



UNIPETROL, a.s.

Half-year Report 2016

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Business activities and financial results in the first half of 2016

Key financial and non-financial data

CZK m	6M 2015	6M 2016
Revenues	56,498	38,237
Gross profit	8,009	1,815
EBITDA LIFO	7,070	4,933
EBITDA	7,464	4,819
EBIT LIFO	6,103	3,991
EBIT	6,497	3,877
<i>Downstream segment</i>		
EBITDA LIFO	6,894	4,530
EBITDA	7,288	4,416
EBIT LIFO	6,103	3,768
EBIT	6,497	3,654
<i>Retail segment</i>		
EBITDA LIFO	258	376
EBITDA	258	376
EBIT LIFO	96	221
EBIT	96	221
<i>Corporate functions</i>		
EBITDA	-82	27
EBIT	-96	2
Net finance income (costs)	-60	100
Profit before tax	6,437	3,977
Tax expense	-1,165	-896
Net profit (loss)	5,272	3,081
EPS (in CZK)	29.08	17.00

- EBITDA LIFO – Earnings before depreciation and amortization, financial result and taxes; LIFO method used for inventories valuation (Last-In-First-Out)
- EBITDA – Earnings before depreciation and amortization, financial result and taxes
- EBIT LIFO – Earnings before financial result and taxes; LIFO method used for inventories valuation (Last-In-First-Out)
- EBIT – Earnings before financial result and taxes

CZK m	6M 2015	6M 2016
Operating cash flow	6,546	5,139
CAPEX	764	6,955
Free cash flow	5,765	1,113
Net working capital	10,732	3,992
Net debt	-3,029	-6,648
Financial gearing	-9.0%	-18.0%

Kt	6M 2015	6M 2016
Refining sales, including retail	2,512	3,053
Petrochemical sales	888	420

- Free cash flow – Sum of operating and investing cash flow
- Net working capital – Sum of inventories and trade and other receivables, less trade and other liabilities
- Net debt – Sum of current loans and borrowings (including cash pool liabilities) and non-current loans and borrowings, less cash and cash equivalents

Introduction

The general macro environment was favourable for Unipetrol during 6M2016. The GDP of both the Czech Republic and Eurozone continued to grow in 1Q2016 by 2.7% and 1.7% y/y respectively, according to Bloomberg data. The second quarter data were not yet available before the publication date, however, continuation of solid growth during 2H2016 is expected. In regard to the downstream macro environment, the crude oil price (Brent Dated) declined significantly by 31% y/y from 58 USD/bbl in 6M2015 to 40 USD/bbl in 6M2016. In comparison to the same period last year, the model refining margin declined from 5.4 USD/bbl in 6M2015 to 3.4 USD/bbl in 6M2016. Following the trend of strong petrochemical margins in the second half of 2015, the model combined petrochemical margin increased by 19% y/y from 741 EUR/t in 6M2015 to the very high level of 881 EUR/t in 6M2016.

Despite the higher refining sales volumes in 6M2016 by 22% y/y driven by the operation of additional refining capacity in Česká rafinérská, revenues decreased by 32% y/y from CZK 56.5 bn in 6M2015 to CZK 38.2 bn in 6M2016 driven by a further decline of the crude oil price and a corresponding decline of refining and petrochemical products quotations. Another factor which caused the decrease in revenues was lower sales volumes of petrochemical products y/y resulting from steam cracker unit accident which occurred in mid-August 2015.

As a result, the operating profit EBITDA LIFO (operating profit before interest, taxes, depreciation and amortization on LIFO basis) decreased from CZK 7,070 m in 6M2015 to CZK 4,933 m in 6M2016. Correspondingly, EBITDA decreased from CZK 7,464 m to CZK 4,819 m and EBIT decreased from CZK 6,497 m to CZK 3,877 m. Net profit decreased from CZK 5,272 m in 6M2015

to CZK 3,081 m in 6M2016. However 6M2016 financial indicators include received payments for the steam cracker accident insurance claim in the amount of CZK 3,934 m recognized in other operating income.

Downstream segment

The downstream macro environment was quite supportive during the first half of 2016 especially driven by petrochemical margins. The model refining margin declined from 5.4 USD/bbl in 6M2015 to 3.4 USD/bbl in 6M2016 due to the lower level of both diesel crack and gasoline crack y/y, however, partially compensated by a further decline in the crude oil price. The Brent-Ural differential increased by 69% y/y from 1.6 USD/bbl in 6M2015 to 2.7 USD/bbl in 6M2016. The model combined petrochemical margin increased by 19% y/y from 741 EUR/t in 6M2015 to the very high level of 881 EUR/t in 6M2016 driven by an increase in both polyethylene and polypropylene spreads.

From the production point of view, the utilization of production units was influenced by several factors. The first one was the ongoing shutdown of the steam cracker unit after the accident which occurred in mid-August 2015. At the moment the company is finalizing the reconstruction works and the steam cracker is planned to be back in operation at 80% of its capacity at the end of August 2016 and the full capacity is expected to be reached by the end of October 2016. The second factor which affected the production was scheduled turnaround of the Litvínov chemical complex, which took place in March and April. The last factor was the extraordinary event which occurred at the FCC unit at the Kralupy refinery in the middle of May 2016 and which consequently resulted in the suspension of crude oil processing in the Kralupy refinery. It is currently estimated that the Kralupy refinery will be restarted at the beginning of October 2016.

Despite the good macro environment, driven especially by very high petrochemical margins y/y, the downstream segment profitability deteriorated y/y. The main causes were the production limitations on refining as well as on petrochemical units described above. EBITDA LIFO decreased from CZK 6,894 m in 6M2015 to CZK 4,530 m in 6M2016.

The refining sales volumes, including the retail sales of the Benzina fuel stations network, increased profoundly by 22% y/y from 2,512 kt in 6M2015 to 3,053 kt in 6M2016, which was driven by additional refining capacity which the company operates since the beginning of May 2015 after the completion of acquisition of Česká rafinérská. Petrochemical sales reached 420 kt in 6M2016, which is lower by 53% than in 6M2015 when the sales were 888 kt. The significant y/y drop in the petrochemical sales volumes was due to the production limitations resulting from the steam cracker unit shutdown.

In regard to the structure of Unipetrol Group, on 10 June 2016 Unipetrol RPA signed a share purchase agreement with Anwil, subsidiary of PKN ORLEN, based on which Unipetrol RPA acquired from Anwil a 100% share capital of Spolana for EUR 1 million. Spolana is a chemical company located in the Czech Republic whose main business is manufacturing and sale of

chemical products such as PVC, caprolactam, fertilizers, inorganic compounds and other chemicals. The takeover of full control over Spolana's assets and operations allows Unipetrol to be more flexible and resilient in terms of production optimization, production and sales of ethylene and it also allows a better coordination of Unipetrol's value chain which is to be more integrated after the transaction.

