



UNIPETROL, a.s.
CONSOLIDATED QUARTERLY REPORT

FOR THE 1ST QUARTER

2017

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



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**UNAUDITED QUARTERLY CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE 3 MONTHS ENDED 31 MARCH

2017

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

A. QUARTERLY 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	3 MONTHS ENDED 31/03/2017 (unaudited)	3 MONTHS ENDED 31/03/2016 (unaudited)
Statement of profit or loss			
Revenues	4.1.	29 850	17 686
Cost of sales	4.2.	(26 544)	(16 724)
Gross profit on sales		3 306	962
Distribution expenses		(677)	(644)
Administrative expenses		(403)	(323)
Other operating income	4.5.	1 130	235
Other operating expenses	4.5.	(28)	(127)
Profit from operations		3 328	103
Finance income	4.6.	186	150
Finance costs	4.6.	(219)	(138)
Net finance income/(costs)		(33)	12
Profit before tax		3 295	115
Tax expense	4.7.	(469)	(140)
Net profit/(loss)		2 826	(25)
Other comprehensive income			
items which will be reclassified into profit or loss under certain conditions			
<i>Hedging instruments</i>		435	(804)
<i>Foreign exchange differences on subsidiaries from consolidation</i>		-	1
<i>Deferred tax</i>		(83)	153
		352	(650)
Total net comprehensive income		3 178	(675)
Net profit/(loss) attributable to		2 826	(25)
<i>equity owners of the parent</i>		2 826	(25)
<i>non-controlling interest</i>		-	-
Total comprehensive income attributable to		3 178	(675)
<i>equity owners of the parent</i>		3 178	(675)
<i>non-controlling interest</i>		-	-
Net profit/(loss) and diluted net profit/(loss) per share attributable to equity owners of the parent (in CZK per share)		15.58	(0.14)

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8-15.

Consolidated statement of financial position

	Note	31/03/2017 (unaudited)	31/12/2016 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		30 700	30 080
Investment property		443	432
Intangible assets		1 611	1 492
Financial assets available for sale		2	2
Deferred tax assets		41	143
Other non-current assets		154	121
		32 951	32 270
Current assets			
Inventories		14 289	13 725
Trade and other receivables		13 278	16 175
Other financial assets	4.8.	2 614	3 416
Current tax receivables		147	133
Cash and cash equivalents		4 804	2 933
		35 132	36 382
Total assets		68 083	68 652
EQUITY AND LIABILITIES			
EQUITY			
Share capital		18 133	18 133
Statutory reserves		33	33
Hedging reserve		89	(263)
Revaluation reserve		10	10
Foreign exchange differences on subsidiaries from consolidation		16	16
Retained earnings		26 527	23 701
Total equity attributable to equity owners of the parent		44 808	41 630
Non-controlling interest		(9)	(9)
Total equity		44 799	41 621
LIABILITIES			
Non-current liabilities			
Provisions	4.9.	987	997
Deferred tax liabilities		899	859
Other non-current liabilities		223	170
		2 109	2 026
Current liabilities			
Trade and other liabilities		18 941	22 984
Loans, borrowings		-	1
Current tax liabilities		703	445
Provisions	4.9.	774	652
Deferred income		261	8
Other financial liabilities	4.10.	496	915
		21 175	25 005
Total liabilities		23 284	27 031
Total equity and liabilities		68 083	68 652

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8-15.

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)									
01/01/2017	18 133	33	(263)	16	10	23 701	41 630	(9)	41 621
Net profit	-	-	-	-	-	2 826	2 826	-	2 826
Items of other comprehensive income	-	-	352	-	-	-	352	-	352
Total net comprehensive income	-	-	352	-	-	2 826	3 178	-	3 178
31/03/2017	18 133	33	89	16	10	26 527	44 808	(9)	44 799
(unaudited)									
01/01/2016	18 133	34	545	15	10	16 781	35 518	(9)	35 509
Net loss	-	-	-	-	-	(25)	(25)	-	(25)
Items of other comprehensive income	-	-	(651)	1	-	-	(650)	-	(650)
Total net comprehensive income	-	-	(651)	1	-	(25)	(675)	-	(675)
31/03/2016	18 133	34	(106)	16	10	16 756	34 843	(9)	34 834

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8-15.

