Česká rafinérská

annual report 2014

ANNUAL REPORT
ČESKÁ RAFINÉRSKÁ, a.s.
2014

Content

REPORT OF THE BOARD OF DIRECTORS ON THE BUSINESS ACTIVITIES AND ASSETS OF THE COMPANY FOR 2014

Report of the Board of Directors
on the Business Activities and Assets of the Company
for 2014

To the best of our knowledge and belief, and after respective approval by responsible Company officials, we are issuing the following Report that supplements the Financial Statements and comprises an integral part of the Annual Report of ČESKÁ RAFINÉRSKÁ, a.s. (hereinafter only: "the Company") for the year ending on 31 December 2014.

Disclaimer

We are not aware:

a) of any incorrect practices pursued by either the representatives of the Board of Directors or members of staff holding prominent positions within the internal control system, or any other employees that might have led to misstatements in the Financial Statements;
b) of any such violation or potential violation of acts and regulations that would have an impact on the data presented in the Financial Statements, or that would lead to the necessity of creating provisions for potential losses;
c) of any claims of state or Company bodies pertaining the violation of accounting procedures when providing accounting data to authorities, or of any deficiencies in practices thereof in reference to generally accepted accounting procedures that could have a serious impact on the correctness of information tied up with concluded contracts and that might – if unmet – cause a severe error in the Financial Statements;
d) of any activities taking place as part of the business that would breach the laws of the Czech Republic;
e) of any transactions or activities occurring in the aftermath of 2014 that would make a significant impact upon the result and trends unveiled in the present Annual Report.

In 2014, the Company had no organizational body run abroad.

Financial results and the state of assets

In 2014, just as in previous years, the Company was operating in the processing mode, i.e. revenues would arise out of processing feedstock supplied by third parties charged by the processing fee.

The following information and data relate to activities pursued within the period of 2014:

Economic and financial situation

Selected Financial Indicators (as per IFRS, in CZK thousand)

Period	2014	2013
Capital goods[1]	14 120 554	14 936 680
Short-term assets (incl. cash and cash equivalents)	6 831 948	7 341 840
Cash and cash equivalents	1 101 856	1 062 471
Equity	14 942 997	15 377 945
Revenues	9 120 784	8 828 426
Total comprehensive income	65 052	72 713

Compared with 2013, year 2014 may be evaluated as more successful. Such evaluation ensues particularly from higher crude oil processing. Whereas in 2013 the Company processed 6 665 thousand tons of crude oil, in 2014 the figure equaled 7 496 thousand tons which means meeting the Business Plan target in 101 %). In other words, in 2014 the Company processed crude oil up 12.5 % over the previous year. At the same time, as opposed to 2013 (and to 2012), higher operational availability of units was achieved at both locations. The ongoing cost downsizing pressure led to a further drop in fixed costs by 5 % compared to 2013 (i.e. costs without depreciation and TA costs) and likewise to the decline of variable costs, both in absolute and relative levels (by 9 % and 19 %, respectively, in CZK/ton of crude oil).

The value of the Company´s long-term assets dropped year to year by 816 million CZK mainly due to depreciation exceeding the value of implemented investments in 2014. No significant adjustments were created to fixed assets. Checked up and verified was the estimated useful life of fixed assets, structures & equipment, and of intangible assets. Out of all 605 million CZK investments implemented in 2014, 165 million CZK were put in ecology investment projects, especially in the revamp of the waste water treatment plant in Kralupy refinery. As for research and development, the Company did not carry out any activities on its own in 2014; results of such activities were solely acquired from external sources.

Net current assets dropped y-to-y by almost 510 million CZK, largely due to a drop in the short-term claim against processors by virtue of consumption tax. Cash and cash equivalents remained on about the same level, exceeding 1 billion CZK.

The Company does not keep any derivatives or financial instruments of a similar nature.

HSEQ

In 2014, the Company succeeded in meeting HSE (Health, Safety & Environment) targets. Key HSE indicators were fulfilled, with the value of 1.2 for TRIR indicator and of 0.6 for PSER I. The number of safety observations expressing the level of health care, safety of staff, and environmental care, reached 2 849, and in comparison with the previous year almost doubled. The number of disablement injuries (in 2014 – 2) and the number of fires (in 2013 –

[1] Or, interchangeably, "long-term assets"

1 with a direct damage exceeding 6 million CZK) nevertheless indicate that there still are improvement opportunities. In 2014, the HSQ strategy for improving the situation in the Company in the given area was introduced and the continuation thereof for 2015 was presented and agreed by the Company Management.

Human resources

The number of employees at the end of 2014 reached the level of 610 (in 2013: 635), with a techno-administration staff of 283 (in 2013: 311), and 36 employees under training (in 2013: 37), all for operator positions. Within the staffing strategy, the Company continued in 2014 in making adjustments in its organizational structure and related Directives. Both the Hay payroll system and the Attendance control system were reviewed; as a result, the efficiency of key indicators (KPI) monitoring got improved, the error rate was reduced, procedures got unified, and standardized were user rights. The process of receipt of new employees joining the Company got unified in both locations, and a system of comprehensive employee development monitoring was set up through establishing adaptation plans, and through regular evaluation monitoring the employee´s development and satisfaction. At the same time, soft skills were improved through the training program run for supervisors and core employees. In 2014, the Training and Competence Center continued to re-examine current operators' competencies. At the same time, the number of operators under training increased. Prior to entering the production process, they gained necessary theoretical know-how and practical skills guaranteeing better and faster adaptability thereof to the production environment.

Subsequent events and the Company´s outlook for the forthcoming period

In the aftermath of the balance sheet date, no events have occurred that would have a significant impact on the Financial Statements for the year ending on 31st of December, 2014. Other important post-balance sheet date events are set out in the Notes to the Financial Statements.

In 2015, the Company will – in conformity with the strategy set out by its Shareholders - ensure maximum possible competitiveness in the area of refinery business. Key priorities will be: health and safety care, environmental care, high availability of equipment, and an optimum cost structure.

Litvínov on March 9, 2015

Anna Wydrzyńska
Chairman of the Board of Directors

Konrad Szykuła
Member of the Board of Directors

STANOVISKO
DOZORČÍ RADY K NÁVRHU ŘÁDNÉ ÚČETNÍ ZÁVĚRKY KE DNI 31. PROSINCI 2014 A KE ZPRÁVĚ O VZTAZÍCH MEZI OVLÁDAJÍCÍ A OVLÁDANOU OSOBOU A O VZTAZÍCH MEZI OVLÁDANOU OSOBOU A OSTATNÍMI OSOBAMI OVLÁDANÝMI STEJNOU OVLÁDAJÍCÍ OSOBOU ZA ROK KONČÍCÍ 31. PROSINCEM 2014

Dozorčí rada společnosti ČESKÁ RAFINÉRSKÁ, a.s. (dále jen „**Společnost**") tímto předkládá řádné valné hromadě Společnosti toto Stanovisko dozorčí rady :

- k návrhu řádné účetní závěrky Společnosti ke dni 31. prosinci 2014 a
- ke zprávě o vztazích mezi ovládající a ovládanou osobou a o vztazích mezi ovládanou osobou a ostatními osobami ovládanými stejnou ovládající osobou za rok končící 31. prosincem 2014.

(A) Řádná účetní závěrka k 31. prosinci 2014

Dozorčí rada konstatuje, že společnost KPMG Česká republika Audit, s.r.o. provedla ověření řádné účetní závěrky ke dni 31. prosinci 2014 a vyjádřila se ve svém výroku auditora „bez výhrad".

Dozorčí rada s přihlédnutím k vyjádření auditora konstatuje, že řádná účetní závěrka ve všech významných ohledech věrně zobrazuje majetek, závazky, vlastní kapitál a finanční situaci společnosti ČESKÁ RAFINÉRSKÁ, a.s. k 31. 12. 2014 a výsledky jejího hospodaření za rok 2014 v souladu se zákonem o účetnictví a příslušnými právními předpisy České republiky.

STANDPOINT
OF SUPERVISORY BOARDTO PROPOSAL OF ANNUAL FINANCIAL STATEMENTS AS OF 31 DECEMBER 2014 AND TO THE REPORT ON THE RELATIONS BETWEEN THE CONTROLLING AND CONTROLLED ENTITIES AND ON THE RELATIONS BETWEEN THE CONTROLLED ENTITY AND OTHER ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY FOR THE YEAR ENDED 31 DECEMBER 2014

The Supervisory Board of ČESKÁ RAFINÉRSKÁ, a.s. (the "**Company**") hereby submits to the Ordinary General Meeting this Statement of the Supervisory Board:

- to the proposal of Annual Financial Statements of the Company as of 31 December 2014, and
- to the Report on the relations between the controlling and controlled entities and on the relations between the controlled entity and other entities controlled by the same controlling entity for the year ended 31 December 2014.

(A) Annual Financial Statements as of 21 December 2014

The Supervisory Board states that KPMG Česká republika Audit, s.r.o. audited the Annual Financial Statements as of 31 December 2014 and expressed the auditor's report "without any qualification".

In view of the auditor's statement, the Supervisory Board states that the Annual Financial Statements reflect truly, in all material aspects, the assets, liabilities, equity and financial standing of ČESKÁ RAFINÉRSKÁ, a.s. as at 31 December 2014 and its results for the year then ended in accordance with the act on accounting and relevant laws of the Czech Republic.

Česká rafinérská

Dozorčí rada dále konstatuje, že z předložené řádné účetní závěrky k 31. 12. 2014 a z ostatních dokumentů, které představenstvo společnosti předkládalo dozorčí radě k projednání v průběhu roku 2014, nezjistila žádné významné nedostatky a nesprávnosti, které by naznačovaly, že účetní zápisy nebyly řádně vedeny v souladu se skutečností a právními předpisy, když s ohledem na uvedené a s ohledem na dokumenty předložené dozorčí radě k přezkoumání účetnictví Společnosti je ve všech podstatných ohledech správné, úplné, průkazné a srozumitelné a je vedeno způsobem zaručujícím trvalost účetních záznamů.

S ohledem na shora uvedené **dozorčí rada přezkoumala a doporučuje řádné valné hromadě schválit řádnou účetní závěrku společnosti ČESKÁ RAFINÉRSKÁ, a.s. k 31. prosinci 2014**.

(B) Zpráva o vztazích mezi propojenými osobami

Dozorčí rada přezkoumala zprávu o vztazích mezi ovládající a ovládanou osobou a o vztazích mezi ovládanou osobou a ostatními osobami ovládanými stejnou ovládající osobou za rok končící 31. prosincem 2014 (dále jen „**Zpráva**") předloženou představenstvem.

K předložené Zprávě dozorčí rada nemá připomínek, když konstatuje, že obsahuje náležitosti pro ni stanovené v ustanovení § 82 zákona o obchodních korporacích.

* * *

Toto stanovisko je sepsáno v českém a anglickém jazyce; v případě rozporů mezi oběma jazykovými verzemi má přednost verze česká.

The Supervisory Board further states that it did not discover any material misstatements in the submitted Annual Financial Statements as at 31 December 2014 or in other documents that the Company's Board of Directors submitted to the Supervisory Board for discussion and review in the year of 2014 that would suggest that the accounting records were not maintained properly in accordance with reality and legal regulations. With respect to the foregoing and based on documents submitted to the Supervisory Board for its review the bookkeeping of the Company is in all material respects true, complete, conclusive, and clear and is kept in a way securing permanence of bookkeeping records.

In this connection, **the Supervisory Board reviewed and recommends that the Ordinary General meeting approves the Annual Financial Statements of ČESKÁ RAFINÉRSKÁ, a.s. as of 31 December 2014**.

(B) Report on relations between linked persons

The Supervisory Board reviewed the Report on the relations between the controlling and controlled entities and on the relations between the controlled entity and other entities controlled by the same controlling entity for the year ended 31 December 2014 (the "**Report**") presented by the Board of Directors.

The Supervisory Board does not have comments to Report when it states that the Report contains all particulars required pursuant to Section 82 of Act on Business Corporations.

* * *

This Standpoint is made in the Czech and English languages. In the event of any discrepancies between these two language versions, the Czech version prevails.

Kralupy nad Vltavou, 11. března 2015

Kralupy nad Vltavou, 11 March 2015

Dozorčí rada společnosti ČESKÁ RAFINÉRSKÁ, a.s.

Supervisory Board of ČESKÁ RAFINÉRSKÁ, a.s.

JUDr. Zdeněk Černý, MBA
předseda dozorčí rady
Chairman of Supervisory Board

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

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

Financial Statements

On the basis of our audit, on 9 March 2015 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying financial statements of ČESKÁ RAFINÉRSKÁ, a.s., which comprise the balance sheet as of 31 December 2014, and the income statement, the statement of changes in equity and the cash flow statement 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 ČESKÁ RAFINÉRSKÁ, a.s. is set out in Note 1 to these financial statements.

Statutory Body's Responsibility for the Financial Statements

The statutory body of ČESKÁ RAFINÉRSKÁ, a.s. is responsible for the preparation of financial statements that give a true and fair view in accordance with Czech accounting legislation 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 about 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.

Obchodní rejstřík vedený Městským soudem v Praze oddíl C, vložka 24185.

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

IČ 49619187
DIČ CZ699001996

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of ČESKÁ RAFINÉRSKÁ, a.s. as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation."

