Unipetrol

ORLEN GROUP

Annual Report 2010

Responsible company

We consider the environment

Annual Report 2010 of UNIPETROL, a.s.

Annual Report 2010 closing date: 23 March 2011

Content

Mission, vision and objectives of the Unipetrol Group

Unipetrol is the leading refinery and petrochemical group in the Czech Republic and a major player throughout Central and Eastern Europe; since 2005 it has been part of Central Europe's largest refining and petrochemical group, PKN Orlen.

Unipetrol's mission:

We strive to provide long-term and permanent growth in value for our shareholders. We want to achieve this by focusing on strategic business segments:

- Crude oil refining and wholesale
- Petrochemical production
- Retail distribution of motor fuels
- Energy independence

The company's main goals in 2011

- Fixed cost reduction by additional ca CZK 200m.
- Better EBIT margin than in 2010.
- Positive free cash flow.
- Similar level of CAPEX as in 2010 (ca CZK 3.0bn).
- Continuation of the long-term trend in staffing reduction.
- Slightly higher crude oil throughput than in 2010.
- Increase in refining sales volumes from 2010 level.
- Increase of retail market share close to 15%.
- 2 new additions to Benzina's portfolio of filling stations, 1 self-service station and over 10 facelifts or rebrandings.
- Paramo and Unipetrol RPA's refining part restructuring.
- Successfully managed shutdowns in refining and petrochemical
    - Cyclical shutdown in Litvinov refinery (ca. 5-6 weeks in 3Q).
    - Paramo's Pardubice refinery (2 months in 1Q).
    - HDS in Kralupy (4 weeks in 1Q).
    - Visebreaking unit (3 weeks in 1Q).
    - Cyclical shutdown of all petrochemical units (ca. 5-6 weeks in 3Q)

Code of Conduct

The members of the Unipetrol Group are aware of their responsibility to all the stakeholders – their employees, customers, shareholders, trade and societal partners, and the public. Therefore, with the Code of Conduct we commit to clear principles, which constitute the basis of our business and social conduct and the corporate culture in the Unipetrol Group companies.

The Unipetrol Group observes laws, directives, internal policies, and ethical values in all business areas. We comply with international, national and local regulations – those that are directly binding as well as those to which we commit voluntarily, such as the principles of corporate governance. These are primarily provisions that set out safety and environmental standards for facilities and their operation, describe the requirements for the quality of products and services, define conduct in markets, and regulate conduct and practices. The Unipetrol Group considers observing such standards and operating exclusively within their limits to be a priority.

Unipetrol employees' conduct is always, and under all circumstances, legal, ethical, transparent, and compliant with the laws and Unipetrol's corporate values. All procedures and activities are based on the best practices of corporate governance and operating excellence and emphasise safety and environmental protection. All customers (external and internal) of the Unipetrol Group have the right to receive the best quality products and services respecting ethical principles. The Code of Conduct is linked to the applicable laws of the Czech Republic and the company's internal policies, and defines the basic rules of conduct for Unipetrol employees.

Application of corporate governance rules

The Unipetrol Group continuously strives to maintain long-term and transparent relationships with its shareholders and investors as part of its strategic objectives.

Unipetrol Group management follows the Corporate Governance Code. The Corporate Governance Code is based on OECD Principles, the provisions of which the Company satisfies in all material respects.

An extraordinary general meeting of 10 December 2009 approved the modifications to the Articles of Association, which arose from the new Audit Act. The Articles were amended by the addition of a new mandatory body within the company – the Audit Committee, with provisions on its remit, number of members, Audit Committee members' term of office, and the Audit Committee's decision-making. The establishment of the Audit Committee entailed an extension of the competences of the company's general meeting.

Profile

The refining and petrochemical group Unipetrol is an important part of Czech industry. It is the largest crude oil processor, one of the most important plastic producers, and the owner of the largest fuel filling station network in the Czech Republic. In the field of refining and petrochemical production, the company is also a major player on the Central and Eastern European scale. The company has been part of PKN Orlen, Central Europe's largest refining and petrochemical group, since 2005.

Unipetrol Group operates:

- 3 refineries with an annual throughput of 5.5 million tonnes of crude oil;
- 3 polyolefin units with an annual capacity 595,000 tonnes;
- A steam cracker with an annual capacity of 544,000 tonnes;
- More than 335 fuel filling stations;
- And a broad range of transport services.

Group companies primarily produce and market refining products, chemical and petrochemical products, polymers, fertilisers, and specialty chemicals. Important activities include the financing of in-house research and development. The Group employs almost 4,000 people of various professions.

The Group's major companies in 2010 were the following subsidiaries:

As at 31 December 2010:

UNIPETROL RPA, s.r.o. – production and sale of refinery, petrochemical and agrochemical products

BENZINA, s.r.o. – operator of the largest network of filling stations in the Czech Republic

PARAMO, a.s. – the largest manufacturer of bitumen, lubricants and fuel oils, and fuels and other refinery products

ČESKÁ RAFINÉRSKÁ, a.s. – a joint venture of UNIPETROL, a.s. (51.22%), Eni International B.V., Amsterdam, Netherlands (32.445%) and Shell Overseas Investments B.V., Haag, Netherlands (16.335%), the largest processing refinery in the Czech Republic with a wide range of products and a total annual capacity of 8.8 million tonnes.

Historical milestones

1994

The formation of UNIPETROL, a.s. fulfilled one of the conceptual objectives of the privatisation of the Czech petrochemical industry. Unipetrol was intended to combine selected Czech petrochemical firms in a group capable of competing with strong international groups. With 63% of the shares, the Czech State was the company's majority shareholder, represented by the National Property Fund. Investment funds and minority shareholders owned the rest of the shares. Under the original concept, the State's interest in the company was to be privatised.

Unipetrol gradually integrated Kaučuk, Chemopetrol, Benzina, Paramo, Koramo, Česká rafinérská, Unipetrol Trade, Spolana and Unipetrol Rafinérie public companies.

1996

The refineries of Chemopetrol in Litvínov and of Kaučuk in Kralupy were demerged and included in Česká rafinérská.

2003

Koramo and Paramo merged, with Paramo becoming the successor company. From that year on, Česká Rafinérská has operated as a processing refinery, or cost centre of its processors.

2004

Agreement on the sale of 63% of Unipetrol shares was executed between PKN Orlen and the National Property Fund.

2005

In 2005 the privatisation process of Unipetrol was completed and consequently the company became a crucial part of one of the largest refinery and petrochemical groups in Central Europe, PKN Orlen.

2006

Majority interest in the Spolana subsidiary was sold to Zaklady Azotowe ANWIL of Poland.

2007

The Kaučuk subsidiary was sold to Firma Chemiczna Dwory of Poland.

A new subsidiary, Unipetrol Services, started operations. Unipetrol Doprava, Benzina and Petrotrans changed their legal form from public limited companies to limited liability companies.

Butadien Kralupy was founded, its shareholders being Unipetrol (51%) and Kaučuk (49%).

The Chemopetrol and Unipetrol Rafinérie subsidiaries were combined with Unipetrol RPA.

Unipetrol purchased shares representing a 0.225% interest in the share capital of Česká rafinérská from ConocoPhillips.

Unipetrol acquired 14.51% of Paramo shares from MEI Group companies.

The largest maintenance shutdown in the company's history took place.

2008

Settlement of the sale of Agrobohemie and Synthesia shares based on share purchase agreements between Unipetrol and Deza. Unipetrol owned 50% of Agrobohemie shares and 38.79% of Synthesia shares. The purchase price for 47,000 Agrobohemie shares totalled CZK 503 million. The purchase price for 27,977,162 shares of Synthesia totalled CZK 680 million.

Unipetrol's ordinary general meeting has decided to pay dividends from retained earnings of previous years.

Unipetrol Group continued in a multi-year restructuring of Unipetrol Trade. In 2008, Unipetrol France merged into Unipetrol Trade.

2009

The Group paid compensation to minority shareholders, and acquired a 100% interest in Paramo.

2010

UNIPETROL, a.s. and UNIPETROL RPA, s.r.o. transferred their stakes in CELIO a.s. to TICATANOR s.r.o. and to B.E.Fin S.A. The transfer was finished on 14 April 2010.

Unipetrol Group continued in a multi-year restructuring of Unipetrol Trade. In June, Chemapol (Schweiz) AG entered into liquidation and, in December, it was transferred together with Unipetrol Deutschland GmbH from Unipetrol Trade to Unipetrol RPA. Unipetrol Trade entered into liquidation on 1 January 2011.

Unipetrol Group's 2010 financial results improved substantially in comparison to 2009.

The Group posted EBIT of CZK 1.7bn, net profit of CZK 937m with revenues of CZK 86bn (+28% y/y) in 2010, which means that the profitability improved by approximately CZK 2bn in 2010.

Key financial data of the Unipetrol Group

Indicator	2010	2009	2008 restated	2007	2006
Structure of assets and liabilities (in CZK million)					
Total assets	61,471	58,249	57,742	66,071	71,907
Non-current assets (Long-term assets)	36,351	38,061	38,890	38,052	39,781
Current assets	25,120	20,188	18,852	28,019	32,126
Shareholders‘ equity	38,800	37,871	38,913	42,112	41,160
Liabilities	22,671	20,378	18,829	23,958	30,747
Structure of profit/loss (in CZK million)					
Revenues	85,967	67,387	98,144	88,462	93,698
EBITDA (EBIT + depreciation)	5,174	2,778	4,481	8,298	7,826
Operating profit (EBIT)	1,678	-654	1,003	4,812	3,780
Income tax	249	-372	45	-650	-1,496
Profit of shareholders of the parent company	937	-840	65	1,210	1,600
Financial indicators					
ROACE	3.8%	-1.3%	1.9%	8.4%	6.2%
Earnings per share	5.17	-4.63	0.36	6.67	8.82
Net debt / shareholders‘ equity	-6.5%	3.2%	8.4%	3.7%	12.0%
CZK / USD – end of period [1)]	18.75	18.37	19.35	18.08	20.88
CZK / EUR – end of period [1)]	25.06	26.47	26.93	26.62	27.50

[1)] exchange rate valid as at 31.12., source: www.cnb.cz

Highlights of 2010

February

25 February 2010

The Unipetrol Group's results for 2009 were markedly affected by the impacts of the unfavourable macroeconomic developments. Although the Group achieved significant cost reductions in all segments, the negative external factors such as weaker demand for motor fuels and other refinery products, low margins in the refinery and petrochemical segment, and the narrow Brent-Ural differential were the main reasons the Group reported an operating result of minus CZK 654 million for 2009.

March

24 March 2010

Marek Frąckiewicz, head of IT at PKN ORLEN S.A., was appointed as a new Executive of Unipetrol Services.

25 March 2010

UNIPETROL, a.s. and Unipetrol RPA decided to transfer their interests in Celio to Ticatanor s.r.o. and B.E. Fin S.A. Celio operates in waste management and the divestiture of Celio is in line with the strategy pursued by the Unipetrol Group, which wants to focus more on its strategic segments.

June

18 June 2010

Unipetrol's annual general meeting approved Unipetrol's consolidated and unconsolidated financial statements for 2009 and decided on profit distribution and on the composition of the Supervisory Board. The shareholders also approved the Board of Directors' Management Report. The shareholders re-elected Zdeněk Černý and Krystian Pater to Unipetrol's Supervisory Board.

19 June 2010

An Open Day was held at the Chempark industrial park in Litvínov-Záluží. Unipetrol RPA, Unipetrol Services, Unipetrol Doprava, Česká rafinérská, Air Products, Alvian, Euromont Group, OKMP, Elsev, Fireclay and BIS Czech participated in the event, which was held under the auspices of the City of Litvínov.

25 June 2010

Unipetrol's and Synthos Kralupy's joint venture, Butadien Kralupy a.s., started production in its new butadiene unit today. The 1.2 billion crown investment will replace the current production unit operated by Synthos Kralupy. The new unit helps to increase the capacity of production from 90 to 120 kt per year, which will place the company among the top ten butadiene producers in Europe.

August

5 August 2010

Unipetrol again entered into an agreement on co-operation with the Institute of Chemical Technology in Prague. The Unipetrol Group has been VŠCHT's strategic partner for nine years.

September

13 September 2010

Marek Świtajewski and Mariusz Kędra were elected as new Executives of Unipetrol RPA, replacing in this position Rist Sarant and Wojciech Ostrowski, who resigned from these positions.

Maciej Szegda and Mariusz Kędra were elected as new Executives of Unipetrol Services, replacing in this position Karel Surma and Wojciech Ostrowski, who resigned from these positions.

17 September 2010

The timetable for the closedown of the T200 heat & power plant at Chempark in Záluží was presented. The T200 heat & power plant is an obsolete source of electricity and steam and from 2012 its operation will no longer meet legislative requirements. The energy services unit of Unipetrol RPA will continue to operate a newer heat & power plant, T700, after the T200 closedown.

21 September 2010

For technical reasons, the shutdown of the steam cracker in Litvínov was speeded up by three weeks. The shutdown took place in late September 2010 instead of October 2010, as originally announced. The unit was down for approximately two weeks. The technical measures applied to the steam cracker unit have helped to improve its efficiency.

October

1 October 2010

Mariusz Kędra was appointed to the Board of Directors and as the CFO at Unipetrol. Having served for three years, Wojciech Ostrowski is leaving the position of the Unipetrol Group's CFO.

5 October 2010

Unipetrol will build an education and research centre, UniCRE. The centre will integrate research and scientific work with educational activities and will be built in the Záluží industrial area. The total costs will amount to almost 800 million crowns. The EU will subsidise the project by 600 million crowns.

19 October 2010

The Unipetrol Group won three of the four main prizes in the PETROLawards competition. Ivan Ottis, a representative of the Unipetrol Group, was named the personality of the year.Benzina received two PETROLaward 2010 awards: one for improving the properties of the Verva Diesel premium fuel and the other for the RIS (Retail Information System) information system installed at its fuel filling stations.

November

1 November 2010

Paramo won a two-year contract for diesel supply to Správa a údržba silnic Královéhradeckého kraje [a road maintenance company]. The customer will pay some 15 million crowns for these supplies.

5 November 2010

Benzina started co-operation with the Burger King fast food chain; at the Benzina plus fuel filling station located on kilometre three of the D11 Motorway in the direction from Prague, the chain has opened its first outlet on a Czech motorway.

December

8 December 2010

Tomasz Szymański was appointed as a new Executive of Unipetrol RPA, replacing Piotr Jacek Cieslak, who resigned from this position.

13 December 2010

Jan Řihák was elected to the Paramo Board of Directors as a new member, replacing in this position Jacek Kukier, who stepped down.

16 December 2010

A hydrocrack unit, which had been shut down because of an accident on the acid water stripping column on 3 December 2010, causing a temporary reduction in the processing capacity of Česká rafinérská's Litvínov refinery, was put back into operation.

January 2011

7 January 2011

Paweł Kania has become a new Executive of Benzina.

17 January 2011

Subsidiary UNIPETROL RPA, s.r.o. announced Force Majeure for ammonia and urea customers.

20 January 2011

Pardubice Refinery Paramo accelerated and thus prolonged temporary shutdown by approximately one month.

February 2011

23 February 2011

Temporary reduction of processing capacity in Litvínov refinery due to technical problems connected with hydrocracking unit.

Unipetrol

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Letter of the Chairman of the Supervisory Board

Dear Shareholders,

The year 2010 was an important year in the European context - most of the countries posted decent economic growth and the business environment became less volatile. One example for all: crude oil stayed within a relatively stable range from 70 to 90 US$ per barrel for most of the year.

However, the increasing budget deficits in our region put more pressure on the governments to find additional revenues for national budgets. Various levies and higher taxes are on the top of governments' agenda, and companies have to fight and confirm their position on the market. In this, Unipetrol was successful in 2010 as an important employer and a reliable trading and social partner.

Co-operation at all levels, i.e., between PKN Orlen and Unipetrol; the Supervisory Board and the Board of Directors; and the Board of Directors and all the employees, was crucial for achieving the operating, profitability and development targets. The Board of Directors pressed for internal operating efficiency improvements in order to put Unipetrol back on the trajectory of positive results from previous years. And although many initiatives were successfully carried out last year, room for improvement and further optimisation always exists as the business environment changes.

The Supervisory Board is satisfied to see that Unipetrol managed to not only improve profitability but also its market share, to continue with its development projects, to benefit from know-how sharing, and to deepen the co-operation with other companies in the PKN Orlen Group.

The year 2011, which is in fact the international year of chemistry, will be challenging especially in terms of the new levies and taxes that Unipetrol is facing; these include the renewable electricity surcharge and the CO2 gift tax. Thus, there is additional pressure on the Board of Directors and employees to offset these negative external factors by internal initiatives and continue the trend established in 2010.

I would like to thank all the employees for their utmost effort to do their best, which helped Unipetrol to return to black figures. Also, I would like to express my gratitude to Unipetrol's Board of Directors and my colleagues on the Supervisory Board.

Sincerely,

Dariusz Jacek Krawiec

Chairman, Supervisory Board

UNIPETROL, a.s.

Letter to Shareholders

Dear Shareholders,

The Unipetrol Group's 2010 financial results improved substantially in comparison with 2009. Both internal efforts and an improved business environment helped to drive the results upwards. Demand and product prices improved with the revival of economic activity. We managed to further reduce our costs, renegotiate additional contracts, continue to optimise production processes and launch new initiatives.

The Unipetrol Group's total revenues increased by almost one third and so helped to confirm our position among the largest companies in the Czech Republic. Profitability improved by approximately CZK 2 billion, which returned Unipetrol back to the black and contributed to a decrease in its net debt to historical lows.

We continued in strict cost control, careful cash management and optimisation of our asset structure. The Group reduced its fixed costs by more than CZK 130 million and free cash flow grew by almost 80% to CZK 3.7 billion. In order to focus more on our strategic segments, we disposed of the waste management company Celio. In terms of the restructuring of our energy production, the process of decommissioning the T200 heat and power plant has been launched. Moreover, we increased our productivity while lowering our staffing levels.

Last year, Unipetrol also implemented a number of development projects. Our retail subsidiary Benzina added three new fuel filling stations to its portfolio and facelifted or rebranded 25 others. Having launched a new joint-venture butadiene unit, we placed among the top ten butadiene producers in Europe with a total capacity of 120 kt per year. Thanks to support from the EU, our research subsidiary, VÚAnCh, started a project of a research and educational centre with total costs calculated at almost CZK 800 million.

In 2011, we plan to proceed with strict cost control and reduce our fixed costs by a further ca CZK 200 million. The Group aims at increasing its EBIT margin and holding capital expenditure at approximately the 2010 level (ca CZK 3 billion). Operating targets include the processing of a larger amount of crude oil and proceeding with the modernisation and extension of Benzina's fuel filling station network. With regard to maintenance, our aim is to successfully manage the forthcoming shutdowns both in the refinery and petrochemical segments (especially the cyclical shutdown of the refinery and petrochemical units in Litvínov in the third quarter of 2011).

I would like to thank to all those who contributed to Unipetrol's achievements last year, first of all to all my colleagues for their hard work, to Unipetrol's shareholders for their confidence, to our business associates for their loyalty, and to our partners in the regions for their support and understanding.

Sincerely,

Piotr Chełmiński
Chairman and CEO
UNIPETROL, a.s.

Expected development and strategy for 2011

Since economic activity in the Czech Republic is expected to improve at a similar level to what it did in 2010 (ca 2% GDP growth) and 2011 brings additional fiscal measures (e.g., taxation of CO2 credits, renewable electricity surcharge), Unipetrol has to continue in its conscious cost control and optimisation efforts, further strengthen its pricing policy, and search for new customers in the Czech Republic and abroad.

In addition to external issues, Unipetrol will have to carefully plan and undertake a regular overhaul, lasting for about 5-6 weeks depending on the installation, of the Litvínov site at the end of the third quarter of 2011. This poses a planning and maintenance challenge both for the petrochemical and refining segment, for the installations will be shut down together for only the second time in Unipetrol's history.

Despite this planned shutdown, Unipetrol expects that it will manage to process a slightly larger amount of crude oil and sell a larger volume of refinery products in 2011. In the refining segment it is expected that especially the diesel-crude oil spread should improve in 2011 as economic growth continues, while the gasoline-crude oil spread will slightly narrow.

In the petrochemical segment, Unipetrol plans to further improve pricing (reduce polymer discounts) and continue its penetration into D-A-CH countries (Germany, Austria, Switzerland), while volumes could experience a slight decline connected mainly to the regular shutdown in the third quarter of 2011. The threat of supplies from new capacities in the Middle East, which was anticipated already in 2010 but did not really materialise, could potentially come to pass and affect the balance on the European petrochemical market in 2011. No extraordinary shutdowns of steam crackers are expected in 2011, which would apply upward pressure on pricing, as happened in 2010.

In the retail segment, via its subsidiary, Benzina, Unipetrol is focusing on increasing its market share to close to 15% by the end of 2011 from the currently estimated 14.2% at the end of 2010.

In respect of investment activities, we realise the necessity to move the company further and continue to create value for our shareholders. The 2011 capex is to amount to approximately CZK 3bn, of which 61% should be dedicated to the petrochemical segment, 26% to refining, 9% to retail and balance to other areas. Capex focus should be, as in previous years, not only on maintaining the safe and reliable operation of each production unit, which is always the top priority, but also on meeting stricter environmental legislation and on further development. For example, in the refining segment, the NRL unit flare system should be modified to improve and align it with the best practices in relief systems, while in the petrochemical segment Unipetrol should continue with the refurbishment of steam cracker furnaces as well as the debottlenecking of the polypropylene unit via the development of the propylene cleaning unit. In retail, Unipetrol should further strengthen its network with two new fuel filling stations, several facelifts, and the launch of the first self-service station in Benzina's portfolio.

The restructuring of the Group's refinery assets is approaching its final stage of their optimisation. The squeeze-out of minority shareholders from Paramo, completed in 2009 and resulting in the acquisition of a 100% ownership interest in Paramo, allows Unipetrol to further optimise Paramo and align it with the refining segment within the PKN Orlen/Unipetrol Group. The positive effects of the commercial coordination in the area of diesel production and sales between Unipetrol RPA, Česká rafinérská and Paramo were already accounted for in 2010 and are to be enhanced in 2011. Additional synergies can still be expected from the alignment of Paramo with Česká rafinérská, a.s., in which Unipetrol currently holds a 51.22% stake; Unipetrol is prepared to increase its stake if one of the two remaining shareholders decides to exit the company, subject to economically justifiable terms. In parallel, Paramo's commercial integration with the companies in the PKN Orlen Group, which operate in the lubricant, base oil and bitumen businesses, should help derive additional economic benefits. The integration of the refining assets within the entire Group, and their further commercial alignment, will be fundamental for future growth and development in respect of value creation for our shareholders, and is also expected to facilitate the capture of synergies.

In refining, process efficiency improvements geared towards cost control and margin boosting are to continue in 2011. The plan is to improve Unipetrol's position in diesel production and sales, possibly making use of the market potential, and also further improve the integration of refining production with a potential petrochemical intensification.

As regards petrochemical production, the area is regarded as a core business of great importance for Unipetrol, and as such to be developed towards further value creation. This should be accomplished via optimising polyolefin sales, increasing the utilisation rate of polypropylene units, and optimising and integrating olefin production with refining. Development of new capacities in polylefins is part of the mid-term strategy; it is currently being considered and oriented towards maximising the value of Unipetrol's petrochemical business.

In 2010, Butadien Kralupy, a joint venture with Synthos Kralupy, started the operation of a new butadiene unit with a higher capacity, which ensures the utilisation of Unipetrol's steam cracker by-products and provides raffinate 1, the feedstock to the MTBE unit for high-octane gasoline production.

From 2011 onwards, wholesale activities in the petrochemical segment can also be more effectively coordinated, with the full scope of synergies available since late 2010 when the commercial functions of Unipetrol Trade and its affiliates were fully centralised in Unipetrol RPA. The full benefits of administrative cost savings stemming from a streamlined asset portfolio will also be available upon the completion of the Unipetrol Trade liquidation, which is expected in mid-2011.

At the same time, units operating obsolete technology or on a low scale are being carefully examined, and steps towards efficiency enhancements, such as asset optimisation or the closedown of underperforming units, will be undertaken in 2011.

In fuel retailing, Unipetrol's efforts remain focused on retaining its strong market position in 2011 and continuously building the fundamentals for further growth, with the aim being to expand our market share from the currently estimated 14.2% to 20% in 2013. Continuity is to be maintained in the activities related to the SWAP optimisation programme for sites overlapping with major market players, the realisation of economies of scale - synergies with PKN Orlen in selected non-fuel sales, the development of the DODO and DOFO concepts and other innovative concepts like full self-service sites and site renting, and support for the ongoing and fruitful restructuring of Benzina, which was started in 2006 and mainly focuses on stimulating fuel margins. Throughout 2011, Benzina plans to test a pilot project for the rebranding of some of the filling stations to the STAR economy brand and the ORLEN premium brand in the Czech Republic, with the aim of exploring synergies of the unified brand in the Group. The above initiatives, if successfully combined with the acquisition of a medium-sized network in the medium term, are expected to place Unipetrol in the leader's position on the Czech market, at a great distance from its competitors. Careful observation of other players' strategies will also be an indispensable factor in achieving the targeted results.

The energy segment is perceived by Unipetrol's management as an important pillar for development and growth in core segments. During 2010, serious analyses continued, aimed at security of fuel supply for the power plants and efficiency in operations within the Group, in response to various market challenges such as the rising energy prices and environmental constraints. In 2011 these considerations are to materialise in the form of an updated energy strategy for Unipetrol, responding to future energy market conditions; in this respect, co-operation with third parties is one of the viable options.

In respect of its strategy outside four strategic pillars, i.e., crude oil processing, petrochemical production, fuel retailing and energy independence, Unipetrol also considers logistics and energy to be areas of key interest, and crucial from the point of view of value creation in the coming years.

Analysis of the restructuring options for the logistics assets will continue throughout 2011, to be followed by an outsourcing option or creation of partnerships, subject to final strategic decisions.

Unipetrol wants to maintain research and development activities, which support its refinery and petrochemical development, in its portfolio. In particular, a new industrial chemistry research and educational centre will be built on the premises of Unipetrol RPA in two years. It will interconnect research capacities with first-class educational activities and industrial applications. The centre will focus on research, development, innovation and education in the area of refinery and petrochemical technologies, environmental technology, and processes for efficient uses of renewable sources. The economic benefits and competitiveness to be so achieved will be put to use throughout the Group. The remaining R&D services, which are becoming obsolete or redundant, will be divested or closed in the medium term.

Unipetrol's governing bodies and management

Board of Directors

The Board of Directors is the company's governing body, managing its activity and acting on its behalf. Pursuant to the Articles of Association as in force as of 1 January 2011, the Board of Directors has seven members and the members are elected for a three-year term of office. The Board of Directors elects from its ranks its Chairman and two Vice-Chairmen, who each represent the Chairman severally and fully in the execution of his competences.

The company's Board of Directors as of 28 February 2011

PIOTR CHEŁMIŃSKI

Born on 17 October 1964

Member of the Board of Directors since 30 October 2009, Chairman of the Board of Directors since 10 December 2009 (current term of office will expire on 30 October 2012)

University education, 20 years of experience

Currently the Company's CEO as well.

Career overview:

Over the five preceding years, he has worked as a member of the Board of Directors of Gamet Holdings S.A. Luxembourg (2007–10/2009), as Vice-Chairman for Sales and Marketing at Gamet, S.A. Torun, Poland (2006–10/2009) and as a member of the Board of Directors and Supervisory Board with direct operating supervision over marketing and sales at Kamis-Przyprawy S.A. (2001–2006). He does not hold any of these positions any longer.

Education:

University of Management and Marketing in Warsaw (a partner of Denver University, US), a graduate management programme

Warsaw Agricultural University, Master's Degree

MAREK SERAFIN

Born on 10 August 1969

Member and Vice-Chairman of the Board of Directors since 13 February 2009 (current term of office will expire on 13 February 2012)

University education, 16 years of experience

Currently a member of the Board of Directors of PKN Orlen, responsible for petrochemical operations

Career overview:

Over the five preceding years, he has worked as CEO of ArcelorMittal Group (2002–2008). He worked as well as a Managing Director, a member of the Board of Directors and Chairman of the Board of Directors at Huta Warszawa (at present ArcelorMittal Group), and concurrently as Chairman of the Management Board at Silscrap Sp. z o.o.

He also held the position of CEO and Chairman of the Management Board at Huta Zawiercie S.A. (2001–2002), and Chief Operating Officer at Huta Aluminum Konin S.A. (1999–2001).

Education

1993–1994 Warsaw University of Technology, Business School

1988–1993 Poznan University of Technology, Faculty of Civil Engineering

MARTIN DURČÁK

Born on 25 November 1966

Member of the Board of Directors since 6 October 2006 (current term of office will expire on 30 October 2012)

University education, 19 years of experience

Currently also the Chief Retail Officer and Director of BENZINA, s.r.o.

Career overview:

Over the five preceding years, he has held the position of member of the Board of Directors and CEO at ARAL ČR a.s. (2004–2006). He does not hold this position any longer.

Before, he worked as Project Manager at ARAL ČR a.s. and as Controlling Director at ARAL ČR a.s. and Aral Poland.

Education:

VŠB – Technical University in Ostrava

MARIUSZ KĘDRA

Born on 7 June 1970

Member of the Board of Directors since 1 October 2010 (current term of office will expire on 1 October 2013)

University education, 15 years of experience

Currently the Company's CFO as well.

Career overview:

Over the five preceding years, he has worked as a member of the Board of Directors and in management of Lafarge Kruszywa i Beton Sp. Z o.o. – Operation Director (2008 – June 2010) and as a member of the Board of Directors responsible for finance and development in Lafarge Aggregates Ltd (2004–2008). He does not hold any of these positions any longer.

Education

1990–1995 Academy of Economics in Katowice, master's degree in Controlling in Management

IVAN OTTIS

Born on 21 November 1947

Member of the Board of Directors since 22 June 2006 (current term of office will expire on 24 June 2012)

University education, 39 years of experience

Currently also the Chief Refinery Officer

Career overview:

Over the five preceding years, he has held the position of the Chairman of the Board of Directors at Česká rafinérská (1995–2003), Chairman of the Supervisory Board at Česká rafinérská (2005–2006), a member of the Supervisory Board at Rafineria Trzebinia S.A. and a member of the Supervisory Board at Rafineria Jedlicze, S.A. He does not hold any of these positions any longer.

Member of the Supervisory Board of ORLEN OIL Sp. z o.o., Poland – the position is current.

Before, he held the position of Chairman of the Board of Directors and CEO at Paramo (2006–2009), and Director for Strategic Projects at Unipetrol Rafinérie (2003–2006).

Education:

Faculty of Chemical Technology of the University of Pardubice

ARTUR PAŹDZIOR

Born on 6 October 1970

Member of the Board of Directors since 30 October 2009 (current term of office will expire on 30 October 2012)

University education, 18 years of experience

Currently also the Chief Petrochemical Officer

Career overview:

Over the five preceding years, he has held the position of CEO and Chairman of the Board of Directors at MK sp. z o.o. (2008–10/2009), Sales and Marketing Director and a member of the Board of Directors at Wavin Metalplast – Buk sp. z o.o. (2003–2008).

Education:

1996–1999 Master of Business Administration, Nottingham Trent University / The Wielkopolska Business School

1989–1994 Master of Engineering, Poznan University of Technology, Faculty of Mechanical Engineering

Board of Directors – changes in 2010

As of 1 January 2010, members of the Board of Directors were Messrs Piotr Chełmiński – Chairman, Wojciech Ostrowski – Vice-Chairman, Marek Serafin – Vice-Chairman, Ivan Ottis, Martin Durčák, and Artur Paździor – members.

The Supervisory Board at its meeting on 18th June 2010 reappointed Mr. Wojciech Ostrowski to the Board of Directors for another term. The Supervisory Board at its meeting on 24th September 2010 acknowledged the resignation of Mr. Wojciech Ostrowski from membership and the position of the Vice-Chairman of the Board of Directors and approved his request for termination of his function on 30th September 2010.

On the same day – 24th September 2010 the Supervisory Board appointed to the Board of Directors Mr. Mariusz Kędra, as of 1st October 2010.

