UNIPETROL RPA, s.r.o.

NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR 2013

KPMG Česká republika Audit, s.r.o.
Pobřežní 648/1a
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This document is an English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the Member of UNIPETROL RPA, s.r.o.

We have audited the accompanying financial statements of UNIPETROL RPA, s.r.o., which comprise the statement of financial position as of 31 December 2013, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flow for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to these financial statements.

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

KPMG

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of UNIPETROL RPA, s.r.o. as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Prague
7 March 2014

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

Karel Růžička
Partner
Licence number 1895

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For the year ended 31 December 2013 (in thousands of CZK)

NON-CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

STATEMENT OF FINANCIAL POSITION

	NOTE	31/12/2013	31/12/2012 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	12 931 305	13 126 491
Investment property	*7*	87 016	79 482
Intangible assets	*8*	1 503 598	1 678 163
Shares in related parties	*9*	978 023	1 009 291
Deferred tax assets	*25.2*	13 670	-
Other non-current assets	*10*	49 748	81 065
		15 563 360	**15 974 492**
Current assets			
Inventories	*11*	8 943 582	8 825 960
Trade and other receivables	*12*	10 467 336	9 546 782
Other financial assets	*13*	41 319	78 140
Current tax receivables		11 724	11 724
Cash and cash equivalents	*14*	84 394	157 163
		19 548 355	**18 619 769**
Total assets		**35 111 715**	**34 594 261**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	*15.1*	11 147 964	11 147 964
Statutory reserves	*15.2*	565 646	551 630
Hedging reserve	*15.3*	(190 290)	(16 509)
Retained earnings	*15.4*	(5 170 526)	(3 616 599)
Total equity		**6 352 795**	**8 066 486**
LIABILITIES			
Non-current liabilities			
Loans,borrowings and debt securities	*16*	963 088	912 193
Provisions	*17*	413 869	367 826
Deferred tax liabilities	*25.2*	-	156 915
Other non-current liabilities	*18*	17 678	21 419
		1 394 635	**1 458 353**
Current liabilities			
Trade and other liabilities	*19*	14 505 675	14 026 096
Loans,borrowings and debt securities	*16*	10 058 519	9 597 809
Provisions	*17*	461 561	407 410
Other financial liabilities	*20*	2 338 530	1 038 107
		27 364 285	**25 069 422**
Total liabilities		**28 758 920**	**26 527 775**
Total equity and liabilities		**35 111 715**	**34 594 261**

IDENTIFIKACE AUDITORA
KPMG Česká republika Audit, s.r.o.
Pobřežní 648/1a, 186 00 Praha 8
IČ: 49619187, auditorské oprávnění č. 71

The financial statements are to be read in conjunction with the notes forming part of the financial statemens set out on pages 8 – 63.

For the year ended 31 December 2013 (in thousands of CZK)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTE	2013	2012 (restated)
Statement of profit or loss			
Revenues	*21*	91 177 542	99 205 899
Cost of sales	*22*	(90 487 414)	(97 404 626)
Gross profit on sales		**690 128**	**1 801 273**
Distribution expenses		(1 993 114)	(1 996 683)
Administrative expenses		(302 510)	(325 998)
Other operating income	*23.1*	77 048	388 724
Other operating expenses	*23.2*	(160 913)	(228 712)
Loss from operations		**(1 689 361)**	**(361 396)**
Finance income	*24.1*	1 431 572	2 034 389
Finance costs	*24.2*	(1 410 143)	(2 096 148)
Net finance income (costs)		**21 429**	**(61 759)**
Loss before tax		**(1 667 932)**	**(423 155)**
Tax expense	*25.1*	129 480	703 474
Net profit/(loss)		**(1 538 452)**	**280 319**
Other comprehensive income			
items which will not be reclassified into profit or loss		**(1 458)**	**-**
Actaurial gains (losses)		*(1 800)*	-
Deferred tax		*342*	-
items which will be reclassified into profit or loss under certain conditions		**(173 781)**	**77 204**
Hedging instruments		*(214 544)*	*95 314*
Deferred tax		*40 763*	*(18 110)*
		(175 239)	**77 204**
Total net comprehensive income		**(1 713 691)**	**357 523**

The financial statements are to be read in conjunction with the notes forming part of the financial statemens set out on pages 8 – 63.

Unipetrol ORLEN GROUP

For the year ended 31 December 2013 (in thousands of CZK)

STATEMENT OF CASH FLOWS

	NOTE	2013	2012 (restated)
Cash flows - operating activities			
Net profit/(loss)		**(1 538 452)**	**280 319**
Adjustments for:			
Depreciation and amortisation	6,8	1 564 521	1 530 133
Foreign exchange (gain)/loss		(6 866)	-
Interest and dividends, net		(239 761)	(200 712)
(Profit)/Loss on investing activities		(87 775)	206 279
Change in provisions		651 388	368 050
Tax expense	25.1	(129 480)	(703 474)
Income tax (paid)		-	7 552
Other adjustments		(124 775)	(720 182)
Change in working capital		(1 162 785)	(826 798)
inventories		(446 395)	551 816
receivables		(705 619)	(240 662)
liabilities		(10 771)	(1 137 952)
Net cash used in operating activities		**(1 073 985)**	**(58 833)**
Cash flows - investing activities			
Acquisition of property, plant and equipment and intangible assets		(893 792)	(814 450)
Disposal of property, plant and equipment and intangible assets		5 983	2 849
Settlement of financial derivatives		7 601	250 048
Dividends received		362 804	447 072
Other		43 839	(70 783)
Net cash used in investing activities		**(473 565)**	**(185 264)**
Cash flows - financing activities			
Proceeds from loans and borrowings		1 055 785	2 595 883
Repayments of loans and borrowings		(595 883)	(1 054 642)
Interest paid		(121 312)	(188 591)
Change in cash pool liabilities		1 132 943	(1 095 457)
Other		(3 619)	68 478
Net cash from financing activities		**1 467 914**	**325 671**
Net increase/(decrease) in cash and cash equivalents		**(79 636)**	**81 574**
Effect of exchange rate changes		6 868	-
Cash and cash equivalents, beginning of the period		157 162	76 189
Cash and cash equivalents, end of the period	14	**84 394**	**157 163**

The financial statements are to be read in conjunction with the notes forming part of the financial statemens set out on pages 8 –63.

For the year ended 31 December 2013 (in thousands of CZK)

STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity owners				
	Share capital and share premium	Statutory reserves	Hedging reserve	Retained earnings	Total equity
1 January 2013	11 147 964	551 630	(16 509)	(3 616 599)	8 066 486
Net loss	-	-	-	(1 538 452)	(1 538 452)
Items of other comprehensive income	-	-	(173 781)	(1 458)	(175 239)
Total net comprehensive income	**-**	**-**	**(173 781)**	**(1 553 926)**	**(1 713 691)**
Allocation of profit to the reserves		14 016	-	(14 016)	-
31 December 2013	**11 147 964**	**565 646**	**(190 290)**	**(5 170 525)**	**6 352 795**
1 January 2012	11 147 964	551 630	(93 713)	(3 896 918)	7 708 963
Net profit	-	-	-	280 319	280 319
Items of other comprehensive income	-	-	77 204	-	77 204
Total net comprehensive income	**-**	**-**	**77 204**	**280 319**	**357 523**
31 December 2012	**11 147 964**	**551 630**	**(16 509)**	**(3 616 599)**	**8 066 486**

The financial statements are to be read in conjunction with the notes forming part of the financial statemens set out on pages 8 – 63.

For the year ended 31 December 2013 (in thousands of CZK)

ACCOUNTING PRINCIPLES AND OTHER EXPLANATORY NOTES

1. DESCRIPTION OF THE COMPANY

Establishment of the company
UNIPETROL RPA, s.r.o. (the "Company") is a Czech limited liability company that was incorporated on 21 September 2006.

Registered office of the Company
UNIPETROL RPA, s.r.o.
Záluží 1
436 70 Litvínov
Czech Republic
Identification No. 275 97 075

The registered capital of the Company amounts to CZK 11 147 964 thousand.

UNIPETROL RPA, s.r.o. has merged with CHEMOPETROL, a.s., with its registered office at Litvinov, Litvinov-Zaluzi 1, Most, Identification No.: 25003887, and UNIPETROL RAFINERIE a.s., with its registered office at Litvinov, Litvinov-Zaluzi 1, Identification No: 25025139, where UNIPETROL RPA, s.r.o. is the legal successor. On 1 January 2007, due to the merger, the assets and liabilities, including rights and commitments from labour-law relations, of CHEMOPETROL, a.s. and UNIPETROL RAFINERIE a.s. were transferred to UNIPETROL RPA, s.r.o.
Registered on: 1 August 2007.

Principal activities
The main scope of business activities pursued by the Company is the sale of product from crude oil, which is processed by CESKA RAFINERSKA, a.s. to oil products for a processing fee, as well as the production, processing and sale of chemicals, the production and final processing of plastics, and the production, processing, distribution and sale of energy, particularly heat, electricity and gas.

Ownership structure
The sole shareholder of the Company is UNIPETROL, a.s., with its registered office at Praha 4, Na Pankraci 127.

The Statutory representatives as at 31 December 2013 were as follows:

Position	Name
Executive	Artur Paździor
Executive	Mirosław Kastelik
Executive	Dariusz Ciesielski
Executive	Martin Durčák

On behalf of Company every one of the directors acts individually.

Changes in the Statutory bodies in 2013 were as follows:

Position	Name	Change	Date of change
Executive	Mariusz Kędra	Recalled from the office	6 February 2013
Executive	Ivan Ottis	Recalled from the office	31 December 2013
Executive	Tomasz Szymański	Recalled from the office	6 February 2013
Executive	Marek Świtajewski	Recalled from the office	5 June 2013
Executive	Mirosław Kastelik	Elected into the office	6 February 2013
Executive	Dariusz Ciesielski	Elected into the office	6 February 2013
Executive	Martin Durčák	Elected into the office	5 June 2013

Group identification and consolidation
The Company is part of the consolidation group of UNIPETROL, a.s. ("the Group"). Pursuant to section 62(2) of Decree No. 500/2002 Coll., the financial statements of the company and of all entities consolidated by it have been included in the consolidated financial statements of UNIPETROL, a.s. with its registered office at Prague 4, Na Pankráci 127, 140 00, ID No. 616 72 190. The consolidated financial statements of UNIPETROL, a.s. prepared in accordance with International Financial Reporting Standards as adopted by the European Union will be published pursuant to section 62(3c) of Decree No. 500/2002 Coll. and section 21a of Act No. 563/1991 Coll., on Accounting.

2. STATEMENTS OF THE MANAGEMENT BOARD

The statutory representatives of UNIPETROL RPA, s.r.o. hereby declares that to the best of their knowledge the foregoing financial statements and comparative data were prepared in compliance with the accounting principles applicable to the Company in force (disclosed in note 3) and that they reflect true and fair view on financial position and financial result of the Company, including basic risks and exposures.

3.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Principles of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations approved by the International Accounting Standards Board (IASB) which were adopted by the European Union (EU) and were in force as at 31. December 2013.

The financial statements are compliant with all requirements of IFRSs adopted by the EU and present a true and fair view of the Company's financial position as at 31 December 2013, results of its operations and cash flows for the year ended 31 December 2013.

The financial statements of the Company for the year ended 31 December 2013 are prepared as non-consolidated financial statements. Investments in the subsidiaries UNIPETROL DOPRAVA, s.r.o., POLYMER INSTITUTE BRNO, spol. s r.o., CHEMOPETROL, a.s., HC VERVA Litvínov, a.s., UNIPETROL SLOVENSKO s.r.o. and UNIPETROL DEUTSCHLAND GmBH are fully consolidated by the parent company UNIPETROL a.s.

These 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 statement of cash flows, are prepared on the accrual basis of accounting.

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

3.2.1 Binding amendments and interpretations to IFRSs

The following new standards, amendments and interpretations to existing standards came in force from 1 January 2013 until the date of publication of these financial statements:

- *Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* (early adopted by the Company in 2012),
- *Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters,*
- *Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards- Government Loans*
- *Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities,*
- *IFRS 13 Fair Value Measurement,*
- *Amendments to IAS 12 Income taxes – Deferred tax: Recovery of Underlying Assets,*
- *Amendments to IAS 19 Employee Benefits,*
- *Interpretation IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine,*
- *Improvements to International Financial Reporting Standards 2009-2011.*

The aforementioned standards, amendments and interpretations to IFRSs had no significant impact on the foregoing financial statements. Application of *IFRS 13 Fair Value Measurmenet* increased scope of disclosures in the notes to the financial statements.

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

Early adoption of new standards

As at 31 December 2013 the Company had early adopted amendments to *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* before the effective date in relation to ceasing to meet the criteria of presentation as assets held for sale.

Adoption according to the effective date

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company but which the Company has not early adopted. The Company intends to adopt new standards and amendments to IFRSs that are published but not effective as at 31 December 2013, in accordance with their effective dates. In 2013, the Company did not take the decision for early adoption on a voluntarily basis of amendments and interpretations to the standards, except for adoption of amendments to amendments to *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* Those new standards which may be relevant to the Company are set out below.

- *IFRS 10 Consolidated Financial Statements* (effective for annual periods beginning on or after 1January 2014)

  IFRS 10 replaces IAS 27 Consolidated and separate financial statements, in scope of consolidation and SIC 12 interpretation Special Purpose Entities.

  IFRS 10 provides a new single model to be applied in the control analysis for all investees, including those that currently are Special Purpose Entities in the scope of SIC-12.

  Under the new single control model, an investor controls an investee when: it is exposed or has rights to variable returns from its involvements with the investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns.

  The Company does not expect the new standard when initially applied to have an impact on the financial statements, since the assessment of control over its current investees under the new standard is not expected to change the conclusion regarding the Company's control over its investees.

- *IFRS 11 Joint Arrangements* (effective for annual periods beginning on or after 1 January 2014)

  IFRS 11 Joint Arrangements supersedes and replaces *IAS 31 Interest in Joint Ventures* and *SIC-13 Jointly Controlled Entities – Non Monetary Contributions by Venturers.*

  IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed in IFRS 10. Under the new Standard, joint arrangements are divided into two types, each having its own accounting model defined as follows:

  - A *joint operation* is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operations will be accounted for on the basis of the Company's interest in those assets and liabilities.
  - A *joint venture* is one whereby the jointly controlling parties, known as joint ventures, have rights to the net assets of the arrangement. Joint ventures will be equity-accounted.

  The Company does not expect the new standard when initially applied to have an impact on the financial statements, since the assessment of the joint arrangements under the new standard is not expected to result in a change in the accounting treatment of existing joint arrangements.

- *IFRS 12 Disclosures of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2014)

  IFRS 12 requires additional disclosures relating to significant judgments and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.

  The Company expects that the new standard when initially applied will increase the extent of disclosures in the financial statements.

3.2.2. IFRSs, amendments and interpretations to IFRSs endorsed by European Union, not yet effective (continued)

- *Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)* (effective for annual periods beginning on or after 1 January 2014)
  The amendments:
  - define the date of initial application of IFRS 10 as the beginning of the annual period in which the standard is applied for the first time (1 January 2013 unless early adopted). At this date, an entity tests whether there is a change in the consolidation conclusion for its investees;
  - limit the restatement of comparatives to the period immediately preceding the date of initial application; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged;
  - requires disclosure of the impact of the change in accounting policy only for the period immediately preceding the date of initial application (i.e. disclosure of impact on the current period is not required);
  - will remove the requirement to present comparative information disclosures related to unconsolidated structured entities for any periods before the first annual period for which IFRS 12 is applied.

  The Company expects that amendments to standards will not have an impact on items presented in future financial statements.

- *Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities* (effective for annual periods beginning on or after 1 January 2014)
  The Amendments provide an exception to the consolidation requirements in IFRS 10 and require qualifying investment entities to measure their investments in controlled entities, associates and joint ventures at fair value through profit or loss, rather than consolidating them.
  The consolidation exemption is mandatory (i.e. not optional), with the only exception being that subsidiaries that are considered as an extension of the investment entity's investing activities, must still be consolidated.
  An entity qualifies as an investment entity if it meets all of the essential elements of the definition of an investment entity, i.e. it obtains funds from investors to provide those investors with investment management services, it commits to its investors that its business purpose is to invest for returns solely from appreciation and/or dividend income and measures and evaluates the performance of substantially all of its investments on a fair value basis. The amendments also set out disclosure requirements for investment entities.

  The Company expects that amendments to standards will not have an impact on future financial statements as they are not applicable to the Company.

- *Amendments to IAS 27 Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2014)
  IAS 27 (2011) was modified in relation to issuance of *IFRS 10 Consolidated Financial Statement* and carries forward the existing accounting and disclosure requirements for separate financial statements. For that reason requirements of IAS 28 (2008) and IAS 31 relating to separate financial statements will be incorporated to IAS 27. The above amendment will have no impact on the financial statements, since it does not results in a change in the Company's accounting policy.

- *Amendments to IAS 28 Investments in Associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2014)
  Adopted amendment:
  - applies in case when portion of an investment in an associate or a joint venture was classified as held for sale (under *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*). For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture,
  - in relation to changes in interests held in associates and joint ventures. Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured.

  The Company expects that the above amendment when initially applied will have no material impact on the future financial statements, as the Company holds no investments in associates or joint ventures that are classified as held for sale.

- *Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after 1 January 2014)
  The Amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify and define precisely the offsetting criteria. The entity has a legally enforceable right to offset if that right is not contingent on a future event and is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.
  The Company expects that the above amendment when initially applied will have no material impact on the future financial statements.

3.2.2. IFRSs, amendments and interpretations to IFRSs endorsed by European Union, not yet effective (continued)

- *Amendments to IAS 36 Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets* (effective for annual periods beginning on or after 1 January 2014)
  The Amendments clarify that recoverable amount should be disclosed only for individual assets (including goodwill) or cash-generated units for which an impairment loss was recognized or reversed during the period.
  The Amendments also require the following additional disclosures when an impairment for individual assets (including goodwill) or cash-generated units has been recognized or reversed in the period and recoverable amount is based on fair value less costs to sell:
  - the level within which the fair value measurement of the asset or cash-generating unit is categorized under *IFRS 13 Fair value hierarchy*;
  - for fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation techniques used and any changes in that valuation technique together with the reason for making them;
  - for fair value measurements categorized within Level 2 and Level 3, each key assumption (i.e. assumption to which recoverable amount is most sensitive) used in determining fair value less costs to sell. If fair value less costs to sell is measured using a present value technique, discount rate(s) used both in current and previous measurement should be disclosed.

  The Company expects that the above amendment when initially applied will have no material impact on future financial statements, since it does not result in a change in the Company's accounting policy.

