Annual report 2017

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: Radek Nechleba, Emanuel Jakisch, 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 Na Pankráci, 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 Na Pankráci 127, 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 2017.

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 2017. The English language version of PETROTRANS' Annual Report 2017 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, provides the supply network of filling stations and wholesale customers fuel, namely in the Czech Republic and Slovakia. With transported products company not traded.

Financial situation of the company was very good. PETROTRANS, s.r.o met its obligation to the third parties and employees in regular terms. This way intends to continue in 2018.

Prague 8th February 2018

Signature of statutory representatives

Radek Nechleba Statutory Representative	Tomáš Sedlák Statutory Representative	Emanuel Jakisch Statutory Representative

Attachments:

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

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

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

FOR THE YEAR 2017

Index

OPRÁVNĚNÍ Č. 277
KA ČR
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OTHER EXPLANATORY NOTES

Příloha č. 1

(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

Statement of profit or loss			
Revenues	3.	305 025	276 315
Cost of sales	4.1.	(287 955)	(249 678)
Gross profit on sales		**17 070**	**26 637**
Distribution expenses		(6 162)	(6 738)
Administrative expenses		(6 285)	(5 288)
Other operating income	5.1.	8 022	1 479
Other operating expenses	5.2.	(343)	(624)
Profit/(loss) from operations		**12 302**	**15 466**
Finance costs	6.	(516)	(201)
Net finance income (costs)		**(516)**	**(201)**
Profit before tax		**11 786**	**15 265**
Tax expense	7.	(2 200)	(2 857)
Net profit/(loss)		**9 586**	**12 408**
Other comprehensive income			
Items which will not be reclassified into profit or loss		**49**	**25**
Actuarial gains and losses		*61*	*31*
Deferred tax		*(12)*	*(6)*
		49	**25**
Total net comprehensive income		**9 635**	**12 433**

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The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements set out on pages 7 to 33.

(in thousands of CZK)

Kopie č. 2

Statement of financial position

ASSETS			
Non-current assets			
Property, plant and equipment	8.	35 074	7 086
Intangible assets	9.	263	145
Deferred tax assets	7.2.	19	-
		35 356	**7 231**
Current assets			
Trade and other receivables	10.	37 838	38 549
Other financial assets	11.	6 486	31 876
Current tax assets		1 643	631
Cash and cash equivalents	12.	1 241	1 959
		47 208	**73 015**
Total assets		**82 564**	**80 246**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13.1.	16 000	16 000
Retained earnings	13.2.	25 509	28 282
Total equity		41 509	**44 282**
LIABILITIES			
Non-current liabilities			
Provisions	14.	138	130
Deferred tax liabilities		-	475
		138	**605**
Current liabilities			
Trade and other liabilities	15.	40 882	35 277
Provisions	14.	34	82
Other financial liabilities		1	-
		40 917	**35 359**
Total liabilities		41 055	**35 964**
Total equity and liabilities		**82 564**	**80 246**

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Příloha č. 3

(in thousands of CZK)

Statement of changes in equity

01/01/2017	16 000	28 282	44 282	44 282
Net gain (loss)	-	9 586	9 586	9 586
Items of other comprehensive income	-	49	49	49
Total net comprehensive income	-	**9 635**	**9 635**	**9 635**
Dividends paid	-	**(12 408)**	**(12 408)**	**(12 408)**
31/12/2017	**16 000**	**25 509**	**41 509**	**41 509**
01/01/2016	16 000	21 439	37 439	37 439
Net gain (loss)	-	12 408	12 408	12 408
Items of other comprehensive income	-	25	25	25
Total net comprehensive income	-	**12 433**	**12 433**	**12 433**
Correction of the profit from previous year	-	2 413	2 413	2 413
Dividends paid	-	**(8 003)**	**(8 003)**	**(8 003)**
31/12/2016	**16 000**	**28 282**	**44 282**	**44 282**

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The separate financial statements are to be read in conjunction with the notes forming part of the separate [illegible] statements [illegible] on pages 7 to 33.

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(in thousands of CZK)

Statement of cash flows

Cash flows from operating activities			
Net profit/(loss)		9 586	12 408
Adjustments for:			
Share in profit from investments accounted for under equity method			
Depreciation and amortisation	4., 8., 9.	6 162	6 738
Interest and dividends, net		30	-
(Profit)/Loss on investing activities		(6 973)	(38)
Change in provisions		20	(138)
Tax expense	7.	2 200	2 857
Income tax (paid)	7.3.	(3 717)	(1 977)
Other adjustments		-	2 413
Change in working capital		6 317	(11 717)
receivables		712	(10 105)
liabilities		5 605	(1 612)
Net cash provided by/(used in) operating activities		**13 625**	**10 546**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(34 268)	-
Disposal of property, plant and equipment and intangible assets		6 973	38
Proceeds/(Outflows) from cash pool granted		25 389	(3 005)
Other		(1)	-
Net cash provided by/(used in) investing activities		**(1 907)**	**(2 967)**
Cash flows from financing activities			
Interest paid		(29)	-
Dividends paid		(12 408)	(8 003)
Other		1	-
Net cash provided by/(used in) financing activities		**(12 436)**	**(8 003)**
Net increase/(decrease) in cash and cash equivalents		(718)	**(424)**
Effect of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents, beginning of the period		1 959	2 383
Cash and cash equivalents, end of the period	12.	**1 241**	**1 959**

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The separate financial statements are to be read in conjunction with the notes forming part of the separate financial statements on pages 7 to 33.

(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,
- leasing and renting 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 2017.

Statutory representatives of the company
Statutory representatives of the Company as at 31 December 2017 were as follows:

[illegible]	[illegible]
Statutory representative	Radek Nechleba
Statutory representative	Emanuel Jakisch
Statutory representative	Tomáš Sedlák

There were no changes in the statutory representatives during 2017.

