



UNIPETROL, a.s.
SEPARATE HALF-YEAR REPORT

FOR THE 1ST HALF

2017

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



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**UNAUDITED HALF-YEAR CONDENSED SEPARATE
FINANCIAL STATEMENTS**

FOR THE 6 AND 3 MONTHS ENDED 30 JUNE

2017

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

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

	Note	6 MONTHS ENDED 30/06/2017 (unaudited)	3 MONTHS ENDED 30/06/2017 (unaudited)	6 MONTHS ENDED 30/06/2016 (unaudited)	3 MONTHS ENDED 30/06/2016 (unaudited)
Statement of profit or loss					
Revenues	3.1.	74	36	67	33
Cost of sales	3.2.	(40)	(20)	(36)	(18)
Gross profit on sales		34	16	31	15
Administrative expenses	3.2.	(46)	(28)	(42)	(25)
Other operating expenses		(1)	(1)	-	-
Loss from operations		(13)	(13)	(11)	(10)
Finance income	3.3.	117	104	53	38
Finance costs	3.3.	(79)	(77)	(3)	(2)
Net finance income		38	27	50	36
Profit before tax		25	14	39	26
Tax expense	3.4.	(3)	1	(9)	(4)
Net profit		22	15	30	22
Total net comprehensive income		22	15	30	22
Net profit and diluted net profit per share attributable to equity owners of the parent (in CZK per share)		0.12	0.08	0.17	0.12

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 8-12.

Separate statement of financial position

	Note	30/06/2017 (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		17 512	17 579
		18 684	18 751
Current assets			
Trade and other receivables		127	124
Other financial assets	3.5.	9 460	9 203
Cash and cash equivalents		1 213	2 552
		10 800	11 879
Total assets		29 484	30 630
EQUITY AND LIABILITIES			
EQUITY			
Share capital		18 133	18 133
Revaluation reserve		503	503
Retained earnings	3.6.	7 756	9 239
Total equity		26 392	27 875
LIABILITIES			
Non-current liabilities			
Provisions	3.7.	50	50
Deferred tax liabilities		109	106
		159	156
Current liabilities			
Trade and other liabilities	3.8.	1 628	115
Current tax liabilities		1	1
Other financial liabilities	3.9.	1 304	2 483
		2 933	2 599
Total liabilities		3 092	2 755
Total equity and liabilities		29 484	30 630

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 8-12.

Separate statement of changes in equity

	Share capital	Revaluation reserve	Retained earnings	Total equity
(unaudited)				
01/01/2017	18 133	503	9 239	27 875
Net profit	-	-	22	22
Total net comprehensive income	-	-	22	22
Dividends	-	-	(1 505)	(1 505)
30/06/2017	18 133	503	7 756	26 392
(unaudited)				
01/01/2016	18 133	503	10 193	28 829
Net profit	-	-	30	30
Total net comprehensive income	-	-	30	30
Dividends	-	-	(1 001)	(1 001)
30/06/2016	18 133	503	9 222	27 858

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 8-12.

Separate statement of cash flows

	6 MONTHS ENDED 30/06/2017 (unaudited)	3 MONTHS ENDED 30/06/2017 (unaudited)	6 MONTHS ENDED 30/06/2016 (unaudited)	3 MONTHS ENDED 30/06/2016 (unaudited)
Cash flows - operating activities				
Profit before tax	25	14	39	26
Adjustments for:				
Foreign exchange (gain)/loss	14	11	(1)	(1)
Interest and dividends, net	(114)	(104)	(51)	(36)
Loss on investing activities	67	67	-	(1)
Change in working capital	10	(46)	12	(43)
<i>receivables</i>	(2)	(65)	19	(32)
<i>liabilities</i>	12	19	(7)	(11)
Income tax (paid)	(2)	(2)	8	9
Net cash from/(used in) operating activities	-	(60)	7	(46)
Cash flows - investing activities				
Dividends received	88	88	30	26
Interest received	33	17	26	13
Outflows from loans granted	(1 198)	(2 421)	(329)	(284)
Proceeds/(Outflows) from cash pool assets	927	(508)	1 358	(2 515)
Other	-	1	(1)	(1)
Net cash from/(used in) investing activities	(150)	(2 823)	1 084	(2 761)
Cash flows - financing activities				
Proceeds/(Outflows) from cash pool liabilities	(1 179)	(36)	44	277
Dividends paid	(3)	(3)	-	-
Other	(3)	(1)	(3)	(3)
Net cash from/(used in) financing activities	(1 185)	(40)	41	274
Net increase/(decrease) in cash and cash equivalents	(1 335)	(2 923)	1 132	(2 533)
Effect of exchange rate changes	(4)	-	2	2
Cash and cash equivalents, beginning of the period	2 552	4 136	5 435	9 100
Cash and cash equivalents, end of the period	1 213	1 213	6 569	6 569