- *Amendments to IAS 39 Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting* (effective for annual periods beginning on or after 1 January 2014)
  The Amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty, when the following criteria are met:
  - the novation is made as a consequence of laws or regulations,
  - a clearing counterparty becomes a new counterparty to each of the original counterparties of the derivative instrument,
  - changes to the terms of the derivative are limited to those necessary to replace the counterparty.

  The Company expects that the above amendment when initially applied will have no material impact on future financial statements, since the Company does not apply novation of derivatives

3.2.3. Standards and interpretations adopted by International Accounting Standards Board (IASB), waiting for approval of EU

Those new standards which may be relevant to the Company are set out below:

- *New standard and amendments to IFRS 9 Financial Instruments* (effective for annual periods beginning on or after 1 January 2015)
  The new Standard replaces the guidance in *IAS 39 Financial Instruments: Recognition and Measurement*, regarding classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories: held to maturity, available for sale and loans and receivables.
  Financial assets will be classified into one of two categories on initial recognition: financial assets measured at amortized cost; or financial assets measured at fair value.
  The 2010 amendments to IFRS 9 replace the guidance in *IAS 39 Financial Instruments: Recognition and Measurement* mainly in relation to liabilities 'designated as fair value through profit or loss' in case of changes in fair value, attributable to changes in credit risk of that liability. The standard requires changes in fair value to be presented directly in other comprehensive income (OCI). Amounts presented in OCI are not subsequently reclassified to profit or loss but may be transferred within equity.
  New standard eliminates the requirement of separation the embedded derivatives from host contract. It requires the hybrid (combined) contract measured at amortised cost or fair value.
  Additionally amendments change the disclosure and restatement requirements relating to the initial application of IFRS 9 Financial Instruments.
  The Company does not expect the standard when initially applied to have an impact on measurement of financial instruments. Based on the standard, a classification of financial assets into respective categories will change.

3.2.3. Standards and interpretations adopted by International Accounting Standards Board (IASB), waiting for approval of EU (continued)

- *Amendments to IFRS 9 Financial Instruments* and *IFRS 7 Financial Instruments: Disclosures* (effective for annual periods beginning on or after 1 January 2015)
  These Amendments change the disclosure and restatement requirements relating to the initial application of *IFRS 9 Financial Instruments (2009)* and *IFRS 9 Financial Instruments (2010)*.
  The amended IFRS 7 requires to disclose more details about the effect of the initial application of IFRS 9 when an entity does not restate comparative information in accordance with the amended requirements of IFRS 9. If an entity adopts IFRS 9 on or after 1 January 2013, then it will no longer be required to restate comparative information for periods prior to the date of initial application. If an entity would adopt IFRS 9 in 2012, then it had a choice either to restate comparative information or to provide the enhanced disclosures as required by the amended IFRS 7. If an entity early adopted IFRS 9 prior to 2012, then neither restatement of comparative information nor provision of the enhanced disclosures under the amended IFRS 7 was required.
  The Company does not expect the amendment to have an impact on future financial statements. Based on initial application of IFRS 9 assets will be assigned to changed financial instruments categories.
- *IFRIC Interpretation 21 Levies* (effective for annual periods beginning on or after 1 January 2014)
  The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability to pay a levy imposed by government and to the timing of recognizing such liability. In accordance with the Interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognized when this event occurs. The liability to pay a levy is recognized progressively if the obligating event occurs over a period of time. If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognized when that minimum activity threshold is reached. The Interpretation sets out that an entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period.
  The Company does not expect the amendment to have an impact on future financial statements, since it does not result in a change in the Company's accounting policy regarding levies.
- *Amendments to IAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions* (effective for annual periods beginning on or after 1 January 2014)
  The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
  The Company does not expect the amendment to have an impact on future financial statements, since the Company does not have such employee contributions.
- *Improvements to IFRS (2010-2012)* (effective for annual periods beginning on or after 1 July 2014)
  The Improvements contain 8 amendments to 7 standards, with consequential amendments to other standards and interpretations. The main changes were to:
  - clarify the definition of 'vesting conditions' in Appendix A of *IFRS 2 Share-based Payment* by separately defining a 'performance condition' and a 'service condition'.
  - clarify certain aspects of accounting for contingent consideration in a business combination.
  - amend paragraph 22 of *IFRS 8* to require entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated. This is to supplement the current disclosure requirements in paragraph 22(a) of IFRS 8.
  - amend paragraph 28(c) of *IFRS 8 Operating Segments* to clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed, if that amount is regularly provided to the chief operating decision maker. This proposed amendment is consistent with the requirements in paragraphs 23 and 28(d) in IFRS 8.
  - clarify the IASB's rationale for removing paragraph B5.4.12 of *IFRS 9 Financial Instruments* and paragraph AG79 of *IAS 39 Financial Instruments: Recognition and Measurement* as consequential amendments from *IFRS 13 Fair Value Measurement.*
  - clarify the requirements for the revaluation method in *IAS 16 Property, Plant and Equipment* and *IAS 38 Intangible Assets* to address concerns about the calculation of the accumulated depreciation or amortization at the date of the revaluation.
  - make an entity providing management personnel services to the reporting entity a related party of the reporting entity.

  The Company does not expect the improvements will have no material impact on future financial statements of the Company.

3.2.3. Standards and interpretations adopted by International Accounting Standards Board (IASB), waiting for approval of EU (continued)

- *Improvements to IFRS (2011-2013)* (effective for annual periods beginning on or after 1 July 2014)

The Improvements contain 4 amendments to standards, with consequential amendments to other standards and interpretations. The main changes were to:

- clarify the meaning of 'each IFRS effective at the end of an entity's first IFRS reporting period' as used in paragraph 7 of *IFRS 1 First-time Adoption of IFRSs.*
- clarify that the scope exemption in paragraph 2(a) of *IFRS 3 Business Combinations* excludes the formation of all types of joint arrangements as defined in *IFRS 11 Joint Arrangements* from the scope of IFRS 3; and applies only to the financial statements of the joint venture or the joint operation itself.
- clarify that the portfolio exception included in paragraph 48 of IFRS 13 applies to all contracts within the scope of *IAS 39 Financial Instruments: Recognition and Measurement* or *IFRS 9 Financial Instruments,* regardless of whether they meet the definitions of financial assets or financial liabilities as defined in *IAS 32 Financial Instruments: Presentation.*
- clarify that judgment is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgment is based on the guidance in IFRS 3.

The Company does not expect the improvements will have no material impact on future financial statements of the Company.

3.3 Functional and presentation currency

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

3.4 Accounting policies applied by the Company

3.4.1 Foreign currency

(i) Transactions in foreign currency

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in the previous financial statements are recognized as financial income or expense in the period in which they arise in the net amount, except for monetary items hedging currency risk, that are accounted for in accordance with cash flows hedge accounting.

3.4.2 Change in accounting policies, estimates and prior period errors

An entity shall change an accounting policy only if the change:

- is required by an IFRS or
- results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the financial position, financial performance or cash flows.

In case of change in accounting policy it is assumed that the new policy had always been applied. The amount of the resulting adjustment is made to the equity. For comparability, the entity shall adjust the financial statements (comparative information) for the earliest prior period presented as if the new accounting policy had always been applied, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change.

Items of financial statements based on an estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience. The effects of changes in estimates are accounted prospectively in the statement of profit or loss and other comprehensive income.

The correction of a material prior period error is made to the equity. When preparing the financial statements it is assumed that the errors were corrected in the period when they occurred by restating the comparative amounts for the prior period presented; or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

3.4.3 Property, plant and equipment

Property, plant and equipment are assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one period (one year or the operating cycle, if longer than one year).

(i) Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use.

The cost of an item of property, plant and equipment includes also estimated costs of dismantling and removing the item and restoring the site/land on which it is located, the obligation for which is connected with acquisition or construction of an item of property, plant and equipment and capitalized borrowing costs, i.e. costs directly attributable to the acquisition, construction or production of a qualifying asset, e.g. interest, commissions are part of the initial cost.

Depreciation of an item of property, plant and equipment begins when it is available for use that is from the month it is in the location and condition necessary for it to be capable of operating in the manner intended by the management, over the period reflecting their estimated economic useful life, considering the residual value.

Components of property, plant and equipment which are material for the whole item are depreciated separately in accordance with their economic useful life. Depreciation is charged so as to write off the cost or valuation of assets to their residual values, other than land, over their estimated useful lives, using the straight-line method.

The following standard economic useful lives are used for property, plant and equipment:

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

The cost of significant repairs and regular maintenance programs is recognized as property, plant and equipment and depreciated in accordance with their economic useful lives. The costs of current maintenance of property, plant and equipment are recognized as an expense during the period when they are incurred.

Major spare parts and stand-by equipment are capitalized as property, plant and equipment when an entity expects to use them during more than one period. Similarly, if the spare parts and servicing agreement can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment. In both cases spare parts are depreciated over the shorter of the useful life of the spare part and the remaining life of the related item of property, plant and equipment.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between sales proceeds and the carrying amount of the asset. The difference is recognized in the statement of profit or loss and other comprehensive income.

The residual value, estimated useful life and depreciation methods are reassessed annually.

Property, plant and equipment are tested for impairment, when there are indicators or events that may imply that the carrying amount of those assets may not be recoverable.

(ii) Leased assets

Leases of property, plant and equipment, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to the statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. In calculating the present value of the minimum lease payments the discount factor is the interest rate implicit in the lease. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

(iii) Subsequent expenditure

The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in the statement of profit or loss and other comprehensive income as an expense as incurred.

3.4.4 Investment property

An investment property shall be measured initially at its cost. Transaction costs shall be included in the initial measurement. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes and other transaction costs. For internally constructed investment property the cost is set at the date of construction completion when the asset is brought into use, in accordance with rules set for property, plant and equipment.

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. After initial recognition investment properties are stated at fair value.

Gains and losses resulting from changes in fair value of investment property are presented in the statement of profit or loss and other comprehensive income in the period which they arise. The Company determines fair value without any deduction for transaction costs it may incur on sale or other disposal.

If the Company determines that the fair value of an investment property is not reliably determinable on a continuing basis, the Company shall measure that investment property at cost in accordance with rules set for property, plant and equipment.

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

3.4.5 Intangible assets

Intangible assets include identifiable non-monetary assets without physical substance. An asset is identifiable if it is either separable, i.e. is capable of being separated or divided from the Company and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, or arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the Company.

Intangible assets are recognized if it is probable that the expected future economic benefits that are attributable to the assets will flow to the entity and the cost of the asset can be measured reliably.

An intangible asset arising from development (or from development phase of an internal project) shall be recognised if, and only if, the Company can demonstrate all of the following: the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to compete the intangible asset and use or sell it, its ability to use or sell the intangible asset, how the intangible asset will generate probable future economic benefits, among other things, the Company can demonstrate the existence of a market for the output of the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset, the availability of adequate technical, financial and other resources to complete the development and to use of sell the intangible asset, its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are measured at acquisition or at construction cost less amortization and impairment allowances. Intangible assets with a finite useful life are amortized when it is available for use that is when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management over their estimated economic useful life. Appropriateness of the applied amortization periods and rates is periodically reviewed, at least at the end of the reporting year, and potential adjustments to amortization allowances are made in the subsequent periods. Intangible assets with an indefinite useful life are not amortized. Their value is decreased by the eventual impairment allowances. Additionally, the useful life of an intangible asset that is not being amortized shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, e.g. interest, commissions, are part of the initial cost.

The following standard economic useful lives are used for intangible assets:

Acquired licenses, patents, and similar intangible assets	2-15 years
Acquired computer software	2-10 years
Capitalized development	4 years

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the statement of profit or loss and other comprehensive income as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically and commercially feasible and the Company has sufficient resources to complete development.

3.4.5. Intangible assest (continued)

(ii) Computer software

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company and which will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include employee costs of the software development team and an appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognized as a capital improvement and added to the original cost of the software.

Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives, not exceeding a period of five years.

(iii) Other intangible assets

Expenditure to acquire patents, trademarks and licenses is capitalized and amortized using the straight-line method over their useful lives, except for licenses related to the purchase of production technologies, which are amortized over the estimated useful life of the technologies purchased. Expenditure on internally generated goodwill and brands is recognized in the statement of profit or loss and other comprehensive income as an expense as incurred.

(iv) Subsequent expenditure

Subsequent expenditure on capitalized intangible assets is capitalized only if it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

3.4.5.1 Goodwill

Goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, (or groups of cash-generating units), that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

The acquirer shall recognise goodwill as of the acquisition date measured as the excess of a) over b) where:
the value of a) corresponds to the aggregate of:

- the consideration transferred, which generally requires acquisition-date fair value,
- the amount of any non-controlling interest in the acquire, and
- in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

the value of b) corresponds to the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Occasionally, an acquirer will make a bargain purchase, which is a business combination in which the amount in point (b) exceeds the aggregate of the amounts specified in point (a). If that excess remains, after reassessment of correct identification of all acquired assets and liabilities, the acquirer shall recognise the resulting gain in profit or loss on the acquisition date as other operating profit for the period.

The acquirer shall measure goodwill in the amount recognised at the acquisition date less any accumulated impairment allowances.

A cash-generating unit to which goodwill has been allocated shall be tested for impairment annually, and whenever there is an indication that the unit may be impaired. The annual impairment test may be performed at any time during an annual period, provided the test is performed at the same time every year.

A cash-generating unit to which no goodwill has been allocated shall be tested for impairment only when there are indicators that the cash-generating unit might be impaired.

An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the acquirer shall also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

3.4.5.2 Carbon dioxide emission allowances

By the virtue of The Kyoto Protocol, the countries, which decided to ratify the Protocol, obliged themselves to reduce emissions of greenhouse gases, i.e. carbon dioxide (CO_2).
In the European Union countries, the plants and companies, which reach productivity exceeding 20 MW and some other industrial plants were obliged to participate in emissions trading system. All mentioned entities are allowed to emit CO_2 in specified amount and are obliged to amortise those rights in the amount of the emissions of the given year.
CO_2 emission rights are initially recognised as intangible assets, which are not amortised (assuming the high residual value), but tested for impairment.
Granted emission allowances should be presented as separate items as intangible assets in correspondence with deferred income at fair value as at the date of registration (grant in scope of IAS 20). Purchased allowances should be presented as intangible assets at purchase price.
If the allowances in a given year were not registered on the account under the date resulting from regulations, they should be presented as receivable at the reporting date in correspondence with deferred income (as separate items) in the fair value of allowances due at the reporting date. The receivable is settled at the moment of allowances registration in the subsequent period by the disclosure of intangible assets at fair value (allowances granted). Deferred income should also be revaluated.
For the estimated CO_2 emission during the reporting period, a provision should be created in operating activity costs (taxes and charges).

Grants should be recognised on a systematic basis to ensure proportionality with the related costs which the grants are intended to compensate. Consequently, the cost of recognition of the provision in the separate statement of profit or loss and other comprehensive income is compensated by a decrease of deferred income (grants) with taking into consideration the proportion of the estimated quantity of emission (accumulated) to the quantity of estimated annual emission.
Granted/purchased CO_2 emission allowances are amortised against the book value of provision, at its settlement. Outgoing of allowances is recognised using FIFO method (First In, First Out) within the individual types of rights (EUA - European Union Allowances, ERU – Emission Reductions Units, CER – Certified Emission Reduction).

3.4.6 Borrowing costs

Borrowing costs consist of interest and other costs that are incurred in connection with the borrowing of funds.
The Company capitalizes borrowing costs attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset, until the time when the assets are substantially ready for their intended use or sale. Qualifying assets are the assets that necessarily take a substantial period of time to get ready for their intended use or sale.
Borrowing costs which are not connected with qualifying assets are recognized in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

The commencement date for capitalization of the borrowing costs is the date when all of the following conditions are met: expenditures for the asset are incurred, borrowing costs are incurred and activities necessary to prepare the asset for its intended use or sale are undertaken.

After putting an asset into use, the capitalized borrowing costs are depreciated/amortized over the period reflecting economic useful life of the asset as part of the cost of the asset

3.4.7 Impairment

The carrying amounts of the Company's assets, other than inventories, investment property and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any external or internal indication exists, the asset's recoverable amount is estimated.
For intangible assets that are not yet available for use and intangible assets with indefinite useful lives and for goodwill the recoverable amount is estimated at each balance sheet date.

The recoverable amount of other assets is the higher of their fair value less costs to sell and value in use.
Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.
Fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of profit or loss and other comprehensive income.
Assets that do not generate the independent cash flows are grouped on the lowest level on which cash flows, independent from cash flows from other assets, are generated (cash generating units).

3.4.7. Impairment (continued)

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

The impairment loss shall be allocated to the carrying amount of the assets of the unit in the following order:
- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

At the end of each reporting period an assessment shall be made whether an impairment loss recognized in prior periods for an asset shall be partly or completely reversed. Indications of a potential decrease in an impairment loss mainly mirror the indications of a potential impairment loss in prior periods. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized as income. An impairment loss recognized in respect of goodwill is not reversed in subsequent periods.

3.4.8 Inventories

Inventories are assets held for sale in the ordinary course of business, or in the process of production for such sale, or in the form of materials or supplies to be consumed in the production process or in the rendering of services. Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost of inventories is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. For finished goods, costs comprise of related fixed and variable indirect costs for ordinary production levels, excluding external financing costs.

The production costs do not include costs incurred as a consequence of low production or production losses, or general and administrative expenses that are not directly attributable to bringing the inventories to the condition and location at the moment of measurement, or storage costs of finished goods, semi-finished products and work in progress, unless these costs are necessary in the production process, or distribution expenses.

As at the end of the reporting period merchandise and raw materials are measured at the lower of cost and net realizable value, considering any allowances. Write-down to net realizable value concerns raw materials and merchandise that are damaged or obsolete.

Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. However, when a decline in the price of materials indicates that the cost of the finished products exceeds net realizable value, the materials are written down to net realizable value.

Expenses and revenues connected with inventories write-offs or establishment and release of allowances are included in cost of sales.

The Company uses commodity derivative contracts to hedge crude oil purchases. Gains or losses on commodity derivative contracts are included in cost of sales.

3.4.9 Trade and other receivables

Trade and other receivables are recognized initially at the present value of the expected proceeds and are stated in subsequent periods at amortized cost using the effective interest method less any impairment losses.

3.4.10 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and in a bank account, bank deposits and short-term highly liquid investments with original maturities of three months and less. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3.4.11 Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale.
Non-current assets are classified as held for sale when the following criteria are met;

- A decision on initiation of the sale was adopted by the Company's management;
- The assets are available for an immediate sale in their present condition;
- An active program to locate a buyer has been initiated;
- The sale transaction is highly probable and can be completed within 12 months following the sale decision;
- The selling price is reasonable in relation to its current fair value;
- It is unlikely that significant changes to the sales plan of these assets will be introduced.