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, Na Pankráci 127, 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 2017. 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 2017, results of its operations and cash flows for the year ended 31 December 2017.

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.

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(in thousands of CZK)

EXPLANATORY NOTES TO THE SEPARATE FINANCIAL STATEMENTS

3. Revenues

	2017	2016
Sales of services	305 025	276 315
Revenues from sales of finished goods and services, net	**305 025**	**276 315**
	305 025	**276 315**

3.1. Geographical information

	2017	2016
Czech Republic	287 414	243 298
Germany	-	9 280
Slovakia	17 611	23 737
	305 025	**276 315**

3.2. Major customers

The Company has a customer outside of the Group to which realized revenues in excess of 10% of total sales.

3.3. Revenues from major products and services

Revenues arising from transport of fuels and lubricants.

4. Operating expenses

4.1. Cost of sales

	2017	2016
Cost of finished goods and services sold	(287 955)	(249 678)
	(287 955)	**(249 678)**

4.2. Cost by nature

	2017	2016
Materials and energy	(70 834)	(69 741)
External services	(103 298)	(82 876)
Employee benefits	(94 975)	(78 982)
Depreciation and amortisation	(6 162)	(6 738)
Taxes and charges	(15 769)	(13 705)
Other	(9 707)	(10 286)
Operating expenses	**(300 745)**	**(262 328)**
Distribution expenses	6 162	6 738
Administrative expenses	6 285	5 288
Other operating expenses	343	624
Cost of sales	**(287 955)**	**(249 678)**

4.3. Employee benefits costs

	2017	2016
Wages and salaries	(67 540)	(56 178)
Future benefits expenses	(20)	26
Social security expenses	(23 272)	(19 278)
Other employee benefits expenses	(4 143)	(3 552)
	(94 975)	**(78 982)**

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

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SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2017 (in thousands of CZK)

4.3.1. Employee benefits costs – additional information

Wages and salaries	(63 486)	(4 054)	(67 540)
Social and health insurance	(22 090)	(1 182)	(23 272)
Social expense	(3 904)	(239)	(4 143)
Change of employee benefits provision	(20)	-	(20)
	(89 500)	**(5 475)**	**(94 975)**
Number of employees average per year	134	3	137
Number of employees as at balance sheet day	141	3	144

Wages and salaries	(51 349)	(4 829)	(56 178)
Social and health insurance	(17 844)	(1 434)	(19 278)
Social expense	(3 413)	(139)	(3 552)
Change of employee benefits provision	26	-	26
	(72 580)	**(6 402)**	**(78 982)**
Number of employees average per year	132	6	138
Number of employees as at balance sheet day	125	6	131

5. Other operating income and expenses

5.1. Other operating income

	2017	2016
Profit on sale of non-current non-financial asets	6 973	38
Penalties and compensations earned	483	533
VAT refunds	256	349
Other	310	559
	8 022	**1 479**

In 2016 the line „Other" includes dissolution of accruals in amount of CZK 320 thousand .

5.2. Other operating expenses

	2017	2016
Recognition of receivables impairment allowances	-	(2)
Penalties and compensations	(250)	(504)
Other	(93)	(118)
	(343)	**(624)**

6. Finance costs

	2017	2016
Interest	(30)	-
Foreign exchange loss surplus	(393)	(84)
Other	(93)	(117)
	516	**201**

7. Tax expense

	2017	2016
Income tax expense in the statement of profit or loss		
Current income tax	(2 705)	(4 077)
Deferred income tax	505	1 220
	(2 200)	**(2 857)**
Income tax expense in other comprehensive income		
Other	(12)	(6)
	(12)	**(6)**
	(2 212)	**(2 863)**

Domestic income tax is calculated in accordance with the Czech tax regulations at the rate of 19% in 2017 (2016: 19%) of the estimated taxable income for the year. The deferred tax has been calculated using tax rate approved for the year 2017 and forward i.e. 19%.

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(in thousands of CZK)

7.1. The differences between tax expense recognized in profit or loss and the amount calculated based on profit before tax

Profit / (loss) for the year	9 586	12 408
Total income tax credit (expense)	(2 200)	(2 857)
Profit / (loss) excluding income tax	11 786	15 265
Income tax using domestic income tax rate	(2 239)	(2 900)
Non-deductible expenses	28	(42)
Tax relief	131	81
Under (over) provided in prior periods	(120)	(26)
Other differences	-	30
Total income tax credit (expense)	**(2 200)**	**(2 857)**
Effective tax rate	**(18.67%)**	**(18.72%)**

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 2017 and onward).

The movements in deferred tax liabilities were as follows:

	1/1/2017	Deferred tax recognized in Statement of Profit or loss	Deferred tax recognized in Other comprehensive income	31/12/2017
Deferred tax liabilities				
Property, plant and equipment	1 174	(309)	-	865
Provisions	(840)	(87)	12	(915)
Finance lease	141	(109)	-	31
	475	**(505)**	**12**	**(19)**
	475	**(505)**	**12**	**(19)**

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.

7.3. Tax expense (paid)

	2017	2016
Tax expense on profit before tax	(2 200)	(2 857)
Change in deferred tax assets and liabilities	(494)	(1 214)
Change in current tax assets and liabilities	(1 012)	2 100
Deferred tax recognized in Other comprehensive income	(12)	(6)
	(3 717)	(1 977)

(in thousands of CZK)

8. Property, plant and equipment

8.1. Changes in property, plant and equipment

[illegible]	[illegible]	[illegible]	[illegible]
01/01/2017			
Net book value			
Gross book value	503	136 875	137 378
Accumulated depreciation and impairment allowances	(461)	(129 832)	(130 293)
	43	7 043	7 086
Increase/(decrease) net			
Investment expenditures	-	34 087	34 087
Depreciation	(19)	(6 079)	(6 098)
31/12/2017			
Net book value	24	35 051	35 074
Gross book value	503	130 910	131 413
Accumulated depreciation and impairment allowances	(480)	(95 859)	(96 338)
	24	35 051	35 074
01/01/2016			
Net book value			
Gross book value	503	137 192	137 696
Accumulated depreciation and impairment allowances	(444)	(123 518)	(123 963)
	59	13 674	13 733
Increase/(decrease) net			
Depreciation	(16)	(6 631)	(6 648)
Sale	-	-	-
31/12/2016			
Net book value	43	7 043	7 086

8.2. Other information

	2017	2016
The gross book value of all fully depreciated property, plant and equipment still in use	1 017	4 231
	1 017	4 231

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 2017 would be higher by CZK 360 thousand.