On 5 January 2016, Česká rafinérská and MERO ČR concluded a contract on storage and transportation of crude oil via the IKL and Druzhba pipelines into the Czech Republic. Following the first agreement, on 7 April 2016 both companies signed an amendment to the contract which introduced a new tariff for the crude oil transportation via the IKL and Druzhba pipelines applicable starting from 1 April 2016. On the same day, Česká rafinérská and MERO ČR also signed a contract on arrangement of crude oil transportation via the TAL pipeline.

On 30 June 2016, Unipetrol RPA and PKN ORLEN signed an agreement for crude oil deliveries from the resources of the Rosneft Oil Company, in the quantity of minimum 2,900 kt and maximum 5,000 kt per year to Unipetrol RPA. The agreement is valid from 1 July 2016 to 30 June 2019. Furthermore, on the same day, Unipetrol RPA and PKN ORLEN also signed an agreement for crude oil deliveries from the resources of Tatneft, in the quantity of 600 kt to Unipetrol RPA. The agreement is valid from 1 July 2016 to 30 June 2017. The contracted volumes can cover from 65% up to 100% of Unipetrol's total demand for this type of crude oil, depending on the economics of the contracted deliveries in relation to the market conditions prevailing at a given time.

Retail segment

The retail segment profitability recorded a solid improvement y/y. EBITDA LIFO indicator increased from CZK 258 m in 6M2015 to CZK 376 m in 6M2016 driven by the higher Benzina fuel sales volumes and non-fuels sales. The higher fuel sales were achieved by set of activities in sales, marketing and standards increase, lower crude oil price y/y and solid dynamics of the Czech GDP. The better performance of non-fuels segment was driven by better shop and refreshment sales. The Benzina market share increased by approximately 1.4 percentage point y/y from 15.4% in 6M2015 to 16.8% in 6M2016 (the 6M2016 number is based on the last available official statistical data till the end of April 2016).

CAPEX, cash flow and financial gearing

CAPEX reached CZK 6,955 m in 6M2016 compared with CZK 764 m in 6M2015. The main investment projects realized in 6M2016 within the refining part of the downstream segment were the turnaround of the Litvínov refinery, capitalized catalysts expenditures and new hydrocracker rehabilitation. Within the petrochemical part of the downstream segment, the main expenditures were spent on the reconstruction of the steam cracker unit after the extraordinary event which

happened in 2015, the turnaround of petrochemical units in Litvínov, construction of the new polyethylene unit (PE3) and the capitalized catalysts expenditures. In the first half of 2016 Unipetrol finalized a project related to polypropylene debottlenecking and started project of new DeNOx technology for T700. The finalization of the project of the new advanced research and education center UniCRE in Litvínov was the main investment in the corporate functions segment. Within the retail segment, projects focused on building new fuel stations (Osice, Opava) and extension of Stop Café concept.

The operating cash flow decreased from CZK 6,546 m in 6M2015 to CZK 5,139 m in 6M2016 resulting from the production limitations. The investing cash flow was negative of CZK (-) 4,026 m in 6M2016 compared to CZK (-) 781 m in 6M2015, which was mainly due to extensive CAPEX spending. For the same reason, the free cash flow, defined as the sum of operating and investing cash flow, decreased y/y from CZK 5,765 m in 6M2015 to CZK 1,113 m in 6M2016.

The net debt was at a negative level of CZK (-) 6,648 m as at 30 June 2016, implying a net cash position. Consequently, the financial gearing ratio, defined as the ratio of net debt including cash pool liabilities and equity less hedging reserve, was also at the negative level of (-) 18.0% as at 30 June 2016.

Expected development of business activities in the second half of 2016

Both the Czech GDP and Eurozone GDP are expected to keep reasonable momentum also during 2H2016 with full year 2016 growth currently expected around 2.5% y/y, resp. 1.5% y/y (Bloomberg). According to the Czech Statistical Office data, the consumer and business confidence in the Czech economy was at a relatively high level in June which also indicates a cautiously optimistic outlook for 2H2016.

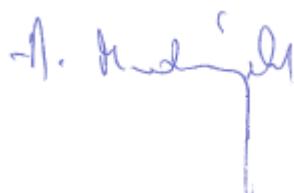
In terms of Brent crude oil, the prices are expected to remain at current levels, nevertheless, it cannot be underestimated that the crude oil price also depends on geopolitical risks. In regard to the refining and petrochemical margins, a continuation of current levels is expected, supported by the low and relatively stable crude oil price and steady GDP dynamics in Europe.

In regard to the capital expenditures in 2H2016, the refining part of the downstream segment will invest into the reconstruction of FCC unit in the Kralupy refinery after the extraordinary event occurred in May. Furthermore, Česká rafinérská and Unipetrol RPA will, according to the legislation, install new measurements for tax purposes and will realize a project related to JET A1 production in the Litvínov refinery. The petrochemical part of the downstream segment will focus on the continuation of two major projects - new polyethylene unit (PE3) and finalization of reconstruction of the steam cracker unit. A tender for a new boiler house for the steam cracker should also start in the second half of 2016. An application for a new subsidy program (National Program for Sustainability) and building reconstruction in Ústí nad Labem is planned for 2H2016 in the corporate functions segment for the Unipetrol Research and Education Centre. Within the retail segment, Benzina will focus on the takeover of fuel stations from OMV and their rebranding and will continue to build the new fuel station in Opava.

The corporate management will continue to be focused on the completion of repair works on both the steam cracker unit in Litvínov and the FCC unit in Kralupy within the current schedule. The steam cracker unit is planned to be back in operation at 80% of its capacity by the end of August and at full capacity by the end of October 2016. The Kralupy refinery is planned to be restarted at the beginning of October 2016. Moreover, the management will concentrate on the integration of Spolana into Unipetrol Group. Last but not least, the company will continue in execution of the internal efficiency initiatives (Operational Excellence) across all segments.

Information about the persons responsible for the Half-year Report 2016

Andrzej Mikołaj Modrzejewski, Unipetrol's Chairman of the Board of Directors, and Mirosław Kastelik, Unipetrol's Vice-Chairman of the Board of Directors, hereby represent that, to their best knowledge, the Half-year Report and the Consolidated and Separate financial statements as of 30 June 2016 present, in all aspects, a true and fair image of the financial standing, business, and results of the issuer and its consolidated group for the first half of 2016, as well as of the future outlook for the financial standing, business, and results.



Andrzej Mikołaj Modrzejewski

Chairman of the Board of Directors



Mirosław Kastelik

Vice-Chairman of the Board of Directors

Financial statements

Consolidated financial statements as of 30 June 2016 with notes.

Separate financial statements as of 30 June 2016.