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, investment property, which continue to be measured in accordance with the Company's accounting policies. While a non-current asset is classified as held for sale it shall not be depreciated (or amortised). Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

3.4.12 Equity

Equity is recorded in accounting books by type, in accordance with legal regulations and the Company's articles of association. Equity comprises:

3.4.12.1 Share capital

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

3.4.12.2 Statutory reserves

In accordance with Deed of foundation , the Company required to establish a reserve fund for possible future losses or other events. Contributions must be a minimum of 10% of the profit for the first period in which profit is generated and 5% of profit each year thereafter until the fund reaches 20% of the issued capital.

3.4.12.3 Hedging reserve

Hedging reserve relates to valuation and settlement of hedging instruments that meet the criteria of cash flow hedge accounting.

3.4.12.4 Revaluation surplus

Revaluation surplus comprises revaluation of items, which, according to the company's regulations, relates to the revaluation surplus, including particularly:

- change of the fair value of the available-for-sale financial assets.
- differences between the net book value and the fair value of the investment property at the date of reclassification from the property occupied by the Company to the investment property.

3.4.12.5 Retained earnings

Retained earnings include:

- the undistributed result for prior periods,
- the current period profit/loss,
- the effects (profit/loss) of prior period errors,
- changes in accounting principles,
- other reserve capital as additional payments to equity.

3.4.13 Liabilities

Liabilities, including trade liabilities, are initially stated at fair value increased by transaction cost and subsequently amortized cost using the effective interest method.

3.4.13.1 Accruals

Accruals are liabilities due for goods or services received/provided, but not paid or formally agreed with the seller, together with amounts due to employees. Accruals relate among others to: uninvoiced services, untaken holidays, investment liabilities.
Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much lower than it is for provisions.

3.4.13.2 Social security and pension schemes

Contributions are made to the Czech government's health retirement and unemployment schemes at the statutory rates in force during the year based on gross salary payments. The cost of security payments is charged to the statement of profit or loss and other comprehensive income in the same period as the related salary cost. The Company has no pension or post-retirement commitments.

3.4.14 Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured reliably. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation the provision is reversed. The provision is used only for expenditures for which the provision was originally recognized.

When the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation. If the discounting method is applied, the increase of provisions with time is recognised as financial expenses.

The Company establishes provisions for environmental damage, legal disputes, penalties, estimated expenditures related to the fulfillment of obligations as a result of warranty claims, CO2 emissions and jubilee bonuses and post-employment benefits. No provisions are established in respect of environmental damages which occurred prior to establishment of the Company as the Czech government contractually committed to reimburse the Company for clean-up costs. Provisions are not recognised for the future operating losses.

3.4.14.1 Shield programs

A Shield programs provision (provision for restructuring) is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. Future operating costs are not provided for.

3.4.14.2 Environmental provision

In accordance with the Company's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognized when the land is contaminated. A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

3.4.14.3 CO_2 emissions costs

The Company creates provision for the estimated CO_2 emission during the reporting period in operating activity costs (taxes and charges).

3.4.14.4 Jubilee bonuses and post employment benefits

Retirement benefits and jubilee bonuses

Under the Comapny's remuneration plans, its employees are entitled to jubilee bonuses and retirement benefits. The jubilee bonuses are paid to employees after elapse of a defined number of years in service. The retirement benefits are paid once at retirement. The amount of retirement benefits and jubilee bonuses depends on the number of years of service and an employee's average remuneration. The Company creates a provision for future retirement benefits and jubilee bonuses in order to allocate costs to relevant periods.

The jubilee bonuses are other long-term employee benefits, whereas retirement and pension benefits are classified as post-employment defined benefit plans.

The present value of those liabilities is estimated at the end of each reporting period and adjusted if there are any material indications impacting the value of the liabilities. The accumulated liabilities equal discounted future payments, considering employee rotation. Demographic data and information on employee rotation are based on historical records. Actuarial gains and losses from:

- post employment benefits are recognized in the other comprehensive income,
- other employment benefits, including jubilee bonuses, are recognized in profit and loss.

3.4.15 Government grants

Government grants are transfers of resources to the Company by government, government agencies and similar bodies whether local, national or international in return for past or future compliance with certain conditions relating to the activities of the entity.
Government grants are recognized in the statement of financial position as deferred income when there is reasonable assurance that it will be received and that the Company will comply with the conditions attached to it.
Grants related to costs are presented as compensation to the given cost at the period they are incurred. The surplus of the received grant over the value of the given cost is presented as other operating income.
If the government grants related to assets, it is presented net with the related asset and is recognized in profit or loss on a systematic basis over the useful life of the asset through the decreased depreciation charges, the treatment regarding Carbon dioxide emission allowances granted is described in Note 3.4.5.2.

3.4.16 Revenues

Revenues from sales are recognized when it is probable that the economic benefits associated with the sale transaction will flow to the Company and can be measured reliably and the costs incurred or to be incurred in respect of the transaction can be measured reliably

3.4.16.1 Revenue from sales of finished goods, merchandise, and raw materials

Revenues from sale of finished goods, merchandise, and raw materials are recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods. Revenues are measured at fair value of the consideration received or receivable decreased by the amount of any discounts, value added tax (VAT), excise tax and fuel charges.
Revenues and expenses relating to services for which the start and end dates fall within different reporting periods are recognized based on the percentage of completion method, if the outcome of a transaction can be measured reliably, i.e. when total contract revenue can be measured reliably, it is probable that the economic benefits associated with the contract will flow to the Company and the stage of completion can be measured reliably. If those conditions are not met, revenues are recognized up to the cost incurred, but not greater than the cost which are expected to be recovered by the Company.
When the Company acts as an agent for its customers and buys and sells goods for a fixed margin without controlling purchase and selling prices, it does not report the revenue and cost from the sale of goods on a gross basis. It reports a net margin in the statement of profit or loss and other comprehensive income.
Revenues are measured at fair value of the received or due payments. Revenues realized on settlement of financial instruments hedging cash flows adjust revenues from sale of inventories and services.

3.4.16.2 Revenue from licenses, royalties and trade mark

Revenue from licenses, royalties and trade mark are recognized on an accrual basis in accordance with the substance of the relevant agreements. Prepayments, referring to agreements concluded in the current period by the Company are recognized as deferred income and settled in the periods when economic benefits are realized according to the agreements.

3.4.16.3 Franchise revenues

Franchise revenues are recognized in accordance with the substance of the relevant agreement, in a way reflecting the reason of charging with franchise fees.

3.4.16.4 Rental income

Rental income from investment property is recognized in the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income to be received.

3.4.17 Costs

The Company recognizes costs in accordance with accrual basis and prudence concept.

3.4.17.1 Cost of sales

Cost of sales comprise costs of finished goods sold and costs of services sold, including services of support functions and cost of merchandise and raw materials sold.

3.4.17.2 Distribution expenses

Distribution expenses include selling brokerage expenses, trading expenses, advertising and promotion expenses as well as distribution expenses.

3.4.17.3 Administrative expenses

Administrative expenses include expenses relating to management and administration of the Company as a whole.

3.4.18 Other operating income and expenses

Other operating income in particular includes income from liquidation and sale of non-financial non-current assets, surplus of assets, return of court fees, penalties earned, surplus of grants received to revenues over the value of costs, assets received free of charge, reversal of receivable impairment allowances and provisions, compensations earned and revaluation gains, gain on sale of investment property.

Other operating expenses include in particular costs of liquidation and sale of non-financial non-current assets, shortages of assets, court fees, contractual penalties and fines, penalties for non-compliance with environmental protection regulations, cash and tangible assets transferred free of charge, impairment allowances (except those that are recognized as financial expenses), compensations paid, write-off of construction in progress which have not produced the desired economic effect, cost of recovery of receivables and liabilities and revaluation losses, loss on sale of investment property.

3.4.19 Finance income and finance costs

Finance income includes, in particular, income from the sale of shares and other securities, dividends received, interest earned on cash in bank accounts, term deposits and loans granted, increase in the value of financial assets and foreign exchange gains.
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Finance expenses include, in particular, loss on sale of shares and securities and costs associated with such sale, impairment losses relating to financial assets such as shares, securities and interest receivables, foreign exchange losses, interest on bonds and other securities issued, interest on finance lease, commissions on bank loans, borrowings, guarantees, interest costs.

3.4.20 Income tax expenses

Income tax comprises current tax and deferred tax.
Current tax is determined in accordance with the relevant tax law based on the taxable profit for a given period. Current tax liabilities represent the amounts payable at the reporting date. If the amount of the current income tax paid exceeds the amount due the excess is recognized as a receivable.
Taxable profit differs from net profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rate valid as at the first date of the reporting period.
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences, tax losses and tax relieves carried forward to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.
Taxable temporary differences are temporary differences that will result in increasing taxable amounts of future periods when the value of the asset or liability at the end of the reporting period is recovered or settled.
Taxable temporary differences arise when the carrying amount of an asset at the end of reporting period is higher than its tax base or when the carrying amount of a liability is lower than its tax base.
Deductible temporary differences are temporary differences that will result in reducing taxable amounts of future periods when the carrying amount of the asset or liability is recovered or settled. Deductible temporary differences arise when the carrying amount of an asset is lower than its tax base or when the carrying amount of a liability is higher than its tax base.
Deductible and taxable temporary differences may also arise in connection with items not recognized in the accounting records as assets or liabilities. Tax base is determined in relation to expected recovery of assets or settlement of liabilities.
The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.
Deferred tax assets and liabilities are recognized regardless of when the timing difference is likely to be realized.
Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the statement of profit or loss and other comprehensive income.

3.4.20 Income tax expenses (continued)

The deferred tax assets and liabilities are measured at the end of each reporting period using enacted tax rates binding for the year in which the tax obligation arises, based on tax rates published in tax law.
Deferred tax assets and liabilities are not discounted.
Deferred tax assets and liabilities relating to transactions settled directly in equity are recognised in equity. Deferred tax assets and liabilities are accounted for as non-current assets or long-term liabilities in the statement of financial position.
Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends and is able to settle its current tax assets and liabilities on a net basis.

3.4.21 Statement of cash flows

The statement of cash flows is prepared using indirect method.

Cash and cash equivalents presented in the statement of cash flows include cash and cash equivalents less bank overdrafts, if they form an integral part of the Company's cash management.

The Company discloses components of cash and cash equivalents and reconciliation between amounts disclosed in the statement of cash flows and respective lines of statement of financial position.

Non-cash transactions are excluded from statement of cash flows.

Dividends received are presented in cash flows from investing activities.

Dividends paid are presented in cash flows from financing activities.
Interest received from finance leases, loans granted, short-term securities and cash pooling system are presented in cash flows from investing activities. Other interests received are presented in cash flows from operating activities.

Interest paid and provisions on bank loans and borrowings received, cash pool facility, debt securities issued and finance leases are presented in cash flows from financing activities. Other interests paid are presented in cash flows from operating activities.

Cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short are reported on a net basis in the statement of cash flows.

Cash received or paid due to term agreements i.e. futures, forward, options, swap is presented in cash flows from investing activities, unless the agreements are held by the Company for trading or cash received or paid is presented in financing activities.

If the contract is accounted as hedge of a given position, cash flows from such contract are classified in the same way as the cash flows resulting from the position hedged.

3.4.22 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.4.22.1 Recognition and derecognition in the statement of financial position

The Company recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A regular way purchase or sale of financial assets is recognised by the Company as at trade date.

The Company derecognises a financial asset from the statement of financial position when, and only when:
- the contractual rights to the cash flows from the financial asset expire, or
- it transfers the financial asset to another party.

The Company derecognises a financial liability (or part of financial liability) from its statement of financial position when, and only when it is extinguished - that is when the obligation specified in the contract:
- is discharged, or
- is cancelled, or
- expired.

3.4.22.2 Measurement of financial assets and liabilities

When a financial asset or liability is recognised initially, the Company measures it at its fair value plus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs comprise particularly fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and security exchanges and transfer of taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

For the purpose of measuring a financial asset at the end of the reporting period or any other date after initial recognition, the Company classifies financial assets into the following four categories:
- financial assets at fair value through profit or loss,
- held-to-maturity investments,
- loans and receivables,
- available-for-sale financial assets.

Regardless of characteristics and purpose of a purchase transaction, the Company classifies initially selected financial assets as financial assets at fair value through profit or loss, when doing so results in more relevant information.

A financial asset at fair value through profit or loss is a financial asset that has been designated by the Company upon initial recognition as at fair value through profit or loss or classified as held for trading if it is:
- acquired principally for the purpose of selling or repurchasing in the near term, or
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit making, or
- a derivative (except for a derivative that is an effective hedging instrument).

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market.

Available-for-sale financial assets are those non-derivative financial assets that are designated by the Company as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

3.4.22.3 Fair value measurement of financial assets

The Company measures financial assets at fair value through profit or loss, including derivative financial assets and available-for-sale financial assets at their fair value, without any deduction for transaction costs that may be incurred on sale or other disposal.
Fair value of financial assets is determined in the following way:
- for instruments quoted on an active market based on current quotations available as at the end of the reporting period,
- for debt instruments unquoted on an active market based on discounted cash flows analysis,
- for forward and swap transactions based on discounted cash flows analysis.

If the fair value of investments in equity instruments (shares) that do not have a quoted market price on an active market is not reliably measurable, the Company measures them at cost, that is the acquisition price less any accumulated impairment losses.

Financial assets designated as hedging items are measured in accordance with the principles of hedge accounting.

A gain or loss on a financial asset classified as at fair value through profit or loss are recognised through profit or loss.

A gain or loss on an available-for-sale financial asset is recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses that are recognised in profit or loss.

In case of debt financial instruments interest calculated using the effective interest method is recognised in profit or loss.

3.4.22.4 Amortized cost measurement of financial assets

The Company measures loans and other receivables, including trade receivables, as well as held-to-maturity investments at amortized cost using the effective interest method. Effective interest is the rate which precisely discounts estimated future cash flows or payments made in expected periods until financial instrument expiration, and in grounded situations in shorter period, up to net book value of asset of financial liability.

3.4.22.5 Fair value measurement of financial liabilities

As at the end of the reporting period or other dates after the initial recognition the Company measures financial liabilities at fair value through profit or loss (including particularly derivatives which are not designated as hedging instruments) at fair value. Regardless of characteristics and purpose of a purchase transaction, the Company classifies initially selected financial liabilities as financial liabilities at fair value through profit or loss, when doing so results in more relevant information. The fair value of a financial liability is the current price of instruments quoted on an active market.

If there is no active market for a financial instrument, the fair value of the financial liabilities is established by using the following techniques:

- using recent arm's length market transactions between knowledgeable, willing parties,
- reference to the current fair value of another instrument that is substantially the same,
- discounted cash flow analysis.

3.4.22.6 Amortized cost measurement of financial liabilities

The Company measures other financial liabilities at amortized cost using the effective interest rate method.

Financial guarantee contracts, that are contracts that require the Company (issuer) to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument, not classified as financial liabilities at fair value through profit or loss are measured at the higher of:

- the amount determined in accordance with principles relating to valuation of provisions,
- the amount initially recognised less, when appropriate, cumulative amortization.

3.4.22.7 Transfers

The Company:

- shall not reclassify a financial instrument, including derivative, into or out of fair value through profit or loss category while it is held or issued, if at initial recognition it has been designated by the Company as measured at fair value through profit and loss, and
- may, if a financial asset is no longer held for the purpose of selling or repurchasing it in the near term (notwithstanding that the financial asset may have been acquired or incurred principally for the purpose of selling or repurchasing it in the near term), reclassify that financial asset out of the fair value through profit or loss category in limited circumstances. In case of loans and receivables (if at initial recognition financial assets was not classified at held for trading) a financial asset can be reclassified out of fair value through profit or loss category, if an entity has intention and possibility to hold a financial asset in a foreseeable future or to maturity.

3.4.22.8 Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective indicator that a financial asset or group of financial assets is impaired.

If there is an objective indicator that an impairment loss on loans and other receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. effective interest rate determined at initial recognition).

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and recognised in profit or loss as revenue.

If there is an objective indicator that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

If there is an objective indicator that an impairment loss has been incurred on an available-for-sale financial asset, the cumulative loss that had been recognised in statement of comprehensive income is removed from equity and recognised in profit or loss.

Impairment losses for an investment in an equity instrument classified as available for sale are not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

3.4.22.9 Hedge accounting

Derivatives designated as hedging instruments whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a hedged item are accounted for in accordance with fair value or cash flow hedge accounting, if all of the following conditions are met:

– at the inception of the hedge there is formal designation and documentation of the hedging relationship and the Company's risk management objective and strategy for undertaking the hedge,

– the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship,

– for cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss,

– the effectiveness of the hedge can be reliably measured,

– the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

The Company does not apply hedge accounting in case when embedded derivative instrument is separated from the host contract.

The Company assess effectiveness at the inception of the hedge and later, at minimum, at each reporting date. The Company assess hedge as effective, for external reporting purposes only if the actual results of the hedge are within a range of 80% - 125%. The Company uses statistical methods, in particular regression analysis, to assess effectiveness of the hedge. The Company uses simplified analytical methods, when a hedged item and a hedging instrument are of the same nature, i.e. maturity dates, amounts, changes affecting fair value risk or cash flow changes.

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. A firm commitment is a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.

If a fair value hedge is used, it is accounted for as follows:

- the gain or loss from remeasuring the hedging instrument at fair value is recognised in profit or loss, and
- the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit or loss (this applies also if the hedged item is an available-for-sale financial asset, whose changes in value are recognised in other comprehensive income).

The Company discontinues fair value hedge accounting if:

- the hedging instrument expires, is sold, terminated or exercised (for this purpose, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the Company's documented hedging strategy),
- the hedge no longer meets the criteria for hedge accounting, or
- the Company revokes the designation.

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. A forecast transaction is an uncommitted but anticipated future transaction.

If a cash flow hedge is used, it is accounted for as follows:

- the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income, and
- the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive income are reclassified to profit or loss in the same period or periods during which the asset acquired or liability assumed affect profit or loss. However, if the Company expects that all or a portion of a loss recognised in other comprehensive income will not be recovered in one or more future periods, it reclassifies to profit or loss the amount that is not expected to be recovered.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Company removes the associated gains and losses that were recognised in the other comprehensive income and includes them in the initial cost or other carrying amount of the asset or liability.

3.4.22.9 Hedge accounting (continued)

The Company discontinues cash flow hedge accounting if:

- the hedging instrument expires, is sold, terminated or exercised – in this case, the cumulative gain or loss on the hedging instrument recognised in other comprehensive income remain separately recognised in equity until the forecast transaction occurs,
- the hedge no longer meets the criteria for hedge accounting – in this case, the cumulative gain or loss on the hedging instrument recognised in other comprehensive income remain separately recognised in equity until the forecast transaction occurs,
- the forecast transaction is no longer expected to occur, in which case any related cumulative gain or loss on the hedging instrument recognised in other comprehensive income are recognised in profit or loss,
- the designation is revoked – in this case the cumulative gain or loss on the hedging instrument recognised in other comprehensive income remain separately recognised in equity until the forecast transaction occurs or is no longer expected to occur.