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR 2017 (in thousands of CZK)

9. Intangible assets

9.1. Changes in intangible assets

	[illegible]	[illegible]	[illegible]
01/01/2017			
Net book value			
Gross book value	2 113	100	2 213
Accumulated amortisation and impairment allowances	(2 068)	-	(2 068)
	45	**100**	**145**
Increase/(decrease) net			
Amortization	(64)	-	(64)
31/12/2017			
Net book value	**162**	**100**	**263**
Gross book value	2 294	100	2 395
Accumulated amortisation and impairment allowances	(2 132)	-	(2 132)
	162	**100**	**263**
01/01/2016			
Net book value			
Gross book value	2 113	100	2 213
Accumulated amortisation and impairment allowances	(1 977)	-	(1 977)
	136	**100**	**236**
Increase/(decrease) net			
Amortization	(90)	-	(90)
31/12/2016			
Net book value	**45**	**100**	**145**

9.2. Other information

	[illegible]	[illegible]
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 2017 would be without change.

10. Trade and other receivables

	31/12/2017	31/12/2016
Trade receivables	33 168	36 607
Other	504	604
Financial assets	**33 673**	**37 211**
Excise tax and fuel charge receivables	-	-
Other taxation, duty, social security receivables	2 886	190
Prepayments and deffered costs	1 279	1 148
Non-financial assets	**4 165**	**1 338**
Receivables, net	**37 838**	**38 549**
Receivables impairment allowance	3 195	3 195
Receivables, gross	**41 033**	**41 744**

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 34 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. Other financial assets

	31/12/2017	31/12/2016
Cash pool	6 486	31 876
	6 486	**31 876**

The Company is part of the Group's cash pool system which closing balances are shown in the table above.

(in thousands of CZK)

12. Cash and cash equivalents

	31/12/2017	31/12/2016
Cash on hand and in bank	1 241	1 959
	1 241	**1 959**

13. Equity

13.1. Share capital

The share capital of the Company as at 31 December 2017 amounted to CZK 16 000 thousand (as at 31 December 2016: CZK 16 000 thousand). Share of 99.4% is owned by UNIPETROL RPA, s.r.o., remaining share is owned by UNIPETROL, a.s.

13.2. Retained earnings

On the basis of shareholder's decision on 1 March 2017 the profit for the year 2016 of CZK 12 408 thousand was distributed as follows: amount of CZK 12 330 thousand to UNIPETROL RPA, s.r.o and amount of CZK 78 thousand to UNIPETROL, a.s.

14. Provisions

	Long-term		Short-term		Total	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Jubilee bonuses and retirement benefits provision	138	130	34	82	172	212
	138	**130**	**34**	**82**	**172**	**212**

14.1. Changes in provisions

	Jubilee bonuses and retirement benefits provision	Other provision	Total
01/01/2017	212	-	212
Utilization of provision	(24)	-	(24)
Release of provision	(16)	-	(16)
	172	-	**172**

	Jubilee bonuses and retirement benefits provision	Other provision	Total
01/01/2016	270	112	382
Utilization of provision	(7)	(112)	(119)
Release of provision	(51)	-	(51)
	212	-	**212**

14.2. 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 1.50% p.a. in 2017 (2016: 0.56%). Should the prior year's assumptions be used, the provision for the jubilee bonuses and retirement benefits would be higher by CZK 26 thousand.

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(in thousands of CZK)

14.2.1. Change in employee benefits obligations

	Provision for jubilee bonuses 31/12/2017	Provision for jubilee bonuses 31/12/2016	Retirement benefits 31/12/2017	Retirement benefits 31/12/2016	Total 31/12/2017	Total 31/12/2016
At the beginning of the year	101	143	111	127	212	270
Current service cost	28	29	13	21	41	50
Interest expense	1	1	1	1	1	2
Actuarial gains and losses, net	3	(72)	(61)	(31)	(58)	(103)
demographic assumptions	*21*	*(9)*	*(40)*	*(3)*	*(19)*	*(12)*
financial assumtions	*(3)*	-	*(4)*	-	*(7)*	-
other issues	*(16)*	*(63)*	*(37)*	*(28)*	*(32)*	*(91)*
Payments under program	(13)	-	(11)	(7)	(24)	(7)
	119	**101**	**53**	**111**	**172**	**212**

The carrying amount of employee benefits liabilities is identical to their present value as at 31 December 2017 and as at 31 December 2016.