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 8-12.

EXPLANATORY NOTES TO THE HALF-YEAR CONDENSED SEPARATE FINANCIAL STATEMENTS

1. DESCRIPTION OF THE COMPANY

Establishment of the Company

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

Identification number of the Company

616 72 190

Registered office of the Company

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

Principal activities

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

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

Ownership structure

The shareholders as at 30 June 2017 are as follows:

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

* According to the excerpt from the records of the book-entered shares of the Company as of 31 May 2017.

Statutory and supervisory bodies

Members of the statutory and supervisory bodies as at 30 June 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	Robert Dominik Małek
Supervisory Board	Chairman	Wojciech Jasiński
	Vice-chairman	Ivan Kočárník
	Vice-chairman	Sławomir Jędrzejczyk
	Member	Piotr Kearney
	Member	Zdeněk Černý
	Member	Krzystian Pater
	Member	Grażyna Baka
	Member	Zbigniew Leszczyński
	Member	Rafał Maciej Pasieka

Changes in the Board of Directors during the 6 months ended 30 June 2017 were as follows:

Position	Name	Change	Date of change
Member	Tomáš Herink	Elected to the office	14 March 2017
Member	Lukasz Piotrowski	The office expired	11 June 2017

Changes in the Supervisory Board during the 6 months ended 30 June 2017 were as follows:

Position	Name	Change	Date of change
Member	Bogdan Dzudzewicz	Resigned from the office	with effect as of 18 January 2017
Member	Piotr Kearney	Resigned from the office	with effect as of 30 June 2017
Member	Rafał Maciej Pasieka	Elected to the office	with effect as of 7 June 2017
Vice-chairman	Sławomir Jędrzejczyk	Reelected to the office as a member	with effect as of 7 June 2017
Member	Jacek Marek Kosuniak	Elected to the office	with effect as of 2 July 2017
Member	Sławomir Jędrzejczyk	Resigned from the office	with effect as of 29 July 2017

2. PRINCIPLES OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1. Statement of compliance and general principles of preparation

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

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

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

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

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

3. OTHER NOTES

3.1. Revenues

	6 MONTHS ENDED 30/06/2017	3 MONTHS ENDED 30/06/2017	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016
Fees for use of lands	58	29	57	28
Other services	16	7	10	5
	74	36	67	33

3.2. Operating expenses

Cost of sales

	6 MONTHS ENDED 30/06/2017	3 MONTHS ENDED 30/06/2017	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016
Cost of services sold	(40)	(20)	(36)	(18)
	(40)	(20)	(36)	(18)

Cost by nature

	6 MONTHS ENDED 30/06/2017	3 MONTHS ENDED 30/06/2017	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016
External services	(31)	(20)	(27)	(14)
Employee benefits	(42)	(21)	(36)	(21)
Taxes and charges	(10)	(5)	(9)	(4)
Other	(4)	(3)	(6)	(4)
Operating expenses	(87)	(49)	(78)	(43)
Administrative expenses	46	28	42	25
Other operating expenses	1	1	-	-
Cost of sales	(40)	(20)	(36)	(18)

3.3. Finance income and finance costs

Finance income

	6 MONTHS ENDED 30/06/2017	3 MONTHS ENDED 30/06/2017	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016
Interest	20	12	12	6
Dividends	88	88	30	26
Income from guarantee given	9	4	11	6
	117	104	53	38