UNIPETROL, a.s.
CONSOLIDATED HALF-YEAR REPORT

FOR THE 1ST HALF

2016

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



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UNAUDITED HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 6 AND 3 MONTHS ENDED 30 JUNE

2016

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

A. HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION
Consolidated statement of profit or loss and other comprehensive income

	Note	6 MONTHS ENDED 30/06/2016 (unaudited)	3 MONTHS ENDED 30/06/2016 (unaudited)	6 MONTHS ENDED 30/06/2015 (unaudited)	3 MONTHS ENDED 30/06/2015 (unaudited)
Statement of profit or loss					
Revenues	4.2.	38 237	20 551	56 498	32 523
Cost of sales	4.3.	(36 422)	(19 698)	(48 489)	(27 855)
Gross profit on sales		1 815	853	8 009	4 668
Distribution expenses		(1 283)	(639)	(1 068)	(513)
Administrative expenses		(684)	(361)	(610)	(311)
Other operating income	4.6.	4 218	3 983	503	486
Other operating expenses	4.6.	(189)	(62)	(337)	(259)
Profit from operations		3 877	3 774	6 497	4 071
Finance income	4.7.	252	154	553	224
Finance costs	4.7.	(152)	(66)	(613)	(226)
Net finance income/(costs)		100	88	(60)	(2)
Profit before tax		3 977	3 862	6 437	4 069
Tax expense	4.8.	(896)	(756)	(1 165)	(792)
Net profit		3 081	3 106	5 272	3 277
Other comprehensive income					
items which will be reclassified into profit or loss under certain conditions		(498)	152	(469)	(135)
<i>Hedging instruments</i>		(616)	188	(577)	(165)
<i>Foreign exchange differences on subsidiaries from consolidation</i>		1	-	(2)	(1)
<i>Deferred tax</i>		117	(36)	110	31
		(498)	152	(469)	(135)
Total net comprehensive income		2 583	3 258	4 803	3 142
Net profit attributable to		3 081	3 106	5 272	3 277
<i>equity owners of the parent</i>		3 082	3 107	5 273	3 278
<i>non-controlling interest</i>		(1)	(1)	(1)	(1)
Total comprehensive income attributable to		2 583	3 258	4 803	3 142
<i>equity owners of the parent</i>		2 584	3 259	4 804	3 143
<i>non-controlling interest</i>		(1)	(1)	(1)	(1)
Net profit and diluted net profit per share attributable to equity owners of the parent (in CZK per share)		17.00	17.13	29.08	18.08

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8-17.

Consolidated statement of financial position

	Note	30/06/2016 (unaudited)	31/12/2015 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		25 577	19 398
Investment property		504	433
Intangible assets		1 428	1 514
Financial assets available for sale		2	1
Deferred tax assets		1 086	1 204
Other non-current assets		96	25
		28 693	22 575
Current assets			
Inventories		12 813	10 390
Trade and other receivables		13 482	11 258
Other financial assets	4.9.	1 415	4 281
Current tax receivables		143	107
Cash and cash equivalents		7 117	5 888
		34 970	31 924
Total assets		63 663	54 499
EQUITY AND LIABILITIES			
EQUITY			
Share capital		18 133	18 133
Statutory reserves		34	34
Hedging reserve		46	545
Revaluation reserve		10	10
Foreign exchange differences on subsidiaries from consolidation		16	15
Retained earnings		18 809	16 781
Total equity attributable to equity owners of the parent		37 048	35 518
Non-controlling interest		(10)	(9)
Total equity		37 038	35 509
LIABILITIES			
Non-current liabilities			
Provisions	4.10.	841	678
Deferred tax liabilities		1 137	809
Other non-current liabilities		165	166
		2 143	1 653
Current liabilities			
Trade and other liabilities		22 303	15 707
Current tax liabilities		898	602
Provisions	4.10.	323	892
Deferred income		265	8
Other financial liabilities	4.11.	693	128
		24 482	17 337
Total liabilities		26 625	18 990
Total equity and liabilities		63 663	54 499

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8-17.

Consolidated statement of changes in equity

	Equity attributable to equity owners of the parent								Non-controlling interest	Total equity
	Share capital	Statutory reserves	Hedging reserve	Foreign exchange differences on subsidiaries from consolidation	Revaluation reserve	Retained earnings	Total			
(unaudited)										
1 January 2016	18 133	34	545	15	10	16 781	35 518	(9)	35 509	
Net profit	-	-	-	-	-	3 082	3 082	(1)	3 081	
Items of other comprehensive income	-	-	(499)	1	-	-	(498)	-	(498)	
Total net comprehensive income	-	-	(499)	1	-	3 082	2 584	(1)	2 583	
Dividends	-	-	-	-	-	(1 001)	(1 001)	-	(1 001)	
Equity resulting from acquisition under common control	-	-	-	-	-	(53)	(53)	-	(53)	
30 June 2016	18 133	34	46	16	10	18 809	37 048	(10)	37 038	
(unaudited)										
1 January 2015	18 133	2 703	538	18	10	7 069	28 471	(9)	28 462	
Net profit	-	-	-	-	-	5 273	5 273	(1)	5 272	
Items of other comprehensive income	-	(1 609)	(467)	(2)	-	1 609	(469)	-	(469)	
Total net comprehensive income	-	(1 609)	(467)	(2)	-	6 882	4 804	(1)	4 803	
Transfer of statutory reserves to retained earnings	-	(1 037)	-	-	-	1 037	-	-	-	
30 June 2015	18 133	57	71	16	10	14 988	33 275	(10)	33 265	

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8-17.

