Annual report 2019

PETROTRANS
Unipetrol Group

Content:

1. Identification and contact information

Name: PETROTRANS, s.r.o.

Registered office: Praha 8, Střelničná 2221/50, PSČ: 182 00

Company number: 25123041

Legal form: public limited company

Statutory Representatives: Paweł Łamacz, Dawid Durawa, Tomáš Sedlák

The Supervisory Board was not established

Incorporation registration: Municipal court in Prague section C file 124377

Phone: 283 882 733;

Fax: 283 882 734

E-mail: petrotrans@petrotrans.cz

http: www.petrotrans.cz

Share capital: 16.000.000,- CZK

In the share capital there are no decisions and still unrealized or unregistered changes.

The company is part of the UNIPETROL Group, where is the managing company UNIPETROL, a.s. UNIPETROL, a.s. has registered office Milevská 2095/5, Praha 4, 140 00, company number: 616 72 190. UNIPETROL, a.s. is a part of the group Polski Koncern Naftowy ORLEN S.A. based Chemików, Płock, Poland.

The company was owned by two partners – UNIPETROL RPA, s.r.o. with registered office at Litvínov - Záluží 1, Corporate ID: 275 97 075, (owning a share of the corresponding contribution to the registered capital of the company amounting to 15,900,000,- CZK) and UNIPETROL, a.s. with registered office at Milevská 2095/5, 140 00 Praha 4, Corporate ID: 616 72 190, (owning a share of the corresponding contribution to the registered capital of the company amounting to 100,000,- CZK).

PETROTRANS, s.r.o did not acquire any share of the managing company in the year 2019.

The separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations approved by the International Accounting

Standards Board (IASB) which were adopted by the European Union (EU) and were in force as at 31st December 2019. The English language version of PETROTRANS' Annual Report 2019 is a convenience translation. The version in the Czech language is the definitive version.

2. Company profile and other information

Organizational units of the company are located exclusively in the Czech Republic, the Company has no organizational unit abroad.

The company is not active in research and development. In the area of labor relations or in the field of ecology not entail any specific obligation to society.

PETROTRANS,s.r.o. is engaged in the special tank transportation of liquid combustible substances. For various business partners the company provides the supply of petrol stations for retail and deliveries for wholesale companies, mainly in the Czech Republic and Slovakia. The company did not trade the transported products.

Financial situation of the company was very good. PETROTRANS, s.r.o met its obligation to the third parties and employees in required periods. This way intends to continue in 2020.

Prague 24th February 2020

Signature of statutory representatives		
Paweł Łamacz Statutory Representative	Tomáš Sedlák Statutory Representative	Dawid Durawa Statutory Representative

Attachments:

1. Financial statements by IFRS
2. Report on relations between the controlling person and the controlled person
3. Auditors report

INDEPENDENT AUDITOR'S REPORT

on the 2019 Financial Statements

of

PETROTRANS, s.r.o.

Prague, 20th February 2020

INTRODUCTORY DATA

Audited entity

PETROTRANS, s.r.o.
Seated Praha 8, Střelničná 2221, PSČ 182 00
IČ: 251 23 041
Subject of enterprise:
domestic freight transport

Audit Report receiver

shareholders after a discussion with a statutory representative of the audited entity

Subject of the audit

Financial Statements for the year ended 31 December 2019 – accounting period 1.1.2019 – 31.12.2019

Audit dates

interim:	23.10.2019 – 31.10.2019
final:	14.1.2020 – 20.2.2020

Audit performed and Audit Report prepared by

22HLAV s.r.o.
Všebořická 82/2, Ústí nad Labem
The Chamber of Auditors license no. 277
Member of MSI Global Alliance,
Legal & Accounting Firms

responsible auditor: Ing. Miroslava Nebuželská, The Chamber of Auditors license no. 2092

INDEPENDENT AUDITOR'S REPORT

for the shareholders of PETROTRANS, s.r.o.

Financial Statements Audit Report

Opinion

We have audited the financial statements of PETROTRANS, s.r.o. (hereinafter also the "Company") prepared in accordance with International Financial Reporting Standards as endorsed by the European Union, which comprise the statement of financial position as at 31 December 2019, and the income statement and statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company, see Note 1 to the financial statements.

In our opinion, the accompanying financial statements **give a true and fair view of the financial position of PETROTRANS, s.r.o. as at 31 December 2019, and of its financial performance and its cash flows for the year then ended** in accordance with International Financial Reporting Standards as endorsed by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of the Company's Board of Directors and for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on

the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

22HLAV s.r.o.
Member of MSI Global Alliance, Legal & Accounting Firms
Všebořická 82/2, 400 01 Ústí nad Labem
The Chamber of Auditors license no. 277

Ing. Miroslava Nebuželská
The Chamber of Auditors license no. 2092

In Prague, 20th February 2020

OPRÁVNĚNÍ Č. 277 KA ČR 22HLAV s.r.o.

This Auditor's Report includes the following attachments:

1. Statement of profit or loss and other comprehensive income for the year ended 31.12.2019
2. Statement of financial position as of 31.12.2019
3. Statement of changes in equity for the year ended 31.12.2019
4. Statement of cash flow for the year ended 31.12.2019
5. Notes for the year ended 31.12.2019

This Audit Report is a translation of the Czech Audit Report for the audit of the 2019 financial statements

Unipetrol
ORLEN GROUP

PETROTRANS, s.r.o.

SEPARATE FINANCIAL STATEMENTS

Translated from the Czech original

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

FOR THE YEAR 2019

OPRÁVNĚNÍ Č. 277
KA ČR
22HLAV s.r.o. (2)

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

DESCRIPTION OF THE COMPANY AND PRINCIPLES OF PREPARATION OF THE FINANCIAL STATEMENTS

EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS

EXPLANATORY NOTES TO FINANCIAL INSTRUMENTS

OPRÁVNĚNÍ Č. 217 KA ČR 22HLAV s.r.o. (2)

OTHER EXPLANATORY NOTES

OPRÁVNĚNÍ Č. 277 KA ČR 22HLAV s.r.o. (2)

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2019 (in thousands of CZK)

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

Statement of profit or loss and other comprehensive income

	Note	2019	2018
Statement of profit or loss			
Revenues	3.	339 603	372 663
Cost of sales	4.	(293 540)	(331 031)
Gross profit on sales		**46 063**	**41 632**
Distribution expenses		(22 268)	(9 153)
Administrative expenses		(7 550)	(6 303)
Other operating income	5.1.	7 513	4 334
Other operating expenses	5.2.	(612)	(351)
Profit from operations		**23 146**	**30 159**
Finance costs	6.	(2 892)	(916)
Net finance costs		**(2 892)**	**(916)**
Profit before tax		**20 254**	**29 243**
Tax expense	7.	(3 845)	(5 546)
Net profit		**16 409**	**23 697**
Other comprehensive income			
Items which will not be reclassified into profit or loss		**3**	**(22)**
Actuarial gains and losses	*7.*	*4*	*(27)*
Deferred tax	*7.2.*	*(1)*	*5*
		3	**(22)**
Total net comprehensive income		**16 412**	**23 675**

OPRÁVNĚNÍ Č. 277 KA ČR 22HLAV s.r.o. (2)

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 8 to 35.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2019 (in thousands of CZK)

Statement of financial position

	Note	31/12/2019	31/12/2018
ASSETS			
Non-current assets			
Property, plant and equipment	*8.*	133 735	97 463
Intangible assets	*9.*	1 226	855
Right of use	*17.1.*	32 952	-
		167 913	**98 318**
Current assets			
Trade and other receivables	*10.*	43 109	42 913
Current tax assets		1 631	-
Cash and cash equivalents	*12.*	1 676	2 645
		46 416	**45 558**
Total assets		**214 329**	**143 876**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	*13.1.*	16 000	16 000
Retained earnings	*13.2.*	65 596	49 184
Total equity		**81 596**	**65 184**
LIABILITIES			
Non-current liabilities			
Provisions	*14.*	232	194
Deferred tax liabilities	*7.2.*	2 411	700
Lease liabilities	*17.1.*	28 657	-
		31 300	**894**
Current liabilities			
Trade and other liabilities	*15.*	50 459	49 952
Lease liabilities	*17.1.*	4 809	-
Current tax liabilities		-	1 194
Provisions	*14.*	48	30
Other financial liabilities	*16.*	46 117	26 622
		101 433	**77 798**
Total liabilities		**132 733**	**78 692**
Total equity and liabilities		**214 329**	**143 876**

OPRÁVNĚNÍ Č. 277 KA ČR 22HLAV s.r.o. (2)

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 8 to 35.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2019 (in thousands of CZK)

Statement of changes in equity

	Share capital	Retained earnings	Total	Total equity
01/01/2019	16 000	49 184	65 184	65 184
Net profit	-	16 409	16 409	16 409
Items of other comprehensive income	-	3	3	3
Total net comprehensive income	-	**16 412**	**16 412**	**16 412**
31/12/2019	**16 000**	**65 596**	**81 596**	**81 596**
01/01/2018	16 000	25 509	41 509	41 509
Net profit	-	23 697	23 697	23 697
Items of other comprehensive income	-	(22)	(22)	(22)
Total net comprehensive income	-	**23 675**	**23 675**	**23 675**
31/12/2018	**16 000**	**49 184**	**65 184**	**65 184**

OPRÁVNĚNÍ Č. 277 KA ČR 22HLAV s.r.o. (2)

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 8 to 35.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2019 (in thousands of CZK)

Statement of cash flows

	Note	2019	2018
Cash flows from operating activities			
Profit before tax		**20 254**	**29 243**
Adjustments for:			
Depreciation and amortisation	*4.,8.,9.*	22 268	9 154
Interest and dividends, net	*6.*	2 509	574
Profit on investing activities		(6 989)	(3 201)
Change in provisions		59	25
Other adjustments		1 788	-
Change in working capital		2 081	3 994
receivables		1 574	(5 076)
liabilities		507	9 070
Income tax (paid)	*7.3.*	(4 961)	(1 984)
Net cash provided by operating activities		**37 009**	**37 805**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(54 396)	(72 135)
Disposal of property, plant and equipment and intangible assets		6 985	3 201
Proceeds from cash pool granted		-	6 486
Other		-	1
Net cash provided used in investing activities		**(47 411)**	**(62 447)**
Cash flows from financing activities			
Interest paid		(2 416)	(512)
Payments of liabilities under lease agreements		(7 601)	-
Proceeds from cash pool liabilities		19 450	26 558
Net cash provided by financing activities		**9 433**	**26 046**
Net increase/(decrease) in cash and cash equivalents		**(969)**	**1 404**
Cash and cash equivalents, beginning of the period		2 645	1 241
Cash and cash equivalents, end of the period	*12.*	**1 676**	**2 645**

OPRÁVNĚNÍ Č. 277
KA ČR
22HLAV s.r.o. (2)

The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 8 to 35.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2019 (in thousands of CZK)

DESCRIPTION OF THE COMPANY AND PRINCIPLES OF PREPARATION OF THE FINANCIAL STATEMENTS

1. Description of the Company

Establishment of the Company
PETROTRANS, s.r.o. (the "Company") is a Czech limited liability company that was incorporated on 21 April 1997.

Identification number of the Company
251 23 041

Registered office of the Company
PETROTRANS, s.r.o.
Střelničná 2221/50
182 00 Prague 8
Czech Republic

Principal activities
The principal business activity of the Company is road freight transport.
Other activities are:
- production and processing of fuels and lubricants,
- brokering services,
- purchase of goods for resale and sale,
- repair services for the operation of motorized road transport and consultancy in the field of road transport,
- road passenger transport,
- lease and rent of movables.