Thus, as of 31 December 2010, the Board of Directors included Messrs Piotr Chełmiński as the Chairman, Marek Serafin as a Vice-Chairman, Mariusz Kędra, Ivan Ottis, Martin Durčák, and Artur Paździor as members.

Supervisory Board

The Supervisory Board is the company's supervisory body. It supervises the performance of the Board of Directors' competences and the running of the company's business. In accordance with the Articles of Association as in force as of 1 January 2010, the Supervisory Board had 9 members elected for a three-year term of office. The Supervisory Board elects from its ranks its Chairman and two Vice-Chairmen, each representing the Chairman of the Supervisory Board severally and fully in the execution of his competences.

Supervisory Board as of 28 February 2011

DARIUSZ JACEK KRAWIEC

Born on 23 September 1967

Member and Vice-Chairman of the Supervisory Board (since 26 June 2008, term of office will expire on 26 June 2011)

Chairman of the Supervisory Board (since 11 December 2008)

University education, 19 years of experience

Outside the Unipetrol Group, he is currently a member and Chairman of the Board of Directors at PKN Orlen S.A. Over the five preceding years, he has held the position of the Chairman of the Board of Directors at Action (2006–3/2008). He does not hold this position any longer.

In 2002 he was appointed the President of the Management Board in Elektrim SA and, in 2003 the Managing Director in Sindicatum Ltd London. Before, he held the post of Chairman of
the Management Board and CEO in Impexmetal SA. In 1998 he came to the British branch of a Japanese investment bank Nomura plc London, where he was responsible for the Polish market. Between 1992 and 1997 he worked for Bank PEKAO SA, Ernst & Young SA and PriceWaterhouse Sp. z o.o.

1992 - graduated from the Poznan University of Economics, faculty Economics and Organisation of the Foreign Trade

SŁAWOMIR ROBERT JĘDRZEJCZYK

Born on 5 May 1969

Member of the Supervisory Board (since 26 June 2008, term of office will expire on 26 June 2011)

Vice-Chairman of the Supervisory Board (since 11 December 2008)

University education, 17 years of experience

Outside the Unipetrol Group, he is currently a member and Vice-Chairman of the Board of Directors at PKN Orlen S.A. and a member of the Board of Directors at AB Orlen Lietuva

Over the five preceding years, he has held the position of Chairman of the Board of Directors and CEO at TPEmiTel Sp. z o.o. (2005–2008) and Group Controlling Director at Telekomunikacja Polska S.A (2003 – 2005). He does not hold either of these positions any longer.

He worked as Financial Director in ORFE SA (2002-2003) and held the post of Member of the Board of Directors at CEFARM Slaski, a subsidiary of ORFE S.A., (2002–2003). Before, between 1997 and 2002, he held the posts of Member of the Management Board and Financial Director (till 1998 deputy) in IMPEXMETAL SA. And from 1992 to 1997 he worked for: Telebud, ASEA Brown Boveri and PriceWaterhouse Sp z.o.

1995 – 1997 the Association of Chartered Certified Accountants, British Certified Auditor

1993 – 1994 the Foundation for Promotion of Entrepreurship, Post diploma economics training for managers

1987 – 1992 Lodz University of Technology, Telecommunications, Master degree in electronics

IVAN KOČÁRNÍK

Born on 29 November 1944

Member and Vice-Chairman of the Supervisory Board (since 22 June 2006, current term of office will expire on 24 June 2012)

University education, 42 years of experience

Over the five preceding years, he has been the Chairman of the Supervisory Board at Impronta, a.s. (until 13 June 2003), Chairman of the Supervisory Board at Česká pojišťovna Slovensko, a.s. (until April 2008), Chairman of the Board of Trustees of Nadace VŠE, Chairman of the Supervisory Board of Česká pojišťovna a.s. (until January 2007), and Chairman of the Supervisory Board of ČESKÉ AEROLINIE, a.s. (until September 2009). He does not hold any of these positions any longer.

He held the office of the Deputy Prime Minister and the Minister of Finance (1992-1997), Deputy Minister of Finance (1990 – 1992). Before, he worked as Director of the research department of Ministry of Finance (1985 – 1990), in the University of Economics, Prague (1975 – 1985) and in the Research institute of financial and loan system (1966 - 1974).

1965 – graduated from the University of Economics, Prague

ZDENĚK ČERNÝ

Born on 20 October 1953

Member of the Supervisory Board (since 29 January 1999 , current term of office will expire on 29 June 2013)

University education, 36 years of experience

Outside the Unipetrol Group, he has been the Chairman of the Supervisory Board of Vykáň a.s. (until 30 June 2006) and a member of the Supervisory Board of Severomoravská energetika a.s., Ostrava (until 28 February 2007) over the five preceding years.

Currently he holds the office of Chairman of the Trade Unions Association ECHO (Energy and Chemical industries). Before, he held the post of Chairman of the Czech Trade Unions in Chemical Industry (1997 – 2004), where he also worked in various other positions since 1990 (the head of the Chairman's Office, executive secretary, head of legislative department). Between years 1975 and 1989 he worked in the railway transportation industry in various positions and departments.

Z. Černý graduated from the Charles University of Prague, Faculty of Law.

BOGDAN DZUDZEWICZ

Born on 9 February 1966

Substitute member of the Supervisory Board (from 11 December 2008 to 23 June 2009)

Member of the Supervisory Board (since 24 June 2009, term of office will expire on 24 June 2012)

University education, 20 years of experience

Currently PKN Orlen's general counsel (since September 2008). He previously worked as a senior lawyer at Linklaters (2003 – 2004) as well as running a private practice (2004-2008). Before, he worked as a commercial lawyer in Elektrim S.A. (2002), a senior lawyer in Weil, Gotshal & Manges (1998 – 2002) and a lawyer in Sołtysiński Kawecki & Szlęzak (1995 – 1998).

Faculty of Law of the Adam Mickiewicz University in Poznaň and the LAW Faculty, Central European University in Budapest

Member of Regional chamber of commercial lawyers in Warsaw

PIOTR KEARNEY

Born on 4 October 1969

Member of the Supervisory Board (since 8 June 2005, current term of office will expire on 26 June 2011)

University education, 16 years of experience

Currently works as Director of Mergers and Acquisitions Department in PKN ORLEN S.A. and is a member of the Supervisory Board of AB ORLEN Lietuva (since 2006), ORLEN Upstream Sp. z o.o. (since 2006) and Polkomtel, S.A. (since March 2008).

He has been working for PKN Orlen since 2000, he began at the post of Deputy Director for Capital Investments and later became Strategy and Development Executive Director. Before, he worked for Nafta Polska, first as an adviser in the Financial Policy Department, subsequently at the post of Deputy Director for Restructuring and Privatisation Department. He started his career in Rafineria Gdanska as Development Finance Manager (1995 – 1996).

Over the five preceding years, he has been a member of the Supervisory Board of ORLEN Deutschland GmBH (2003−2004), Rafineria Trzebinia S.A. (2003−2004), and Inowrocławskie Kopalnie Soli Solino S.A. (2003−2004).

He is also a shareholder or member of companies: 20% of KGL Sp. z o.o, Gdynia, Poland, and a retail shareholder in other private or listed companies, although not in UNIPETROL, a.s. or its subsidiaries.

P. Kearney gratuated from the University of Gdansk, Faculty of Economics.

ANDRZEJ JERZY KOZŁOWSKI

Born on 13 January 1975

Member of the Supervisory Board (since 24 June 2009, term of office will expire on 24 June 2012)

University education, 13 years of experience

He is currently PKN Orlen's Executive Director for Strategy and Project Portfolio (since February 2009) and a member of the Supervisory Board of AB ORLEN Lietuva (since April 2009).

In the previous years, he has worked as Director for Strategy, Project Management and Co-operation with the Regulatory Authority at TP Emitel, Director at Prokom S.A., manager in charge of strategic projects for the Board of Directors at Telekomunikacja Polska S.A., and consultant and project manager for Avantis Consulting Group and American Management Systems between 1998 and 2009.

A. J. Kozłowski graduated from the Wyższa Szkoła Biznesu/National-Louis University (BA program) and from the Maastricht School of Management (MBA program)

KRYSTIAN PATER

Born on 16 December 1964

Member of the Supervisory Board (since 28 June 2007, term of office will expire on 29 June 2013)

University education, 22 years of experience

Outside the Unipetrol Group, he is a member of the Board of Directors responsible for refinery segment of PKN Orlen S.A. (2007 – present) , member of the Board of Directors and CEO of AB ORLEN Lietuva (2006 – present), member of the Supervisory Board of ORLEN Wir Sp. z o.o., member of the Supervisory Board of ORLEN Mechanical Sp. z o.o., member of the Supervisory Board of Rafineria Trzebinia, S.A., member of the Supervisory Board of ORLEN Asfalt Sp. z o.o., and member of the Supervisory Board of ORLEN Eko Sp. z o.o. over the five preceding years.

Before he worked in PKN ORLEN SA as executive director for refinery production (2006-2007), chief engineer for technology (2003 – 2005) and supervisor of the production manager's office (1998 – 2002). Between years 1993 and 1998 he held the post of technologist in Petrochemia Płock SA.

K. Pater graduated from the University in Torun, Faculty of Chemistry, in 1987. He passed a postgraduate chemical engineering course in the Warsaw University of Technology, Faculty of Chemical and Process Engineering in 1989.

RAFAŁ SEKUŁA

Born on 27 September 1972

Substitute member of the Supervisory Board (from 30 October 2009 to 9 December 2009)

Member of the Supervisory Board (since 10 December 2009, term of office will expire on 10 December 2012)

University education, 14 years of experience

He is currently the Executive Director of PKN Orlen's HR Department.

Over the preceding years, he has worked as the HR Director (from 2006), the head of the Employee Care Department (from 2002) and as a specialist in the Employee Care Department (from 2000) at TP EmiTel sp. z o.o. Between years 1997 and 2000 he worked for Telekomunikacja Polska in Organisation and Management Department

R. Sekuła graduated from the Jagiellonian University in Cracow, the Faculty of Law, and from the Polish Open University/The Oxford Brookes University in Warsaw (MBA program).

Supervisory Board – changes in 2010

As of 1 January 2010, the members of the Supervisory Board were Messrs Jacek Krawiec as the Chairman, Sławomir Jędrzejczyk as a Vice-Chairman, Ivan Kočárník as a Vice-Chairman, and Piotr Kearney, Krystian Pater, Zdeněk Černý, Bogdan Dzudzewicz, Andrzej Kozłowski and Rafał Sekuła as members.

The General Meeting of UNIPETROL, a.s. on 18th June 2010 reappointed to the Supervisory Board for another term Mr. Krystian Pater and Mr. Zdeňek Černý.

As of 31 December 2010, the members of the Supervisory Board were Messrs Jacek Krawiec as the Chairman, Sławomir Jędrzejczyk as a Vice-Chairman, Ivan Kočárník as a Vice-Chairman, and Piotr Kearney, Krystian Pater, Zdeněk Černý, Bogdan Dzudzewicz, Andrzej Kozłowski and Rafał Sekuła as members.

Managers (persons with management powers)

"Managers" means persons in executive management positions who substantially influence the company's actions. As far as UNIPETROL, a.s. is concerned, managers are the persons in the positions of Chief Executive Officer, Chief Financial Officer, Chief Administrative Officer, Chief Retail Officer, Chief Refinery Officer, and Chief Petrochemical Officer.

Chief Executive Officer	
Piotr Chełmiński	since 10 December 2009
Chief Financial Officer	
Wojciech Ostrowski	since 1 July 2007− 30 September 2010
Mariusz Kędra	since 1 October 2010
Chief Administrative Officer	
position vacant since 10 December 2009	
Chief Retail Officer	
Martin Durčák	since 1 September 2008
Chief Refinery Officer	
Ivan Ottis	since 1 September 2008
Chief Petrochemical Officer	
Artur Paździor	since 30 October 2009

Audit Committee

The passing of the new Act No. 93/2009 on Auditors and on Changes to Certain Laws (the “Audit Act”) effectively introduced the obligation to establish a new body - an audit committee - for companies whose shares are admitted to trading on a regulated market. The law provides for a new addition to the general meeting’s remit, consisting in this body’s obligation to appoint a company auditor. The extraordinary general meeting of UNIPETROL, a.s. held on 10 December 2009 decided to amend the company’s Articles of Association to establish the Audit Committee and describe its remit, composition, and procedural rules.

The Audit Committee is the company’s body that performs, in particular but without limitation, the activities listed below without prejudice to the liability of the members of the company’s Board of Directors or Supervisory Board:

(a) Monitor the procedure of the preparation of financial statements and consolidated financial statements;

(b) Evaluate the efficiency of the company’s internal controls, internal audit and, if applicable, risk management systems;

(c) Monitor the process of the mandatory audit of financial statements and consolidated financial statements;

(d) Assess the statutory auditor’s and audit company’s independence and especially the provision of complementary services to the company;

(e) Recommend that the auditor audit the company’s financial statements and consolidated financial statements.

The company’s auditor shall inform the Audit Committee on an ongoing basis, about significant circumstances arising from the mandatory audit, including, but not limited to, any fundamental shortcomings in internal controls in relation to the procedure of the preparation of financial statements or consolidated financial statements. The Audit Committee members participate in the company’s general meetings and are obligated to inform the general meeting about the results of their work.

The Audit Committee has four members, appointed and dismissed by the general meeting from the ranks of the Supervisory Board members or third parties. Audit Committee members may not hold the positions of Director or *Prokurist* of the company. At least one member of the Audit Committee must be independent of the company and possess at least three years practical experience in accounting or mandatory auditing. The term of office of each individual member of the Audit Committee is three years. Re-election of members of the Audit Committee is allowed.

Audit Committee members shall refrain from voting on any issues that threaten or involve a conflict of interests on their part and shall notify the other members of the Audit Committee of such conflicts of interest without any undue delay. This does not prejudice the right of the Audit Committee member on whose part a conflict of interests threatens or exists to participate in the deliberations on the issue as per the preceding sentence. The Audit Committee shall make decisions at its meetings. The Audit Committee shall meet once every two months as a rule.

The Audit Committee members are:

IAAN HAGGIS

Born on 9 December 1961

Independent Member of the Audit Committee (since 10 December 2009)

University education, 21 years of experience

Outside the Unipetrol Group, he is currently the CFO in charge of financial statements and annual audit at Innova Capital (since 2007). He worked as the corporate finance director at TP Group (2005- 2007), and before, as the COO and Executive Director at Radio Plus S.A. (2002-2005).

Between years 1999 and 2002 he held the post of the Finance Director at De Lage Landen Leasing Polska (the leasing and vendor finance subsidiary of Rabobank), Finance and Administration Director responsible for the audit process of the National Investment Fund at PTP Kleinwort Benson (1994 – 1999), Financial Director at GVG GmbH, Germany (1991 – 1994), Regional Financial Controller at Halifax Property Services, UK (1989 – 1991), Management Accountant and Assistant Financial Manager at Reuters Ltd (1984 – 1989).

I. Haggis graduated from the Plymouth Polytechnics (BA in business and finance) in Great Britain.

SŁAWOMIR ROBERT JĘDRZEJCZYK

Member of the Audit Committee (since 10 December 2009)

See the Supervisory Board

IVAN KOČÁRNÍK

Member of the Audit Committee (since 10 December 2009)

See the Supervisory Board

PIOTR KEARNEY

Member of the Audit Committee (since 10 December 2009)

See the Supervisory Board

Statement of Compliance

The members of the Board of Directors, Supervisory Board, and management (the “persons”) listed below:

Piotr Chełmiński, Marek Serafin, Wojciech Ostrowski, Mariusz Kędra, Ivan Ottis, Martin Durčák, Artur Paździor, Dariusz Jacek Krawiec, Sławomir Jędrzejczyk, Ivan Kočárník, Bogdan Dzudzewicz, Piotr Kearney, Krystian Pater, Zdeněk Černý, Andrej Jerzy Kozłowski, and Rafał Sekuła,

have each submitted an individual “Statement of Compliance” to UNIPETROL, a.s., wherein they have stated that they:

“(a) Have not been a member of any administrative, governing, or supervisory body or a member or partner of any other company or general or limited partnership other than UNIPETROL, a.s. or a subsidiary thereof over the five preceding years;

(b) Are not a member of any administrative, governing, or supervisory body or a member or partner of any other company or general or limited partnership other than UNIPETROL, a.s. or a subsidiary thereof;

(c) Have not been convicted of offences involving fraud over the five preceding years;

(d) Have not been associated with any bankruptcy/receivership proceedings, administration or liquidation over the five preceding years;

(e) Have not been disciplined in any manner whatsoever by any governing bodies or regulatory authorities (including designated professional bodies);

(f) Have not been deprived of the capacity to hold the office of a member of any administrative, governing or supervisory body of any issuer, or a position in the management of, or execution of the activities, of any issuer by any court over the five preceding years;

(g) Do not have any potential conflict of interest between their obligations related to their offices, their private interests, and/or other obligations, and UNIPETROL, a.s.; and

(h) Have not entered into any agreement on the holding of an office/position with UNIPETROL, a.s. or a subsidiary thereof, granting them any benefit in connection with the end of their office/position.”

They also noted, if applicable, exceptions from the items of the above Statement in cases where any of the above circumstances exist in respect of their own person. The exceptions from items (a) and (b) submitted by the Persons are specified in sub-chapters “Board of Directors”, “Supervisory Board”, and “Management”; in this chapter, these are specified separately for each Person in the wording submitted in that Person’s Statement. No exceptions were noted in respect of items (c) to (h). The Persons holding the offices of a CEO, CFO, Chief Administrative Officer, Chief Retail Officer, Chief Refinery Officer, and Chief Petrochemical Officer at UNIPETROL, a.s. and the Persons holding the office of a Director in subsidiaries have employment contracts in place with the respective companies, wherein benefits related to the end of their office are accorded to them in accordance with the rules of remuneration specified in sub-chapter “Emoluments”.

Election rules

The Board of Directors has seven members. Under the company’s Articles of Association, Members of the Board of Directors are elected and dismissed by the company’s Supervisory Board. If a Member of the Board of Directors dies, resigns, is dismissed or his term of office ends otherwise, the Supervisory Board shall elect a new member of the Board of Directors within three months of the day when such a circumstance occurred. Any Member of the Supervisory Board is entitled to propose the election or dismissal of Members of the Board of Directors. The election/dismissal of Members of the Board of Directors shall take place by means of a secret ballot during a Supervisory Board meeting. Re-election of Members of the Board of Directors is allowed.

The Supervisory Board has nine members (a change upon a decision passed by the general meeting held on 26 June 2008, to decrease from the original 12 members); under the Articles of Association, the general meeting shall elect/dismiss six Members of the Supervisory Board while the company’s employees shall elect three Members of the Supervisory Board provided that the company has more than fifty employees under employment contracts with working hours exceeding one half of the weekly working hours laid down in a separate legal regulation as of the first day of the accounting period in which a general meeting electing the Members of the Supervisory Board is held. Since this requirement was not met as of 1 January 2010, all Members of the Supervisory Board have been elected by the general meeting. If the number of the Members of the Supervisory Board elected by the general meeting does not decrease below one half, the Supervisory Board may appoint substitute members until the next general meeting; otherwise, the new Members of the Supervisory Board shall be elected within three months of the day when the term of office of the current Members of the Supervisory Board ended. Re-election of Members of the Supervisory Board is allowed. The company’s Board of Directors appoints and dismisses managers of the company.

Emoluments

Principles of remuneration of managers and members of the Board of Directors and Supervisory Board

The setting of the emoluments for the Board of Directors and Supervisory Board members falls within the competencies of the general meeting. The general meeting decided on a fixed amount of emoluments for an indefinite period of time, differentiated for the Chairman, Vice-Chairman, and Members of both the Board of Directors and the Supervisory Board, in 2001. The general meeting also decided on the amount for D&O liability insurance for the Board of Directors and Supervisory Board members.

The Staff and Corporate Governance Committee

The agenda of the Staff and Corporate Governance Committee includes support for the implementation of the company’s strategic goals via the Committee’s opinions and recommendations furnished to the Supervisory Board on matters concerning the structure of management, including organisational arrangements, the remuneration system, and the selection of suitable persons capable of assisting the company to achieve success. The remit of the Committee includes, without limitation:

a) Submission of recommendations concerning the appointment and dismissal of Board of Directors members to the Supervisory Board;

b) Regular assessment of, and submission of recommendations concerning, the principles and system of remuneration for the Board of Directors members and the Chief Executive Officer, including management contracts and a system of incentives, and submission of proposals concerning the creation of such systems with regard to the implementation of the company's strategic goals;

c) Submission of opinions to the Supervisory Board on the justification of the part of remuneration which depends on the results achieved, in connection with the evaluation of the degree to which the company's tasks and objectives have been carried out;

d) Assessment of HR management system in the company;

e) Recommendation of candidates for the office of the company's Chief Executive Officer;

f) Informing the Supervisory Board about all circumstances pertaining to the Committee's activities.

g) Evaluation of implementation of the corporate governance principles,

h) Submission of recommendations to the Supervisory Board concerning implementation of the corporate governance principles,

i) Opinions concerning normative documents concerning corporate governance,

j) If required, evaluation of reports concerning the compliance of the corporate governance rules with the corporate governance rules established by the Prague Stock Exchange or the Czech National Bank, if such rules exist,

k) Presentation of opinions concerning the proposed changes of the company's corporate documents and preparation of proposals of amendments in case of the Supervisory Board documents,

l) Monitoring of the corporate governance from the point of view of its compliance with legal requirements, including the valid corporate governance rules,

m) Informing the Supervisory Board about any facts related to the activities of the Corporate Governance Committee.

Committee Members

Chairman	Krystian Pater	Member since 24 September 2010 Chairman since 2 December 2010
Vice-Chairman	Bogdan Dzudzewicz	Member since 24 September 2010 Vice-Chairman since 2 December 2010
Member	Zdeněk Černý	Member since 24 September 2010
Member	Rafał Sekuła	Member since 24 September 2010

The managers' remuneration consists of a fixed and a variable component related to each particular position and the management level. Remuneration is paid in the form of wages for work performed under management contracts. The level of wages is based on qualified benchmarking studies on managers' remuneration in the Czech Republic, and reflects managerial and professional expertise. The variable component ranges between 55% and 60% of the base monthly wages and is paid in accordance with the MBO objectives.

In 2010, the unified rules for management by objectives (MBO) were updated in co-operation with PKN Orlen with a view to further increasing the efficiency of managing employees and evaluating their performance. The system was approved by the Boards of Directors and Directors of the companies controlled directly by UNIPETROL, a.s.

This management by objective and remuneration system was implemented all the way to level N-3 in 2010, involving more than 260 employees. For the employees and managers evaluated under the MBO, the variable component of wages is set based on the tier of their position in the company. The variable component depends on the meeting of qualitative and quantitative targets and the achievement of the Group's planned financial results.

The quantitative targets include mainly EBIT, a common bonus goal – net cash-flow, fixed costs, the restructuring of employment and safety parameters.

An MBO Committee was appointed for addressing specific cases or employees' complaints related to the MBO system; its members are the company's managers.

The specific qualitative and quantitative targets for the employees are set by their direct superiors (N+1) and approved by N+2, where N is the employee. The direct superiors also evaluate the meeting of the targets for the relevant period, with the evaluation approved by N+2. For employees who are members of the Board of Directors, targets are set and evaluations made by the Supervisory Board.

The entitlements arising from contracts with managers upon the termination of employment contained both a competition and a stabilisation clause as of 31 December 2010. The competition clause ranges between three and six times average monthly earnings. The stabilisation clause is six times the base monthly wages.

In addition to financial income, managers are entitled to income in kind, which includes:

- Right to use the business car for private purposes;
- Meal vouchers;
- Accommodation costs, eventually costs associated with rellocation;
- Air tickets expenditures;
- Fuel consumption for private purposes;
- Cafeteria system - contributions to personal pension schemes, life assurance policies, or Flexi Passes.

Amount of payments provided by the issuer in the last accounting period, from 1 January 2010 to31 December 2010, in CZK

	Income in money	Income in kind	TOTAL
Board of Directors	3 105 000	0	3 105 000
Supervisory Board	5 640 000	0	5 640 000
Audit Committee	960 000	0	960 000
Managers	26 948 110	2 873 488	29 821 598

Note: In the case of the Board of Directors and the Supervisory Board, the above figures only include income tied to membership of the company's supervisory bodies (remuneration for governing bodies), while in the case of managers they include income specified for their position in their management contract, without remuneration for governing bodies.

Managers in the period from 1 January 2010 to 31 December 2010:

- Chief Executive Officer;
- Chief Financial Officer;
- Chief Retail Officer
- Chief Refinery Officer;
- Chief Petrochemical Officer.

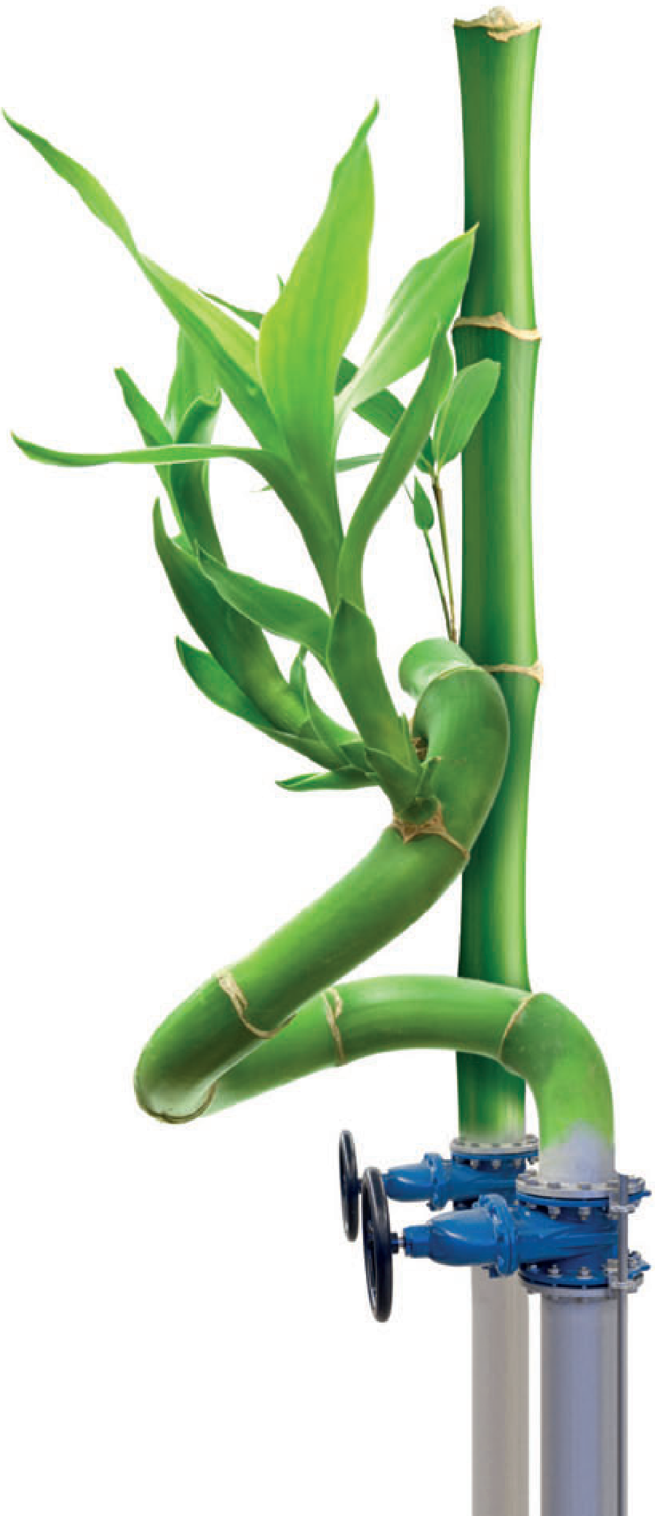
Amounts paid by persons controlled by the issuer for the last accounting period, in CZK

	Income in money	Income in kind	TOTAL
Board of Directors	0	0	0
Supervisory Board	216 000	0	216 000
Managers	595 334	0	595 334

Members of the Board of Directors and Supervisory Board and managers do not hold the issuer's participation securities or options under Section 118 of Capital Market Business Act No. 256/2004 and Article 10 of Commission Regulation (EC) No 809/2004.

The issuer has provided no credit, loans, or guarantees to governing bodies or members thereof, members of supervisory bodies, or managers.

The members of the issuer's governing and supervisory bodies and managers were not involved in transactions outside of the issuer's scope of business or in other transactions unusual for the issuer in terms of their form, nature, terms and conditions, or subject matter during the current and latest completed accounting periods or in the previous accounting periods.



Unipetrol

ORLEN GROUP

Management report

Introduction

The Group generated revenues of CZK 85,967 million in 2010, i.e. 28% more than in 2009. This was achieved mainly thanks to the higher quotations of refining and petrochemical products and an increase in the volumes of fuels and other refinery products sold.

Strict cost control, an improved pricing policy and favourable macroeconomic conditions in both the refinery and petrochemical segments resulted in an operating profit of CZK 1,678 million in 2010.

Higher refinery margins and a wider Brent-Ural differential positively influenced the refinery segment. The petrochemical business was also positively influenced by higher margins as well as by a higher share of more profitable polyolefins.

All of the above, combined with lower financing costs, caused the Group's net profit of CZK 937 million to be higher than in 2009.

Benzina further strengthened its position as the market leader, increasing its market share to an estimated 14.2%. The Group's financial position further improved with its year-end cash balance exceeding debts by more than CZK 2.5 billion. Fixed costs were cut by more than CZK 130 million and a positive free cash flow of CZK 3.7 billion was achieved.

The Group processed 4,352 kt of crude oil (+ 6% y/y). Benzina added three new fuel filling stations to its portfolio and face-lifted or rebranded 25 other stations. The new butadiene unit, a joint venture with Synthos Kralupy, started its production in the first half of the year. All of the planned maintenance work, both in the refining and petrochemical segments, was successfully completed.

External environment in 2010

	1Q 2010	2Q 2010	3Q 2010	4Q 2010	Average 2010	Average 2009
Model refining margin (USD/bbl) [1)]	3.98	3.28	1.92	4.50	3.42	2.05
Brent crude price (USD/bbl) [2)]	76.7	78.7	76.5	86.7	79.6	61.8
Brent-Ural differential [3)] (USD/bbl)	1.41	1.76	0.92	1.52	1.40	0.81
Model petrochemical olefin margin (EUR/t) [4)]	278	318	302	255	288	210
Model petrochemical polyolefin margin (EUR/t) [5)]	257	279	313	278	282	256

Note.:

1) Unipetrol model refining margin = revenues from products sold (97% Products = Gasolines 17%, Petchem feedstock 20%, JET 2%, Diesel 40%, Sulphur Fuel Oils 9%, LPG 3%, Sulphur 1%, Other feedstock 5%) minus costs (100% input = Brent Dated); products prices according to quotations. Unipetrol model refining margin was updated in 2009 and historical figures were recalculated accordingly.

2) fwd Brent Dated

3) Spread fwd Brent Dtd v Ural Rdam = Med Strip - Ural Rdam (Ural CIF Rotterdam)

4) Unipetrol model petrochemical olefin margin = revenues from products sold (100% Products = 40% Ethylene + 20% Propylene + 20% Benzene + 20% Naphtha) minus costs (100% Naphtha); products prices according to quotations.

5) Unipetrol model petrochemical polyolefin margin = revenues from products sold (100% Products = 60% HDPE + 40% Polypropylene) minus costs (100% input = 60% Ethylene + 40% Propylene); products prices according to quotations.

Key operating data 2010 (kt)

	1Q 2010	2Q 2010	3Q 2010	4Q 2010	2010	2009
Crude oil throughput[1)]	948	1,082	1,182	1,141	4,352	4,110
Utilisation ratio (%)[1)]	69	79	86	83	79	75
External sales of motor fuel and other refinery products [2)]	719	945	986	897	3,548	3,409
External sales of petrochemical products	455	472	421	425	1,772	1,825

1) The data refer to Unipetrol's refineries, i.e. to 51.22% of Česká rafinérská, 100% of Paramo

2) Includes retail distribution - Benzina

Key financial data in 2010 (CZK million)

	2009	2010	2010/2009
Revenues	67,387	85,967	+28%
EBITDA (Earnings before interests, taxes, depreciation and amortization)	2,778	5,174	+86%
Operating profit	-654	1,678	n/a
Net profit attributable to shareholders of the parent company	-840	937	n/a
Earnings per share (CZK)	-4.63	5.17	n/a
Operating cash flow	3,881	4,636	+19%

Note: Earnings per share = net profit attributable to shareholders of the parent company / number of issued shares

Refining segment I. (Unipetrol RPA – Business Unit Refinery, Česká rafinérská)

Important events in 2010

- Increase of mandatory bio-component content in fuels;
- "Slurry Oil Filtration" investment project in the Kralupy refinery;
- "Increasing Energy Efficiency of the FCC Unit" investment project in the refinery in Kralupy;
- Shut-down of the hydro crack unit in the Litvínov refinery;
- Testing new types of crude oil.