Consolidated statement of cash flows

	Note	6 MONTHS ENDED 30/06/2016 (unaudited)	3 MONTHS ENDED 30/06/2016 (unaudited)	6 MONTHS ENDED 30/06/2015 (unaudited)	3 MONTHS ENDED 30/06/2015 (unaudited)
Cash flows - operating activities					
Profit before tax		3 977	3 862	6 437	4 069
Adjustments for:					
Depreciation and amortisation		942	486	967	496
Foreign exchange (gain)/loss		(1)	(1)	(1)	(1)
Interest and dividends, net		3	3	29	10
(Profit)/Loss on investing activities		(45)	(139)	(87)	64
Change in provisions		(26)	69	596	396
Gain on bargain purchase of share in Česká rafinérská		-	-	(429)	(429)
Other adjustments including change in financial instruments and deferred income		538	14	298	(272)
Change in working capital		(177)	(3 881)	(1 199)	(1 095)
<i>inventories</i>		(1 877)	(2 702)	(2 540)	(1 853)
<i>receivables</i>		(1 047)	(1 787)	(1 826)	(1 411)
<i>liabilities</i>		2 747	608	3 167	2 169
Income tax (paid)		(72)	(33)	(65)	(30)
Net cash provided by operating activities		5 139	380	6 546	3 208
Cash flows - investing activities					
Acquisition of property, plant and equipment and intangible assets		(5 939)	(3 830)	(777)	(376)
Disposal of property, plant and equipment and intangible assets		17	16	5	4
Acquisition of share in Česká rafinérská		-	-	(661)	(661)
Cash acquired in acquisition of share in Česká rafinérská		-	-	426	426
Acquisition of Spolana	4.1.	(27)	(27)	-	-
Cash acquired in acquisition of Spolana	4.1.	84	84	-	-
Settlement of financial derivatives		16	43	230	(49)
Proceeds/(outflows) from loans granted		-	-	5	(1)
Proceeds/(outflows) from cash pool assets		1 823	712	-	-
Other		-	1	(9)	(11)
Net cash used in investing activities		(4 026)	(3 001)	(781)	(668)
Cash flows - financing activities					
Proceeds/(outflows) from loans and borrowings		1	1	(3 915)	(1 994)
Proceeds/(outflows) from cash pool liabilities		121	130	-	-
Interest paid		(1)	-	(52)	(19)
Other		(5)	(5)	(4)	(2)
Net cash provided by/(used in) financing activities		116	126	(3 971)	(2 015)
Net increase/(decrease) in cash and cash equivalents		1 230	(2 495)	1 794	525
Effect of exchange rate changes		(1)	2	(1)	-
Cash and cash equivalents, beginning of the period		5 888	9 610	1 682	2 950
Cash and cash equivalents, end of the period		7 117	7 117	3 475	3 475

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8-17.

EXPLANATORY NOTES TO THE HALF-YEAR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. THE PARENT COMPANY AND STRUCTURE OF THE CONSOLIDATED GROUP

Establishment of the parent company

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

Identification number of the Company

616 72 190

Registered office of the Company

UNIPETROL, a.s.

Na Pankráci 127

140 00 Praha 4

Czech Republic

Principal activities

The Company operates as a holding company covering and administering a group of companies (the "Group"). The principal business activities of the Group include oil and petroleum products processing, production of commodity chemicals, polymer materials, mineral lubricants, plastic lubricants, road and insulation bitumen, special refinery and petrochemical products. Furthermore, the Group is engaged in the distribution of fuels and operation of gas stations. In addition to these principal activities, the Group is engaged in other activities that are necessary to support the principal activities, such as production, distribution and sale of heat and electricity, operation of railway tracks and railway transportation, advisory services relating to research and development, environmental protection, software and hardware advisory services and other services.

Ownership structure

The shareholders as at 30 June 2016 are as follows:

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

* According to notification received on 21 June 2016

Consolidated group structure

The subsidiaries and jointly controlled entities forming the consolidated group of UNIPETROL, a.s., and the parent company's interest in the capital of subsidiaries and jointly controlled entities held either directly by the parent company or indirectly by the consolidated subsidiaries are presented in the consolidated financial statements of the Group as at and for the year ended 31 December 2015.

Statutory and supervisory bodies

Members of the statutory and supervisory bodies as at 30 June 2016 were as follows:

	Position	Name
Board of Directors	Chairman	Marek Świtajewski
	Vice-chairman	Andrzej Modrzewski
	Member	Martin Durčák
	Member	Mirosław Kastelik
	Member	Andrzej Kozłowski
	Member	Lukasz Piotrowski
	Member	Robert Małek
Supervisory Board	Chairman	Wojciech Jasiński
	Vice-chairman	Ivan Kočárik
	Vice-chairman	Slawomir Jędrzejczyk
	Member	Piotr Kearney
	Member	Zdeněk Černý
	Member	Krystian Pater
	Member	Grażyna Baka
	Member	Zbigniew Leszczyński
	Member	Bogdan Dzudzewicz

Changes in the Board of Directors during the 6 months ended 30 June 2016 were as follows:

Position	Name	Change	Date of change
Member	Mirosław Kastelik	Re-elected to the office	6 February 2016
Member	Andrzej Kozłowski	Re-elected to the office	9 April 2016
Vice-chairman	Piotr Wielowieyski	Recalled from the office	11 May 2016
Member/ Vice-chairman	Andrzej Modrzewski	Elected to the office	12 May 2016 (vice-chairman from the effect as of 25 May 2016)
Member	Robert Małek	Elected to the office	11 May 2016

1. THE PARENT COMPANY AND STRUCTURE OF THE CONSOLIDATION GROUP (CONTINUED)

Changes in the Supervisory Board during the 6 months ended 30 June 2016 were as follows:

Position	Name	Change	Date of change
Chairman	Dariusz Jacek Krawiec	Resigned from the office	21 December 2015 with effect as of 21 January 2016
Member	Rafal Sekula	Resigned from the office	11 February 2016 with effect as of 11 March 2016
Member	Piotr Chelmiński	Termination of the office	24 June 2016
Member/Chairman	Wojciech Jasiński	Appointed as substitute member	7 April 2016
Member	Zbigniew Leszczyński	Appointed as substitute member	7 April 2016
Member/Chairman	Wojciech Jasiński	Elected to the office	21 June 2016 (chairman from the effect as of 21 June 2016)
Member	Zbigniew Leszczyński	Elected to the office	21 June 2016
Member	Grażyna Baka	Elected to the office	21 June 2016 with effect as of 25 June 2016

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance and general principles of preparation

The consolidated financial statements of the Company as at and for the period ended 30 June 2016 include the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2015.

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

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

2.2. Applied accounting principles and IFRS amendments

These interim condensed consolidated financial statements were prepared according to accounting principles described in note 3 in the consolidated financial statements of the Group as at and for the year ended 31 December 2015.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and main uncertainties were the same as those presented in note 4 in the consolidated financial statements as at and for the year ended 31 December 2015.

The Group intends to adopt new standards, amendments and interpretations to existing standards that have been published but are not effective as at the date of preparation of these interim condensed consolidated financial statements after their acceptance by the European Commission in accordance with their effective date. The possible impact of new standards, amendments and interpretations on the Group's future consolidated financial statements was described in note 3.2 of the consolidated financial statements of the Group as at and for the year ended 31 December 2015.

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

2.3.1. Functional and presentation currency

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

2.3.2. Methods applied to translation of financial data for consolidation purposes

Financial statements of foreign entities, for consolidation purposes, are translated into CZK using the following methods:

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

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

Currency	Average exchange rate for the reporting period		Exchange rate as at the end of reporting period	
	30/06/2016	30/06/2015	30/06/2016	31/12/2015
CZK/EUR	27.039	27.503	27.130	27.025
CZK/USD	24.236	24.671	24.443	24.824

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

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

3. OPERATING SEGMENTS

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

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

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

Allocation of subsidiaries into the operating activities is presented in the consolidated financial statements of the Group as at and for the year ended 31 December 2015. There were no material changes in allocation of subsidiaries into the operating segments during the 6 months ended 30 June 2016.