Net investment in a foreign operation is the amount of the reporting entity's interest in the net assets of that operation.

Hedges of a net investment in a foreign operation, including hedge of monetary item that is accounted for as a part of the net investment, shall be accounted for similarly to cash flow hedges:

- the portion of the gain or loss on the hedging instrument that is determined to be effective hedge shall be recognised in other comprehensive income, and
- the ineffective portion shall be recognised in profit or loss.

The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment on a disposal of the foreign operations.

A hedge of a foreign currency risk of a firm commitment may be accounted for as a fair value hedge or cash flow hedge.

3.4.23 Contingent assets and liabilities

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

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

Contingent assets are not recognized in the statement of financial position as it may lead to recognition of the income, which will never be gain; however the respective information on the contingent receivable is disclosed if the inflow of assets relating to economic benefits is probable.

3.4.24 Subsequent events after the reporting date

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

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

4. APPLICATION OF PROFESSIONAL JUDGMEMENT AND ASSUMPTIONS

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

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

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

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in notes: 25 Income tax, 6 Property, plant and equipment and 8 Intangibles assets in relation to impairment.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

For the year ended 31 December 2013 (in thousands of CZK)

5. THE PARENT COMPANY AND STRUCTURE OF THE CONSOLIDATED GROUP

The following table shows subsidiaries and joint-ventures forming the consolidated group of UNIPETROL, a.s., and the Group's interest in the capital of subsidiaries and joint-ventures held either directly by the parent company or indirectly by the consolidated subsidiaries and allocation of subsidiaries into the Operating segments (information as of 31 December 2013).

Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries	Operating segment	Website
Parent company				
UNIPETROL, a.s. Na Pankráci 127, 140 00 Praha 4, Czech Republic			Other	www.UNIPETROL.cz
Subsidiaries				
BENZINA, s.r.o. Na Pankráci 127, 140 00 Praha 4, Czech Republic	100,00 %	–	Retail	www.benzinaplus.cz
PARAMO, a.s. Přerovská 560, 530 06 Pardubice, Czech Republic	100,00 %	–	Refinery	www.paramo.cz
UNIPETROL RPA, s.r.o. Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100,00 %	–	Refinery Petrochemical Other	www.unipetrolrpa.cz
UNIPETROL SERVICES, s.r.o. Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100,00 %	–	Other	www.unipetrolservices.cz
UNIPETROL DOPRAVA s.r.o. Litvínov - Růžodol č.p. 4, 436 70 Litvínov, Czech Republic	0,12 %	99,88 %	Refinery	www.unipetroldoprava.cz
UNIPETROL Deutschland GmbH Paul Ehrlich Str. 1/B , 63225 Langen/Hessen, Germany	0,10 %	99,90 %	Petrochemical	www.unipetrol.de
PETROTRANS, s.r.o. Střelničná 2221, 182 00 Praha 8, Czech Republic	0,63%	99,37 %	Retail	www.petrotrans.cz
UNIPETROL SLOVENSKO s.r.o. Panónská cesta 7, 850 00 Bratislava, Slovakia	13,04%	86,96 %	Refinery	www.unipetrol.sk
POLYMER INSTITUTE BRNO, spol. s r.o. Tkalcovská 36/2, 656 49 Brno, Czech republic	1,00%	99,00 %	Petrochemical	www.polymer.cz
Paramo Oil s.r.o. (dormant entity) Přerovská 560, 530 06 Pardubice, Czech Republic	–	100,00 %	Refinery	
Výzkumný ústav anorganické chemie, a.s. Revoluční 84/č.p. 1521, Ústí nad Labem, Czech Republic	100,00%	–	Petrochemical	www.vuanch.cz
UNIPETROL RAFINÉRIE, s.r.o. (dormant entity) Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100,00%	–	Refinery	
HC VERVA Litvínov, a.s. Litvínov , S.K. Neumanna 1598, Czech Republic	–	70,95%	Other	www.hokej-litvinov.cz
CHEMOPETROL, a.s. (dormant entity) Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	–	100,00%	Petrochemical	
MOGUL SLOVAKIA s.r.o. Hradiště pod Vrátnom, U ihriska 300, Slovakia	–	100,00%	Refinery	www.mogul.sk
UNIPETROL AUSTRIA HmbH in Liquidation Vídeň, Apfelgasse 2, Austria	100,00%	–	Petrochemical	
Jointly controlled entities				
ČESKÁ RAFINÉRSKÁ, a.s. Záluží 2, 436 70 Litvínov, Czech Republic	51,22 %	–	Refinery	www.ceskarafinerska.cz
Butadien Kralupy a.s. O. Wichterleho 810, 278 01 Kralupy nad Vltavou, Czech Republic	51,00 %	–	Petrochemical	

For the year ended 31 December 2013 (in thousands of CZK)

6. PROPERTY, PLANT AND EQUIPMENT

	AS AT 31/12/2013	AS AT 31/12/2012
Land	547	547
Buildings and constructions	4 863 126	5 060 839
Machinery and equipment	7 234 576	7 248 718
Vehicles and other	245 860	311 159
Construction in progress	587 196	505 228
	12 931 305	**13 126 491**

Changes in property, plant and equipment

	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Total
Gross book value						
1 January 2013	663	11 967 660	23 293 962	964 800	556 011	36 783 096
Investment expenditures	-	-	-	-	1 078 589	1 078 589
Other increases	-	-	-	28	-	28
Reclassifications	-	56 093	1 211 137	33 369	(995 081)	305 518
Sale	-	-	(664)	(23 738)	-	(24 402)
Liquidation	-	(761)	(76 453)	(35 050)	-	(112 264)
Other decreases	-	-	(74)	(530)	-	(604)
31 December 2013	**663**	**12 022 992**	**24 427 908**	**938 879**	**639 519**	**38 029 961**
Accumulated depreciation, impairment allowances and settled government grants						
1 January 2013	116	6 884 615	16 024 500	653 641	50 782	23 613 654
Depreciation	-	249 413	1 143 199	78 627	-	1 471 239
Other increases	-	-	-	28	-	28
Impairment allowances	-	14 142	67 476	(505)	1 541	82 654
Reclassifications	-	(15 617)	-	-	-	(15 617)
Sale	-	-	-	(22 917)	-	(22 917)
Liquidation	-	(410)	(66 546)	(15 326)	-	(82 282)
Other decreases	-	-	(75)	(529)	-	(604)
Government grants - settlement	-	1 241	3 398	-	-	4 639
31 December 2013	**116**	**7 133 384**	**17 171 952**	**693 019**	**52 323**	**25 050 794**
Gross book value						
1 January 2012	663	11 962 312	22 454 197	949 296	914 173	36 280 641
Investment expenditures	-	-	-	-	645 343	645 343
Reclassifications	-	16 964	927 809	54 065	(998 838)	-
Sale	-	-	-	(12 187)	(223)	(12 410)
Liquidation	-	(11 616)	(88 044)	(26 374)	-	(126 034)
Other decreases	-	-	-	-	(4 444)	(4 444)
31 December 2012	**663**	**11 967 660**	**23 293 962**	**964 800**	**556 011**	**36 783 096**
Accumulated depreciation, impairment allowances and settled government grants						
1 January 2012	116	6 459 235	15 051 104	618 571	159 693	22 288 719
Depreciation	-	259 303	1 097 329	71 140	-	1 427 772
Impairment allowances	-	176 844	(69 215)	(822)	(108 911)	(2 104)
Reclassifications	-	(707)	707	-	-	-
Sale	-	-	-	(11 681)	-	(11 681)
Liquidation	-	(11 088)	(59 827)	(23 567)	-	(94 482)
Government grants - settlement	-	1 028	4 402	-	-	5 430
31 December 2012	**116**	**6 884 615**	**16 024 500**	**653 641**	**50 782**	**23 613 654**
Government grants						
1 January 2013	-	25 872	17 079	-	-	42 951
31 December 2013	-	26 482	21 380	-	-	47 862
1 January 2012	-	26 900	21 483	-	-	48 383
31 December 2012	-	25 872	17 079	-	-	42 951
Net book value						
1 January 2013	547	5 057 173	7 252 383	311 159	505 229	13 126 491
31 December 2013	547	4 863 126	7 234 576	245 860	587 196	12 931 305
1 January 2012	547	5 476 177	7 381 610	330 725	754 480	13 943 539
31 December 2012	547	5 057 173	7 252 383	311 159	505 229	13 126 491

For the year ended 31 December 2013 (in thousands of CZK)

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2013 the Company changed the presentation of additions to property, plant and equipment in order to standardize the reporting within the Group. The additions of 2013 are presented as Investment expenditures under "Construction in progress". Activation of property, plant and equipment, which includes increases in 2013 and increases in previous years, is part of a line transfers.

According to IAS 23 the Company capitalized those borrowing costs that are directly atributable to the acquisition, construction or production of a qualifying asset, as part of the cost of that asset. Borrowing costs capitalized in the year ended 31 December 2013 amounted to CZK 2 157 thousand (31 December 2012: CZK 7 480 thousand).

Material additions

The major additions to non-current assets were the renovation of substation R200 of CZK 87 706 thousand, renovation of pyrolytic furnace BA-101 of CZK 49 694 thousand, renovation of electrical resistance heating jacket of ethylene unit of CZK 39 030 thousand, intensification packaging soot of CZK 31 110 thousand, renovation of pyrolytic furnace BA-110 of CZK 30 535 thousand and renovation of conversions CHV waterworks 0425 of CZK 24 331 thousand. The highest decrease of asset is liquidation of Katalco catalyst in carrying amount of CZK 6 596 thousand.
In 2013 the Company reclassified spare parts with expected economic useful lives longer then 1 year in amount of CZK 328 773 thousand from Inventories to Machinery and equipment.

In 1994 the Company obtained a grant of CZK 260 030 thousand from the German Ministry for Enviromental Protection and Safety of Reactors in order to execute a pilot environmental project targeted at limiting corss-border pollutin, in connection with the reconstruction of the T700 power station and its desulphurization. The carrying amount as at 31 December 2013 was CZK 38 564 thousand (31 December 2012: CZK 42 952 thousand).

Changes in impairment to property, plant and equipment

	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Total
1 January 2013	116	1 205 849	1 423 322	60 931	50 782	2 741 000
Recognition	-	12 794	68 144	1 845	-	82 783
Reclassifications	-	1 348	1 152	22	1 541	4 063
Other increases/(decreases)	-	-	(1 820)	(2 372)	-	(4 192)
31 December 2013	116	1 219 991	1 490 798	60 426	52 323	2 823 654
increase/(decrease) net*	-	14 142	67 476	(505)	1 541	82 654
1 January 2012	116	1 029 005	1 492 537	61 753	159 693	2 743 104
Recognition	-	178 080	(61 298)	3	(108 427)	8 358
Reversal	-	(1 236)	(3 939)	(49)	(484)	(5 708)
Other increases/(decreases)	-	-	(3 978)	(776)	-	(4 754)
31 December 2012	116	1 205 849	1 423 322	60 931	50 782	2 741 000
increase/(decrease) net*	-	176 844	(69 215)	(822)	(108 911)	(2 104)

*Increase/(decrease) net includes recognition, reversal, usage and reclasifications.

Recognition and release of impairment to property, plant and equipment is presented in other operating expenses and income.

As at 31 December 2013 and 31 December 2012 in accordance with International Accounting Standard 36 “Impairment of assets” the Company has verified the existence of impairment indicators in relation to Cash Generating Units (CGUs). The CGUs are established at the level of reportable segments.

As at 31 December 2012 due to existence of indications triggering impairment testing both of an internal and external character (deterioration of external environment, worsening macro economic projections, performance below forecasted level) tests were carried out for Cash Generating Units (CGUs) based on updated financial projections for the years 2013-2016.
Based on the results of the analysis, no impairment allowance was recognized in 2012 in relation to non-current assets.

As at 31 December 2013 the Company’s management believes that available five year financial projections are valid and the UNIPETROL group has not identified any new impairment indicators.

The recoverable amounts of CGUs are estimated based on their value in use. The period of analysis is established on the basis of remaining useful life of the essential assets for the particular CGU. The analyses are performed based on 5 year financial projections adjusted to exclude the impact of capital expenditures enhancing the assets’ performance.
For determining the value in use as at given balance sheet date forecasted cash flows are discounted using the discount rates after taxation reflecting the risk levels specific for particular sectors to which the CGU belongs.
The anticipated fixed annual growth rate of cash flows after 5 year period is assumed at the level of the long term inflation rate for Czech Republic.

For the year ended 31 December 2013 (in thousands of CZK)

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The structure of the discount rates applied in the testing for impairment of assets of individual operating segments as at 31 December 2012

FOR THE YEAR ENDED 31/12/2012	Refining segment	Petrochemical segment
cost of capital	10.92%	10.99%
cost of debt after tax	3.37%	3.37%
capital structure	61.76%	76.67%
Nominal discount rate	**8.03%**	**9.22%**
Long term inflation rate	2.50%	2.50%

Cost of debt includes the average level of credit margins and expected market value of money for Czech Republic.
Cost of equity is determined by the profitability of the government bonds that are considered to be risk-free, with the level of market and operating segment risk premium (beta). The discount rate is calculated as the weighted average cost of capital. The sources of macroeconomic indicators necessary to determine the discount rate were the publications of prof. Aswath Damodoran (source: http://pages.stern.nyu.edu) of officially listed government bonds and agencies rating available at 31 December 2012.

Periods of analysis adopted for the analysis of the operating segments as at 31 December 2012

	FOR THE YEAR ENDED 31/12/2012
Refining segment	25
Petrochemical segment	20

The Company's future financial performance is based on a number of factors and assumptions in respect of macroeconomic development, such as foreign exchange rates, commodity prices, interest rates, partially outside the Company's control. The change of these factors and assumptions might influence the Company's financial position, including the results of the impairment tests of non-current assets, and consequently might lead to changes in the financial position and performance of the Company.

Sensitivity analysis of the value in use
The crucial elements influencing the value in use of assets within individual units responsible for generating cash flows as at 31 December 2012 were: operating profit plus depreciation and amortization (known as EBITDA) and the discount rate.

The effects in these factors are presented below.

	in CZK million	EBITDA		
	change	-5%	0%	5%
DISCOUNT RATE	-0,5 p.p.	no impact	no impact	no impact
	0,0 p.p.	increase of impairment 900	no impact	no impact
	+0,5 p.p.	increase of impairment 1 868	increase of impairment 253	no impact

Other informations

	AS AT 31/12/2013	AS AT 31/12/2012
The gross book value of all fully depreciated property, plant and equipment still in use	5 289 511	4 812 600
The net book value of temporarily idle property, plant and equipment	14 002	5 836
The net book value of leased non-current assets	225 386	251 463

The Company reviews economic useful lives of property, plant and equipment and introduces adjustments to depreciation charge prospectively according to its accounting policy. Should the depreciation policy from the previous year be applied, the depreciation expense for 2013 would be higher by CZK 23 054 thousand.

For the year ended 31 December 2013 (in thousands of CZK)

7. INVESTMENT PROPERTY

Investment property at 31 December 2013 comprised the land and buildings owned by the Company and leased to third parties. The changes recorded during the year 2013 are presented in the following table:

	FOR THE YEAR ENDED 31/12/2013	FOR THE YEAR ENDED 31/12/2012
At beginning of the period	79 482	79 400
Purchase	9 987	-
Fair value measurement	85	82
increase	85	82
Reclassification	(2 538)	-
	87 016	**79 482**

Rental income amounted to CZK 17 181 thousand in 2013 (2012: CZK 14 098 thousand). Operating costs related to the investment property in reporting period amounted to CZK 4 294 thousand in 2013 (2012: CZK 2 416 thousand).

Fair value of investment property was estimated based on income approach. In the income approach calculation is based on the discounted cash flow method, due to the variability of income in the foreseeable future. The analysis used forecasts for the period of 10 years. The discount rate reflects the relationship between expectations of the buyer, the annual income from an investment property and expenditures required to purchase investments property. Estimates of discounted cash flows associated with the valuation of objects into account the conditions included in all rental agreements as well as external data (such as current market rents for similar properties) in the same location, specifications, standard and designed for similar purposes.

8. INTANGIBLE ASSETS

	AS AT 31/12/2013	AS AT 31/12/2012
Software	13 942	14 644
Licences, patents and trade marks	710 450	772 809
Assets under development	330 040	65 212
CO2 emission allowance	333 762	721 651
Other intangible assets	115 404	103 847
	1 503 598	**1 678 163**

For the year ended 31 December 2013 (in thousands of CZK)

8. INTANGIBLE ASSETS (CONTINUED)

Changes in intangible assets

	Software	Licences, patents and trade marks	Assets under development	CO2 emission allowance	Other intangible assets	Total
Gross book value						
1 January 2013	254 980	1 779 301	70 602	1 014 948	1 165 047	4 284 878
Investment expenditures	-	-	303 470	-	-	303 470
Reclassifications	2 525	-	(43 156)	-	40 582	(49)
Liquidation	(204)	-	-	-	(14 780)	(14 984)
Other decreases	-	-	(876)	(552 995)	-	(553 871)
31 December 2013	**257 301**	**1 779 301**	**330 040**	**461 953**	**1 190 849**	**4 019 444**
Accumulated amortisation, impairment allowances and settled government grants						
1 January 2013	240 336	1 006 492	5 390	293 297	1 061 200	2 606 715
Amortization	2 619	62 359	-	-	28 304	93 282
Impairment allowances	607	-	(5 390)	(165 106)	720	(169 169)
Liquidation	(204)	-	-	-	(14 778)	(14 982)
31 December 2013	**243 358**	**1 068 851**	**-**	**128 191**	**1 075 446**	**2 515 846**
Gross book value						
1 January 2012	243 931	1 777 258	69 934	1 092 219	1 169 370	4 352 712
Investment expenditures	-	-	54 156	-	-	54 156
Other increases	-	-	-	698 255	-	698 255
Reclassifications	11 049	2 043	(53 005)	-	41 482	1 569
Liquidation	-	-	(483)	-	(45 805)	(46 288)
Other decreases	-	-	-	(775 526)	-	(775 526)
31 December 2012	**254 980**	**1 779 301**	**70 602**	**1 014 948**	**1 165 047**	**4 284 878**
Accumulated amortisation, impairment allowances and settled government grants						
1 January 2012	236 721	942 891	10 271	159 114	1 065 986	2 414 983
Amortization	1 912	63 246	-	-	37 203	102 361
Impairment allowances	1 703	355	(4 881)	134 183	3 815	135 175
Liquidation	-	-	-	-	(45 804)	(45 804)
31 December 2012	**240 336**	**1 006 492**	**5 390**	**293 297**	**1 061 200**	**2 606 715**
Net book value						
1 January 2013	14 644	772 809	65 212	721 651	103 847	1 678 163
31 December 2013	13 943	710 450	330 040	333 762	115 403	1 503 598
1 January 2012	7 210	834 367	59 663	933 105	103 384	1 937 729
31 December 2012	14 644	772 809	65 212	721 651	103 847	1 678 163

2013 the Company changed the presentation of additions to intangible assets in order to standardize the reporting within the Group. The additions of 2013 are presented as Investment expenditures under "Assets under development". Activation of intangible assets, which includes increases in 2013 and increases in previous years, is part of a line transfers.