Finance costs

	6 MONTHS ENDED 30/06/2017	3 MONTHS ENDED 30/06/2017	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016
Impairment to financial investment in PARAMO, a.s.	(67)	(67)	-	-
Net foreign exchange loss	(8)	(8)	(1)	(1)
Other	(4)	(2)	(2)	(1)
	(79)	(77)	(3)	(2)

3.4. Tax expense

	6 MONTHS ENDED 30/06/2017	3 MONTHS ENDED 30/06/2017	6 MONTHS ENDED 30/06/2016	3 MONTHS ENDED 30/06/2016
Current income tax	-	4	(2)	-
Deferred income tax	(3)	(3)	(7)	(4)
	(3)	1	(9)	(4)

3.5. Other financial assets

	30/06/2017	31/12/2016
Loans granted	2 752	1 565
Cash pool	6 708	7 638
	9 460	9 203

3.6. Retained earnings and dividends

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

On 7 June 2017 the Annual General Meeting of Unipetrol decided to allocate the amount of CZK 1 505 million for dividend payment (representing CZK 8.30 per each Company's share). The dividend 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. The dividends are payable on 7 September 2017.

3.7. Provisions

	Non-current		Current		Total	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016	30/06/2017	31/12/2016
Environmental provision	50	50	-	-	50	50
	50	50	-	-	50	50

3.8. Trade and other liabilities

	30/06/2017	31/12/2016
Trade liabilities	51	21
Dividends	1 552	50
Other	12	14
Financial liabilities	1 615	85
Payroll liabilities	4	4
Value added tax	-	4
Other taxation, duties, social security and other benefits	2	8
Accruals	7	14
wages accrual	7	13
other	-	1
Non-financial liabilities	13	30
	1 628	115

The management considers that the carrying amount of trade and other liabilities and accruals approximate their fair value.

3.9. Other financial liabilities

	30/06/2017	31/12/2016
Cash pool	1 304	2 483
	1 304	2 483

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

Methods applied in determining fair value have been described in the separate financial statements as at and for the year ended 31 December 2016 in note 20.3. As compared to the previous reporting period, the Company has not changed 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).

	30/06/2017		31/12/2016	
	Level 2	Level 3	Level 2	Level 3
Financial assets				
Investment property	-	1 163	-	1 163

During the 6 months ended 30 June 2017 and year 2016 there were no transfers in the Company between Levels 1, 2 and 3 of the fair value hierarchy.

3.11. Guarantees

Based on the Company's request, the bank guarantees relating to the security of customs debt, excise tax at customs offices and other purposes were issued. The total amount of guarantees related to excise tax amounted to CZK 1 915 million as at 30 June 2017 (31 December 2016: CZK 1 936 million) and for other purposes amounted to CZK 104 million (31 December 2016: CZK 82 million).

Furthermore UNIPETROL, a.s. issued a guarantee for the company UNIPETROL RPA, s.r.o. in favour of ČEPRO, a.s. to ensure the excise tax in the amount of CZK 150 million and in favour of UNIPETROL RPA, s.r.o. in the amount of CZK 2 850 million.

3.12. Related party transactions

Material transactions concluded by the Company with related parties

In the 6 months ended 30 June 2017 and 2016 there were no transactions concluded by the Company with related parties on other than arm's length terms.

Transactions with key management personnel

In the 6 months ended 30 June 2017 and 2016 the Company did not grant to key management personnel and their relatives any advances, borrowings, loans, guarantees and commitments or other agreements obliging them to render services to Company and related parties.

In the 6 months ended 30 June 2017 and 2016 there were no significant transactions concluded with members of the Board of Directors, the Supervisory Board, their spouses, siblings, descendants, ascendants or their other relatives.

Transactions with related parties concluded by key management personnel of the Company

In the 6 months ended 30 June 2017 and 2016 members of the key management personnel of the Company submitted statements that they have not concluded any transactions with related parties.