14.2.2. Divison of employee benefits liablitites by employees

	Active employees 31/12/2017	Active employees 31/12/2016	Pensioners 31/12/2017	Pensioners 31/12/2016	Total 31/12/2017	Total 31/12/2016
Czech Republic	172	212	-	-	172	212
					172	**212**

14.2.3. Geographical division of employee benefits liabilities

	Provision for jubilee bonuses 31/12/2017	Provision for jubilee bonuses 31/12/2016	Retirement benefits 31/12/2017	Retirement benefits 31/12/2016	Total 31/12/2017	Total 31/12/2016
Czech Republic	119	101	53	111	172	212
					172	**212**

14.2.4. Sensitivity analysis to changes in actuarial assumptions

Actuarial assumptions	Assumed variations as at 31/12/2017	Czech Republic: Influence on provision for jubilee 2017	Czech Republic: Influence on retirement benefits 2017
Demographic assumptions (+)	+0.5 pp	(2)	(2)
staff turnover rates, disability and early retirement	*+0.5 pp*	*(2)*	*(2)*
Financial assumptions (+)	+0.5 pp	-	-
discount rate	*+0.5 pp*	(2)	(2)
level of future remuneration		2	2
		(2)	(2)
Demographic assumptions (-)	-0.5 pp	2	2
staff turnover rates, disability and early retirement	*-0.5 pp*	2	2
Financial assumptions (-)	-0.5 pp	-	-
discount rate	*-0.5 pp*	2	2
level of future remuneration		*(2)*	*(2)*
		2	2

Actuarial assumptions	Assumed variations as at 31/12/2016	Czech Republic: Influence on provision for jubilee 2016	Czech Republic: Influence on retirement benefits 2016
Demographic assumptions (+)	+0.5 pp	(2)	(1)
staff turnover rates, disability and early retirement	*+0.5 pp*	*(2)*	*(1)*
Financial assumptions (+)	+0.5 pp	(1)	(1)
discount rate	*+0.5 pp*	*(1)*	*(1)*
		(3)	(2)
Demographic assumptions (-)	-0.5 pp	2	1
staff turnover rates, disability and early retirement	*-0.5 pp*	*2*	*1*
Financial assumptions (-)	-0.5 pp	1	1
discount rate	*-0.5 pp*	*1*	*1*
		3	2

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14.2.5. Employee benefits maturity and payments of liabilities analysis

14.2.5.1. Maturity of employee benefits analysis

	Provision for jubilee bonuses		Retirement benefits		Total	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Less than one year	33	19	1	63	34	82
Between one and three years	28	46	5	16	33	62
Between three and five years	32	20	8	13	40	33
Later than five years	26	17	40	19	65	36
					172	212
Weighted average duration of liability				3	10	3
Prior year's assumption to be used, the provision will be lower (-)/higher(+)					26	12

14.2.5.2. Ageing of employee benefits payments analysis

	Provision for jubilee bonuses		Retirement benefits		Total	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Less than one year	37	27	1	64	38	91
Between one and three years	41	121	8	32	49	153
Between three and five years	67	161	20	54	87	214
Later than five years	123	884	205	1 201	328	2 085
	268	**1 193**	**233**	**1 351**	**502**	**2 543**

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

	31/12/2017	31/12/2016
In profit and loss		
Current service cost	(41)	(50)
Interest expense	(1)	(2)
Actuarial gains and losses net	(5)	72
demographic assumptions	(21)	9
financial assumptions	3	-
other issues	15	63
Payments under program	24	7
	(20)	**26**
In components of other comprehensive income		
Gains and losses arising from changes	61	31
demographic assumptions	40	3
financial assumptions	4	-
other issues	17	28
	61	**31**
	41	**57**

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

	31/12/2017	31/12/2016
Cost of sales	(20)	26
	(20)	**26**

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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15. Trade and other liabilities

	31/12/2017	31/12/2016
Trade liabilities	27 256	23 535
Other	86	135
Financial liabilities	**27 342**	**23 670**
Payroll liabilities	4 871	4 083
Other taxation, duties, social security and other benefits	3 834	3 177
Accruals	4 835	4 347
wages accrual	*4 643*	*4 207*
other	*192*	*140*
Non-financial liabilities	**13 540**	**11 607**
	40 882	**35 277**

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

EXPLANATORY NOTES TO FINANCIAL INSTRUMENTS

16. Financial instruments

16.1. Financial instruments by category and class

Financial assets

31/12/2017		Financial instruments by category	
Financial instruments by class	Note	Loans and receivables	Total
Trade and other receivables	10.	33 673	33 673
Cash pool	11.	6 486	6 486
Cash and cash equivalents	12.	1 241	1 241
		41 400	**41 400**

31/12/2016		Financial instruments by category	
Financial instruments by class	Note	Loans and receivables	Total
Trade and other receivables	10.	37 211	37 211
Cash pool	11.	31 876	31 876
Cash and cash equivalents	12.	1 959	1 959
		71 046	**71 046**

Financial liabilities

31/12/2017		Financial instruments by category	
		Financial liabilities measured at amortised cost	
Financial instruments by class	Note		Total
Trade liabilities	15.	27 256	27 256
Cash pool		1	1
Other	15.	86	86
		27 343	**27 343**

31/12/2016		Financial instruments by category	
		Financial liabilities measured at amortised cost	
Financial instruments by class	Note		Total
Trade liabilities	15.	23 535	23 535
Other	15.	135	135
		23 670	**23 670**

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

	Note	Loans and receivables	Financial liabilities measured at amortised cost	Total
Foreign exchange gain/(loss)	6.	29	(422)	(393)
Other	6.		(93)	(93)
		29	**(545)**	**(516)**

	Note	Loans and receivables	Financial liabilities measured at amortised cost	Total
Foreign exchange gain/(loss)	6.	(84)	-	(84)
Recognition/reversal of receivables impairment allowances recognized in:				
other operating income/(expenses)	5.2.	(2)	-	(2)
Other	6.	-	(117)	(117)
		(86)	**(117)**	**(203)**

16.3. Fair value measurement

31/12/2017	Note	Carrying amount	Fair value	Level 1	Level 2
Financial assets					
Trade and other receivables	10.	33 673	33 673	-	33 673
Cash pool	11.	6 486	6 486	-	6 486
Cash and cash equivalents	12.	1 241	1 241	-	1 241
		41 400	**41 400**	-	**41 400**
Financial liabilities					
Trade liabilities	15.	27 256	27 256	-	27 256
Other	15.	86	86	-	86
		27 342	**27 342**	-	**27 342**

31/12/2016	Note	Carrying amount	Fair value	Level 1	Level 2
Financial assets					
Trade and other receivables	10.	37 211	37 211	-	37 211
Cash pool	11.	31 876	31 876	-	31 876
Cash and cash equivalents	12.	1 959	1 959	-	1 959
		71 046	**71 046**	-	**71 046**
Financial liabilities					
Trade liabilities	15.	23 535	23 535	-	23 535
Other	15.	135	135	-	135
		23 670	**23 670**	-	**23 670**

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 2017 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.