Share capital and ownership structure
The Company's share capital amounts to CZK 16,000 thousand. The majority shareholder of the Company is UNIPETROL RPA, s.r.o. with share of 99.4%. There were no changes in the ownership structure during 2019.

Statutory representatives of the company
Statutory representatives of the Company as at 31 December 2019 were as follows:

Position	Name
Statutory representative	Paweł Łamacz
Statutory representative	Dawid Durawa
Statutory representative	Tomáš Sedlák

There were following changes in the statutory representatives during 2019:

Position	Name	Change	Date of change
Statutory representative	Radek Nechleba	Recalled from the office	31 August 2019
Statutory representative	Jacek Dziuba	Recalled from the office	31 August 2019
Statutory representative	Paweł Łamacz	Elected to the office	1 September 2019
Statutory representative	Dawid Durawa	Elected to the office	1 September 2019

Each statutory representative acts independently on behalf of the Company.

Group identification and consolidation
The Company is part of the consolidation group of UNIPETROL, a.s. ("the Group"). Pursuant to section 62(2) of Decree No. 500/2002 Coll., the financial statements of the Company and of all entities consolidated by UNIPETROL, a.s. have been included in the consolidated financial statements of UNIPETROL, a.s. with its registered office at Prague 4, Milevská 2095/5, 140 00, ID No. 616 72 190.

2. Principles of preparation of financial statements

The separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations approved by the International Accounting Standards Board (IASB) which were adopted by the European Union (EU) and were in force as at 31 December 2019. The financial statements have been prepared based on historical cost, except for derivatives, financial instruments at fair value through profit and loss, financial assets available for sale, and investment properties stated at fair value.

The separate financial statements are compliant with all requirements of IFRSs adopted by the EU and present a true and fair view of the Company's financial position as at 31 December 2019, results of its operations and cash flows for the year ended 31 December 2019.

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

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

Applied accounting policies are listed in note 21.3.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2019 (in thousands of CZK)

EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS

3. Revenues

	2019	2018
Revenues from sales of finished goods and services, net	**339 603**	**372 663**
revenue from contracts with customers	*339 576*	*372 390*
excluded from scope of IFRS 15	*26*	*273*
	339 603	**372 663**

Revenues from contracts with customers arising from transport of fuels and lubricants amounted to CZK 339 576 thousand, while other revenues excluded from IFRS 15 related to rent and lease services amounted to CZK 26 thousand.

The Company has major customers only inside of the Group to which realized revenues in excess of 10% of total sales.

3.1. Revenues by geographical division – disclosed by customer's premises countries

	2019	2018
Revenue from contracts with customers	339 576	372 390
Czech Republic	*316 752*	*339 615*
Slovakia	*22 825*	*32 774*
excluded from scope of IFRS 15	26	273
Czech Republic	*26*	*273*
	339 603	**372 663**

3.2. Revenues from contracts with customers by type of contract

	2019	2018
Based on fixed price contracts	339 576	372 390
	339 576	**372 390**

3.3. Revenues from contracts with customers by date of transfer

	2019	2018
At point of time	-	-
Over time	339 576	372 390
	339 576	**372 390**

3.4. Revenues from contracts with customers by duration of contract

	2019	2018
Short-term contracts	339 576	372 390
Long-term contracts	-	-
	339 576	**372 390**

3.5. Revenues from contracts with customers by sales channel

	2019	2018
Direct sales	-	-
Other sales	339 576	372 390
	339 576	**372 390**

4. Operating expenses

4.1. Cost of sales

	2019	2018
Cost of finished goods and services sold	(293 540)	(331 031)
	(293 540)	**(331 031)**

OPRÁVNĚNÍ Č. 277 KA ČR 22HLAV s.r.o. (2)

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2019 (in thousands of CZK)

4.2. Cost by nature

	2019	2018
Materials and energy	(77 066)	(83 950)
External services	(70 838)	(113 875)
Employee benefits	(128 956)	(114 560)
Depreciation and amortisation	(22 268)	(9 153)
Taxes and charges	(17 463)	(16 838)
Other	(7 379)	(8 462)
Operating expenses	**(323 970)**	**(346 838)**
Distribution expenses	22 268	9 153
Administrative expenses	7 550	6 303
Other operating expenses	612	351
Cost of sales	**(293 540)**	**(331 031)**

4.3. Employee benefits costs

	2019	2018
Wages and salaries	(92 650)	(81 910)
Future benefits expenses	(59)	(24)
Social security expenses	(31 806)	(28 451)
Other employee benefits expenses	(4 441)	(4 175)
	(128 956)	**(114 560)**

Future benefits expenses include change in provisions for jubilee bonuses and retirement benefits.

4.3.1. Employee benefits costs – additional information

2019	Employees	Key Management	Total
Wages and salaries	(84 418)	(8 232)	(92 650)
Social and health insurance	(29 205)	(2 602)	(31 807)
Social expense	(4 222)	(218)	(4 440)
Change of employee benefits provision	(59)	-	(59)
	(117 904)	**(11 052)**	**(128 956)**
Number of employees average per year	150	3	153
Number of employees as at balance sheet day	153	3	156

2018	Employees	Key Management	Total
Wages and salaries	(77 587)	(4 322)	(81 909)
Social and health insurance	(26 992)	(1 459)	(28 451)
Social expense	(4 143)	(32)	(4 175)
Change of employee benefits provision	(25)	-	(25)
	(108 747)	**(5 813)**	**(114 560)**
Number of employees average per year	146	2	148
Number of employees as at balance sheet day	153	2	155

5. Other operating income and expenses

5.1. Other operating income

	2019	2018
Profit on sale of non-current non-financial asets	6 989	3 201
Penalties and compensations earned	375	685
VAT refunds	-	273
Other	149	175
	7 513	**4 334**

5.2. Other operating expenses

	2019	2018
Penalties and compensations earned	(384)	(269)
Other	(228)	(82)
	(612)	**(351)**

OPRÁVNĚNÍ Č. 277
KA ČR
ZHLAV s.r.o. (2)

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2019 (in thousands of CZK)

6. Finance costs

	2019	2018
Interest	(2 509)	(574)
Foreign exchange loss surplus	(291)	(217)
Other	(92)	(125)
	(2 892)	**(916)**

7. Tax expense

	2019	2018
Income tax expense in the statement of profit or loss		
Current income tax	(2 134)	(4 822)
Deferred income tax	(1 711)	(724)
	(3 845)	**(5 546)**
Income tax expense in other comprehensive income		
Other	(1)	5
	(1)	**5**
	(3 846)	**(5 541)**

Domestic income tax is calculated in accordance with the Czech tax regulations at the rate of 19% in 2019 (2018: 19%) of the estimated taxable income for the year. The deferred tax has been calculated using tax rate approved for the year 2020 and forward i.e. 19%.

7.1. Reconciliation of effective tax rate

	2019	2018
Profit for the year	16 409	23 697
Total income tax expense	(3 845)	(5 546)
Profit excluding income tax	20 254	29 243
Income tax using domestic income tax rate	(3 848)	(5 556)
Non-deductible expenses	(138)	79
Tax relief	141	96
Over provided in prior periods	-	(165)
Total income tax expense	**(3 845)**	**(5 546)**
Effective tax rate	**18.98 %**	**18.97 %**

7.2. Deferred tax

Deferred income tax results from future tax benefits and costs related to the differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. The deferred income taxes have been calculated using the tax rate expected to apply to periods when the respective asset is realized or liability is settled (i.e. 19% in 2020 and onward).

The movements in deferred tax liabilities in 2019 were as follows:

	31/12/2018	Deferred tax recognized in statement of Profit or loss	Deferred tax recognized in Other comprehensive income	31/12/2019
Deferred tax liabilities				
Property, plant and equipment	2 111	2 574	-	4 685
Provisions	(1 411)	(766)	1	(2 176)
Other	-	(98)	-	(98)
	700	**1 711**	**1**	**2 411**
	700	**1 711**	**1**	**2 411**

The movements in deferred tax liabilities in 2018 were as follows:

	31/12/2017	Deferred tax recognized in statement of Profit or loss	Deferred tax recognized in Other comprehensive income	31/12/2018
Deferred tax liabilities				
Property, plant and equipment	865	1 245	-	2 110
Provisions	(915)	(491)	(5)	(1 411)
Finance lease	31	(31)	-	-
	(19)	**723**	**(5)**	**699**
	(19)	**723**	**(5)**	**699**

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

OPRÁVNĚNÍ Č. 277 KA ZHLAV s.r.o. (2)

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2019 (in thousands of CZK)

7.3. Tax expense (paid)

	2019	2018
Tax expense on profit before tax	(3 845)	(5 546)
Change in deferred tax assets and liabilities	1 711	718
Change in current tax assets and liabilities	(2 826)	2 839
Deferred tax recognized in Other comprehensive income	(1)	5
	(4 961)	**(1 984)**

8. Property, plant and equipment

8.1. Changes in property, plant and equipment

	Machinery and equipment	Vehicles and other	Total
01/01/2019			
Net book value			
Gross book value	503	178 982	**179 485**
Accumulated depreciation and impairment allowances	(482)	(81 541)	**(82 022)**
	22	**97 441**	**97 463**
increase/(decrease), net			
Investment expenditures	-	52 071	**52 071**
Depreciation	(2)	(15 798)	**(15 800)**
31/12/2019			
Net book value	**20**	**133 715**	**133 735**
Gross book value	503	189 318	**189 821**
Accumulated depreciation and impairment allowances	(484)	(55 603)	**(56 087)**
	20	**133 715**	**133 735**
01/01/2018			
Net book value			
Gross book value	503	130 910	**131 413**
Accumulated depreciation and impairment allowances	(480)	(95 859)	**(96 338)**
Government grants	-	-	-
	24	**35 051**	**35 074**
increase/(decrease), net			
Investment expenditures	-	71 494	71 494
Depreciation	(2)	(9 104)	(9 106)
31/12/2018			
Net book value	**22**	**97 441**	**97 463**

8.2. Other information

	2019	2018
The gross book value of all fully depreciated property, plant and equipment still in use	16 611	837
	16 611	**837**

The Company reviews economic useful lives of property, plant and equipment and introduces adjustments to depreciation charge prospectively according to its accounting policy. Should the depreciation policy from the previous year be applied, the depreciation expense for 2019 would be lower by CZK 157 thousand.

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9. Intangible assets

9.1. Changes in intangible assets

	Software	Assets under development	Total
01/01/2019			
Net book value			
Gross book value	2 321	714	**3 035**
Accumulated amortisation and impairment allowances	(2 180)	-	**(2 180)**
	141	**714**	**855**
increase/(decrease), net			
Investment expenditures	556	-	**556**
Amortization	(184)	-	**(184)**
Reclassifications	614	(614)	-
31/12/2019			
Net book value	**1 126**	**100**	**1 226**
Gross book value	3 490	100	**3 590**
Accumulated amortisation and impairment allowances	(2 364)	-	**(2 364)**
	1 126	**100**	**1 226**
01/01/2018			
Net book value			
Gross book value	2 294	100	2 395
Accumulated amortisation and impairment allowances	(2 132)	-	(2 132)
	162	**100**	**263**
increase/(decrease), net			
Investment expenditures	26	614	640
Amortization	(48)	-	(48)
31/12/2018			
Net book value	**141**	**714**	**855**

9.2. Other information

	2019	2018
The gross book value of all fully depreciated intangible assets still in use	280	280
	280	**280**

The Company reviews economic useful lives of intangible assets and introduces adjustments to amortization charge prospectively according to its accounting policy. Should the amortization rates from the previous year be applied, the amortization expense for 2019 would be without change.