External environment

The year 2010 was noticeably better in terms of crude oil and oil products. Brent crude (Brent Dated high) was up almost 29% compared with 2009, amounting to an average of USD 79.60/bbl. Despite a number of issues and fluctuations, the global economy grew, as did demand, and the market was influenced by both ordinary factors (such as seasonal developments in demand, production, developments in reserves, weather) and extraordinary factors (such as geopolitical tensions, crises in some of the Euro zone countries, the activity of the Iceland volcano Eyjafjallajökull, the environmental disaster in the Gulf of Mexico, and the autumn strike in France). The dollar exchange rate remained a major factor, changing by just 0.3% on average in year-on-year terms but exhibiting a great degree of volatility throughout the year.

The prices of refinery products were 27 to 33% stronger than in the previous year (compared on the basis of FOB Rotterdam high).Despite various fluctuations, European prices got a boost from the positive development of the global economy, the associated increase in demand, a high number of refinery shutdowns, strikes of refinery staff (all products), export (naphtha, automotive gasoline, high-sulphur fuel oil), weak and/or problematic quality imports (jet kerosene, diesel fuel), and, in certain regions, stricter environmental limits either in effect in 2010 or prepared for 2011 (gas and fuel oils). The principal factors acting against price growth included the relatively weak or fluctuating rate of growth in demand due to economic problems (all products), shutdowns in downstream processes (naphtha), end customer strikes (jet kerosene), imports (fuel oils), and competition from alternative products (naphtha, fuel oils). Seasonal influences, the weather, developments in reserves, and the dollar exchange rate operated in either way.

The average annual profitability measured as the Model Refining Margin indicator exceeded USD 3.4/bbl, increasing by more than 66% as compared to 2009.

The risk factors affecting the refining segment include the high degree of crude and oil price volatility caused by market influences as well as non-market influences, escalating competition on the fuel market, long-term surplus of automotive gasoline on the European market, fluctuations in demand for oil products closely correlated to the global economic development, and a broad range of other influences.

The risks in 2011 will also include the risk of negative development in the Euro zone and its impact on the economy of the Czech Republic.

The specific risk for the Czech market remains in the increased excise tax, increased last year, and the lingering shift of a part of usual demand to neighbouring countries.

Market position

The exceptionally fierce competition in the field of refining products continued in 2010. OMV, Slovnaft, Shell, and ENI remained the most serious competitors on the Czech market.

Pursuant to Unipetrol's ownership rights and its needs, the Business Unit (BU) Refinery plans and manages crude oil processing at Česká rafinérská, ensures the principal synergies arising objectively from the connection of refining and petrochemical production within the group, and is the most important player on the Czech market in crude oil procurement and in refinery product wholesaling.

In terms of sourcing, the crude oil markets important for the BU Refinery include Russia, certain other republics of the former Soviet Union, and the countries of the Mediterranean. This situation is due largely to the existence of the Druzhba and TAL/IKL (Trieste-Ingolstadt-Kralupy-Litvínov) oil pipelines.

More than 72% of the Refining BU's revenues were generated in the Czech Republic in 2010. This structure was based on supplies to other Unipetrol Group companies and on supplies to entities existing on the Czech market outside of the Group. The Refining BU also supplied fuels directly to fuel filling stations and for public road transport, the energy sector, agriculture, the construction industry, the military, and the police.

The most important export areas for the Refining BU were Slovakia, Germany, Austria, Poland and Hungary.

Business policy

Crude oil sourcing

For the Refining BU, the year 2010 was marked by continued strategic co-operation with Unipetrol's majority owner, PKN Orlen S.A., as part of which crude oil has been supplied through the Druzhba and TAL-IKL pipelines under long-term contracts since 2006.

The year 2010 was typified by the stability of crude supply via the Druzhba pipeline from the Russian Federation. With its 63% share, Unipetrol RPA remained the most important entity importing REB crude from this pipeline direction into the Czech Republic for processing in the Litvínov refinery. Under a long-term contract, Unipetrol RPA provided 100% of the supplies of this type of crude to its sister refinery, PARAMO, a.s., Pardubice.

For the supplies of low-sulphur crude via TAL-IKL, Unipetrol RPA continued to be the majority importer of Azeri Light crude from Azerbaijan, which is the key feedstock for processing at the Kralupy refinery. The Azeri Light crude was supplemented with CPC Blend crude from Kazakhstan at an optimum ratio.

Pipeline and rail supplies from various Moravian deposits to the Kralupy refinery continued in 2010 on the basis of long-standing business relationships. Those amounted to less than 4% of the total crude processing for Unipetrol RPA.

Crude purchases in 2010 (total for Unipetrol Group):

REB (incl. Paramo)	2,967 kt	67.8%
Low-sulphur crude supplied to Kralupy	1,255 kt	28.7%
Moravian crude	155 kt	3.5%

Product sales and supplies within Unipetrol RPA

The Czech fuel market encountered a record drop in consumption in 2010, which, according to the data available, was 9.1% for automotive gasoline and 5.2% for diesel fuel. In all probability, figure for the actual decrease would be even higher and in excess of 10% for both products, since the 2009 statistics did not include the illegal imports into the Czech Republic.

Reasons for the decrease in motor fuel consumption:

1. An increase of the excise tax by CZK 1 per litre reflected in a shift of a part of the demand outside of the territory of the Czech Republic;

2. The drivers from the neighbouring countries stopping to refuel diesel fuel in the Czech Republic's border areas;

3. The rise of diesel market share with high concentration of biocomponent B30 (blended diesel) and B100, subsidised by the state, reflected in the reduced consumption of fossil fuels;

4. Savings on the part of both businesses and citizens in response to the economic crisis, high unemployment rate and lower purchasing power;

5. Market pre-stocking towards the end of 2009 prior to the increase of the excise tax and the resulting decrease in demand in January and February 2010;

6. Hazardous weather in December 2010 causing major reductions in transport.

Other important market factors in 2010:

1. Growth in demand for special fuels with additives (an increase in the sales of the UltraDiesel and Ultra95 products, made by Unipetrol RPA, several times over);

2. Discontinuation of the production and distribution of the 91 octane number gasoline and its replacement by alternative fuels or fuels with commercial additives at fuel filling stations;

3. Positive results from Čepro, a.s. approach to reducing tax evasion in the Čepro system in the middle of 2010;

4. Absence of a legislative solution to VAT fraud in importing fuels - the continued separation between the excise tax and the VAT agendas and the lacking controls for the assessed and collected VAT;

5. Gradual increase of the price of the bio-components due to low supply in the latter half of the year and its impact on the resulting fuel prices.

The domestic fuel sales of the Refinery BU decreased in year-on-year terms. Aside from the aforementioned general factors, the sales were influenced primarily by the shutdowns in the Litvínov plant in the latter half of the year, by the resulting lower availability of diesel fuel, and by the increased rate of export that reached a record of 760 kt. The export was boosted primarily by the competitive position of the fuel filling stations in neighbouring countries.

Slovakia remained a dominant export market and the Refining BU was able to fully respond to the increased demand despite its limited infrastructure, increasing supplies by more than 50% compared with 2009. The optimisation of supplies both from the Czech Republic to the Polish market and in the opposite direction continued in co-operation with the majority owner, PKN Orlen. Sales to Germany also increased significantly. In addition to wholesale deliveries, the end customers in Germany and Austria also newly received direct supplies by tank trucks in 2010.

The Refining BU increased the supplies of both petrochemical and agrochemical feedstock and fully satisfied the needs of downstream production in the Group (Paramo, Spolana, PKN Orlen etc.) as well as outside it in 2010.

LPG sales in the Czech Republic almost doubled and the Southern European market was also important in terms of export.

Low-sulphur fuel oils were sold primarily to the energy system of the Kralupy nad Vltavou plant and of the sister company Paramo Pardubice. The seasonal surpluses of high-sulphur fuel oil from the Litvínov refinery were exported.

The sales of bitumen increased compared with 2009 and, as in the previous period, took place through Paramo.

The year 2010 confirmed the Refining BU's stable position on the Czech market as well as on selected export markets. Thanks to a business policy based on long-term and correct relationships with trading partners and to the full utilisation of synergies within the PKN Orlen Group, the Refining BU retained its previously achieved market positions and even strengthened them in certain areas.

Production (Česká rafinérská)

Only motor fuels of a quality compliant with Czech and European standards were produced in 2010. Diesel fuel was produced with an average 6.06% vol. content of bio-components (in particular RME) and automotive gasoline with an average 4.2% vol. content of bio-ethanol.

Česká rafinérská processed 2.7 million tonnes of crude in the Kralupy refinery and 4.7 million tonnes of crude in the Litvínov refinery in 2010, or 7.4 million tonnes of crude in total, with more than 3.8 million tonnes attributable to Unipetrol, which holds a 51.22% interest in Česká rafinérská.

Expected developments in 2011

- Further recovery of the global economy;
- High probability of continued problems in the Euro zone;
- Continued shift of a part of fuel demand to neighbouring countries as a result of high excise taxes in the Czech Republic;
- Compulsory bio-component content in fuels at the 2010 level;
- Scheduled extensive shutdown of the refining/petrochemical plant in Litvínov.

Refining segment II. (Paramo)

Important events in 2010

Development of the TDAE process oil and successful verification of its application in tyre manufacture by customers (Barum Continental, Synthos and Mitas). This is a joint output of a TIP project (Ministry of Industry and Trade of the Czech Republic) with Synthos and Mitas.

Obtaining a subsidy from an EU fund for infrastructure development with environmental implications (storage tanks) and a newly prepared project for increased electricity generation (cogeneration) to cover its own consumption.

More than quintupled sales of SMN30 (diesel fuel with more than a 31% bio-component content) compared with 2009.

The largest amount of feedstock from Litvínov processed at Paramo's Kolín centre in the last ten years.

External environment

The refinery registered lower demand year on year for diesel fuel due to higher prices (higher excise tax) in the Czech Republic compared with other countries.

Bitumen sales were affected by the newly elected government's austerity measures, which also influenced the funds invested in infrastructure. This reduced the volume of existing contracts and caused a drastic decrease in new calls for tenders.

The lubricant market was affected in particular by the recession and the resulting oversupply. It was also necessary to cope with the prices of feedstock.

The unfavourable market environment forced Paramo to cooperate much closer with its trading partners, to respond more flexibly to their needs. These activities led to a stronger focus on specialty - i.e. higher-margin - products. The company deepened synergies with affiliated companies in the PKN Orlen/Unipetrol Group and prepared a product range in line with the new legislation and customers' needs.

Chief risk factors in the company's financial management:

- Trends in the international refining margin as the determinant for the company's result;
- Trends in crude oil prices, whose level determines the capital required and greatly influences the economics of bitumen production (its prices are not directly linked to the price of crude oil or its derivatives);
- Development of the USD/CZK exchange rate.
- Trends in the bitumen market in the region, which fundamentally determine the utilisation of the refining capacity and influence Paramo's own refining margin.

Market position

Paramo processes crude oil (529,865 tonnes in 2010) into refinery and bitumen products and also lubricating and process oils, including related and ancillary products. The company also purchases and processes hydrocracked oil from Unipetrol RPA to base oils and lubricating oils with very low sulphur content.

The company's results in 2010 were influenced in particular by depressed economic activity. Negative business development during first four month was stabilized and partly compensated during the rest of the year and financial net loss reached CZK -162m. (according to IFRS). As part of stabilisation measures, the company implemented initiatives that involved all areas of the refinery's operations and resulted in savings of more than CZK 200 million.The fixed cost saving measures included the continued headcount reductions and exercising control over the most relevant items (personnel costs, maintenance, and external services).

The company's financing in 2010 was balanced; open short-term credit lines were only drawn partly and the mid-term and long-term loans were being repaid as due.

Business policy

Refinery products (i.e., diesel, blended diesel fuel - SMN 30, automotive gasoline - BA 95, fuel oils, naphtha, LPG, and propane-butane) find their customers primarily on the domestic market.

The obligatory share of the bio-component in fuels increased from the original 4.5% to 6% in June 2010. Paramo uses the opportunity of tax relief for sales of blended diesel containing 31% of RME, which made it possible for the company to reduce the bio-component percentage in standard diesel fuel.

In the period under review, a sister company, UNIPETROL RPA, s.r.o., to which Paramo delivered naphtha and vacuum distillates, remained the key trading partner in respect of refinery products. Another major partner is České dráhy [Czech Railways], where, having won a tendering process, Paramo supplies diesel fuels to 50 operating units of ČD.

A modified bitumen binder with the addition of granulated rubber was developed in response to environmental trends. The product portfolio was extended to include new types of modified bitumen. The broader product range, together with further investment in modified bitumen storage, made it possible to increase sales of these strategic products by another 14% compared with 2009.

The sales of final lubricants grew by approximately 10% compared with 2009, and those of base oils and process oils by more than 12%. New customers and new export markets were won. For example, lubricant deliveries went to Lebanon and Greece.

Paramo took a major step towards solidifying its position on the motor oil market with the new MOGUL Professional range of oils, which meet all the latest requirements for the performance of modern engines.

Expected developments in 2011

In its objectives, Paramo will focus on improving its internal economics and deepening the co-operation within the PKN Orlen/Unipetrol Group in 2011.

For refining products (diesel fuel, bitumen), Paramo will strive to maintain its market share and, for diesel fuel, to strengthen it.

In the oil segment, Paramo will significantly increase base oil exports. The company also plans to increase the sales of high performance motor oils while maintaining the market position in commodity lube oils.

Petrochemical segment I. (Unipetrol RPA – Business Unit Monomers and Chemicals)

Important events in 2010

- Launch of joint venture Butadien Kralupy with 120 kt/y
- Refurbishment of steam cracker furnaces

External environment

The utilisation rate of Europe's steam crackers ranged (according to the ICIS) between just 80% and 85% at the beginning of the year, but improved petrochemical margins and increased demand for propylene and butadiene later resulted in increased production. The number of units that struggled with technological issues grew concurrently with the growing utilisation rate. As little as an estimated 70% of Europe's total capacity was operational in mid-May. The relatively high petrochemical margins, good demand, and later the approaching shutdown period made it possible for most operators to produce at a high output rate until October. It was only during the summer that some of the units were forced to reduce production due to problems in downstream sectors or high temperatures. Although the economics of production started to deteriorate early in October, strikes in France supported continued operation of the units at high output. The strikes resulted in a full shutdown of most refineries and a vast majority of steam crackers in this area. Strikes directly affected approximately 8% of Europe's ethylene capacity and another 5% was out of operation due to planned shutdowns at the same time. The growing feedstock prices and a weak euro caused a major drop in petrochemical margins and reduced production in many of Europe's units in the last two months of the year. The operators of large steam crackers faced the biggest problems, since they were unable to fully switch to naphtha cracking. Petrochemical margins pegged to LPG were constantly in the negative from mid-November.

The monthly monomer quotations remained in place in 2010. Contract prices of ethylene and propylene grew for almost all of the first six months, but the situation in the markets for the two products differed. Whereas the European propylene market was regarded as extremely tense until the latter half of April, supply and demand on the ethylene market were relatively balanced. The different availability of the two products in that period was also reflected in the different rate of increases in contract prices. The aggregate EUR 100/t increase in the propylene price from the beginning of the year made April 2010 the first month ever to see the contract price of propylene exceeding the contract price of ethylene. Propylene then retained the premium over ethylene until July. By then, though, both products' markets faced partly imports of overseas material. Also, the contract prices decreased for the first time since the beginning of the year. The situation on the two products' markets differed in the subsequent months. Whereas the ethylene market exhibited certain tension due to strong demand and limited product availability, the propylene market had to start to tackle a supply overhang. The main reason was the unplanned outages of production units in downstream sectors. As a result, the contract price premium shifted back to ethylene in September. Beginning in the latter half of October, tension began to be felt on the propylene market as well. The strikes in France and a number of planned shutdowns of European steam crackers caused the supply overhang, apparent on Europe's propylene market in the previous period, to dissipate rapidly. Contract prices were on the rise again from November. The main reason was the permanent strengthening of naphtha prices, which led to a dramatic decrease in petrochemical margins. The demand from the derivative sector was also very good.

The situation on Europe's benzene market changed many times in 2010, with prices increasing and decreasing several times within the space of a single month. Compared with the previous years, the situation was not exceptional. The benzene market is unique due to the existence of many factors that can affect price development to a great degree within a very short time span. Still, it was possible to identify periods when prices either grew significantly or weakened for a long time. The first time that European benzene prices strengthened significantly was at the beginning of the year. The solidifying market in the US became the main driver of this growth. The 2010 records include both the EUR 189/t contract price increase in January and the more than USD 200/t spot price increase. The comparable price increases occurred again in April due to strong demand and limited product availability, when benzene sold at prices as high as USD 1,350/t, CIF ARA on the spot market. Conversely, the period from May to July was the only one when prices weakened almost continuously for a longer period of time. Benzene availability was good in that period as a result of the cracking of heavier feedstock and of the imports of material to the European market. Contrary to the usual previous practice, the flexible steam crackers were not switched to cracking lighter feedstock during the summer.

The improved demand for fertilizers in 2010 helped to improve the utilisation rate of production units and also supported ammonia and urea sales at higher prices.

Ammonia prices followed up on the trend from late 2009 and, due to lingering low prices in the US, continued their slight decrease in early January. The very good demand combined with limited availability of ammonia then resulted in the prices growing until the last ten days of March, when the prices in Yuzhny hit USD 400/t, FOB. The prices then started to weaken. The seasonal slowdown of demand in Europe and the US and the relatively good availability of ammonia from

Ukraine and Russia pushed the prices down until early July. The prices grew constantly for the rest of July and into August and September. The main factors boosting the prices in the period included good demand in the US and North Africa, limited product availability and, last but not least, increasing natural gas prices in Ukraine. The Yuzhny prices hit the USD 400/t, FOB mark again for the year, and then even exceeded it to stay relatively stable until the year's end. The high ammonia prices in the closing months of 2010 were aided by improved demand in Europe and the US, a number of scheduled plus a few unplanned shutdowns in FSU, high prices of other nitrogen products, and bad weather in the Bosporus that delayed the unloading of large vessels in Yuzhny by as long as 12 days.

Limited product availability and relatively good demand in Europe, North Africa and Latin America enabled urea prices to grow until the second week of February. The prices then started weakening and the trend continued until the end of May, interrupted only in the first half of March. The main reason was the low demand across the globe. Demand in Europe and the US was unusually low compared with previous years. Demand was also low in South-East Asia and it also started to slacken in Latin America where, combined with the traders' need to cover short positions, it was the price growth driver in the first half of March. The unfavourable market conditions led to limited operation or complete shutdowns of several units. The price decline stopped in June. This happened despite the minimal European demand and a visible supply overhang on the market. The subsequent price growth continued until December when the Yuzhny prices stabilised at around USD 375/t. The growth of prices in the latter half of the year was primarily due to several new Indian tendering processes for urea purchase, the increasing prices of cereals in response to the ban on their export from Russia, the low urea stocks in Europe, the improved demand in Europe, the Americas and Africa, and also the imposition of high taxes on urea exports from China.

The list of risk factors that directly affect the performance of the Monomers and Chemicals Unit does not vary extensively in time. What varies is the size of their impact.

The standard risk factors include the price of crude oil and its derivatives on the global markets, and the Czech crown exchange rate trends vis-à-vis international currencies, primarily the euro and the US dollar, are also of importance. Most feedstock is procured for US dollars and the sales of the BU's principal products are tied to the euro. 2010 was marked by major fluctuations in the dollar to euro rate as well as both currencies' exchange rate vis-à-vis the Czech crown.

The availability of production facilities and the supply of the optimum quantities and structure of the main feedstock are equally important for the best operation of the steam cracker and the downstream processes.

The expected inflow of imported olefins and, primarily, polyolefins from the Middle East remains one of the often-mentioned risks. Although that risk has been taken into consideration in previous years, its impact on the global or European markets has not been significant to date. The large-capacity, predominantly export-oriented facilities in that area struggled with a limited feedstock supply and a number of technological problems that were not resolved satisfactorily in previous years. The construction of downstream units was delayed and exports into China and the rest of Asia yielded good profits. But the situation is set to change beginning in 2011 and the European market is to feel the impact of the Middle East imports much more.

Concerning the sales of agrochemicals, seasonality should not be ignored as a factor, and the potential risks can now include also the continued growth in the prices of agricultural commodities and foodstuffs, which might ultimately lead to a recurrence of the 2007 and 2008 food crisis. The global fertilizer market would undoubtedly be strongly impacted by such developments.

The excessive debt of certain eurozone countries might also affect the European market, although Italy, Spain and Portugal also succeeded in selling their government bonds, following Greece. As a result, none of the three countries are facing immediate complications associated with the financing of their debt.

Market position and business policy

The Monomers and Chemicals BU's core business is the sale of steam cracker products and agrochemicals. The most important products include ethylene, propylene, benzene, ammonia and urea. These products generated almost 80% of all of the BU's revenue in 2010. A major sales increase in recent years was also recorded in respect of the Chezacarb sorbents and composites, which are used in environmental protection for sorption in both liquid and gaseous phases and also for modifying electric conductivity of plastics. Compared with 2009, the quantity sold increased by more than 40%, or almost 3.5 times compared with 2008. This growth was driven predominantly by an increase in sales to the Asian market.

Neither the structure of the customer portfolio nor the size of market shares in the Czech Republic changed substantially. The Czech Republic continued to be the principal market for the steam cracker products, with monomers and benzene processed captively either in Unipetrol RPA plants or carried to strategic customers (Spolana and Synthos) through the existing pipelines. The steam cracker's by-products were supplied primarily to the Czech and Western European markets.

As in previous years, the domestic market was the destination of most of the ammonia produced by Unipetrol RPA. The main reason was a long-term ammonia supply contract with the largest fertilizer producer in the country. Urea sales did not change considerably compared with previous years. Approximately one half of the production was sent to domestic customers and the other half found its clients in Central Europe. As in the previous years, the markets in Austria, Germany and Poland accounted for more than 95% percent of the exported urea.

Expected developments in 2011

Neither production nor demand is expected to be able to return to the levels prior to the economic and financial crisis during 2011. The petrochemical market is set to see more of the products from new, large-capacity units built in the Middle East in recent years. A total of 12 new steam crackers with downstream processes were commissioned in the area between 2008 and 2010. The rising imports to the European markets are expected to increase the pressure for the shutdown of certain European units that will not be able to compete with such Middle East imports. Overall, at least five steam crackers in Europe are expected to be shut down over the next three years. The shutdown of further units is expected in the coming years as a result of tightening environmental legislation (additional costs of the CO_2 emission allowances). The situation on the European market will undoubtedly be also influenced by the recently built terminal for overseas ethylene near Antwerp, Belgium (capacity: 1 million tonnes/year) and the commissioning of the EPS ethylene pipeline in Germany.

The global fertilizer market is launching into 2011 from a relatively strong position and a further strengthening is expected during the year. Predictions expect demand to return to the pre-recession level and prices are also expected to remain high. The prices of urea are expected to remain firm at least in the first half of the year. The imposition of high taxes on urea exports from China, which should be in effect until the end of June, will withdraw a major quantity of the product from the international market, thereby increasing tension on the market. The potential tendering processes for the procurement of larger amounts of urea in India or Pakistan could escalate the tension even further. The start-up of new facilities in China, Algeria, Iran, Qatar, Venezuela, and Trinidad may counteract the above effects. The outlook for the ammonia market is optimistic at least for the initial months of the year. The demand is expected to remain strong in the US, Europe and North Africa. Solid demand is also expected in India and the Far East. As with urea, the market tension could relax and the prices decrease in the latter half of the year in connection with the start-up of new facilities.

Petrochemical segment II. (Unipetrol RPA – Business Unit Polyolefins)

Important events in 2010

- Improving of pricing policy
- Launch of initiatives to further penetrate D-A-CH region
- Increase in polymer market share in the Czech Republic

External environment

The business of the unit was influenced in 2010 by the continued growth of demand, which exceeded that of 2009 and almost reached the level of the pre-crisis year 2007. Apart from that, the effect of rising prices of monomers, which supported a major increase in the price of polymers, had its influence especially in the first half of the year. Reductions in the production capacities of large petrochemical players in Europe, again primarily in the first half of the year, in the form of shutdowns due to technological problems or planned maintenance shutdowns, resulted in a major demand overhang in the period under review. The last but not least, a markedly lower influence of low-cost imported products than could have been expected; imports amounted to nowhere near the quantities or prices that would have had a major impact on the European demand; a stronger influence was felt only to a limited degree, in certain applications or certain products, but not in Central Europe, our target area.

Market position and business policy

Unipetrol RPA in Záluží u Litvínova is the exclusive producer of polyolefins in the Czech Republic and a major player in Central Europe. Its production capacity for high-density polyethylene (HDPE) and polypropylene (PP) accounts for more than 5% of Europe's HDPE capacity and almost 3% of Europe's PP production capacity. The HDPE capacity greatly exceeds the domestic market's consumption, and almost three quarters of the HDPE produced are therefore exported to outside the Czech Republic. The total consumption of PP on the domestic market exceeds the PP quantity produced, which is why only about one half of the polypropylene produced is exported to outside the Czech Republic. Given the higher demand on our traditional European markets, the number of areas where Unipetrol RPA sold its polyolefins was reduced slightly. The principal markets, along with the Czech Republic, included Germany and Ukraine, and Slovakia, Austria, and Hungary in 2010. Following the crisis year 2009, initiatives aimed at improving the margins achieved were launched in the field of polyolefins. With regard to market shares, the initiatives are resulting in increased sales primarily in Germany and Austria through our Unipetrol Deutschland offices.

Prices continued to grow, primarily for polypropylene, compared with 2009. Starting from approximately EUR 1,000/MT, the prices gradually climbed up to around EUR 1,400/MT by the summer, a slight decline to EUR 1,250 - 1,300/MT occurred in the 3rd quarter, only to grow again up to about EUR 1,320 - 1,350/MT by the end of the year. Price developments were not so pronounced with HDPE, the price level was more stable, and prices grew from EUR 1,000 - 1,030/MT at the beginning of the year to approximately EUR 1,200/MT at the year's end. This situation allowed for a major increase in PP margins as opposed to the previous year, whereas PE margins increased only slightly. The competitive environment, weakened by the aforementioned shortage of product in the first half of the year, did not pose such a problem for margins as it did in 2009. The commercial and product strategy in place made it possible to achieve relatively high utilisation rates of the polyolefin and polypropylene production units; it was also thanks to the possibility of utilising a higher capacity after the completion of the capital investment project commenced in 2009 (increasing the capacity of PP polymerisation and the installation of the second granulation line) that a historical record as to the amount of product made and sold was achieved with 240 kt, i.e., 30 kt more than in the previous year.

As has been said, the expected heavier influence of the low-cost product imports, especially from the Middle East, did not materialise in 2010. There were several factors behind this: capacity reductions, postponement of certain projects and incomplete infrastructure in the wake of the crisis, the USD/EUR exchange rate trends, logistical constraints for a greater deployment of these products in Central Europe, and the lasting, much faster-growing consumption on the markets that are the targets for the relevant plants (China, India, Pakistan etc.); all of this plays a major role and will most likely mean that the negative influence of those products will not increase substantially in 2011. Nevertheless, Unipetrol RPA maintains its product and market philosophy first applied in 2009 and further developed in the initiatives towards improving profitability, conductive to a further minimisation of the negative influence of the low-cost goods imported from plants outside Europe.

Expected developments in 2011

For polyolefin production, the main emphasis is again placed on reducing the energy intensity and the cost of feedstock and additives, and also on constant improvements in the quality of products. In terms of polyolefin sales, the company wants to leverage the outcomes of the aforementioned initiatives aimed at improving profitability, which define the steps and measures in terms of the customer, geographical, and product strategy, and it is also building a new sales structure to optimise the geographical management of sales and customer services. The trend in launching new products with a higher added value and a potential for above-average margins continues in co-operation with the research and development base.

Retail segment

Important events in 2010

- Implementation of the Retail Information System
- Increase of excise tax on motor fuels as of 1 January 2010
- Increase of Benzina's market share over 14%

External environment

According to the published data from the statistics prepared by the Ministry of Industry and Trade, the total number of fuel filling stations on record in the Czech Republic on 31 December 2010 was 6,591, including small retailers, non-public dispensing stations and filling stations on the premises of plants for technical services and agricultural, transport and construction companies. The total rating includes 908 public fuel filling stations offering just a single product. Single-product stations are dominated by diesel filling stations (550 stations) and LPG filling stations (341 stations). CNG refuelling stations are being built, and there were 17 of them at the end of 2010.

There are a total of 3,672 public filling stations on record in the Czech Republic, including 2,675 stations offering a broader range of fuels and services as at the end of 2010.

With this group of multi-product public filling stations, the range on offer is extended to include primarily motor fuels such as the E 85 (automotive gasoline with an 85% bio-ethanol content), B 30 (mixed diesel fuel with 30% of a bio-component) and B 100 (pure FAME - fatty acid methyl ester).

The number of public fuel filling stations increased by 1.6% year-on-year. The increase is attributable to the statistical methodology used (based on the filling stations site and its owner) and the annexation of LPG and CNG stations, tightened rules for recording, and re-classification of certain filling stations as public ones. The number of newly commissioned public filling stations was minimal. Public filling stations account for 55.7% of the total number of stations on record.

The public filling stations domain includes a specific group of 293 stations with restricted access, where in addition to dispensing for in-house purposes, fuels are also sold (with diesel prevailing) to other entities on the basis of specific contracts. This filling stations category grew by 16% year-on-year and accounts for 4.4% of the total number of filling stations on record.

The number of non-public filling stations is 2,626, or 39.8% of the total number of all filling stations on record. A vast majority of them are the single-product filling stations (diesel fuel, 2,533) and stations offering the B 30 and B 100 high-volume bio-fuels.

Throughout the year, fuel consumption was influenced by both macroeconomic (GDP, unemployment) and technological factors (car fleet conversion from gasoline versions to lower-consumption diesel engines).

One specific trait of the Czech market in 2010 is the different (higher) excise tax rate compared with certain neighbouring countries and the resulting shift in international transit carrier's preferred purchases of fuel, primarily diesel, from the Czech Republic to the adjacent countries. Tax evasions and their implications, constituting a whole portfolio of negative impacts on the income chapters of the national budget, corporate economics and the competitive environment, is yet another special issue. This is why in 2010 measures were gradually adopted to improve the situation, and legislation aimed at tightening the rules for fuel business and numerous controls was drafted for enactment. New phenomena, especially in the latter half of 2010, include the increased demand for alternative fuels with a high bio-component percentage (E 85, B 100), which offer major tax relief motivating consumers to buy various less expensive blends.

The factors listed above were behind the negative influences on the demand for fuels on the domestic market in 2010.

The available statistics and a year-on-year comparison of fuel supplies to the domestic market indicate a 6.2% decrease. The current CSO data and a comparison with the previous period, taking into consideration the discrepancies between the monitored variables, i.e., volumes and taxes, obtained from various sources, indicate that the decrease was 5.2% compared with the same period of 2009 for diesel fuel (2010/2009 index: 94.8%) and the consumption of automotive gasoline dropped by 9.1% (2010/2009 index: 90.9%).

Market position

Unipetrol Group's retail company, BENZINA, s.r.o., is the operator of the largest fuel filling station network in the Czech Republic. As at 31 December 2010, the company operated 337 fuel filling stations with a broad range of fuels with additives, and a select segment of its fuel filling stations offers a collection of VERVA premium fuels as well as a broad range of other goods, refreshments, and services. The network was gradually refurbished and upgraded between 2006 and 2010 and is currently profiled into two segments, the premium segment, represented by 113 Benzina plus fuel filling stations on the Czech market, and the standard Benzina portfolio. By the end of 2010, a total of 315 stations across both segments had been upgraded.