Report on Relations

We have reviewed the factual accuracy of the information disclosed in the report on relations between the controlling entity and the controlled entity and between the controlled entity and entities controlled by the same controlling entity of ČESKÁ RAFINÉRSKÁ, a.s. for the year ended 31 December 2014 prepared in accordance with the applicable provisions of Act No. 513/1991 Coll., the Commercial Code. The responsibility for the preparation and factual accuracy of this report rests with the Company's statutory body. Our responsibility is to express our view on the report on relations based on our review.

We conducted our review in accordance with Auditing Standard No. 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the report on relations is free of material misstatement. A review is limited primarily to inquiries of the Company's personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the report on relations and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that would lead us to believe that the report on relations between the controlling entity and the controlled entity and between the controlled entity and entities controlled by the same controlling entity of ČESKÁ RAFINÉRSKÁ, a.s. for the year ended 31 December 2014 contains material factual misstatements.

Annual Report

We have audited the consistency of the annual report with the audited financial statements. This annual report is the responsibility of the Company's statutory body. Our responsibility is to express our opinion on the consistency of the annual report with the audited 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 plan and perform the audit to obtain reasonable assurance that the information disclosed in the annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the audited financial statements. We believe that the audit we have conducted provides a reasonable basis for our audit opinion.

In our opinion, the information disclosed in the annual report is, in all material respects, consistent with the audited financial statements.

Prague
16 March 2015

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

Otakar Hora
Partner
Registration number 1197

KPMG

ČESKÁ RAFINÉRSKÁ, a.s.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

We have audited the accompanying financial statements of ČESKÁ RAFINÉRSKÁ, a.s., which comprise the statement of financial position as of 31 December 2014, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement 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 ČESKÁ RAFINÉRSKÁ, a.s. is set out in Note 1 to these financial statements.

Statutory Body's Responsibility for the Financial Statements

The statutory body of ČESKÁ RAFINÉRSKÁ, a.s. 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 about 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of ČESKÁ RAFINÉRSKÁ, a.s. as of 31 December 2014, 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
9 March 2015

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

Otakar Hora
Partner
Registration number 1197

Index to the financial statements

(all amounts in CZK thousands unless otherwise stated)

Statement of Financial Position

	Note	As at 31 December 2014	As at 31 December 2013 restated	As at 1 January 2013 restated
ASSETS				
Non-current assets:				
Property, plant and equipment	5	13,316,017	14,127,415	14,275,675
Intangible assets	6	150,447	155,175	165,887
Linefill	7	654,090	654,090	654,090
		14,120,554	14,936,680	15,095,652
Current assets:				
Inventories	8	1,040,090	1,092,345	936,661
Trade and other receivables	9	4,664,638	5,158,723	5,183,437
Other current assets	10	25,364	28,301	41,848
Cash and cash equivalents	11	1,101,856	1,062,471	2,479,975
		6,831,948	7,341,840	8,641,921
TOTAL ASSETS		**20,952,502**	**22,278,520**	**23,737,573**
LIABILITIES AND EQUITY				
Equity:				
Share capital	12	9,348,240	9,348,240	9,348,240
Retained earnings and funds from profit	12	5,598,181	6,029,705	7,756,996
Other funds	12	(3,424)	-	-
		14,942,997	15,377,945	17,105,236
Non-current liabilities:				
Deferred taxes liabilities	14	1,038,334	1,019,066	1,004,889
Provision for employee benefits	15	27,233	24,225	-
Other non-current liabilities	25	21,847	59,298	96,750
		1,087,414	1,102,589	1,101,639
Current liabilities:				
Trade and other payables	16	1,371,511	1,612,005	1,375,558
Tax liabilities	17	3,542,439	4,182,272	4,151,313
Short-term provisions	18	8,141	3,709	3,827
		4,922,091	5,797,986	5,530,698
TOTAL LIABILITIES AND EQUITY		**20,952,502**	**22,278,520**	**23,737,573**

The financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 7 to 38.

(3)

(all amounts in CZK thousands unless otherwise stated)

Statement of comprehensive income

	Note	For the year ended 31 December 2014	31 December 2013 - restated
Revenues	19	9,120,784	8,828,426
Other income		16,821	14,002
Raw materials, consumables and utilities used	20	(3,202,782)	(3,424,254)
Services	21	(3,795,791)	(3,399,955)
Employee benefits	22	(536,746)	(577,209)
Depreciation and amortisation of tangibles and intangibles	5,6	(1,362,499)	(1,347,848)
Other operating expenses	23	(151,910)	(7,366)
Operating profit		**87,877**	**85,796**
Finance income	24	8,628	29,698
Finance costs	24	(7,958)	(23,893)
Finance income net		**670**	**5,805**
Profit before income tax		**88,547**	**91,601**
Income Tax	14	(20,071)	(18,888)
Profit for the period		**68,476**	**72,713**
Profit attributable to shareholders		68,476	72,713
Profit attributable to non-controlling interests		-	-
Other comprehensive income		(4,227)	-
Deferred tax		803	-
Total comprehensive income		**65,052**	**72,713**
Total comprehensive income attributable to shareholders		65,052	72,713
Total comprehensive income attributable to non-controlling interests		-	-
Total comprehensive income		**65,052**	**72,713**
Earnings per share in CZK		73.25	77.78

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 7 to 38 .

(4)

(all amounts in CZK thousands unless otherwise stated)

Statement of changes in equity

	Note	Share capital	Statutory reserve fund	Retained earnings	Other funds	Total equity
Balance at 1 January 2013		**9,348,240**	**568,733**	**7,188,263**	**-**	**17,105,236**
Comprehensive income for the period		-	-	72,713	-	72,713
Transfer to the reserve fund		-	15,947	(15,947)	-	-
Dividends		-	-	(1,800,004)	-	(1,800,004)
Balance at 31 December 2013		**9,348,240**	**584,680**	**5,445,025**	**-**	**15,377,945**
Comprehensive income for the period		-	-	68,476	(3,424)	65,052
Transfer to the reserve fund		-	3,636	(3,636)	-	-
Dividends		-	-	(500,000)	-	(500,000)
Balance at 31 December 2014	12	**9,348,240**	**588,316**	**5,009,865**	**(3,424)**	**14,942,997**

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 7 to 38.

(5)

(all amounts in CZK thousands unless otherwise stated)

Statement of cash flows

	Note	For the year ended 31 December 2014	31 December 2013 - restated
Cash flows from operating activities:			
Net profit before tax		88,547	91,601
Non cash transactions:			
Depreciation and amortisation of the tangible and intangible assets	5,6	1,362,499	1,347,848
Gain/(Loss) on disposals of tangible and intangible assets		7,170	5 971
Interest income and expenses	24	(1,174)	(5,982)
Change in impairment and provisions	5,8,9,15,18	(58,511)	(93,178)
Other non-cash transactions	11	172,886	54,218
Cash flow from operating activities before working capital changes		1,571,417	1,400,478
Change in inventories	8	(13,287)	(59,474)
Change in receivables and other current assets	9	459,571	38,252
Change in trade and other payables	16	(813,972)	76,004
Cash generated from operations		1,203,729	1,455,260
Interest received	24	1,986	7,226
Interest paid	24	(812)	(1,244)
Income tax paid		-	(25,614)
Net cash generated from operating activities		1,204,903	1,435,628
Cash flows from investing activities:			
Acquisition of property, plant and equipment and intangible assets	5,6	(671,177)	(1,056,388)
Proceeds from sales of property, plant and equipment and intangible assets		5,615	3 183
Net cash used in investing activities		(665,562)	(1,053,205)
Cash flows from financing activities:			
Dividends paid	12	(500,000)	(1,800,004)
Net cash used in financing activities		(500,000)	(1,800,004)
Net change in cash		**39,341**	**(1,417,581)**
Cash, cash equivalents and bank overdrafts at beginning of year	11	**1,062,471**	**2,479,975**
Effect of exchange rate fluctuations on cash held		44	77
Cash, cash equivalents and bank overdrafts at end of year	11	**1,101,856**	**1,062,471**

The financial statements are to be read in conjunction with the notes forming part of the financial statements set out on pages 7 to 38.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

ČESKÁ RAFINÉRSKÁ, a.s. (the "Company") is a joint stock company, which was incorporated on 28 April 1995. Its registered office is at Záluží 2, 436 01 Litvínov, Czech Republic. The identification number of the Company is 62741772.

The Company's business activities are refining of crude oil and production of petroleum based products.

As at 31 December 2014, the ownership structure of the Company was as follows:

	%
UNIPETROL, a.s.	67.555
Eni International B.V.	32.445

As at 31 December 2013, the ownership structure of the Company was as follows:

	%
UNIPETROL, a.s.	51.220
Eni International B.V.	32.445
Shell Overseas Investments B.V.	16.335

On 31 January 2014, UNIPETROL a.s. gained 152,701 shares owned by Shell Overseas Investments B.V. and thus increased interest from 51.220 % to 67.555 %.

The Company has neither a parent company nor an ultimate controlling party.

The Company is included in the consolidated financial statements of UNIPETROL, a.s. as a joint venture. Since 31 May 2005, UNIPETROL. a.s. has become a part of the consolidated PKN Orlen group. The Company is included in the consolidated financial statements of PKN Orlen as a joint-venture.

Since 1 September 2007, the Company has become an associate of Eni International B.V.

Decision-making processes within the Company are further specified in the Articles of Incorporation.

In 2014, UNIPETROL, a.s. accepted the offer of Eni International B.V. to sell its shares in the Company. The transaction is being under review of the Czech Antimonopoly Office ("Úřad na ochranu hospodářské soutěže") and is expected to be finalized during 2015 (Note 28).

Since 1 August 2003, the Company operates in the mode of processing refinery[1]. Most of the current commercial activities of the Company are performed with the subsidiaries of its shareholders who became the Company's main customers (the "Processors"). As of 31 December 2014 and 2013, the Processors were UNIPETROL RPA, s.r.o. and Eni Česká republika, s.r.o. Moreover, as of 31 December 2013, the Processor was also Shell Czech Republic a.s.

[1] In the processing mode, a refinery processes crude oil owned by the processors and receives an agreed processing fee. Processors are responsible for delivery of the feedstock and distribution and sale of finished products. Crude oil, work in progress and finished products are owned by the processors rather than by the refinery during the whole production cycle. In the merchant refinery mode, a refinery buys crude oil and processes it into finished products. Crude oil, work in progress and finished products are owned by the refinery during the whole production cycle.

1. GENERAL INFORMATION (continued)

The members of the statutory body as at 31 December 2014 were as follows:

Board of Directors		Member since*
Chairman	Anna Wydrzyńska	13 February 2014
Member	Konrad Szykuła	13 February 2014
Member	Giorgio Cervi	23 August 2011
Member	Tomáš Herink	13 February 2014
Member	Maciej Opas	11 June 2014
Member	Jacek Smyczyński	15 July 2014
Member	Alessandro Rosatelli	25 September 2014

Mr. Jan Jacob Bleeker, Mr. Jacek Smyczyński and Mr. Konrad Antoni Tajduś resigned from their posts of Borad of Directors members at the beginning of 2014. The General Meeting held on 12 February 2014 appointed a new Board of Directors. Effective from 14 February 2014, Mrs. Anna Wydrzyńska was appointed as a Chairman of the Board of Directors and replaced Mr. Leszek Józef Stoklosa in the post. Mr. Konrad Szykuła, Mr.Tomáš Herink and Mr. Marek Kaczorek were appointed new Board of Directors members.

As at 11 June 2014, Mr. Lukasz Piotrowski resigned from the post of Board of Directors member. The General Meeting held on that day appointed Mr. Maciej Opas to the post. The General Meeting held on 14 July 2014 removed Mr. Marek Kaczorek from the position of Board of Directors member and appointed Mr. Jacek Smyczyński. The General Meeting held on 24 September 2014 removed Mr. Roberto Zonfrilli from the position of Board of Directors member and appointed Mr. Alessandro Rosatelli.

The Company operates the two largest oil refineries in the Czech Republic, located at Litvínov and Kralupy nad Vltavou. Litvínov, the larger of the two refineries, has the capacity to process 5 million tons of crude oil per year while Kralupy has the capacity to process 3 million tons of crude oil per year. The Company receives its oil from the Druzhba pipeline in Russia and the Ingolstadt pipeline (IKL) in Western Europe.

The average number of employees in the Company was 625 and 637 in 2014 and 2013, respectively.

The Company is divided into three divisions: Division of CEO, Production and Technical Division and Finance Division.

* last functional period given

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

a) Statement of compliance

The non-consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) as adopted for use in the European Union.

b) Basis of measurement

The financial statements have been prepared under the historical acquisition cost principle.

2.2 New standards and interpretations not yet adopted

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 January 2015 or later periods but which the Company has not early adopted. Relevant items are as follows:

- Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (Effective for annual periods beginning on or after 1 February 2015. The amendments apply retrospectively. Earlier application is permitted.)
- IFRIC 21 Levies (Effective for annual periods beginning on or after 17 June 2014; to be applied retrospectively. Earlier application is permitted.)

Annual Improvements to IFRSs

- The improvements introduce eleven amendments to nine standards and consequential amendments to other standards and interpretations. Most of these amendments are applicable to annual periods beginning on or after 1 February 2015, with earlier adoption permitted. Another four amendments to four standards are applicable to annual periods beginning on or after 1 January 2015, with earlier adoption permitted.