10. Trade and other receivables

	31/12/2019	31/12/2018
Trade receivables	38 302	38 330
Other	223	529
Financial assets	**38 525**	**38 859**
Other taxation, duty, social security receivables	1 625	2 638
Prepayments and deffered costs	1 190	1 416
Non-financial assets	**4 584**	**4 054**
Receivables, net	**43 109**	**42 913**
Expected credit loss	3 195	3 195
Receivables, gross	**46 304**	**46 108**

Trade receivables result primarily from sales of services. The management considers that the carrying amount of trade receivables approximates their fair value. The average credit period on sales of services is 37 days.

The Company exposure to credit and currency risk related to trade and other receivables is disclosed in note 16 and detailed information about receivables from related parties is presented in note 19.

11. Cash and cash equivalents

	31/12/2019	31/12/2018
Cash on hand and in bank	1 676	2 645
	1 676	**2 645**

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12. Equity

12.1. Share capital

The share capital of the Company as at 31 December 2019 amounted to CZK 16 000 thousand (as at 31 December 2018: CZK 16 000 thousand). Share of 99.4% is owned by UNIPETROL RPA, s.r.o., remaining share is owned by UNIPETROL, a.s.

12.2. Retained earnings

On the basis of shareholder's decision on 22 May 2019 the profit for the year 2018 of CZK 23 697 thousand was transferred to retained earnings of past years.

13. Provisions

	Long-term		Short-term		Total	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Jubilee bonuses and retirement benefits provision	232	194	48	30	280	224
	232	**194**	**48**	**30**	**280**	**224**

13.1. Changes in provisions

	Jubilee bonuses and retirement benefits provision	Total
01/01/2019	224	224
Recognition	80	80
Utilization of provision	(24)	(24)
	280	**280**

	Jubilee bonuses and retirement benefits provision	Total
01/01/2018	172	172
Recognition	78	78
Utilization of provision	(26)	(26)
	224	**224**

13.2. Provisions for jubilee bonuses and retirement benefits

The Company realizes a program of paying out retirement benefits in line with the remuneration policies in force. The retirement benefits are paid as one-time payments at retirement. The jubilee bonuses are paid to employees after a specified number of years at a significant anniversary. The base for the calculation of provision for an employee is expected benefit which the Company is obliged to pay in accordance with an internal regulation.

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

Employment benefit provisions were created using discount rate 1.40% p.a. in 2019 (2018: 2.00%). Should the prior year's assumptions be used, the provision for the jubilee bonuses and retirement benefits would be lower by CZK 3 thousand.

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13.2.1. Change in employee benefits obligations

	Provision for jubilee bonuses		Retirement benefits		Total	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
At the beginning of the year	121	119	103	53	224	172
Current service cost	40	31	29	22	69	53
Interest expense	2	2	2	1	4	3
Actuarial gains and losses net	10	(4)	(3)	27	7	23
demographic assumptions	*4*	*9*	*(9)*	*36*	*(5)*	*45*
financial assumptions	3	(2)	6	(4)	9	(6)
other issues	*3*	*(11)*	*-*	*(5)*	*3*	*(16)*
Payments under program	(13)	(27)	(11)	-	(24)	(27)
	160	**121**	**120**	**103**	**280**	**224**

The carrying amount of employee benefits liabilities is identical to their present value as at 31 December 2019 and as at 31 December 2018.

13.2.2. Divison of employee benefits liabilitites by employees

	Active employees		Pensioners		Total	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Czech Republic	280	224	-	-	280	224
					280	**224**

13.2.3. Geographical division of employee benefits liabilities

	Provision for jubilee bonuses		Retirement benefits		Total	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Czech Republic	160	121	120	103	280	224
					280	**224**

13.2.4. Sensitivity analysis to changes in actuarial assumptions

Actuarial assumptions	Assumed variations as at 31/12/2019	Czech Republic: Influence on provision for jubilee 2019	Czech Republic: Influence on retirement benefits 2019
Demographic assumptions (+)	+0.5 pp	(2)	(5)
staff turnover rates, disability and early retirement	*+0.5 pp*	*(2)*	*(5)*
Financial assumptions (+)	+0.5 pp	-	-
discount rate	*+0.5 pp*	*(2)*	*(5)*
level of future remuneration	*+0.5 pp*	*2*	*5*
		(2)	**(5)**
Demographic assumptions (-)	-0.5 pp	2	3
staff turnover rates, disability and early retirement	*-0.5 pp*	*2*	*3*
Financial assumptions (-)	-0.5 pp	-	-
discount rate	*-0.5 pp*	*2*	*5*
level of future remuneration	*-0.5 pp*	*(2)*	*(5)*
		2	**3**

Actuarial assumptions	Assumed variations as at 31/12/2018	Czech Republic: Influence on provision for jubilee 2018	Czech Republic: Influence on retirement benefits 2018
Demographic assumptions (+)	+0.5 pp	(2)	(4)
staff turnover rates, disability and early retirement	*+0.5 pp*	*(2)*	*(4)*
Financial assumptions (+)	+0.5 pp	-	-
discount rate	*+0.5 pp*	*(2)*	*(4)*
level of future remuneration	*+0.5 pp*	*2*	*4*
		(2)	**(4)**
Demographic assumptions (-)	-0.5 pp	2	3
staff turnover rates, disability and early retirement	*-0.5 pp*	*2*	*3*
Financial assumptions (-)	-0.5 pp	-	-
discount rate	*-0.5 pp*	*2*	*4*
level of future remuneration	*-0.5 pp*	*(2)*	*(4)*
		2	**3**

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13.2.5. Employee benefits maturity and payments of liabilities analysis

13.2.5.1. Maturity of employee benefits analysis

	Provision for jubilee bonuses		Retirement benefits		Total	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Less than one year	33	10	13	20	46	30
Between one and three years	64	52	11	11	75	63
Between three and five years	36	31	13	12	49	43
Later than five years	27	29	83	59	110	88
					280	**224**
Weighted average duration of liability			9	8	9	8
Prior year's assumption to be used, the provision will be lower (-)/higher (+)					(3)	(40)

13.2.5.2. Ageing of employee benefits payments analysis

	Provision for jubilee bonuses		Retirement benefits		Total	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Less than one year	37	10	16	23	53	33
Between one and three years	100	92	23	15	122	107
Between three and five years	80	67	43	22	124	89
Later than five years	99	138	363	348	462	486
	316	**306**	**445**	**408**	**761**	**715**

13.2.6. Total employee benefits expenses recognized in the statement of profit or loss and other comprehensive income

	31/12/2019	31/12/2018
In profit and loss		
Current service cost	(69)	(53)
Interest expense	(4)	(3)
Actuarial gains and losses net	(10)	4
demographic assumptions	*(4)*	*(9)*
financial assumptions	*(3)*	*2*
other issues	*(3)*	*11*
Payments under program	24	27
	(59)	**(25)**
In components of other comprehensive income		
Gains and losses arising from changes	3	(27)
demographic assumptions	*9*	*(36)*
financial assumptions	*(6)*	*4*
other issues	*-*	*5*
	3	**(27)**
	(56)	**(52)**

Provision for employee benefits recognized in profit or loss were accounted as follows:

	31/12/2019	31/12/2018
Cost of sales	(59)	(25)
	(59)	**(25)**

Based on current legislation, the Company is obliged to pay contributions to the national pension insurance. These expenses are recognized as social security and healthcare insurance costs. The Company has no other obligations in this respect. Additional information about the jubilee and retirement benefits are in note 21.3.18.2.

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14. Trade and other liabilities

	31/12/2019	31/12/2018
Trade liabilities	19 884	30 594
Lease liabilities	4 809	-
Other	119	96
Financial liabilities	**24 812**	**30 690**
Payroll liabilities	5 972	5 509
Other taxation, duties, social security and other benefits	5 502	4 444
Accruals	18 982	9 309
wages accrual	*11 172*	*7 199*
other	*7 810*	*2 110*
Non-financial liabilities	**30 456**	**19 262**
	55 268	**49 952**

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

15. Other financial liabilities

	31/12/2019	31/12/2018
Cash pool	46 117	26 622
	46 117	**26 622**

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EXPLANATORY NOTES TO FINANCIAL INSTRUMENTS

16. Financial instruments

16.1. Financial instruments by category and class

Financial assets

31/12/2019		Financial instruments by category	
Financial instruments by class	Note	Loans and receivables	Total
Trade and other receivables	*10.*	38 525	38 525
Cash and cash equivalents	*11.*	1 676	1 676
		40 201	**40 201**

31/12/2018		Financial instruments by category	
Financial instruments by class	Note	Loans and receivables	Total
Trade and other receivables	*10.*	38 859	38 859
Cash and cash equivalents	*11.*	2 645	2 645
		41 504	**41 504**

Financial liabilities

31/12/2019		Financial instruments by category		
Financial instruments by class	Note	Financial liabilities measured at amortised cost	Liabilities excluded from the scope of IFRS 9	Total
Lease liabilities		-	33 466	33 466
Trade liabilities	*14.*	19 884	-	19 884
Cash pool	*15.*	46 117	-	46 117
Other	*14.*	119	-	119
		66 120	**33 466**	**99 586**

31/12/2018		Financial instruments by category		
Financial instruments by class	Note	Financial liabilities measured at amortised cost	Liabilities excluded from the scope of IFRS 9	Total
Trade liabilities	*14.*	30 594	-	30 594
Cash pool	*15.*	26 622	-	26 622
Other	*14.*	96	-	96
		57 312	**-**	**57 312**

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

2019		Financial instruments by category			
	Note	Loans and receivables	Financial liabilities measured at amortised cost	Liabilities excluded from the scope of IFRS 9	Total
Interest costs	*6.*	-	(1 313)	(1 196)	(2 509)
Foreign exchange gain/(loss)	*6.*	47	(337)	-	(291)
Other	*6.*	-	(92)	-	(92)
		47	**(1 743)**	**(1 196)**	**(2 892)**

2018		Financial instruments by category			
	Note	Loans and receivables	Financial liabilities measured at amortised cost	Liabilities excluded from the scope of IFRS 9	Total
Interest costs	*6.*	-	(574)	-	(574)
Foreign exchange gain/(loss)	*6.*	199	(417)	-	(217)
Other	*6.*	-	(125)	-	(125)
		199	**(1 116)**		**(916)**

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16.3. Fair value measurement

31/12/2019	Note	Carrying amount	Fair value	Fair value hierarchy Level 1	Level 2
Financial assets					
Trade and other receivables	*10.*	38 525	38 525	-	38 525
Cash and cash equivalents	*11.*	1 676	1 676	-	1 676
		40 201	**40 201**	-	**40 201**
Financial liabilities					
Trade liabilities	*14.*	19 884	19 884	-	19 884
Lease liabilities		33 466	33 466	-	33 466
Cash pool	*15.*	46 117	46 117	-	46 117
Other	*14.*	119	119	-	119
		99 586	**99 586**	-	**99 586**

31/12/2018	Note	Carrying amount	Fair value	Fair value hierarchy Level 1	Level 2
Financial assets					
Trade and other receivables	*10.*	38 859	38 859	-	38 859
Cash and cash equivalents	*11.*	2 645	2 645	-	2 645
		41 504	**41 504**	-	**41 504**
Financial liabilities					
Trade liabilities	*14.*	30 594	30 594	-	30 594
Cash pool	*15.*	26 622	26 622	-	26 622
Other	*14.*	96	96	-	96
		57 312	**57 312**	-	**57 312**

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

Fair value of shares quoted on active markets is determined based on market quotations (so called Level 1). In other cases, fair value is determined based on other input data, apart from market quotations, which are directly or indirectly possible to observe (so called Level 2) and data to valuation, which are not based on observable market data (Level 3).