Benzina number of stations' share of the multiple-product filling stations network, which is the relevant competitive segment, is 12.6%.

Compared with the development on the Czech fuel market for 2010, characterised by a drop in demand for both automotive gasoline and diesel fuel, Benzina did better in selling diesel, increasing diesel sales by 1.9% year-on-year. In terms of volume market share, and taking into consideration the statistics for 2009 and 2008, the company achieved a 14.2% market share, confirming the growth trend in this indicator compared with both 2009 (13.9%) and 2005 when Benzina hit its lowest at 9.9%. Considering the condition and trend of the Czech economy's macroeconomic factors, the development of the company's market share has been positive. The total number of fuel filling stations on the market slightly grew again, by 1.4% year-on-year.

Business policy

To meet the high demand, Benzina continued to expand its premium fuel offer. The high-octane "Verva 100" automotive gasoline with above-standard additives is on offer at 110 Benzina plus stations and the premium diesel fuel with additives, which has been re-formulated and re-launched in top quality with cetane number 60 in September 2009, is on offer at 177 stations. The VERVA 95 has newly been included in the offer at a small number of stations to augment the premium fuel collection - at only 13 stations at the end of 2010. Premium fuels are rated very highly by experts and enjoy growing demand.

Benzina followed its long-term strategy, formulated in 2006, the basis of which is to increase Benzina's market share while using resources efficiently and securing financial stability, in 2010. The key elements of the strategy include in particular the following:

- Launch and expansion of the "Benzina plus" brand for fuel filling stations carrying a full range of fuels, including the Verva premium products, with a broad range of high-quality goods in the shops, a broad range of catering services, and other additional services; the strategy anticipates the reconstruction and upgrading of approximately one-third of the network to the Benzina plus standard;
- Improved perception of the Benzina brand as a standard for fuel filling stations offering high-quality fuels, a broad range of goods in the shop, fast food where appropriate, and other additional services;
- Consistent focus on customers' needs;
- Expanding and improving the services provided in all segments;
- Efficient and targeted marketing activities.

The programme of the reconstructing and upgrade of fuel filling stations continued in 2010 while taking into consideration the macroeconomic factors, the lower demand, the annual plan modified accordingly, and the long-term strategic plan of revamping 94% of the network to a condition meeting high standards between 2006 and 2010 was carried out. The number of the Benzina plus premium stations increased by an additional five in 2010. Out of these, two new Benzina plus stations were commissioned on the new D 47 motorway section, the Klimkovice rest area, and an entirely new liquid fuel collection was introduced at the Benzina plus station Brno – Bystrc, which was rebranded. The expansion and adjustment of catering programmes continued in 2010. A total of 73 stations operate fast food outlets. We are pleased to see that customers receive the business and marketing changes very positively; combined with the long-term growth of the market share, from 9.9% in 2005 to 14.2% in 2010, the continued increase in diesel fuels, by 1.9%, and in the entire VERVA premium fuel collection, and the 3% year-on-year increase in catering revenues, they confirm that Benzina's fuel filling stations are very much sought-after by a broad customer base.

The period from 2006 to 2010 was a very successful period for Benzina in terms of development and business. The chosen and pursued retail strategy and the everyday business policy, successful promotions in support of sales, and attractive advertising campaigns – all of these whetted customers' interest in the Benzina brand and boosted motorists' demand for premium fuels, most notably VERVA Diesel. In a broader marketing context, they have helped to strengthen customers' trust and renew the position of Benzina as a leading and respected company on the fuel filling station market in the Czech Republic.

Fuel retailing

Benzina's core business is the retailing of fuels, and other goods and services at fuel filling stations. Sales structure has confirmed the long-lasting trend of increasing demand for diesel fuel at the expense of gasoline.

Structure of fuel products sold at fuel filling stations in 2010 (%)

Automotive gasoline	Diesel
39.9	**60.1**

The growth trend in diesel fuel's share of fuel sales continued also in 2010, gaining 3.2% year-on-year. Total diesel fuel sales in our network in 2010, when compared with 2009, increased with an index of 101.9%. The stronger demand for the premium VERVA Diesel, intended for passenger cars and featuring cetane number 60, contributed to this result significantly.

As far as automotive gasoline is concerned, Natural 95 remains the mainstay product, and its share in the octane structure of automotive gasoline retailed in 2010 increased by 2.1% over 2009 to 95.3%. Based on the development and structure of old car fleets, the company discontinued the unpromising Special and Normal varieties with octane number 91. Demand was very low and the refinery discontinued their production.

In year-on-year terms, the sales of VERVA 100 high-octane gasoline grew; its share rose to 2.8%, with demand increasing ever since its launch in 2006.

In 2010, the Praha 9 - Hradecká fuel filling station was chosen to test demand for the E 85 alternative gasoline fuel for the quite limited range of vehicles certified for this type of fuel to date.

In accordance with the new legislation on the compulsory bio-component percentage, June 2010 saw the launch of fuels with a higher content of low-volume bio-component additives in the fuel filling station network. The bio-component accounts for 6% of diesel fuel and 4.1% of gasoline. As part of the national monitoring of the quality of motor fuels sold in public networks, which was conducted by the Czech Trade Inspection, and in response to the fact that the results are not published, which elicits an increasingly critical response to this institution in the media, Benzina decided to publish the results of the CTI's inspections at its owns fuel filling stations on an ongoing basis throughout 2010. All major types of fuels and premium fuels inspected in our network complied with the applicable technical quality standards. A single gasoline sample exhibited a minor discrepancy in the vapour pressure indicator, which matched the winter season.

The combined sales and economic parameters achieved in fuel retailing in 2010, in relation to the overall increase in diesel fuel sales and, most notably, the increased sales of premium fuels dominated by VERVA diesel with a higher added value, and also cost savings, contributed significantly to the successful result of the retail segment.

Expected delopments in 2011

The retail market will be subject to many factors and uncertainties in 2011.

International energy forecasts indicate an increasing demand for crude oil and fuels, elicited by the recovery of the economy in many developed countries; this entails

expectations of crude and fuel price hikes that can predetermine demand in the Czech Republic, given its current environment of economic reforms. It is also possible to expect the continued penetration of alternative fuels, with the associated risk of negative tax implications and a confrontation with subsidised bio-fuels, which, combined with the purchasing power and the aim to buy cheaper blends or grades regardless of the condition of the car fleet or manufacturers' recommendations, may be to the detriment of conventional fuels.

The forthcoming new legislation on fuels and fuel filling stations is to further help eliminate unfair practices and tax fraud from trading with these commodities and continue to oust such traders and their illegal practices from the market.

Maintaining the market share, the high degree of customers' trust, and economic stability remain the company's priorities. As for investment and marketing, the main goal is to give maximum attention to testing the new "Star" and "Orlen" brands on a small sample of fuel filling stations.

Investments

Unipetrol RPA's main investment activities in 2010 focused primarily on maintaining operating reliability, safety, and meeting the requirements of environmental legislation.

Česká rafinérská's 2010 capital expenditure programme was geared towards investment in maintenance, environmental protection, reliability and availability of the installations, and also increasing output and capacities.

The Litvínov refinery launched a project for the modification of the NRL flare system. The Kralupy refinery completed the upgrade of the electronic fire alarm system (EPS) at lines 2 and 3 and the mechanical assembly of the slurry oil filtration project. Of newly commenced projects, the upgrade of the tank car filling station should be mentioned.

As part of the intensification of middle distillate desulphurisation, Paramo completed the intensification project by installing a new hydrogen compressor. For environmental investments, the retrofit of the VR28 storage tank was completed. Major commenced projects include increasing energy efficiency of the middle distillate hydrogenation desulphurisation unit.

Benzina added three new fuel filling stations to its network. As has become a tradition, it focused on upgrades of the existing Benzina Standard fuel filling stations, replacement of car washes, and refurbishment of wastewater treatment plants. The replacement of the cash register system was completed successfully.

Butadien Kralupy completed the construction and commissioning of a new butadiene production unit with a capacity of 120 kt/year.

Unipetrol Doprava refurbished the rail weigh bridges in the Kralupy and Litvínov plants, retrofitted and upgraded a locomotive, and fitted 100 tank cars for transporting ammonia with a new model of bumpers.

Overview of the main capital investment projects completed and started in 2010 (Capital expenditure in CZK million)

Unipetrol RPA

Name of investment	Purchasing price	Invested in 2009 and earlier	Invested in 2010	Rate of completion (%)	Location	Financing method
Development investments						
Increase of polypropylene production to 275 kt/y	906	886	21	100	local	Own resources
Increasing the capacity of the steam cracker	577	494	0	100	local	Own resources
Increased cooling capacity of the T700	55	3	20	40	local	Own resources
Environmental investments						
Replacement of the TEA wash solution pumping set	96	47	59	100	local	Own resources
Refurbishment investments						
Refurbishment of the BA-107 pyrolysis furnace	77	20	56	100	local	Own resources
Replacement of the TG11 generator	60	52	2	100	local	Own resources
Refurbishment of the BA-110 pyrolysis furnace	38	0	36	100	local	Own resources
Refurbishment of the BA-104 pyrolysis furnace	115	29	71	86	local	Own resources
Refurbishment of the R200 - replacement of the T102 and T101 transformers	70	29	26	78	local	Own resources
Refurbishment of the LDS R 200 distribution station - Stage II	90	0	55	60	local	Own resources
Refurbishment of the BA105 pyrolysis furnace	65	0	36	55	local	Own resources
Replacement of the PA-302 coldbox	40	0	21	50	local	Own resources
Replacement of the GT/GB - 301 turbo charger	125	0	40	30	local	Own resources

Česká rafinérská

Name of investment	Purchasing price	Invested in 2009 and earlier	Invested in 2010	Rate of completion (%)	Location	Financing method
Development investments						
Modernisation of FCC's LPG section – Stage 1	456	349	2	100	local	Own resources
Refurbishment investments						
Kralupy loading area modernisation	141	111	4	98	local	Own resources
Slurry oil filtration	138	61	48	90	local	Own resources
Safety investments						
Upgrade of the electronic fire alarm system	53	23	16	100	local	Own resources
Modification of the NRL flare system in Litvínov	194	0	22	10	local	Own resources

Paramo

Name of investment	Purchasing price	Invested in 2009 and earlier	Invested in 2010	Rate of completion (%)	Location	Financing method
Development investments						
Intensification of the modified bitumen plant - 24 kt	6	0	5	100	local	Own resources
Environmental investments						
Refurbishment of the VR28 storage tank	25	11	5	100	local	Own resources
Refurbishment investments						
Renewal and upgrade of the control and electricity distribution centre (35kV/5kV)	12	0	12	100	local	Own resources

Benzina

Name of investment	Purchasing price	Invested in 2009 and earlier	Invested in 2010	Rate of completion (%)	Location	Financing method
Refurbishment investments						
Redesign and upgrade of the Benzina fuel filling stations	56	0	56	100	local	Own resources
Cash register/card system replacement	187	121	66	100	local	Own resources

Butadien Kralupy

Name of investment	Purchasing price	Invested in 2009 and earlier	Invested in 2010	Rate of completion (%)	Location	Financing method
Refurbishment investments						
New Butadiene 120 kt	1,279	1,041	238	100	local	Own resources

Unipetrol Doprava

Name of investment	Purchasing price	Invested in 2009 and earlier	Invested in 2010	Rate of completion (%)	Location	Financing method
Refurbishment investments						
Retrofit of an electric locomotive (class 121)	16	0	16	100	local	Own resources
Retrofit of a locomotive to class 741.5	6	0	6	100	local	Own resources
Safety investments						
Tank car retrofit with “crash bumpers”.	20	0	14	70	local	Own resources

Main projects for 2011

- Refineries: Upgrade of the tank car filling station in the Kralupy refinery. For the Litvínov refinery, this will be mainly the project for the modification of the NRL flare system. One of the largest projects in the Pardubice refinery will be the upgrade of the process oil production unit.
- Petrochemicals: Investments focus mainly on ensuring the reliable operation of the production units. The primary projects include refurbishment of pyrolysis furnaces and the energy grid. As far as the observance of environmental legislation is concerned, the largest projects include the refurbishment of sewage water separation and projects for groundwater protection against pollution.
- Retail: Continued upgrade and enlargement of the fuel filling station network.

Main projects for 2011 (CAPEX in CZK million)

Name and type of investment	Company	Purchasing price [1)]	Location	Financing method
Refurbishment of the BA-104, BA-105 and BA-108 pyrolysis furnaces (refurbishment)	Unipetrol RPA	290.3	local	Own resources
Replacement of the GT/GB-301 turbo charger (refurbishment)	Unipetrol RPA	125.0	local	Own resources
Refurbishment of the LDS R 200 distribution station - Stage II (refurbishment)	Unipetrol RPA	89.9	local	Own resources
Replacement of K300 A, B, C cooling reciprocating compressors (refurbishment and environmental)	Unipetrol RPA	43.5	local	Own resources
Modification of the NRL Litvínov flare system (safety)	Česká rafinérská	99.5	local	Own resources
Upgrade of the Kralupy tank car filling station (environmental)	Česká rafinérská	97.3	local	Own resources
TDAE production and the upgrade of the process oil production unit (development)	Paramo	145.0	local	Own resources
HOSD - thermal exchangers – execution (development)	Paramo	14.0	local	Own resources
Construction of a new unmanned fuel filling station (development)	Benzina	10.0	local	Own resources
Construction of new fuel filling stations in Chotěbuz and Mezno (development)	Benzina	86.5	local	Own resources
Fuel filling station refurbishment (refurbishment)	Benzina	94.7	local	Own resources

[1)] Capital expenditure corresponds to Unipetrol’s interest of 51.22% in Česká rafinérská

Asset portfolio optimisation

The optimisation of Unipetrol's asset portfolio continued in 2010 in line with its long-term strategy, with a focus on its core segments: crude oil processing, petrochemical production and fuel retailing.

Unipetrol strengthened its focus on the core segments via the following investments, divestments and restructuring processes.

Monitoring of expansion opportunities for refining assets

Unipetrol is continuously monitoring investment opportunities and developments on the Czech and Slovak market in the area of refining assets, with an emphasis on the meeting of strategic goals and realising of economic benefits.

Restructuring of Unipetrol Trade a.s.

Unipetrol Trade, a trading company selling refinery and petrochemical products, was historically comprised of several trading affiliates in selected (15) geographical markets.

Since 2007, Unipetrol Trade has been undergoing a restructuring process due to a shift in Unipetrol RPA's strategy toward direct product sales, which has made Unipetrol Trade and some of its subsidiaries redundant. The underlying rationale of the restructuring process is to improve the management of margins and make administrative cost savings. The restructuring of the Group's business model has resulted in the closedown, merger or disposal of most of Unipetrol Trade's affiliates in recent years.

As a result of several restructuring processes, in early 2010 Unipetrol Trade held shares in two subsidiaries, Unipetrol Deutschland GmbH and Chemapol (Schweiz) AG.

Upon obtaining 100% of the shares of Unipetrol Deutschland GmbH in 2009, Unipetrol Trade transferred this ownership interest to Unipetrol RPA in December 2010 as planned.

In June 2010, Chemapol (Schweiz) AG entered into liquidation, involving disposal of its valuable assets; it was transferred from Unipetrol Trade to Unipetrol RPA in December 2010.

Following the above restructuring steps and the transfer of other Unipetrol Trade assets, Unipetrol Trade entered into liquidation on 1 January 2011.

Upon completion of the liquidation of the two remaining entities, Unipetrol Trade and Chemapol (Schweiz) AG, which is expected by mid-2011, Unipetrol's corporate structure will be streamlined.

An increase in the share capital of Butadien Kralupy a.s.

Following the sale of Kaučuk (currently Synthos Kralupy) in 2007 by Unipetrol to Firma Chemiczna Dwory (currently Synthos), a joint venture, Butadien Kralupy, co-owned by Synthos Kralupy and Unipetrol (with Unipetrol holding a 51% stake) was created to operate the new butadiene unit and secure off-takes of C4 volumes from Unipetrol RPA and sales of Raffinate 1 to Unipetrol RPA.

In March 2010, the shareholders decided on a share capital increase of CZK 150 million, in proportion to their respective stakes in the company, in order to provide the funds for the financing of the completion of the construction of the butadiene unit as agreed in the Joint Venture Agreement between Unipetrol and Firma Chemiczna Dwory in 2007. Unipetrol provided for 51% of the capital increase, i.e., CZK 76.5 million. The new butadiene unit was put into operation in June 2010.

Monitoring of retail expansion opportunities

Expansion of Benzina's retail network has always been among Unipetrol's key objectives.

In 2010, Unipetrol monitored investment opportunities in this area, and it continues to analyse and monitor the development of the retail market in order to be in a position to grasp any opportunities that may arise.

Disposal of a 51.06% stake in CELIO a.s.

On 24 March 2010, Unipetrol and Unipetrol RPA sold a 50% stake in CELIO, a waste management company operating landfills for hazardous and other waste, to TICATANOR, a special purpose vehicle owned by two senior managers of CELIO, for CZK 76.6 million.

On 14 April 2010, Unipetrol RPA sold the remaining 1.06% stake in CELIO to B.E. FIN S.A. for CZK 1.5 million, which resulted in Unipetrol's divestment of its entire 51.06% shareholding in CELIO.

CELIO was considered to be a non-core business for Unipetrol, and slated for disposal in line with the Group's long-term strategy. The continuation of business relations between CELIO and Unipetrol has been provided for for the years to come.

Restructuring of other areas outside the strategic pillars

In 2010, Unipetrol continued to focus on the logistics and energy segments, where optimisation processes were launched with a view to developing a strategy for long-term organic growth.

Under the optimisation scheme related to logistics assets, Unipetrol Doprava, the provider of rail transport services to Unipetrol Group companies, continued restructuring in order to maintain its efficiency and competitiveness for growth, while Petrotrans, the supplier of road haulage services within the Unipetrol Group, focused on enhancing its business excellence. The future of the above two entities will be considered with regard to the PKN Orlen/Unipetrol Group's objectives, in particular the expected expansion of Benzina's network of filling stations.

In energy, considerations in respect of the update of the energy strategy continued in 2010, the principal objectives being energy efficiency and security of supply. The optimisation of energy consumption within the Group and the security of fuel supply for its power plants in operation have been evaluated as the major requirements that are to be met by the energy strategy, which is currently being updated. Unipetrol's development towards the achievement of these goals, hand-in-hand with a strategic partner, could be one of the possible outcomes of this energy strategy.

Major research and development achievements

Unipetrol RPA's R&D is focused on three key areas – plastics, petrochemicals, and refining. Polymer Institute Brno, spol. s r.o. provides research into plastics for Unipetrol RPA, and the Research Institute of Inorganic Chemistry (Výzkumný ústav anorganické chemie, a.s.) in Ústí nad Labem provides petrochemical and refining research. In addition to these institutions, Unipetrol cooperates very closely with universities, most notably the Institute of Chemical Technology in Prague. Research and development results are applied as part of technical support in production, development of strategies, and also directly when introducing new products into the production portfolio.

Unipetrol is currently building a new research and education center in Chempark Záluží. Total costs of the project, which was supported by the grant of the EU in amount of CZK 600m, are estimated for roughly CZK 800m. The center will be finished within two years.

Business Unit Refinery, Česká rafinérská and Paramo

In cooperation with the Research Institute of Inorganic Chemistry, Unipetrol RPA implemented a number of research projects in 2010 with a focus on improving the properties of road bitumen through modification additives, determination of the impact of the feedstock composition on the FCC product yields, and impact of additives on increasing the yields of gaseous fraction. Another project focused on the use of alternative vegetable oil as a bio-component in the production of middle distillates. A basic study into the possibilities of utilisation of the C4 fraction from the FCC, aimed at improving the economy of its use, was conducted. Attention was also paid to determining the yield vectors for LPG with variable contents of olefin and isoparaffin constituents. The yield, balance and economic assessment was conducted for other injection feedstock for the steam cracker pyrolysis. The assessments took place largely on the basis of simulation calculations.

In the company Paramo, the market's needs, as well as legislative requirements, resulted in additions of new products to the company's range.

As for process oils, development and service work on the trial operation of the Triumf TDAE production continued in 2010. European tyre manufacturers show the greatest interest in treated aromatic extracts such as TDAE. The softeners offer better feedstock utilisation and major market potential for both Paramo and the PKN Orlen/Unipetrol Group.

The demand for a diesel anti-freeze additive was satisfied by the new WINTER DIESEL ADDITIVE multi-purpose product, which improves fuel properties at low temperatures and increases its cetane number. Research also focused on new formulations of the Arctic and premium grade diesels. In response to current needs, an introductory study on the issues of bio-fuels was prepared and the outlook for the refinery in introducing bio-refining processes assessed.

We obtained the ETA European technical certificate for the Gumoasfalt roof waterproofing systems, and a great deal of attention was focused on trends in road construction. A proprietary formulation and production method for the new MOFALT SMA RMB bitumen product meets the requirements placed on modern technologies. The development of a binder modified by granulated used tyres has major environmental implications. The modified asphalt MOFALT SMA 45 Extra, produced by the Pardubice refinery received the Gold Award 2010 from the Czech Academy of Construction for Building Material – Technology of the Year.

Business Unit Monomers and Chemicals

The Research Institute of Inorganic Chemistry, based in Ústí nad Labem, provides petrochemical research and development for Unipetrol RPA, and its refining and petrochemical research arm is located at Chempark Záluží. The objective of research and development in petrochemicals is to improve the product portfolio and increase efficiency of production in the long run. The main R&D topics in 2010 were research into the impact of the quality of pyrolysis feedstock on the yields of the steam cracker's most valuable products, the possibilities for increasing propylene production capacity, and the utilisation of the available benzene production capacity by processing the available feedstock from the refinery.

The other major project stemming from in-house research and development is the production process for technical dicyclopentadiene (DCPD). This capital investment project is part of the long-term plan for the expansion of Unipetrol's product portfolio. The product finds use primarily as a monomer for the production of hydrocarbon resins.

Business Unit Polyolefins

In the field of polyolefins, the company continues to innovate regarding its product portfolio and modify certain existing grades as required by the key customers or customer segments. The Liten VB 85 HDPE, developed in 2009, has been modified, and another grade, the Liten FB 85 F HDPE for the production of thick foils was launched; for the Mosten EH 801 PP, whose development also started in 2009, the company received a preliminary certificate under which the grade can be marketed as a standard commercial product. In addition, the development of several new grades of injection block copolymers has been completed. The subsidiary Polymer Institute Brno remains the key partner for research and development activities. The obtained know-how is used for the development of new grades and for the provision of qualified technical support to customers and both sales and technological sections of the Polyolefins BU, and also as part of the sophisticated services for the HDPE and PP production plants, especially in reducing their energy intensity and material consumption.

Information technologies

An upgrade of the SAP system from Version 4.6 to Version ECC 6.0 took place and was completed in 2010. The successful completion of the project, which was necessary due to the discontinuation of support for the old version, enabled us to plan and launch many other development activities that had been suspended due to the system upgrades. As a result, in 2011 we expect to complete the implementation of EDI (Electronic Data Interchange) functionalities and an analysis of authorisations with settings of control mechanisms for compliance with the principle of SoD (Segregation of Duties) as far as the SAP is concerned. Other projects aimed at improving business process efficiency and automation are also planned for 2011.

In terms of the user environment, we succeeded in migrating e-mail from the Lotus Notes platform to MS Exchange. The migration to the widely used platform eliminates the incompatibility of certain types of events transferred between various mail systems and will reduce the mail system's operating costs. We also succeeded in partially implementing a new intranet solution, which, armed with a single corporate design, will unify all shared information sources and small applications and provide a single platform for small applications with a standardised method for generating any type of web forms, workflows, highly available and secure data storage (DMS), and a single interface for data exchanges between small applications and the SAP system at the corporate level. This new comprehensive intranet platform will be completed in August 2011 and it offers huge potential for the automation of routine office processes such as the generation and approvals of requests for holiday leave.

Benzina successfully completed the implementation of its RIS system for comprehensive retail management at fuel filling stations. Its last component – the card system – was put into operation during the night of 31 May 2010 and the process was smooth, entirely in keeping with the "optimistic" scenario and without any adverse impact on Benzina's financial objectives or the perception of the brand's high quality on the Czech market. The project earned a major accolade at the Petrol Awards 2010, winning the "Technology and Equipment" category, and at the time this report is being prepared, it is competing in the finals of the IT Project of the Year 2010 competition organised by CACIO (Czech Association of Chief Information Officers).

Employees

The Unipetrol Group

A number of optimisation processes were carried on from the previous periods.

In connection with the ongoing reductions in staffing levels, the outplacement project continues. It includes support for dismissed employees in the form of free advice and assistance in looking for employment on the labour market through Operational Programmes for human resources and employment as part of drawdown on the EU's Social Funds.

In 2010, the review of job descriptions, related to the Unipetrol Group's uniform wage policy, and the new job position catalogue were completed.

In 2010, all companies in the Unipetrol Group carried out certain organisational changes with a view to improving efficiency and productivity. Most of the important changes in the organisational structure took place at Unipetrol RPA. The process of migrating support services from each of the companies to Unipetrol Services as the shared service centre continued in 2010.

Attention was paid to employees' development in 2010. The Group continued to provide extensive support for the education of employees in production and for specialists' professional development. Paramo, Unipetrol, Unipetrol Services and Unipetrol Doprava joined two educational schemes that will be run from 2011 to 2013 with the help of EU funds. Paramo and Svaz chemického průmyslu ČR are the beneficiaries and main organisers of these activities, while the other companies are involved as partners in the projects. The Unipetrol Group cooperated with secondary and tertiary education institutions.

In 2010, UNIPETROL, a.s. continued its Junior Programme, which is geared towards support for university graduates. Within the limits of our need to fill job positions, we offer fresh graduates work experience in the Unipetrol Group's companies. During their one-year employment in a company they become acquainted with practical activities and acquire the required work experience.

Co-operation with trade unions is an important part of the personnel management policy. Collective bargaining was completed and collective agreements have been signed at Unipetrol RPA, execution on 19 January 2010; Benzina, on 28 January 2010; Unipetrol Doprava, on 29 January 2010; and Paramo, on 11 March 2010. Unipetrol Services completed the negotiations in February 2010 and the agreement was executed with effect from 1 March 2010. Česká rafinérská completed the collective bargaining on 1 March 2010 and the agreement was executed on 3 March 2010.

In 2011, the negotiation with trade unions in Unipetrol Group companies was not completed before the annual report closing date.

Average annual full-time equivalent number of employees at Unipetrol Group

Company	2010	2009	2008	2007	2006
BENZINA, s.r.o.	92	93	100	101	119
CHEMOPETROL, a.s.	0	0	0	0	2,383
PARAMO, a.s.	676	717	771	799	844
UNIPETROL DOPRAVA, s.r.o.	433	459	488	491	513
UNIPETROL, a.s.	26	25	32	65	57
UNIPETROL TRADE a.s.	14	19	28	32	38
UNIPETROL RAFINÉRIE, a.s.	0	0	0	0	56
UNIPETROL RPA, s.r.o.	1,937	2,058	2,161	2,210	0
UNIPETROL SERVICES, s.r.o.	227	248	261	199	0
PETROTRANS, s.r.o.	225	224	230	219	193
UNIPETROL SLOVENSKO, s.r.o.	7	6	6	8	7
ČESKÁ RAFINÉRSKÁ, a.s. (51.22%)	331	340	347	352	352
KAUČUK, a.s.	0	0	0	480	929
Butadien Kralupy a.s. 51 %	8	2	0	0	0
TOTAL	**3,976**	**4,191**	**4,424**	**4,956**	**5,491**

Number of employees at the end of the accounting period [1)]

Company	31/12/2010
BENZINA, s.r.o.	91
PARAMO, a.s.	666
UNIPETROL DOPRAVA, s.r.o.	419
UNIPETROL, a.s.	26
UNIPETROL TRADE a.s.	14
UNIPETROL RPA, s.r.o.	1,860
UNIPETROL SERVICES, s.r.o.	225
PETROTRANS, s.r.o.	215
UNIPETROL SLOVENSKO, s.r.o.	7
ČESKÁ RAFINÉRSKÁ, a.s. (51.22%)[2)]	324
Butadien Kralupy a.s.[2)]	10
TOTAL	**3,857**

1) Active employees only
2) Number of employees at the end of the accounting period in ČESKÁ RAFINÉRSKÁ, a.s. (100%) was 633 and in Butadien Kralupy, a.s. (100%) was 20.

Financial standing

STATEMENT OF FINANCIAL POSITION

Changes in non-current assets

As at 31 December 2010, non-current assets of the Unipetrol Group amounted to CZK 36,351 million. In 2010 the Group acquired tangible assets worth CZK 1,487 million and intangible assets worth CZK 170 million.

Most investments went into the petrochemical segment (CZK 1,009 million), followed by investments in the refining segment (CZK 310 million) and the retail segment (CZK 265 million).

Changes in current assets

Total current assets amounted to CZK 25,120 million as at 31 December 2010 and were higher by approximately CZK 4,932 million compared with the previous year with the biggest increase in cash and cash equivalents (CZK 3,556 million) as the cash flow was optimised.

The higher prices of crude oil and final products were the main cause of the increase in inventories compared with 2009 (inventories increased by CZK 1,595 million).

Changes in equity

Total equity increased from CZK 37,871 million in 2009 to CZK 38,800 million in 2010 as a result of the profit generated in 2010.

Changes in liabilities

Borrowings

Loans and borrowings decreased by CZK 172 million compared with 2009. As a result of positive free cash flow and the continuing cash-pooling project, the Group was able to minimise its external financing requirements.

Trade liabilities

The main reason for an increase of CZK 2,147 million in trade liabilities compared with the previous year were higher crude oil price and changes in contract terms.

Provisions

Compared with 2009, provisions increased by CZK 232 million, which was mainly caused by provision recognised for estimated CO2 emissions and planned shutdown of heat and power plant T200.

STATEMENT OF COMPREHENSIVE INCOME

The Group's revenues for 2010 amounted to CZK 85,967 million and were 28% higher than in 2009, mainly due to the higher quotations of refining and petrochemical products and an increase in the sold volumens of fuels and other refinery products.

The Group's operating profit of CZK 1,678 million for 2010 resulted from strict cost control, improved pricing policy and favourable macroeconomic conditions in both refinery and petrochemical segment. Refining was influenced by higher refinery margins and wider Brent-Ural differential. Petrochemical margins were higher than in the previous year and higher share of more profitable polyolefins influenced the segment positively.

The above reasons together with lower finance costs caused the Group's net profit of CZK 937 million to be higher than in 2009.

CASH FLOW

Net cash provided by the Group's operating activities in 2010 was higher by approximately CZK 755 million in comparison with 2009. At the same time, net cash used in investing and financing activities was lower by CZK 875 million and CZK 1,692 million, respectively, than in the previous year.

The increase in cash compared with the 2009 level resulted primarily from higher proceeds from disposals of tangible, intangible and financial assets. Positive free cash flow was used for repaying loans and borrowings during 2010 and strengthening cash position.

The Group's cash and debt position was very good, with net debt of CZK -2,516 million and gearing -6.5%.

SALES REVENUES

Trends in revenues for own products and services

	2010	2009	2008	2007
	CZK thousand	CZK thousand	CZK thousand	CZK thousand
Revenues	85,966,537	67,386,500	98,143,951	88,462,174

In 2010 the Unipetrol Group generated total revenues of CZK 85,967 million. Compared with 2009, the refinery segment achieved external revenues higher by CZK 9,717 million, petrochemical segment by CZK 7,602 million, and retail segment by CZK 1,237 million.

The results in 2010 were favourably influenced by higher refinery and petrochemicals margins and the increase of Brent-Ural differential (USD 1.40/bbl in 2010 v. USD 0.81/bbl in 2009).

Structure of revenues for own products and services sold, by line of business

Line of business	2010	2009	2008	2007
	Sales revenues in %	Sales revenues in %	Sales revenues in %	Sales revenues in %
Refining	54%	54%	55%	48%
Retail	9%	11%	10%	10%
Petrochemical	36%	34%	34%	41%
Other	1%	1%	1%	1%

External revenues in the refinery segment went up by CZK 9,717 million in 2010 compared with the previous year and amounted to CZK 46,390 million. The increase is mainly attributable to higher product prices and higher volumes sold.