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Currency structure of financial instruments denominated in main foreign currencies as at 31 December 2017

	EUR	Total after translation to CZK
Financial assets		
Trade and other receivables	39	987
Cash and cash equivalents	16	412
	55	**1 399**
Financial liabilities		
	-	-

Currency structure of financial instruments denominated in main foreign currencies as at 31 December 2016

	EUR	Total after translation to CZK
Financial assets		
Trade and other receivables	57	1 553
Cash and cash equivalents	15	394
	72	**1 947**
Financial liabilities		
	-	-

Sensitivity analysis for currency changes risk

The influence of potential changes in carrying amounts of financial instruments as at 31 December 2017 and as at 31 December 2016 arising from hypothetical changes in exchange rates of relevant currencies in relation to functional currency on profit before tax:

31/12/2017

	Influence on profit before tax			
	Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/CZK	15%	210	15%	(210)
		210		**(210)**

31/12/2016

	Influence on profit before tax			
	Increase of exchange rate	Total influence	Decrease of exchange rate	Total influence
EUR/CZK	15%	292	15%	(292)
		292		**(292)**

16.5.2. Interest rate risk

Interest rate structure of financial instruments

	PRIBOR		Carrying amount	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Financial assets				
Cash pool	6 486	31 876	6 486	31 876
	6 486	**31 876**	**6 486**	**31 876**
Financial liabilities				
Cash pool	1	-	1	-
	1	**-**	**1**	**-**

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	
	31/12/2017	31/12/2016	2017	2016
PRIBOR	+0.5 pp	+0.5 pp	32	159
			32	**159**

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 2017 and 31 December 2016. The influence of interest rates changes was presented on annual basis.

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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

31/12/2017	Note	Up to 1 year	From 1 to 2 years	From 2 to 5 years	Above 5 years	Total	Carrying amount
Cash pool - undiscounted value		1	-	-	-	1	1
Trade liabilities	15.	27 256	-	-	-	27 256	27 256
Other	15.	86	-	-	-	86	86
		27 343	-	-	-	**27 343**	**27 343**

31/12/2016	Note	Up to 1 year	From 1 to 2 years	From 2 to 5 years	Above 5 years	Total	Carrying amount
Trade liabilities	15.	23 535	-	-	-	23 535	23 535
Other	15.	135	-	-	-	135	135
		23 670	-	-	-	**23 670**	**23 670**

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 2017.

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 receivables

	Note	31/12/2017	31/12/2016
Group I	10.	33 673	37 211
		33 673	**37 211**

Change in impairment allowances of trade and other receivables

	31/12/2017	31/12/2016
At the beginning of the period	3 195	3 195
Recognition		2
Usage	-	(2)
	3 195	**3 195**

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.

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OTHER EXPLANATORY NOTES

17. Lease

17.1. The Company as a lessee

Operating lease

Operating lease arrangements

The Company leases vehicles (trucks) under operating leases. Leasing vehicles typically run for three or four years. Lease payments are fixed at CZK, with contractually expected traveled kilometers. Part of the lease agreements have fixed lease payments specified in EUR, with a contract expected traveled kilometers.

Payments recognized as an expense were as follows:

	2017	2016
Cancellable operating lease	16 382	13 234
	16 382	**13 234**

Finance lease

As at 31 December 2017 and as at 31 December 2016 the Company did not possess any active finance lease agreements as a lessee.

17.2. The Company as a lessor

As at 31 December 2017 and as at 31 December 2016 the Company did not possess any finance or operating lease agreements as a lessor.

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

The Company realized in the year 2017 investments in total value 34 268 thousand CZK (in the year 2016 were no investments realized). In 2017 the contracts for the supply of new tank semi-trailers in total value of EUR 2 788 thousand were signed. Tank semi-trailers will be delivered in 2018.

19. Related parties transactions

19.1. Material transactions concluded by the Company with related parties

In 2017 and 2016 there were no transactions concluded by the Company with related parties on other than market terms.

19.2. Transactions with key management personnel

In 2017 and 2016 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 2017 and 2016.

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

In 2017 and 2016 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 (62.99%) of shares in parent companies UNIPETROL RPA, s.r.o. and UNIPETROL, a.s. during 2017 and 2016.

2017	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	252 254	17 136	-
Purchases	24 928	3 663	-
Finance costs	-	30	-

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Other current financial assets	-	6 486	-
Trade and other receivables	23 378	987	-
Trade and other liabilities, including loans	11 022	167	-

[illegible]	[illegible]	[illegible]	[illegible]
Sales	207 630	23 749	9 280
Purchases	23 018	3 158	-

[illegible]	[illegible]	[illegible]	[illegible]
Other current financial assets	-	31 876	-
Trade and other receivables	23 627	1 553	-
Trade and other liabilities, including loans	11 804	4	-

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

	2017		2016	
	Short-term benefits	Termination benefits	Short-term benefits	Termination benefits
Remuneration of current period (costs)	5 475	-	6 402	-
Paid for previous year	1 025	-	781	-
Potentially due to be paid in the following year	1 712	-	1 025	-

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

20.2. Bonus system for key executive personnel of the Company

In 2017 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

IFRSs and their interpretations, announced and adopted by the European Union, effective for the current reporting period	Possible impact on financial statements
Amendments to IAS 7 – Statement of Cash Flows: Disclosure Initiative	Amendments to the existing standards has not led to any material changes in the current financial statements
Amendments to IAS 12 – Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses	

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21.1.2. IFRSs, amendments and interpretations to IFRSs endorsed by the European Union, not yet effective

IFRS 9 – Financial Instruments	Impact**
IFRS 15 – Revenue from Contracts with Customers and Amendments to IFRS 15	Impact***
IFRS 16 – Leases	Impact****
Amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	No impact expected
Amendments to IFRS 15 – Revenue from Contracts with Customers: Clarifications to IFRS 15 Revenue from Contracts with Customers	No impact expected

The Company intends to adopt new standards IFRSs listed above that are published by the International Accounting Standards Board, but not effective as at the date of publication of these financial statements, in accordance with their effective date.