Consolidated statement of cash flows

	Note	3 MONTHS ENDED 31/03/2017 (unaudited)	3 MONTHS ENDED 31/03/2016 (unaudited)
Cash flows - operating activities			
Profit before tax		3 295	115
Adjustments for:			
Depreciation and amortisation		643	456
Foreign exchange (gain)/loss		4	-
Interest and dividends, net		(2)	-
(Profit)/Loss on investing activities		98	94
Change in provisions		111	(95)
Change in receivables and liabilities from insurance	4.16.	1 266	-
Other adjustments including change in financial instruments and deferred income		(498)	524
Change in working capital		(2 741)	3 704
<i>inventories</i>		(564)	825
<i>receivables</i>		(467)	740
<i>liabilities</i>		(1 710)	2 139
Income tax (paid)		(167)	(39)
Net cash from operating activities		2 009	4 759
Cash flows - investing activities			
Acquisition of property, plant and equipment and intangible assets		(1 251)	(2 109)
Disposal of property, plant and equipment and intangible assets		1	1
Settlement of financial derivatives		(113)	(27)
Proceeds from cash pool assets		1 114	1 111
Other		2	(1)
Net cash used in investing activities		(247)	(1 025)
Cash flows - financing activities			
Proceeds/(outflows) from cash pool liabilities		115	(9)
Interest paid		(1)	(1)
Other		(3)	-
Net cash from/(used in) financing activities		111	(10)
Net increase in cash and cash equivalents		1 873	3 724
Effect of exchange rate changes		(2)	(1)
Cash and cash equivalents, beginning of the period		2 933	5 888
Cash and cash equivalents, end of the period		4 804	9 611

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8-15.

EXPLANATORY NOTES TO THE QUARTERLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF THE COMPANY

Establishment of the parent company

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

Identification number of the Company

616 72 190

Registered office of the Company

UNIPETROL, a.s.
Na Pankráci 127
140 00 Praha 4
Czech Republic

Principal activities

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

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

Ownership structure

The shareholders as at 31 March 2017 are as follows:

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

* According to 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 2016. Changes in the Group structure which occurred during 3 months ended 31 March 2017 are described in Note 4.18.

Statutory and supervisory bodies

Members of the statutory and supervisory bodies as at 31 March 2017 were as follows:

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

Changes in the Board of Directors during the 3 months ended 31 March 2017 were as follows:

Position	Name	Change	Date of change
Member	Tomáš Herink	Elected to the office	14 March 2017

Changes in the Supervisory Board during the 3 months ended 31 March 2017 were as follows:

Position	Name	Change	Date of change
Member	Bogdan Dzdzewicz	Resigned from the office	with effect as of 18 January 2017

2. PRINCIPLES OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1. Statement of compliance and general principles of preparation

The consolidated financial statements of the Company as at and for the period ended 31 March 2017 include the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities.

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

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

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

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

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

3. OPERATING SEGMENTS

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

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

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

Allocation of subsidiaries into the operating activities is presented in the consolidated financial statements of the Group as at and for the year ended 31 December 2016. There were no changes in allocation of subsidiaries into the operating segments during the 3 months ended 31 March 2017.

Financial results and investment expenditures by operating segments

For the 3 months ended 31 March 2017

	Downstream Segment	Retail Segment	Corporate Functions	Adjustments	Total
Total external revenues	26 942	2 873	35	-	29 850
Transactions with other segments	2 379	17	212	(2 608)	-
Total segment revenue	29 321	2 890	247	(2 608)	29 850
Operating expenses	(27 252)	(2 707)	(273)	2 608	(27 624)
Other operating income	1 125	4	1	-	1 130
Other operating expenses	(22)	(1)	(5)	-	(28)
Segment operating profit/(loss)	3 172	186	(30)	-	3 328
Net finance costs					(33)
Profit before tax					3 295
Tax expense					(469)
Net profit					2 826
Depreciation and amortisation	(548)	(80)	(15)	-	(643)
EBITDA*	3 720	266	(15)	-	3 971
CAPEX**	994	168	65	-	1 227