Revenues and operating result by operating segments

For the 6 months ended 30 June 2016

	Downstream Segment	Retail Segment	Corporate Functions	Adjustments	Total
Total external revenues	34 166	3 992	79	-	38 237
Inter-segment revenues	3 240	28	346	(3 614)	-
Total segment revenue	37 406	4 020	425	(3 614)	38 237
Operating expenses	(37 794)	(3 802)	(407)	3 614	(38 389)
Other operating income	4 209	8	1	-	4 218
Other operating expenses	(167)	(5)	(17)	-	(189)
Segment operating profit	3 654	221	2	-	3 877
Net finance income					100
Profit before tax					3 977
Tax expense					(896)
Net profit					3 081
Depreciation and amortisation	(762)	(155)	(25)	-	(942)
EBITDA	4 416	376	27	-	4 819
Additions to non-current assets	6 776	156	23	-	6 955

For the 3 months ended 30 June 2016

	Downstream Segment	Retail Segment	Corporate Functions	Adjustments	Total
Total external revenues	18 245	2 268	38	-	20 551
Inter-segment revenues	1 906	15	186	(2 107)	-
Total segment revenue	20 151	2 283	224	(2 107)	20 551
Operating expenses	(20 401)	(2 190)	(214)	2 107	(20 698)
Other operating income	3 976	6	1	-	3 983
Other operating expenses	(47)	(4)	(11)	-	(62)
Segment operating profit	3 679	95	-	-	3 774
Net finance income					88
Profit before tax					3 862
Tax expense					(756)
Net profit					3 106
Depreciation and amortisation	(394)	(79)	(13)	-	(486)
EBITDA	4 073	174	13	-	4 260
Additions to non-current assets	4 094	105	10	-	4 209

For the 6 months ended 30 June 2015

	Downstream Segment	Retail Segment	Corporate Functions	Adjustments	Total
Total external revenues	51 862	4 587	49	-	56 498
Inter-segment revenues	3 932	47	149	(4 128)	-
Total segment revenue	55 794	4 634	198	(4 128)	56 498
Operating expenses	(49 503)	(4 541)	(251)	4 128	(50 167)
Other operating income	490	5	8	-	503
Other operating expenses	(284)	(2)	(51)	-	(337)
Segment operating profit/(loss)	6 497	96	(96)	-	6 497
Net finance costs					(60)
Profit before tax					6 437
Tax expense					(1 165)
Net profit					5 272
Depreciation and amortisation	(791)	(162)	(14)	-	(967)
EBITDA	7 288	258	(82)	-	7 464
Additions to non-current assets	633	55	76	-	764

3. OPERATING SEGMENTS (CONTINUED)

For the 3 months ended 30 June 2015

	Downstream Segment	Retail Segment	Corporate Functions	Adjustments	Total
Total external revenues	29 913	2 586	24	-	32 523
Inter-segment revenues	2 248	26	79	(2 353)	-
Total segment revenue	32 161	2 612	103	(2 353)	32 523
Operating expenses	(28 320)	(2 573)	(139)	2 353	(28 679)
Other operating income	476	3	7	-	486
Other operating expenses	(208)	(1)	(50)	-	(259)
Segment operating profit/(loss)	4 109	41	(79)	-	4 071
Net finance costs					(2)
Profit before tax					4 069
Tax expense					(792)
Net profit					3 277
Depreciation and amortisation	(407)	(81)	(8)	-	(496)
EBITDA	4 516	122	(71)	-	4 567
Additions to non-current assets	424	36	12	-	472

Assets by operating segments

	30/06/2016	31/12/2015
Downstream Segment	46 987	37 652
Retail Segment	5 864	5 597
Segment assets	52 851	43 249
Corporate Functions	10 970	12 091
Adjustments	(158)	(841)
	63 663	54 499

4. OTHER NOTES

4.1. Acquisition of SPOLANA a.s.

On 10 June 2016 the Group concluded the purchase contract with ANWIL S.A., the Company owned by PKN ORLEN S.A., under which it acquired the production company SPOLANA a.s. ("Spolana"). The transaction supports Unipetrol's reorganization of activities, which was triggered by taking full control over the refining assets in the Czech Republic and will allow the Group to be more flexible and resilient in terms of production optimization, production and sales of ethylene as well as facilitate better coordination and extension of the Group's value chain.

The net book value of assets and liabilities of SPOLANA a.s. as at the acquisition date:

	Book value as at the acquisition day
Net assets	(26)
Share acquired	100%
Share on net assets	(26)
Cash paid/outflows on acquisition of shares	27
Equity resulting from acquisition under common control	(53)

Equity resulting from acquisition under common control is presented in the consolidated statement of changes in equity as at 30 June 2016.

4.2. Revenues

	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016	6 MONTHS ENDED 30/06/2015	3 MONTHS ENDED 30/06/2015
Revenues from sales of finished goods and services, net	32 220	16 154	53 503	30 987
Revenues from sales of merchandise and raw materials, net	6 017	4 397	2 995	1 536
	38 237	20 551	56 498	32 523

4.3. Operating expenses

Cost of sales

	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016	6 MONTHS ENDED 30/06/2015	3 MONTHS ENDED 30/06/2015
Cost of finished goods and services sold	(30 421)	(15 317)	(45 632)	(26 398)
Cost of merchandise and raw materials sold	(6 001)	(4 381)	(2 857)	(1 457)
	(36 422)	(19 698)	(48 489)	(27 855)

Cost by nature

	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016	6 MONTHS ENDED 30/06/2015	3 MONTHS ENDED 30/06/2015
Materials and energy	(24 960)	(11 971)	(42 599)	(26 177)
Cost of merchandise and raw materials sold	(6 001)	(4 381)	(2 857)	(1 457)
External services	(2 729)	(1 418)	(3 669)	(1 698)
Employee benefits	(1 425)	(719)	(1 286)	(644)
Depreciation and amortisation	(942)	(486)	(967)	(496)
Taxes and charges	(143)	(60)	(242)	(124)
Other	(507)	(234)	(498)	(335)
	(36 707)	(19 269)	(52 118)	(30 931)
Change in inventories	(2 060)	(1 680)	1 532	1 911
Cost of products and services for own use	189	189	82	82
Operating expenses	(38 578)	(20 760)	(50 504)	(28 938)
Distribution expenses	1 283	639	1 068	513
Administrative expenses	684	361	610	311
Other operating expenses	189	62	337	259
Cost of sales	(36 422)	(19 698)	(48 489)	(27 855)