Parent and ultimate controlling party

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

for 6 months ended	PKN Orlen		Entities under control or significant influence of UNIPETROL, a.s.		Entities under control or significant influence of PKN Orlen	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016	30/06/2017	30/06/2016
Sales	-	-	62	56	-	-
Purchases	-	2	12	10	-	-
Finance income, including dividends	-	-	117	53	-	-
	-	-	88	30	-	-

for 3 months ended	PKN Orlen		Entities under control or significant influence of UNIPETROL, a.s.		Entities under control or significant influence of PKN Orlen	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016	30/06/2017	30/06/2016
Sales	-	-	30	28	-	-
Purchases	-	-	-	5	-	-
Finance income, including dividends	-	-	105	38	-	-
	-	-	88	26	-	-

	PKN Orlen		Entities under control or significant influence of UNIPETROL, a.s.		Entities under control or significant influence of PKN Orlen	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016	30/06/2017	31/12/2016
Other financial assets	-	-	9 460	9 203	-	-
Trade and other receivables	-	-	59	64	-	-
Trade and other liabilities	950	-	993	2 312	322	175

3.13. Contingent liabilities

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

During the 6 months ended 30 June 2017 there were no material changes in relation to this issue.

3.14. Accounting principles

Applied accounting principles and IFRS amendments

These interim condensed separate financial statements were prepared according to accounting principles described in note 25 in the separate financial statements of the Company as at and for the year ended 31 December 2016.

In preparing these condensed separate interim financial statements, the significant judgements made by management in applying the Company's accounting policies and main uncertainties were the same as those presented in note 26 in the separate financial statements as at and for the year ended 31 December 2016.

The Company intends to adopt new standards, amendments and interpretations to existing standards that have been published but are not effective as at the date of preparation of these interim condensed separate financial statements after their acceptance by the European Commission in accordance with their effective date. The possible impact of new standards, amendments and interpretations on the Company's future separate financial statements was described in note 25.1.3. of the separate financial statements for the year 2016.

Functional and presentation currency

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

3.15. Changes in Group structure

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

The merger by amalgamation of UNIPETROL RPA, s.r.o. and ČESKÁ RAFINÉRSKÁ, a.s was approved by the companies' General Meetings with legal succession of UNIPETROL RPA, s.r.o. on 21 September 2016. The legal effects of the merger came into force as at 1 January 2017.

In 6 months ended 30 June 2017 there were no other changes in Group structure.

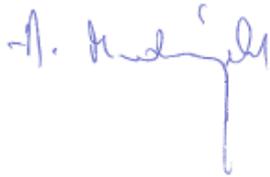
3.16. Subsequent events after the reporting date

The Company's management is not aware of any events that have occurred since the end of the reporting period that would have any material impact on the financial statements as at 30 June 2017.

3.17. Approval of the financial statements

The foregoing financial report for the period ended 30 June 2017 was authorized for issue by the Board of Directors on 19 July 2017.

Signature of statutory representatives



Andrzej Mikołaj Modrzejewski

Chairman of the Board of Directors



Mirosław Kastelik

Vice-chairman of the Board of Directors

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

For shareholders of UNIPETROL, a.s.

Having its registered office at: Na Pankráci 127, 140 00 Praha 4

Introduction

We have reviewed the accompanying separate statement of financial position of UNIPETROL, a.s. as of 30 June 2017 and the related separate statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standards as adopted by European Union and for such internal control as management determines is necessary to enable the preparation of interim financial information that are free from material misstatement, whether due to fraud or error. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of UNIPETROL, a.s. as of 30 June 2017 and of its financial performance and cash flows for the six-month period then ended in accordance with International Financial Reporting Standards as adopted by European Union.

Other Matters

Corresponding figures as at 31 March 2017, 31 March 2016 and 30 June 2016 and for the periods then ended were not subject to review of interim financial information. The separate financial statements of UNIPETROL, a.s. for the year ended 31 December 2016 were audited by another auditor who expressed unmodified opinions on those statements on 13 March 2017.

In Prague on 20 July 2017

Audit Firm:

Deloitte Audit s.r.o.



Represented by:

Martin Tesař
statutory executive