3. OPERATING SEGMENTS (CONTINUED)

For the 3 months ended 31 March 2016

	Downstream Segment	Retail Segment	Corporate Functions	Adjustments	Total
Total external revenues	15 921	1 724	41	-	17 686
Transactions with other segments	1 334	13	160	(1 507)	-
Total segment revenue	17 255	1 737	201	(1 507)	17 686
Operating expenses	(17 393)	(1 613)	(192)	1 507	(17 690)
Other operating income	233	2	-	-	235
Other operating expenses	(120)	(1)	(6)	-	(127)
Segment operating profit/(loss)	(25)	125	3	-	103
Net finance income					12
Profit before tax					115
Tax expense					(140)
Net loss					(25)
Depreciation and amortisation	(368)	(76)	(12)	-	(456)
EBITDA*	343	201	15	-	559
CAPEX**	2 682	51	13	-	2 746

* Operating profit/(loss)+depreciation and amortization.

** Additions to non-current assets (investment expenditures in property, plant and equipment+investment expenditures in internally generated intangible assets+investment expenditures in intangible assets-investment expenditures in CO₂ emission allowances).

Assets by operating segments

	31/03/2017	31/12/2016
Downstream Segment	53 132	54 841
Retail Segment	6 289	6 043
Segment assets	59 421	60 884
Corporate Functions	8 727	8 026
Adjustments	(65)	(258)
	68 083	68 653

4. OTHER NOTES

4.1. Revenues

	3 MONTHS ENDED 31/03/2017	3 MONTHS ENDED 31/03/2016
Revenues from sales of finished goods and services, net	29 250	16 066
Revenues from sales of merchandise and raw materials, net	600	1 620
	29 850	17 686

4.2. Operating expenses

Cost of sales

	3 MONTHS ENDED 31/03/2017	3 MONTHS ENDED 31/03/2016
Cost of finished goods and services sold	(25 945)	(15 104)
Cost of merchandise and raw materials sold	(599)	(1 620)
	(26 544)	(16 724)

Cost by nature

	3 MONTHS ENDED 31/03/2017	3 MONTHS ENDED 31/03/2016
Materials and energy	(23 544)	(12 989)
Cost of merchandise and raw materials sold	(599)	(1 620)
External services	(1 489)	(1 311)
Employee benefits	(829)	(706)
Depreciation and amortisation	(643)	(456)
Taxes and charges	(108)	(83)
Other	(231)	(273)
	(27 443)	(17 438)
Change in inventories	(209)	(380)
Operating expenses	(27 652)	(17 818)
Distribution expenses	677	644
Administrative expenses	403	323
Other operating expenses	28	127
Cost of sales	(26 544)	(16 724)

4.3. Impairment allowances of inventories to net realisable value

	3 MONTHS ENDED 31/03/2017	3 MONTHS ENDED 31/03/2016
Increase	(15)	(362)
Decrease	44	570

4.4. Impairment allowances of assets

	3 MONTHS ENDED 31/03/2017	3 MONTHS ENDED 31/03/2016
Property, plant and equipment		
Recognition	(2)	-
Reversal	1	-
Receivables		
Recognition	(10)	-
Reversal	-	-

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

4.5. Other operating income and expenses

Other operating income

	3 MONTHS ENDED 31/03/2017	3 MONTHS ENDED 31/03/2016
Penalties and compensations earned	1 046	19
Profit on sale of non-current non-financial assets	30	1
Reversal of provisions	1	-
Reversal of impairment allowances of property, plant and equipment and intangible assets	1	-
Revaluation of provision to CO ₂ consumption	47	207
Other	5	8
	1 130	235

During the 3 months ended 31 March 2017 the Group recognized compensation from insurances in the amount of CZK 1 025 million in connection with the accident on the Fluid Catalytic Cracking unit. Further information regarding the insurance claim and recoveries is presented in note 4.16.

Other operating expenses

	3 MONTHS ENDED 31/03/2017	3 MONTHS ENDED 31/03/2016
Penalties, damages and compensations	(4)	(99)
Recognition of provisions	(5)	(1)
Recognition of receivables impairment allowances	(10)	-
Recognition of impairment allowances of property, plant and equipment and intangible assets	(2)	-
Other	(7)	(27)
	(28)	(127)

The other operating expenses included under Penalties, damages and compensations incurred in connection with the accident of the steam cracker unit, which took place at the Chempark Záluží in Litvínov on 13 August 2015, amounted to CZK 4 and 99 million during the 3 months ended 31 March 2017 and 2016.