Material additions

The most important additions to intangible assets were new PE3 –licence- project of CZK 260 101 thousand, development costs of BUI of CZK 5 940 thousand, studies for the development and new types of PP (CZK 6 280 thousand) and HDPE (CZK 5 850 thousand).

For the year ended 31 December 2013 (in thousands of CZK)

8. INTANGIBLE ASSETS (CONTINUED)

Impairment to intangible assets

	Software	Licences, patents and trade marks	Assets under development	CO2 emission allowance	Other intangible assets	Total
1 January 2013	3 232	177 274	5 390	293 297	19 410	498 603
Usage	-	-	-	(165 106)	-	(165 106)
Reclassifications	607	-	(5 390)	-	720	(4 063)
31 December 2013	3 839	177 274	-	128 191	20 130	329 434
increase/(decrease) net*	607	-	(5 390)	(165 106)	720	(169 169)
1 January 2012	1 529	176 919	10 271	159 114	15 595	363 428
Recognition	651	-	(143)	134 608	-	135 116
Reversal	-	-	484	(425)	-	59
Reclassifications	1 052	355	(5 222)	-	3 815	-
31 December 2012	3 232	177 274	5 390	293 297	19 410	498 603
increase/(decrease) net*	1 703	355	(4 881)	134 183	3 815	135 175

Recognition and release of impairment to intangible assets is presented in other operating expenses and income.

Other informations

	AS AT 31/12/2013	AS AT 31/12/2012
The gross book value of all fully depreciated intangible assets still in use	1 226 973	1 231 863
The net book value of intangible assets with indefinite useful life	9 562	9 644

The Company reviews economic useful lives of intangible assets and introduces adjustments to amortization charge prospectively according to its accounting policy. Should the depreciaiton policy from the previous year be applied, the depreciation expense for 2013 would be higher by CZK 10 573 thousand.

CO_2 emission rights

Based on Czech National Allocation Scheme for the years 2013-2020 the Company was to obtain CO_2 allowances free of charge. As at 31 December 2013 the Company did not obtain any CO2 allowances on its account and recognized the receivable for estimated amount of CO_2 allowances grant in amount of CZK 183 724 thousand which is included in Trade and other receivables as at 31 December 2013. In February 2014 the Company obtained allowances for carbon dioxide emissions for the year 2013 in amount of 1 384 121 tons which is in line with previous estimates based on which the receivable was created.

On 21 February 2012 the Company received CO_2 allowances of 3 120 878 tons relating to emissions in 2012. On that day the market value of one CO_2 allowance was EUR 8.98.

	AS AT 31/12/2013		AS AT 31/12/2012	
	Value	Quantity (in tonnes)	Value	Quantity (in tonnes)
Emission allowance at 1 January	721 651	4 008 255	1 092 219	3 023 587
Emission allowances granted for the year	-	-	698 255	3 120 878
Settled emission allowances for previous periods	(552 995)	(1 943 539)	(775 526)	(2 136 210)
Utilisation (recognition) of impairment to CO_2 allowances	165 106	-	(293 297)	-
Emission allowances at 31 December	**333 762**	**2 064 716**	**721 651**	**4 008 255**
Estimated annual consumption	451 786	2 961 792	386 609	1 938 100
Estimated grant of CO_2 for 2013	183 724	1 384 121	-	-

As at 31 December 2013 the market value of one EUA allowance (European Union Emission Allowance) amounted to EUR 4.84 (as at 31 December 2012: 6.43 EUR).

For the year ended 31 December 2013 (in thousands of CZK)

9. SHARES IN RELATED PARTIES

	AS AT 31/12/2013	AS AT 31/12/2012
Unquoted shares	978 023	1 009 291
	978 023	**1 009 291**

Shares in related parties as at 31 December 2013:

Name of the entity	Registered office	Cost of investment	Ownership percentage	Impairment	Carrying amount	Dividend income for the year
Subsidiaries						
UNIPETROL DOPRAVA, s.r.o.	Litvínov	759 532	99,80	-	759 532	276 481
POLYMER INSTITUTE BRNO, spol. s r.o.	Brno	104 695	99,00	-	104 695	16 582
CHEMOPETROL, a.s.	Litvínov	2 000	100,00	108	1 892	-
HC VERVA Litvínov, a.s.	Litvínov	27 293	70,95	17 955	9 338	-
UNIPETROL SLOVENSKO s.r.o.	Bratislava	2 980	86,96	-	2 980	-
UNIPETROL DEUTSCHLAND GmBH	Langen/ Hessen	99 586	99,90	-	99 586	69 741
		996 086		**18 063**	**978 023**	**362 804**

Shares in related parties as at 31 December 2012:

Name of the entity	Registered office	Cost of investment	Ownership percentage	Impairment	Carrying amount	Dividend income for the year
Subsidiaries						
UNIPETROL DOPRAVA, s.r.o.	Litvínov	759 532	99,80	-	759 532	173 409
POLYMER INSTITUTE BRNO, spol. s r.o.	Brno	104 695	99,00	-	104 695	17 568
CHEMOPETROL, a.s.	Litvínov	2 000	100,00	108	1 892	-
HC VERVA Litvínov, a.s.	Litvínov	27 293	70,95	12 479	14 814	-
UNIPETROL SLOVENSKO s.r.o.	Bratislava	2 980	86,96	-	2 980	135 709
UNIPETROL DEUTSCHLAND GmBH	Langen/ Hessen	99 586	99,90	-	99 586	52 508
CHEMAPOL (SCHWEIZ) AG, v likvidaci	Basel	25 792	100,00	-	25 792	-
		1 021 878		**12 587**	**1 009 291**	**379 194**

CHEMAPOL (SCHWEIZ) AG was put under liquidation on 1 June 2010 due to the restructuring process of UNIPETROL TRADE Group. The liquidation of CHEMAPOL (SCHWEIZ) AG was completed on 12 June 2013.

10. OTHER NON-CURRENT ASSETS

	AS AT 31/12/2013	AS AT 31/12/2012
Other long term receivables	49 736	80 948
Financial assets	**49 736**	**80 948**
Prepayments	12	117
Non-financial assets	**12**	**117**
	49 748	**81 065**

Other non-current assets includes long term loan to ČESKÁ RAFINÉRSKÁ, a.s. to financing of Komora 11 construction according the "Launch of chamber K11 and D distillation, Construction 3611". The interest rate is 1M PRIBOR + agreed mark up. The final maturity date is June 2016. The long-term potion of the loan is presented under other non-current financial assets. The short-term portion of the loan amounts to CZK 31 335 thousand (2012: CZK 31 335 thousand) is presented under Trade and other receivables, as described in note 12.

11. INVENTORY

	AS AT 31/12/2013	AS AT 31/12/2012
Raw materials	3 586 296	3 306 438
Work in progress	1 342 208	1 357 568
Finished goods	3 238 664	2 982 909
Merchandise	87 862	185 356
Spare parts	688 552	993 689
Inventories, net	**8 943 582**	**8 825 960**
Impairment allowances of inventories to net realisable value	189 191	247 665
Inventories, gross	**9 132 773**	**9 073 625**

Changes in impairment to inventory

	FOR THE YEAR ENDED 31/12/2013	FOR THE YEAR ENDED 31/12/2012
At the beginning of the period	247 665	390 487
Recognition	349 985	468 461
Usage	(149 640)	(152 860)
Reversal	(258 819)	(458 423)
	189 191	**247 665**

Changes in the net realizable value allowances for inventories (excluding utilization movement) amounted to CZK 91 166 thousand (2012: CZK 10 038 thousand) and are included in cost of sales presented in note 22.

For the year ended 31 December 2013 (in thousands of CZK)

12. TRADE AND OTHER RECEIVABLES

	AS AT 31/12/2013	AS AT 31/12/2012
Trade receivables	9 932 415	9 360 590
Short-term part of loan	31 335	31 335
Receivables CO2 rights	183 724	-
Other	207 284	105 809
Financial assets	**10 354 758**	**9 497 734**
Excise tax and fuel charge receivables	195	-
Prepayments and deffered costs	112 383	49 048
Non-financial assets	**112 578**	**49 048**
Receivables, net	**10 467 336**	**9 546 782**
Receivables impairment allowance	102 288	99 588
Receivables, gross	**10 569 624**	**9 646 370**

Trade receivables result primarily from sales of finished goods and sales of merchandise. The management considers that the carrying amount of trade receivables approximates their fair value. The average credit period on sales of goods is 30 days. No interest is charged on the trade receivables for the first 4 days after the due date. Thereafter, interest is based on terms agreed in the selling contract.

The Company exposure to credit and currency risk related to trade and other receivables is disclosed in note 26 and detailed information about receivables from related parties is presented in note 31.

Changes in impairment allowances to receivables

		AS AT 31/12/2013	AS AT 31/12/2012
At the beginning of the period		99 588	133 128
Recognition	*23.2*	7 255	2 005
Reversal	*23.1*	(565)	(719)
Usage		(6 083)	(35 099)
Foreign exchange differences		2 093	273
		102 288	**99 588**

The Company sets impairment charges based on analysis of customers' creditworthiness and ageing of receivables. In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management considers that there is no further credit risk allowance required in excess of the allowance for impairment charges.

Increases and reversals of impairment allowances in respect of principal amount of trade and other receivables are included in other operating expense or income and in respect of interest for delayed payments in financial expense or income.

13. OTHER FINANCIAL ASSETS

	AS AT 31/12/2013	AS AT 31/12/2012
Cash flow hedge instruments		
foreign currency forwards	10 892	18 739
Derivatives not designated as hedge accounting		
foreign currency forwards	36	5 626
commodity swaps	18 383	-
Cash pool	12 008	53 775
	41 319	**78 140**

The Company is part of the Group's cash pool system, closing balances are show in the table.

Interest rates are variable and are based on appropriate inter-bank rates and the fair value of loans approximates their carrying value. Monetary analysis of short-term borrowings by currency is presented in note 16. Loans are unsecured and have a maturity on request, at least one month.

Information regarding cash flow hedge instruments and derivatives not designed as hedge accounting is presented in note 26.

14. CASH AND CASH EQUIVALENTS

	AS AT 31/12/2013	AS AT 31/12/2012
Cash on hand and in bank	84 394	157 163
	84 394	**157 163**
incl. restricted cash	51 032	50 829

Short-term bank deposits comprise deposits with maturity of three months or less and obligatory deposits relating to the bank loans. The carrying amount of these assets approximates their fair value. Cash includes the restricted cash regarding to the provision for land restoration.

For the year ended 31 December 2013 (in thousands of CZK)

15. EQUITY

15.1 Share capital

The share capital of the Company as at 31 December 2013 amounted to CZK 11 147 964 thousand (as at 31 December 2012: CZK 11 147 964 thousand).

15.2 Statutory reserves

In accordance with Deed of foundation , the Company required to establish a reserve fund for possible future losses or other events. Contributions must be a minimum of 10% of the profit for the first period in which profit is generated and 5% of profit each year thereafter until the fund reaches 20% of the issued capital. The balance of Statutory reserve fund as at 31 December 2013 amounted to CZK 565 646 thousand (as at 31 December 2012: CZK 551 630 thousand).

15.3 Other funds

Hedging reserve

The amount of the hedging reserve CZK (190 290) thousand as at 31 December 2013 relates to the fair value of derivatives meeting the requirements of cash flows hedge accounting (31 December 2012: CZK (16 509) thousand) and the related deferred tax.

15.4 Retained earnings and dividends

On 8 April 2013 UNIPETROL, a.s. as the sole shareholder decided on the settlement of profit for 2012. The entire profit was transferred to the statutory reserves in amount of CZK 14 016 thousand (5%) and to to accumulated losses (CZK 266 303 thousand). The decision regarding the appropriation of 2013 loss will be made by the sole shareholder in March 2014.

15.5 Capital management policy

Capital management is performed on the Group level in order to protect the Group's ability to continue its operations as a going concern while maximizing returns for shareholders.
The Company monitors equity debt ratio (net financial leverage). As at 31 December 2013 and 31 December 2012 Company´s financial leverage amounted to 204 % and 139 %, respectively;

Net financial leverage = net debt / equity (calculated using the average balance for the period) x 100%
Net debt = long-term loans and borrowings + short-term loans and borrowings + cash pool liabilities - cash and cash equivalents

16. LOANS AND BORROWINGS

	Long-term		Short-term		Total	
	AS AT 31/12/2013	AS AT 31/12/2012	AS AT 31/12/2013	AS AT 31/12/2012	AS AT 31/12/2013	AS AT 31/12/2012
Bank Loans	-	-	55 785	596 659	55 785	596 659
ČESKÁ RAFINÉRSKÁ, a.s. – the initial oil Filling	963 088	912 193	-	-	963 088	912 193
Borrowings	-	-	10 002 734	9 001 150	10 002 734	9 001 150
	963 088	**912 193**	**10 058 519**	**9 597 809**	**11 021 607**	**10 510 002**

ČESKÁ RAFINÉRSKÁ, a.s – the initial oil filling

The interest-free liability to CESKA RAFINERSKA, a.s. is registered under long-term loans. The liability relates to the initial filling of oil placed in MERO IKL pipeline, which was transferred to UNIPETROL RPA, s.r.o. (as the successor of UNIPETROL RAFINERIE a.s.) on 1 August 2003 in connection with the start of the processing refinery project. The liability to CESKA RAFINERSKA, a.s. will be settled by returning the oil after the termination of the project. This liability was measured at fair value at the reporting date. As at 31 December 2013 the long-term liability totalled CZK 963 088 thousand (31 December 2012: CZK 912 193 thousand).

Financing provided by the parent company UNIPETROL, a.s.

Based on a loan agreement with the parent company UNIPETROL, a.s., the Company may utilise short-term unsecured loans in the form of overdrafts (cash pool) or loans.

In the case of cash pool presented under note 20 Other financial liabilities, interest is paid on the first working day after the close of the reporting period. Its total amount, including accrued interest, was CZK 2 022 264 thousand as at 31 December 2013 (as at 31 December 2012: CZK 889 858 thousand).

In the case of loans, interest is paid together with principal at the end of the interest period specified by an interest schedule. The total amount, including accrued interest, was CZK 10 002 734 thousand as at 31 December 2013 (as at 31 December 2012: CZK 9 001 150 thousand).

The interest rates are defined based on corresponding inter-bank markets, and their fair value approximates their carrying amount.

For the year ended 31 December 2013 (in thousands of CZK)

16. LOANS AND BORROWINGS (CONTINUED)

Short-term funding of receivables - factoring

In 2011 the Company started using factoring as a form of short-term funding of receivables for selected customers. A factoring agreement was concluded with Citibank Europe plc, Czech Republic. The factoring liability totalled CZK 0 thousand as at 31 December 2013 (as at 31 December 2012: CZK 596 659 thousand). The financing is secured over the trade receivables and bears a variable interest rate.

Short-term bank loans

As at 31 December 2013 the Company uses short-term bank loan of CZK 55 785 thousand (2012: CZK 0 thousand) from Komerční banka, a.s.

Analysis of short-term bank loans

- by currency (in CZK)

	AS AT 31/12/2013	AS AT 31/12/2012
CZK	55 785	596 659
	55 785	**596 659**

- by interest rate

	AS AT 31/12/2013	AS AT 31/12/2012
PRIBOR	55 785	596 659
	55 785	**596 659**

Short-term bank loans are subject to normal credit terms and their carrying amounts approximate fair values. Average effective interest rate as at 31 December 2013 was 0.915% (31 December 2012: 1.275%).

Disclosures resulting from IFRS 7 relating to loans and borrowings are included in note 26 and are presented jointly with other financial instruments.

Analysis of borrowings

- by currency (in CZK)

	AS AT 31/12/2013	AS AT 31/12/2012
CZK	10 002 734	9 001 150
	10 002 734	**9 001 150**

- by interest rate

	AS AT 31/12/2013	AS AT 31/12/2012
PRIBOR	10 002 734	9 001 150
	10 002 734	**9 001 150**

For the year ended 31 December 2013 (in thousands of CZK)

17. PROVISIONS

	Long-term AS AT 31/12/2013	Long-term AS AT 31/12/2012	Short-term AS AT 31/12/2013	Short-term AS AT 31/12/2012	Total AS AT 31/12/2013	Total AS AT 31/12/2012
Environmental provision	339 854	332 968	-	-	339 854	332 968
Jubilee bonuses and post-employment benefits provision	38 086	20 105	-	-	38 086	20 105
Provisions for legal disputes	7 129	7 727	-	-	7 129	7 727
Shield programs provision	-	-	-	3 431	-	3 431
Provision for CO_2 emission	-	-	451 786	386 609	451 786	386 609
Other provision	28 800	7 026	9 775	17 370	38 575	24 396
	413 869	**367 826**	**461 561**	**407 410**	**875 430**	**775 236**

Change in provisions in 2013

2013	Environmental provision	Jubilee bonuses and post-employment benefits provision	Provisions for legal disputes	Shield programs provision	Provision for CO_2 emission	Other provision	Total
1 January 2013	332 968	20 105	7 727	3 431	386 609	24 396	775 236
Recognition	3 500	19 682	2 899	-	453 066	28 800	507 947
Discounting	7 636	-	-	-	-	-	7 636
Utilization of provision	(824)	-	(802)	(3 431)	(387 889)	(7 595)	(400 541)
Release of provision	(3 426)	(1 701)	(2 695)	-	-	(7 026)	(14 848)
	339 854	38 086	7 129	-	451 786	38 575	875 430

Change in provisions in 2012

2012	Environmental provision	Jubilee bonuses and post-employment benefits provision	Provisions for legal disputes	Shield programs provision	Provision for CO_2 emission	Other provision	Total
1 January 2012	319 050	20 290	7 727	22 977	774 726	37 943	1 182 713
Recognition	3 500	2 052	-	3 431	386 609	13 477	409 069
Discounting	11 240	-	-	-	-	-	11 240
Utilization of provision	(367)	-	-	(22 977)	(774 660)	(11 646)	(809 650)
Release of provision	(455)	(2 237)	-	-	(66)	(15 378)	(18 136)
	332 968	20 105	7 727	3 431	386 609	24 396	775 236

17.1 Environmental provision

The provision for land restoration is created as a result of the legal obligation to restore the fly-ash dump after it is discontinued, which is expected to happen after 2043. The provision amounted to CZK 327 854 thousand as at 31 December 2013 (31 December 2012: CZK 320 944 thousand). Under a clause on environmental damages, a provision for the compensation of damage to Lesy České republiky (Forests of the Czech Republic), totalling CZK 12 000 thousand, was included in the environmental provision as at 31 December 2013 (31 December 2012: CZK 10 500 thousand).