Financial assets and liabilities carried at fair value by the Company belong to Level 2 as defined by IFRS.

In the year ended 31 December 2019 and the comparative period there were no transfers between Levels 1, 2 and 3 in the Company.

16.5. Risk identification

The Company's activities are exposed to many different types of risk. Risk management is mainly focused on the unpredictability of financial markets and aims to minimize any potential negative impacts on the Company's financial results.

16.5.1. Currency risk

The currency risk arises most significantly from the exposure of trade liabilities and receivables denominated in foreign currencies. Foreign exchange risk regarding trade liabilities and receivables is mostly covered by natural hedging of trade liabilities and receivables denominated in the same currencies.

Currency structure of financial instruments denominated in main foreign currencies as at 31 December 2019

Financial instruments by class	EUR	Total after translation to CZK
Financial assets		
Trade and other receivables	100	2 539
Cash and cash equivalents	56	1 434
	156	**3 973**
Financial liabilities		
	-	-

Currency structure of financial instruments denominated in main foreign currencies as at 31 December 2018

Financial instruments by class	EUR	Total after translation to CZK
Financial assets		
Trade and other receivables	90	2 305
Cash and cash equivalents	70	1 812
	160	**4 117**
Financial liabilities		
	-	-

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Sensitivity analysis for currency changes risk

The influence of potential changes in carrying amounts of financial instruments as at 31 December 2019 and as at 31 December 2018 arising from hypothetical changes in exchange rates of relevant currencies in relation to functional currency on profit before tax:

31/12/2019

	Influence on profit before tax			
	Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/CZK	15%	596	15%	(596)
		596		**(596)**

31/12/2018

	Influence on profit before tax			
	Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/CZK	15%	618	15%	(618)
		618		**(618)**

16.5.2. Interest rate risk

Interest rate structure of financial instruments

	PRIBOR		Carrying amount	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Financial assets				
	-	-	-	-
Financial liabilities				
Cash pool	46 117	26 622	46 117	26 622
	46 117	**26 622**	**46 117**	**26 622**

Sensitivity analysis for interest rate risk

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

Interest rate	Assumed variation		Total	
	31/12/2019	31/12/2018	2019	2018
PRIBOR	+0.5 pp	+0.5 pp	(231)	(133)
			(231)	**(133)**

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

The sensitivity analysis was performed on the basis of instruments held as at 31 December 2019 and 31 December 2018. The influence of interest rates changes was presented on annual basis.

16.5.3. Liquidity and credit risk

Liquidity risk

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

Maturity analysis of financial liabilities

	31/12/2019						
	Note	Up to 1 year	From 1 to 3 years	From 3 to 5 years	Above 5 years	Total	Carrying amount
Cash pool - undiscounted value		46 117	-	-	-	46 117	46 117
Trade liabilities	*14.*	19 884	-	-	-	19 884	19 884
Lease liabilities	*17.*	4 809	9 199	5 235	28 168	47 411	33 466
Other	*14.*	119	-	-	-	119	119
		70 929	**9 199**	**5 235**	**28 168**	**113 531**	**99 586**

	31/12/2018						
	Note	Up to 1 year	From 1 to 3 years	From 3 to 5 years	Above 5 years	Total	Carrying amount
Cash pool - undiscounted value		26 622	-	-	-	26 622	26 622
Trade liabilities	*14.*	30 594	-	-	-	30 594	30 594
Other	*14.*	96	-	-	-	96	96
		57 312	-			**57 312**	**57 312**

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Credit risk

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of impairment losses, estimated by the Company's management based on prior experience and their assessment of the credit status of its customers.

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

The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregated value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Management Board. Before accepting any new customer, the Company uses own or external credit scoring system to assess the potencial customer's credit quality and defines credit limits by customer. Trade receivables of the customers outside the Group did not exceed 5% of the total trade receivables (except for one creditworthy customer) as at 31 December 2019.

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

Based on the analysis receivables, the counterparties were divided into two groups:

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

The division of not past due trade and other receivables

	Note	31/12/2019	31/12/2018
Group I	*10.*	38 525	38 859
Group II		-	-
		38 525	**38 859**

Change in expected credit loss of trade and other receivables

	31/12/2019	31/12/2018
At the beginning of the period	3 195	3 195
Recognition	-	-
Usage	-	-
	3 195	**3 195**

Ageing analysis of trade receivables and expected credit loss as at 31 December 2019

	Trade receivables, gross	Expected credit loss (in horizon of whole life)	Weighted average rate of expected credit loss	Trade receivables, net
current	38 302	-	-	38 302
from 1 to 30 days	-	-	n/a	-
from 31 to 60 days	-	-	n/a	-
from 61 to 90 days	-	-	n/a	-
more than 90 days past due	3 195	3 195	1.00	-
	41 497	**3 195**		**38 302**

Ageing analysis of trade receivables and expected credit loss as at 31 December 2018

	Trade receivables, gross	Expected credit loss (in horizon of whole life)	Weighted average rate of expected credit loss	Trade receivables, net
current	38 330	-	-	38 330
from 1 to 30 days	-	-	n/a	-
from 31 to 60 days	-	-	n/a	-
from 61 to 90 days	-	-	n/a	-
more than 90 days past due	3 195	3 195	1.00	-
	41 525	**3 195**		**38 330**

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

Increases and reversals of impairment allowances in respect of the principal amount of trade and other receivables are included in other operating expense or income, and default interest is included in financial expense or income.

The carrying amount of financial assets represents the maximum credit exposure.

The maximum credit risk in respect of each class of financial assets is equal to the book value.

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OTHER EXPLANATORY NOTES

17. Lease

17.1. The Company as a lessee

Change in right of use assets

	Buildings and constructions	Vehicles and other	Total
Net carrying amount at 01/01/2019 - Impact of IFRS 16 adoption			
Gross carrying amount	32 251	8 278	**40 529**
	32 251	**8 278**	**40 529**
increase/(decrease), net			
Depreciation	(1 792)	(4 492)	**(6 284)**
Other*	(2 387)	1 093	**(1 294)**
	28 072	**4 880**	**32 952**
Net carrying amount at 31/12/2019			
Gross carrying amount	29 864	9 371	39 236
Accumulated depreciation and impairment allowances	(1 792)	(4 492)	(6 284)
	28 072	**4 880**	**32 952**

** The line Other includes newly concluded contracts, contract modifications and exchange rate differences.*

Maturity analysis for undiscounted lease liabilities

	2019
up to 1 year	4 809
from 1 to 2 years	5 912
from 2 to 3 years	3 287
from 3 to 4 years	2 757
from 4 to 5 years	2 478
above 5 years	28 168
	47 411

Amounts from lease contracts recognised in the statement of profit or loss and other comprehensive income

		2019
Costs due to:		**(3 031)**
interest on lease	Finance costs	(1 243)
short-term lease	Cost by nature: External Services	(1 332)
lease of low-value assets that are not short-term lease	Cost by nature: External Services	(456)

Reconciliation of future minimum lease payments disclosed as at 31 December 2018 with lease liabilities recognized in the statement of financial position as at 1 January 2019

Value of future minimum lease payments under operating lease	51 754
Value of future minimum lease payments under finance lease	-
Contractual lease liabilities as at 31/12/2018	**51 754**
Discount	(11 225)
Present value of lease liabilities as at 01/01/2019	**40 529**
Present value of contractual finance lease liabilities as at 31/12/2018	-
Value of contractual lease liabilities – impact of IFRS 16 adoption as at 01/01/2019	**40 529**

The weighted average marginal interest rate of the Company as a lessee applied to the lease liabilities recognised in the statement of financial position as at 1 January 2019 amounted to 3.53%.

17.2. The Company as a lessor

As at 31 December 2019 and as at 31 December 2018 the Company did not possess any finance lease agreements as a lessor. During 2019 the Company leased short-term assets with revenues CZK 26 thousand (CZK 273 thousand in 2018).

18. Investment expenditures incurred and future commitments resulting from signed investment contracts

The Company realized in the year 2019 investments in total value of CZK 55 835 thousand (CZK 72 135 thousand in 2018). The major investment realized in 2019 was purchase of trucks.

As at 31 December 2019 and as at 31 December 2018 the value of capital commitments for capital expenditures amounted to CZK 33 716 thousand and CZK 36 501 thousand respectively.

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19. Related parties transactions

19.1. Material transactions concluded by the Company with related parties

In 2019 and 2018 there were no transactions concluded by the Company with related parties on other than market terms.

19.2. Transactions with key management personnel

In 2019 and 2018 the Company did not grant to key management personnel and their relatives any advances, loans, guarantees and commitments or other agreements obliging them to render services to the Company and related parties. There were no significant transactions concluded with members of statutory bodies or with their family members or other related parties in 2019 and 2018.

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

In 2019 and 2018 the members of the key executive personnel, based on the submitted statements, did not conclude any transactions with their related parties.

19.4. Transactions and balances of settlements of the Company with related parties

Ultimate controlling party

Ultimate controlling party is POLSKI KONCERN NAFTOWY ORLEN S.A. which owned a majority (100%, resp. 100%) of shares in parent companies UNIPETROL RPA, s.r.o. and UNIPETROL, a.s. during 2019 and 2018.

2019	PKN Orlen	UNIPETROL RPA, s.r.o.	Entities under control or significant influence of UNIPETROL, a.s.	Entities under control or significant influence of PKN Orlen
Sales	-	279 181	22 825	-
Purchases	-	32 894	331	-
Finance costs	-	8	1 305	-

31/12/2019	PKN Orlen	UNIPETROL RPA, s.r.o.	Entities under control or significant influence of UNIPETROL, a.s.	Entities under control or significant influence of PKN Orlen
Trade and other receivables	-	26 917	2 539	-
Trade and other liabilities, including loans	-	13 879	47 842	-

2018	PKN Orlen	UNIPETROL RPA, s.r.o.	Entities under control or significant influence of UNIPETROL, a.s.	Entities under control or significant influence of PKN Orlen
Sales	-	298 896	32 774	-
Purchases	-	31 635	1 006	-
Finance costs	-	-	574	-

31/12/2018	PKN Orlen	UNIPETROL RPA, s.r.o.	Entities under control or significant influence of UNIPETROL, a.s.	Entities under control or significant influence of PKN Orlen
Trade and other receivables	-	24 094	2 305	-
Trade and other liabilities, including loans	-	12 450	26 625	-

20. Remuneration paid and due or potentially due to the key executive personnel and statutory representatives

The remuneration of the key executive personnel and statutory representatives includes short-term employee benefits paid, due and potentially due during the year.

20.1. Key management personnel and statutory representatives compensation

	2019		2018	
	Short-term benefits	Termination benefits	Short-term benefits	Termination benefits
Remuneration of current period (costs)	5 200	-	4 015	-
Paid for previous year	1 624	-	-	-
Potentially due to be paid in the following year	2 546	-	1 798	-
	9 370	-	5 813	-

Further detailed information regarding remuneration of key management personnel is included in note 4.3.