4.6. Finance income and finance costs

Finance income

	3 MONTHS ENDED 31/03/2017	3 MONTHS ENDED 31/03/2016
Interest	9	5
Net foreign exchange gain	92	105
Settlement and valuation of financial instruments	85	40
	186	150

Finance costs

	3 MONTHS ENDED 31/03/2017	3 MONTHS ENDED 31/03/2016
Settlement and valuation of financial instruments	(211)	(131)
Other	(8)	(7)
	(219)	(138)

4.7. Tax expense

	3 MONTHS ENDED 31/03/2017	3 MONTHS ENDED 31/03/2016
Current income tax	(410)	(13)
Deferred income tax	(59)	(127)
	(469)	(140)

4.8. Other financial assets

	31/03/2017	31/12/2016
Cash flow hedge instruments		
<i>currency forwards</i>	29	2
<i>commodity swaps</i>	226	144
Derivatives not designated as hedge accounting		
<i>currency forwards</i>	19	33
Cash pool	2 024	3 135
Receivables on settled cash flow hedge instruments	316	102
	2 614	3 416

4.9. Provisions

	Non-current		Current		Total	
	31/03/2017	31/12/2016	31/03/2017	31/12/2016	31/03/2017	31/12/2016
Environmental provision	878	877	4	4	882	881
Jubilee bonuses and retirement benefits provision	97	97	7	7	104	104
Provision for CO ₂ emission allowances	-	-	680	553	680	553
Other provision	12	23	83	88	95	111
	987	997	774	652	1 761	1 649

A provision for CO₂ allowances was created for estimated CO₂ emissions in the periods ended 31 March 2017 and 31 December 2016.

4.10. Other financial liabilities

	31/03/2017	31/12/2016
Cash flow hedge instruments		
<i>currency forwards</i>	53	-
<i>commodity swaps</i>	92	470
Derivatives not designated as hedge accounting		
<i>currency forwards</i>	24	24
Cash pool	290	175
Liabilities on settled cash flow hedge instruments	37	246
	496	915

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

Methods applied in determining fair value have been described in the consolidated financial statements as at and for the year ended 31 December 2016 in note 27.3. As compared to the previous reporting period, the Group has not changed valuation methods concerning derivative instruments and investment property.

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

	31/03/2017		31/12/2016	
	Level 2	Level 3	Level 2	Level 3
Financial assets				
Derivative instruments at fair value	274	-	179	-
Investment property	127	316	116	316
	401	316	295	316
Financial liabilities				
Derivative instruments at fair value	169	-	494	-
	169	-	494	-

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

4.12. Future commitments resulting from signed investment contracts

As at 31 March 2017 and as at 31 December 2016 the value of future commitments resulting from signed investment contracts amounted to CZK 5 201 million and CZK 5 799 million.

4.13. Retained earnings and dividends

In accordance with appropriate Czech law, dividends can be paid from unconsolidated profits of the parent company. The decision regarding appropriation of 2016 profit will be made at the annual meeting of shareholders, which will be held in June 2017.

The Board of Directors of UNIPETROL, a.s. decided on 26 April 2017 to propose to the Company's General Meeting to allocate the amount of CZK 1 505 million for dividend payment (representing CZK 8.30 per each Company's share). The proposed dividend represents the net profit of UNIPETROL a.s. for the year 2016 in the amount of CZK 47 million and amount of CZK 1 458 million from the Company's retained earnings.

Pursuant to the Company's Articles of Association, the Board of Directors recommendation will be presented to the Company's Supervisory Board for an opinion and to the Unipetrol's General Meeting which will make the final decision in this issue.

4.14. 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 2 462 million as at 31 March 2017 (31 December 2016: CZK 2 988 million) and for other purposes amounted to CZK 99 million (31 December 2016: CZK 105 million).

The Group was the beneficiary of guarantees in the amount of CZK 749 million as at 31 March 2017 (31 December 2016: CZK 770 million).

4.15. Related party transactions

Material transactions concluded by the Group companies with related parties

In the 3 months ended 31 March 2017 and 2016 there were no transactions concluded by the Group with related parties on other than arm's length terms.