For the year ended 31 December 2013 (in thousands of CZK)

17.2 Jubilee bonuses and retirement benefits

The Company realizes the program of paying out retirement benefits in line with remuneration policies in force. The retirement benefits are paid as one-time payments at retirement. The amount of retirement benefits depends on the number of years of service and an employee's average remuneration. The base for the calculation of provision for an employee is expected benefit which the Company is obliged to pay in accordance with internal regulation.

The present value of these obligations is estimated at the end of each reporting year and adjusted if there are any material indications impacting the value of the obligations. The accrued liabilities equal discounted future payments, considering employee rotation.

Employment benefit provisions for retirement received by employees were created using discount rate 2.30% p.a. in 2013 (2012: 2.90%), assumptions used were based on Collective agreement.

Changes in post-employment provision in 2013

	Post-employment benefits	Total
1 January 2013	20 105	20 105
Current service cost	1 698	1 698
Interest expense	771	771
Actuarial gains and losses net	1 800	1 800
financial assumptions	*1 800*	*1 800*
Past employment costs	13 712	13 712
	38 086	**38 086**

Changes in post-employment provision in 2012

	Post-employment benefits	Total
1 January 2012	20 290	20 290
Past employment costs	(185)	(185)
	20 105	**20 105**

Division of post-employee liability by employees

	Active employees		Pensioners		Total	
	AS AT 31/12/2013	AS AT 31/12/2012	AS AT 31/12/2013	AS AT 31/12/2012	AS AT 31/12/2013	AS AT 31/12/2012
Czech Republic	38 086	20 105	-	-	38 086	20 105
					38 086	**20 105**

Geographical division of post-employment liability

	Provision for jubilee bonuses		Post-employment benefits		Total	
	AS AT 31/12/2013	AS AT 31/12/2012	AS AT 31/12/2013	AS AT 31/12/2012	AS AT 31/12/2013	AS AT 31/12/2012
Czech Republic	-	-	38 086	20 105	38 086	20 105
					38 086	**20 105**

For the year ended 31 December 2013 (in thousands of CZK)

17.3 Post-employment benefits provision

Sensitivity analysis of actuarial assumptions

Actuarial assumptions	Assumed variations as at 31/12/2013	Czech Republic Influence on provision for jubilee 2013	Influence on post-employment benefits 2013
Demographic assumptions (+)	0,50%	-	(2 080)
staff turnover rates, disability and early retirement	*0,50%*	-	*(2 080)*
Financial assumptions (+)	0,50%	-	(2 075)
discount rate	*0,50%*	-	*(2 075)*
		-	(4 155)
Demographic assumptions (-)	-0,50%	-	2 256
staff turnover rates, disability and early retirement	*-0,50%*	-	*2 256*
Financial assumptions (-)	-0,50%	-	2 272
discount rate	*-0,50%*	-	*2 272*
		-	4 528

Duration of post-employment benefits liabilities

	Provision for jubilee bonuses AS AT 31/12/2013	AS AT 31/12/2012	Post-employment benefits AS AT 31/12/2013	AS AT 31/12/2012	Total AS AT 31/12/2013	AS AT 31/12/2012
Less than one year	-	-	1 805	1 017	1 805	1 017
Between one and three years	-	-	4 708	2 268	4 708	2 268
Between three and five years	-	-	4 439	4 202	4 439	4 202
Later than five years	-	-	27 134	12 618	27 134	12 618
					38 086	**20 105**
Weighted average duration of liability			14	20	14	20

Division of costs to Profit and loss and Other comprehensive income

	FOR THE YEAR ENDED 31/12/2013	FOR THE YEAR ENDED 31/12/2012
In profit and loss		
Current service cost	(1 698)	-
Interest expense	(771)	-
Past employment costs	(13 712)	185
	(16 181)	**185**
In components of other comprehensive income		
Gains and losses arising from changes	(1 800)	-
financial assumptions	*(1 800)*	-
	(1 800)	**-**
	(17 982)	**185**

	FOR THE YEAR ENDED 31/12/2013	FOR THE YEAR ENDED 31/12/2012
Cost of sales	(15 778)	441
Distribution expenses	(335)	(34)
Administrative expenses	(68)	(222)
	(16 181)	**185**

Based on current legislation, the Company is obliged to pay contributions to the national pension insurance. These costs are recognized as expenses on social security and health insurance.The Company doesn´t have any other commitments in this respect. Additional information about the post-employment benefits are in note 3.4.14.4 and 22.

For the year ended 31 December 2013 (in thousands of CZK)

17.4 Provision for legal disputes

The provision for legal disputes is created for expected future outflows arising from legal disputes with third parties where the Company is the defendant. The provision amounted to CZK 7 129 thousand as at 31 December 2012 (31 December 2012: CZK 7 727 thousand).

17.5 Provision on CO_2 allowances

A provision for CO_2 allowances is created for estimated CO_2 emissions in the reporting period.

17.6 Other provisions

Provisions for the Company's other potential future liabilities totalled CZK 38 575 thousand as at 31 December 2013 (31 December 2012: CZK 24 396 thousand). A significant portion of the provisions relates to the shutdown of certain production units – as at 31 December 2013 this included a provision of CZK 4 283 thousand for the liquidation of a urea production unit (31 December 2012: CZK 11 878 thousand); as at 31 December 2013 this included a provision of CZK 28 800 thousand related to the shutdown of the T200 heating plant (31 December 2012: CZK 18 000 thousand).

18. OTHER NON-CURRENT LIABILITIES

	AS AT 31/12/2013	AS AT 31/12/2012
Investment liabilities	1 097	1 283
Financial liabilities	**1 097**	**1 283**
Guarantee received	16 581	20 136
Non-financial liabilities	**16 581**	**20 136**
	17 678	**21 419**

19. TRADE AND OTHER PAYABLES AND ACCRUALS

	AS AT 31/12/2013	AS AT 31/12/2012
Trade liabilities	9 921 415	10 385 917
Investment liabilities	677 073	193 579
Dividends	-	67 878
Other	2 205 942	2 054 941
Financial liabilities	**12 804 430**	**12 702 315**
Prepayments for deliveries	13 528	7 192
Payroll liabilities	135 460	172 466
Excise tax and fuel charge	1 156 143	720 615
Value added tax	323 802	357 340
Other taxation, duties, social security and other benefits	40 972	42 685
Accruals	31 340	23 483
holiday pay accrual	8 111	13 218
wages accrual	23 229	10 265
Non-financial liabilities	**1 701 245**	**1 323 781**
	14 505 675	**14 026 096**

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

20. OTHER FINANCIAL LIABILITIES

	AS AT 31/12/2013	AS AT 31/12/2012
Cash flow hedge instruments	-	-
foreign currency forwards	245 817	39 120
Derivatives not designated as hedge accounting	-	-
foreign currency forwards	3 704	64 129
commodity swaps	66 745	45 000
Cash pool	2 022 264	889 858
	2 338 530	**1 038 107**

For the year ended 31 December 2013 (in thousands of CZK)

21. REVENUES

	FOR THE YEAR ENDED 31/12/2013	FOR THE YEAR ENDED 31/12/2012
Sales of finished goods	83 254 424	90 875 622
Sales of services	2 377 905	2 335 117
Revenues from sales of finished goods and services,net	85 632 329	93 210 739
Sales of merchandise	4 803 086	5 072 798
Sales of raw materials	742 127	922 362
Revenues from sales of merchandise and raw materials,net	5 545 213	5 995 160
	91 177 542	**99 205 899**

21.1 Geographical informations

	Revenues	
	FOR THE YEAR ENDED 31/12/2013	FOR THE YEAR ENDED 31/12/2012
Czech Republic	64 542 619	73 268 866
Germany	8 715 842	7 715 481
Poland	1 421 419	1 225 915
Slovakia	9 138 192	8 105 629
Other countries	7 359 470	8 890 008
	91 177 542	**99 205 899**

Revenues from Slovakia represented 10% or more of the Company's total revenues.

21.2 Main customers

Revenues from none of the operating segments' individual customers represented 10% or more of the Company's total revenues.

21.3 Revenues by products

External revenues analysis of main products and services are following:

	for the year ended 31/12/2013	for the year ended 31/12/2012
Refining segment	**57 224 273**	**63 840 013**
Diesel	32 932 374	36 310 704
Gasoline	15 674 445	16 679 612
JET	1 353 137	1 916 743
LPG	1 290 729	2 183 858
Fuel OILS	1 302 449	1 241 289
Bitumen	2 154 869	1 955 038
Lubricants	365 137	275 619
Other refinery products	1 300 463	2 402 656
Services	850 670	874 494
Petrochemical segment	**33 951 465**	**35 363 677**
Ethylene	4 144 887	4 525 306
Benzene	4 664 033	4 802 081
Propylene	851 768	1 084 873
Urea	34 082	1 352 770
Ammonia	1 862 456	1 369 289
C4 fraction	2 702 938	2 842 700
Polyethylene (HDPE)	8 602 815	8 888 792
Polypropylene	7 088 453	7 145 164
Other petrochemical products	2 474 526	1 894 215
Services	1 525 507	1 458 487
Corporate Functions	**1 804**	**2 209**
	91 177 542	**99 205 899**

For the year ended 31 December 2013 (in thousands of CZK)

22. OPERATING EXPENSES

22.1 Cost of sales

	FOR THE YEAR ENDED 31/12/2013	FOR THE YEAR ENDED 31/12/2012
Cost of finished goods and services sold	(85 000 175)	(91 476 308)
Cost of merchandise and raw materials sold	(5 487 239)	(5 928 318)
	(90 487 414)	**(97 404 626)**

22.2 Cost by nature

	FOR THE YEAR ENDED 31/12/2013	FOR THE YEAR ENDED 31/12/2012
Materials and energy	(78 180 083)	(83 952 860)
Cost of merchandise and raw materials sold	(5 487 239)	(5 928 318)
External services	(6 620 134)	(6 820 976)
Employee benefits	(995 881)	(1 028 835)
Depreciation and amortisation	(1 564 521)	(1 530 133)
Taxes and charges	(298 680)	(18 703)
Other	(321 210)	(415 339)
	(93 467 748)	**(99 695 164)**
Change in inventories	523 797	(260 855)
Operating expenses	**(92 943 951)**	**(99 956 019)**
Distribution expenses	1 993 114	1 996 683
Administrative expenses	302 510	325 998
Other operating expenses	160 913	228 712
Cost of sales	**(90 487 414)**	**(97 404 626)**

22.3 Employee benefits costs

	FOR THE YEAR ENDED 31/12/2013	FOR THE YEAR ENDED 31/12/2012
Payroll expenses	(708 469)	(749 053)
Future benefits expenses	(16 181)	185
Social security expenses	(232 616)	(242 716)
Other employee benefits expenses	(38 615)	(37 251)
	(995 881)	**(1 028 835)**

22.4 Employee benefits- additional information

2013	Employees	Key Management	Statutories	Total
Wages and salaries	(682 585)	(25 283)	(601)	(708 469)
Social and health insurance	(226 313)	(6 109)	(194)	(232 616)
Social expense	(36 933)	(1 682)	-	(38 615)
Change of employee benefits provision	(16 181)	-	-	(16 181)
	(962 012)	**(33 074)**	**(795)**	**(995 881)**
Number of employees average per year	1 545,41	9,59	5,00	1 560,00
Number of employees as at balance sheet day	1 543	8	5	1 556

2012	Employees	Key Management	Statutories	Total
Wages and salaries	(697 913)	(48 253)	(2 887)	(749 053)
Social and health insurance	(232 676)	(9 343)	(697)	(242 716)
Social expense	(33 221)	(3 655)	(375)	(37 251)
Change of employee benefits provision	103	82	-	185
	(963 707)	**(61 169)**	**(3 959)**	**(1 028 835)**
Number of employees average per year	1 637,47	17,53	4,88	1 659,88
Number of employees as at balance sheet day	1 582	17	5	1 604

For the year ended 31 December 2013 (in thousands of CZK)

23. OTHER OPERATING INCOME AND EXPENSES

23.1 Other operating income

	FOR THE YEAR ENDED 31/12/2013	FOR THE YEAR ENDED 31/12/2012
Profit on sale of non-current non-financial asets	4 736	-
Reversal of provisions	13 147	15 899
Reversal of receivables impairment allowances	565	719
Reversal of impairment allowances of property, plant and equipment and intangible assets	-	5 649
Penalties and compensations earned	26 873	34 158
Other	31 727	332 299
	77 048	**388 724**

The line "Other" includes in 2012 the effect of CO_2 emission rights surpluses received free of charge in relation to actual emissions to 31 December 2012 in amount of CZK 310 780 thousand.

23.2 Other operating expenses

	FOR THE YEAR ENDED 31/12/2013	FOR THE YEAR ENDED 31/12/2012
Loss on sale of non-current non-financial assets	(17 944)	(25 712)
Recognition of provisions	(35 199)	(20 409)
Recognition of receivables impairment allowances	(7 255)	(2 005)
Recognition of impairment allowances of property, plant and equipment and intangible assets	(82 783)	(143 474)
Donations	(1 908)	(1 286)
Other	(15 824)	(35 826)
	(160 913)	**(228 712)**

24. FINANCE INCOME AND COSTS

24.1 Finance income

	FOR THE YEAR ENDED 31/12/2013	FOR THE YEAR ENDED 31/12/2012
Interest	34 311	31 873
Dividendy	362 804	379 194
Settlement and valuation of financial instruments	1 032 588	1 621 287
Other	1 869	2 035
	1 431 572	**2 034 389**

24.2 Finance costs

	FOR THE YEAR ENDED 31/12/2013	FOR THE YEAR ENDED 31/12/2012
Interest	(122 414)	(205 469)
Valuation of financial assets available for sale	(5 477)	-
Foreign exchange loss surplus	(280 761)	(209 819)
Settlement and valuation of financial instruments	(973 514)	(1 656 605)
Other	(27 977)	(24 255)
	(1 410 143)	**(2 096 148)**

For the year ended 31 December 2013 (in thousands of CZK)

25. TAX EXPENSE

	FOR THE YEAR ENDED 31/12/2013	FOR THE YEAR ENDED 31/12/2012
Income tax expense in the statement of profit or loss		
Current income tax	-	7 550
Deferred income tax	129 480	695 924
	129 480	**703 474**
Income tax expense in other comprehensive income		
Tax on effective portion of changes in fair value of cash flow hedges	41 105	(18 110)
	41 105	**(18 110)**
	170 585	**685 365**

Domestic income tax is calculated in accordance with Czech tax regulations at the rate of 19% in 2013 (2012: 19%) of the estimated taxable income for the year. The deferred tax has been calculated using tax rate approved for years 2013 and forward i.e. 19%.

25.1 Reconciliation of effective tax rate

	FOR THE YEAR ENDED 31/12/2013	FOR THE YEAR ENDED 31/12/2012
Profit / (loss) for the year	(1 538 453)	280 319
Total income tax credit (expense)	129 480	703 474
Loss excluding income tax	(1 667 933)	(423 155)
Income tax using domestic income tax rate	316 907	80 399
Non-deductible expenses	(23 765)	(72 047)
Tax exempt income	68 933	14 967
Recognition of previously unrecognized deferred tax related to tax losses	-	672 605
Change in not recognized deferred tax assets	(230 289)	-
Other differences	(2 306)	7 550
Total income tax credit (expense)	**129 480**	**703 474**
Effective tax rate	**7,76%**	**166,25%**

25.2 Deffered tax assets and liabilitites

Deferred income taxes result from future tax benefits and costs related to the differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. The deferred income taxes have been calculated using the tax rate expected to apply to periods when the respective asset is realized or liability is settled (i.e. 19% in 2013 and onward).

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) recognized by the Company during the year is as follows:

	AS AT 31/12/2012	Deferred tax recognized in statement of Profit or loss	Deferred tax recognized in Other comprehensive income	AS AT 31/12/2013
Deferred tax assets				
Provisions	54 592	94 870	-	149 462
Unused tax losses carried forward	840 649	(87 476)	-	753 173
Financial instruments valuation	3 872	-	40 763	44 635
Other	188 644	(63 409)	342	125 577
	1 087 757	(56 015)	41 105	1 072 847
Deferred tax liabilities				
Property, plant and equipment	(1 009 803)	175 718	-	(834 085)
Inventory	(180 950)	3 989	-	(176 961)
Finance lease	(53 919)	5 788	-	(48 131)
	(1 244 672)	185 495	-	(1 059 177)
	(156 915)	**129 480**	**41 105**	**13 670**

Deferred income tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority.

Deferred income tax assets are recognized for tax loss and deductible temporary differences carried forward to the extent that realization of the related tax benefit through the future taxable profit is probable based on financial projections for years 2014 - 2018.

In the calculation of deferred tax assets as at 31 December 2013 the Company has not recognized unused tax losses in amount of CZK 1 635 853 thousand due to the unpredictability of future taxable income (CZK 1 156 889 thousand at 31 December 2012). These unrecognised tax losses will expire till end of 2018.