In the petrochemical segment, external revenues amounted to CZK 30,978 million, which is CZK 7,602 million more than in 2009, mainly due to better sales volume mix with a higher share of more profitable polyolefins and higher product prices.

External revenues in the retail segment, amounting to CZK 8,499 million in 2010, were CZK 1,237 million higher than in the previous year as a result of the increase in fuel prices and better sales of premium fuels.

The share of segments' revenues in the Unipetrol Group's overall structure of revenues was stable compared with the previous year.

Structure of sales revenues by area

Area	2010	2009	2008	2007
	Sales revenues in %	Sales revenues in %	Sales revenues in %	Sales revenues in %
Czech Republic	69	75	71	65
Other European countries	28	22	27	33
Other countries	3	3	2	2

Compared with 2009, the Group achieved lower share of revenues from sales in the Czech Republic. Share of revenues generated in the other European Union countries were higher than in 2009 as both petrochemical as well as refinery segment were trying to benefit from the demand abroad and redirect part of the available volume there.

Non-consolidated profit/loss and dividends of UNIPETROL, a.s.

	2010	2009	2008	2007
Profit for distribution	512,121	261,864	4,428,147	(9,121)
Allocation to the social fund	--1)	0	0	0
Allocation to the reserve fund	--1)	13,093	221,407	0
Number of yield-bearing shares	181,334,764	181,334,764	181,334,764	181,334,764
Profit / loss per share	2,82	1.44	24.42	(0.05)
Dividend per share (CZK) paid from retained profit of previous years	--1)	0	17.65	0.00
Total for distribution	512,121	248,771	4,206,740	(9,121)
Profit brought forward as of 31. December	4,971,986	4,472,958	4,432,501	3,208,145

1) The decision on the distribution of the profit 2010 will be taken at the Annual General Meeting.

Property, plant and equipment

UNIPETROL, a.s. (Unipetrol), as a non-production company, owns most of the land within the production plants situated in the cadastral areas of Kralupy nad Vltavou and Litvínov. A major part of the land is situated underneath its subsidiaries' production facilities. Unipetrol also owns several plots of land outside of such production plants, part of which its subsidiaries use for their business as e.g. deposits, roads, pipeline sites etc.

The total area of land owned by Unipetrol within the cadastral area of Kralupy nad Vltavou is approximately 2.431 million sq m and in the cadastral area of Litvínov approximately 8.866 million sq m.

Unipetrol does not own any buildings or equipment on its land, nor has it any oil fields or natural gas production sources of its own. The properties, plant and equipment on Unipetrol's land are owned and operated predominantly by its subsidiaries. To a lesser extent, other entities not belonging to Unipetrol Group are the owners or tenants of such properties, plant or equipment where the subsidiaries have no use for such assets. Synthos Kralupy (previously Kaučuk), which is a former subsidiary of Unipetrol Group, is a major owner of buildings and equipment on the premises of the chemical production plants in Kralupy nad Vltavou.

An agreement benefiting Synthos Kralupy on the pre-emptive rights to specific land used for its activities was executed on the basis of the agreement on the sale of Kaučuk to the new owner, FIRMA CHEMICZNA DWORY S.A., Republic of Poland. The pre-emptive rights are registered in the real property register.

Tangible assets are described in detail in the Notes to the Consolidated Financial Statements. The land owned by Unipetrol is not encumbered by any liens.

The land is zoned for industrial activities and its use is governed by easement agreements executed between the owner of the land, Unipetrol, and the companies operating on both cadastral areas. The easements are provided for a consideration.

The most important items in the property, plant and equipment category based on book value at the major subsidiaries as at 31 December 2010:

UNIPETROL RPA, s.r.o.

Land

The land described below includes land on which control and operating equipment for long-distance pipelines is located, and land encumbered by easement – pipeline protection zone easements. Other cases include land earmarked for future use, which is still to be determined.

Name / description of equipment / property	Net book value (thousands CZK)	Area (thousands m^2)	Cadastre
Plot no. 1651/6 Komořany u Mostu	70	0.81	Most
Plot no. 245/2 Horní Jiřetín	48	15.82	Most
Plot under RS 4 - Volevčice	44	0.34	Volevčice
Plot no. 1245 - Horní Jiřetín	43	4.93	Most
Plot no. 1170/1 Třebušice	40	13.38	Most

Buildings

Full use for the long term, modernisation not planned for the medium term

Name / description of equipment / property	Net book value (thousands CZK)	Use	Total useful life, or need for upgrade	Remaining life
Silo building, structure 7814	88,634	Large-capacity storage for petrochemical production - plastics	60 years	56 years
Pelletisation building	73,575	Production equipment located there - granulation lines and cooling and process water treatment equipment	60 years	52 years
Water treatment building	66,900		25 years	14 years
Granulation building	65,078	Location for production equipment	60 years	60 years
"Cechovní budova" building, petrochemicals	43,925	Office building with support facilities	50 years	20 years

Plant and equipment

Full use for the long term, modernisation not planned for the medium term

Name / description of equipment / property	Net book value (thousands CZK)	Total useful life, or need for upgrade	Remaining life
Pyrolysis furnace - set of movables	1,084,405	14 years	8 years
DEETANIZER, DEPROPANIZER - set of movables	301,956	10 years	4 years
Vessels - polymeration	236,487	14 years	6 years
Schell compressor - set of movables	197,130	20 years	13 years
Granulation unit	160,670	14	14

PARAMO, a.s.

Land

Name / description of equipment / property	Net book value (thousands CZK)	Area (thousands m2)	Cadastre	Use
Handling area no. 1172/1	24,000	33.50	SVITKOV	production
ADR, no. 823/1 – 19,775 m2 Svítkov	17,464	20.00	SVITKOV	production
Fire protection, Operation 03, no. 801 – 19,276 m2	16,863	19.27	SVITKOV	production
Main storage facility, no. 826 – 18,494 m2 S	16,360	18.49	SVITKOV	production
Tanks, no. 828 – 17,631 m2 Svítkov	15,499	17.63	SVITKOV	production

Buildings

Name / description of equipment / property	Net book value (thousands CZK)	Total useful life, or need for upgrade	Remaining useful life	Use
Blending plant building	57,103	30 years	18 years	production
Office building – the new main building	31,595	77 years	62 years	offices
Multi-use building (cafeteria)	25,670	50 years	36 years	offices, dressing rooms
Operating building, SO-60	15,263	30 years	16 years	production
Production hall of metal sheet	12,917	50 years	10 years	production

Machines and equipment

Name / description of equipment / property	Net book value (thousands CZK)	Useful life, or need for upgrade	Remaining useful life	Use
Bitumen oxidation: control system switchboard	35,953	10 years	5 years	production
Reactor with a stirrer, 36RA-301 – OA	34,330	15 years	12 years	production
Hydrogen compressor, 41K-01C	21,755	10 years	9 years	production
Tank VR 21	20,516	17 years	8 years	production
Piping tie-in of vacuum distillation machinery	16,810	20 years	8 years	production

BENZINA, s.r.o.

Property, plant and equipment

Name/description of equipment, property	Book value (thousands CZK)	Purpose
Kladruby filling station	103,040	Trade and services facility
Nepomuk filling station	60,054	Trade and services facility
Holešovice, Argentinská 2 filling station	58,865	Trade and services facility
Plzeň Šlovice filling station, left side	55,126	Trade and services facility
Plzeň Šlovice filling station, right side	52,912	Trade and services facility

ČESKÁ RAFINÉRSKÁ, a.s.

Plant and equipment

Name / description of equipment / property	Net book value (thousands CZK)	Use	Cadastre
Catalytic crack	1,295,003	production	Kralupy refinery
Splitting unit	724,638	production	Litvínov refinery
Visbreaker	742,099	production	Litvínov refinery
Reforming CCR	261,600	production	Litvínov refinery
Vacuum distillation unit	246,601	production	Litvínov refinery

Capital resources

No new mid- or long-term credit transactions were made on the parent company level.

As of 31 December 2010, Unipetrol had CZK 2 billion in issued bonds, which will fall due on 28 December 2013. The company does not have any longterm loans.

Operating financing is mainly provided on the level of the parent company, Unipetrol, using available resources and, if necessary using operating loans provided by reputable banks.

Unipetrol's credit lines increased from the initial CZK 8,485,000,000 to CZK 8,585,000,000 in 2010. In addition, as of 31 December 2010, Unipetrol RPA had a separate open credit line of CZK 300,000,000.

Thanks to a centralised operating financing model, both financial and non-financial terms on which the Group companies receive operating finances were improved substantially. The efficiency of operating financing has improved significantly after the introduction of a real cash pooling system, resulting in major financial savings.

Unipetrol uses a real cash pooling system involving four reputable banks.

As part of the operating financing of the parent company, Unipetrol, bank guarantees for all liabilities of Unipetrol RPA were provided at CZK 812 million, of Unipetrol Slovensko at CZK 100 million, of Butadien Kralupy at CZK 45 million, of Unipetrol Services at CZK 6 million, of Benzina at CZK 5 million, and of Paramo at CZK 4 million. As at 31 December 2010 the balance of the guarantees stood at CZK 972 million.

Risk management

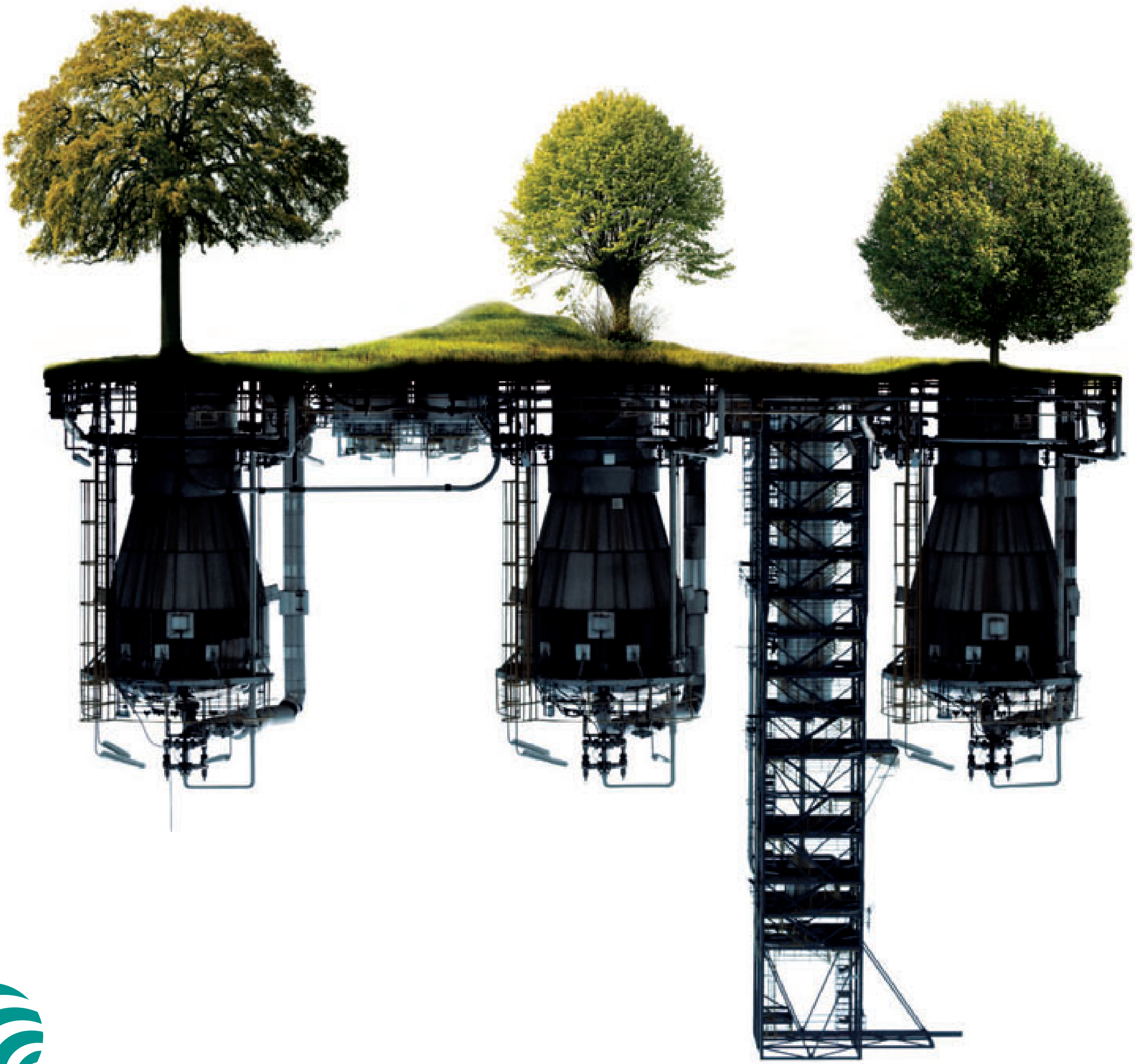
Risk management in the Group is provided for by the document "Financial Risk Management Policy". This document defines the rules and recommendations governing Financial Management activities in the Unipetrol Group companies.

The document creates a module of rules and recommendations for risk management and its purpose is to provide a formal framework for treasury operations. Appendices to this document set out the credit limits for counterparties, dealers' authority, permitted transactions and the tools for which a special permission is required.

The document defines the activities, which each of the Treasury departments and, as the case may be, the authorised financial management department of UNIPETROL SERVICES, s.r.o., is authorised to carry out, as activities relating to associated (underlying) risks and reducing financial and commodity risks for the Group companies while meeting the conditions for the definition of hedging operations from the IFRS perspective.

In accordance with the financial risk management policy, a one-off commodity swap was carried out in 2010 for 207,500 bbls in order to hedge the oil price because of the unplanned shutdown of the processing unit. The applicable financial risk management policy is based on the principle that the Group companies act as conservative entities which in no event use their funds or positions for speculative purposes.

During 2010, one of the Group's companies made several major cost effective financial transactions (sale/purchase) of emission allowances (EUA, CER and ERU) to strengthen its natural hedge and liquidity position. All these transactions are periodically re-measured at fair value and will be definitively settled in 2011.



The company and the environment

Unipetrol Group's key environmental activities in 2010

Unipetrol Group's environmental activities in 2010 focused primarily on the completion of a required process under a Regulation of the European Parliament and the Council, REACH, i.e. the registration of produced and imported substances, and also on the monitoring, evaluation, and preparation of measures to meet requirements under new or amended legal regulations at the level of the Czech Republic and the European Union.

Regulation (EC) No 1907/2006 of the European Parliament and of the Council (REACH)

Regulation (EC) No 1907/2006 of the European Parliament and of the Council concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) entered into force on 1 June 2007; it constitutes a new European legislative basis for the operation of the chemical industry in the EU's single market.

Unipetrol Group is among the members of the chemical industry producing chemicals in large volumes exceeding 1,000 tonnes per year. At the same time, only a limited number of substances are subject to the obligations under REACH. REACH entered the pre-registration phase in June 2008, which meant that producers were obligated to notify the European Chemicals Agency of the basic identification details of the substances and preparations subject to REACH by 1 December 2008. Intensive pre-registration was conducted at Česká rafinérská, Paramo and Unipetrol RPA. Česká rafinérská pre-registered 43 substances, Paramo 51 substances, and Unipetrol RPA 58 substances.

Out of the total number of pre-registered substances, Česká rafinérská registered 24 substances, Paramo 22 substances, and Unipetrol RPA 17 substances in 2010. The registration took place by the set deadline at all companies, i.e. by 30 November 2010.

As part of the registration of substances under REACH, Unipetrol Group companies cooperated closely with PKN Orlen and, through it, with the CONCAWE and LOA expert consortia in 2010. Česká rafinérská and Unipetrol RPA also cooperated with other consortia in the preparation of the conditions for the registration of the produced substances, which are not addressed by CONCAWE and LOA, such as FERC, R4CC, CB4REACH, ASVEP etc.

New safety sheets for the Group companies' products were prepared on the basis of the registration documents. The new safety sheets include hazard classification of products under DSD/DPD and the new classification under CLP/GHS. At the same time, notifications were made for all substances where this is required by the legislation in force.

New legal regulations in the Czech Republic and EU

As part of the legislative process, companies were involved either directly or through industry networks and NGOs in the preparation of, and comments on, the new legal regulations in the Czech Republic and EU. The biggest impact on the Group companies' business is expected from the climate and energy package and the new directive on industrial pollution.

Development of the Unipetrol Group's selected environmental performance indicators

Carbon dioxide emissions under the EU's scheme for trading in carbon dioxide emission allowances (EU ETS)

The start of the second trading period on 1 January 2008 was associated with the tightening of the conditions for monitoring and reporting greenhouse gas emissions after the expiry of certain exceptions applicable to the first period. The new allocation plan issued in the form of Government Order No. 80/2008 for the trading period of 2008 to 2012 also allocated allowances to Unipetrol Group companies.

Allocation of allowances to Unipetrol Group companies in the National Allocation Plan for the 2005-2007 and 2008-2012 periods and the actual CO2 emissions between 2005 and 2008

Allocation of allowances (units/year) *Actual emissions (kt/year)*	*Unipetrol RPA*	*Česká rafinérská 1)*	*Paramo*	*Unipetrol Group*
NAP allocations 2005-2007	**3,495**	**1,100**	**270**	**4,865**
2005: actual CO_2 emissions	3,071	803	194	4,068
2006: actual CO_2 emissions	3,092	910	196	4,198
2007: actual CO_2 emissions	2,889	904	191	3,984
NAP allocations 2008-2012	**3,121**	**867**	**199**	**4,187**
2008: actual CO_2 emissions	2,762	910	176	3,848
2009: actual CO_2 emissions	2,558	806	172	3,536
2010: actual CO_2 emissions	2,468	883	170	3,521

1) Allocations and actual emissions do not represent Unipetrol's 51.22% share in Česká rafinérská

Based on the audit of the annual reports for 2010 it can be said that the allocated quantity of allowances covers the needs of the Group companies. Any surplus allowances for 2010 have been traded, or will be traded in the future.

Trends in the emissions of selected pollutants

The emissions of pollutants into the environment have been stabilised over the last four years, at a level achieved thanks to massive environmental investments made during the previous decade. The Unipetrol Group has achieved a major reduction in sulphur dioxide emissions and a reduction in the pollution discharged into surface waters in the COD and BSK5 indicators.

Sulphur dioxide emissions in Group companies (tonnes/year)

Year	2004	2005	2006	2007	2008	2009	2010
Unipetrol Group	12,581	11,942	13,220	16,909	12,030	14,266	11,070

COD pollutant emissions in Group companies (tonnes/year)

Year	2004	2005	2006	2007	2008	2009	2010
Unipetrol Group	1,600	1,525	1,424	1,498	1,166	1,068	729

BSK_5 pollutant emissions in Group companies (tonnes/year)

Year	2004	2005	2006	2007	2008	2009	2010
Unipetrol Group	489	439	480	511	311	221	174

The trend of reducing pollution, measured in terms of the COD and BSK5 indicators, discharged by the Unipetrol RPA BWWTP, retrofitted between 2007 and 2008, continued, which has a major effect on the emissions for the entire Unipetrol Group.

Prevention of serious accidents under Act No. 59/2006

In 2010 Unipetrol Group companies experienced no accidents classified as serious accidents under Act No. 59/2006. Other operating accidents encountered during the year were managed in-house or using in-house (company's) fire departments and were responded to adequately in order to rectify the situation and prevent re-occurrence. The impact of small operating accidents did not extend beyond the Group premises.

Mitigation of old environmental hazards

On the basis of a decision of the Government of the Czech Republic associated with their privatisation, Unipetrol Group companies entered into the following agreements with the Ministry of Finance of the Czech Republic on the tackling of environmental obligations originating before privatisation (called the Ecological Contracts):

UNIPETROL, a.s. (legal successor of CHEMOPETROL Group, a.s.): Contract No. 14/94 as amended in Amendment 3 of 25 January 2005; UNIPETROL, a.s. (legal successor of KAUČUK GROUP, a.s.): Contract No. 32/94 as amended in Amendment 1 of 4 July 2001; SPOLANA, a.s.: Contract No. 33/94 as amended in Amendment 3 of 25 January 2005; PARAMO, a.s.: Contract No. 39/94 as amended in Amendment 2 of 4 July 2001, and Contract No. 58/94 as amended by Amendment 3 of 26 September 2008; and BENZINA, s.r.o.: Contract No. 184/97 as amended in Amendment 7 of 18 January 2007.

In 2010, proactive reclamation work took place in the Litvínov production area by way of groundwater clean-up, extraction from underground drains, and sludge disposal in the R4 Růžodol lagoon. Preparatory work took place at the other sites in the Litvínov area. Only preparatory work took place on the Kralupy premises. PARAMO, a.s. completed Phase II of the Časy landfill reclamation and the reclamation of the acid resin deposit (LIDL site) is about to be completed. A project for the reclamation of the Sv. Trojice site was prepared and will be launched next year. Paramo's premises in Kolín are undergoing the final stage of reclamation – the completion of sludge lagoons and groundwater clean-up. Maintenance clean-up work continued in Benzina's fuel filling station network (protective clean-up extraction) at the fuel filling stations in Mikulov, Pardubice, Přelouč, Vysoké Mýto, Pardubice-Chrudimská, and distribution facilities in Liberec, Bartošovice, Jičín, Nový Bohumín, Šumperk, Vamberk, and Točník, as well as proactive clean-up work at the Tachov fuel filling station.

Financial guarantees from the Ministry of Finance of the Czech Republic (MF) and draw down of funds at Unipetrol Group

	Unipetrol Litvínov	Unipetrol Kralupy	Paramo Kolín	Paramo Pardubice	Benzina	Group total
Funds guaranteed by MF	6,012	4,244	1,907	1,241	1,349	**14,753**
Costs covered by MF since the start of the work[1)]	2,572	18	1,511	334	374	**4,809**
Expected costs of future work	4,124	2,377	396	3,211	945	**11,053**
Total (estimated) costs of clean-up	**6,696**	**2,397**	**1,907**	**3,544**	**1,319**	**15,863**
Balance of MF's financial guarantee	-684	1,847	0	-2,302[2)]	30	**-1,109**

1) Costs covered by MF since the start of the work exclude the costs of the completed clean-up of the former KPetrol filling stations network (1995-1999), approximately CZK 40 million and Benzina's costs spent on clean-up before 1997, approximately CZK 500 million.

2) The rules of a public (licensing) contract for the complete elimination of environmental hazards should take into consideration the discrepancy between the guaranteed amounts and the expected clean-up costs.

Cost of environmental protection

Environmental investments

Environmental investments are defined as capital investment projects undertaken directly in order to meet legal requirements for environmental protection and closely linked to the practical implementation of integrated prevention pollution. In 2010 Unipetrol Group implemented the following major environmental investments:

Česká rafinérská:

The company implemented environmental investment projects totalling CZK 39,6 million. These include primarily:

- Retrofit of the wastewater treatment plant in Kralupy - 2010 marked the continuation of the WWTP retrofit project in Kralupy as required by the applicable IPPC. The project is at the stage of the preparation of design documents and is managed so as to ensure that the plant meets the requirements for the best available technologies (BAT).
- Retrofit of the sewer system in Kralupy - two projects for the retrofit of the existing sewer system were prepared. The sections with the potential occurrence of MTBE were selected as preferred and addressed first. The remaining sections of the old sewer system are covered by a project, the preparation of which included the assessment of the possibilities for building separate sewer systems.
- HGWP extension - the project addresses the extension of the hydraulic groundwater protection in the north-eastern part to make it capable of providing protection against infiltration of substances dissolved in water. The project will include the installation of a system consisting of a collection drain, sub-horizontal drill holes and absorption facilities.
- Retrofit of the sewer system at Block 34 - completion of the replacement of leaky sewers at production Block 34 (AVD plant) in order to ensure groundwater protection.

Unipetrol RPA:

The company implemented environmental investment projects totalling CZK 74.7 million. These include primarily:

- Completion of the project for replacing the TEA wash solution pumping set at the POX plant;
- Retrofit of the sewer system in the steam cracker area;
- Measures to minimise pollution in the common sewer system on the premises by diversion of the POX plant wastewater and other preparatory and design work;
- Commissioning of the co-firing of modified sludge from the BWWTP at the T700 heat & power plant;
- Set of capital investment projects related to the maximisation of the use of the Chezacarb production unit;
- Continuation of the preparatory work for the project of the Revitalisation of the Mračný Stream;
- Repairs of the emergency sump in the oil storage facility on site 1133 - T700

Many other measures with a positive effect on the environment were implemented as part of operating costs of equipment maintenance. This includes the repair of sewers, handling areas, and traps.

Paramo:

The company implemented environmental investment projects totalling CZK 19.7 million. These include primarily:

- Completion of the retrofit of the VR 28 storage tank – this project was co-financed from Operational Programme Environment. The successful completion of the project was an impetus for the administration of two more applications for subsidies - renewal of the VR 16 storage tank and the tanks in the Kolín mixing plant. Commencement of the retrofit of the N11 and N12 tanks that store fuel oil for the Energy operations and completion of the diesel fuel pumping station at HS Kolín.
- The project titled “Improving Energy Efficiency of the Diesel Fuel Desulphurisation Process by Exchanger Field Extension”, which will bring about major savings in CO2, was approved for implementation last year. An application for a subsidy under the Operational Programme Enterprise and Innovation - Eco-Energy was prepared in parallel with the approval process under the firm’s internal standards. The application is currently subject to review by CzechInvest and should the subsidy be granted, Paramo will obtain a subsidy for 40% of eligible costs.

Benzina:

The company implemented environmental investment projects totalling CZK 35.1 million. These include primarily:

- Replacement of outdated car wash wastewater treatment plants at 20 fuel filling stations with new and more modern WWTP;
- New groundwater borehole to supply water to the Vimperk and Olomouc Žerůvky fuel filling stations;
- Connection of the Volary and Sadská fuel filling stations to sewer systems and modification of the wastewater outlet at the Ślovice PS fuel filling station.

Capital expenditure on environmental protection in the Group (CZK million)

Year	2004	2005	2006	2007	2008	2009	2010
Unipetrol Group	980	390	898	828	282	200	153

Operating expenditure in environmental protection

We define “environmental operating expenditure” as costs associated with the operation of installations for air quality control, wastewater treatment, waste disposal, environmental management systems, environmental emissions monitoring, environmental impact assessment (EIA) process, integrated pollution prevention, and other related environmental activities.

Newly installed state-of-the-art equipment with a high feedstock conversion ratio, reduced amount of waste, and high energy efficiency has resulted in an overall reduction in environmental operating expenditure compared with the previous decade. The trend of environmental operating expenditure between 2004 and 2010 is shown in the following table.

Operating expenditure on environmental protection in the Group (CZK million/year)

Year	2004	2005	2006	2007	2008	2009	2010
Unipetrol Group	769	743	748	862	869	816	902

Total environmental costs

The overall environmental costs in the Unipetrol Group include environmental capital expenditure, environmental operating expenditure, costs of eliminating old environmental hazards, and charges for air pollution, wastewater release, waste deposit in landfills, provisioning for landfill reclamation, and compensation for air pollution related damage to forests. The trend of total environmental protection costs between 2004 and 2010 is shown in the following table.

***Total environmental protection costs in Group companies* (Unipetrol, Unipetrol RPA, Paramo, Benzina) (CZK million/year)**

Year	2004	2005	2006	2007	2008	2009	2010
Unipetrol Group	2,269	1,606	1,990	1,990	1,509	1,543	1,805

Responsible Care

Responsible Care (“R.C.”) is a voluntary worldwide initiative in the chemical industry aimed at promoting its sustainable development through proactive improvement of the safety of facility operations, product transport, and protection of human health and the environment. The programme represents a long-term strategy coordinated by the International Council of Chemical Associations (ICCA) and the European Chemical Industry Council (CEFIC) in Europe. The contribution of R.C. to sustainable development was acknowledged by an award from the UN Environmental Programme at the world summit in Johannesburg.

The national version of R.C., a programme entitled Odpovědné podnikání v chemii (Responsible Business in Chemistry), was officially launched in October 1994 by the Minister of Industry and Trade and the President of the Association of Chemical Industry of the Czech Republic (SCHP ČR). The programme has complied with the Responsible Care Global Charter since 2008.

Entitlement to use the Responsible Care logo was once again granted to all production companies of the Unipetrol Group on the basis of a successful public procedure in 2008. The head office of UNIPETROL a.s. defended its entitlement to use the Responsible Care logo in 2007. PARAMO a.s. also won the SCHP ČR Sustainable Development Award in 2008.

More details on the achievements in environmental protection are published in a separate Joint HSE Report of the Unipetrol Group and available at www.unipetrol.cz.

Sponsorship in 2010

In respect of its sponsorship activities, the Unipetrol Group carried these out through its two main brands – Unipetrol (in B2B communication) and Benzina (in B2C communication).

Unipetrol continued to focus on science and education. Evidence of this was its continued strategic partnership with the Vysoká škola chemicko-technologická v Praze [Institute of Chemical Technology in Prague], which, with its tradition of almost 200 years, is the largest educational institution of its kind in Central Europe. It has been among the most prestigious higher education institutions in the Czech Republic for many years. This partnership mainly consists of supporting and rewarding the top students and the best diploma and doctoral theses, and also of supporting events and projects for secondary school chemistry students and teachers.

Specialising in retail and relying on its tradition of 50 years, Benzina is associated mainly with sport. In 2007, it connected its name with HC Litvínov, an ice-hockey club that was established back in 1945.

Less extensive regional sponsorship activities are another part of the Group's strategy. They mainly consisted of financial and non-financial support for municipalities, educational institutions, and health facilities in the Litvínov and Most areas.

In the Pardubice Region, Paramo preferred co-operation with institutions teaching chemistry at all levels of education, i.e., primary schools, the Střední průmyslová škola chemická [High School of Chemistry] and the Fakulta chemicko-technologická Univerzity Pardubice [University of Pardubice Faculty of Chemical Technology]. The company chiefly supported this discipline by providing students with opportunities for practical experience and supporting knowledge contests. It lent a helping hand again to Středisko rané péče [Early Care Centre], which is a highly sought-after institution and the only provider of early care services for families with children whose development is at risk and families with very young children suffering from an intellectual, physical or combined disability in the Pardubice Region. As in previous years, it joined a fund-raising scheme for a 'social automobile' and helped to organise small sports projects for children and young people.

Structure of the Group

UNIPETROL, a.s. is a company with a majority owner and as such it is a controlled entity.

The major shareholder is Polski Koncern Naftowy Orlen Spółka Akcyjna ("PKN ORLEN S.A.").

Controlling person	Interest with voting rights as of 31 December 2010	Controlling agreement
PKN ORLEN S.A., ul. Chemików 7, 09-411 Płock Republic of Poland	62.99%[1)]	none

1) Unless stated below that the ownership interest is different from the proportion of voting rights, it can be assumed that both proportions are identical.

The remaining shares of the company (37.01%) are held by minority shareholders, both legal entities and natural persons.

PKN ORLEN S.A. is the parent company of Orlen Group and UNIPETROL, a.s. together with the companies controlled by it ("Unipetrol Group") is among the key members of Orlen Group.

UNIPETROL, a.s. is independent of all other entities in Orlen Group. There are no known arrangements that could result in a change in control over the company.

Orlen Group

Key companies in Orlen Group

Company	Based at	Country	PKN Orlen S.A.'s percentage of capital	Area of business
AB ORLEN Lietuva	Juodeikiai	Lithuania	100	refineries
UNIPETROL, a.s.	Prague	Czech Rep.	62.99	refineries, petrochemicals
Basell Orlen Polyolefins Sp. z o.o.	Płock	Poland	50.00	petrochemicals
ORLEN Deutschland GmBH	Elmshorn	Germany	100.00	retail
ANWIL SA	Włocławek	Poland	86.35	chemicals
IKS "SOLINO" S.A.[1)]	Inowrocław	Poland	70.54	logistics
ORLEN Oil Sp. z o.o.	Kraków	Poland	51.69	lubricants
Rafineria Trzebinia S.A.	Trzebinia	Poland	86.35	refineries
Rafineria Nafty Jedlicze S.A.	Jedlicze	Poland	75.00	refineries

1) Inowroclawskie Kopalnie Soli "SOLINO" S.A.

