/2015			
	Note	Up to 1 year	From 1 to 3 years	Total	Carrying amount
Cash pool - undiscounted value	*22.*	2 462	-	2 462	2 462
Trade and other liabilities	*21.*	97	-	97	97
		2 559	**-**	**2 559**	**2 559**

		31/12/2014			
	Note	Up to 1 year	From 1 to 3 years	Total	Carrying amount
Borrowings - undiscounted value	*19.*	87	4 087	4 174	4 021
Cash pool - undiscounted value	*22.*	1 975	-	1 975	1 975
Trade and other liabilities	*21.*	87	-	87	87
		2 149	**4 087**	**6 236**	**6 083**

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

24. FAIR VALUE MEASUREMENT

		31/12/2015		31/12/2014	
	Note	Fair value	Carrying amount	Fair value	Carrying amount
Financial assets					
Trade receivables	*15.*	133	133	160	160
Borrowings granted	*14.,16.*	166	166	13 644	13 644
Cash pool	*16.*	7 075	7 075	2 886	2 886
Cash and cash equivalents	*17.*	5 435	5 435	516	516
Other	*15.*	2	2	3	3
		12 811	**12 811**	**17 209**	**17 209**
Financial liabilities					
Borrowings	*19.*	-	-	4 021	4 021
Trade liabilities	*21.*	35	35	38	38
Cash pool	*22.*	2 462	2 462	1 975	1 975
Other	*21.*	62	62	49	49
		2 559	**2 559**	**6 083**	**6 083**

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

Fair value of shares quoted on active markets is determined based on market quotations (so called Level 1). In other cases, fair value is determined based on other input data, apart from market quotations, which are directly or indirectly possible to observe (so called Level 2) and data to valuation, which are not based on observable market data (Level 3).
Financial assets and liabilities carried at fair value by the Company belong to Level 2 as defined by IFRS.
In the year ended 31 December 2015 and the comparative period in the Company were no transfers between Levels 1, 2 and 3.
As at 31 December 2015 the Company held unquoted shares in entities amounting to CZK 17 582 million (31 December 2014: CZK 14 542 million), for which fair value cannot be reliably measured due to the fact that there are no active markets for these entities nor comparable transactions of the same type of instruments. The above mentioned shares were measured at acquisition cost less impairment allowances. As at 31 December 2015 there are no binding decisions relating to the means and dates of disposal of those assets.

25. LEASE

25.1. The Company as a lessee

Operating lease
At the balance sheet date the Company is a lessee under non-cancellable operating lease arrangements.
Future minimum lease payments under non–cancellable operating lease agreements were as follows:

	31/12/2015	31/12/2014
Less than one year	5	7
Between one and five years	9	20
	14	**27**

The Company leases vehicles and offices under operating leases. The vehicle leases typically run for a two year period. Lease payments are adjusted annually to reflect market conditions. None of the leases includes contingent rentals.
Payments recognized as an expense were as follows:

	2015	2014
Non-cancellable operating lease	6	1

Finance lease
At the balance sheet date the Company is not a party to finance lease arrangements as a lessee.

25.2. The Company as a lessor

As at 31 December 2015 and as at 31 December 2014 the Company did not possess any finance or operating lease agreements as a lessor.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

26. CONTINGENT ASSETS AND LIABILITIES

Purchase of shares of PARAMO, a.s.
In January 2009 UNIPETROL, a.s. effected a squeeze out of PARAMO, a.s. shares and became sole shareholder of PARAMO, a.s.
In accordance with the resolutions of the Extraordinary General Meeting of PARAMO, a.s. of 6 January 2009, all other shares in PARAMO, a.s were transferred to the Company and the Company provided to the other shareholders of PARAMO, a.s. monetary consideration of CZK 977 per share of PARAMO, a.s.
In connection with the squeeze-out, certain minority shareholders of PARAMO, a.s. filed a petition with the Regional Court in Hradec Králové for a review of the adequacy of compensation within the meaning of the Czech Commercial Code. The case is now pending at the Regional Court in Hradec Králové.
On 23 June 2015 the court decided to appoint another expert witness - Expert Group, s.r.o. having its registered seat at Radniční 133/1, České Budějovice - to provide a valuation of the PARAMO, a.s. shares.

Support letter issued in favour of PARAMO, a.s.
The Company has confirmed in a letter of support its commitment to provide loan financing to its subsidiary PARAMO, a.s. for at least 12 months from the date of PARAMO, a.s.'s 2015 financial statements.

Guarantees issued
As part of the operational financing of UNIPETROL, a.s., the bank guarantees in the amount of CZK 1 215 million (2014: CZK 821 million) were provided for the companies: UNIPETROL RPA, s.r.o. in the amount of CZK 959 million (2014: CZK 761 million), UNIPETROL SERVICES, s.r.o. in the amount of 7 million CZK (2014: CZK 7 million), BENZINA, s.r.o. in the amount of CZK 29 million (2014: CZK 29 million) and PARAMO, a.s. in the amount of CZK 220 million (2014: CZK 24 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 ČESKÁ RAFINÉRSKÁ, a.s. of CZK 3 100 million.