Transactions with key management personnel

In the 3 months ended 31 March 2017 and 2016 the Group companies did not grant to key management personnel and their relatives any advances, borrowings, loans, guarantees and commitments or other agreements obliging them to render services to Group companies and related parties.

In the 3 months ended 31 March 2017 and 2016 there were no significant transactions concluded with members of the Board of Directors, the Supervisory Board, their spouses, siblings, descendants, ascendants or their other relatives.

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

In the 3 months ended 31 March 2017 and 2016 members of the key management personnel of the parent company and the Group companies submitted statements that they have not concluded any transactions with related parties.

Parent and ultimate controlling party

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

for 3 months ended	PKN Orlen		Joint operations		Entities under control or significant influence of PKN Orlen	
	31/03/2017	31/03/2016	31/03/2017	31/03/2016	31/03/2017	31/03/2016
Sales	1 929	452	209	-	1 760	1 407
Purchases	19 416	9 556	160	19	271	535
Finance income	-	-	-	-	4	1
Finance costs	-	-	-	-	1	1

	PKN Orlen		Joint operations		Entities under control or significant influence of PKN Orlen	
	31/03/2017	31/12/2016	31/03/2017	31/12/2016	31/03/2017	31/12/2016
Other financial assets	-	-	-	-	2 024	3 135
Trade and other receivables	550	439	75	94	819	519
Trade and other liabilities	4 201	6 086	53	77	423	57

4.16. 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 impairment charge of CZK 597 million in relation to damaged assets. During the 4th quarter 2016 the unit was restored to normal modes of operation.

The Group is insured against property and mechanical damage as well as loss of business profits (business interruption) and is in the process of seeking recourse from the insurer. The Group expects that, based on the insurance policies and the internal estimates made at the end of March 2017, it should be in a position to recover repair costs estimated at approximately CZK 3.9 billion, as well as recoverable lost business profits estimated at CZK 10.1 billion. Out of these amounts, the Group has already recognized CZK 7.9 billion in Other operating income of 2016. The Group estimates the value of the contingent asset from an insurance claim in the amount of CZK 6.1 billion as at 31 March 2017. The final amount of compensation will depend on the final agreement with insurers.

Fluid Catalytic Cracking unit accident

Following the accident of the Fluid Catalytic Cracking 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. In October 2016 the Kralupy refinery achieved full standard processing capacity.

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 March 2017, it should be in a position to recover repair costs estimated at approximately CZK 0.3 billion, as well as recoverable lost business profits estimated at CZK 0.9 billion. Out of these amounts in the 3 months ended 31 March 2017, the Group has already recognized CZK 1.0 billion in Other operating income. The Group has received CZK 0.9 billion, CZK 0.1 billion is presented in Trade and other receivables in the Consolidated statement of financial position and in Other adjustments in the operating activities of the Consolidated statement of cash flows.

The Group estimates the value of the contingent asset from an insurance claim in the amount of CZK 0.2 billion as at 31 March 2017. The final amount of compensation will depend on the final agreement with insurers.

Tax proceeding

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

During the 3 months ended 31 March 2017 there were no material changes in relation to this issue.

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

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

During the 3 months ended 31 March 2017 there were no material changes in relation to this issue.

Contingent liabilities

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

During the 3 months ended 31 March 2017 there were no material changes in relation to this issue.

Claims regarding award for employees' intellectual work

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

During the 3 months ended 31 March 2017 there were no material changes in relation to this issue.

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

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

During the 3 months ended 31 March 2017 there were no material changes in relation to this issue.

4.17. Accounting principles

Applied accounting principles and IFRS amendments

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

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

The Group intends to adopt new standards, amendments and interpretations to existing standards that have been published but are not effective as at the date of preparation of these interim condensed consolidated financial statements after their acceptance by the European Commission in accordance with their effective date. The possible impact of new standards, amendments and interpretations on the Group's future consolidated financial statements was described in note 33.1 of the consolidated financial statements of the Group as at and for the year ended 31 December 2016.