The Orlen Group companies operate in the area of crude oil processing and the production of a broad range of refinery, petrochemical and chemical products, and also in the transport, wholesaling, and retailing of these products. The Orlen Group also includes companies operating in some other related areas. The key companies of the Orlen Group operate in Poland, the Czech Republic, Lithuania, and Germany. The Group has 7 refineries: 3 in Poland (Płock, Trzebinia, and Jedlicze), 3 in the Czech Republic (Litvínov, Kralupy, and Pardubice) and one in Lithuania (Mazeikiu). PKN Orlen's retail network comprises approximately 2,700 outlets offering services in Poland, Germany, the Czech Republic, and Lithuania. In Poland, fuel filling stations operate under three brands: ORLEN (the premium brand), Petrochemia Plock and BLISKA (the economy brand). Clients in Germany are served at stations branded ORLEN and STAR, and in the Czech Republic at outlets bearing the standard Benzina and the premium Benzina Plus logos. Fuel filling stations in Lithuania operate under the Orlen Lietuva and Ventus brands.

PKN ORLEN S.A.

PKN ORLEN S.A. is one of the largest crude oil processors in Central Europe. Its integrated refinery and petrochemical complex in Płock is among the most advanced European operations of this type. It specialises in the processing of crude oil into products such as unleaded gasoline, diesel fuel, fuel oil, jet kerosene, as well as plastics and other petrochemical products. It also runs a network of fuel filling stations in Poland. At the end of 2010, the PKN Orlen Group consisted of 76 subsidiaries.

AB ORLEN Lietuva

This company is the owner of the only oil refinery in the Baltic region and enjoys a dominant position on the markets of the countries in that region (Lithuania, Latvia, and Estonia). The technologies employed in the refinery and the consistent process improvements enable Mazeikiu Nafta to make high-quality products in compliance with the specific standards of the countries where we operate. At the end of 2010 the company had 6 subsidiaries, one of which was in liquidation.

UNIPETROL, a.s.

UNIPETROL, a.s. is the parent company of the Unipetrol Group, which includes, in particular, companies operating primarily in crude oil processing, the petrochemical industry, and fuel distribution.

Basell Orlen Polyolefins Sp. z o.o.

This joint venture with Basell Europe Holdings B.V. specialises in the production of polyolefins. The company sets high standards in the plastics production and processing industries in Poland. The company is the owner of two major plants for the production of polypropylene and polyethylene.

Its subsidiary, Basell Orlen Polyolefins Sp. z o.o. Sprzedaž Sp. z o.o. is responsible for marketing and sales.

ORLEN Deutschland GmBH

ORLEN Deutschland GmBH operates over 570 fuel filling stations in Germany. The fuel filling stations bear the logos of ORLEN and STAR.

ANWIL S.A.

ANWIL S.A. is the only producer of PVC and one of the largest producers of nitrogen-based fertilisers in Poland. It is a majority shareholder in 4 companies, including SPOLANA a.s.

IKS "Solino" S.A.

IKS "Solino" S.A. (Inowrocławskie Kopalnie Soli "SOLINO" S.A.) is a major logistics operator in crude oil and fuel storage and a leading exporter of highly-processed salt products to European markets.

ORLEN Oil Sp. z o.o.

The company produces and distributes the highest-class oils and lubricants for industry and engines. Responding to the dynamic changes in the lubricants market, Orlen Oil proactively cooperates with the leading international and Polish research centres to launch new, high quality products.

Rafineria Trzebinia S.A.

Rafineria Trzebinia S.A. is one of the key companies in Orlen Group. For over 100 years it has been developing and investing in modern technologies, strengthening its position as the largest and most modern company in the region of Lesser Poland.

Trzebinia S.A. is the first company in Poland to launch an industrial installation for the production of the highest quality biodiesel.

The company is a socially responsible corporate citizen, responds to the needs of local people, and observes the rules of business ethics and the Code of BCC Honorary Member, under which it pursues ambitious goals in harmony with the needs of all its stakeholders. It is a majority shareholder in 5 companies.

Rafineria Nafty Jedlicze S.A.

With its tradition of more than a hundred years, the refinery is a leader in the production of fuels and lubricating oils in terms of volume. It is a majority shareholder in 5 companies, one of which was in liquidation at the end of 2010.

Unipetrol Group

The Unipetrol Group consists of companies operating in the refinery processing of crude oil, in the petrochemical industry, and in fuel distribution. In 2010 the key companies of the Group included the following subsidiaries:

UNIPETROL RPA, s.r.o.

BENZINA, s.r.o.

ČESKÁ RAFINÉRSKÁ, a.s.

PARAMO, a.s.

In addition to the above key companies, the Group also includes a number of smaller companies focusing on distribution, services, and research.

For more details on the key companies of the Group, see the chapter on "Ownership Interests".

As of 31 December 2010, UNIPETROL, a.s. was the sole member or shareholder of UNIPETROL RPA, s.r.o., BENZINA, s.r.o., UNIPETROL SERVICES, s.r.o., PARAMO, a.s., Výzkumný ústav anorganické chemie, a.s. [Research Institute of Inorganic Chemistry], UNIPETROL TRADE a.s., and UNIPETROL RAFINERIE, s.r.o.[1] and UNIPETROL AUSTRIA HmbH, v likvidaci. It was also the majority shareholder of ČESKÁ RAFINÉRSKÁ, a.s. (51.22%).

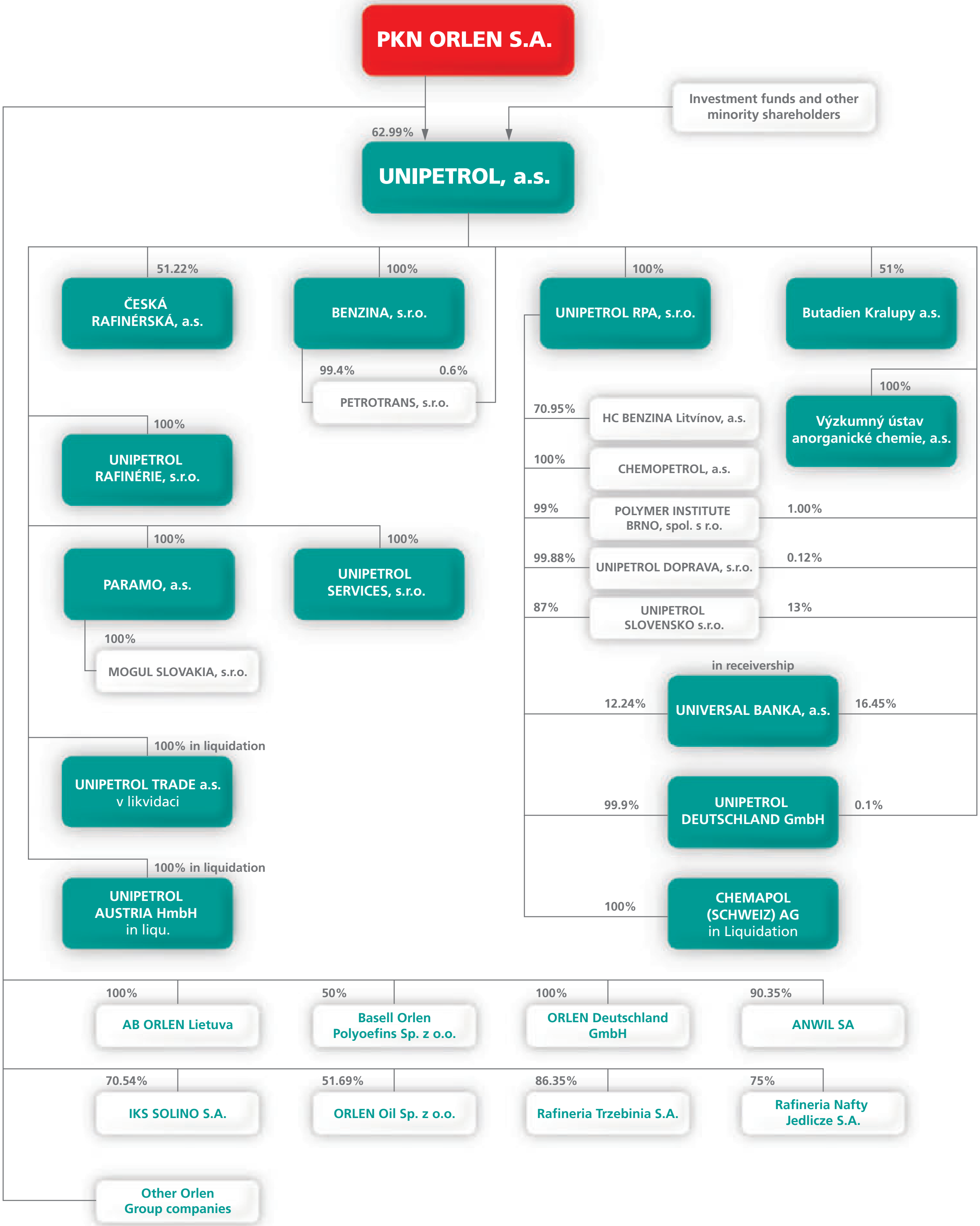
The Group also included companies in which its subsidiaries were the sole or majority owners. As of 31 December 2010, these were UNIPETROL DOPRAVA, s.r.o., UNIPETROL SLOVENSKO s.r.o., POLYMER INSTITUTE BRNO, spol.

[1] The company does not conduct any business.

s r.o., HC BENZINA Litvínov, a.s., CHEMOPETROL, a.s.,[2] PETROTRANS, s.r.o., MOGUL SLOVAKIA, s.r.o., UNIPETROL DEUTSCHLAND GmbH and CHEMAPOL (SCHWEIZ) AG v likvidaci.

UNIPETROL, a.s. has no organisational units in the Czech Republic or abroad.

Structure of the Group as of 31 December 2010



[2] The company does not conduct any business

Ownership interests

Changes in the structure of ownership interests held by the Unipetrol Group companies in 2010

Equity interests of UNIPETROL, a.s.

On 14 April 2010, the general meeting of CELIO, a.s. decided on the transfer of twenty (20) certificated ordinary registered shares, each with a par value of CZK 1,000,000, numbered 0251 to 0270, from UNIPETROL, a.s. to TICATANOR s.r.o., having its registered office in Prague at Praha 3, Roháčova 188/37, Post Code 130 00. As of that date, the sale of shares in CELIO a.s. was finalised under an agreement on the sale of shares.

UNIPETROL, a.s. acquired an ownership interest in UNIPETROL DEUTSCHLAND GmbH, specifically a 0.1% ownership interest, from UNIPETROL TRADE a.s. under an agreement on the transfer of an ownership interest, with effect from 27 December 2010.

UNIPETROL, a.s. acquired an ownership interest in UNIPETROL AUSTRIA HmbH, in liquidation, specifically a 100% ownership interest, from UNIPETROL TRADE a.s. under an agreement on the transfer of an ownership interest, with effect from 9 December 2010.

Equity interests of subsidiaries

UNIPETROL RPA, s.r.o.

On 14 April 2010, the general meeting of CELIO, a.s. decided on the transfer of seventy-five (75) certificated ordinary registered shares, each with a par value of CZK 1,000,000, numbered 0001 to 0075, from UNIPETROL RPA, s.r.o. to TICATANOR s.r.o., having its registered office in Prague at Praha 3, Roháčova 188/37, Post Code 130 00, and further decided on the transfer of two (2) certificated ordinary registered shares, each with a par value of CZK 1,000,000, numbered 0076 and 0077, and one (1) certificated ordinary registered share with a par value of CZK 10,000, number 0151, from UNIPETROL RPA, s.r.o. to B.E. FIN S.A. (formerly TECHWASTE S.A.), having its registered office at Avenue Maurice Destenay 13, 4000 Liege, Belgium, Reg. No. 0419.202.029. As of that same date the sale of shares in CELIO a.s. was finalised under an agreement on the sale of shares.

Between them, Unipetrol and Unipetrol RPA sold 51.06% of shares in CELIO.

UNIPETROL RPA, s.r.o. acquired an ownership interest in UNIPETROL DEUTSCHLAND GmbH, specifically a 99.9% ownership interest, from UNIPETROL TRADE a.s. under an agreement on the transfer of an ownership interest, with effect from 27 December 2010.

UNIPETROL, a.s. acquired an ownership interest in CHEMAPOL (SCHWEIZ) AG, in liquidation, specifically a 100% ownership interest, from UNIPETROL TRADE a.s. under an agreement on the transfer of an ownership interest, with effect from 1 December 2010.

Further, UNIPETROL RPA, s.r.o. holds interests in UNIPETROL DOPRAVA, s.r.o. (99.9%), POLYMER INSTITUTE Brno, spol. s r.o. (99%), UNIPETROL SLOVENSKO s.r.o. (87%), HC BENZINA Litvínov, a.s. (70.95%), and CHEMOPETROL, a.s. (100%), which did not change.

PARAMO, a.s.

The company continues to be the sole member of MOGUL SLOVAKIA, s.r.o.

UNIPETROL TRADE a.s.

In 2010, UNIPETROL TRADE a.s. continued in its restructuring process, motivated by the reconsideration of the business activities within the UNIPETROL Group and the centralisation thereof in UNIPETROL RPA s.r.o., and also motivated by a streamlining of the Group's organisational structure. On the basis of the decision passed by the sole shareholder of the company, in late 2010 equity interests in UNIPETROL DEUTSCHLAND GmbH, CHEMAPOL (SCHWEIZ) AG, in liquidation, and UNIPETROL AUSTRIA HmbH, in liquidation, were sold within the Unipetrol Group. These steps marked the completion of the restructuring process in the Unipetrol Trade Group.

On 15 December 2010, the Board of Directors of Unipetrol, a.s. passed, under sections 191(1) and 190(1) of the Commercial Code, its decision to wind up UNIPETROL TRADE a.s., having its registered office at Praha 4, Na Pankráci 127, Company No. [IČ] 250 564 33, via liquidation, as of 1 January 2011. This decision was entered in the Companies Register.

Mr Miroslav Kyndl was appointed the liquidator for the company.

By a decision of the sole shareholder (UNIPETROL, a.s.) of 15 December 2010, made in the form of notarial record NZ 804/2010, UNIPETROL TRADE a.s. was wound up via liquidation as of 1 January 2011. On account of the above change, the company's name was changed to UNIPETROL TRADE a.s., *in liquidation*, as of 1 January 2011.

Ownership interests held by UNIPETROL, a.s. as of 31 December 2010

Company	Based at	Company No.	Registered capital	Ownership interest in % of registered capital
UNIPETROL RPA, s.r.o.	Litvínov , Záluží 1	27597075	CZK 11,147,964,000	100.00
BENZINA, s.r.o.	Praha, na Pankráci 127	60193328	CZK 1,860,779,000	100.00
UNIPETROL SERVICES, s.r.o.	Litvínov, Záluží 1	27608051	CZK 100,200,000	100.00
UNIPETROL TRADE a.s.	Praha, Na Pankráci 127	25056433	CZK 2,172,000	100.00
Výzkumný ústav anorganické chemie, a.s.	Ústí nad Labem, Revoluční 84	62243136	CZK 60,000,000	100.00
UNIPETROL RAFINÉRIE, s.r.o.	Litvínov, Záluží 1	27885429	CZK 200,000	100.00
PARAMO, a.s.	Pardubice, Přerovská 560	48173355	CZK 1,330,078,000	100.00
ČESKÁ RAFINÉRSKÁ, a.s.	Litvínov, Záluží 2	62741772	CZK 9,348,240,000	51.22
Butadien Kralupy a.s.	Kralupy nad Vlt.O. Wichterleho 810	27893995	CZK 300,000,000	51.00
UNIPETROL SLOVENSKO s.r.o.	Bratislava , Panonská cesta 7	35777087	EUR 7 635	13.04
UNIVERSAL BANKA, a.s. *v konkursu*	Praha, Senovážné náměstí 1588/4	*482 64 865*	1 520 000 000 Kč	16.45
UNIPETROL DEUTSCHLAND GmbH	Langen/Hessen, Paul-Ehrlich-Str. 1B, Německo	*TAX 04424705213*	1048000 EUR	0.10
UNIPETROL AUSTRIA HmbH, v likvidaci	Vídeň , Apfelg. 2, Rakousko	*(ID) 1549510*	145345,67 EUR	100.00
UNIPETROL DOPRAVA, s.r.o.	Litvínov, Růžodol 4	*64049701*	806 000 000 Kč	0.12
POLYMER INSTITUTE BRNO, s.r.o.	Brno, Tkalcovská 36/2	*60711990*	97 000 000 Kč	1.00
PETROTRANS, s.r.o.	Praha 8, Střelničná 2221	*25123041*	16 000 000 Kč	0.60

The key subsidiaries

UNIPETROL RPA, s.r.o.

Registered office: Litvínov, Záluží 1, 436 70

Company No.: 27597075

The company is successor in title to the dissolved companies CHEMOPETROL, a.s. and UNIPETROL RAFINÉRIE a.s., which ceased to exist on 1 August 2008 upon merger with UNIPETROL RPA, s.r.o.

Ownership structure as of 31 December 2010: UNIPETROL, a.s. holds 100% of the registered capital

Basic characteristics of the company

The company has one production and three business units (“BU”) based on product types.

The production unit consists of the Chemical Production section, the Energy section, and the Services section.

The Chemical Production section operates manufacturing units according to the plans and requirements of business units. It comprises an ethylene plant, a polypropylene and polyethylene plant, production of hydrogen, production of ammonia and urea, the Chezacarb plant for the production of carbon black, and production and supply of industrial gases for the entire premises. The Energy section supplies the entire premises with energies and water and is responsible for wastewater treatment. The Services section is responsible for the management of the facilities within the premises and for the logistics of plastics, urea, and Chezacarb.

BU REFINERY plans and controls crude oil processing at Česká rafinérská in accordance with ownership rights of UNIPETROL, a.s., with a specific focus on the requirements of the downstream production processes in the Unipetrol Group. It is responsible for the purchase of crude oil for the Group’s refineries and also for the wholesaling of motor fuels and other refinery products.

BU MONOMERS AND CHEMICALS plans and controls the production downstream from crude oil processing. It provides feedstock for the production of polyolefins and sells petrochemical products, ammonia, and urea.

BU POLYOLEFINS operates in the area of plastics – polyolefins. It plans production in the plants that produce polypropylene (PP) and high density polyethylene (HDPE) and is responsible for the sale of finished products.

Key products and services

Motor fuels, fuel oils, bitumen, liquefied petroleum products, oil hydrogenates, other refinery products, olefins and aromatics, agrochemicals, alcohols, carbon black and sorbents, polyolefins (high density polyethylene, polypropylene).

Major ownership interests

Company	Based at	Company No.	Registered capital	Ownership interest % of registered capital
UNIPETROL DOPRAVA, s.r.o.	Litvínov	64049701	CZK 806,000,000	99.88
UNIPETROL SLOVENSKO s.r.o.	Bratislava	35777087	EUR 7 635	86.96
POLYMER INSTITUTE BRNO, spol. s r.o.	Brno	60711990	CZK 97,000,000	99.00
UNIPETROL DEUTSCHLAND GmbH	Langen/Hessen	*04424705213*	1048000 EUR	99,90

Key financial and operating ratios of UNIPETROL RPA, s.r.o. (under IFRS)[1)]:

(in CZK thousand)	2010	2009	2008	2007
Total assets	35,666,150	35,593,373	34,691,648	40,946,887
Equity	12,564,248	12,321,130	14,001,640	18,953,879
Registered capital	11,147,964	11,147,964	11,147,964	11,147,964
Borrowings	23,101,901	23,272,243	20,690,008	21,993,008
Total revenues	78,640,994	55,614,494	82,446,314	72,900,287
Operating profit	563,583	(1,780,582)	(139,018)	2,981,285
Profit before tax	290,075	(2,118,420)	(937,749)	2,980,032
Profit for the accounting period	242,716	(1,667,185)	(731,314)	2,697,600

1) Unconsolidated under IFRS

Source: Transformed financial statements under IFRS.

BENZINA, s.r.o.

Registered office: Praha 4, Na Pankráci 127, 140 00

Company No.: 60193328

Core business:

Operation of fuel filling stations in the Czech Republic.

Ownership structure as of 31 December 2010: UNIPETROL, a.s. holds 100% of the registered capital

Basic characteristics of the company

This company operates the largest nationwide network of fuel filling stations in the Czech Republic, where it sells fuels and other goods and services to the general public.

Ownership interest

Company	Based at	Company No.	Registered capital CZK	Ownership interest % of registered capital
PETROTRANS, a.s.	Prague	25123041	16,000,000	99.4 [1)]

[1)] The interest of UNIPETROL, a.s. is 0.6%.

Key financial and operating ratios of BENZINA, s.r.o. (under IFRS)[1)]

(in CZK thousand)	2010	2009	2008	2007
Total assets	6,694,078	6,791,580	6,712,980	7,010,359
Equity	3,113,757	2,850,256	2,325,579	2,100,943
Registered capital	1,860,779	1,860,779	1,860,779	1,860,779
Borrowings	3,580,321	3,941,324	4,387,401	4,909,416
Total revenues	8,624,493	7,439,310	9,970,807	9,013,559
Operating profit	483,265	618,006	454,939	477,416
Profit before tax	312,188	444,742	240,157	173,969
Profit for the accounting period	263,501	524,677	240,157	162,576

1) Unconsolidated under IFRS

Source: Transformed financial statements under IFRS

ČESKÁ RAFINÉRSKÁ, a.s.

Registered office: Litvínov, Záluží 2, 436 70

Company No.: 62741772

Core business:

Refinery processing of crude oil (a processing [cost centre] refinery)

Ownership structure as of 31 December 2010:

UNIPETROL, a.s.	51.22%
ENI International B.V.	32.445%
Shell Overseas Investments B.V.	16.335%

Basic characteristics of the company

The company operates the two largest refineries in the Czech Republic, located in Litvínov and in Kralupy nad Vltavou, with a combined capacity of 8,7 million tonnes of feedstock annually. It is the largest processor of crude oil and producer of petroleum products in the Czech Republic. Based on a processing agreement entered into by the company and the shareholders' subsidiaries in January 2003, it started operating in the processing mode on 1 August 2003, under which the said companies (referred to as the processors) purchase crude oil and other feedstock for processing in the refineries and then take and trade in the processing products.

Key products and services

Automotive gasoline, jet kerosene, diesel oil, LPG, fuel oils, propylene (for chemical syntheses), bitumen, sulphur, oil hydrogenates (feedstock for the production of lubricating oils) and feedstock for the ethylene unit and for partial oxidation in Unipetrol RPA's production unit.

Key financial and operating ratios of ČESKÁ RAFINÉRSKÁ, a.s. (under IFRS):

(in CZK thousand)	2010	2009	2008	2007
Total assets	25,189,572	25,694,705	25,727,184	25,880,010
Equity	18,216,007	18,579,348	18,665,157	18,644,220
Registered capital	9,348,240	9,348,240	9,348,240	9,348,240
Borrowings	6,973,564	7,115,357	7,062,027	7,235,790
Total revenues	9,731,963	9,075,668	10,417,440	9,366,617
Operating profit	528,331	237,700	469,620	657,371
Profit before tax	551,150	273,741	504,060	685,243
Profit for the accounting period	436,654	207,202	388,454	649,328

Source: Transformed financial statements under IFRS

PARAMO, a.s.

Registered office: Pardubice, Přerovská 560, 530 06

Company No.: 8173355

Core business:

Crude oil processing into refinery and bitumen products and also into lubricating and process oils, including related and ancillary products.

Ownership structure as of 31 December 2010: UNIPETROL, a.s. holds 100% of the registered capital

Basic characteristics of the company

The company has a tradition of more than a hundred years in crude oil processing and in the production of fuels, lubricants, and bitumen. It operates an oil refinery with an annual capacity of 800,000 tonnes. At the end of 2003, the now defunct company KORAMO, a.s. with a long history of crude oil processing and the production of motor and gear oils, waxes, fats, and plastic lubricants was integrated into the structure of PARAMO, a.s. The company places its products primarily on the domestic market.

Key products and services

In addition to the extensive range of motor fuels, the company is a well-known producer of automotive and industrial oils, metalworking fluids, preservatives, bitumen, special bitumen products, fats, greases, and waxes.

Ownership interest

Company	Based at	Company No.	Registered capital EUR	Ownership interest % of registered capital
MOGUL SLOVAKIA, s.r.o.	Hradište pod Vrátnom	36222992	380 933	100.00

Key financial and operating ratios of PARAMO, a.s. (under IFRS)[1)]

(in CZK thousand)	2010	2009	2008	2007
Total assets	4,730,104	4,237,427	4,258,395	4,479,454
Equity	2,116,805	2,278,792	2,411,276	2,375,491
Registered capital	1,330,078	1,330,078	1,330,078	1,330,078
Borrowings	2,613,300	1,958,635	1,847,119	2,103,963
Total revenues	11,417,414	8,958,061	12,386,449	11,037,038
Operating profit	(174,471)	(86,382)	93,213	282,969
Profit before tax	(198,978)	(119,865)	49,810	250,523
Profit for the accounting period	(161,987)	(132,485)	35,736	212,597

1) Unconsolidated under IFRS

Source: Transformed financial statements under IFRS

Unipetrol

ORLEN GROUP

Complementary information as required by the Act on business activities on the capital market

Legal regulations governing the issuer's business

UNIPETROL, a.s. complies with all the relevant regulations in its activities.

The basic legal regulations that UNIPETROL, a.s. observes in conducting its business include, without limitation, the following laws, and the company's Articles of Association as amended:

- Act No. 513/1991, the Commercial Code
- Act No. 455/1991, the Trades Act
- Act No. 563/1991 on Accounting
- Act No. 591/1992 on Securities
- Act No. 256/2004 on Business on the Capital Market
- Act No. 40/1964, the Civil Code
- Act No. 627/2004 on the European Company
- Act No. 104/2008 on Takeover Bids
- Act No. 125/2008 on Transformation of Companies and Cooperatives
- Articles of Association of UNIPETROL, a.s.

Major agreements

Companies of the Unipetrol Group ("the Group") carry on business mainly in the refinery and petrochemical industries and in related business lines, taking advantage of the synergic effects of operating within the Group.

For this purpose they enter into agreements within the Group, particularly into agreements on the sale of base feedstock and basic products and on motor fuel supplies.

The base feedstock and basic products include, for example, C4 fraction, naphtha, C5 fraction, rafinate 1, and heavy fuel oils.

Motor fuel supplies include, for example: 95 Natural gasoline, Verva 100 and Verva 95 premium high-octane gasoline, Diesel Top Q diesel fuel and Verva Diesel with cetane number 60.

Arrangements for production are based on standard commercial agreements, for example, agreements on the purchase and sale of energy resources, in particular coal, electricity, steam etc.

Major agreements executed in 2010 are briefly described in the following tables:

BENZINA, s.r.o.

Company	Sale/purchase/other	Subject matter
Marius Pedersen a.s. and other MPG companies, Hradec Králové, Reg. No.: 42194920	Sale	Sale of fuels via payment cards
Coca-Cola HBC Česká republika, s.r.o., Praha 9, Reg. No.: 41189698	Sale	Sale of fuels via magnetic payment cards

PARAMO, a.s.

Company	Sale/purchase/other	Subject matter
UNIPETROL RPA, s.r.o.	Purchase	Hydrowax and hydrogenates
UNIPETROL RPA, s.r.o.	Sale	Naphtha
UNIPETROL RPA, s.r.o.	Sale	Vacuum distillates
Eurovia Services s.r.o.	Sale	Bitumen supply
M-Silnice, a.s.	Sale	Bitumen supply
Olfin Car s.r.o.	Sale	Oil supply
České dráhy, a.s.	Sale	Oil supply
Škoda Auto, a.s.	Sale	Oil supply
OKD, a.s.	Sale	Oil supply

UNIPETROL DOPRAVA, s.r.o.

Company	Sale/purchase/other	Subject matter
ČESKÁ RAFINÉRSKÁ, a.s.	Addenda to an agreement on the shipping of goods	The addenda provide for the delivery charge, transport charge, transfer charge, the price list of transport charges and a change in the structure of the vehicle fleet for 2010
QBE Insurance (Europe) Limited	Insurance policy	Renewal of a third-party liability policy
AXA Corporate Solutions Assurance S.A.	Insurance policy	Mandatory insurance for railway car holders (mandatory TPL insurance)
SYNTHOS Kralupy a.s.	Addendum to an agreement on the shipping of goods	The addendum provides for the delivery charge, transport charge, transfer charge, the price list of transport charges and a change in the structure of the vehicle fleet for 2010
UNIPETROL RPA, s.r.o.	Addendum to an agreement on the shipping of goods	The subject matter of the addendum is a change in the structure of the vehicle fleet and the setting of the delivery charges and transport charges, and terms and conditions, for the company's own trains for 2010
Česká pojišťovna, a.s.	Insurance policy	Insurance of liability for damage caused by the operation of rail transport – insurance cover for the transported goods

UNIPETROL RPA, s.r.o. (Business Unit Refinery)

Company	Sale/purchase/other	Subject matter
Ahold	Sale agreement	Sale of motor fuels
Globus	Sale agreement	Sale of motor fuels
KM PRONA	Sale agreement	Sale of motor fuels
Robin Oil	Sale agreement	Sale of motor fuels
Čepro	Sale agreement	Sale of motor fuels
MAKRO Cash & Carry ČR s.r.o	Sale agreement	Sale of motor fuels
Polski koncern Naftowy	Sale agreement	Sale of diesel
Strategic Reserves Administration	Agreement on processing	Agreement on processing emergency oil reserves
B.M.V. Mineralol	Sale agreement	Sale of BA95 and diesel

UNIPETROL RPA, s.r.o. (Business Unit Monomers and Chemicals)

Company	Sale/purchase/other	Subject matter
SPOLANA	Sale agreement	Ethylene sale and supply
Synthos	Sale agreement	Benzene sale and supply
HEXION	Sale agreement	Propylene sale and supply
VA Intertrading	Sale agreement	Ethylen sale and supply

UNIPETROL RPA, s.r.o. (Business Unit Polyolefins)

Company	Sale/purchase/other	Subject matter
Silon	Sale agreement	PP and PE sale and supply
PEGAS NONWOVENS	Sale agreement	PP and HDPE sale and supply
Renolit	Sale agreement	Mosten PP sale and supply
Alfa Plastik	Sale agreement	PP and PE sale and supply
Granitol	Sale agreement	PP and PE sale and supply
Ramico	Sale agreement	PP and PE sale and supply
J.P. Plast	Sale agreement	PP and PE sale and supply

UNIPETROL RPA, s.r.o. (Production Unit)

Company	Sale/purchase/other	Subject matter
ČESKÁ RAFINERSKÁ	Sale agreement	Thermal energy
Slovenské elektrárně	Sale agreement	Electricity distribution

UNIPETROL SLOVENSKO, s.r.o.

Company	Sale/purchase/other	Subject matter
TESCO STORES SR, a.s.	Sale agreement	Motor fuel sale
SHELL Slovakia s.r.o.	Sale agreement	Motor fuel sale
METRO Cash & Carry Slovakia, s.r.o.	Sale agreement	Motor fuel sale
Eni Slovensko spol. s r.o.	Sale agreement	Motor fuel sale
LUKOIL Slovakia s.r.o.	Sale agreement	Motor fuel sale
AHOLD Retail Slovakia, k.s.	Sale agreement	Motor fuel sale
W.A.G. mineral fuels SK, s.r.o.	Sale agreement	Motor fuel sale
REAL - H.M. s.r.o.	Sale agreement	Motor fuel sale
Tam trans s.r.o.	Sale agreement	Motor fuel sale
Tanker s.r.o.	Sale agreement	Motor fuel sale

UNIPETROL TRADE a.s.

Company	Sale/purchase	Subject matter
UNIPETROL RPA, s.r.o.	Sale in the form of a notarial deed	Sale of ownership interests in UNIPETROL DEUTSCHLAND
UNIPETROL RPA, s.r.o.	Share transfer agreement	Sale of shares in CHEMAPOL (SCHWEIZ) AG
UNIPETROL, a.s.	Sale in the form of a notarial deed	Sale of ownership interests in UNIPETROL AUSTRIA HmbH *in liquidation*
KPMG	Service purchase	Audit 2010

CHEMAPOL (SCHWEIZ) AG in liquidation

Company	Sale/purchase	Subject matter
Dr Anatas Koulov and Elena Koulov	Sale in the form of a notarial deed	Sale of real estate

Information about the persons responsible for the Annual Report

Piotr Chełmiński, Unipetrol Chairman and Chief Executive Officer, and Mariusz Kędra, a Member of Unipetrol BoD and Chief Financial Officer, hereby represent that, to their best knowledge, the Annual Report and the Consolidated Annual Report present, in all aspects, a true and fair image of the financial standing, business, and results of the issuer and its consolidated group for the previous accounting period, as well as of the future outlook for the financial standing, business, and results.