For the year ended 31 December 2013 (in thousands of CZK)

26. FINANCIAL INSTRUMENTS

26.1 Financial instruments by category and class

Financial assets
as at 31 December 2013

		Financial instruments by category				
Financial instruments by class	Note	Financial assets at fair value through profit or loss	Loans and receivables	Financial assets available for sale	Hedging financial instruments	Total
Unquoted shares	9	-	-	978 023	-	978 023
Trade receivables	12	-	10 354 758	-	-	10 354 758
Cash pool	13	-	12 008	-	-	12 008
Financial derivatives and hedging instruments	13	18 419	-	-	10 892	29 311
Cash and cash equivalents	14	-	84 394	-	-	84 394
Other	10	-	49 736	-	-	49 736
		18 419	**10 500 896**	**978 023**	**10 892**	**11 508 230**

as at 31 December 2012

		Financial instruments by category				
Financial instruments by class	Note	Financial assets at fair value through profit or loss	Loans and receivables	Financial assets available for sale	Hedging financial instruments	Total
Unquoted shares	9	-	-	1 009 291	-	1 009 291
Trade receivables	12	-	9 497 734	-	-	9 497 734
Cash pool	13	-	53 775	-	-	53 775
Financial derivatives and hedging instruments	13	5 626	-	-	18 739	24 365
Cash and cash equivalents	14	-	157 163	-	-	157 163
Other	10	-	80 948	-	-	80 948
		5 626	**9 789 620**	**1 009 291**	**18 739**	**10 823 276**

Financial liabilities
as at 31 December 2013

		Financial instruments by category		
Financial instruments by class	Note	Financial liabilities at fair value through profit of loss	Financial liabilities measured at amortized cost	Total
Long term loans and borrowings	16	-	963 088	963 088
Other non-current liabilities	18	-	1 097	1 097
Short term loans and borrowings	16	-	10 058 519	10 058 519
Trade and other payables and accruals	19	-	12 804 430	12 804 430
Other financial liabilities	20	316 266	2 022 264	2 338 530
		316 266	**25 849 398**	**26 165 664**

as at 31 December 2012

		Financial instruments by category		
	Note	Financial liabilities at fair value through profit of loss	Financial liabilities measured at amortised cost	Total
Long term loans and borrowings	16	-	912 193	912 193
Other non-current liabilities	18	-	1 283	1 283
Short term loans and borrowings	16	-	9 597 809	9 597 809
Trade and other payables and accruals	19	-	12 702 315	12 702 315
Other financial liabilities	20	148 248	889 858	1 038 107
		148 248	**24 103 458**	**24 251 707**

For the year ended 31 December 2013 (in thousands of CZK)

26.2 Income and costs, gain and loss in the statement of profit or loss and other comprehensive income

For the year ended as at 31 December 2013

		Financial instruments by category				
	Note	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Financial assets available for sale	Financial liabilities measured at amortised cost	Total
Interest income	24.1	-	34 311	-	-	34 311
Interest costs	24.2	-	-	-	(122 414)	(122 414)
Foreign exchange gain/loss	24.2	-	158 320	-	(439 081)	(280 761)
Recognition/reversal of receivables impairment allowances recognized in:						
other operating income/expenses	23	-	(6 690)	-	-	(6 690)
Settlement and valuation of financial instruments	24	59 074	-	-	-	59 074
Valuation of financial assets available for sale	24	-	-	(5 477)	-	(5 477)
Other	24	-	1 869	-	(20 341)	(18 472)
		59 074	**187 810**	**(5 477)**	**(581 837)**	**(340 429)**
other, exluded from the scope of IFRS 7						
Provisions discounting	24					(7 636)
						(7 636)

For the year ended as at 31 December 2012

		Financial instruments by category				
	Note	Financial assets and liabilities at fair value through profit or loss	Loans and receivables	Financial assets available for sale	Financial liabilities measured at amortised cost	Total
Interest income	24.1	-	33 890	-	-	33 890
Interest costs	24.2				(205 469)	(205 469)
Foreign exchange gain/loss	24.2	-	(232 017)	-	22 198	(209 819)
Recognition/reversal of receivables impairment allowances recognized in:						
other operating income/expenses	23	-	(1 286)	-	-	(1 286)
Settlement and valuation of financial instruments	24	(35 318)	-	-	-	(35 318)
Valuation of financial assets available for sale	24	-	-	-	-	-
Other	24	-	18	-	(134 216)	(134 197)
		(35 318)	**(199 396)**	**-**	**(317 487)**	**(552 200)**
other, exluded from the scope of IFRS 7						
Provisions discounting	24					(11 241)
						(11 241)

26.3 Hedge accounting

The Company hedges its cash flows from operating revenues due to sale of petrochemical and refinery products as well as operating expenses due to purchases of crude oil against changes in exchange rates (EUR/CZK for sale and USD/CZK for purchases and sale). Foreign exchange forwards are used as hedging instruments.

The Company has derivative financial instruments, which serve as a hedging instrument pursuant to the Company's risk management strategy. Changes in the fair value of derivatives that do not meet the hedge accounting criteria are included in derivatives held for trading and their fair value changes are reported in the Statement of profit or loss and other comprehensive income.

The fair value of derivative instruments are designated as hedging instruments according to the cash flow hedge accounting planned realization date and the planned date of the influence on the result of the hedged cash flow as well as the net fair value which will be recognized in the profit or loss at the realization date:

Planned realization date of hedged cash flows	31/12/2013	31/12/2012
Currency operating exposure		
2013	-	(20 380)
2014	(234 925)	-
Total	**(234 925)**	**(20 380)**

26.4 Financial risk management

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the risks outlined below relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other market price risk), credit risk and liquidity risk.

The Company seeks to minimize the effects of these risks by using natural hedging and derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess funds. Compliance with policies and exposure limits is reviewed by the internal auditors on a regular basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

26.5 Credit risk

The Company has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the Statement of financial position are net of impairment losses, estimated by the Company's management based on prior experience and their assessment of the credit status of its customers.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of dealing only with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers.

The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management. Before accepting any new customer, the Company uses own or external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. As at 31 December 2013 and 2012 none of the customers represented more than 10 % of the total balance of trade receivables.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of debtors and, where appropriate, credit guarantee insurance cover is purchased or sufficient collateral on debtor's assets obtained.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Statement of financial position.

For the year ended 31 December 2013 (in thousands of CZK)

26.5 Credit risk (continued)

Based on the analysis of loans and receivables the counterparties were divided into two groups:

- I group – counterparties with good or very good history of cooperation in the current year,
- II group – other counterparties

	Note	AS AT 31/12/2013	AS AT 31/12/2012
Group I		10 196 147	9 403 926
Group II		-	-
	12	**10 196 147**	**9 403 926**

Aging of loans receivables past due, not impaired:

	Note	AS AT31/12/2013	AS AT 31/12/2012
Up to 1 month		275 162	268 359
From 1 to 3 months		9 454	18 683
From 3 to 6 months		2 587	74
From 6 to 12 months		2 178	609
Above 1 year		15 368	17 021
	12	**304 749**	**304 746**

The maximum exposure to credit risk for loans and receivables at the reporting date was as follows:

	Note	AS AT 31/12/2013	AS AT 31/12/2012
Financial assets			
Unquoted shares	9	978 023	1 009 291
Trade receivables	12	10 354 758	9 497 734
Cash pool	13	12 008	53 775
Financial derivatives and hedging instruments	13	29 311	24 365
Cash and cash equivalents	14	84 394	157 163
Other	10	49 736	80 948
		11 508 230	**10 823 276**

The Management of the Company believes that the risk of impaired financial assets is reflected by recognition of an impairment. Information about impairment allowances of particular classes of assets is disclosed in the note 22.

26.6 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate liquid funds, borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As at 31 December 2013 and 31 December 2012 the maximum available credit facilities relating to bank loans amounted to CZK 150 000 thousand and CZK 150 000 thousand respectively, of which as at 31 December 2013 and 31 December 2012 CZK 87 215 thousand and CZK 143 000 thousand respectively remained unused.

Liquidity risk tables

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

Contractual maturity of non-derivative financial liabilities

		AS AT 31/12/2013					
	Note	up to 1 year	from 1 to 3 years	from 3 to 5 years	above 5 years	Total	Carrying amount
Loans - undiscounted value	16	10 058 519	-	963 088	-	11 021 607	11 021 607
Trade liabilities	19	12 804 430	-	-	-	12 804 430	12 804 430
Investment liabilities	18	-	1 097	-	-	1 097	1 097
Financial derivatives and hedging instruments	20	316 266	-	-	-	316 266	316 266
Cash pool	20	2 022 264	-	-	-	2 022 264	2 022 264
		25 201 479	**1 097**	**963 088**	**-**	**26 165 664**	**26 165 664**

		AS AT 31/12/2012					
	Note	up to 1 year	from 1 to 3 years	from 3 to 5 years	above 5 years	Total	Carrying amount
Loans - undiscounted value	16	9 597 809	-	912 193	-	10 510 002	10 510 002
Trade liabilities	19	12 702 315	-	-	-	12 702 315	12 702 315
Investment liabilities	18		503	503	277	1 283	1 283
Financial derivatives and hedging instruments	20	148 248	-	-	-	148 248	148 248
Cash pool	20	889 859	-	-	-	889 859	889 859
		23 338 231	**503**	**912 696**	**277**	**24 251 707**	**24 251 707**

For the year ended 31 December 2013 (in thousands of CZK)

26.7 Market risk

The Company is exposed to commodity price risk resulting from the adverse changes in raw material, mainly crude oil prices. Management addresses these risks by means of a commodity, supplier and client risk management. The Company analyses the exposure and enters to a minor extent into derivative commodity instruments to minimize the risk associated with the purchase of crude oil.
The Company's activities are exposed to the risks of changes in foreign currency exchange rates, and interest rates. The Company can enter into financial derivative contracts to manage its exposure to interest rate and currency risk.

26.7.1 Currency risk

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

Currency structure of financial instruments as at 31 December 2013

Financial instruments by class	CZK	EUR	USD	Other currencies after translation to CZK	Total after translation to CZK
Financial assets					
Unquoted shares	878 437	99 586	-	-	978 023
Trade receivables	6 400 699	3 482 953	465 988	5 118	10 354 758
Cash pool	-	3 461	8 547	-	12 008
Financial derivatives and hedging instruments	10 928	-	18 383	-	29 311
Cash and cash equivalents	65 627	18 615	99	53	84 394
Other	49 736	-	-	-	49 736
	7 405 427	**3 604 615**	**493 017**	**5 171**	11 508 230
Financial liabilities					
Loans	11 021 607	-	-	-	11 021 607
Trade liabilities	6 110 929	1 273 149	5 419 529	823	12 804 430
Investment liabilities	1 097	-	-	-	1 097
Financial derivatives and hedging instruments	249 521	-	66 745	-	316 266
Cash pool	1 914 720	85 712	21 832	-	2 022 264
	19 297 874	**1 358 861**	**5 508 106**	**823**	26 165 663

Currency structure of financial instruments as at 31 December 2012

Financial instruments by class	CZK	EUR	USD	Other currencies after translation to CZK	Total after translation to CZK
Financial assets					
Unquoted shares	883 913	99 586	-	25 792	1 009 291
Trade receivables	5 812 604	3 527 985	157 143	1	9 497 734
Cash pool		43 305	10 470	-	53 775
Financial derivatives and hedging instruments	24 365	-	-	-	24 365
Cash and cash equivalents	99 339	56 061	1 700	63	157 163
	6 820 221	**3 726 937**	**169 313**	**25 856**	10 742 328
Financial liabilities					
Loans	10 510 002	-	-	-	10 510 002
Trade liabilities	5 966 568	665 766	6 069 409	571	12 702 315
Investment liabilities	1 283	-	-	-	1 283
Financial derivatives and hedging instruments	103 249	-	45 000	-	148 248
Cash pool	889 859	-	-	-	889 859
	17 470 961	**665 766**	**6 114 409**	**571**	24 251 707

For the year ended 31 December 2013 (in thousands of CZK)

26.7.1 Currency risk (continued)

Foreign currency sensitivity analysis

The influence of potential changes in carrying amounts of financial instruments as at 31 December 2013 and 2012 arising from hypothetical changes in exchange rates of relevant currencies in relation to functional currency on profit before tax and hedging reserve:

	Influence on profit before tax			
2013	Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/CZK	15%	323 019	15%	(323 019)
USD/CZK	15%	(748 798)	15%	748 798
		(425 779)		**425 779**

	Influence on profit before tax			
2012	Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/CZK	15%	455 087	15%	(455 087)
USD/CZK	15%	(885 721)	15%	885 721
		(430 634)		**430 634**

	Influence on hedging reserve			
2013	Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/CZK	15%	(718 246)	15%	718 246
USD/CZK	15%	74 014	15%	(74 014)
		(644 232)		**644 232**

	Influence on hedging reserve			
2012	Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/CZK	15%	(681 878)	15%	681 878
USD/CZK	15%	80 192	15%	(80 192)
		(601 686)		**601 686**

Variations of currency rates described above were calculated based on historical volatility of particular currency rates and analysts' forecasts.

Sensitivity of financial instruments for currency risk was calculated as a difference between the initial carrying amount of financial instruments (excluding derivative instruments) and their potential carrying amount calculated using assumed increases/(decreases) in currency rates. In case of derivative instruments, the influence of currency rate variations on fair value was examined at constant level of interest rates. The fair value of foreign currency forward contracts is determined based on discounted future cash flows of the transactions, calculated based on the difference between the forward rate and the transaction price.

For the year ended 31 December 2013 (in thousands of CZK)

26.7.2 Interest rate risk

The Company is exposed to the risk of volatility of cash flows arising from interest rate loans, bank loans and cash pool based on floating interest rates.

Interest rate structure of financial instruments as at 31 December 2013:

	PRIBOR	EURIBOR	LIBOR	Total
Financial assets				
Cash pool	-	3 461	8 547	12 008
	-	**3 461**	**8 547**	**12 008**
Financial liabilities				
Loans	11 021 607	-	-	11 021 607
Cash pool	1 914 720	85 712	21 832	2 022 264
	12 936 327	**85 712**	**21 832**	**13 043 871**

Interest rate structure of financial instruments as at 31 December 2012:

	PRIBOR	EURIBOR	LIBOR	Total
Financial assets				
Cash pool	-	43 305	10 470	53 775
	-	**43 305**	**10 470**	**53 775**
Financial liabilities				
Loans	10 510 002	-	-	10 510 002
Cash pool	889 859	-	-	889 859
	11 399 861	**-**	**-**	**11 399 861**

Interest rate sensitivity analysis

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

Interest rate	Assumed variation (in basis points)		Influence on profit before tax		Total	
	AS AT 31/12/2013	AS AT 31/12/2012	2013	2012	AS AT 31/12/2013	AS AT 31/12/2012
EURIBOR	50	50	35	433	35	433
LIBOR	50	50	85	105	85	105
PRIBOR	50	50	-	-	-	-
			120	**538**	**120**	**538**
EURIBOR	50	50	890	273	890	273
LIBOR	50	50	223	23	223	23
PRIBOR	50	50	64 682	56 851	64 682	56 851
			65 795	**57 147**	**65 795**	**57 147**

The above interest rates variations were calculated based on observations of interest rates fluctuations in the current and prior year as well as on the basis of available forecasts.

The sensitivity analysis was performed on the basis of instruments held as at 31 December 2013 and 31 December 2012. The influence of interest rates changes was presented on annual basis.

26.7.3 The risk of commodity prices and oil products

The Company is exposed to commodity price risk resulting from the adverse changes in raw material, mainly crude oil prices. Management addresses these risks by means of a commodity, supplier and client risk management. The Group analyses the exposure and enters to a minor extent into derivative commodity instruments to minimize the risk associated with the purchase of crude oil.

Sensitivity analysis of changes in crude oil, diesel oil, gasoline, bitumen and heating oil prices

Analysis of the influence of potential changes in the book values of financial instruments on profit before tax and hedging reserve in relation to a hypothetical change in prices of crude oil:

	Influence on financial result			
2013	Increase of rate by	Total influence	Decrease of exchange rate by	Total influence
Crude oil USD/BBL	5 USD/BBL	252 128	5 USD/BBL	(252 128)

	Influence on financial result			
2012	Increase of rate by	Total influence	Decrease of exchange rate by	Total influence
Crude oil USD/BBL	5 USD/BBL	126 972	5 USD/BBL	(126 972)

26.7.4 Emission allowances risk

The Company monitors the emission allowances granted to the Group under the National Allocation Plan and CO_2 emissions planned. The Group might enter into transactions on emission allowances market in order to cover for shortages or utilize the excess of obtained emission allowances over the required amount.

For the year ended 31 December 2013 (in thousands of CZK)

26.8 Fair value determination

26.8.1 Financial instrument for which fair value cannot be measured reliably

As at 31 December 2013 and 31 December 2012 the Company held unquoted shares in entities amounting to CZK 978 023 thousand and CZK 1 009 291 thousand, for which fair value cannot be reliably measured, due to the fact that there are no active markets for these entities and no comparable transactions in the same type of instruments. Above mentioned shares were recognized as financial assets and measured at acquisition cost less impairment allowances. As at 31 December 2013 there are no binding decisions relating to the means and dates of disposal of those assets.

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

Fair value of shares quoted on active markets is determined based on market quotations (so called Level 1). In other cases, fair value is determined based on other input data, apart from market quotations, which are directly or indirectly possible to observe (so called Level 2) and data to valuation, which aren't based on observable market data (Level 3).
Financial assets and liabilities carried at fair value by the Company belong to Level 2 as defined by IFRS.
In the year ended 31 December 2013 and the comparative period in the Company were no transfers between Levels 1, 2 and 3.

Investment property

The Company applied the revenue approach to investment property with carrying amount of CZK 87 015 thousand as at 31 December 2013 (31 December 2012: CZK 79 482 thousand). In the revenue approach the calculation was based on the discounted cash flow method. The discount rate used reflects the relation, as expected by the buyer, between yearly revenue from an investment property and expenditures required to purchase investment property. Forecasts of discounted cash flows relating to the property consider arrangements included in all rent agreements as well as external data, e.g. current market rent charges for similar property, in the same location, technical conditions, standard and designed for similar purposes. The investment property valued under revenue approach is classified to the Level 3 defined by IFRS 7.

The movements in the assets classified to the Level 3 fair values were as follows:

	2013	2012
Beginning of the period	79 482	79 399
Transfer from Property plant and equipment	9 987	-
Transfer to Property plant and equipment	(2 538)	-
Sum in profit or loss for the period	85	82
	87 015	**79 482**

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

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

	Level 3			
	Increase	Total influence	Decrease	Total influence
change in discount rate	+1 pp	(2 944)	-1 pp	2 944
		(2 944)		**2 944**

For the year ended 31 December 2013 (in thousands of CZK)

27. LEASING

27.1 The Company as lesee

Operating leasing

Leasing arrangements

At the balance sheet date, the Company possessed non-cancellable operating lease arrangements as a lesse.

Future minimum lease payments under non–cancellable operating lease agreements were as follows:

	AS AT 31/12/2013	AS AT 31/12/2012
No later than one year	1 729	1 767
Later than one year and not later than five years inclusive	7 705	7 068
Later than five years	-	1 473
	9 434	**10 308**

Payments recognized as an expense were as follows:

	2013	2012
Non-cancellable operating lease	1 670	1 767
Cancellable operating lease	80 620	81 512
	82 290	**83 279**

The Company leases vehicles and land under operating leases. Lease payments are increased annualy to reflect market conditions. None of the leases includes contingent rentals.

Finance lease

Net carrying amount of leased assets

	AS AT 31/12/2013	AS AT 31/12/2012
Machinery and equipment	225 386	251 463
	225 386	**251 463**

27.2 The Company as lessor

As at 31 December 2013 and as at 31 December 2012 the Company did not possess any finance or operating lease agreements as a lessor.

28. INVESTMENT EXPENDITURE INCURRED AND CONTINGENT LIABILITITES FROM SIGNED INVESTMENT CONTRACTS

The total value of investment expenditure with borrowing costs amounted to CZK 1 382 144 thousand to 31 December 2013 and CZK 699 581 thousand to 31 December 2012, including environmental expenditures of CZK 26 036 thousand and CZK 45 626 thousand.

Future investment liabilities value from contracts signed to 31 December 2013 and 31 December 2012 amounted to CZK 665 197 thousand and CZK 101 738 thousand.