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20.2. Bonus system for key executive personnel of the Company

In 2019 the key executive personnel was participating in the annual MBO bonus system (management by objectives). The persons subject to the above mentioned system are remunerated for the accomplishment of specific goals set at the beginning of the bonus period. The bonus systems are structured in such way, so as to promote to achieve the best possible results for the Company. The goals so-said are qualitative or quantitative (measurable) and are evaluated following the end of the year for which they were set, based on the rules adopted in the applicable Bonus System Regulations.

21. Accounting principles

21.1. Impact of IFRS amendments and interpretations on separate financial statements of the Company

21.1.1. Binding amendments and interpretations to IFRSs

Standards and Interpretations adopted by the EU	Possible impact on financial statements
IFRS 16 Leases	impact*
Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation	no impact expected
IFRIC 23 Uncertainty over Income Tax Treatments	no impact expected

***IFRS 16 Leases**

In accordance with the requirements of IFRS, from 1 January 2019, the Company applied for the first time IFRS 16 Leases. Consequently, the Company changed the accounting policy on recognition of lease agreements. Accounting policy changes were made in accordance with the transitional provisions contained in IFRS 16.

The Company implemented IFRS 16 using the modified retrospective approach, therefore, comparative information for the year 2018 are not converted.

The Company estimated the impact of IFRS 16 and on 1 January 2019 recognized the Right of use assets and lease liability at an equal amount of CZK 40.5 million, what did not cause the difference in value to be included in retained earnings position.

21.1.2. Standards, amendments and interpretations adopted by International Accounting Standards Board, waiting for approval of the European Union

Standards and Interpretations waiting for approval of the EU	Possible impact on financial statements
IFRS 17 – Insurance Contracts	no impact expected
Amendment to IFRS 3 – Business combinations	no impact expected
Amendments to IFRS 9 – Financial Instruments, IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures: Interest Rate Benchmark Reform	no impact expected
Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments	no impact expected
Amendments to IAS 1 – Presentation of financial statements and IAS 8 – Accounting policies, changes in accounting estimates and errors: Definition of Material	no impact expected
Amendments to references to the conceptual framework in IFRS Standards	no impact expected

21.2. Functional currency and presentation currency

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

21.3. Applied accounting policies

21.3.1. Change in accounting policies, estimates and prior period errors

An entity shall change an accounting policy only if the change:
- is required by an IFRS, or
- results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the financial position, financial performance or cash flows.

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

Items of financial statements based on an estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience.

The correction of a material prior period error is made to the equity. When preparing the financial statements it is assumed that the errors were corrected in the period when they occurred.

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21.3.2. Transactions in foreign currency

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

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition as finance income or expense in the period in which they arise, except for monetary items which hedge the currency risk are accounted in accordance with cash flow hedge accounting principles.

21.3.3. Revenues

The Company applies the principles of IFRS 15 in a five-step model in relation to the portfolio of contracts (or performance obligations) with similar characteristics, if the entity reasonably expects that the impact of the following principles on the financial statements will not significantly differ from the application of the following principles to individual contracts (or performance obligations).

Requirements to identify a contract with a customer

A contract with a customer meets its definition when all of the following criteria are met: the parties of the contract have approved the contract and are committed to perform their obligations; the Company can identify each party‘s rights regarding goods or services to be transferred; the Company can identify the payment terms for the goods or services to be transferred; the contract has commercial substance and it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Identification of performance obligations

At contract inception the Company assesses the goods or services promised in the contract with a customer and identifies as a performance obligation each promise to transfer to the customer: goods or services (or a bundle of goods or services) that can be separated or groups of separate goods or services which are basically the same and for which the transfer to the customer is of the same nature.

Determination of the transaction price

The Company considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes, fuel charges, excise taxes). The consideration promised in the contract with a customer may include fixed amounts, variable amounts or both.

To estimate variable consideration, the Company decided to apply the most probable value method for contracts with one value threshold and the expected value method for contracts with more value thresholds from which a rebate is granted to the customer.

Allocating the transaction price to individual performance obligations

The Company allocates the transaction price to each performance obligation (or distinct good or service) at an amount that reflects the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customer.

Recognition of revenue when performance obligations are satisfied

The Company recognises revenue when (or as) the Company satisfies performance obligations by transferring a promised good or service (i.e. an asset) to a customer (the customer obtains control of that asset). Revenues are recognised as amounts equal to the transaction price that has been allocated to a given performance obligation.

The Company transfers control of good or service over time and, therefore, satisfies a performance obligation and recognises revenues over time, if one of the following criteria is met:
- the customer simultaneously receives and consumes the benefits from performance as the Company performs,
- the asset is created or enhanced as a result of the performance, and the customer controls the asset as it is created or enhanced,
- as a result of the performance of the service, an alternative component for the Company is not created, and the Company has an enforceable right to payment for performance completed to date.

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21.3.4. Costs

Costs (relating to operating activity) comprise costs that relate to core activity, i.e. activity for which the Company was founded, costs are recurring and are not of incidental character.

Cost of sales comprises costs of finished goods, merchandise and raw materials sold and adjustments related to inventories written down to net realizable value.

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

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

21.3.5. Other operating income and expenses

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

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

21.3.6. Finance income and costs

Finance income includes, in particular, income from the sale of shares and other securities, dividends received, interest earned on cash in bank accounts, term deposits and loans granted, increase in the value of financial assets and net foreign exchange gains.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

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

21.3.7. Tax expense

Income tax expenses comprise of current tax and deferred tax.

Current tax is determined in accordance with the relevant tax law based on the taxable profit for a given period and is recognized as liability, in the amount which has not been paid or receivable, if the amount of the current and prior periods income tax paid exceeds the amount due.

Deferred tax assets and liabilities are accounted for as non-current and are not discounted as well as are offset in the statement of financial position, if there is legally enforceable right to set off the recognized amounts.

The transactions settled directly in equity are recognized in equity.

21.3.8. Property, plant and equipment

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

Property, plant and equipment include both fixed assets (assets that are in the condition necessary for them to be capable of operating in the manner intended by management) as well as construction in progress (assets that are in the course of construction or development necessary for them to be capable of operating in the manner intended by management).

Property, plant and equipment are initially stated at cost, including grants related to assets (IAS 20). The cost of an item of property, plant and equipment comprises its purchase price, including any costs directly attributable to bringing the asset into use.

The cost of an item of property, plant and equipment includes also estimated costs of dismantling and removing the item and restoring the site/land on which it is located, the obligation for which is connected with acquisition or construction of an item of property, plant and equipment and capitalized borrowing costs.

Property, plant and equipment are stated in the statement of financial position prepared at the end of the reporting period at the carrying amount, including grants related to assets. The carrying amount is the amount at which an asset is initially recognised (cost) after deducting any accumulated depreciation and accumulated impairment losses.

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

Components of property, plant and equipment which are material for the whole item are depreciated separately in accordance with their useful life.

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

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

The residual value, estimated useful life and depreciation methods are reassessed annually, the adjustments to depreciation expenses are accounted for in next period (prospectively).

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

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

21.3.9. Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both.

Investment property shall be recognized as an asset when and only when:

- it is probable that the future economic benefits that are associated with the investment property will flow to the Company, and
- the cost of the investment property can be measured reliably.

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

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

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

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

21.3.10. Intangible assets

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

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

An intangible asset arising from development (or from development phase of an internal project) shall be recognised if, and only if, the Company can demonstrate all of the following: the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete the intangible asset and use or sell it, its ability to use or sell the intangible asset, how the intangible asset will generate probable future economic benefits, among other things, the

Company can demonstrate the existence of a market for the output of the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset, the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, its ability to measure reliably the expenditure attributable to the intangible asset during its development.

If the definition criteria of an intangible asset are not met, the cost incurred to acquire or self develop an asset are recognised in profit or loss when incurred. An intangible asset that is acquired in a business combination, the cost of that intangible asset is its fair value at the acquisition date.

An intangible asset shall be measured initially at cost, including grants related to assets (IAS 20). An intangible asset that is acquired in a business combination is recognised initially at fair value.

After initial recognition, an intangible asset shall be presented in the financial statements in its net carrying amount, including grants related to assets.

Intangible assets are measured at acquisition or at construction cost less amortization and impairment allowances. Intangible assets with a finite useful life are amortized when it is available for use that is when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management over their estimated useful life. The depreciable amount of an asset with a finite useful life is determined after deducting its residual value. Excluding particular cases, the residual value of an intangible asset with a finite useful life shall be assumed to be zero.

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

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The following standard useful lives are used for intangible assets:

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

Appropriateness of the applied amortization periods and rates is periodically reviewed, at least at the end of the reporting year, and potential adjustments to amortization allowances are made in the subsequent periods. Intangible assets with an indefinite useful life are not amortized. Their value is decreased by the eventual impairment allowances. Additionally, the useful life of an intangible asset that is not being amortized shall be reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

21.3.11. Impairment of property, plant and equipment and intangible assets

At the end of the reporting period the Company assesses whether there are any indicators that an asset or cash generating unit (CGU) may be impaired. If any such indicator exists, the entity shall estimate the recoverable amount of the asset (CGU).

The recoverable amount of other assets is the higher of the fair value less costs to sell and value in use.

Fair value less costs to sell is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, less costs to sell.

Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Assets that do not generate the independent cash flows are grouped on the lowest level on which cash flows, independent from cash flows from other assets, are generated (cash generating units).

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

If there are external or internal indicators that the carrying amount of an asset as at the end of the reporting period may not be recoverable, the impairment tests are carried out. The tests are carried out also annually for intangible assets with the indefinite useful life and for goodwill.

When carrying amount of an asset or a cash generating unit exceeds its recoverable amount, the carrying amount is decreased to the recoverable amount by an adequate impairment allowance charged against cost in profit or loss. The recoverable amount is the higher of its fair value less costs to sell and its value in use.

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

At the end of each reporting period an assessment shall be made whether an impairment loss recognized in prior periods for an asset shall be partly or completely reversed. Indications of a potential decrease in an impairment loss mainly mirror the indications of a potential impairment loss in prior periods.

A reversal of an impairment loss for an asset other than goodwill shall be recognised immediately in profit or loss, unless the asset is carried at revalued amount in accordance with another standard.

21.3.12. Inventories

Inventories are assets held for sale in the ordinary course of business, or in the process of production for such sale, or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories comprise products, semi-finished products and work in progress, merchandise and materials.

Finished goods, semi-finished products and work in progress are measured initially at production cost. Production costs include costs of materials and costs of conversion for the production period. Costs of production include also a systematic allocation of fixed and variable production overheads estimated for normal production level.

Finished goods, semi-finished products and work in progress shall be measured at the end of the reporting period at the lower of cost and net realisable value, after deducting any impairment losses.

Outgoings of finished goods, semi-finished products and work in progress is determined based on the weighted average cost formula, the cost of each item is determined from the weighted average of the cost of similar items produced during the reporting period.

Merchandise and materials are measured initially at acquisition cost.

As at the end of the reporting period merchandise and raw materials are measured at the lower of cost and net realizable value, considering any impairment allowances. Outgoings of merchandise and raw materials are determined based on the weighted average acquisition cost or production cost formula. Impairment tests for specific items of inventories are carried out on a current basis during an annual reporting period. Write-down to net realizable value concerns raw materials and merchandise that are damaged or obsolete.

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

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

21.3.13. Trade and other receivables

Trade and other receivables are recognized initially at the fair value increased by transaction costs and subsequently at amortized cost using the effective interest method less impairment allowances.

Impairment allowances of receivables are calculated based on the expected credit loss model.

Recognition and reversal of impairment losses on receivables are recognized in other operating activity in relation to principal amount and in financial activities in relation to interest for delay payments.