Piotr Chełmiński

Chairman and Chief Executive Officer

Mariusz Kędra

Member of the Board of Directors and Chief Financial Officer

Audit

(in CZK thousand)	2010 Consolidated	2010 Non-consolidated
Audit fees 1)	12,247	1,729
Consulting services, translation 1)	234	

1) without VAT

Name and address of the auditor for 2010 and 2009:

KPMG Česká republika Audit, s.r.o.

Partner: Otakar Hora

Licence No.: 1197

Pobřežní 648/1a

186 00 Praha 8

ID No.: 49619187

Securities

Shares

Name	**UNIPETROL, a.s.**
Class	ordinary share
ISIN	CZ0009091500
BIC	BAAUNIPE
Type	bearer shares
Form	dematerialised security
Currency	CZK
Nominal value	CZK 100
Number of shares	181,334,764
Total issue	CZK 18,133,476,400
Tradability	a listed security (Burza cenných papírů Praha, a.s. [Prague Stock Exchange], the main market)

Under an agreement, ADMINISTER spol. s r.o., Husova 109, 284 01 Kutná Hora, Company No. 47551054 was authorised to pay out dividends for 1997.

Under an agreement, Komerční banka, a.s., registered office at Praha 1, Na Příkopě 33, čp. 969, 11407, Company No. 45317054, was authorised to pay out dividends for 2007.

UNIPETROL, a.s. shares are traded on the main market of Burza cenných papírů Praha, a.s. [Prague Stock Exchange] and in RM-SYSTÉM, a.s.

The extent of the voting rights of each shareholder is defined by the number of shares held, one share with a nominal value of CZK 100 being equal to one vote. All shares of the issuer therefore carry the same voting rights.

A shareholder is entitled to a share of the company's profit (dividend) that the General Meeting has approved for distribution depending on the company's result. The dividend is defined as the ratio of the nominal value of the share held by a shareholder and the total nominal value of the shares held by all shareholders as at the Record Date.

If the company is liquidated, each shareholder is entitled to a share of the proceeds from liquidation. The amount of the proceeds from liquidation shall be calculated in the same manner as the amount of the shareholder's dividend.

Shares carry rights to take part in the management of the company. Shareholders may only exercise this right at the General Meetings, provided that they observe the rules governing the organisation of General Meetings. Shareholders are entitled to take part in General Meetings, vote at General Meetings, request and receive explanation of any matters concerning the company where explanation is necessary for assessing a point on the agenda of the General Meeting, and raise proposals and counter-proposals.

The dividend due date is two months after the date of the General Meeting at which the decision to pay out dividends was passed, and its numerical designation shall correspond to the date of the General Meeting.

The right to receive dividends is separately transferable starting from the date on which the General Meeting decided on the payment of dividends.

Bonds

Name	**UNIPETROL VAR/13**
ISIN	CZ0003501041
BIC	BDAUNIPE
Type	bearer bonds
Form	a dematerialised security
Currency	CZK
Nominal value	CZK 1,000,000
Number of bonds	2,000
Total issue	CZK 2,000,000,000
Interest rate	the yield is 0% for the first and second year; for the third and each subsequent year the yield is 12.53%
Date of issue	28 December 1998
Maturity	28 December 2013
First interest payment	28 December 2001
Tradability	a listed security (Burza cenných papírů Praha, a.s. [Prague Stock Exchange], the official free market)
Issue manager	The Royal Bank of Scotland N.V., foreign bank branch,
	P.O. Box 773, Jungmanova 745/24, Praha 1, 111 21

The bonds are traded on the official free market of Burza cenných papírů Praha, a.s. [the Prague Stock Exchange] and on the market of RM-SYSTÉM, a.s.

Acquisition of own shares and share warrants

As at 31 December 2010, the Group held no own shares or share warrants.

Final information

Litigation

The overview below shows only major legal disputes. As of the annual report date, UNIPETROL, a.s. is not involved in any litigation that has or could have a significant adverse impact on its business or its financial position.

The overview below shows certain legal disputes in which UNIPETROL, a.s. was or is involved in the current accounting period and in the preceding two accounting periods.

Petty cases, property restitution disputes, land ownership declaration disputes, and cases where the claimant or defendant was changed from UNIPETROL, a.s. to CHEMOPETROL, a.s. or KAUČUK, a.s. as a result of singular succession after the merger of CHEMOPETROL GROUP, a.s. and KAUČUK GROUP, a.s. in 1997, are not included.

A) Disputes where UNIPETROL, a.s. is the defendant

Decision of the European Commission of 2006 on the fine imposed on UNIPETROL, a.s. and KAUČUK, a.s.

In November 2006, the European Commission imposed fines, among others, upon Shell, Dow, Eni, UNIPETROL, a.s. and SYNTHOS Kralupy a.s. for an alleged cartel in the area of Emulsion Syrene Butadiene Rubber ("ESBR"). UNIPETROL, a.s. and SYNTHOS Kralupy a.s., its subsidiary at that time, were jointly imposed a fine of EUR 17.5 million, which they reimbursed to the Commission. At the same time, both companies appealed to the Court of First Instance in Luxembourg and this action is pending.

First hearing regarding the appeal of UNIPETROL, a.s. against the European Commission decision was held on 20 October 2009 at the Court of First Instance of the European Union. The Judgement has not been delivered yet.

Following the above decision of the European Commission, UNIPETROL, a.s. has been served with a claim for damages, which tire producers brought against the members of the ESBR cartel. The claim for damages was filed with the High Court of Justice, Queen's Bench Division, Commercial Court. The claimants ask for damages, together with interest, to compensate for their loss suffered as a result of an alleged cartel. The amount claimed is to be assessed.

Furthermore, the Italian group Eni, one of the entities fined by the European Commission, initiated proceedings before a court in Milan in which it seeks a judgment that the ESBR cartel did not exist and no damage occurred as a result thereof. Eni's action has also been served upon UNIPETROL, a.s., which decided to take part in the proceeding. The claims were dismissed by the Court.

AVERSEN ENTERPRISES LIMITED v. UNIPETROL, a.s. (for CZK 3,953,682.34 and incidentals following the adjustment of the prayer in the action by approximately CZK 5,900,000)

This is an action based on a guarantee granted by the CHEMOPETROL state enterprise for a third party. UNIPETROL, a.s. is now the defendant on the grounds of being the successor in title.

UNIPETROL, a.s. claims, among other things, that the claim has not passed to UNIPETROL, a.s. because when it merged with Chemopetrol Group, UNIPETROL, a.s. did not take over any assets to which the obligation could have related. As far as the claim raised is concerned, UNIPETROL, a.s. is not a successor in title to CHEMOPETROL, s.p. nor Chemopetrol Group. It has also been pleaded that the guarantee document was signed by a person who clearly was not authorised to do so, which may have been known to the loan provider, Agrobanka, a.s. The court of first instance granted the action in part in its judgment of 17 December 2009. Unipetrol lodged an appeal against the judgment. The appeal was granted and the action against Unipetrol was not granted. The claimant still has an extraordinary remedy, appeal on points of law, at its disposal.

DEZA, a.s. v. UNIPETROL, a.s. on the payment of a contractual penalty and damages

On 31 October 2007 Unipetrol and DEZA signed a Settlement Agreement. On the basis of this agreement, Unipetrol shall pay DEZA all damages and contractual penalties which DEZA had earlier requested; DEZA, on the other hand, agreed to withdraw its actions against Unipetrol. DEZA has already done so. The court's decision to discontinue the proceedings based on DEZA's withdrawal of actions became final on 14 April 2008.

GOLDENFRAZIL Limited v. UNIPETROL, a.s.

GOLDENFRAZIL as a minority shareholder of UNIPETROL, a.s. brought three actions during the period under review, because of the sale of (a) SPOLANA, a.s. to Polish company Zakłady Azotowe ANWIL and (b) KAUČUK, a.s. to Polish company FIRMA CHEMICZNA DWORY S.A.

In two of the actions, GOLDENFRAZIL challenged the legality of the sale of Spolana and Kaučuk as well as the amount of the purchase price, which it claimed was too low and inadequate considering the value of the two companies.

In its third action, a derivative action brought on behalf of UNIPETROL, a.s. against the former Directors of UNIPETROL, a.s., GOLDENFRAZIL sought compensation for damage of about CZK 352 million, which had allegedly been suffered by UNIPETROL, a.s. and, in turn, its shareholders, by the undervalued sale price of the shares.

Unipetrol as well as the former Directors of UNIPETROL, a.s. argued that all the actions lacked merit.

After bringing the actions, GOLDENFRAZIL sold the majority of its Unipetrol shares to KKCG Group.

The new owner, KKCG, has withdrawn all the three actions in their entirety.

AGROBANKA Praha, a.s., v likvidaci v. CHEMOPETROL, a.s. and UNIPETROL, a.s.

This was a lengthy dispute concerning the guarantee of the former CHEMOPETROL Group for a debt of KOBEKO spol. s.r.o. owed to Agrobanka Praha, a.s. under a loan. Together with CHEMOPETROL, a.s., Unipetrol was involved in the litigation as the successor in title to the initial guarantor of the debt.

Agrobanka Praha, a.s. v likvidaci assigned its receivable from debtor KOBEKO spol. s r.o. to MONTEGO BAY FINANCIAL LIMITED together with all rights pertaining to the debt in 2005. In the final phase of the litigation, the parties reached a settlement in court with MONTEGO BAY FINANCIAL LIMITED, under which MONTEGO BAY FINANCIAL LIMITED was subsequently paid CZK 54,000,000 by UNIPETROL RPA, s.r.o. as the successor in title to CHEMOPETROL, a.s.

The claimant has withdrawn all its other claims in compliance with the settlement.

Request for a review of the adequacy of payment in connection with the buyout of Paramo shares

In January 2009 UNIPETROL, a.s. effected a squeeze out of PARAMO, a.s. shares within the meaning of Sections 183i et seq. of the Commercial Code and became sole shareholder of PARAMO, a.s.

In accordance with the resolutions of the Extraordinary General Meeting of PARAMO, a.s. of 6 January 2009, all other shares in PARAMO, a.s were transferred to the Company and the Company provided to the other shareholders of PARAMO, a.s. and/or pledges, the monetary consideration in the amount of CZK 977 per one share of PARAMO, a.s. On 4 February 2009 the registration of the above resolution of the Extraordinary General Meeting was published in the Czech Commercial Register. Pursuant to the Czech Commercial Code, the ownership title to shares of the other shareholders passed to the Company on 4 March 2009 upon expiration of one month from the above publication and UNIPETROL, a.s. became the sole shareholder of PARAMO, a.s.

In connection with the squeeze-out, certain minority shareholders of PARAMO, a.s. filed a petition with the Regional Court in Hradec Králové for review of adequacy of compensation within the meaning of the Czech Commercial Code. The case has been consolidated and removed to Municipal Court of Prague. The claimants have appealed the procedural decision and filed a constitutional complaint with the Constitutional Court of the Czech Republic in this respect, asserting violation of their right to judge. The Czech Constitutional Court returned the matter to the High Court in Prague for a new decision on the removal of the case.

Furthermore some of former minority shareholders of PARAMO, a.s. requested the Regional Court in Hradec Králové to declare the invalidity of PARAMO, a.s. general meeting resolution dated 6 January 2009 and the District Court in Prague 4 to review the decision of 28 November 2008 by which the Czech National Bank granted in accordance with Section 183n(1) of the Czech Commercial Code its previous approval with the monetary consideration provided under the above squeeze-out. In case of invalidity of the General Meeting resolution, the Regional Court of Hradec Králové (Pardubice branch) on 2 March 2010 decided in favor of PARAMO, a.s. and dismissed the Action of minority shareholders. The minority shareholders filed an appeal against the Decision of the Regional Court in Hradec Králové of 2 March 2010 and the appellate proceedings are pending before the High Court in Prague. In case of the proceedings concerning the previous approval of the Czech National Bank, the action was dismissed by the District Court for Prague 4 in favor of the Czech National Bank and UNIPETROL, a.s. The claimants filed an appeal and the proceedings are pending before the Municipal Court in Prague.

With respect to the above described facts regarding determination of consideration value, Czech National Bank decision and approval of the Extraordinary General Meeting of PARAMO, a.s., UNIPETROL, a.s. considers the petition for review of reasonableness of consideration unfounded.

B) Disputes where UNIPETROL, a.s. is the claimant

UNIPETROL, a.s. v. Telefónica O2 Czech Republic, a.s. (formerly ČESKÝ TELECOM, a.s.) for CZK 765,927 and CZK 1,625,691 with incidentals, under Ref. No. 12 C 191/2004-39

An action seeking to overturn the decision of the Czech Telecommunications Office on the payment of the above amounts to Telefónica O2 Czech Republic, a.s. on the grounds of the due difference between the contract-based call rates and the price of the calls made. The court of first instance rejected Unipetrol's action, noting that although the telephone operator had obviously abused its dominant position on the market for telecommunications services, the right to a refund of the difference between the prices of the calls could not be awarded. Unipetrol has already paid both amounts as per the final judgment of an appellate court. Unipetrol lodged an appeal on a point of law against the appellate court's judgment on 22 July 2008. In May 2010, the Supreme Court dismissed the appeal on a point of law.

Information on the interruption of business

The issuer did not interrupt its business in 2010.

Information on the Company's liabilities and how they are secured

The information on the total amount of outstanding loans or borrowings, structured into secured and unsecured, and on the security provided by the issuer as well as on other conditional liabilities, is specified in the Notes to the Consolidated Financial Statements (see primarily Chapter 10, Chapter 24, Chapter 28, and Chapter 31).

Information about the issuer's registered capital

The Company's registered capital is CZK 18,133,476,400 and has been fully paid up.

Information about the securities into which the registered capital is divided:

Name	**UNIPETROL, a.s.**
Class	ordinary share
ISIN	CZ0009091500
BIC	BAAUNIPE

Type	bearer shares
Form	a dematerialised security
Nominal value	CZK 100
Number of shares	181,334,764
Total issue	CZK 18,133,476,400
Tradability	a listed security (Burza cenných papírů Praha, a.s. [Prague Stock Exchange], the main market)

67,110,726 shares (ISIN CZ0009091500), representing CZK 6,711,072,600 (37.01% of the Company's registered capital), are held by the general public.

PKN ORLEN S.A. with ownership interest 62.99% (114,224,038 shares) and J&T Banka with over 5% are the only shareholders whose share of registered capital, and thereby of voting rights, is greater than 5%.

The company was informed that as at 11 June 2010 (decisive day for the ordinary general meeting) the company J&T Banka owned 5.63% share of registered capital, and thereby of voting rights. Until the end of 2010 the company Unipetrol was not informed about the change beyond 5 to 10% range.

There is no employee benefit programme involving employee shareholding.

No changes have been made to the registered capital of UNIPETROL, a.s. over the last three years.

Memorandum and Articles

The current wording of the UNIPETROL a.s. Articles of Association is available at www.unipetrol.cz.

In 2010 some changes were made to the Articles of Association of UNIPETROL, a.s. The changes to the Articles of Association were approved at the company's Ordinary General Meeting held on 18 June 2010.

Characteristics of the amendments to Articles of Association

The purpose of the amendment to the Articles of Association is harmonization of the provisions thereof primarily with the amendments of the Commercial Code made by the Act No. 227/2009 Coll., and the Act No. 420/2009 Coll., as amended (herein after the "Amendment Act"). Article 10 of the Articles of Association shall be supplemented with conditions for provision of explanation to shareholders, and submission of proposals and counterproposals to points, which are on the agenda of the General Meeting. The Articles of Association are also harmonized with rules setting the essentials of a request and time periods for putting a certain matter on the agenda of the General Meeting upon the request of the qualified minority of shareholders, as well as, the rules of take-over bids and notification of voting rights. Article 13 of the Articles of Association shall be supplemented with essentials for content of the power of attorney, information on the form of the power of attorney, as well as, conditions for notification of granting of the power of attorney or its recall through electronic means to the Company. Individual provisions of the Articles of Association shall be fully harmonized with the wording of the Amendment Act. Article 14 of the Articles of Association shall be amended with respect to essentials of a request and time periods for convening of an extraordinary General Meeting, including manner of publication of notice on holding of the General Meeting. The provisions of Article 15 of the Articles of Association shall be harmonized with the text of the Amendment Act. In Article 16 (5) of the Articles of Association there shall be omitted the obligation of the Board of Directors to request a prior consent of the Supervisory Board with respect to amendments to organizational structure of the Company. In Article 23 of the Articles of Association there shall be omitted the provisions concerning the committees of the Supervisory Board. The Supervisory Board shall have the right to establish its committees for a specified purpose provided that the details shall be laid down in the rules of procedure of the Supervisory Board. In Article 24c of the Articles of Association the time period for holding of meetings of the Audit Committee shall be prolonged from two to three months. Article 31 of the Articles of Association shall be amended in accordance with the Amendment Act with respect to publication duty. The Articles of Association are further harmonized with the Amendment Act with respect to names of certain legal terms.

The rights of shareholders of the Company shall not be affected by the proposed amendment to the Articles of Association.

Objects of business

The Company's mission is as follows the Company's currently applicable Articles of Association:

- strategic management of the development of the Group of directly or indirectly controlled companies
- coordination and facilitation of matters of common interest of the Group of directly or indirectly controlled companies
- arrangements for the financing of, and development of financing systems, in the companies that are part of the holding
- development of human resources and a system of human resource management in the companies that are part of the holding
- management, acquisition and disposal of equity interests and other assets of the Company, including, but not limited to:
- establishment of companies and participation in the establishment of companies, and other types of acquisition of equity interests in the business of third-party juristic persons
- exercise of shareholder's rights and rights similar to shareholder's rights in directly or indirectly controlled companies
- lease of real properties and provision of the basic services required for the proper operation of the properties

Object of business as per the current Certificate of Incorporation:

- Production, trading, and services not specified in Appendices 1 to 3 of the Trade Licensing Act
- Services in health and safety at work

Explanatory report

The Board of Directors of UNIPETROL, a.s. (the "Company") hereby submits to the Ordinary General Meeting of the Company its Explanatory Report, prepared in accordance with the provisions of Section 118(4) letters (b),(c),(e) and (j) and (5) letters (a) through (k) of Act No. 256/2004 Coll., Act on Conducting Business on Capital Market, as amended.

The Board of Directors states that this Explanatory Report for 2010 was approved at the meeting of the Board of Directors held on 23 March 2011.

Content of report

Information on Breakdown of Company's Equity

The breakdown of the Company's equity as at December 31, 2010 (in thousands of CZK) is as follows:

Registered capital	18,133,476
Reserves	1,654,065
Retained earnings	4,971,986
Total equity	24,759,527

The Company's registered capital amounts to CZK 18,133,476,400 and is distributed among 181,334,764 ordinary bearer shares with the nominal value of CZK 100. The shares are issued in book-entry form and are listed.

Information on Restrictions on Transferability of Securities

The transferability of the Company's securities is not restricted.

Information on Significant Direct and Indirect Shareholdings in Company

Significant direct or indirect shareholdings in the Company are as follows:

- PKN ORLEN S.A. – direct shareholding in the amount of 62.99%

The company was informed that as at 11 June 2010 (decisive day for the ordinary general meeting) the company J&T Banka owned 5.63% share of registered capital, and thereby of voting rights. Until the end of 2010 the company Unipetrol was not informed about the change beyond 5 to 10% range.

No other shareholder of the Company holds a shareholding which exceeds 5 per cent of the registered capital of the Company and/or 5 per cent of the attached voting rights.

Information on Owners of Securities with Special Rights

None of the Company's securities have any special rights attached to them.

Information on Restriction on Voting Rights

The voting rights attached to Company's individual shares and/or to a certain amount of the Company's shares are not restricted in any manner.

Information on Agreements between Shareholders which may Result in Restrictions on Transferability of Shares and/or Voting Rights

The Company is not aware of the existence of any agreements between the Company's shareholders which may result in restrictions on the transferability of the Company's shares and/or voting rights attached to the shares.

Information on Special Rules on Election and Recall of Members of Board of Directors and Amendment of Articles of Association

Members of the Board of Directors are elected and recalled by the Supervisory Board. A decision on amendment to the Company's articles of association requires the consent of a special majority consisting of two thirds of the votes of the shareholders present at the General Meeting. No special rules governing the election and recall of the members of the Board of Directors and/or amendment to the articles of association apply.

Information on Special Powers of Board of Directors

Members of the Board of Directors do not have any special powers; in particular, they have been not granted by the General Meeting authority to adopt a decision on an increase of the Company's registered capital, on acquisition by the Company of its own shares or another decision of such type.

Information on Significant Agreements Connected with Change of Control over Company as Result of Takeover Bid

The Company is not a party to any significant agreement which will enter into effect, change and/or cease to exist in the event of change of control over the Company as result of a takeover bid.

Information on Agreements Binding Company in Connection with Takeover Bid

No agreements have been concluded between the Company and the members of its Board of Directors which would bind the Company to render performance in the event that the position of a member of the Company's Board of Directors is terminated in connection with a takeover bid.

No agreements have been concluded between the Company and its employees that would bind the Company to render performance in the event that the employment of a employee is terminated in connection with a takeover bid.

Information on Option Schemes for Shares

The Company does not have implemented any schemes on the basis of which the Company's employees or members of its Board of Directors would be entitled to acquire shares or other participation securities in the Company, or options on such securities or other rights thereto, under advantageous terms.

Information about payments for mineral extraction rights to the State

The issuer does not carry on business in extractive industries. The issuer makes no payments to the State for mineral extraction rights.

Information about decision-making procedures and the composition of the company's governing body and supervisory body

The Board of Directors is the issuer's governing body. Its position, remit, composition, decision-making and other basic rights and obligations, and also procedural rules, are contained in art. 16–19 of the company's Articles of Association and in the Board of Director's rules of procedure.

The company's Articles of Association are available on the company's website at www.unipetrol.cz.

The Supervisory Board is the issuer's supervisory body. Its position, remit, composition, decision-making and other basic rights and obligations, and also procedural rules, are contained in art. 22–22 of the company's Articles of Association and in the Supervisory Board's rules of procedure.

The Supervisory Board shall set up the following committees:

a) The Staff and Corporate Governance Committee

b) The Strategy and Finance Committee

(hereinafter referred to collectively as "Supervisory Board Committees").

The composition of the Supervisory Board Committees was following (as of 31 December 2010):

ad a) Krystian Pater (chairman), Bogdan Dzudzewicz, Zdeněk Černý, Rafał Sekuła

ad b) Sławomir Robert Jędrzejczyk (chairman), Ivan Kočárník, Piotr Kearney, Andrzej Jerzy Kozłowski

The position, remit, composition, decision-making and also the procedural rules of the Supervisory Board's Committees are contained in art. 23–24 of the company's Articles of Association and in the Committees' rules of procedure.

In 2009, the company set up an Audit Committee. The position, remit, composition and decision-making are described in chapter Audit Committee.

Information about the General Meeting's decision-making and basic remit

The General Meeting's position and remit and also the procedural issues concerning the General Meeting are provided for in art. 12–15 of the company's Articles of Association.

Information about corporate governance codes

The governance and management of the Unipetrol Group follows the recommendations of the Corporate Governance Code, which is based on OECD Principles, the provisions of which the company satisfies in all material respects.

The Code is available, for example, on the Czech National Bank's website.

Information about the principles and procedures of internal controls and about the rules related to the financial reporting process

The basic accounting policies set out in the International Financial Reporting Standards and in the Group's internal standards are described in the Notes to the Consolidated and Non-consolidated Financial Statements. The Company established its internal regulations in accordance with the Act on Accounting and set up the organizational norms in such a way as to maximize control and limit the possibility of mistakes. In the area of reporting the company implemented the automated system for data transfer from the accounting software to the reporting applications. The reporting applications (SW HYPERION) contain a control system ensuring the correctness of the data sent whether for creation of the internal monthly management reports or creation of quarterly consolidated and non-consolidated financial statements. Accounting policies and principles are subject to both internal and external audit. In 2009 the company set up an Audit Committee.

The Company has an Internal Audit function which provides independent assurance audit services to the Unipetrol Group. In 2010 the Internal Audit Department performed audits in the following areas in accordance with the plan approved by the Supervisory Board of UNIPETROL, a.s.:

- SAP User Access and Authorisation Rights
- Brand Management and Corporate Marketing

- Controlling Processes and Strategic Planning
- Cost Allocation and Service Delivery
- HR Processes
- Financial and Banking Services
- Effectiveness of the Group Organisation Structure and Organisational Units
- Recommendations Implementation Monitoring and Verification Audit (Recommendations from previous internal audits)

Additional audits were performed upon request of the Board of Directors of UNIPETROL, a.s.

Unipetrol

ORLEN GROUP

Auditor's report

KPMG Česká republika Audit, s.r.o.
Pobřežní 648/1a
186 00 Praha 8
Česká republika

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

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

Financial statements

On the basis of our audit, on 14 March 2011 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying financial statements of UNIPETROL, a.s., which comprise the statement of financial position as of 31 December 2010, and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to these financial statements.

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the assets and liabilities of UNIPETROL, a.s. as of 31 December 2010, and of its expenses, revenues and net result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union."

Report on relations between related parties

We have reviewed the factual accuracy of the information disclosed in the report on relations between related parties of UNIPETROL, a.s. for the year ended 31 December 2010. The responsibility for the preparation and factual accuracy of this report rests with the Company's statutory body. Our responsibility is to express our view on the report on relations based on our review.

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

Based on our review, nothing has come to our attention that would lead us to believe that the report on relations between related parties of UNIPETROL, a.s. for the year ended 31 December 2010 contains material factual misstatements.

Annual report

We have audited the consistency of the annual report with the audited financial statements. This annual report is the responsibility of the Company's statutory body. Our responsibility is to express our opinion on the consistency of the annual report with the audited financial statements based on our audit.

We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance that the information disclosed in the annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the audited financial statements. We believe that the audit we have conducted provides a reasonable basis for our audit opinion.

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

Prague 31 March 2011

KPMG Česká republika Audit, s.r.o.

Licence number 71

Otakar Hora

Partner

Licence number 1197

Non-consolidated financial statements

Non-consolidated statement of finacial position

prepared in accordance with International Financial Reporting Standards as at 31 December 2010 (in thousands of Czech crowns)

	Note	31 December 2010	31 December 2009
ASSETS			
Non-current assets			
Property, plant and equipment	10	397,215	371,551
Intangible assets	11	1,187	5,607
Investment property	12	162,190	162,627
Investments in subsidiaries and joint ventures	13	14,354,116	14,274,717
Other investments	14	4,251	4,151
Loans to subsidiaries	16	2,662,294	2,963,304
Receivables from subsidiaries	17	168	73,564
Deffered tax asset	21	421	--
Total non-current assets		**17,581,842**	**17,855,521**
Current assets			
Trade and other receivables	18	175,655	275,225
Loans to subsidiaries	19	6,514,103	8,280,334
Loans to related companies	20	500,035	250,214
Prepaid expenses		9,251	9,167
Cash and cash equivalents	22	2,863,092	253,876
Assets classified as held for sale	15	--	1,093
Total current assets		**10,062,136**	**9,069,909**
Total assets		**27,643,978**	**26,925,430**
EQUITY AND LIABILITIES			
Equity			
Share capital	23	18,133,476	18,133,476
Reserves	24	1,654,065	1,640,975
Retained earnings	25	4,971,986	4,472,958
Total equity		**24,759,527**	**24,247,409**
Non-current liabilities			
Loans and borrowings	26	2,000,000	2,000,000
Provisions		400	--
Deffered tax liability	21	--	3,510
Total non-current liabilities		**2,000,400**	**2,003,510**
Current liabilities			
Trade and other payables and accruals	27	107,175	163,252
Loans and borrowings	26	734,890	448,772
Dividends payable		30,012	31,380
Current tax liabilities		11,974	31,107
Total current liabilities		**884,051**	**674,511**
Total liabilities		**2,884,451**	**2,678,021**
Total equity and liabilities		**27,643,978**	**26,925,430**

The non-consolidated financial statements are to be read in conjunction with the notes forming part of the non-consolidated financial statements.

Non-consolidated statement of comprehensive income

prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2010 (in thousands of Czech crowns)

	Note	2010	2009
Revenue	4	164,330	243,681
Cost of sales		(71,227)	(107,316)
Gross profit		**93,103**	**136,365**
Other income		3,462	6,475
Administrative expenses		(179,277)	(267,103)
Other expenses		(48,827)	(3,742)
Results from operating activities	6	**(131,539)**	**(128,005)**
Finance income		958,192	754,993
Finance costs		(270,340)	(313,461)
Net finance income	7	**687,852**	**441,532**
Profit before income tax		**556,313**	**313,527**
Income tax expense	9	(44,192)	(51,663)
Profit for the year		**512,121**	**261,864**
Total comprehensive income for the year		**512,121**	**261,864**
Basic and diluted earnings per share (in CZK)		**2.82**	**1.44**

The non-consolidated financial statements are to be read in conjunction with the notes forming part of the non-consolidated financial statements.

Non-consolidated statement of changes in equity

prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2010 (in thousands of Czech crowns)

	Share capital	Statutory reserves	Fair value changes relating to investment property	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2009	**18,133,476**	**1,391,365**	**20,748**	**7,455**	**4,432,501**	**23,985,545**
Profit for the year	--	--	--	--	261,864	261,864
Total comprehensive income for the year	**--**	**--**	**--**	**--**	**261,864**	**261,864**
Allocation of profit to reserves	--	221,407	--	--	(221,407)	--
Balance as at 31 December 2009	**18,133,476**	**1,612,772**	**20,748**	**7,455**	**4,472,958**	**24,247,409**
Balance as at 1 January 2010	**18,133,476**	**1,612,772**	**20,748**	**7,455**	**4,472,958**	**24,247,409**
Profit for the year	**--**	**--**	**--**	**--**	512,121	512,121
Total comprehensive income for the year	**--**		**--**	**--**	**512,121**	**512,121**
Allocation of profit to reserves	--	13,093	--	--	(13,093)	--
Other movements	--	--	--	(3)	--	(3)
Balance as at 31 December 2010	**18,133,476**	**1,625,865**	**20,748**	**7,452**	**4,971,986**	**24,759,527**

The non-consolidated financial statements are to be read in conjunction with the notes forming part of the non-consolidated financial statements.

Non-consolidated statement of cash flows

prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2010 (in thousands of Czech crowns)

	2010	2009
Cash flows from operating activities:		
Profit for the year	**512,121**	**261,864**
Adjustments for:		
Depreciation of property, plant and equipment	3,505	6,883
Amortisation of intangible assets	1,192	1,131
Loss / (Gain) on disposals of property, plant and equipment	(1,731)	6,256
Loss / (Gain) on disposals of intangible assets	(36)	--
Profit on disposals of financial investments	(15,054)	--
Dividends income	(410,336)	(151,562)
Other finance income - net	(170,745)	(239,883)
Reversal of impairment losses on financial investments, property, plant and equipment, inventory and receivables	(55)	(536)
Foreign exchange gains	(4,640)	(2,628)
Income tax expense	44,192	51,663
Changes in:		
- trade and other receivables and other current assets	175,544	287,258
- in trade and other payables and accruals	(121,300)	(48,532)
- in provisions	400	--
Interest paid	(297,087)	(343,531)
Net cash used in operating activities	**(284,030)**	**(171,617)**
Cash flows from investing activities:		
Proceed from sale of property, plant and equipment and intangible assets	10,064	9,961
Proceed from sale of financial investments	16,147	--
Interest received	466,908	586,504
Dividends received	410,336	151,562
Acquisition of property, plant and equipment and intangible assets	(33,689)	(12,388)
Acquisition of investment property	(112)	(4,214)
Acquisition of financial investments	(79,502)	(109,446)
Change in loans to subsidiaries	2,033,022	1,410,933
Change in loans to related companies	(249,821)	49,817
Net cash from investing activities	**2,573,353**	**2,082,729**
Cash flows from financing activities:		
Change in loans and borrowings	321,261	(1,659,744)
Dividends paid	(1,368)	(17,150)
Net cash from (used in) financing activities	**319,893**	**(1,676,894)**
Net change in cash and cash equivalents	**2,609,216**	**234,218**
Cash and cash equivalents at begining of the year	**253,876**	**19,658**
Cash and cash equivalents at the end of the year	**2,863,092**	**253,876**

The non-consolidated financial statements are to be read in conjunction with the notes forming part of the non-consolidated financial statements.