According to preliminary assessment these Standards and Interpretations are not relevant to the Company's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Presentation and functional currency

The financial statements are presented in thousands of Czech crowns, unless stated otherwise.

Because of the nature of the Company's main business activities (oil refining in the mode of a processing refinery) the primary economic environment is the Czech Republic. Also, majority of receipts and payments are denominated in Czech crowns, therefore the functional currency of the Company is Czech crown.

2.4 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

2.5 Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised should be added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure should be recognised as an expense in the period in which it is 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 equipment 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 the element of property, plant and equipment is 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.

Major inspections and overhauls, which must be performed by the Company for its refining assets on regular basis, are capitalized and depreciated.

Starting from 2014, catalysts are presented within Property, plant and equipment, while by 2013 they were presented as a separate item of Other non-current assets. They are initially recognized at cost and depreciated over estimated residual useful period. By 2013, the initial catalysts costs were expensed through Raw materials, consumables and utilities used.

Construction-in-progress represents plant and properties under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs. Construction-in-progress is not depreciated until such time as the relevant assets are available for use.

Property, plant and equipment are depreciated using the straight-line method over the estimated useful life of each component.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment (continued)

The estimated useful lives are as follows:

	Years
Buildings and constructions	50
Machinery and equipment	4 – 25
Catalysts – precise metal component	60
Catalysts - carrier	2 - 5
Motor vehicles	6 – 11
Furniture and fittings	4 – 8
Other tangible fixed assets	4 – 30

The assets' net book values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. If the carrying amount of an asset exceeds its estimated recoverable amount, a provision for impairment is created (Note 2.8).

Gains and losses on liquidation and disposals of assets are determined as difference between proceeds and the carrying amount and are charged to the statement of comprehensive income under operating profit.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009.

2.6 Linefill

The linefill represents a technological fill of the IKL pipeline and is subject to depreciation to its estimated residual value. Linefill is initially recognised at cost.

2.7 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses.

All intangible assets are regarded by the entity as having a finite useful life and being amortised over the following estimated useful lives:

	Years
Software	2 – 5
Rights, royalties and patents	2 – 10

Emission rights allocated by the National Allocation Plan free of charge are carried at zero net value, i.e. as the difference between granted emission rights and deferred income related to their receipt. Emission rights purchased are carried at cost less impairment to their recoverable amount. The first-in-first-out method is applied for the disposal of emission rights.

If the actual volume of emissions produced exceeds the amount of emission rights available to the Company, a provision is recognised for the obligation to deliver the deficit emission rights. This provision is measured at the market value of the emission rights needed to settle this obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Impairment of assets

Non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable value is the higher of an asset's fair value less cost to sell and value in use. For purposes of assessing impairment, all Company fixed assets are considered as one cash generating unit, as the nature of the production process does not allow to use any production unit separately and crude oil streams are transferred both between individual units in each location and locations themselves.

Financial assets

As at the balance sheet date each asset is considered separately as to whether objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset. If the carrying amount of the asset exceeds the recoverable amount, an impairment loss is recognised in profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

2.9 Inventories

Crude oil stock

Crude oil stock is measured at the lower of cost plus applicable import duties, transportation and other related costs, and net realisable value. Cost is determined using the weighted average method.

Refined products

Refined products are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method.

Materials and supplies

Materials and supplies consist mainly of chemicals and spare parts used by the production lines. Materials and supplies are measured at cost using the weighted average method. Materials and supplies are recorded in inventory when purchased or produced and then expensed to cost of sales when utilised or capitalized to property, plant and equipment. If the carrying amount of an item of inventory exceeds its net realisable value, it is written down to its net realisable value.

2.10 Financial assets and liabilities

Non-derivative financial assets

The Company's financial assets comprise loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that are not held by the Company for the purpose of selling them immediately or in the short-term. They are included in current assets, except for loans and receivables with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Company's loans and receivables comprise Trade and other receivables and Cash and cash equivalents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets and liabilities (continued)

Trade receivables are recognised initially at fair value and subsequently measured using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The Company creates a provision for impairment of trade receivables based on empirical experience, the probabilities that the Company will collect the overdue receivables in the future.

Trade receivables registered in bankruptcy proceedings are fully provisioned.

The amount of the provision approximates the difference between the asset's original carrying amount and its recoverable amount. The amount of the impairment loss is recognised in the statement of comprehensive income.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements.
Trade payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method.

Borrowings are initially recognised at the fair value of the proceeds received, net of transaction costs. They are subsequently carried at amortised cost using the effective interest rate method, the difference between net proceeds and redemption value being recognised in the statement of comprehensive income over the life of the borrowings.

2.11 Cash and cash equivalents

The Company considers highly liquid financial instruments with an original maturity of three months or less that are subject to an insignificant risk of change in value to be cash equivalents.

2.12 Share capital

Share capital of the Company is represented by ordinary shares. No preference shares were issued. The Company does not hold any treasury shares. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide return on investment to its shareholders and benefit other stakeholders as well as to meet all relevant legal requirements.

2.13 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends distribution is approved by the General Meeting of shareholders.

2.14 Employee benefits

Regular contributions are made to the Government's health, retirement benefit and unemployment schemes at the statutory rates applicable during the period and are based on gross salary payments. The arrangements of the schemes correspond to the arrangements for defined contribution plans. The Company has no further payment obligations once the contributions have been paid. The expense for the contributions is charged to the statement of comprehensive income in the same period as the related salary expense. Apart from the mandatory contributions to the state pension scheme, the Company does not provide any post-employment benefits to its employees except of one-time rewards when they achieve a work jubilee or when retired (Note 15). The Company does not provide any share based benefits.

The Company recognises a liability for bonuses based on a formula that takes into consideration certain performance related measures. The Company recognises a provision where contractually obliged or where there is a past practice that has given rise to a constructive obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provisions due to the passage of time is recognised as finance cost.

2.16 Contingencies

Contingent liabilities are possible obligations arising from past events whose existence will only be confirmed by the occurrence of future events not wholly within the Company's control.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

2.17 Revenues

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. Sales are recognised net of sales taxes and discounts.

The Company recognises revenues from sales upon rendering of services or shipment of goods (when transfer of risk has been completed).

Processing fee is charged (and revenue recognised) on a monthly basis to individual Processors based on the Processing Agreement. The processing fee is calculated on a cost-plus-profit basis, where the profit surcharge is set by the Processing Agreement for each class of expenses. The processing fee revenue is recognised for all qualifying costs incurred during the period regardless of the stage of completion of the rendered processing service to which the qualifying costs relate.

2.18 Finance leases

The Company recognises finance leases as assets and liabilities in its balance sheets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine; if not, the incremental borrowing rate is used.

A finance lease gives rise to depreciation expense for the asset as well as a finance expense (i.e. interest) for each accounting period. The depreciation policy for leased assets is consistent with that for depreciable assets purchased.

2.19 Income taxes

Deferred taxes are accounted for using the liability method.

Deferred tax assets are recognised (regardless of when the temporary difference is likely to reverse) for all temporary differences to the extent, that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Income taxes (continued)

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax liabilities are recognised (regardless of when the temporary difference is likely to reverse) for all temporary differences, unless the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets (liabilities) in the balance sheet.

2.20 Excise tax

Excise tax is charged on the products processed by the Company and is recognised as the current tax liabilities (as payable to taxation authorities). Considering that the processed products are owned by the Processors, the excise tax is recharged to the Processors and this recharge is disclosed as current other receivables.

2.21 Post balance sheet events

Post balance sheet events that provide additional information about the Company’s position at the balance sheet date (adjusting events), are reflected in the financial statements. Post balance sheet events that are not adjusting events are disclosed in Note 28.

2.22 Segment reporting

The operating segment is the part of the Company engaged in providing products or services that are subject to risks and revenues from different assets and services in other segments. Operating results of the segment are regularly monitored by the management of the Company and each segment’s performance is evaluated separately. Geographical segment represents products or services provided in a particular economic environment and it is subject to risks and returns which differ from those in other economic environments.

3. FINANCIAL RISK MANAGEMENT

The nature of the Company's operations under the processing mode mitigates the Company's exposure to the financial risks. The Company earns a processing fee which is determined on cost plus basis. Under the processing mode, the purchase of crude oil and distribution and sale of finished products is the responsibility of the Processors. Therefore, the Company does not have significant exposure to price risk. The Company is, to some extent, exposed to currency risk and interest rate risk. Risk management policies are approved by the Board of Directors and carried out by Finance Division.

3.1 Foreign exchange risk

The Company is exposed to currency risk, primarily with respect to EUR. Currency risk arises from future commercial transactions, assets and liabilities denominated in foreign currencies.

<u>Sensitivity analysis</u>

The Company performed a sensitivity analysis for the following balance sheet items denominated in EUR:

- Cash and cash equivalents;
- Trade and other receivables;
- Short-term financial assets;
- Trade and other payables;

The effects of other currency fluctuations are deemed not material to the Company's financial statements.

As at 31 December 2014, had the CZK strengthened by 10 % against the EUR with all other variables holding constant, profit before tax for the year would have been CZK 2,888 thousand higher. Conversely, had the CZK weakened by 10 % against the EUR with all other variables holding constant, profit before tax for the year would have been CZK 2,888 thousand lower.

As at 31 December 2013, had the CZK strengthened by 10 % against the EUR with all other variables holding constant, profit before tax for the year would have been CZK 454 thousand lower. Conversely, had the CZK weakened by 10 % against the EUR with all other variables holding constant, profit before tax for the year would have been CZK 454 thousand higher.

Under the processing mode, all foreign exchange losses and gains are recharged to the Processors. The Company does not actively manage the foreign exchange risk.

As at 31 December 2014, the split of financial assets and financial liabilities by currency was as follows (amounts in CZK thousand):

	Cash and cash equivalents	Trade receivables	Financial liabilities
Denominated in EUR	3,567	66,270	98,718
Denominated in other currencies	89	-	4,838
Denominated in CZK	1,098,200	4,598,368	1,195,161
Total	1,101,856	4,664,638	1,298,717

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Foreign exchange risk (continued)

As at 31 December 2013, the split of financial assets and financial liabilities by currency was as follows (amounts in CZK thousand):

	Cash and cash equivalents	Trade receivables	Financial liabilities
Denominated in EUR	592	95,694	91,745
Denominated in other currencies	570	1,907	7,233
Denominated in CZK	1,061,309	5,061,122	1,438,672
Total	1,062,471	5,158,723	1,537,650

3.2 Interest rate risk

With the exception of loan payable to the Processors (Note 25) which bears variable interest rate, the Company has no other loans. Free cash is invested in financial assets with short-term maturity and fixed interest rate. Such instruments are not exposed to the risk of interest rate fluctuation. Therefore the Company does not actively manage the interest rate risk. Once the current instruments matured, should the Company reinvest the free cash in equivalent financial instruments, it would be exposed to the effects arising from fluctuations in interest rate.

As at 31 December 2014, had the interest rate decreased by 10 basic points with all other variables holding constant, profit before tax for the year would have been CZK 754 thousand lower. Conversely, had the interest rate increased by 10 basic points with all other variables holding constant, the profit before tax for the year would have been CZK 754 thousand higher.

As at 31 December 2013, had the interest rate decreased by 10 basic points with all other variables holding constant, profit before tax for the year would have been CZK 1,813 thousand lower. Conversely, had the interest rate increased by 10 basic points with all other variables holding constant, the profit before tax for the year would have been CZK 1,813 thousand higher.

3.3 Credit risk

Credit risk represents a risk of a counterparty's inability to fulfil its (particularly finance) obligations against the Company. Credit risk arises from trade and other receivables, cash and cash equivalents and short-term financial assets.

Trade and other receivables

The Company has a significant concentration of credit risk with the Processors as they represent its only main customers. The maximum Company exposure is set by the Cash flow and security agreement concluded between the Processors and the Company on 3 July 2003 as follows: whenever the unsecured exposure exceeds below mentioned amount the Processor provides security in a form set by the Agreement.

UNIPETROL RPA, s.r.o.	CZK 1,800,000 thousand,
Other Processors	CZK 600,000 thousand

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Credit risk (continued)

The Processors' exposure is primarily secured by the value of crude oil, semi-finished products and finished refinery products held in custody by the Company within its refining system and related storage facilities (Note 25). Additional security is most frequently provided in a form of advanced payment to the Company (Note 25). Other means of security according to the Cash flow and security agreement are guarantees issued by institutions with rating better than A- (Standard & Poors) in favour of the Company. As at 31 December 2014, the guarantees issued in favour of the Company amounted to CZK 1,300,000 thousand (31 December 2013: CZK 1,300,000 thousand). Apart from the Processors, there is no significant concentration of credit risk.

The aged structure of accounts receivable is analysed in Note 9. The credit quality of financial assets is analysed in Notes 9 and 11.

3.4 Liquidity risk

Liquidity risk represents a risk of insufficient free cash. Continuous management and forecasting of the Company's future cash flows represents the basic tool of liquidity risk management. The Company prepares a cash flow forecast on a daily basis for the next week and on a weekly basis for the next 3 months. As at 31 December 2014, all financial assets and financial liabilities have a contractual maturity up to 1 year.