21.3.14. Cash and cash equivalents

Cash comprises cash on hand and in bank accounts. Cash equivalents are short-term highly liquid investments (of original maturity up to three months) that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

21.3.15. Non-current assets held for sale and discontinued operation

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

Non-current assets are classified as held for sale when the following criteria are simultaneously met:

- the sales were declared by the appropriate level of management;
- the assets are available for an immediate sale in their present condition;
- an active program to locate a buyer has been initiated;
- the sale transaction is highly probable and can be settled within 12 months following the sale decision;
- the selling price is reasonable in relation to its current fair value;
- it is unlikely that significant changes to the sales plan of these assets will be introduced.

The classification of asset into this category is made in the reporting period when the classification criteria are met. If the criteria for classification of a non-current asset as held for sale are met after the reporting period, an entity shall not classify a non-current asset as held for sale in those financial statements when issued.

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

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations,
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

The Company shall re-present the disclosures presented with refer to discontinued operation for prior periods presented in the separate financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.

If the Company ceases to classify a discontinued operation, the results of operations previously presented in discontinued operations shall be reclassified and included in the results from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented.

21.3.16. Equity

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

21.3.16.1. Share capital

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

21.3.16.2. Hedging reserve

Hedging reserve relates to valuation and settlement of hedging instruments that meet the criteria of cash flow hedge accounting. The Company applies cash flow hedge accounting to hedge commodity risk, exchange rate risk and interest rate risk. Changes in fair value, which are an ineffective part of the hedge relationship, are recognized in the statement of profit or loss.

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21.3.16.3. Revaluation reserve

Revaluation reserve comprises revaluation of items, which, according to the Company's regulations, relates to the revaluation reserve, including particularly:
- change of the fair value of the available-for-sale financial assets;
- differences between the net book value and the fair value of the investment property at the date of reclassification from the property occupied by the Company to the investment property.

21.3.16.4. Retained earnings

Retained earnings include:
- the amounts arising from profit distribution/loss cover,
- the undistributed result for prior periods,
- the current reporting period profit/loss,
- the effects (profit/loss) of prior period errors,
- changes in accounting principles,
- other reserve capital as additional payments to equity,
- the actuarial gains and losses from retirement benefits.

21.3.17. Trade and other liabilities

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

Accruals are liabilities due for goods or services received/provided, but not paid, invoiced or formally agreed with the seller, together with amounts due to employees.

Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much lower than it is for provisions.

21.3.18. Provisions

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

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Provisions are not recognised for the future operating losses.

21.3.18.1. Environmental provision

The Company creates provisions for future liabilities due to reclamation of contaminated land or water or elimination of harmful substances if there is such a legal or constructive obligation. Environmental provision for reclamation is periodically reviewed on the basis of contaminated assessment.

21.3.18.2. Jubilee bonuses and retirement benefits

Under the Company's remuneration plans, its employees are entitled to jubilee bonuses and retirement benefits. The jubilee bonuses are paid to employees after elapse of a defined number of years in service. The retirement benefits are paid once at retirement. The amount of retirement benefits and jubilee bonuses depends on the number of years of service and an employee's average remuneration.

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

The provision for jubilee bonuses, retirement and pension benefits is created in order to allocate costs to relevant periods.

The present value of those liabilities is estimated at the end of each reporting period by an independent actuary and adjusted if there are any material indications impacting the value of the liabilities. The accumulated liabilities equal discounted future payments, considering the demographic and financial assumption including employee rotation, planned increase of remuneration and relate to the period ended at the last day of the reporting year. Actuarial gains and losses from:
- post employment benefits are recognized in components of other comprehensive income,
- other employment benefits, including jubilee bonuses, are recognized in the statement of profit and loss.

21.3.18.3. Shield programs

Shield programs provision (restructuring provision) is created when the Company started to implement the restructuring plan or announced the main features of the restructuring plan to those affected by it in a sufficiently specific manner to raise a valid expectation in them that the restructuring will be carried out. A restructuring provision shall include only the direct expenditures arising from the restructuring, i.e. connected with the termination of employment (paid leave payments and compensations), termination of lease contracts, dismantling of assets.

21.3.18.4. Other provisions

Other provisions include mainly provisions for legal proceedings and are recognized after consideration of all available information, including opinions of independent experts. If on the basis of such information it is more likely than not that a present obligation exists at the end of the reporting period, the Company recognises a provision (if the recognition criteria are met).

If it is more likely that no present obligation exists at the end of the reporting period, the Company discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.

21.3.19. Government grants

Government grants are transfers of resources to the Company by government, government agencies and similar bodies whether local, national or international in return for past or future compliance with certain conditions relating to the activities of the entity.

Government grants are recognized in the statement of financial position as deferred income when there is reasonable assurance that it will be received and that the Company will comply with the conditions attached to it.Grants related to costs are presented as compensation to the given cost at the period they are incurred. The surplus of the received grant over the value of the given cost is presented as other operating income.

If the government grants relates to assets, it is presented net with the related asset and is recognized in statement of profit or loss on a systematic basis over the useful life of the asset through the decreased depreciation charges.

21.3.20. Separate statement of cash flows

The separate statement of cash flows is prepared using indirect method.

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

Dividends received are presented in cash flows from investing activities.

Dividends paid are presented in cash flows from financing activities.

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

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

21.3.21. Financial instruments

21.3.21.1. Measurement of financial assets and liabilities

At initial recognition, the Company measures financial assets and liabilities at its fair value plus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of the reporting period the Company measures loans and receivables including trade receivables at amortized cost using effective interest rate method. Effective interest is the rate which discounts estimated future cash flows or payments made in expected periods until financial instrument expiration, and in justified situations in shorter period, up to net book value of financial asset or liability.

At the end of the reporting period the Company measures its financial liabilities at amortized cost using the effective interest rate method.

21.3.21.2. Transfers

In the Company there were no particular circumstances for the reclassification of the financial instruments measured at fair value through profit or loss.

21.3.22. Fair value measurement

The Company classifies financial assets into one of the following categories:
- measured at amortized cost,
- measured at fair value through other comprehensive income,
- measured at fair value through profit or loss,
- hedging financial instruments.

The Company classifies debt financial assets to the appropriate category depending on the business model of financial assets management and on the characteristics of contractual cash flows for a given financial asset.

The Company as assets measured at amortized cost classifies trade receivables, loans granted, other financial receivables as well as cash and cash equivalents.

At the moment of initial recognition, the Company classifies equity instruments, i.e. shares in other entities, to the category of financial instruments measured at fair value through other comprehensive income.

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21.3.22. Fair value measurement (continued)

The Company classifies to assets measured at fair value through profit or loss derivatives that are not designated for hedge accounting and hedged items that are measured in accordance with hedge accounting principles.

The Company classifies financial liabilities into one of the following categories:
- measured at amortized cost,
- measured at fair value through profit or loss,
- hedging financial instruments.

The Company as liabilities measured at amortized cost classifies trade liabilities, loans, borrowings and bonds. Liabilities on derivatives not designated for hedge accounting are classified by the Group/Company as measured at fair value through profit or loss.

The Company classifies to the category of hedging financial instruments, financial assets and liabilities which constitute derivative hedging cash flows and fair value.

Measurement of financial assets at amortized cost

The Company applies the effective interest rate method to measure financial assets at amortized cost.
Trade receivables after initial recognition are measured at amortized cost using the effective interest rate method, including impairment allowances, while trade receivables with a maturity of less than 12 months from the date of recognition (i.e. not including the financing component) and not appointed to factoring, are not discounted and are measured at nominal value.

Measurement of financial assets at fair value through other comprehensive income

Gains and losses on a financial asset constituting an equity instrument for which was applied the option of fair value through other comprehensive income is recognized in other comprehensive income, except for revenues from received dividends.

Measurement of financial assets at fair value through profit or loss

Gains or losses on the measurement of a financial asset that is classified as measured at fair value through profit or loss are recognized in profit or loss during the period in which they were recognized. Gains or losses from the valuation of items measured at fair value through profit or loss also include interest and dividend income.

Measurement of hedging financial instruments

Hedging financial instruments are measured in accordance with the principles of hedge accounting.

21.3.23. Lease

A lease is an agreement whereby a lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

Assets used under the operating lease, that is under the agreement that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee, are recognised as assets of the lessor. Determining whether the transfer of risks and rewards exists depends on the assessment of essence of the economic substance of the transaction.

21.3.24. Contingent assets and liabilities

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

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

Contingent assets are not recognized in the statement of financial position as it may lead to recognition of the income, which will never be gained; however the respective information on the contingent receivable is disclosed if the inflow of assets relating to economic benefits is probable the Company discloses respective information on the contingent asset in the additional information to financial statements and if practicable, estimates the influence on financial results, as according to accounting principles for valuation of provisions.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, an entity discloses the contingent asset.

21.3.25. Subsequent events after the reporting date

Subsequent events after the reporting date are those events, favourable and unfavourable which occur between end of the reporting period and date of when the financial statements are authorized for issue. Two types of subsequent events can be identified:
- those, that provide evidence of conditions that existed as the end of the reporting period (events after the reporting period requiring adjustments), and

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- those that are indicative of conditions that arose after the reporting period (events after the reporting period not requiring adjustments).

22. Application of professional judgement and assumptions

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

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

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

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in notes 7. Tax expense, 8. Property, plant and equipment, 9. Intangible assets, 16. Financial instruments and 16.5.3. Changes in impairment allowances of trade and other receivables.

The accounting policies described above have been applied consistently to all periods presented in these separate financial statements.

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SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2019 (in thousands of CZK)

23. The parent company and structure of the consolidated Group

23.1. Group structure

The following table shows subsidiaries and joint operations forming the consolidated group of UNIPETROL, a.s., and the parent company's interest in the capital of subsidiaries and joint operations held either directly by the parent company or indirectly by the consolidate subsidiaries into the Operating segments (as of 31 December 2019).

Name and place of business	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries	Operating segment	Website
Parent company				
UNIPETROL, a.s. Milevská 2095/5, 140 00 Praha 4, Czech Republic			Corporate Functions	www.unipetrol.cz
Subsidiaries consolidated in full method				
HC VERVA Litvínov, a.s. Litvínov, S.K. Neumanna 1598, Czech Republic	–	70.95%	Corporate Functions	www.hokej-litvinov.cz
Nadace Unipetrol Záluží 1, 436 70 Litvínov, Czech Republic	–	100.00%	Corporate Functions	www.nadaceunipetrol.cz
PARAMO, a.s. Přerovská 560, Svítkov, 530 06 Pardubice, Czech Republic	100.00%	–	Downstream	www.paramo.cz
PETROTRANS, s.r.o. Střelničná 2221, 182 00 Praha 8, Czech Republic	0.63%	99.37%	Downstream	www.petrotrans.cz
SPOLANA s.r.o. ul. Práce 657, 277 11 Neratovice, Czech Republic	100.00%	–	Downstream	www.spolana.cz
UNIPETROL Deutschland GmbH Paul Ehrlich Str. 1/B, 63225 Langen/Hessen, Germany	0.10%	99.90%	Downstream	www.unipetrol.de
UNIPETROL DOPRAVA s.r.o. Litvínov - Růžodol č.p. 4, 436 70 Litvínov, Czech Republic	0.12%	99.88%	Downstream	www.unipetroldoprava.cz
UNIPETROL RPA, s.r.o. Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00%	–	Downstream Corporate Functions Retail	www.unipetrolrpa.cz
UNIPETROL RPA Hungary Kft. 2040 Budaörs, Puskás Tivadar utca 12, Hungary	–	100.00%	Downstream	
UNIPETROL SLOVENSKO s.r.o. Jašíkova 5, Ružinov, 821 03 Bratislava, Slovak Republic	13.04%	86.96%	Downstream Retail	www.unipetrol.sk
Unipetrol výzkumně vzdělávací centrum, a.s. Revoluční 84/č.p. 1521,Ústí nad Labem, Czech Republic	100.00%	–	Corporate functions	www.vuanch.cz
Joint operations consolidated based on shares in assets and liabilities				
Butadien Kralupy a.s. O. Wichterleho 810, 278 01 Kralupy nad Vltavou, Czech Republic	51.00%	–	Downstream	www.butadien.cz

The Group has a 70.95% interest in HC VERVA LITVÍNOV, a.s., the remaining non-controlling interest in this company is owned by municipality of Litvínov.