27. PAST ENVIRONMENTAL LIABILITIES

The Company is the recipient of funds provided by the National Property Fund of the Czech Republic for settling environmental liabilities relating to historic environmental damage. Funds up to CZK 10 256 million are provided to cover cost actually incurred in relation to settlement of historic environmental damage.
An overview of funds provided by the National Property Fund (currently administered by the Ministry of Finance) for the environmental contracts is provided below:

	Total amount of funds to be provided	Used funds as at 31/12/2015	Unused funds as at 31/12/2015
UNIPETROL, a.s. / premises of UNIPETROL RPA, s.r.o.	6 012	4 014	1 998
UNIPETROL, a.s. / premises of SYNTHOS Kralupy a.s.	4 244	51	4 193
	10 256	**4 065**	**6 191**

	Total amount of funds to be provided	Used funds as at 31/12/2014	Unused funds as at 31/12/2014
UNIPETROL, a.s. / premises of UNIPETROL RPA, s.r.o.	6 012	3 868	2 144
UNIPETROL, a.s. / premises of SYNTHOS Kralupy a.s.	4 244	51	4 193
	10 256	**3 919**	**6 337**

28. RELATED PARTY TRANSACTIONS

28.1. Information on material transactions concluded by the Company with related parties on other than market terms

In 2015 and in 2014 there were no transactions concluded by the Company with related parties on other than market terms.

28.2. Transactions with key management personnel

In 2015 and in 2014 the Company did not grant to managing and supervising persons and their relatives any advances, loans, guarantees and commitments or concluded other agreements obliging them to render services to the Company and its related parties. As at 31 December 2015 and as at 31 December 2014 there were no loans granted by the Company to managing ans supervising persons and their relatives.

28.3. Transaction with related parties concluded through the key management personnel

In 2015 and in 2014 key management personnel of the Company did not conclude any transaction with related parties.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2015 (in CZK million)

28.4. Transactions and balances of settlements of the Company with related parties

Parent and ultimate controlling party

During 2015 and 2014 a majority (62.99%) of the Company's shares were in possession of POLSKI KONCERN NAFTOWY ORLEN S.A.

2015	PKN Orlen	Entities under control or significant influence of UNIPETROL, a.s.	Entities under control or significant influence of PKN Orlen
Sales	-	144	-
Purchases	2	41	-
Finance income, including	-	428	-
dividends	-	*330*	-
Finance costs	30	-	-

31/12/2015	PKN Orlen	Entities under control or significant influence of UNIPETROL, a.s.	Entities under control or significant influence of PKN Orlen
Non-current receivables and loans granted	-	24	-
Current financial assets	-	7 217	-
Trade and other receivables	-	93	-
Trade and other liabilities, including loans	-	2 466	1

2014	PKN Orlen	Entities under control or significant influence of UNIPETROL, a.s.	Entities under control or significant influence of PKN Orlen
Sales	-	132	-
Purchases	3	41	-
Finance income, including	-	547	-
dividends	-	*359*	-
Finance costs	86	-	-

31/12/2014	PKN Orlen	Entities under control or significant influence of UNIPETROL, a.s.	Entities under control or significant influence of PKN Orlen
Non-current receivables and loans granted	-	1 472	-
Current financial assets	-	15 058	-
Trade and other receivables	-	109	-
Trade and other liabilities, including loans	4 023	1 981	-

29. REMUNERATION PAID AND DUE OR POTENTIALLY DUE TO THE BOARD OF DIRECTORS, THE SUPERVISORY BOARD AND OTHER MEMBERS OF KEY EXECUTIVE PERSONNEL

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

	2015		2014	
	Short-term benefits	Termination benefits	Short-term benefits	Termination benefits
Remuneration of current period	74	-	67	2
Paid for previous year	17	-	15	-
Potentially due to be paid in the following year	16	-	15	-

Further detailed information regarding remuneration of key management personnel is included in note 7.3.

29.1. Bonus system for key executive personnel of the Company

In 2015 the key executive personnel was participating in the annual MBO bonus system (management by objectives). The regulations applicable to Management Board, directors directly reporting to Management Boards of entities and other key positions have certain common features. The persons subject to the above mentioned systems are remunerated for the accomplishment of specific goals set at the beginning of the bonus period, by the Supervisory Board for the Management Board Members and by the Management Board members for the key executive personnel. The bonus systems are structured in such way, so as to promote the cooperation between individual employees in view to achieve the best possible results for the Company. The goals so-said are qualitative or quantitative (measurable) and are accounted for following the end of the year for which they were set, on the rules adopted in the applicable Bonus System Regulations. Regulation gives the possibility to promote employees, who significantly contribute to results generated by the Company.

29.2. The entitlements upon the termination of employment

The entitlements arising from contracts with key management personnel upon the termination of employment contained both a competition and a stabilization clause. The competition and stabilization clause ranges between three and six average monthly earnings or monthly base salary respectively.

30. SUBSEQUENT EVENTS AFTER THE REPORTING DATE

The Chairman of Supervisory Board of UNIPETROL, a.s., Mr. Dariusz Jacek Krawiec submitted a letter of resignation from his office of member of the Supervisory Board of UNIPETROL, a.s., on 21 December 2015 with the effect on 21 January 2016.

The Supervisory Board of UNIPETROL, a.s. on the meeting held on 13 January 2016 re-elected Mr. Mirosław Kastelik to office of Member of the Board of Directors of UNIPETROL, a.s. with the effect on 6 February 2016.

Mr. Rafał Sekuła resigned from his office of a member of the Supervisory Board of UNIPETROL, a.s. on 11 February 2016 with the effect on 11 March 2016.

The Company's management is not aware of any other events that have occurred since end of the reporting period that would have any material impact on the financial statements as at 31 December 2015.

31. APPROVAL OF THE FINANCIAL STATEMENTS

These separate financial statements were authorized by the Board of Directors' meeting held on 15 March 2016.

Signature of statutory representatives

Marek Świtajewski

Marek Świtajewski
Chairman of the Board of Directors

Mirosław Kastelik
Member of the Board of Directors