Historically, the Company generated sufficient cash to ensure its solvency and financial flexibility. The Company does not consider itself significantly exposed to liquidity risk.

The contractual maturities of financial liabilities are analysed in Note 16.

3.5 Operational risk

Operational risk is generally defined as the possibility of losses due to operational deficiencies and errors. In the narrower definition, operating risk is a risk arising from business activities. In a broader definition, operating risk includes all the risks that are not attributed to credit risk, market risk or liquidity risk.

The Company manages its operating and production risks to avoid financial losses and damages. This is achieved by a gradual depreciation of the equipment and manufacturing equipment, the risks associated with downtime and risks associated with insurance.

The effect of everyday usage of equipment and certain components of the manufacturing facility continually increase over time. The Company prepares annual preventive maintenance and shut-down plans to eliminate the risk of unplanned downtime.

The Company has insurance coverage for most of its important assets (such as insurance for property and equipment, and liability insurance) to cover most of the risks and major claims.

3.6 Capital management

The management of the Company manages the value of equity to secure the confidence of creditors, business partners and markets as well as to enable future development. The equity structure is set out in Note 12.

The Company management regularly monitors and evaluates return on equity, along with the average cost of debt in order to ensure the expected return to shareholders, while also enabling the Company to use its capital facilities in negotiations with creditors

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make estimates and assumptions that affect the reported amounts and classification of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4.1 Critical accounting estimates

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that might have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

<u>Useful life of property, plant and equipment</u>
At the moment of acquisition the Company estimates expected useful lives of property, plant and equipment and sets implicit depreciation rates. The Company reviews estimated useful lives of property, plant and equipment periodically and if the estimated useful lives have been changed, the depreciation rate is adjusted accordingly.

<u>Provisions and contingent liabilities</u>
The Company's treatment of obligations with uncertain timing and amount depends on the management's estimation of the amount and timing of the obligation and probability of an outflow of resources embodying economic benefits that will be required to settle the obligation (both legal or constructive). A provision is recognised when the Company has a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are not recognised because their 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 liabilities are assessed continually to determine whether an outflow of resource embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs.

<u>Impairment losses</u>
The Company accounts for impairment losses for obsolete and redundant inventories of spare parts which reflect the best estimate of their recoverable amount.

The amount of redundant spare parts is set by comparing the actual stock level of each spare part with its safety stock level. In 2013 and 2014, the Company undertook a revision of safety stock levels. New safety levels were determined, applying statistical methods and taking into account time series of spare parts movements.

4.2 Critical judgements

<u>Income taxes and deferred taxes</u>
There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and the measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of assets and liabilities. Where the final tax-deductible expenses are different from the amounts that were calculated, such differences will impact the current income and deferred tax provisions in the period in which such determination is made.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.2 Critical judgements (continued)

Classification of loan received from related parties as a non-financial liability

The Company records a loan received from the Processors for the purpose of modernization of a production unit (Note 25). The production unit is recorded within the Company's property, plant and equipment. Like all other eligible costs, the depreciation expense related to the production unit is recharged to the Processors on monthly basis. Based on the existing loan agreement entered into with the Processors, the loan instalments are offset against the receivable arising from the recharged depreciation expense. Neither the loan liability nor the receivable can be settled in cash. Given the agreed loan settlement scheme, the loan liability is classified as a non-financial liability, since the receivable from recharged depreciation expense does not represent a contractual right to receive cash. Consequently, the loan liability has not been included in the contractual maturity analysis of financial liabilities as there are no future cash flows involved in settling the liability.

5. PROPERTY, PLANT AND EQUIPMENT

At 31 December 2014 and 2013, property, plant and equipment, net, are comprised of the following (amounts in thousand):

Property, plant and equipment	**Buildings and constructions**	**Machinery and equipment**	**Catalysts**	**Other**	**Construction in progress**	**Total**
Cost						
Balance at 1 January 2013	7,262,939	20,182,224	518,757	1,241	310,235	28,275,396
Additions	80,194	788,577	98,501	-	219,249	1,186,521
Disposals	(4,701)	(522,009)	(183,723)	-	-	(710,433)
Transfers	43,260	122,876	-	-	(171,065)	(4,929)
Balance at 31 December 2013	7,381,692	20,571,668	433,535	1,241	358,419	28,746,555
Additions	34,828	126,242	164,174	-	246,634	571,878
Disposals	(3,178)	(146,596)	(191,518)	-	-	(341,292)
Transfers	33,866	140,228		-	(186,925)	(12,831)
Balance at 31 December 2014	7,447,208	20,691,542	406,191	1,241	418,128	28,964,310
Accumulated depreciation and impairment losses						
Balance at 1 January 2013	1,799,516	11,917,402	239,196	-	43,607	13,999,721
Depreciation for the year	187,055	970,889	128,727	-	-	1,286,671
Disposals	(3,884)	(469,174)	(174,660)	-	-	(647,718)
Impairment	-	(19,534)	-	-	-	(19,534)
Balance at 31 December 2013	1,982,687	12,399,583	193,263	-	43,607	14,619,140
Depreciation for the year	188,433	972,564	150,953	-	-	1,311,950
Disposals	(3,133)	(85,175)	(179,234)	-	-	(267,542)
Impairment	-	(19,357)		-	4,102	(15,255)
Balance at 31 December 2014	2,167,987	13,267,615	164,982	-	47,709	15,648,293
Property, plant and equipment, net, at 31 December 2013	5,399,005	8,172,085	240,272	1,241	314,812	14,127,415
Property, plant and equipment, net, at 31 December 2014	5,279,221	7,423,927	241,209	1,241	370,419	13,316,017

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation expense for 2014 and 2013 was CZK 1,311,950 thousand and CZK 1,286,671 thousand respectively.

In Financial Statements for 2013, depreciation expense of that year was presented in amount of CZK 1,157,944 thousand, i.e. by CZK 128,727 thousand lower. This amount represents depreciation for catalysts which was presented within Raw materials, consumables and utilities used in 2013 (Note 2.5).

In Financial Statements for 2013, the total balance of Property, plant and equipment, net as at 31 December 2013 and 2012 was presented in amount of CZK 13,887,143 thousand and CZK 13,966,114 thousand respectively, i.e by CZK 240,272 thousand and CZK 279,561 thousand lower. These figures represent net book value of catalysts which were presented in a separate line in Statement of financial position together with Linefill (Note 2.5).

The Company uses land (in both Kralupy nad Vltavou and Litvinov petrochemical plants) on leasehold basis. The land is owned by UNIPETROL, a.s. and the Company's right to use the land is secured by an easement registered with land register. Payments in respect of the use of the land made by the Company consist of an annual fee for creation of the easement in amount of CZK 23,575 thousand and CZK 23,574 thousand in 2014 and 2013 respectively. The amount of future commitments related to the easements is disclosed in Note 26.

6. INTANGIBLE ASSETS

At 31 December 2014 and 2013, intangible assets, net, are comprised of the following (amounts in thousand):

Intangible Assets	Software	Rights, Royalties and Patents	Construction in Progress	Total
Cost				
Balance at 1 January 2013	890,441	437,999	27,710	1,356,150
Additions	16,064	283	29,189	45,536
Disposals	(3,367)	(2,072)	-	(5,439)
Transfers	5,389	-	(460)	4,929
Balance at 31 December 2013	908,527	436,210	56,439	1,401,176
Additions	12,872	6,098	14,020	32,990
Disposals	(19,626)	(102,064)	-	(121,690)
Transfers	17,098	20,223	(24,490)	12,831
Balance at 31 December 2014	918,871	360,467	45,969	1,325,307
Accumulated amortisation and impairment losses				
Balance at 1 January 2013	796,580	393,683	-	1,190,263
Amortisation for the year	33,083	28,094	-	61,177
Disposals	(3,367)	(2,072)	-	(5,439)
Impairment	-	-	-	-
Balance at 31 December 2013	826,296	419,705	-	1,246,001
Amortisation for the year	37,048	13,501	-	50,549
Disposals	(19,626)	(102,064)	-	(121,690)
Impairment	-	-	-	-
Balance at 31 December 2014	843,718	331,142	-	1,174,860
Intangible assets, net, at 31 December 2013	82,231	16,505	56,439	155,175
Intangible assets, net, at 31 December 2014	75,153	29,325	45,969	150,447

Amortisation expense for 2014 and 2013 was CZK 50,549 thousand and CZK 61,177 thousand respectively. Rights, royalties and patents represent mainly licences acquired for technological processes and know-how utilised by the Company.

7. LINEFILL

Linefill relates to the Company's technological fill of 110 thousand tonnes of crude oil into the IKL pipeline on its start-up in 1995. On conclusion of the Processing Agreement on 31 July 2003, this linefill in amount of CZK 654,090 thousand was made available to Processors for the duration of the Processing Agreement till 2023 for annual fee corresponding to 2.818% p.a. of CZK 654,090 thousand.

The estimated residual value exceeds the carrying amount of the linefill. Therefore, no depreciation charge was recognised in 2014 (2013: nil).

8. INVENTORIES

At 31 December 2014 and 2013, inventories are comprised of the following (amounts in thousand):

	31 December 2014	31 December 2013
Raw materials and supplies:		
Chemical supplies	49,559	45,477
Spare parts	648,890	751,529
Impairment of obsolete spare parts	(94,047)	(197,931)
Total raw materials and supplies	604,402	599,075
Crude oil	161,579	161,579
Goods for resale	19	163
Refined products	338,777	332,912
Impairment of refined products	(64,687)	(1,384)
	435,688	493,270
Total inventories	1,040,090	1,092,345

The crude oil and refined products represent the minimum fill of the IKL pipeline and the minimum fill of storage facilities operated by the Company, respectively. Refined products are sold when the product tanks undergo regular maintenance and cleaning routine. When this routine is completed, the products composing the minimum technology fill are purchased back by the Company.

The impairment loss for refined products was calculated as the difference between the estimated net realisable value of the products composing the minimum technology fill and their carrying value as of the balance sheet date. The impairment was increased by CZK 63,303 thousand in 2014 due to the significant drop in crude oil and petrochemical products prices at the end of the year.

In addition, the impairment losses to spare parts relate to those spare parts whose carrying amount exceeds their estimated recoverable value. The impairment was decreased by CZK 14,019 thousand in 2014 and by CZK 60,683 thousand in 2013 . Furthermore the impairment was used in the amount of CZK 89,865 thousand in 2014 and CZK 35,929 thousand in 2013 to cover the value of liquidated spare parts in that years.

9. TRADE AND OTHER RECEIVABLES

At 31 December 2014 and 2013, trade and other receivables, net, are comprised of the following (amounts in thousand):

	31 December 2014	31 December 2013
Short-term trade receivables	966,890	822,443
Other receivables	3,737,836	4,382,256
Total trade and other receivables	4,704,726	5,204,699
Impairment for doubtful accounts	(40,088)	(45,976)
Total trade and other receivables, net	4,664,638	5,158,723

Trade receivables represent outstanding balances on invoices from both domestic and foreign customers.

Other receivables represent mainly a receivable from Processors on grounds of excise tax. As of 31 December 2014 and 2013, other receivables included estimated receivable from transportation costs reinvoicing of CZK 72,319 thousand and CZK 23,068 thousand respectively and as of 31 December 2014 also the estimated receivable for final processing fee settlement for 2014 in amount of CZK 68,198 thousand.

The carrying amount of trade and other receivables approximate their fair value.

Receivables from related parties are analysed in detail in Note 25.

The manner of receivables security is described in Notes 3.3 and 25.

The Company does not provide specific information about the credit quality of its receivables as they are mainly towards the Processors. Receivables from all Processors are considered to have the same degree of credit quality. The remaining receivable balance from other parties is immaterial.

At 31 December 2014 and 2013, the trade receivables were either not yet due or 100% provided for. The Company did not have any receivables that would be past due and not impaired or individually determined to be impaired. Refer to receivables ageing analysis below (amounts in thousand):

	31 December 2014		31 December 2013	
	Gross value	Net value	Gross value	Net value
Up to 3 months overdue	-	-	-	-
3 – 6 months overdue	-	-	-	-
6 – 12 months overdue	-	-	-	-
Over 1 year overdue	40,088	-	45,976	-
Total trade receivables past due	40,088	-	45,976	-
Receivables not yet due	4,664,638	4,664,638	5,158,723	5,158,723
Total trade and other receivables	4,704,726	4,664,638	5,204,699	5,158,723

At 31 December 2014 and 2013, all provisions created for doubtful receivables related to overdue receivables.

9. TRADE AND OTHER RECEIVABLES (continued)

Movements on the provision for impairment of trade receivables are as follows (amounts in thousand):

	2014	2013
Balance as at 1 January	45,976	47,517
Provision utilisation for write-off	(5,888)	(1,541)
Balance as at 31 December	40,088	45,976

10. OTHER CURRENT ASSETS

Included in other current assets are prepaid expenses, which are being charged to income statement as used.