24. Events after the reporting date

The Company's management is not aware of any other events that have occurred since the balance sheet date that would have any material impact on the financial statements as at 31 December 2019.

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25. Statement of the Management Board and approval of the financial statements

The Management Board of PETROTRANS, s.r.o. hereby declares that to its best knowledge the foregoing financial statements and comparative data were prepared in compliance with the accounting principles applicable to the Company in force (disclosed in note 21) and that they reflect true and fair view on financial position and financial result of the Company, including basic risks and exposures.

The separate financial statements were authorized for issue by the Company's statutory representatives on 16 February 2020.

Signature of statutory representative	
	Paweł Łamacz Statutory representative

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PETROTRANS, s.r.o.
with registered office at Střelničná 2221/50, 182 00 Praha 8
Corporate ID: 25123041

entered in the Commercial Register maintained by the Municipal Court in Prague
Section C, Enclosure 124377

REPORT ON RELATIONS BETWEEN THE CONTROLLING PERSON AND THE CONTROLLED PERSON AND BETWEEN THE CONTROLLED PERSON AND OTHER PERSONS CONTROLLED BY THE SAME CONTROLLING PERSON

in 2019

in accordance with article 82 of the Act No. 90/2012 Coll., on Business Companies and Cooperatives (Act on Business Corporations), as amended (hereinafter the „Act on Business Corporations")

Financial period from 1.1.2019 to 31.12.2019 is the vesting period for this Report on relations between the controlling person and the controlled person and between the controlled person and other persons controlled by the same controlling person (hereinafter the „Report on Relations").

The structure of relations between the entities

Controlled Person

PETROTRANS, s.r.o. with registered office at Střelničná 2221/50, 182 00 Praha 8, Corporate ID: 25123041, entered in the Commercial Register maintained by the Municipal Court in Prague, Section C, Enclosure 124377 (hereinafter „PETROTRANS, s.r.o.").

Controlling Persons

UNIPETROL RPA, s.r.o. with registered office at Litvínov - Záluží 1, 436 70, Corporate ID: 27597075, entered in the Commercial Register maintained by the Regional Court in Ústí nad Labem, Section C, Enclosure 24430 (hereinafter „UNIPETROL RPA, s.r.o.").

UNIPETROL, a.s. with registered office at Milevská 2095/5, 140 00 Praha 4, Corporate ID: 616 72 190, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Enclosure 3020 (hereinafter „UNIPETROL, a.s.")., which is the sole member of UNIPETROL RPA, s.r.o.

Polski Koncern Naftowy ORLEN Spólka Akcyjna with registered office at Chemików 7, PŁOCK, Poland which was the majority shareholder of UNIPETROL, a.s. and since October 1, 2018 is the sole member of UNIPETROL, a.s.

Other Controlled Persons

The entities controlled by the Controlling Person – Polski Koncern Naftowy ORLEN Spólka Akcyjna are members of business group „PKN ORLEN S.A.", whose scheme is shown in Appendix No. 2.

The entities controlled by UNIPETROL, a.s. are members of PKN ORLEN S.A. business group and are also members of „UNIPETROL" business group, whose scheme is shown in Appendix No. 1.

The role of the Controlled Person

The role of PETROTRANS, s.r.o. within the business group is transport of fuels and the related activities

The method and means of controlling

UNIPETROL RPA, s.r.o. is the majority partner of PETROTRANS, s.r.o. and has direct influence in PETROTRANS, s.r.o.. UNIPETROL, a.s. is a minority partner of PETROTRANS, s.r.o. and the sole member of UNIPETROL RPA, s.r.o. and applies indirectly decisive influence

Polski Koncern Naftowy ORLEN Spólka Akcyjnaje which was the majority shareholder of UNIPETROL, a.s. and since October 1, 2018 is the sole member of UNIPETROL, a.s. and has indirect influence in PETROTRANS, s.r.o. through UNIPETROL RPA, s.r.o. and UNIPETROL a.s.

The list of actions undertaken in the last financial period made on instigation or in the interest of the Controlling Person or entities controlled by such entity, on condition such actions concern assets exceeding 10% of the controlled entity's equity capital identified in the last financial statements.

In the vesting period there were no actions carried out in accordance with § 82 of the Act on Business Corporations, section 2, letter d.

The list of mutual agreements between the Controlled Person and the Controlling Person or between the Controlled Persons

The mutual agreements among PETROTRANS, s.r.o, UNIPETROL RPA, s.r.o., UNIPETROL, a.s. and Polski Koncern Naftowy Spólka Akcyjna and Other Controlled Persons were concluded on the standard terms, while agreed and provided performances or counter-performances were based on the standard terms of business relations.

The list of mutual agreements with the details is enclosed in Appendix No. 3.

The conclusion

The Statutory Representatives PETROTRANS, s.r.o. based on available information declares that PETROTRANS, s.r.o. incurred no detriment, special advantage or disadvantage in accordance with the article 82 (4) of the Act of Business Corporations as a result of any contracts, acts or measures taken between entities in business group. No risks arise from the relations between entities in business group to PETROTRANS, s.r.o. except those arising from standard participation in international business group.

The company's Statutory Representatives prepared the Report on Relations based on information available on the date of the Report on Relations.

The Report on Relations is to be read in conjunction with the Appendix No. 1, 2 and 3.

Prague, 6. 02. 2020

On behalf of the statutory representatives of PETROTRANS, s.r.o.

Paweł Łamacz
Statutory representative

Appendix No. 1

CAPITAL GROUP OF UNIPETROL, a.s. - CONTROLLED COMPANIES

1. 1. 2019 – 31. 12. 2019

Companies controlled by UNIPETROL, a.s.	Residence	Shares in directly and indirectly controlled companies Share in % of the capital		Note
Companies with direct share of UNIPETROL, a.s. Companies with indirect share of UNIPETROL, a.s.		**1.1.**	**31.12.**	
1. UNIPETROL RPA, s.r.o., IČ 275 97 075	Litvínov, Záluží 1, Czech republic	**100,00**	**100,00**	
1.1 HC VERVA Litvínov, a.s., IČ 640 48 098	Litvínov , S.K. Neumanna 1598, Czech republic	70,95	70,95	
1.2 UNIPETROL DOPRAVA, s.r.o., IČ 640 49 701	Litvínov, Růžodol 4, Czech republic	99,88	99,88	0,12% owned by UNIPETROL, a.s.
1.3 UNIPETROL DEUTSCHLAND GmbH, IČ HRB 34346	Langen, Paul-Ehrlich-Strasse 1B, Germany	99,90	99,90	0,10% owned by UNIPETROL, a.s.
1.4 UNIPETROL SLOVENSKO, s.r.o., IČ 357 77 087	Bratislava - mestská časť Ružinov, Jašíkova 2, Slovakia	86,96	86,96	13,04% owned by UNIPETROL, a.s.
1.5 UNIPETROL RPA Hungary Kft., IČ 13-09-181774	2040 Budaörs, Puskás Tivadar utca 12, Hungary	100,00	100,00	
1.6 SPOLANA s.r.o., IČ 451 47 787	Neratovice, ul. Práce 657, Czech republic	100,00	100,00	
1.7 Nadace Unipetrol, IČ 056 61 544	Litvínov, Záluží 1, Czech republic	100,00	100,00	
1.8 PETROTRANS, s.r.o., IČ 251 23 041	Praha 8, Libeň, Střelničná 2221/50, Czech republic	99,37	99,37	0,63% owned by UNIPETROL, a.s.
2. Unipetrol výzkumně vzdělávací centrum, a.s., IČ 622 43 136	Ústí nad Labem, Revoluční 1521/84, Czech republic	**100,00**	**100,00**	
3. PARAMO, a.s., IČ 481 73 355	Pardubice, Svítkov, Přerovská 560, Czech republic	**100,00**	**100,00**	
4. Butadien Kralupy a.s., IČ 278 93 995	Kralupy nad Vltavou, O. Wichterleho 810, Czech republic	51,00	51,00	49,00% shares owned by SYNTHOS Kralupy a.s.
Other companies with share of UNIPETROL, a.s.				
1. UNIVERSAL BANKA, a.s, in bankruptcy, IČ 482 64 865	Praha 1, Senovážné náměstí 1588/4, Czech republic	16,45	16,45	12,24% shares owned by UNIPETROL RPA, s.r.o.
2. ORLEN HOLDING MALTA LIMITED, IČ C 39945	Level 3, Triq ir-Rampa ta' San Giljan, Balluta Bay, St Julians, STJ1062, Malta	0,50	0,50	99,50% shares owned by PKN ORLEN S.A.

Appendix No. 2
Capital Group of PKN ORLEN S.A. - Controlled Companies
1 January 2019 - 31 December 2019