4.4. Impairment allowances of inventories to net realisable value

	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016	6 MONTHS ENDED 30/06/2015	3 MONTHS ENDED 30/06/2015
Increase	(440)	(78)	(119)	(11)
Decrease	888	318	667	16

4.5. Impairment allowances of assets

	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016	6 MONTHS ENDED 30/06/2015	3 MONTHS ENDED 30/06/2015
Property, plant and equipment				
Recognition	(13)	(13)	(112)	(40)
Reversal	7	7	2	1
Intangible assets				
Recognition	-	-	(3)	(3)
Reversal	-	-	-	-
Receivables				
Recognition	(2)	(2)	(51)	(50)
Reversal	1	1	-	-

4.6. Other operating income and expenses

Other operating income

	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016	6 MONTHS ENDED 30/06/2015	3 MONTHS ENDED 30/06/2015
Profit on sale of non-current non-financial assets	16	15	4	3
Reversal of provisions	16	16	11	11
Reversal of receivables impairment allowances	1	1	-	-
Reversal of impairment allowances of property, plant and equipment and intangible assets	7	7	2	1
Penalties and compensations earned	3 960	3 941	13	9
Revaluation of provision to CO ₂ consumption	207	1	-	-
Gain on bargain purchase of share in Česká rafinérská	-	-	429	429
Other	11	2	44	33
	4 218	3 983	503	486

During the 6 and 3 months 2016 the Group recognized compensation from insurances in the amount of CZK 3 934 million and CZK 3 918 million in Other operating income in connection with the Steam cracker accident. Further information regarding the insurance claim and recoveries is presented in note 4.15.

4.6. Other operating income and expenses (continued)

Other operating expenses

	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016	6 MONTHS ENDED 30/06/2015	3 MONTHS ENDED 30/06/2015
Loss on sale of non-current non-financial assets	(2)	(2)	-	-
Recognition of provisions	(6)	(5)	(169)	(166)
Recognition of receivables impairment allowances	(2)	(2)	(51)	(50)
Recognition of impairment allowances of property, plant and equipment and intangible assets	(13)	(13)	(115)	(43)
Other	(166)	(40)	(2)	-
	(189)	(62)	(337)	(259)

The other operating costs incurred in connection with the accident of the steam cracker unit which took place at the Chempark Záluží in Litvínov on 13 August 2015, amounted to CZK 138 million during the 6 months ended 30 June 2016 (CZK 39 million during the 3 months ended 30 June 2016).

4.7. Finance income and finance costs

Finance income

	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016	6 MONTHS ENDED 30/06/2015	3 MONTHS ENDED 30/06/2015
Interest	9	4	18	8
Foreign exchange gain, net	53	-	-	31
Settlement and valuation of financial instruments	190	150	534	184
Other	-	-	1	1
	252	154	553	224

Finance costs

	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016	6 MONTHS ENDED 30/06/2015	3 MONTHS ENDED 30/06/2015
Interest	(1)	(1)	(32)	(11)
Foreign exchange loss, net	-	(52)	(238)	-
Settlement and valuation of financial instruments	(137)	(6)	(320)	(204)
Other	(14)	(7)	(23)	(11)
	(152)	(66)	(613)	(226)

4.8. Tax expense

	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016	6 MONTHS ENDED 30/06/2015	3 MONTHS ENDED 30/06/2015
Current income tax	(332)	(319)	(505)	(475)
Deferred income tax	(564)	(437)	(660)	(317)
	(896)	(756)	(1 165)	(792)

4.9. Other financial assets

	30/06/2016	31/12/2015
Cash flow hedge instruments		
<i>currency forwards</i>	-	30
<i>commodity swaps</i>	103	670
Derivatives not designated as hedge accounting		
<i>currency forwards</i>	47	14
Cash pool	1 265	3 086
Receivables on settled cash flow hedge instruments	-	481
	1 415	4 281

4.10. Provisions

	Non-current		Current		Total	
	30/06/2016	31/12/2015	30/06/2016	31/12/2015	30/06/2016	31/12/2015
Environmental provision	729	571	3	3	732	574
Jubilee bonuses and retirement benefits provision	84	76	7	7	91	83
Provision for CO ₂ emission	-	-	218	772	218	772
Other provision	28	31	95	110	123	141
	841	678	323	892	1 164	1 570

A provision for CO₂ allowances was created for estimated CO₂ emissions in the periods ended 30 June 2016 and 31 December 2015.

4.11. Other financial liabilities

	30/06/2016	31/12/2015
Cash flow hedge instruments		
commodity swaps	46	27
Derivatives not designated as hedge accounting		
currency forwards	2	5
Cash pool	469	31
Liabilities on settled cash flow hedge instruments	176	65
	693	128

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

Methods applied in determining fair value have been described in the consolidated financial statements as at and for the year ended 31 December 2015 in note 32.1. As compared to the previous reporting period, the Group has not changed valuation methods concerning derivative instruments and investment property.

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

	30/06/2016		31/12/2015	
	Level 2	Level 3	Level 2	Level 3
Financial assets				
Derivative instruments at fair value	150	-	714	-
Investment property	117	387	117	316
	267	387	831	316
Financial liabilities				
Derivative instruments at fair value	48	-	32	-
	48	-	32	-

During the 6 months ended 30 June 2016 and year 2015 there were no transfers in the Group between Levels 1, 2 and 3 of the fair value hierarchy.

4.13. Future commitments resulting from signed investment contracts

As at 30 June 2016 and as at 31 December 2015 the value of future commitments resulting from signed investment contracts amounted to CZK 8 665 million and CZK 11 121 million.

4.14. Retained earnings and dividends

Dividends

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

On 21 June 2016 the Annual General Meeting of Unipetrol decided to pay a dividend equal to CZK 5.52 per share to the Company's shareholders.

4.15. Contingent assets and liabilities

Contingent assets

Steam cracker unit accident

As a consequence of the steam cracker unit accident which took place at the Chempark Záluží in Litvínov on 13 August 2015, the Group recognized in the 3rd quarter 2015 an estimated impairment charge in the amount of CZK 597 million in relation to damaged assets. The amount of the impairment charge may be changed up to the completion of technical works on the site.

The Group is insured against property and mechanical damage as well as loss of business profits (business interruption) and is in the process of seeking recourse from the insurer. The Group expects that, based on the insurance policies and the internal estimates made at the end of June 2016, it should be in a position to recover repair costs estimated at approximately CZK 4.1 billion, as well as recoverable lost business profits estimated at CZK 6.6 billion. Out of these amounts, the Group has already received and recognized in Other operating income the amount of CZK 3.9 billion.

Unplanned shutdown of Kralupy refinery

Following the extraordinary event on Fluid Catalytic Cracking ("FCC") unit at the Kralupy refinery which occurred on 17 May 2016, crude oil processing in the Kralupy refinery was suspended. The assets damaged in the accident at the Kralupy refinery had already been fully impaired in June 2014.