****IFRS 9 – Financial Instruments**

The new Standard will have no significant effect on the financial statements of the Company. The effect of the Expected Loss Model to evaluate the credit risk of financial instruments showed similar value of impairment loss relative to the previously applied methodology. Due to the nature of the Company's activities and the nature of the financial assets held, classification and valuation of financial assets will not change under the influence of the application of IFRS 9.

*****IFRS 15 – Revenue from contracts with customers**

Initial application of the Standard will not have a material impact on timing and amount of revenue recognized by the Company in its financial statements.

******IFRS 16 – Lease**

The Company does not expect the Standard to have a significant impact on its financial statements, as the Company does not have significant contracts qualifying as leasing contracts in accordance with IFRS 16.

21.1.3. Standards, amendments and interpretations adopted by International Accounting Standards Board (IASB), waiting for approval of the European Union

IFRS 14 – Regulatory Deferral Accounts	No impact expected
IFRS 17 – Insurance Contracts	No impact expected
Amendments to IFRS 2 – Share-based Payment: Classification and Measurement of Share-based Payment Transactions	No impact expected
Amendments to IFRS 9 – Financial Instruments: Prepayment Features with Negative Compensation	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 28 – Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures	No impact expected
Amendments to IAS 40 – Investment Property: Transfers of Investment	No impact expected
Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording	No impact expected
Amendments to various standards due to "Improvements to IFRSs (cycle 2015-2017)" resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording	No impact expected
IFRIC 22 – Foreign Currency Transactions and Advance Consideration	No impact expected
IFRIC 23 – Uncertainty over Income Tax Treatments	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

Revenues from sales (from operating activity) comprise revenues that relate to core activity, i.e. activity for which the Company was founded, revenues are recurring and are not of incidental character.

Revenues from sales are recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the sale transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenues from sale of goods and services are recognized when the Company has transferred to the buyer the significant risks and rewards of ownership and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. Revenues include received or due payments for delivered goods and services decreased by the amount of any trade discounts and value added tax (VAT), excise tax and fuel charges.

Revenues are measured at fair value of the received or due payments. Revenues from sale are adjusted for profit or loss from settlement of cash flows hedging instrumenst related to above mentioned revenues.

Revenues and expenses relating to services for which the start and end dates fall within different reporting periods are recognized based on the percentage of completion method, if the outcome of a transaction can be measured reliably, i.e. when total contract revenue can be measured reliably, it is probable that the economic benefits associated with the contract will flow to the Company and the stage of completion can be measured reliably. If those conditions are not met, revenues are recognized up to the cost incurred, but not greater than the cost which are expected to be recovered by the Company.

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.

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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.

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.

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.

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 based on the individual analysis on the value of held collaterals, and based on the possible compensations of debts, allowances.

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.

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.

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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.

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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 maximises the use of relevant observable inputs and minimizes the use of unobservable inputs to meet the objective of fair value measurement, which is to estimate the price at which an orderly transaction to transfer the liability or equity instrument would take place between market participants as at the measurement date under current market conditions.

The Company measures derivative instruments at fair value using valuation models for financial instruments based on generally available exchange rates, interest rates, forward and volatility curves, for currencies and commodities quoted on active markets.

Fair value of derivatives is based on discounted future flows related to contracted transactions as a difference between term price and transaction price.

Forward rates of exchange are not modeled as a separate risk factor, but they are calculated as a result of spot rate and forward interest rate for foreign currency in relation to CZK.

Derivative instruments are presented as assets, when their valuation is positive and as liabilities, when their valuation is negative.

Gains and losses resulting from changes in fair value of derivative instruments, for which hedge accounting is not applicable, are recognised in a current year profit of loss.

As compared to the previous reporting period the Company has not changed valuation methods concerning derivative instruments.

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.

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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
- 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 16.4.3 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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(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 2017).

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Parent company				
UNIPETROL, a.s. Na Pankráci 127, 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
Paramo Oil s.r.o., in liquidation Přerovská 560, Svítkov, 530 06 Pardubice, Czech Republic	–	100.00%	Downstream	
PETROTRANS, s.r.o. Střelničná 2221, 182 00 Praha 8, Czech Republic	0.63%	99.37%	Downstream	www.petrotrans.cz
SPOLANA a.s. 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 6, Ružinov, 821 03 Bratislava, Slovak Republic	13.04%	86.96%	Downstream	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 2017.

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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 the best of its 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 8. February 2018.

Signature of statutory representative

Radek Nechleba

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 2017

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 1.1.2017 to 31.12.2017 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 Na Pankráci 127, 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 is the majority shareholder 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 is the majority shareholder 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, 23th January 2018