Company controlled by PKN ORLEN S.A.	Residence	Shares in directly and undirectly controlled company		Note
		as at 1.1.2019	as at 31.12.2019	
1. UNIPETROL, a.s.	**Prague**	**100,00%**	**100,00%**	
2. AB ORLEN Lietuva	**Juodeikiai**	**100,00%**	**100,00%**	
2.1 UAB Mazeikiu naftos prekybos namai	Vilnius	100,00%	0,00%	On 9.12.2019 company was incorporated into AB ORLEN Lietuva
2.2 SIA ORLEN Latvija	Riga, Latvia	100,00%	100,00%	On 9.12.2019 company moved directly under AB ORLEN Lietuva
2.3 ORLEN Eesti OU	Tallin, Estonia	100,00%	100,00%	On 9.12.2019 company moved directly under AB ORLEN Lietuva
2.2 UAB EMAS	Juodeikiai	100,00%	0,00%	On 03.06.2019 transfer of company shares to ORLEN Serwis S.A.
3. AB ORLEN Baltics Retail (previously AB Ventus Nafta)	**Vilnius**	**100,00%**	**100,00%**	Change of company name (from AB Ventus Nafta) on 16.10.2019
4. ANWIL S.A.	**Włocławek**	**100,00%**	**100,00%**	
5. Inowrocławskie Kopalnie Soli "SOLINO" S.A.	**Inowrocław**	**100,00%**	**100,00%**	
6. Kopalnia Soli Lubień sp. z o.o.	**Warszawa**	**100,00%**	**100,00%**	
7. ORLEN Administracja Sp. z o.o.	**Płock**	**100,00%**	**100,00%**	
8. ORLEN Asfalt sp. z o.o.	**Płock**	**100,00%**	**100,00%**	
8.1 ORLEN Asfalt Ceska Republika s.r.o.	Pardubice	100,00%	100,00%	
9. ORLEN Serwis S.A.	**Płock**	**100,00%**	**100,00%**	
9.1 ORLEN Service Česká republika s.r.o.	Litvinov	n.d.	100,00%	On 10.12.2019 seting up a new company with 100% shares interest of ORLEN Serwis S.A.
9.2 UAB EMAS	Juodeikiai	100,00%	100,00%	On 03.06.2019 transfer of company shares from AB Orlen Lietuva
10. ORLEN Budonaft Sp. z o.o.	**Limanowa**	**100,00%**	**100,00%**	
11. ORLEN Centrum Serwisowe Sp. z o.o.	**Opole**	**99,33%**	**99,33%**	
12. ORLEN Deutschland GmbH	**Elmshorn**	**100,00%**	**100,00%**	
12.1 ORLEN Detuschland Betriebsgesellschaft mbH	Hamburg	n.d.	100,00%	On 6.11.2019 purchase 100% of shares of Waterside XXXVII Vermögensverwaltungsgesellschaft mbH, and change name of the company
13. ORLEN EKO Sp. z o.o.	**Płock**	**100,00%**	**100,00%**	
14. Orlen Holding Malta Limited	**St. Julians, Malta**	**100,00%**	**100,00%**	99.5% owned by PKN ORLEN S.A., remaining part by UNIPETROL, a.s.
14.1 Orlen Insurance Ltd.	St. Julians, Malta	100,00%	100,00%	99.99% owned by Orlen Holding Malta, remaining part by PKN ORLEN S.A.
15. ORLEN KolTrans S.A.	**Płock**	**99,91%**	**100,00%**	Change of legal form 1.3.2019. On 05.12.2019 PKN ORLEN S.A. purchased 325 shares from minority shareholders. After this transaction PKN ORLEN S.A. became sole shareholder of ORLEN KolTrans S.A.
16. ORLEN Centrum Usług Korporacyjnych sp. z o.o.	**Płock**	**100,00%**	**100,00%**	
17. Orlen Laboratorium S.A.	**Płock**	**100,00%**	**100,00%**	
18. ORLEN Ochrona Sp. z o.o.	**Płock**	**100,00%**	**100,00%**	
18.1 ORLEN Apsauga UAB	Juodeikiai	100,00%	100,00%	
19. ORLEN OIL Sp. z o.o.	**Kraków**	**100,00%**	**100,00%**	
19.1 Platinum Oil Wielkopolskie Centrum Dystrybucji Sp. z o.o.	Baranowo	90,00%	0,00%	On 2.12.2019 Platinum Oil Wielkopolskie Centrum Dystrybucji Sp. z o.o. merged with Orlen Oil Sp. z o.o.
20. ORLEN Paliwa Sp. z o.o.	**Widełka**	**100,00%**	**100,00%**	
21. ORLEN Projekt S.A.	**Płock**	**100,00%**	**100,00%**	
22. ORLEN Upstream Sp. z o.o.	**Warszawa**	**100,00%**	**100,00%**	
22.1. Orlen Upstream Canada Ltd	Calgary	100,00%	100,00%	
22.1.1 1426628 Alberta Ltd.	Calgary	100,00%	100,00%	
22.1.2 OneEx Operations Partnership	Calgary	100,00%	100,00%	99.99% owned by Orlen Upstream Canada Ltd., remaining part by 1426628 Alberta Ltd.
22.1.3 Pieridae Production GP Ltd.	Calgary	50,00%	50,00%	
22.1.3.1 671519 N.B. Ltd.	Saint John	100,00%	100,00%	
22.1.4 KCK Atlantic Holdings Ltd.	Calgary	100,00%	100,00%	
22.1.4.1 Pieridae Production LP	Calgary	80,00%	80,00%	
22.2 FX Energy Inc.	Salt Lake City	100,00%	100,00%	
22.2.1 Frontier Exploration, Inc.	Salt Lake City	100,00%	100,00%	
22.2.2 FX Energy Netherlands Partnership C.V.	Salt Lake City	100,00%	100,00%	99.99% owned by Frontier Exploration, Inc., remaining part by FX Energy Inc.
22.2.2.1 FX Energy Netherlands B.V.	Utrecht	100,00%	100,00%	
22.2.2.1.1 FX Energy Polska Sp. z o.o.	Warszawa	100,00%	100,00%	
23. ORLEN Aviation Sp. z o.o.	**Warszawa**	**100,00%**	**100,00%**	
24. ORLEN Południe S.A.	**Trzebinia**	**100,00%**	**100,00%**	
24.1 Energomedia Sp. z o.o.	Trzebinia	100,00%	100,00%	
24.2 Euronaft Trzebinia Sp. z o.o.	Trzebinia	100,00%	0,00%	On 01.02.2019 the company was incorporated by ORLEN Południe S.A.
24.3 KONSORCJUM OLEJÓW PRZEPRACOWANYCH - ORGANIZACJA OD	Jedlicze	89,00%	89,00%	
25. Ship - Service S.A.	**Warszawa**	**60,86%**	**60,86%**	
27. ORLEN Capital AB	**Stockholm**	**100,00%**	**100,00%**	
28. Baltic Power Sp. z o.o.	**Warszawa**	**100,00%**	**100,00%**	
29. Basell Orlen Polyolefins Sp. z o.o.	**Płock**	**50,00%**	**50,00%**	
29.1 Basell ORLEN Polyolefins Sprzedaż Sp. z o.o.	Płock	100,00%	100,00%	
30. Płocki Park Przemysłowo-Technologiczny S.A.	**Płock**	**50,00%**	**50,00%**	
30.1 Centrum Edukacji Sp. z o.o.	Płock	69,43%	69,43%	
31. ORLEN Usługi Finansowe	Warszawa	n.d.	100,00%	On 9.5.2019 establisment of the company with 100% ownership of PKN ORLEN S.A.
32. Sigma BIS S.A.	Warszawa	n.d.	66,00%	On 3.10.2019 PKN ORLEN purchased 66% shares of Sigma BIS S.A.

Appendix No. 3

THE LIST OF MUTUAL AGREEMENTS BETWEEN THE CONTROLLING AND CONTROLLED ENTITY OR BETWEEN THE CONTROLLED ENTITIES

No. of agreement / appendix	Type	Company	Subject of the agreement	Agreement date
	cooperation agreement	UNIPETROL RPA, s.r.o., previously BENZINA, s.r.o.	Monitoring of drivers and vehicles	13.7.2007
	Frame contract	UNIPETROL RPA, s.r.o., previously BENZINA, s.r.o.	for usage of BENZINA Tank payment cards	15.4.2019
ULOP2017T0060	contract	UNIPETROL RPA, s.r.o.	Cards for entry into the terminal	20.9.2017
14/Do/2008 (142-2008)	contract	PARAMO, a.s.	Transport contract	30.9.2008
14/Do/2008	amendment no. 1	PARAMO, a.s.	Transport contract -contractual payment	1.9.2009
14/Do/2008	amendment no.. 2	PARAMO, a.s.	Transport contract -contractual payment	25.6.2010
14/Do/2008	amendment no.. 3	PARAMO, a.s.	Transport contract -contractual payment	18.5.2011
72-2019	agreement	PARAMO, a.s.	Contract on lease and services	16.5.2019
0599-2014	contract	UNIPETROL RPA, s.r.o.	Transport contract (CPLD)	1.8.2014
0599-2014	amendment no. 1	UNIPETROL RPA, s.r.o.	Transport contract - rates	1.1.2016
0599-2014	amendment no. 2	UNIPETROL RPA, s.r.o.	Transport contract - rates	1.10.2016
0599-2014	amendmant no. 3	UNIPETROL RPA, s.r.o.	Transport contract - rates	1.9.2017
0599-2014	amendmant no. 4	UNIPETROL RPA, s.r.o.	Transport contract - driver rating	6.2.2018
0599-2014	amendment no. 5	UNIPETROL RPA, s.r.o.	Transport contract -Annex no 1 Financial agreement	1.5.2018
0599-2014	amendment no. 6	UNIPETROL RPA, s.r.o.	Transport contract - Annext 1.B list of vehicles, fuel	1.7.2018
0599-2014	amendment no. 7	UNIPETROL RPA, s.r.o.	Transport contract - rates	31.1.2019
0599-2014	amendment no. 8	UNIPETROL RPA, s.r.o.	Transport contract - rates	29.4.2019
0599-2014	amendment no. 9	UNIPETROLRPA, s.r.o.	Transport contract - rates	19.12.2019
0277-2019	contract	UNIPETROL RPA, s.r.o.	Contract on lease and services	3.7.2019
0120/2016	contract	UNIPETROL RPA, s.r.o.	Contract for the supply of energy	29.2.2016
0120/2016	amendment no. 1	UNIPETROL RPA, s.r.o.	Contract fort he supply of energy - change of rate	28.2.2017
0120/2016	amendment no. 2	UNIPETROL RPA, s.r.o.	Contract fort he supply of energy - change of rate	27.2.2018
0120/2016	amendment no. 3	UNIPETROL RPA, s.r.o.	Contract fort he supply of energy - change of rate	31.1.2019
0120/2016	amendment no. 4	UNIPETROL RPA, s.r.o.	Contract fort he supply of energy - change of rate	16.5.2019
0120/2016	amendment no. 5	UNIPETROL RPA, s.r.o.	Contract fort he supply of energy - change of rate	12.11.2019
213/2016	contract	UNIPETROL RPA, s.r.o.	Contract for the supply water	28.4.2016
213/2016	amendment no. 1	UNIPETROL RPA, s.r.o.	Contract fort he supply water - change of rate	28.3.2017
213/2016	amendment no. 2	UNIPETROL RPA, s.r.o.	Contract fort he supply water - change of rate	1.1.2018
213/2016	amendment no. 3	UNIPETROL RPA, s.r.o.	Contract fort he supply water - change of rate	12.4.2019
0159-2016	agreement	UNIPETROL RPA, s.r.o.	Provision of services (BU1)	1.11.2016
0159-2017	amendment no. 1	UNIPETROL RPA, s.r.o.	Payment terms and billing - change	1.5.2017
0159-2017	amendment no. 2	UNIPETROL RPA, s.r.o.	Change of transport rates	1.11.2018
S200/133/07	loan agreement	UNIPETROL, a.s.	Grant of revolving credit	13.8.2007
	loan agreement	UNIPETROL, a.s.	Cash pool A	3.1.2017
	loan agreement	UNIPETROL, a.s.	Cash pool B	3.1.2017
22	agreement	UNIPETROL, a.s.	Insurance for statutory bodies	7.3.2019
0136-2015	agreement	UNIPETROL, a.s.	Provision of services (CLA)	29.2.2016
	agreement	UNIPETROL, a.s.	Cooperation in the group	5.10.2009
0081-2016	agreement	UNIPETROL RPA, s.r.o.	Provision of services (SLA)	28.4.2016
0081-2016	amendment no. 1	UNIPETROL RPA, s.r.o.	Provision of services	23.8.2017
0081-2016	amendment no. 2	UNIPETROL RPA, s.r.o.	Provision of services	6.12.2017
0081-2016	amendment no. 3	UNIPETROL RPA, s.r.o.	Provision of services	25.4.2018
0081-2016	amendment no. 4	UNIPETROL RPA, s.r.o.	GDPR	17.7.2018
0081-2016	amendment no. 5	UNIPETROL RPA, s.r.o.	Provision of services	8.8.2019
	transport contract	UNIPETROL Slovensko, s.r.o.	Fuel transport contract	1.2.2009
	cooperation agreement	PKN Orlen S.A.	cooperation agreement	16.6.2005
FK/932	cooperation agreement	PKN Orlen S.A.	Cooperation agreement	31.8.2014