The Group is insured against property and mechanical damage as well as loss of business profits (business interruption) and is in the process of seeking recourse from the insurer. The Group expects that, based on the insurance policies and the internal estimates made at the end of June 2016, it should be in a position to recover repair costs estimated at approximately CZK 0.3 billion.

Tax proceeding

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

UNIPETROL RPA, s.r.o. complaint for annulment of the tax authority decisions

On 14 October 2015, the Czech Supreme Administrative Court annulled the Regional Court in Ústí nad Labem judgment and decided to return the case back to the Regional Court in Ústí nad Labem for re-examination. The Supreme Administrative Court commented that the Regional Court did not correctly deal with the legitimate expectations objection raised by UNIPETROL RPA, s.r.o. The case is now pending with the Regional Court in Ústí nad Labem.

Claim for unjustified enrichment against ČEZ Distribuce, a.s.

On 31 August 2015 UNIPETROL RPA, s.r.o., as petitioner, submitted its action to the District Court in Děčín requesting issuance of a payment order ordering ČEZ Distribuce, a.s., as respondent, to pay an unjustified enrichment to UNIPETROL RPA, s.r.o. in the amount of CZK 303 million including interest and legal fees. The unjustified enrichment of ČEZ Distribuce, a.s. results from ČEZ Distribuce, a.s., during the period from 1 January 2013 until 30 September 2013, charging UNIPETROL RPA, s.r.o. a monthly fee for renewable sources of energy and combined heat and power production with respect to the electricity produced and distributed by UNIPETROL RPA, s.r.o. itself. The Group is of the opinion that ČEZ Distribuce, a.s., as distribution system provider, is not entitled to charge a fee to its customers with respect to electricity which was produced and consumed by the customers themselves, i.e. for electricity for which no distribution service was provided.

During the 6 months ended 30 June 2016 there were no material changes in relation to this issue.

Contingent liabilities

Mercury electrolysis termination in SPOLANA a.s.

SPOLANA a.s. currently produces chlorine using a mercury electrolysis. In the event that production is terminated, the company is required to present a reclamation program after it stops using its fixed assets. On 9 September 2013, as a result of administrative proceedings, SPOLANA a.s. received a consent of the Regional Office of Central Bohemian Region to extend the integrated pollution prevention and control license from the end of 2014 until 30 June 2017. At the same time, the company is obliged to submit an action plan aiming to cease production of chlorine using mercury electrolysis by 31 December 2016.

Contingent liabilities and commitments related to Squeeze-out of PARAMO, a.s. are described in the consolidated financial statements of the Group as at and for the year ended 31 December 2015.

During the 6 months ended 30 June 2016 there were no material changes in relation to this issue.

Claims regarding award for employees' intellectual work

The claims are described in the consolidated financial statements of the Group as at and for the year ended 31 December 2015.

An experts' valuation ordered by the court confirmed the amount of the reward payable to the employees in the amount of CZK 1.6 million. Both employees were paid their share of the award confirmed by the expert in the expert valuation ordered by the court, however the former employees have not withdrawn their claim.

4.15. Contingent assets and liabilities (continued)

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

The claims are described in the consolidated financial statements of the Group as at and for the year ended 31 December 2015.

During the 6 months ended 30 June 2016 there were no material changes in relation to this issue.

Transportation contracts

The transportation of crude oil supplies through pipelines for UNIPETROL RPA, s.r.o. is provided by MERO ČR, a.s. and TRANSPETROL, a.s. via ČESKÁ RAFINÉRSKÁ, a.s. As at 30 June 2016, ČESKÁ RAFINÉRSKÁ, a.s. held a contract for transportation with TRANSPETROL, a.s., covering crude oil supplies until 2020.

ČESKÁ RAFINÉRSKÁ, a.s. and MERO ČR, a.s. agreed on the terms and conditions of the crude oil transportation into the Czech Republic. The contract for storage and transportation of crude oil via the IKL and Družba pipelines came into force as of 1 January 2016. On 7 April 2016 ČESKÁ RAFINÉRSKÁ, a.s. and MERO ČR, a.s. entered into an amendment to the contract for storage and transportation of crude oil via the IKL and Družba pipelines setting for the transportation tariff for the crude oil transportation service and fees for certain related services. Furthermore, on 7 April 2016 ČESKÁ RAFINÉRSKÁ, a.s. and MERO ČR, a.s. entered into a contract for storage and transportation of crude oil via the TAL pipeline.

4.16. Guarantees

Based on the Group's request, the bank guarantees relating to the security of customs debt, excise tax at customs offices and other purposes were issued. The total amount of guarantees related to excise tax amounted to CZK 2 480 million as at 30 June 2016 (31 December 2015: CZK 2 415 million) and for other purposes amounted to CZK 185 million (31 December 2015: CZK 37 million).

The Group was the beneficiary of guarantees in the amount of CZK 601 million as at 30 June 2016 (31 December 2015: CZK 621 million).

4.17. Related party transactions

Material transactions concluded by the Group companies with related parties

In the 6 months ended 30 June 2016 and 2015 there were no transactions concluded by the Group with related parties on other than an arm's length terms.

Transactions with key management personnel

In the 6 months ended 30 June 2016 and 2015 the Group companies did not grant to key management personnel and their relatives any advances, borrowings, loans, guarantees and commitments or other agreements obliging them to render services to Group companies and related parties.

In the 6 months ended 30 June 2016 and 2015 there were no significant transactions concluded with members of the Board of Directors, the Supervisory Board, their spouses, siblings, descendants, ascendants or their other relatives.

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

In the 6 months ended 30 June 2016 and 2015 members of the key management personnel of the parent company and the Group companies submitted statements that they have not concluded any transactions with related parties.

Parent and ultimate controlling party

During 2016 and 2015 a majority (62.99%) of the Company's shares were held by POLSKI KONCERN NAFTOWY ORLEN S.A. (PKN Orlen).

for 6 months ended	PKN Orlen		Joint operations		Entities under control or significant influence of PKN Orlen	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015	30/06/2016	30/06/2015
Sales	886	82	1	1 132	2 059	3 984
Purchases	20 290	31 776	19	1 473	1 515	894
Finance income	-	-	13	110	2	-
Finance costs	-	30	-	-	2	9

for 3 months ended	PKN Orlen		Joint operations		Entities under control or significant influence of PKN Orlen	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015	30/06/2016	30/06/2015
Sales	434	49	1	335	1 012	2 530
Purchases	10 734	17 898	-	384	980	460
Finance income	-	-	13	-	1	-
Finance costs	-	10	-	-	1	3

	PKN Orlen		Joint operations		Entities under control or significant influence of PKN Orlen	
	30/06/2016	31/12/2015	30/06/2016	31/12/2015	30/06/2016	31/12/2015
Current financial assets	-	-	-	-	1 266	3 086
Trade and other receivables	201	190	-	1	294	541
Trade and other liabilities, including loans	3 244	2 580	-	4	63	95

In June 2016 the Group signed a share purchase agreement with ANWIL S.A., 100% owned subsidiary of PKN ORLEN S.A., based on which the Group acquired the production company SPOLANA a.s. Further information is presented in note 4.1.