11. CASH, CASH EQUIVALENTS

At 31 December 2014 and 2013, cash and cash equivalents and short-term financial assets comprise the following (amounts in thousand):

	31 December 2014	31 December 2013
Cash on hand	254	1,245
Current accounts:		
Czech crowns	894	660,591
Foreign currencies	3,508	635
Total current accounts	4,402	661,226
Deposit accounts:		
Czech crowns	1,097,200	400,000
Foreign currencies	-	-
Total deposit accounts	1,097,200	400,000
Total cash and cash equivalents	1,101,856	1,062,471

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement (amounts in thousand):

	31 December 2014	31 December 2013
Cash and cash equivalents	1,101,856	1,062,471
Total cash and cash equivalents	1,101,856	1,062,471

All deposits included in cash equivalents have original maturity of less than 3 months and bear fixed interest rate.

In 2014, Other non-cash transactions in the Statement of cash flows comprise mainly the value of liquidated stock of spare parts.

All cash, cash equivalents are invested in financial institutions or corporations having a long term debt rating of at least A- (S&P).

12. EQUITY

12.1 Share capital

The share capital of the Company comprises 934,824 shares fully refunded, with a nominal value of CZK 10 thousand. All shares have equal voting rights.

The General Meeting held on 24 April 2013 decided about 2012 profit distribution and payment of dividends in amount of CZK 1,800,004 thousand. The dividends were fully paid in 2013.

The General Meeting held on 23 April 2014 decided about 2013 profit distribution and payment of dividends in amount of CZK 500,000 thousand. The dividends were fully paid in 2014.

In 2014, the dividend per share amounts to CZK 534.86 (in 2013: CZK 1,925.50).

12.2 Retained earnings and funds from profit

The Company created the following funds included in “Retained earnings and funds from profit” (amounts in thousand):

	31 December 2014	31 December 2013
Statutory reserve fund	588,316	584,680
Retained earnings	5,009,865	5,445,025
Retained earnings and funds from profit	5,598,181	6,029,705

In accordance with Czech regulations valid until 2013, joint stock companies were required to establish a reserve fund. Contributions had to be a minimum of 20% of after-tax profit in the first year in which profits are made and 5% of profit each year thereafter, until the fund reaches at least 20% of share capital. At 31 December 2014 and 2013, the balance was CZK 588,316 thousand and CZK 584,680 thousand respectively. Starting from 2014, the reserve fund is created on voluntary basis.

12.3 Other funds

Other funds comprise actuarial loss from revaluation of provision for employee retirement rewards presented in Other comprehensive income, which will not be reclassified into Profit and loss statement. The net amount of the loss recognized in 2014 was CZK 3,424 thousand.

13. FINANCE LEASE LIABILITIES

As at 31 December 2014 and 2013, the Company had no unsettled finance lease contracts.

14. TAXATION

14.1 Income tax rates

The corporate income tax is calculated in accordance with the Czech tax regulations at the rate of 19 % in 2014 and 2013, respectively.

14.2 Income tax expense

The components of the income tax expense for the years ended 31 December 2014 and 2013 are as follows (amounts in thousand):

	2014	**2013**
Current tax expense	-	4,711
Deferred tax expense	20,071	14,177
Total income tax expense	20,071	18,888

A reconciliation of expected income tax expense for the years ended 31 December 2014 and 2013 is as follows (amounts in thousand):

	2014	**2013**
Profit before income tax	88,547	91,601
Statutory income tax rate	19 %	19 %
"Expected" income tax expense	16,824	17,404
Add tax effect of:		
Permanent non-deductible expenses of 2014 and 2013, respectively	2,946	3,458
Permanent non-taxable income of 2014	(53)	(1,140)
Difference between preliminary and final CIT liability for previous year and other differences	354	(834)
Additional income tax assessment for the year 2009	-	-
Income tax expense	20,071	18,888

The Company has not recognised any tax due as at 31 December 2014 mainly due to tax depreciation exceeding the accounting. The current tax expense in 2013 in amount of CZK 4,711 thousand comprises an adjustment to the tax estimate for 2012.

14. TAXATION (continued)

14.3 Deferred taxes

As at 31 December 2014 and 2013, deferred tax liability can be analysed as follows (amounts in thousand):

	31 December 2014	31 December 2013
Deferred tax asset to be recovered after more than 12 months	105,382	148,021
Deferred tax asset to be recovered within 12 months	64,748	34,154
Total deferred tax asset	170,130	182,175
Deferred tax liability to be settled after more than 12 months	(1,208,464)	(1,201,241)
Deferred tax liability to be settled within 12 months	-	-
Total deferred tax liability	(1,247,464)	(1,201,241)
Net deferred tax liability	(1,038,334)	(1,019,066)

At 31 December 2014 and 2013, deferred tax, net comprised the following (amounts in thousand):

	31 December 2014	31 December 2013	31 December 2012	Impact in the statement of comprehensive income 2014	Impact in the statement of comprehensive income 2013
Deferred tax assets arising on:					
Receivables	5,032	5,032	5,032	-	-
Inventories	30,160	37,871	56,150	(7,711)	(18,279)
Current period expense tax-deductible in next periods	1,436	1,550	1,447	(114)	103
Provisions	6,722	5,308	727	1,414	4,581
Tax losses carried forward	126,780	132,414	-	(5,634)	132,414
Total deferred tax assets	170,130	182,175	63,356	(12,045)	118,819
Deferred tax liabilities arising on:					
Fixed assets	(1,208,464)	(1,201,241)	(1,068,245)	(7,223)	(132,996)
Total deferred tax liabilities	(1,208,464)	(1,201,241)	(1,068,245)	(7,223)	(132,996)
Total deferred tax liability, net	(1,038,334)	(1,019,066)	(1,004,889)	(19,268)	(14,177)

15. PROVISION FOR EMPLOYEE BENEFITS

According to the Company remuneration rules derived from concluded Collective Agreement all employees are entitled to reward when they achieve a work jubilee or when retired. This reward is a one-time fixed sum, which amount depends on number of years employed. In 2013, the Company created a provision for future payment of these rewards in total amount of CZK 24,225 thousand. The provision creation was presented within Employee benefits in the Statement of comprehensive income (Note 22). The amount of the provision is calculated as a sum of amounts accumulated for all employees from the beginning of their employment till the balance sheet date. These discount rates were applied in the calculation in 2013: 2.81 % for retirement rewards, 0.59 % for jubilee rewards. In 2014, these movements in total provision amount were accounted for: CZK 2,367 thousand were used to compensate the rewards paid out in that year, CZK 876 thousand were released and CZK 2,024 thousand represent creation of that year. These movements are presented within Employee benefits (Note 22). Moreover, CZK 4,227 thousand were recognised as an increase of the provision due to changes of actuarial assumptions, mainly the discount rate. This amount is presented out of Profit and loss statement in Other comprehensive income. In 2014, the discount rate of 0.67 % for both type of rewards was applied. The following table shows the provision structure (amounts in CZK thousand):

	31 December 2014	31 December 2013
Retirement reward	25,716	22,533
Jubilee reward	1,517	1,692
Provision for employee benefits total	27,233	24,225

16. TRADE AND OTHER PAYABLES

At 31 December 2014 and 2013, trade and other payables are comprised of the following (amounts in thousand):

	31 December 2014	31 December 2013
Trade payables	1,122,896	994,465
Accrued liabilities	175,821	543,185
Total financial liabilities	1,298,717	1,537,650
Social security payable	13,416	13,673
Payables to employees	21,635	22,847
Advance payments received	202	253
Other non-financial liabilities	37,541	37,582
Total non-financial liabilities	72,794	74,355
Total trade and other liabilities	1,371,511	1,612,005

Trade payables represent outstanding balances on invoices from both domestic and foreign suppliers.

Liabilities to related parties are described in more detail in Note 25.

Trade and other payables have not been secured over any assets of the Company.

16. TRADE AND OTHER PAYABLES (continued)

The carrying amount of trade and other payables approximate their fair value.

At 31 December 2014 and 2013, the contractual maturities of trade payables are (amounts in thousand):

Due	31 December 2014	31 December 2013
Up to 1 month	826,875	788,472
1 – 3 months	293,456	205,274
3 – 6 months	2,565	719
Total trade payables	1,122,896	994,465

17. TAX LIABILITIES

At 31 December 2014 and 2013, taxes payable are comprised of the following (amounts in thousand):

	31 December 2014	31 December 2013
Excise duties payable	3,579,104	4,300,144
VAT receivable	(41,175)	(117,872)
Other tax liabilities	4,510	-
Total tax liabilities	3,542,439	4,182,272

18. SHORT-TERM PROVISIONS

In 2010, the Company created provision for compensation of pollution of wells in Veltrusy in amount of CZK 200 thousand. In years 2011 – 2012, CZK 119 thousand was used. (2013: CZK 40 thousand, 2014: the remaining CZK 41 thousand).

In years 2009 - 2014, the Company created a provision on potential settlement in legal disputes with Lesy České republiky, s.p. for compensation on forest vegetation damage caused by the Company air pollution in years 2006 – 2012 in total amount of CZK 4,503 thousand. In 2014, CZK 1,076 thousand was used for payment of damage of 2009.

In 2012, the Company created a provision for fine from Tax authorities in connection with Tax control in amount of CZK 600 thousand. In 2013, CZK 200 thousand was used and CZK 9 thousand released, based on final fine assessment. The remaining provision amount of CZK 391 thousand was used in 2014 against the payment.

In 2014, the Company created provision in total amount of CZK 4,214 thousand for potential unfavourable result of legal disputes with former employees.

In 2014, the Company also created a provision for potential fine from environmental state authority in amount of CZK 500 thousand.

19. REVENUES

Revenues for the years 2014 and 2013 comprised of the following (amounts in thousand):

	2014	2013
Services	8,979,913	8,753,389
Goods	140,871	75,037
Total revenues	9,120,784	8,828,426

Concentration of Revenues

The Company's main customers are only the Processors.

20. RAW MATERIALS, CONSUMABLES AND UTILITIES USED

Raw materials, consumables and utilities used for the years 2014 and 2013 comprised of the following (amounts in thousand):

	2014	2013
Raw materials	365,232	269,372
Spare parts	142,042	132,205
Energy	2,695,508	3,022,677
Total raw materials, consumables and utilities used	3,202,782	3,424,254

In Financial Statements for 2013, the Total raw materials, consumables and utilities used were presented in amount of CZK 3,552,981 thousand, i.e. by CZK 128,727 thousand higher. This amount represents catalysts consumption which is starting from 2014 presented within Property, plant and equipment depreciation (Note 2.5 and 5).

21. SERVICES

Services used for the years 2014 and 2013 comprised the following (amounts in thousand):

	2014	2013
Transportation, storage costs	3,067,847	2,677,539
Maintenance service, repairs	333,999	310,358
Management services fees	48,582	80,685
Consultancy and administrative services	32,633	40,297
Environmental protection services and security services	197,436	198,631
Other	115,294	92,445
Total services	3,795,791	3,399,955

22. EMPLOYEE BENEFITS

Staff costs incurred in the years 2014 and 2013 comprised the following (amounts in thousand):

	2014		2013	
	Employees	Of which Management	Employees	Of which Management
Average number of staff	625	11	637	11
Wages/salaries	377,594	22,197	389,110	26,593
Health and social insurance	48,069	2,650	49,457	3,268
Pension insurance – defined contribution plans	79,757	3,472	81,917	4,697
Social expenses	19,867	245	20,101	278
Total personnel expenses	525,287	28,564	540,585	34,836

The members and former members of statutory and supervisory boards received bonuses and other remuneration totalling CZK 12,678 thousand and CZK 12,399 thousand in 2014 and 2013 respectively.

In 2013, the Company created a provision for future payments of jubilee and retirement rewards in total amount of CZK 24,225 thousand. In 2014, the provision decrease in amount of CZK 1,219 thousand was accounted within the employee benefits (Note 15).

Company cars are made available for use by board members and other management.

Apart from the mandatory contributions to the state pension scheme and one-time paid retirement reward, the Company does not provide any post-employment benefits to its employees. The Company does not provide any share based benefits.

23. OTHER OPERATING EXPENSES

Other operating expenses used for the years 2014 and 2013 comprised of the following (amounts in thousand):

	2014	2013
Insurance	47,841	50,258
Taxes and Fees	4,712	8,783
Impairment of inventories	49,285	(60,281)
Impairment of fixed assets	675	(19,534)
Other expenses	49,397	28,140
Total other operating expenses	151,910	7,366

24. FINANCE INCOME AND COSTS

Finance income and costs for the years 2014 and 2013 comprised the following (amounts in thousand):

	2014	**2013**
Interest income	1,986	7,226
Foreign exchange gains	5,284	21,294
Other finance income	1,358	1,178
Finance income	8,628	29,698
Interest expenses	(812)	(1,244)
Foreign exchange losses	(7,116)	(22,421)
Other financial expenses	(30)	(228)
Finance costs	(7,958)	(23,893)
Total finance income net	670	5,805

25. RELATED PARTY TRANSACTIONS

The Company sells products and services to related parties (entities owned by shareholders) in the ordinary course of business. Trade receivables and payables from these transactions arose under the same terms and conditions as with third parties.

Related party receivables and payables as at 31 December 2014 and 2013 include also estimated receivables and payables.

At 31 December 2014 and 2013, receivables from related parties are comprised of the following (amounts in thousand):

Related party	**31 December 2014**	**31 December 2013**
Eni Česká republika, s.r.o.	1,572,163	1,690,248
UNIPETROL DOPRAVA, s.r.o.	69	68
Shell Czech Republic a.s.	-	965,800
Výzkumný ústav anorganické chemie, a.s.	53	53
UNIPETROL RPA, s.r.o.	3,160,369	2,400,762
Total receivables from related parties	4,732,654	5,056,931

On 31 July 2003, the Company made available crude oil linefill of 110 thousand tonnes corresponding to CZK 654,090 thousand to Processors (Note 7).