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

Radek Nechleba
Statutory representative

Appendix No. 1

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

1. 1. 2017 – 31. 12. 2017

Companies controlled by UNIPETROL, a.s.	Residence	Shares in directly and indirectly controlled companies v % zákl. kapitálu		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	**100,00**	**100,00**	
1.1 HC VERVA Litvínov, a.s., IČ 640 48 098	Litvínov , S.K. Neumanna 1598	70,95	70,95	Other shareholders - Litvínov city owns 22,14% and HC Litvínov, o.s. owns 6,91%
1.2 UNIPETROL DOPRAVA, s.r.o., IČ 640 49 701	Litvínov, Růžodol 4	99,88	99,88	0,12% owned by UNIPETROL, a.s.
1.3 UNIPETROL DEUTSCHLAND GmbH, IČ HRB 34346	Langen, Germany, Paul-Ehrlich-Strasse 1B	99,90	99,90	0,1% owned by UNIPETROL, a.s.
1.4 UNIPETROL SLOVENSKO, s.r.o., IČ 357 77 087	Bratislava - mestská časť Ružinov, Jašíkova 2, Slovensko	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 a.s., IČ 451 47 787	Neratovice, ul. Práce 657	100,00	100,00	
1.7 Nadace Unipetrol, IČ 056 61 544	Litvínov, Záluží 1	100,00	100,00	
1.8 PETROTRANS, s.r.o., IČ 251 23 041	Praha 8, Libeň, Střelničná 2221/50	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	**100,00**	**100,00**	
3. ČESKÁ RAFINÉRSKÁ, a.s., IČ 627 41 772	Litvínov, Záluží 2	**100,00**	-	Company merged to UNIPETROL RPA, s.r.o. on 1.1.2017
4. PARAMO, a.s., IČ 481 73 355	Pardubice, Svítkov, Přerovská 560	**100,00**	**100,00**	
4.1 Paramo Oil s.r.o., v likvidaci IČ 246 87 341	Pardubice, Přerovská 560	100,00	100,00	Company entered into liquidation on 27.7.2017
5. Butadien Kralupy a.s., IČ 278 93 995	Kralupy nad Vltavou, O. Wichterleho 810	51,00	51,00	49% shares owned by SYNTHOS Kralupy a.s.
Ostatní společnosti s podílem UNIPETROL, a.s.				
1. UNIVERSAL BANKA, a.s, in bankruptcy, IČ 482 64 865	Praha 1, Senovážné náměstí 1588/4	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	0,5	0,5	99,5% shares owned by PKN ORLEN S.A.

Appendix No. 2
Capital Group of PKN ORLEN S.A. - Controlled Companies
1 January 2017 - 31 December 2017

Company controlled by PKN ORLEN S.A.	Residence	Shares in directly and indirectly controlled company		Note
		as at 1.1.2017	as at 31.12.2017	
1. Unipetrol a.s.	Prague	62,99%	62,99%	
2. AB ORLEN Lietuva	Juodeikiai	100,00%	100,00%	
2.1 UAB Mazeikiu Nafta Trading House	Vilnius	100,00%	100,00%	
2.1.1 SIA ORLEN Latvija	Riga, Latvia	100,00%	100,00%	
2.1.2 ORLEN Eesti OU	Tallin, Estonia	100,00%	100,00%	
2.2 UAB EMAS	Juodeikiai	100,00%	100,00%	
3. AB Ventus Nafta	Vilnius	100,00%	100,00%	
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%	
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%	
13. ORLEN EKO Sp. z o.o.	Płock	100,00%	100,00%	
14. Orlen Holding Malta Limited	St. Julians, Malta	99,50%	99,50%	
14.1 Orlen Insurance Ltd.	St. Julians, Malta	99,99%	99,99%	
15. ORLEN KolTrans Sp. z o.o.	Płock	99,85%	99,88%	Company increased its registerd capital and all, new 13 861 shares were taken up by Euronaft Trzebinia Sp. z o.o. on 2.10.2017. Subsequently, PKN ORLEN acquired 11 201 shares from Euronaft Trzebinia Sp. z o.o. on 30.11.2017. The remaining shares owned by Euronaft Trzebinia Sp. z o.o. were redeemed.
16. ORLEN Centrum Usług Korporacyjnych sp. z o.o.	Płock	100,00%	100,00%	
17. Orlen Laboratorium S.A.	Płock	99,38%	100,00%	Mandatory buy-out of minority shareholders completed on 10.3.2017
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	22,00%	67,49%	ORLEN Oil Sp. z o.o. acquired 1064 shares of Platinum Oil Wielkopolskie Centrum Dystrybucji Sp. z o.o. on 20.12.2017
20. ORLEN Paliwa Sp. z o.o.	Widełka	100,00%	100,00%	
20.1 Petro-Mawi Sp. z o.o. w likwidacji	Sosnowiec	60,00%	0,00%	Company liquidated on 30.05.2017
21. ORLEN Projekt S.A.	Płock	99,77%	99,77%	
22. ORLEN Transport Kraków Sp. z o.o. w upadłości	Kraków	98,41%	0,00%	Company liquidated on 17.7.2017
24. ORLEN Upstream Sp. z o.o.	Warszawa	100,00%	100,00%	
24.1. Orlen Upstream Canada Ltd	Calgary	100,00%	100,00%	
24.1.1 1426628 Alberta Ltd.	Calgary	100,00%	100,00%	
24.1.2 OneEx Operations Partnership	Calgary	100,00%	100,00%	
24.1.3 Pierdiae Production GP Ltd.	Calgary	50,00%	50,00%	The remaining stake owned by Pierdiae Energy Limited.
24.1.3.1 671519 N.B. Ltd.	Saint John	100,00%	100,00%	
24.1.4 KCK Atlantic Holdings Ltd.	Calgary	100,00%	100,00%	
24.1.4.1 Pierdiae Production LP	Calgary	80,00%	80,00%	The remaining stake owned by Pierdiae Energy Limited.
24.2 FX Energy Inc.	Salt Lake City	100,00%	100,00%	
24.2.1 Frontier Exploration, Inc.	Salt Lake City	100,00%	100,00%	
24.2.2 FX Energy Netherlands Partnership C.V.	Utrecht	100,00%	100,00%	
24.2.2.1 FX Energy Netherlands B.V.	Utrecht	100,00%	100,00%	
24.2.2.1.1 FX Energy Polska Sp. z o.o.	Warszawa	100,00%	100,00%	
26. ORLEN Aviation Sp. z o.o. (previously Petrolot Sp. z o.o.)	Warszawa	100,00%	100,00%	Comapany changed its business name onto ORLEN Aviation Sp. z o.o. on 19.5.2017
27. ORLEN Południe S.A.	Trzebinia	100,00%	100,00%	
27.1 Energomedia Sp. z o.o.	Trzebinia	100,00%	100,00%	
27.2 Euronaft Trzebinia Sp. z o.o.	Trzebinia	100,00%	100,00%	
27.3 KONSORCJUM OLEJÓW PRZEPRACOWANYCH - ORGANIZACJA ODZYSKU OPAKOWAŃ I OLEJÓW S.A.	Jedlicze	89,00%	89,00%	
27.4 RAN-WATT Sp. z o.o. w likwidacji	Toruń	51,00%	51,00%	
28. Ship - Service S.A.	Warszawa	60,86%	60,86%	
29. ORLEN Finance AB	Stokholm	100,00%	100,00%	
30. ORLEN Capital AB	Stokholm	100,00%	100,00%	
31. Baltic Power Sp. z o.o.	Warszawa	100,00%	100,00%	
32. Basell Orlen Polyolefins Sp. z o.o.	Płock	50,00%	50,00%	
32.1 Basell ORLEN Polyolefins Sprzedaż Sp. z o.o.	Płock	100,00%	100,00%	
33. Płocki Park Przemysłowo-Technologiczny S.A.	Płock	50,00%	50,00%	
33.1 Centrum Edukacji Sp. z o.o.	Płock	69,43%	69,43%	