4.18. Subsequent events after the reporting date

The Supervisory Board recalled Mr. Marek Świtajewski from the office of Member of the Board of Directors of Unipetrol on 1 July 2016 and elected Mr. Krzysztof Zdziarski to the office of Member of the Board of Directors of Unipetrol with effect as of 2 July 2016.

Mr. Andrzej Mikołaj Modrzejewski was elected by the Board of Directors as the Chairman of the Board of Directors of UNIPETROL, a.s. on 1 July 2016 with effect as of 2 July 2016. Mr. Mirosław Kastelik was elected to the office of Vice-Chairman of the Board of Directors with effect as of 1 July 2016 and Mr. Krzysztof Zdziarski was elected to the office of Vice-Chairman of the Board of Directors with effect as of 2 July 2016.

The Group's management is not aware of any events that have occurred since the end of the reporting period that would have any material impact on the financial statements as at 30 June 2016.

**HALF-YEAR CONDENSED SEPARATE
FINANCIAL STATEMENTS
UNIPETROL, a.s.**

FOR THE 6 AND 3 MONTHS ENDED 30 JUNE

2016

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

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

Separate statement of profit or loss and other comprehensive income

	6 MONTHS ENDED 30/06/2016 (unaudited)	3 MONTHS ENDED 30/06/2016 (unaudited)	6 MONTHS ENDED 30/06/2015 (unaudited)	3 MONTHS ENDED 30/06/2015 (unaudited)
Statement of profit or loss				
Revenues	67	33	83	41
Cost of sales	(36)	(18)	(55)	(29)
Gross profit on sales	31	15	28	12
Administrative expenses	(42)	(25)	(91)	(48)
Other operating income	-	-	5	5
Other operating expenses	-	-	(50)	(50)
Loss from operations	(11)	(10)	(108)	(81)
Finance income	53	38	90	35
Finance costs	(3)	(2)	(35)	(13)
Net finance income	50	36	55	22
Profit/(loss) before tax	39	26	(53)	(59)
Tax expense	(9)	(4)	(7)	(7)
Net profit/(loss)	30	22	(60)	(66)
Net profit/(loss) and diluted net profit/(loss) per share attributable to equity owners of the parent (in CZK per share)	0.17	0.12	(0.33)	(0.36)

Separate statement of financial position

	30/06/2016 (unaudited)	31/12/2015 (audited)
ASSETS		
Non-current assets		
Property, plant and equipment	9	9
Investment property	1 162	1 161
Shares in related parties	17 582	17 582
Other non-current assets	-	24
	18 753	18 776
Current assets		
Trade and other receivables	123	142
Other financial assets	6 210	7 217
Current tax receivables	5	16
Cash and cash equivalents	6 569	5 435
	12 907	12 810
Total assets	31 660	31 586
EQUITY AND LIABILITIES		
EQUITY		
Share capital	18 133	18 133
Revaluation reserve	503	503
Retained earnings	9 222	10 193
Total equity	27 858	28 829
LIABILITIES		
Non-current liabilities		
Provisions	50	50
Deferred tax liabilities	107	100
	157	150
Current liabilities		
Trade and other liabilities	1 140	145
Other financial liabilities	2 505	2 462
	3 645	2 607
Total liabilities	3 802	2 757
Total equity and liabilities	31 660	31 586

Separate statement of changes in equity

	Share capital	Statutory reserves	Revaluation reserve	Retained earnings	Total equity
(unaudited)					
1 January 2016	18 133	-	503	10 193	28 829
Net profit	-	-	-	30	30
Total net comprehensive income	-	-	-	30	30
Dividends	-	-	-	(1 001)	(1 001)
30 June 2016	18 133	-	503	9 222	27 858
(unaudited)					
1 January 2015	18 133	1 719	503	6 331	26 686
Net loss	-	-	-	(60)	(60)
Total net comprehensive income	-	-	-	(60)	(60)
Transfer of statutory reserves to retained earnings	-	(1 719)	-	1 719	-
30 June 2015	18 133	-	503	7 990	26 626

Separate statement of cash flows

	6 MONTHS ENDED 30/06/2016 (unaudited)	3 MONTHS ENDED 30/06/2016 (unaudited)	6 MONTHS ENDED 30/06/2015 (unaudited)	3 MONTHS ENDED 30/06/2015 (unaudited)
Cash flows - operating activities				
Profit/(loss) before tax	39	26	(53)	(59)
Adjustments for:				
Foreign exchange (gain)/loss	(1)	(1)	2	2
Interest and dividends, net	(51)	(36)	(55)	(22)
(Profit)/Loss on investing activities	-	(1)	(5)	(5)
Change in provisions	-	-	50	50
Change in working capital	12	(43)	(17)	(80)
Receivables	19	(32)	13	(46)
Liabilities	(7)	(11)	(30)	(34)
Income tax (paid)	8	9	(3)	(2)
Net cash provided by/(used in) operating activities	7	(46)	(81)	(116)
Cash flows - investing activities				
Acquisition of share in Česká rafinérská	-	-	(661)	(661)
Dividends received	30	26	5	5
Interest received	26	13	70	30
Proceeds/(Outflows) from loans granted	(329)	(284)	6 045	1 528
Proceeds/(Outflows) from cash pool assets	1 358	(2 515)	(3)	956
Other	(1)	(1)	1	(1)
Net cash provided by/(used in) investing activities	1 084	(2 761)	5 457	1 857
Cash flows - financing activities				
Change in loans and borrowings	-	-	(4 000)	(2 000)
Proceeds/(Outflows) from cash pool liabilities	44	277	(13)	413
Interest paid	-	-	(52)	(19)
Other	(3)	(3)	(4)	(2)
Net cash provided by/(used in) financing activities	41	274	(4 069)	(1 608)
Net increase/(decrease) in cash and cash equivalents	1 132	(2 533)	1 307	133
Effect of exchange rate changes	2	2	(1)	-
Cash and cash equivalents, beginning of the period	5 435	9 100	516	1 689
Cash and cash equivalents, end of the period	6 569	6 569	1 822	1 822

The foregoing financial report for the period ended 30 June 2016 was authorized for issue by the Board of Directors on 19 June 2016.

Signature of statutory representatives



Andrzej Modrzejewski

Chairman of the Board of Directors



Miroslaw Kastelik

Vice-chairman of the Board of Directors