25. RELATED PARTY TRANSACTIONS (continued)

At 31 December 2014 and 2013, liabilities to related parties are comprised of the following (amounts in thousand):

Related party	31 December 2014	31 December 2013
UNIPETROL DOPRAVA, s.r.o.	84,031	126,159
Eni Česká republika, s.r.o.	30,917	68,168
Shell Czech Republic a.s.	-	33,853
UNIPETROL, a.s.	28,483	28,219
SPOLANA a.s.	-	307
Výzkumný ústav anorganické chemie, a.s.	846	1,105
PARAMO, a.s.	285	335
PETROTRANS, s.r.o.	7	-
UNIPETROL RPA, s.r.o.	340,612	247,895
ORLEN Ochrona Sp. z o.o.	1,220	607
ORLEN Centrum Uslug Korpoacyjnych Sp.z.o.o.	2	-
Total liabilities to related parties	486,403	506,648

Loans received from related parties (amounts in thousand):

Related party	31 December 2014	31 December 2013
Long-term part	21,847	59,298
UNIPETROL RPA, s.r.o.	18,279	49,613
Eni Česká republika, s.r.o.	3,568	9,685
Short-term part	37,452	37,452
UNIPETROL RPA, s.r.o.	31,335	31,335
Eni Česká republika, s.r.o.	6,117	6,117

The long-term loan from UNIPETROL RPA, s.r.o. and Eni Česká republika, s.r.o. represents a loan for the modernisation of production unit with cost of CZK 374,518 thousand, which was completed in 2006, and cost of first catalyst fill of this equipment in amount of CZK 29,850 thousand.

The loan instalments began from January 2007. The loan is not settled in cash. Loan instalments are netted off with the receivable from processing fee arising to the Processors which is based on depreciation charge of this production unit and the first catalyst fill consumption. The loan bears an interest rate floating on the basis of 1 M PRIBOR + margin 0.75% p.a. The interest payable is settled in cash.

25. RELATED PARTY TRANSACTIONS (continued)

Revenue (mainly the processing fee) and cost resulting from transactions between related parties in 2014 are as follows (amounts in thousand):

Related party	Revenue	Cost
Eni Česká republika, s.r.o.	2,689,962	44,388
Výzkumný ústav anorganické chemie, a.s.	183	3,909
UNIPETROL RPA, s.r.o.	6,311,899	1,331,096
PARAMO, a.s.	10	1,780
PETROTRANS, s.r.o.	-	11
SPOLANA a.s.	6	1,321
UNIPETROL DOPRAVA, a.s.	248	943,776
UNIPETROL, a.s.	607	23,543
UNIPETROL SERVICES, s.r.o.	-	5
HC VERVA Litvínov, a.s.	-	3,400
PKN ORLEN S.A.	23	769
ORLEN Ochrona Sp. z o.o.	-	4,345
ORLEN Eko Sp. z o.o.	22	-
ORLEN Centrum Uslug Korporacyjnych Sp.z.o.o.	-	24
Total revenues and costs	9,002,960	2,358,367

In 2013 sales of products and services to related parties amounted to CZK 8,798,569 thousand.

In 2013 purchases of goods and services from related parties amounted to CZK 2,317,029 thousand.

According to the Processing Agreement, all feedstock (including crude oil and excluding minimum technology fill of product tanks) as well as work in progress and finished products are owned by Processors. As at 31 December 2014, the Company held within its refining system and relating storage facilities 84 thousand tonnes of crude oil, 102 thousand tonnes of semi-finished products and 161 thousand tonnes of finished refinery products in custody for Processors. The estimated market value of that feedstock was CZK 3,958,579 thousand.

26. COMMITMENTS AND CONTINGENCIES

The Company was under an indefinite-term transport contract with MERO ČR a.s. (MERO), effective since 1 January 1996, which stipulates annual throughputs of crude oil through the IKL, TAL and Družba pipelines. The contract was terminated in December 2009 with a notice period ending on 31 December 2012. In 2012, a prolongation amendment to the contract was concluded valid until 30 June 2013. Starting from 1 July 2013, the Company operates in a regime of a non-contractual partner and transportation services are provided under conditions set in the original contract. The negotiations about new contractual conditions are on-going; agreement has not been reached yet. Management of the Company believes that their protracting does not influence the continuation of provision of transportation services as the facilities operated by MERO are defined as "essential facilities" under EU statutory rules and the Czech Act on the Protection of Economic Competition. Moreover, MERO has formally declared their intention to continue in provision of their services in an uninterrupted manner.

The Company has capital commitments derived from concluded purchase agreements in the amount of CZK 252,103 thousand as at 31 December 2014 (CZK 199,677 thousand as at 31 December 2013).

26. COMMITMENTS AND CONTINGENCIES (continued)

As at 31 December 2014 and 2013 the estimated total future lease payments relating to land easements (Note 5) were as follows (amounts in thousand):

	31 December 2014	31 December 2013
Up to 1 year	23,588	23,580
1 to 5 years	98,706	99,600

The payments are unlimited in time, therefore amounts payable in later than 5 years could not be estimated. The payments are determined as a fixed price for area unit multiplied by the area of the land used. The price is regularly increased by inflation index.

27. GREENHOUSE GAS EMISSION ALLOWANCES

As at 1 January 2013, the Company had 37,342 EUA (European Union Allowance) units left. Their carrying amount is CZK nil as they were acquired free of charge.

In 2013, no allowances were assigned to the Company account for trading period 2013 due to delays in adoption of EU Commission decisions concerning measures for emission allowances allocation and trading. However, the amount of entitled allowances for 2013 was published and it was 865,549 units. The total estimated greenhouse emissions in 2013 were 781,694 tonnes. In 2013, the verification of 2012 emissions was completed. The result was their decrease by 1,223 tonnes to 856,652 tonnes compared to estimated amount of 857,875 tonnes.

As at 31 December 2013, the Company had 38,565 EUA units left. Their carrying amount is CZK nil as they were acquired free of charge.

In 2014, the Company was assigned 865,549 allowances for trading period 2013 and 850,515 allowances for trading period 2014 to its account. . In 2014, the Company concluded swap contract of assigned EUA (European Union Allowance) units for CER (Certified Emission Reduction) units with the yield of 42,773 units. In 2014, the verification of 2013 emissions was completed with the result of decrease of 2013 emissions by 9,594 tonnes to 772,100 tonnes. The estimated emissions in 2014 were 877,418 tonnes.

As at 31 December 2014, the Company had 147,884 EUA units left. Their carrying amount is CZK nil as they were acquired free of charge.

28. EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred subsequent to year-end that would have a significant impact on the financial statements as at 31 December 2014.

An important event without impact on submitted financial statements is the expected sell of shares owned by Eni International B.V. to UNIPETROL, a.s. The transaction is under review of Czech Antimonopoly office and is expected to be finalized during 2015. Thus, UNIPETROL, a.s. will increase its share in the Company to 100 %

29. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved for issuance by Board of Directors on 9 March 2015.

9 March 2015	Anna Wydrzyńska Chairman of the Board of Directors	Konrad Szykuła Member of the Board of Directors	Tereza Halíková Financial Reporting Specialist

ČESKÁ RAFINÉRSKÁ, a.s.

with its registered seat in Záluží 2, 436 01 Litvínov

Identification No. 62741772

Incorporated in the Commercial Register of the Regional Court in Ústí nad Labem,

Section B, Insert No. 696

REPORT ON THE RELATIONS BETWEEN THE CONTROLLING AND THE CONTROLLED ENTITIES AND ON THE RELATIONS BETWEEN THE CONTROLLED ENTITY AND OTHER ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY FOR THE YEAR ENDED ON 31 DECEMBER 2014 („THE REPORT“)

The record period for this Report on the relations between the controlling and the controlled entities and on the relations between the controlled entity and other entities controlled by the same controlling entity (hereinafter referred also as „the Report") is the accounting period from 1 January 2014 to 31 December 2014.

Relation structure between the entities

The controlled entity

ČESKÁ RAFINÉRSKÁ, a.s., joint stock company with its registered seat in Záluží 2, 436 01 Litvínov, Identification No. 62741772, incorporated in the Commercial Register of the Regional Court in Ústí nad Labem, Section B, Insert No. 696 (hereinafter referred also as „the Company").

The controlling entities

UNIPETROL, a.s., joint stock company with its registered seat in Praha 4, Na Pankráci 127, postal code 140 00, Identification No. 61672190, incorporated in the Commercial Register of the Municipal Court in Prague, Section B, Insert No. 3020 (hereinafter „UNIPETROL, a.s.").

Polski Koncern Naftowy Spólka Akcyjna with its seat in ul. Chemików 7, 09-411 Płock, Polish Republic (hereinafter „Polski Koncern Naftowy Spólka Akcyjna"), which is the majority shareholder of UNIPETROL, a.s.

Other controlled entities

Companies controlled by the controlling entity – Polski Koncern Naftowy Spólka Akcyjna, which are part of Business Group „PKN ORLEN S.A.", which structure is described in Annex 2.

Parts of the Business Group PKN ORLEN S.A. are also companies controlled by the controlling company UNIPETROL, a.s., which form the Business Group „UNIPETROL", the structure of which is stated in Annex 1.

The controlled entity role

The Company role within the Business Group is refining of crude oil and production of petroleum based products in the processing mode.

Based on Processing Agreement concluded on 23 January 2003 between the Company and related parties of its shareholders („the Processors"), the Company has been operating in processing mode since 1 August 2003. Most of the commercial activities are performed with the Processors, who are the Company´s main customers. As of 31 December 2014 the Processors were: UNIPETROL RPA, s.r.o. and Eni Česká republika, s.r.o.

Means of control

ČESKÁ RAFINÉRSKÁ, a.s. is a joint venture of two owners – UNIPETROL, a.s. (67.555 %) and Eni International B.V. (32.445 %).

Polski Koncern Naftowy Spólka Akcyjna is the majority owner of UNIPETROL, a.s. and by means of UNIPTEROL, a.s. it exercises in the Company the decisive control.

Summary of actions performed within the last accounting period at instigation or for benefit of the controlling entity or entities controlled by the same controlling entity, if such actions regard assets exceeding 10 % of Equity of the controlled entity ascertained by the last Financial Statements

In the record period no actions were performed according to Act no. 90/2012 Coll, on Commercial Corporations, Section 82, par. 2, letter d)

Summary of mutual contracts concluded between the controlled and the controlling entity or between the controlled entity and entities controlled by the same controlling entity

Mutual contractual agreements between ČESKÁ RAFINÉRSKÁ, a.s. and UNIPETROL, a.s. and Polski Koncern Naftowy Spólka Akcyjna and other entities controlled by them were concluded on terms and conditions common in trading business and agreed and provided consideration meets common commercial intercourse conditions. The summary of the mutual contracts with more detailed description is stated in Annex 3.

Conclusion

Based on information accessible to the statutory body of ČESKÁ RAFINÉRSKÁ, a.s. it can be said that between the given companies within the business group no contracts and agreements were concluded or acts or measures whatsoever adopted, based on which the company ČESKÁ RAFINÉRSKÁ, a.s. would suffer any loss or special advantage or disadvantage in the sense of Section 82, par. 4 of the Act on Commercial Corporations. Except of risks commonly connected with participation in international business groups no risks arise to ČESKÁ RAFINÉRSKÁ, a.s. from the relations with companies of the above mentioned business group.

Annexes 1, 2 and 3 are an integral part of the submitted Report.

Litvínov on 9 March 2015

In the name and on behalf of the Board of Directors of ČESKÁ RAFINÉRSKÁ, a.s.