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 payment cards	10.12.2015
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
28-2013	agreement	PARAMO, a.s.	Rent of warehouse space	1.1.2013
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	*
0847-2015	contract	UNIPETROL RPA, s.r.o.	Driveways and entrances to Chempark	11.12.2015
313-2012	contract	UNIPETROL RPA, s.r.o.	Contract on lease and services	1.4.2012
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
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
0081-2016	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
S200/133/07	loan agreement	UNIPETROL, a.s.	Grant of revolving credit	13.8.2007
S/200/184/07	loan agreement	UNIPETROL, a.s.	Cash pool	15.11.2007
S/200/185/07	loan agreement	UNIPETROL, a.s.	Cash pool	15.11.2007
0038-2017	agreement	UNIPETROL, a.s.	Insurance for statutory bodies	18.5.2017

No. of agreement / appendix	Type	Company	Subject of the agreement	Agreement date
0136-2015	agreement	UNIPETROL, a.s.	Provision of services (CLA)	29.2.2016
	agreement	UNIPETROL, a.s.	Cooperation in the group	5.10.2009
	agreement	UNIPETROL RPA, s.r.o.	Provision of services (SLA)	28.4.2016
	amendment no. 1	UNIPETROL RPA, s.r.o.	Provision of services	23.8.2017
	amendment no. 2	UNIPETROL RPA, s.r.o.	Provision of services	*
	agreement	UNIPETROL RAFINÉRIE a.s.	Cards for entry	20.4.2005
209-2004	transport conntract	UNIPETROL RAFINÉRIE a.s.	Fuel transport contract	16.11.2004
	transport contract	UNIRAF Slovensko, s.r.o.	Fuel transport contract	1.2.2009
	order	Orlen Deutschland GmbH	Fuel transport	1.9.2012
	contract	HC Verva Litvínov, a.s.	Advertising contract	*
	cooperation agreement	PKN Orlen S.A.	cooperation agreement	16.6.2005
	cooperation agreement	PKN Orlen	Cooperation agreement	31.8.2014

* agreed but not signed

INDEPENDENT AUDITOR'S REPORT

on the 2017 Financial Statements

and

on the 2017 Related Party Transactions Report

of

PETROTRANS, s.r.o.

Prague, 15th February 2018

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 2017 – accounting period 1.1.2017 – 31.12.2017
Related Party Transactions Report for the year ended 31 December 2017 – accounting period 1.1.2017 – 31.12.2017

Audit dates

interim:	13.11.2017 – 16.11.2017
final:	15.1.2018 – 15.2.2018

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 2017, 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 2017, 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.

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Tel.: +420 474745134, +420 230 234 554, E-mail: info@22hlav.cz, Web: http://www.22hlav.cz

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 accounting principles generally accepted in the Czech Republic 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

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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.

Report on Review of the Related Party Transactions Report

We have reviewed the factual accuracy of the information included in the related party transactions report of PETROTRANS, s.r.o. for the year ended 31 December 2017. This related party transactions report and the decision to use the Commercial Code or the Commercial Corporation Law is the responsibility of PETROTRANS, s.r.o. statutory body. Our responsibility is to express a conclusion on the related party transactions report based on our review.

We conducted our review in accordance with the Auditing Standard No. 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the related party transactions report is free of material misstatements. A review is limited primarily to inquiries of Company personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the related party transactions report and, accordingly, we do not express an audit opinion. The Company has used the Commercial Code to prepare this Related Party Transaction Report, therefore we have performed the review according to this law.

Based on our review, **nothing has come to our attention that causes us to believe that the information contained in the related party transactions report of PETROTRANS, s.r.o. for the year ended 31 December 2017 contains material factual misstatements.**

22HLAV s.r.o.
Member of MSI Global Alliance, Legal & Accounting Firms
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The Chamber of Auditors license no. 277

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

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

In Prague, 15th February 2018

This Auditor's Report includes the following attachments:

1. Statement of profit or loss and other comprehensive income for the year ended 31.12.2017
2. Statement of financial position as of 31.12.2017
3. Statement of changes in equity for the year ended 31.12.2017
4. Statement of cash flow for the year ended 31.12.2017
5. Notes for the year ended 31.12.2017
6. Annual Report for the year ended 31.12.2017 and the Related Party Transactions Report for the year ended 31.12.2017

This Audit Report is a translation of the Czech Audit Report for the audit of the 2017 financial statements