29. COURT PROCEEDINGS AND CLAIMS

Claims regarding reward for employees' intellectual work
In the year 2001 the court case commenced regarding the reward for the employees' intellectual work between UNIPETROL RPA, s.r.o. and its two employees. Employees demanded reward of approx. CZK 1.8 million. UNIPETROL RPA, s.r.o. as defendant did not agree and offered the reward amounting to approx. CZK 1.4 million, based on experts' valuations. In 2005 Employees plaintiffs filed the next petition to the court to extend the action to an amount of approx. CZK 82 million. The first instance hearing was held on 18 October 2011. An experts´ valuation ordered by the court confirmed the amount of the reward payable to the employees in the amount of CZK 1,603,991. One of the employees accepted payment of his share in the reward confirmed by the expert in the expert valuation order by the court.

Claims on compensation of damages filed by I.P. – 95, s.r.o. against UNIPETROL RPA, s.r.o.
On 23 May 2012 UNIPETROL RPA, s.r.o., having its registered office at Záluží 1, 436 70, Litvínov, Business ID no.: 27597075,, the subsidiary of UNIPETROL, a.s., received a petition from the District Court Ostrava, file no. 30 C 66/2010.
Claimant – I.P. - 95, s.r.o., having its registered office at Těšínská 202/225, 716 00 Ostrava-Radvanice, Business ID no.: 64085694 is claiming compensation of damages totalling CZK 1,789 million. I.P. – 95, s.r.o. claims that it incurred damages as a result of an unjustified insolvency filing against I.P. – 95, s.r.o. made by UNIPETROL RPA, s.r.o. on 24 November 2009. I.P. – 95, s.r.o. assigned part of the receivable in question of CZK 1,742 million, to NESTARMO TRADING LIMITED, having its registered office at Diagorou 4, Fermia Building, 6th floor, office no. 601, 1097 Nicosia, Cyprus, Company ID no.: HE 246733; following the assignment, I.P. – 95, s.r.o. filed a motion regarding NESTARMO TRADING LIMITED joining the proceedings as a claimant. UNIPETROL RPA, s.r.o. is one of eight respondents against whom the petition was filed.
UNIPETROL RPA, s.r.o. does not recognize the alleged claim and considers the claim as unjustified and unfounded. UNIPETROL RPA, s.r.o. is taking all legal actions to defend itself against this claim. The case is pending at the Regional Court in Ostrava.
During the twelve month period ended 31 December 2013 there were no material changes in relation to the issue.

Claims for compensation of damages filed by SDP Logistics sklady a.s against UNIPETROL RPA, s.r.o.
On 9 July 2012 UNIPETROL RPA, s.r.o. received a petition filed by SDP Logistics sklady a.s. for compensation of damages.
UNIPETROL RPA, s.r.o. concluded on 21 March 2010 with SDP Logistics sklady a.s. ("SDP") a contract relating to storage ("Contract") for a definite period of time - until 31 July 2011. SDP claims that UNIPETROL RPA, s.r.o. failed to remove all stored products before the contract termination date.
SDP claims CZK 25 million as a contractual penalty payable to SDP as a result of not making the storage space available for a new client. SDP additionally claims CZK 120 million as loss of profit caused by not being able to provide the contracted storage capacity to a new SDP client after 1 August 2011. Furthermore SDP has blocked the goods of UNIPETROL RPA, s.r.o. (stored in the warehouse) until the said damages are covered by UNIPETROL RPA, s.r.o.
UNIPETROL RPA, s.r.o. does not recognize the alleged claim and considers the claim as unjustified and unfounded.
During the twelve month period ended 31 December 2013 there were no material changes in relation to the issue. The next hearing is scheduled for 12 March 2014.

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 31 December 2013, ČESKÁ RAFINÉRSKÁ, a.s. held a contract for transportation with TRANSPETROL, a.s., covering years 2013 and 2014. Due to complicated and lengthy negotiations, there is no transportation contract in place with MERO ČR, a.s. Transportation of crude oil is provided by MERO ČR, a.s. on a regular basis with no disruptions; transportation is based on conditions and transportation tariff of the previous contract. The Group management does not expect any impact on the business activities caused by non-existence of long-term contract with MERO ČR, a.s. The effect on financial statements is currently not measurable.

29. COURT PROCEEDINGS AND CLAIMS (CONTINUED)

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 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 claim amounts to approximately CZK 325,000 thousand.

a) UNIPETROL RPA, s.r.o. complaint for unlawful intervention

At its hearing on 16 October 2013 the Regional Court in Usti nad Labem decided to dismiss the UNIPETROL RPA, s.r.o. complaint for unlawful intervention during the first instance tax proceedings carried out by the Tax Authority in Litvinov in 2010. The court decided that the appelate tax proceedings carried out by the Tax Directorate in Usti nad Labem in 2010 was an unlawful interventation with UNIPETROL RPA, s.r.o. rights . UNIPETROL RPA, s.r.o. filed a cassation appeall against the first part of the judgment of the court regarding dismissal of the complaint with respect to the first instance tax proceedings to the Czech High Court.
On 21 January 2014 the Czech High Administration Court resolved to (i) decline the decision of Regional Court in Usti nad Labem stating that the appelate tax proceedings carried out by the Tax Directorate in Usti nad Labem in 2010 was an unlawful interventation with UNIPETROL RPA, s.r.o. rights and returned this part of the case to the Regional Court in Prague for further hearing and decision; and (ii) dismissed the cassation appeal filed by UNIPETROL RPA, s.r.o.

b) UNIPETROL RPA, s.r.o. complaint for dismissal of the tax authority decisions

At its hearing on 11 December 2013 the Regional Court in Usti nad Labem decided to decline both (i) the decision of the Tax Authority in Litvinov issued in 2010 on the tax corporate income obligation of UNIPETROL RPA, s.r.o. of approximately CZK 325mil, and (ii) the decision of the Tax Directorate in Usti nad Labem (in its position as appelate tax authority) on the UNIPETROL RPA, s.r.o. appeal against the tax decision under point (i). The court ruled both decisions of tax authorities to be unlawful. The court returned the case to the tax authority for further procedure.

UNIPETROL RPA, s.r.o. filed a cassation appeall against the decision of the Regional Court in Usti nad Labem and requested the court to decline both tax decision due to these being null and therefore non existing. In situation where the court declares the decision null and non existing, this would enhance UNIPETROL RPA, s.r.o. position towards the tax authorities.

30. GUARANTEES AND SECURITIES

Guarantees
Based on the request of the parent company UNIPETROL, a.s., the bank guarantees relating to the security of customs debt and excise tax at customs offices were issued in favour of the Company. Total balance of guarantees amounted to CZK 691 221 thousand as at 31 December 2013 (31 December 2012: CZK 778 720 thousand).

The company guarantees the obligations HC Verva Litvinov, a.s. to the Association of Professional Ice Hockey Clubs CZK 7,000 thousand as at 31 December 2013 (31 December 2012: CZK 7 000 thousand).

31. RELATES PARTIES

31.1 Material transactions concluded by the Group Companies with related parties

In year ended 31 December 2013 and in 2012 there were no transactions concluded by the Company with related parties on other than market terms.

31.2 Transactions with key management personnel

In year ended 31 December 2013 and in 2012 the Company did not grant to key management personnel and their relatives any advances, loans, guarantees and commitments or other agreements obliging them to render services to Company companies and related parties. In year ended 31 December 2013 and in 2012 there were no significant transactions concluded with members of the Board of Directors, Supervisory Board, their spouses, siblings, descendants, ascendants or their other relatives.

31.3 Transaction with related parties concluded by key management personnel of the Company

In year ended 31 December 2013 and in 2012 members of the key management personnel of the Parent Company and the Group companies submitted statements that they have not concluded any transaction with related parties.

For the year ended 31 December 2013 (in thousands of CZK)

31.4 Transactions and balances of settlements of the Company with related parties

Parent and ultimate controlling party

The ultimate controlling party is POLSKI KONCERN NAFTOWY ORLEN S.A., which owned a majority (62,99%) of the shares in the parent company UNIPETROL, a. s. in 2013 and 2012.

for the year ended 31 December 2013	UNIPETROL, a.s.	Parties under control or significant influence of UNIPETROL, a.s.	Parties under control or significant influence of the Company	PKN Orlen	Entities under control or significant influence of PKN Orlen
Sales	7 440	14 514 732	8 995 735	467 017	4 554 710
Purchases	87 554	7 023 064	290 279	56 771 039	1 608 539
Finance income, including	-	1 170	362 898	-	-
dividends	-	-	362 804	-	-
Finance costs	110 348	(9)	-	839	21 050

as at 31 December 2013	UNIPETROL, a.s.	Parties under control or significant influence of UNIPETROL, a.s.	Parties under control or significant influence of Company	PKN Orlen	Entities under control or significant influence of PKN Orlen
Long term receivables	-	49 613	-	-	-
Short term financial assets	9 834	-	-	-	2 174
Trade and other receivables	1 068	1 481 216	758 394	23 649	550 190
Trade and other liabilities, including loans	12 084 485	968 045	43 733	4 871 844	337 561

for the year ended 31 December 2012	UNIPETROL, a.s.	Parties under control or significant influence of UNIPETROL, a.s.	Parties under control or significant influence of Company	PKN Orlen	Entities under control or significant influence of PKN Orlen
Sales	4 497	17 677 185	7 589 305	250 684	1 741 071
Purchases	85 041	9 184 210	298 174	60 920 663	1 431 644
Finance income, including	2	(488)	379 680	-	-
dividends	-	-	379 194	-	-
Finance costs	166 791	(2 314)	-	19 489	11 307

as at 31 December 2012	UNIPETROL, a.s.	Parties under control or significant influence of UNIPETROL, a.s.	Parties under control or significant influence of Company	PKN Orlen	Entities under control or significant influence of PKN Orlen
Long term receivables	-	81 053	-	-	-
Short term financial assets	53 773	-	-	-	2
Trade and other receivables	992	1 312 142	621 686	-	252 369
Trade and other liabilities, including loans	9 941 215	1 983 078	103 511	5 836 776	199 876

32. REMUNERATION OF THE KEY EXECUTIVE PERSONNEL AND STATUTORY REPRESENTATIVES

The remuneration of the key executive personnel and statutory representatives includes short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits paid, due and potentially due during the period.

	2013		2012	
	Short-term benefits	Termination benefits	Short-term benefits	Termination benefits
Remuneration of current period	31 918	1 951	57 757	7 371
Paid for previous year	14 881	-	17 467	-
	46 798	**1 951**	**75 224**	**7 371**

Detailed information about benefits of the key personnel and statutory representatives are presented in note 22.

For the year ended 31 December 2013 (in thousands of CZK)

32.1 Principles of incentives for the key executive personnel

In 2013 the key executive personnel was participating in the annual MBO bonus system (Management by Objectives). The regulations applicable to statutory representatives, directors directly reporting to statutory representatives and other key positions have certain common features. The persons subject to the above mentioned systems are remunerated for the accomplishment of specific goals set at the beginning of the bonus period, by the statutory representatives for the key executive personnel. The bonus systems are structured in such way, so as to promote the cooperation between individual employees in view to achieve the best possible results for the Group. The goals so-said are qualitative or quantitative (measurable) and are accounted for following the end of the year for which they were set, on the rules adopted in the applicable Bonus System Regulations. Regulation gives the possibility to promote employees, who significantly contribute to results generated by the Company.

33. CHANGES IN STRUCTURE OF THE FINANCIAL STATEMENTS

The Company has changed the names of some items of financial statements and the structure of the financial statements to ensure true and fair view and accurate nature of presented items and to unify the structure financial statements within the Group as follows:

The changes in statement of financial position as at 31 December 2012 are presented in the following table:

	previously stated	changes in detail of presentation of assets / liabilities (1)	presentation of cash pool (2)	31/12/2012 as restated
ASSETS				
Non-current assets				
Property, plant and equipment	13 126 491			13 126 491
Investment property	79 482			79 482
Intangible assets	1 678 164			1 678 164
Financial assets available for sale	1 009 291	-		1 009 291
Other non-current assets	81 065	-		81 065
	15 974 493	**-**	**-**	**15 974 493**
Current assets				
Inventories	8 825 960			8 825 960
Trade and other receivables	9 466 399	80 383		9 546 782
Other financial assets	109 475	(31 335)		78 140
Prepayments and other current assets	49 048	(49 048)		-
Current tax receivables	11 724			11 724
Cash and cash equivalents	157 163			157 163
	18 619 769	**-**	**-**	**18 619 769**
Total assets	**34 594 261**	**-**	**-**	**34 594 261**
EQUITY AND LIABILITIES				
EQUITY				
Share capital	11 147 964			11 147 964
Statutory reserves	551 630			551 630
Hedging reserve	(16 509)	-		(16 509)
Retained earnings	(3 616 599)			(3 616 599)
Total equity attributable to equity owners of the parent	**8 066 486**	**-**	**-**	**8 066 486**
Non-controlling interest	**-**	**-**	**-**	**-**
Total equity	**8 066 486**	**-**	**-**	**8 066 486**
LIABILITIES				
Non-current liabilities				
Loans,borrowings and debt securities	912 193			912 193
Provisions	367 826			367 826
Deferred tax liabilities	156 915			156 915
Other non-current liabilities	21 419			21 419
	1 458 353	**-**	**-**	**1 458 353**
Current liabilities				
Trade and other liabilities	14 026 096	-		14 026 096
Loans,borrowings and debt securities	10 487 667		(889 858)	9 597 809
Provisions	407 410			407 410
Other financial liabilities	148 249		889 858	1 038 107
	25 069 422	**-**	**-**	**25 069 422**
Total liabilities	**26 527 775**	**-**	**-**	**26 527 775**
Total equity and liabilities	**34 594 261**	**-**	**-**	**34 594 261**

For the year ended 31 December 2013 (in thousands of CZK)

33. CHANGES IN STRUCTURE OF THE FINANCIAL STATEMENTS (CONTINUED)

The changes in statement of profit or loss and other comprehensive income for year ended 31 December 2012 are presented in the following table:

	previously stated	presentation of discounts (3)	FOR 12 MONTHS ENDED 31/12/2012 (restated)
Statement of profit or loss			
Revenues	99 327 100	(121 201)	99 205 899
Cost of sales	(97 404 626)		(97 404 626)
Gross profit on sales	**1 922 474**	**(121 201)**	**1 801 273**
Distribution expenses	(1 996 683)		(1 996 683)
Administrative expenses	(325 998)		(325 998)
Other operating income	388 724		388 724
Other operating expenses	(228 712)		(228 712)
Profit/(loss) from operations	**(240 195)**	**(121 201)**	**(361 396)**
Finance income	2 034 389		2 034 389
Finance costs	(2 217 349)	121 201	(2 096 148)
Net finance income (costs)	**(182 960)**	**121 201**	**(61 759)**
Profit before tax	**(423 155)**	**-**	**(423 155)**
Tax expense	703 474		703 474
Net profit/(loss)	**280 319**	**-**	**280 319**

The changes in statement of cash flows for year ended 31 December 2012 are presented in the following table:

	previously stated	changes in detail of presentation of assets / liabilities (1)	presentation of cash pool (2)	presentation of impairment losses (4)	FOR 12 MONTHS ENDED 31/12/2012 as restated
Cash flows - operating activities					
Net profit/(loss)	**280 319**				**280 319**
Adjustments for:					
Depreciation and amortisation	1 530 133				1 530 133
Interest and dividends, net	(200 712)		-		(200 712)
(Profit)/Loss on investing activities	25 712	-		180 567	206 279
Change in provisions	368 050				368 050
Tax expense	(703 474)				(703 474)
Income tax (paid)	7 552				7 552
Other adjustments	(18 324)	(701 858)			(720 182)
Impairment losses on financial investments, property plant and equipment and intagible assets	180 567			(180 567)	-
Change in working capital	(1 528 656)	701 858	-	-	(826 798)
inventories	551 816				551 816
receivables	(942 520)	701 858			(240 662)
liabilities	(1 137 952)	-	-		(1 137 952)
Net cash provided by/(used in) operating activities	**(58 833)**	**-**	**-**	**-**	**(58 833)**
Cash flows - investing activities					
Acquisition of property, plant and equipment and intangible assets	(814 450)				(814 450)
Disposal of property, plant and equipment and intangible assets	2 849				2 849
Dividends received	379 194	67 878	-		447 072
Other		(70 783)	-		(70 783)
Settlement of financial derivatives	250 048	-			250 048
Interests received	2	(2)			-
Change in loans granted	(2 907)	2 907	-		-
Net cash provided by/(used in) investing activities	**(185 264)**	**-**	**-**	**-**	**(185 264)**
Cash flows - financing activities					
Proceeds from loans and borrowings		-	2 595 883		2 595 883
Change in cash pool liabilities	-		(1 095 457)		(1 095 457)
Repayments of loans and borrowings		-	(1 054 642)		(1 054 642)
Redemption of debt securities					
Interest paid	(188 591)				(188 591)
Other	68 478		-		68 478
Change in loans and borrowings	445 784		(445 784)		-
Net cash provided by/(used in) financing activities	**325 671**	**-**	**-**	**-**	**325 671**
Net increase/(decrease) in cash and cash equivalents	**81 574**	**-**	**-**	**-**	**81 574**
Effect of exchange rate changes	(600)				(600)
Cash and cash equivalents, beginning of the period	76 189				76 189
Cash and cash equivalents, end of the period	**157 763**	**-**	**-**	**-**	**157 763**

33. CHANGES IN STRUCTURE OF THE FINANCIAL STATEMENTS (CONTINUED)

1) changes in detail of presentation of assets / liabilities (1)
Particular items from the Statement of financial position and the Statement of cash flows are presented either in bigger detail or were grupped into condensed categories. The Managment believes that current detail of diclosures provides readers of financial statments with better presentation.
2) presentation of cash pool (2)
Cash pool liabilities from entities of UNIPETROL Group were reclassified from position Loans, borrowings and debt securities to Other financial liabilities in the Statement of financial position with corresponding presentation in the Statement of cash flows as it provides better information to users of financial statements on external sources of financing.
3) presentation of discounts (3)
Discounts agreed in advance are presented as decease of revenues, not financial costs which provides better information on revenues achieved by the Group and is in line with IAS18.
4) presentation of impairment losses (4)
Impairment losses on financial investments, property plant and equipment and intagible assets were reclassified under operating activities adjustments from separate position of adjustments to position Profit/ Loss on investing activities

34. SIGNIFICANT POST BALANCE SHEET EVENTS

Mr.Dariusz Rejowski was appointed to the office of the Executive in charge of Operational Affairs on 1 February 2014.

The Company's management is not aware of any other events that have occurred since the balance sheet date that would have any material impact on the financial statements as at 31 December 2013.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were authorized for issue by the Company's statutory representatives on 7 March 2014.

Signature of statutory representative	7 March 2014
Mirosław Kastelik Statutory Representative	

Unipetrol
ORLEN GROUP