Anna Wydrzyńska

Chairman of the Board of Directors

Konrad Szykuła

Member of the Board of Directors

Annex 1
Capital Group UNIPETROL - CONTROLLED COMPANIES

Companies controlled by UNIPETROL, a.s. **Companies with direct share of UNIPETROL, a.s.** Companies with indirect share of UNIPETROL, a.s.	Residence	Shares in directly and indirectly controlled companies Shares in v % of the Capital 1.1.	31.12.	Note
1. UNIPETROL RPA, s.r.o., IČ 275 97 075	Litvínov, Záluží 1	**100,00**	**100,00**	
1.1 HC VERVA Litvínov, a.s., IČ 640 48 098	Litvínov , S.K. Neumanna 1598	70,95	70,95	Other shareholders – Litvínov city owns 22,14 % and HC Litvínov, o.s. owns 6,91 %
1.2 CHEMOPETROL, a.s., IČ 254 92 110	Litvínov, Záluží 1	100,00	100,00	
1.3 POLYMER INSTITUTE BRNO, s.r.o., IČ 607 11 990	Brno, Tkalcovská 36/2	99,00	99,00	1% owned by UNIPETROL, a.s.
1.4 UNIPETROL DOPRAVA, s.r.o., IČ 640 49 701	Litvínov, Růžodol 4	99,88	99,88	0,12 % owned by UNIPETROL, a.s.
1.5 UNIPETROL DEUTSCHLAND GmbH, IČ. HRB 34346	Langen, Germany, Paul-Ehrlich-Strasse 1B	99,90	99,90	0,1 % owned by UNIPETROL, a.s.
1.6 CHEMAPOL (SCHWEIZ) AG, v likvidaci, IČ CH-270.3.000.762-9	Leimenstrasse 21, 4003 Basel, Switzerland	100,00	100,00	Liquidation was finished on 12.6.2013, application for deletion from the commercial register was filed
1.7 UNIPETROL SLOVENSKO s.r.o., IČ 357 77 087	Panónská cesta 7, Bratislava, Slovakia	86,96	86,96	13,04 % owned by UNIPETROL, a.s.
2. UNIPETROL SERVICES, s.r.o., IČ 276 08 051	Litvínov, Záluží 1	**100,00**	**100,00**	
3. Výzkumný ústav anorganické chemie, a.s., IČ 622 43 136	Ústí nad Labem, Revoluční 84/č.p. 1521	**100,00**	**100,00**	
4. BENZINA, s.r.o., IČ 601 93 328	Praha 4, Na Pankráci 127	**100,00**	**100,00**	
4.1 PETROTRANS, s.r.o., IČ 251 23 041	Praha 8, Střelničná 2221	99,37	99,37	0,63 % owned by UNIPETROL, a.s.
5. UNIPETROL RAFINÉRIE, s.r.o., IČ 278 85 429	Litvínov, Záluží 1	**100,00**	**100,00**	
6. ČESKÁ RAFINÉRSKÁ, a.s., IČ 627 41 772	Litvínov, Záluží 2	**51,220**	**67,555**	Other shareholder – Eni International B.V. owns 32,445 %.
7. UNIPETROL AUSTRIA, GmbH, v likvidaci, IČ 43 551	Vídeň, Apfelgasse 2, Austria	**100,00**	**100,00**	
8. PARAMO, a.s., IČ 481 73 355	Pardubice, Svítkov, Přerovská čp. 560	100,00	100,00	
8.1 MOGUL SLOVAKIA, s.r.o., IČ 36 222 992	Hradiště pod Vrátnou, U ihriska 300, Slovakia	100,00	100,00	
8.2 PARAMO Oil, s.r.o., IČ 246 87 341	Pardubice, Přerovská čp. 560	100,00	100,00	
9. Butadien Kralupy a.s., IČ 278 93 995	Kralupy nad Vltavou, O. Wichterleho 810	51,00	51,00	49 % owned by SYNTHOS Kralupy, a.s.
Ostatní společnosti s podílem UNIPETROL, a.s. **1. UNIVERSAL BANKA, a.s, v konkursu, IČ 482 64 865**	Praha 1, Senovážné náměstí 1588/4	16,45	16,45	12,24 % owned by UNIPETROL RPA, s.r.o.
2. ORLEN HOLDING MALTA LIMITED, IČ C 39945	Malta, Level 1, 36, Strand Towers, The Strand, Sliema SLM 1022	0,5	0,5	99,5 % owned by PKN ORLEN S.A.

Annex 2
Capital Group PKN OREN S.A. – CONTROLLED COMPANIES

Companies controlled by PKN ORLEN S.A. **Companies with direct share of PKN ORLEN S.A.** Companies with indirect share of PKN ORLEN S.A.	**Residence**	**Shares in directly and indirectly controlled companies** **Shares in v % of the Capital**		**Note**
		1.1.	**31.12.**	
1. UNIPETROL, a.s.	Praha	62,99	62,99	
2. ORLEN Deutschland GmbH	Elmshorn	100,00	100,00	
3. ORLEN Budonaft Sp. z o.o.	Limanowa	100,00	100,00	
4. ORLEN Automatyka Sp. z o.o.	Płock	100,00	100,00	
5. ORLEN Asfalt Sp. z o.o.	Płock	82,46	100,00	10 January 2014 PKN ORLEN S.A. bought 17,54% share in ORLEN Asfalt Sp. z o.o. from Rafineria Trzebinia S.A.
5.1. ORLEN Asfalt Ceska Republika s.r.o.	Pardubice	100,00	100,00	
6. Inowrocławskie Kopalnie Soli "SOLINO" S.A.	Inowrocław	100,00	100,00	
7. ORLEN Gaz Sp. z o.o.	Płock	100,00	100,00	
8. ORLEN KolTrans Sp. z o.o.	Płock	99,85	99,85	
9. Orlen Laboratorium Sp. z o.o.	Płock	99,38	99,38	
10. ORLEN Medica Sp. z o.o.	Płock	100,00	0	9 May 2014 PKN ORLEN S.A. sold l 100% share in ORLEN Medica Sp. z o.o.
10.1 Sanatorium Uzdrowiskowe "Krystynka" Sp. z o.o.	Ciechocinek	98,58	0	9 May 2014 PKN ORLEN S.A. sold 100% share in ORLEN Medica Sp. z o.o.
11. ORLEN Ochrona Sp. z o.o.	Płock	100,00	100,00	
11.1 **ORLEN Ochrona Sp. z o. o., organizační složka v České republice**	Litvínov	100,00	100,00	
11.2 ORLEN Apsauga UAB	Juodeikiai	100,00	100,00	
12. ORLEN OIL Sp. z o.o.	Kraków	51,69	100.00	10 January 2014 PKN ORLEN S.A. bought 43,84% share in ORLEN Oil Sp. z o.o. from Rafineria Trzebinia S.A. and 4,47% share from Rafineria Nafty Jedlicze S.A
12.1. Platinum Oil Sp. z o.o.	Lublin	100,00	100,00	
12.2. ORLEN OIL ČESKO , s. r. o.	Brno	100,00	100,00	

Annex 2 - continued

Companies controlled by PKN ORLEN S.A. **Companies with direct share of PKN ORLEN S.A.** Companies with indirect share of PKN ORLEN S.A.	Residence	Shares in directly and indirectly controlled companies Shares in v % of the Capital 1.1.	31.12.	Note
13. ORLEN Paliwa Sp. z o.o.	Plock	100,00	100,00	
14. ORLEN PetroTank Sp. z o.o.	Widełka	100,00	100,00	
14.1. Petro-Mawi Sp. z o.o. w likwidacji	Sosnowiec	60,00	60,00	
15. ORLEN Projekt S.A.	Płock	99,77	99,77	
16. ORLEN Transport Kraków Sp. z o.o. w upadlosci	Kraków	98,41	98,41	
17. ORLEN Transport Sp. z o.o.	Plock	100,00	100,00	
18. ORLEN Wir Sp. z o.o.	Płock	76,59	76,59	
19. Petrolot Sp. z o.o.	Warszawa	100,00	100,00	
20. Rafineria Nafty Jedlicze S.A.	Jedlicze	100,00	100,00	
20.1. „RAF-BIT” Sp. z o.o. w likwidacji	Jedlicze	100,00	0	On 19 September 2014 RAF-BIT w likwidacji was erased from the Commercial Register
20.2. „RAF-KOLTRANS” Sp. z o.o. w likiwdacji	Jedlicze	100,00	100,00	On 1 June 2014, the liquidation proceedings of Raf-Koltrans Sp. z o.o. started.
20.3. „RAF-Służba Ratownicza” Sp. z o.o. w likwidacji	Jedlicze	100,00	100,00	On 7 August 2014, the liquidation proceedings of Raf-Służba Ratownicza Sp. z o.o. started.
20.4. Konsorcjum Olejów Przepracowanych "ORGANIZACJA ODZYSKU OPAKOWAŃ I OLEJÓW" S.A.	Jedlicze	81,00	81,00	On 29 September.2014, a new trade name of the company „Konsorcjum Olejów Przepracowanych "ORGANIZACJA ODZYSKU OPAKOWAŃ I OLEJÓW" S.A.” was registered (original trade name was Konsorcjum Olejów Przepracowanych "ORGANIZACJA ODZYSKU S.A.). 8% owns Rafineria Trzebinia S.A.
20.5. "RAN-WATT" Sp. z o.o. w likwidacji	Toruń	51,00	51,00	
21. Rafineria Trzebinia S.A.	Trzebinia	86,35	99,46%	In October 2014, PKN ORLEN S.A. bought 13,11% share in Rafineria Trzebinia S.A. from minority shareholders
21.1. Fabryka Parafin NaftoWax sp. z o.o. - Trzebinia	Trzebinia	100,00	100,00	
21.2. Energomedia Sp. z o.o.	Trzebinia	100,00	100,00	
21.3. Euronaft Trzebinia Sp. z o.o.	Trzebinia	100,00	100,00	
21.4. EkoNaft Sp. zo.o.	Trzebinia	100,00	100,00	
21.5.Zakładowa Straż Pożarna Sp. z o.o.	Trzebinia	100,00	100,00	
22. Ship - Service S.A.	Warszawa	60,86	60,86	

Annex 2 - continued

Companies controlled by PKN ORLEN S.A. **Companies with direct share of PKN ORLEN S.A.** Companies with indirect share of PKN ORLEN S.A.	**Residence**	**Shares in directly and indirectly controlled companies** **Shares in v % of the Capital**		**Note**
		1.1.	**31.12.**	
23. ORLEN Centrum Serwisowe Sp. z o.o.	Opole	99,33	99,33	
24. Anwil S.A.	Włocławek	100,00	100,00	
24.1. Przedsiębiorstwo Inwestycyjno - Remontowe REMWIL Sp. z o.o.	Włocławek	100,00	100,00	
24.2. Przedsiębiorstwo Produkcyjno-Handlowo-Usługowe PRO-LAB Sp. z o.o.	Włocławek	99,32	99,32	
24.3. SPOLANA a.s.	Neratovice	100,00	100,00	
24.4. Przedsiębiorstwo Usług Specjalistycznych i Projektowych CHEMEKO Sp. z o.o.	Włocławek	77,97	0	On 26 June 2014, all shares in Przedsiębiorstwo Usług Specjalistycznych i Projektowych CHEMEKO Sp. z o.o. owned by Anwil S.A. and Remwil Sp. z o.o. was sold to ORLEN Eko Sp. z o.o. On 31 October 2014, ORLEN Eko Sp. z o.o. bought shares in Przedsiębiorstwo Usług Specjalistycznych i Projektowych CHEMEKO Sp. z o.o.
24.5. Zakład Usługowo-Produkcyjny EKO-Dróg Sp. z o.o.	Włocławek	48,78	0	On 21 August 2014, Anwil S.A. sold its 48,78% share in ZUP EKO-DRÓG Spółka z o.o.
24.6. Przedsiębiorstwo Usług Technicznych Wircom Sp. z o.o.	Włocławek	49,02	49,02	
24.7. Specjalistyczna Przechodnia Przemysłowa Prof-Med Sp. z o.o.	Włocławek	96,45	0	On 12 May 2014, Anwil S.A. sold its 96,45% share in Specjalistyczna Przechodnia Przemysłowa Prof-Med Sp. z o.o.
25. ORLEN EKO Sp. z o.o.	Plock	100,00	100,00	On 26 June 2014, ORLEN Eko Sp. z o.o. bought the share in Przedsiębiorstwo Usług Specjalistycznych i Projektowych CHEMEKO Sp. z o.o. and on 31 October 2014, ORLEN EKO Sp. z o.o. merged Przedsiębiorstwo Usług Specjalistycznych i Projektowych CHEMEKO Sp. z o.o. by acquisition
26. ORLEN Administracja Sp. z o.o.	Plock	100,00	100,00	
27. ORLEN Upstream Sp. z o.o.	Warszawa	100,00	100,00	
27.1. ORLEN Upstream International B.V.	Amsterdam	100,00	100,00	
27.1.1. TriOil Resources Ltd.	Calgary	100,00	100,00	
27.1.1.1. 1426628 Alberta Ltd.	Calgary	100,00	100,00	
27.1.1.2. OneEx Operations Partnership	Calgary	99,99	99,99	

Annex 2 - continued

Companies controlled by PKN ORLEN S.A. **Companies with direct share of PKN ORLEN S.A.** Companies with indirect share of PKN ORLEN S.A.	**Residence**	**Shares in directly and indirectly controlled companies** **Shares in v % of the Capital** 1.1.	 **31.12.**	**Note**
27.2. ORLEN International Exploration –Production Company BV	Amsterdam	100,00	100,00	On 21 March 2014, PKN ORLEN S.A. sold 100%share in ORLEN International Exploration –Production Company BV to ORLEN Upstream Sp. z o.o.
27.2.1. SIA Balin Energy Grupa OIE-PC BV	Lithuania	50,00	50,00	
28. ORLEN Centrum Usług Korporacyjnych Sp. z o.o.	Plock	100,00	100,00	On 1 January 2014, a new trade name „ORLEN Centrum Usług Korporacyjnych Sp. z o.o." was registered (formerly ORLEN Księgowość Sp. z o.o.)
29. ORLEN HOLDING MALTA Limited	Sliema, Malta	99,50	99,50	
29.1. ORLEN Insurance Ltd	Sliema, Malta	99,99	99,99	
30. AB ORLEN Lietuva	Juodeikiai	100,00	100,00	
30.1. UAB Mazeikiu Nafta Trading House (Litwa)	Vilnius , Lithuania	100,00	100,00	
30.1.1. SIA ORLEN Latvija	Riga, Latvia	100,00	100,00	
30.1.2. ORLEN Eesti OU	Tallin ,Estonia	100,00	100,00	
30.2. UAB Mazeikiu Nafta Paslaugos Tau	Juodeikiai	100,00	100,00	
30.3. UAB EMAS	Juodeikiai	100,00	100,00	
31. ORLEN Finance AB	Stockholm	100,00	100,00	
32. Basell Orlen Polyolefins Sp. z o.o.	Plock	50,00	50,00	50 % owned by Basell Europe Holding B. V.
32.1. Basell Orlen Polyolefins Sp. z o.o. Sprzedaž Sp. z o.o.	Plock	100,00	100,00	
33. Płocki Park Przemyslowo-Technologiczny S.A.	Plock	50,00	50,00	50 % owned by municipal town Płock
33.1.Centrum Edukacji Sp. z o. o.	Plock	69,43	69,43	
34. AB Ventus Nafta	Vilnius	100,00	100,00	On 31 July 2014, PKN ORLEN S.A. bought 100% share in AB Ventus Nafta from AB ORLEN Lietuva
35. Baltic Power Sp. z o.o.	Warszawa	100,00	100,00	
36. Baltic Spark Sp. z o.o.	Warszawa	100,00	100,00	