Functional and presentation currency

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

Methods applied to translation of financial data for consolidation purposes

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

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

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

Currency	Average exchange rate for the reporting period		Exchange rate as at the end of reporting period	
	31/03/2017	31/12/2016	31/03/2017	31/12/2016
CZK/EUR	27.020	27.030	27.030	27.020
CZK/USD	25.292	25.641	25.282	25.639

4.18. Changes in the Group structure

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

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

4.19. Subsequent events after the reporting date

The Board of Directors of UNIPETROL, a.s. decided on 26 April 2017 to propose to the Company's General Meeting to allocate the amount of CZK 1 505 million for dividend payment. Further information is presented in note 4.13.

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 31 March 2017.

**QUARTERLY CONDENSED SEPARATE
FINANCIAL STATEMENTS
UNIPETROL, a.s.**

FOR THE 3 MONTHS ENDED 31 MARCH

2017

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

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

Separate statement of profit or loss and other comprehensive income

	3 MONTHS ENDED 31/03/2017 (unaudited)	3 MONTHS ENDED 31/03/2016 (unaudited)
Statement of profit or loss		
Revenues	38	34
Cost of sales	(20)	(18)
Gross profit on sales	18	16
Administrative expenses	(18)	(17)
Profit/(loss) from operations	-	(1)
Finance income	13	15
Finance costs	(2)	(1)
Net finance income	11	14
Profit before tax	11	13
Tax expense	(4)	(5)
Net profit	7	8
Net profit/(loss) and diluted net profit/(loss) per share attributable to equity owners of the parent (in CZK per share)	0.04	0.04

Separate statement of financial position

	31/03/2017 (unaudited)	31/12/2016 (audited)
ASSETS		
Non-current assets		
Property, plant and equipment	9	9
Investment property	1 163	1 163
Shares in related parties	17 579	17 579
	18 751	18 751
Current assets		
Trade and other receivables	61	124
Other financial assets	6 542	9 203
Cash and cash equivalents	4 136	2 552
	10 739	11 879
Total assets	29 490	30 630
EQUITY AND LIABILITIES		
EQUITY		
Share capital	18 133	18 133
Revaluation reserve	503	503
Retained earnings	9 246	9 239
Total equity	27 882	27 875
LIABILITIES		
Non-current liabilities		
Provisions	50	50
Deferred tax liabilities	106	106
	156	156
Current liabilities		
Trade and other liabilities	108	115
Current tax liabilities	4	1
Other financial liabilities	1 340	2 483
	1 452	2 599
Total liabilities	1 608	2 755
Total equity and liabilities	29 490	30 630

Separate statement of changes in equity

	Share capital	Revaluation reserve	Retained earnings	Total equity
(unaudited)				
01/01/2017	18 133	503	9 239	27 875
Net profit	-	-	7	7
Total net comprehensive income	-	-	7	7
31/03/2017	18 133	503	9 246	27 882
(unaudited)				
01/01/2016	18 133	503	10 193	28 829
Net profit	-	-	8	8
Total net comprehensive income	-	-	8	8
31/03/2016	18 133	503	10 201	28 837

Separate statement of cash flows

	3 MONTHS ENDED 31/03/2017 (unaudited)	3 MONTHS ENDED 31/03/2016 (unaudited)
Cash flows - operating activities		
Profit before tax	11	13
Adjustments for:		
Foreign exchange loss	3	-
Interest and dividends, net	(10)	(14)
Change in working capital	56	55
<i>receivables</i>	63	51
<i>liabilities</i>	(7)	4
Income tax (paid)	-	(1)
Net cash from operating activities	60	53
Cash flows - investing activities		
Dividends received	-	4
Interest received	16	13
Proceeds/(Outflows) from loans granted	1 223	(45)
Proceeds from cash pool assets	1 435	3 873
Other	(1)	-
Net cash from in investing activities	2 673	3 845
Cash flows - financing activities		
Outflows from cash pool liabilities	(1 143)	(233)
Other	(2)	-
Net cash used in financing activities	(1 145)	(233)
Net increase in cash and cash equivalents	1 588	3 665
Effect of exchange rate changes	(4)	-
Cash and cash equivalents, beginning of the period	2 552	5 435
Cash and cash equivalents, end of the period	4 136	9 100

The foregoing financial report for the period ended 31 March 2017 was authorized for issue by the Board of Directors on 26 April 2017.

Signature of statutory representatives



Andrzej Mikołaj Modrzejewski

Chairman of the Board of Directors



Mirosław Kastelik

Vice-chairman of the Board of Directors