Annex 3
Summary of contracts between the controlled and controlling entities and between entities controlled by the same entity

Order number	Contract number	Subject of the contract	Contractual party	Conclusion date	Fulfilment by ČESKÁ RAFINÉRSKÁ, a.s.	Consideration
1	VSN_2012_034	Premises security and protecting	ORLEN Ochrona Sp. z.o.o.	1.8.2012	Contract price payment	Provision of services
2	SSN_2013_205	Frame contract on delivery of oils and lubricants for Litvínov and Kralupy nad Vltavou	PARAMO, a.s.	1.9.2013	Contract price payment	Delivery of goods
3	SSN_2013_002	Frame contract on sodium hydroxide delivery to Litvínov refinery	SPOLANA a.s.	1.1.2013	Contract price payment	Delivery of goods
4	NTS_2009_041	Contract for work - railway siding no. 106 operation	UNIPETROL DOPRAVA, s.r.o.	1.10.2009	Contract price payment	Provision of services
5	SLE_2002_001	Contract on provision of transportation services – shunting, transport, railway tank cars renting	UNIPETROL DOPRAVA, s.r.o.	20.12.2001	Contract price payment	Provision of services
6	SLU_2005_024	Contract on delivery of heating energy and reinvoicing the price of deliveries	UNIPETROL DOPRAVA, s.r.o.	1.1.2005	Heating energy delivery	Contract price payment
7	SLU_2005_043	Non-residential premises renting in SYNTHOS Kralupy a.s.	UNIPETROL DOPRAVA, s.r.o.	1.1.2001	Provision of services	Contract price payment
8	VSN_2010_024	Contract for work - railway tank cars nitrogen filling and vapour removal	UNIPETROL DOPRAVA, s.r.o.	1.1.2010	Contract price payment	Provision of services
9	NTS_2006_105	Contract about steam supply	UNIPETROL RPA, s.r.o.	1.1.2007	Contract price payment	Media delivery
10	NTS_2006_106	Contract about clean water supply	UNIPETROL RPA, s.r.o.	1.1.2007	Contract price payment	Media delivery
11	NTS_2006_107	Contract about supply of treated water	UNIPETROL RPA, s.r.o.	1.1.2007	Contract price payment	Media delivery
12	NTS_2006_108	Contract about waste water treatment	UNIPETROL RPA, s.r.o.	1.1.2007	Contract price payment	Provision of services
13	NTS_2006_109	Contract about returnable condensate supply	UNIPETROL RPA, s.r.o.	1.1.2007	Media delivery	Contract price payment
14	NTS_2006_111	Contract about energy services	UNIPETROL RPA, s.r.o.	1.1.2007	Contract price payment	Media delivery
15	NTS_2006_122	Contract about returnable steam supply	UNIPETROL RPA, s.r.o.	1.1.2007	Media delivery	Contract price payment
16	NTS_2009_016	Contract about supply of nitrogen and air	UNIPETROL RPA, s.r.o.	1.1.2007	Contract price payment	Media delivery
17	NTS_2009_024	Contract about compression of rich hydrogen gas	UNIPETROL RPA, s.r.o.	1.1.2007	Contract price payment	Media delivery
18	NTS_2009_064	Contract on customer connection to LDS - UNI RPA	UNIPETROL RPA, s.r.o.	1.1.2010	Contract price payment	Provision of services
19	NTS_2010_016	LDS island operation	UNIPETROL RPA, s.r.o.	1.3.2010	Contract price payment	Provision of services
20	NTS_2010_063	Electricity Distribution Contract	UNIPETROL RPA, s.r.o.	1.1.2011	Contract price payment	Provision of services
21	SLU_2005_003	Building no. 6911 renting	UNIPETROL RPA, s.r.o.	1.1.2002	Provision of services	Contract price payment

Annex 3 - continued

Order number	Contract number	Subject of the contract	Contractual party	Conclusion date	Fulfilment by ČESKÁ RAFINÉRSKÁ, a.s.	Consideration
22	SLU_2005_021	Building no. 4836, 4838, 1772, 2837, 2859 renting, telecommunication services, compound entry, PC net, information services	UNIPETROL RPA, s.r.o.	1.1.2002	Contract price payment	Provision of services
23	SLU_2005_022	Utilities reinvoicing	UNIPETROL RPA, s.r.o.	1.1.2011	Contract price payment	Provision of services
24	SLU_2005_057	Easement contract – production compound Litvínov	UNIPETROL RPA, s.r.o.	29.12.1995	Contract price payment	Provision of services
25	SLU_2005_091	Utilities reinvoicing	UNIPETROL RPA, s.r.o.	1.7.2001	Contract price payment	Provision of services
26	SLU_2007_003	Renting	UNIPETROL RPA, s.r.o.	31.12.2012	Provision of services	Contract price payment
27	SSN_2013_024	Contract on Supply of Ammonia Water	UNIPETROL RPA, s.r.o.	1.1.2013	Contract price payment	Media delivery
28	SSN_2014_031	Source report LITV	UNIPETROL RPA, s.r.o.	21.2.2014	Contract price payment	Provision of services
29	VSN_2004_139	Pipe bridges use	UNIPETROL RPA, s.r.o.	1.1.2005	Contract price payment	Provision of services
30	VSN_2004_140	Road network operation	UNIPETROL RPA, s.r.o.	1.1.2005	Contract price payment	Provision of services
31	VSN_2004_141	Entries security and protection	UNIPETROL RPA, s.r.o.	1.1.2005	Contract price payment	Provision of services
32	VSN_2004_142	Intercompany transportation	UNIPETROL RPA, s.r.o.	1.1.2005	Provision of services	Contract price payment
33	VSN_2004_143	Compound fencing	UNIPETROL RPA, s.r.o.	1.1.2005	Contract price payment	Provision of services
34	VSN_2004_144	Compound lighting	UNIPETROL RPA, s.r.o.	1.1.2005	Contract price payment	Provision of services
35	VSN_2004_145	Territorial generel	UNIPETROL RPA, s.r.o.	1.1.2005	Contract price payment	Provision of services
36	VSN_2004_147	Rocks and ground water pollution monitoring	UNIPETROL RPA, s.r.o.	1.1.2005	Contract price payment	Provision of services
37	VSN_2004_159	Postal service - year volume	UNIPETROL RPA, s.r.o.	1.1.2005	Contract price payment	Provision of services
38	VSN_2004_162	Respiratory equipment rental – year volume	UNIPETROL RPA, s.r.o.	1.1.2005	Contract price payment	Provision of services
39	VSN_2004_163	Fire brigade service	UNIPETROL RPA, s.r.o.	1.1.2005	Contract price payment	Provision of services
40	FD_2003	Processing Agreement	UNIPETROL RPA, s.r.o.	23.1.2003	Provision of services	Contract price payment
41		Agreement on the loan of the initial fill of the IKL pipeline	UNIPETROL RPA, s.r.o.	2003	Commodity loan provision	Contract price payment
42	TÚ/56/2005	Contract on Operation of facilities subjected to project „Revitalisation of Chamber K 11 and D distiller, UNITS 3611, 3411“.	UNIPETROL RPA, s.r.o.	2005	Provision of services	Contract price payment
43	TÚ/58/2005	Long-term Credit Agreement	UNIPETROL RPA, s.r.o.	2005	Interest payment	Loan provision
44	SSN_2014_106	Cooperation agreement - Natural gas supply 2015	UNIPETROL SERVICES, s.r.o.	26.6.2014	Contract price payment	Provision of services
45	GR_2009_002	HSE Cooperation Agreement	UNIPETROL, a.s.	1.9.2009	Contract price payment	Provision of services
46	License Agreement No. 01296	maintenance fee for SW PIMS	UNIPETROL, a.s.	23.6.1996	Contract price payment	Provision of services
47	PVS_2008_001	Common information environment use	UNIPETROL, a.s.	1.1.2008	Contract price payment	Provision of services
48	SHP_2014_005	Liability insurance of statutory bodies members	UNIPETROL, a.s.	8.7.2013	Contract price payment	Provision of services
49	SLU_2005_051	Easement contract - Chvatěruby, Lobeček, Veltrusy	UNIPETROL, a.s.	11.4.2000	Contract price payment	Land rental
50	SLU_2005_053	Easement contract - Veltrusy	UNIPETROL, a.s.	30.10.2000	Contract price payment	Land rental
51	SLU_2005_054	Easement contract - Veltrusy, Zlončice	UNIPETROL, a.s.	30.1.2001	Contract price payment	Land rental

Annex 3 - continued

Order number	Contract number	Subject of the contract	Contractual party	Conclusion date	Fulfilment by ČESKÁ RAFINÉRSKÁ, a.s.	Consideration
52	SLU_2005_056	Easement contract - Chvatěruby, Zlončice, Veltrusy	UNIPETROL, a.s.	1.1.2003	Contract price payment	Land rental
53	SLU_2005_058	Easement contract - Dolní Jiřetín, Záluží u Litvínova	UNIPETROL, a.s.	11.4.2000	Contract price payment	Land rental
54	SLU_2005_059	Easement contract - Dolní Jiřetín, Záluží u Litvínova	UNIPETROL, a.s.	1.1.2003	Contract price payment	Land rental
55	SLU_2005_060	Easement contract - Dolní Jiřetín, Záluží u Litvínova	UNIPETROL, a.s.	1.1.2004	Contract price payment	Land rental
56	SLU_2006_015	Easement contract - Veltrusy	UNIPETROL, a.s.	1.1.2006	Contract price payment	Land rental
57	SLU_2006_016	Easement - Veltrusy, Lobeček	UNIPETROL, a.s.	1.1.2006	Contract price payment	Land rental
58	SLU_2007_012	Easement contract - Chvatěruby, Veltrusy, Lobeček, Zlončice	UNIPETROL, a.s.	1.1.2007	Contract price payment	Land rental
59	SLU_2007_017	Easement contract - Záluží u Litvínova, Dolní Jiřetín	UNIPETROL, a.s.	1.1.2006	Contract price payment	Land rental
60	SLU_2007_018	Easement contract - Dolní Jiřetín	UNIPETROL, a.s.	1.1.2007	Contract price payment	Land rental
61	SLU_2007_019	Agreement to easement contracts	UNIPETROL, a.s.	15.5.2007	Contract price payment	Land rental
62	SLU_2008_004	Contract on easement - Chvatěruby, Veltrusy	UNIPETROL, a.s.	1.1.2008	Contract price payment	Land rental
63	SLU_2009_002	Contract on easement - Záluží u Litvínova	UNIPETROL, a.s.	1.1.2009	Contract price payment	Land rental
64	SLU_2009_005	Contract on easement - Chvatěruby	UNIPETROL, a.s.	31.12.2008	Contract price payment	Land rental
65	VSN_2009_014	Unipetrol – free of chargé exploration wells use	UNIPETROL, a.s.	17.3.2009		Provision of services
66	FD_2013	Service Level Agreement for provision of audited and non-audited financial information	UNIPETROL, a.s.	19.12.2013	Provision of services	Contract price payment
67	SLU_2007_004	Renting of reometers and compressors	Výzkumný ústav anorganické chemie, a.s.	1.7.2013	Contract price payment	Provision of services
68	SSN_2013_027	Frame contract on research of current technologies and development of new technologies	Výzkumný ústav anorganické chemie, a.s.	1.1.2013	Contract price payment	Provision of services and delivery of research and development results
69	SSN_2013_177	Road asphalt analysis	Výzkumný ústav anorganické chemie, a.s.	1.10.2013	Contract price payment	Delivery of research and development results
70	VSN_2012_059	Crude oil samples analysis	Výzkumný ústav anorganické chemie, a.s.	28.11.2012	Contract price payment	Provision of services
71		Solomon RAM study	PKN Orlen S.A.	1.2.2014	Contract price payment	Provision of services
72		Ensuring of calculation of social insurance levies to PL for ex-patriots	ORLEN Centrum Uslug Korporacyjnych Sp.z.o.o	20.2.2014	Contract price payment	Provision of services
73	DGŘ/2014/007-00	Contract on advertising	HC VERVA Litvínov, a.s.	1.6.2014	Contract price payment	Provision of advertising services

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