Notes to the non-consolidated financial statements

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1. Description of the company

Establishment of the parent company

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

Registered office of the Company

UNIPETROL, a.s.

Na Pankráci 127

140 00 Praha 4

Czech Republic

Principal activities

UNIPETROL, a.s. operates as a holding company that controls a group of companies engaged in the oil refinery, production of petrochemical commodities, semi-finished products for industrial fertilizers, polymer materials, generation of heat and electricity, distribution and gas stations operation.

The Company is involved in providing economic and organizational advisory services, financing, intermediation of services, advisory services relating to chemical industry, internal and external communication advisory services and human resources consultancy.

Ownership structure

The shareholders as at 31 December 2010 are as follows:

POLSKI KONCERN NAFTOWY ORLEN S.A.	63 %
Investment funds and other minority shareholders	37 %

Members of the statutory and supervisory bodies as at 31 December 2010 were as follows:

	Position	Name
Board of directors	Chairman	Piotr Chelminski
	Vice-Chairman	Marek Serafin
	Member	Mariusz Kędra
	Member	Martin Durčák
	Member	Ivan Ottis
	Member	Artur Paździor
Supervisory board	Chairman	Dariusz Jacek Krawiec
	Vice-Chairman	Ivan Kočárník
	Vice-Chairman	Slawomir Robert Jedrzejczyk
	Member	Piotr Robert Kearney
	Member	Zdeněk Černý
	Member	Krystian Pater
	Member	Rafal Sekula
	Member	Andrzej Jerzy Kozlowski
	Member	Bogdan Dzudzewicz

Changes in the board of directors during 2010 were as follows:

Position	Name	Change	Date of change
Vice-Chairman	Wojciech Ostrowski	Elected for a new Term of office	18 June 2010
Vice-Chairman	Wojciech Ostrowski	Resigned as member and Vice-Chairman	30 September 2010
Member	Mariusz Kędra	Elected as a member	1 October 2010

Changes in the supervisory board during 2010 were as follow:

Position	Name	Change	Date of change
Member	Krystian Pater	Elected for new Term of office as a member	29 June 2010
Member	Zdeněk Černý	Elected for new Term of office as a member	29 June 2010

2. Significant investments in subsidiaries, jointly controlled entities and associated companies

The following table shows subsidiaries and joint-ventures forming the consolidated group of UNIPETROL, a.s., and the Company's interest in the capital of subsidiaries and joint-ventures held either directly or indirectly by the consolidated subsidiaries (information as of 31 December 2010).

Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries
Parent company		
UNIPETROL, a.s. Na Pankráci 127, 140 00 Praha 4, Czech Republic		
Subsidiaries		
BENZINA, s.r.o. Na Pankráci 127, 140 00 Praha 4, Czech Republic	100.00 %	--
PARAMO, a.s. Přerovská 560, 530 06 Pardubice, Czech Republic	100.00 %	--
UNIPETROL TRADE a.s. v likvidaci Na Pankráci 127, 140 00 Praha 4, Czech Republic	100.00 %	--
UNIPETROL RPA, s.r.o. Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00 %	--
UNIPETROL SERVICES, s.r.o. Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00 %	--
UNIPETROL DOPRAVA s.r.o. Litvínov – Růžodol č.p. 4, 436 70 Litvínov, Czech Republic	0.12 %	99.88 %
Chemapol (Schweiz) AG in liquidation Leimenstrasse 21, 4003 Basel, Switzerland	--	100.00 %
UNIPETROL Deutschland GmbH Paul Ehrlich Str. 1/B , 63225 Langen/Hessen, Germany	0.10 %	99.90 %
PETROTRANS, s.r.o. Střelničná 2221, 182 00 Praha 8, Czech Republic	0.63 %	99.37 %
UNIPETROL SLOVENSKO s.r.o. (previously UNIRAF Slovensko s.r.o) Panónská cesta 7, 850 00 Bratislava, Slovak republic	13.04 %	86.96 %
Joint-ventures		
ČESKÁ RAFINÉRSKÁ, a.s. Záluží 2, 436 70 Litvínov, Czech Republic	51.22 %	--
Butadien Kralupy a.s. O. Wichterleho 810, 278 01 Kralupy nad Vltavou, Czech Republic	51.00 %	--

According to the articles of association of ČESKÁ RAFINÉRSKÁ, a.s. adoption of decisions on all important matters requires 67.5 % or greater majority of all votes.

On 1 June 2010 CHEMAPOL (SCHWEIZ) AG and on 1 January 2011 UNIPETROL TRADE a.s. were put under liquidation due to restructuring process of UNIPETROL TRADE Group. It is expected that liquidation will finish in 2011.

3. Significant accounting policies

A Statement of compliance and accounting policies

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 January 2011 or later periods but which the Company has not early adopted. Relevant items are as follows:

- Revised IAS 24 Related Party Disclosure (effective for annual periods beginning on or after 1 January 2011)
- Amendment to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010)
- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010)

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

B Basis of preparation

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading, financial instruments classified as available-for-sale, financial instruments at fair value through profit or loss and investment property.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements 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 recognised 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.

Judgements made by management in the application of IFRS 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 10 - Property, plant and equipment, 11 - Intangibles assets in relation to impairment, 13 - Investments in subsidiaries and joint-ventures in relation to impairment and note 21 - Deferred tax.

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

C Functional and presentation currency

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

D Significant accounting policies

(1) Investments in subsidiaries, jointly controlled entities and associates

Investments in subsidiaries, jointly controlled entities and associates are carried in the balance sheet at cost less any impairment of the value of individual investments.

(2) Loans provided to subsidiaries and associates

Loans provided to subsidiaries and associates are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the loan on an effective interest basis.

(3) Foreign currency

Transactions in foreign currency

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

At the end of the reporting period:

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

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

(4) Revenue recognition

(i)Revenue from sales

Revenues from sales are recognized 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 can be measured reliably.

Revenues from sale are recognized when the significant risks and rewards of ownership have been transferred to the buyer and amount of revenue and costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenues are measured at fair value of the consideration received or receivable decreased by the amount of any discounts, value added tax (VAT), excise tax and fuel charges.

Revenue from services rendered is recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs.

When the Company acts as an agent for its customers and buys and sells goods for a fixed margin without controlling purchase and selling prices, it does not report the revenue and cost from the sale of goods on a gross basis. It reports a net margin in the statement of comprehensive income.

(ii) Revenue from licences, royalties and trade mark

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

(iii) Rental income

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

(5) Costs recognition

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

(i) Costs of sales comprise costs of finished goods sold and costs of services sold, including services of support functions and cost of merchandise and raw materials sold.

(ii) Administrative expenses they include expenses relating to management and administration of the Company as a whole.

(6) Other operating income and expenses

Other operating income in particular include income from liquidation and sale of non-financial non-current assets, surplus of assets, return of court fees, penalties earned, grants other than those for construction in progress, acquisition of fixed assets and the execution of development work, property assets received free of charge, reversal of receivable impairment allowances and provisions, compensations earned and revaluation gains.

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

(7) Financial income and finance expenses

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

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

(8) Taxation

Income tax comprises current tax and deferred tax.

Current tax is determined in accordance with the relevant tax law based on the taxable profit for a given period.

Current tax liabilities represent the amounts payable at the reporting date. If the amount of the current income tax paid exceeds the amount due the excess is recognized as a receivable.

Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for deductible temporary differences, unrealized tax losses and unrealized tax relieves to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deductible temporary differences are temporary differences that will result in reducing taxable amounts of future periods when the carrying amount of the asset or liability is recovered or settled.

Deductible temporary differences arise when the carrying amount of an asset is lower than its tax base or when the carrying amount of a liability is higher than its tax base. Deductible temporary differences may also arise in connection with items not recognized in the accounting records as assets or liabilities. Tax base is determined in relation to expected recovery of assets or settlement of liabilities.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are recognized regardless of when the timing difference is likely to be realized. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the statement of comprehensive income.

The deferred tax assets and liabilities are measured at the end of each reporting period using enacted tax rates binding for the year in which the tax obligation arises, based on tax rates published in tax law.

Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are accounted for as non-current assets or long-term liabilities in the statement of financial position.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends and is able to settle its current tax assets and liabilities on a net basis.

(9) Earnings per share

Basic earnings per share for each period are calculated by dividing the net profit for a given period by the weighted average number of shares outstanding during that period.

Diluted earnings per share for each period are calculated by dividing the net profit for a given period adjusted by changes of the net profit resulting from conversion of the dilutive potential ordinary shares by the weighted average number of shares.

(10) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use.

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

Depreciation of an item of property, plant and equipment begins when it is available for use that is from the month it is in the location and condition necessary for it to be capable of operating in the manner intended by the management, over the period reflecting their estimated economic useful life, considering the residual value. Appropriateness of the applied depreciation rates is verified periodically (once a year), and respective adjustments are made to the subsequent periods of depreciation. Components of property, plant and equipment which are material for the whole item are depreciated separately in accordance with their economic useful life.

Depreciation is charged so as to write off the cost or valuation of assets to their residual values, other than land, over their estimated useful lives, using the straight-line method.

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

Machinery and equipment	3-25 years
Vehicles and other	4-8 years

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

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

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in income.

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

(ii) Leased assets

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

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

(iii) Subsequent expenditure

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

(11) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Gains and losses resulting from changes in fair value of investment property are presented in the statement of comprehensive income in the period which they arise.

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

(12) Intangible assets

Intangible assets include identifiable non-monetary assets without physical substance.

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

Intangible assets are measured at acquisition or construction cost less amortization and impairment allowances. Intangible assets with a finite useful life are amortized when it is available for use that is when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management over their estimated economic useful life. Appropriateness of the applied amortization periods and rates is periodically reviewed, at least at the end of the reporting year, and potential adjustments to amortization allowances are made in the subsequent periods. Intangible assets with an indefinite useful life are not amortized.

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

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

Acquired licenses, patents, and similar intangible assets	2–10 years
Acquired computer software	2-5 years

(i) Research and development

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

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

(ii) Computer software

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company and which will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Direct costs include employee costs of the software development team and an appropriate portion of relevant overheads. Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of five years.

(iii) Other intangible assets

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

(iv) Subsequent expenditure

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

(13) Government grants

Government grants are recognised in the statement of financial position initially 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.

If the grant relates to a given income, it is recognized as income over the period necessary to match it with the related costs which the grant is intended to compensate.

If the grant concerns particular asset, its fair value is recognized as deferred income and on a systematic basis over the estimated useful life of the underlying asset in the Statement of comprehensive income.

(14) Borrowing costs

Borrowing costs consist of interest and other costs that are incurred in connection with the borrowing of funds.

The Company capitalises borrowing costs attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset, starting from commencement date until the time when the assets are substantially ready for their intended use or sale.

Qualifying assets are the assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Borrowing costs which are not connected with qualifying assets are recognized in the statement of comprehensive income in the period in which they are incurred.

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

(15) Impairment

The carrying amounts of the Company's assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For intangible assets that are not yet available for use and intangible assets with indefinite useful lives, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

(i) Calculation of recoverable amount

Financial instruments, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial instruments are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition the estimated future cash flows of the instrument have been impacted.

For equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial instruments the objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- evidence that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial instruments, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial instruments measured at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of a held-to-maturity security or receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised as income. An impairment loss recognised in respect of goodwill is not reversed in subsequent periods.

(16) Trade and other receivables

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

(17) Cash and cash equivalents

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

(18) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments are initially recognised at fair value, plus transaction costs, except for instruments at fair value through profit or loss, which are initially measured at fair value. Non-derivative financial instruments are classified into the following categories: financial assets 'at fair value through profit or loss', 'held-to-maturity', 'available-for-sale' and other. The classification depends on the nature and purpose of the financial instrument and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument.

Financial assets at fair value through profit or loss

Financial instruments are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss upon initial recognition.

A financial instrument is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial instrument other than a financial instrument held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial instrument forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial instruments at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described below.

Held-to-maturity

Debt securities with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment.

Available-for-sale financial instruments

Equity securities held by the Company that are traded in an active market are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described below. Gains and losses arising from changes in fair value are recognised directly in equity with the exception of impairment losses and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the instrument is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company’s right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Other financial instruments

Other financial instruments include instruments that have fixed or determinable payments that are not quoted in an active market. Other financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Derecognition of financial instruments

The Company derecognises a financial instrument when the contractual rights to the cash flows from the asset expire; or it transfers the financial instrument and substantially all the risks and rewards of ownership of the instrument to another entity.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred instrument, the Company recognises its retained interest in the instrument and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial instrument, the Company continues to recognise the financial instrument and also recognises a collateralised borrowing for the proceeds received.

(ii) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative instrument is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Hedge accounting

The Company designates certain hedging instruments, which include derivatives, embedded derivatives and non derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged items.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedge risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the statement of comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are reported in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in equity are transferred to profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in equity are transferred from equity and included in the initial measurement of the asset or liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss recognised in equity remains in equity until the forecast transaction is recorded in profit or loss. When a forecast transaction is no longer expected to occur; the cumulative gain or loss that was recognised in equity is transferred immediately to profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses presented in the foreign currency translation reserve are recognised in profit or loss on disposal of the foreign operation.

(iii) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial instruments with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial instruments (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and
- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

(19) Provisions

Provisions are recognised 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 Company establishes provisions for environmental damage, legal disputes, penalties and estimated expenditures related to the fulfilment of obligations as a result of warranty claims. No provisions are established in respect of environmental damages which occurred prior to establishment of the Company as the Czech government contractually committed to reimburse the Company for clean-up costs.

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

In accordance with the Company's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised when the land is contaminated.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(20) Social security and pension schemes

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

(21) Long-term service benefits

The Company's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield at the balance sheet date on AAA credit rated bonds that have maturity dates approximating to the terms of the Company's obligations.

Retirement benefits and jubilee bonuses

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 Company does not assign assets which would be used for future retirement or jubilee liabilities. The Company creates a provision for future retirement benefits and jubilee bonuses in order to allocate costs to relevant periods. In accordance with IAS 19, jubilee bonuses are long-term employee benefits and retirement benefits are classified as post-employment benefit plans. The present value of those liabilities is estimated at the end of each reporting period and adjusted if there are any material indications impacting the value of the liabilities. The accumulated liabilities equal discounted future payments, considering employee rotation. Demographic data and information on employee rotation are based on historical records. Actuarial gains and losses are recognized in the profit and loss.

(22) Non-current assets held for sale

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

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

- A decision on initiation of the sale was adopted by the Company's management;
- The assets are available for an immediate sale in their present condition;
- An active program to locate a buyer has been initiated;
- The sale transaction is highly probable and can be completed within 12 months following the sale decision.

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

(23) Share capital

Ordinary shares are classified as share capital.

(24) Contingent liabilities and receivables

Contingent liabilities are defined as obligations that arise from past events and which are dependent on occurrence or non-occurrence of some uncertain future events. Contingent liabilities are not recognized in the balance sheet 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 balance sheet

Contingent receivables are not recognized in the balance sheet; however the respective information on the contingent receivable is disclosed if the inflow of assets relating to economic benefits is probable.

4. Revenue

An analysis of the Company's revenue is as follows:

	2010	2009
Fees for use of land	105,221	102,962
Revenue from services	59,109	140,719
Total revenue	**164,330**	**243,681**

5. Business segments

The Company operates within one segment. It recognises fees for use of land and revenue from providing services to subsidiaries and jointly controlled entities located in the Czech Republic.

6. Operating expenses and incomes

The following table shows the most significant types of operating expenses analysed by nature and operating income categories.

2010	Cost of sales	Administrative expenses	Other operating income / (expenses)	Total
Materials consumed and energy	(712)	(1,711)	--	(2,423)
Repairs and maintenance	(525)	(1,261)	--	(1,786)
Services related to administration of investments in subsidiaries	(1,071)	(2,574)	--	(3,645)
Advertising expense	(2,739)	(6,588)	--	(9,327)
Legal services	(1,817)	(4,368)	--	(6,185)
Advisory services	(2,875)	(6,914)	--	(9,789)
Non-cancellable operating lease rentals	(1,410)	(3,390)	--	(4,800)
Travel expense	(1,361)	(3,272)	--	(4,633)
Telecommunication fees	(288)	(694)	--	(982)
Representation cost	(322)	(781)	--	(1,103)
Accounting, HR and other administrative services	(13,730)	(33,017)	--	(46,747)
IT services	(5,742)	(13,809)	--	(19,551)
Other services	(5,572)	(13,400)	--	(18,972)
Staff cost including remuneration of board members	(26,212)	(63,036)	--	(89,248)
Social and health insurance	(5,472)	(13,158)	--	(18,630)
Depreciation	(1,029)	(2,476)	--	(3,505)
Amortization	(350)	(841)	--	(1,191)
Impairment of PPE and intangibles (recognised) / released	--	--	--	--
Impairment to trade receivables (recognised) / released	--	--	(48,231)	(48,231)
Profit / (loss) on disposal of PPE	--	--	1,767	1,767
Insurance	--	(1,532)	--	(1,532)
Other expense	--	(6,455)	(595)	(7,051)
Other income	--	--	1,695	1,695
Operating expenses	**(71,227)**	**(179,277)**	**(45,365)**	**(295,869)**
Revenue				**164,330**
Results from operating activities				**(131,539)**

2009	Cost of sales	Administrative expenses	Other operating income / (expenses)	Total
Materials consumed and energy	(860)	(2,068)	--	(2,928)
Repairs and maintenance	(581)	(1,396)	--	(1,977)
Services related to administration of investments in subsidiaries	(5,422)	(13,040)	--	(18,462)
Advertising expense	(18,156)	(43,661)	--	(61,817)
Legal services	(4,418)	(10,624)	--	(15,042)
Advisory services	(1,624)	(3,905)	--	(5,529)
Non-cancellable operating lease rentals	(1,315)	(3,162)	--	(4,477)
Travel expense	(1,370)	(3,294)	--	(4,664)
Telecommunication fees	(447)	(1,075)	--	(1,522)
Representation cost	(695)	(1,673)	--	(2,368)
Accounting, HR and other administrative services	(17,420)	(41,891)	--	(59,311)
IT services	(7,251)	(17,436)	--	(24,687)
Other services	(7,799)	(18,757)	--	(26,556)
Staff cost including remuneration of board members	(32,538)	(78,247)	--	(110,785)
Social and health insurance	(5,067)	(12,186)	--	(17,253)
Depreciation	(2,021)	(4,862)	--	(6,883)
Amortization	(332)	(799)	--	(1,131)
Impairment of PPE and intangibles (recognised) / released	--	--	471	471
Impairment to trade receivables (recognised) / released	--	--	65	65
Profit / (loss) on disposal of PPE	--	--	(3,460)	(3,460)
Insurance	--	(1,906)	--	(1,906)
Other expense	--	(7,121)	(282)	(7,403)
Other income	--	--	5,939	5,939
Operating expenses	**(107,316)**	**(267,103)**	**2,733**	**(371,686)**
Revenue				**243,681**
Results from operating activities				**(128,005)**

7. Finance income and finance expense

	2010	2009
Finance income		
Interest income:		
- loans and receivables	425,568	522,634
- bank deposits	7,121	20,556
Dividend income*	410,336	151,562
Profit from sale of investments in subsidiaries	15,054	--
Income from receivable to UNIPETROL TRADE a.s.	93,730	54,075
Other finance income	6,383	6,166
Total finance income	**958,192**	**754,993**
Finance costs		
Interest expense:		
- bank overdrafts, loans and borrowings	(261,942)	(303,299)
- finance leases	(2)	(8)
Borrowing costs recognized in the statement of comprehensive income	**(261,944)**	**(303,307)**
Net foreign exchange losses	(386)	(1,770)
Other finance expenses	(8,010)	(8,384)
Total finance costs	**(270,340)**	**(313,461)**
Net finance income	**687,852**	**441,532**

* The information about dividends received is included in Notes 13 and 14.

8. Personnel expenses

The number of employees and managers and their remuneration for 2010 and 2009 are as follows:

2010	Employees	Management	Total
Number of employees average per year FTE*	20	5	**25**
Number of employees as at balance sheet day**	21	5	**26**
Wages and salaries	51,518	28,025	**79,543**
Social and health insurance	11,725	3,764	**15,489**
Social expense	1,563	396	**1,959**
Part of expenses related to benefit plans	391	60	**451**

2009	Employees	Management	Total
Number of employees average per year FTE*	21	4	**25**
Number of employees as at balance sheet day**	20	5	**25**
Wages and salaries	61,084	41,085	**102,169**
Social and health insurance	11,625	3,586	**15,211**
Social expense	1,321	243	**1,564**
Part of expenses related to benefit plans	517	76	**593**

* FTE – full time equivalent

** Number of employees comprises only active employees

In 2010 the remuneration of members of the Board of directors was CZK 3,105 thousand (CZK 2,874 thousand in 2009). The remuneration of members of the Supervisory board was CZK 5,640 thousand (CZK 5,684 thousand in 2009). Cost of social and health insurance connected with members of Board of directors and Supervisory board remuneration amounted to CZK 645 thousand in 2010 (CZK 587 thousand in 2009).

In 2010 the remuneration of members of the audit committee was CZK 960 thousand (CZK 57 thousand in 2009). Cost of social and health insurance connected with members of the audit committee remuneration amounted to CZK 86 thousand in 2010 (CZK 0 thousand in 2009).

9. Income tax

	2010	2009
Current tax – Czech Republic	(48,123)	(48,153)
Deferred tax	3,931	(3,510)
Income tax expense	**(44,192)**	**(51,663)**

Domestic income tax is calculated in accordance with Czech tax regulations at the rate of 19 % in 2010 (2009: 20 %) of the estimated taxable income for the year. The deferred tax has been calculated using tax rate approved for years 2010 and forward i.e. 19 %.

Reconciliation between the income tax expense and accounting profit is as follows:

	2010		2009	
Profit for the period		512,121		261,864
Total income tax expense		(44,192)		(51,663)
Profit excluding income tax		556,313		313,527
Income tax using domestic income tax rate	(19.0) %	(105,699)	(20.0) %	(62,706)
Non-deductible expenses	(8.5) %	(8,943)	(3.7) %	(11,712)
Tax exempt income	14.6 %	81,032	9.7 %	30,320
Change in unrecognised temporary differences	(1.8) %	(10,240)	(0.9) %	(2,690)
Tax penalties	--	--	(0.0) %	(55)
Under (over) provided in prior periods	(0.0) %	(342)	(1.5) %	(4,820)
Total income tax expense	**(7.9) %**	**(44,192)**	**(16.5) %**	**(51,663)**

10. Property, plant and equipment

	Land	Machinery and equipment	Vehicles and other	Construction in progress	Total
Cost					
Balance as at 01/01/2009	**359,943**	**17,268**	**23,788**	**759**	**401,758**
Additions	5,840	--	1,408	832	8,080
Disposals	(2,448)	(13, 977)	(3,837)	(467)	(20,729)
Additions from investment property	846	--	--	--	846
Transfer to investment property	(643)	--	--	--	(643)
Other	1,560	--	--	--	1,560
Balance as at 31/12/2009	**365,098**	**3,291**	**21,359**	**1,124**	**390,872**
Additions	28,595	--	5,063	--	33,658
Disposals	(3,848)	--	(8,916)	--	(12,764)
Reclassifications	--	--	830	(1,124)	(294)
Balance as at 31/12/2010	**389,845**	**3,291**	**18,336**	**--**	**411,472**
Depreciation					
Balance as at 01/01/2009	**--**	**4,277**	**12,554**	**--**	**16,831**
Charge for the period	--	2,477	4,406	--	6,883
Disposals	--	(4,375)	(18)	--	(4,393)
Balance as at 31/12/2009	**--**	**2,379**	**16,942**	**--**	**19,321**
Charge for the period	--	335	3,170	--	3,505
Disposals	--	--	(8,569)	--	(8,569)
Balance as at 31/12/2010	**--**	**2,714**	**11,543**	**--**	**14,257**
Impairment					
Balance as at 01/01/2009	**--**	**--**	**--**	**466**	**466**
Reversal of impairment losses	--	--	--	(466)	(466)
Balance as at 31/12/2009	**--**	**--**	**--**	**--**	**--**
Balance as at 31/12/2010		**--**	**--**	**--**	**--**
Carrying amount as at 01/01/2009	**359,943**	**12,991**	**11,234**	**293**	**384,461**
Carrying amount as at 31/12/2009	**365,098**	**912**	**4,417**	**1,124**	**371,551**
Carrying amount as at 31/12/2010	**389,845**	**577**	**6,793**	**--**	**397,215**

11. Intangible assets

	Software	Licences, patents and trade marks	Assets under development	Other intangible assets	Total
Cost					
Balance as at 01/01/2009	**13,610**	**--**	**--**	**8,882**	**22,492**
Additions	--	4,308	--	--	4,308
Balance as at 31/12/2009	**13,610**	**4,308**	**--**	**8,882**	**26,800**
Additions	--	--	31	--	31
Disposals	--	(4,308)	--	--	(4,308)
Reclassifications	210	--	294	(210)	294
Other	5,750	--	--	1	5,751
Balance as at 31/12/2010	**19,570**	**--**	**325**	**8,673**	**28,568**
Amortization					
Balance as at 01/01/2009	**11,628**	**--**	**--**	**8,434**	**20,062**
Charge for the year	620	323	--	188	1,131
Balance as at 31/12/2009	**12,248**	**323**	**--**	**8,622**	**21,193**
Charge for the year	624	431	--	137	1,192
Disposals	--	(754)	--	--	(754)
Reclassifications	181	--	--	(181)	--
Other	5,750	--	--	--	5,750
Balance as at 31/12/2010	**18,803**	**--**	**--**	**8,578**	**27,381**
Impairment					
Balance as at 01/01/2009	**--**	**--**	**--**	**5**	**5**
Reversal of impairment losses	--	--	--	(5)	(5)
Balance as at 31/12/2009	**--**	**--**	**--**	**--**	**--**
Balance as at 31/12/2010	**--**	**--**	**--**	**--**	**--**
Carrying amount as at 01/01/2009	**1,982**	**--**	**--**	**443**	**2,425**
Carrying amount as at 31/12/2009	**1,362**	**3,985**	**--**	**260**	**5,607**
Carrying amount as at 31/12/2010	**767**	**--**	**325**	**95**	**1,187**

12. Investment property

Investment property as at 31 December 2010 comprised land owned by the Company and leased to third parties. The changes recorded during 2010 are presented in following table:

	31/12/2010	31/12/2009
Investment property at 1 January	**162,627**	**160,057**
Purchases	112	4,214
Disposals	(549)	(1,441)
Transfer to Property, plant and equipment	--	(846)
Transfer from Property, plant and equipment	--	643
Total balance at 31 December	**162,190**	**162,627**

Rental income amounted to CZK 20,698 thousand in 2010 (2009: CZK 20,494 thousand). Operating costs relating to investment property amounted to CZK 1,314 thousand (2009: CZK 1,301 thousand).

Future rental income is as follows:

	Less than one year	Between one and five years
Total future rental income	21,008	90,527

Depending on the characteristics of the investment property, its fair value was assessed by a surveyor based on comparison approach. Comparison approach was applied assuming that the value of assessed property was equal to the market price of a similar property.

13. Investments in subsidiaries and joint – ventures

Investments in subsidiaries and joint – ventures as at 31 December 2010 were as follows:

Name of the entity	Registered office	Cost of investment	Ownership percentage	Impairment	Carrying amount	Dividend income for the period
Subsidiaries						--
UNIPETROL RPA, s.r.o.	Litvínov	7,360,335	100.00	--	7,360,335	--
Výzkumný ústav anorganické chemie, a.s.	Ústí nad Labem	59,172	100.00	7,860	51,312	--
UNIPETROL TRADE a.s.	Praha 4	350,000	100.00	350,000	--	--
BENZINA s. r.o.	Praha 4	4,181,070	100.00	1,922,070	2,259,000	--
UNIPETROL SERVICES, s.r.o.	Litvínov	100,280	100.00	--	100,280	--
UNIPETROL RAFINÉRIE, s.r.o.	Praha	408	100.00	--	408	--
PARAMO, a.s.	Pardubice	545,389	100.00	--	545,389	--
UNIPETROL AUSTRIA H.m.b.H.	Vídeň	2,899	100.00	--	2,899	
Joint - ventures						--
ČESKÁ RAFINÉRSKÁ, a.s. *)	Litvínov	3,872,299	51.22	--	3,872,299	409,761
Butadien Kralupy, a. s.	Kralupy	162,194	51.00	--	162,194	--
Total		**16,634,046**	**--**	**2,279,930**	**14,354,116**	**409,761**

*) In line with Articles of Association, adoption of decisions on all important matters in ČESKÁ RAFINÉRSKÁ, a.s. requires 67.5% or greater majority of all votes.

Investments in subsidiaries and joint – ventures as at 31 December 2009 were as follows:

Name of the entity	Registered office	Cost of investment	Ownership percentage	Impairment	Carrying amount	Dividend income for the period
Subsidiaries						
UNIPETROL RPA, s.r.o.	Litvínov	7,360,335	100.00	--	7,360,335	--
Výzkumný ústav anorganické chemie, a.s.	Ústí nad Labem	59,172	100.00	7,860	51,312	--
UNIPETROL TRADE a.s.	Praha 4	350,000	100.00	350,000	--	--
BENZINA s. r.o.	Praha 4	4,181,070	100.00	1,922,070	2,259,000	--
UNIPETROL SERVICES, s.r.o.	Litvínov	100,280	100.00	--	100,280	--
UNIPETROL RAFINÉRIE, s.r.o.	Praha	408	100.00	--	408	--
PARAMO, a.s.	Pardubice	545,389	100.00	--	545,389	--
Joint - ventures						
ČESKÁ RAFINÉRSKÁ, a.s. *)	Litvínov	3,872,299	51.22	--	3,872,299	150,082
Butadien Kralupy, a. s.	Kralupy	85,694	51.00	--	85,694	--
Total		**16,554,647**	**--**	**2,279,930**	**14,274,717**	**150,082**

*) In line with Articles of Association, adoption of decisions on all important matters in ČESKÁ RAFINÉRSKÁ, a.s. requires 67.5% or greater majority of all votes.

14. Other investments

Other investments as at 31 December 2010 were as follows:

Company	Registered office	Cost of investment	Ownership percentage	Carrying amount	Dividend income for the period
ORLEN MALTA HOLDING	La Valetta	522	--	522	--
Spolek pro chemickou a hutní výrobu, akciová společnost	Ústí nad Labem	0.2	--	0.2	--
UNIPETROL DOPRAVA s.r.o.	Litvínov	1,799	0.12	1,799	150
UNIPETROL SLOVENSKO s.r.o.	Bratislava	95	13.04	95	--
PETROTRANS, s.r.o.	Praha	781	0.63	781	359
POLYMER INSTITUTE BRNO, spol. s r.o.	Brno	954	1.00	954	66
UNIPETROL Deutschland GmbH	Langen/Hessen	100	0.10	100	--
Total		**4,251**		**4,251**	**575**

Other investments as at 31 December 2009 were as follows:

Company	Registered office	Cost of investment	Ownership percentage	Carrying amount	Dividend income for the period
ORLEN MALTA HOLDING	La Valetta	522	--	522	--
Spolek pro chemickou a hutní výrobu, akciová společnost	Ústí nad Labem	0.2	--	0.2	--
UNIPETROL DOPRAVA s.r.o.	Litvínov	1,799	0.12	1,799	205
UNIPETROL SLOVENSKO s.r.o.	Bratislava	95	13.04	95	--
PETROTRANS, s.r.o.	Praha	780.8	0.63	780.8	230
POLYMER INSTITUTE BRNO, spol. s r.o.	Brno	954	1.00	954	45
Total		**4,151**		**4,151**	**480**

15. Assets held for sale

As at 31 December 2009 Company held 20 shares in CELIO a.s. in nominal value of 1,000 thousand CZK. The Company’s share in CELIO a.s. was classified as a current asset held for sale since its carrying amount was to be recovered principally through a sale transaction rather than through continuing use. The management approved a plan to sell its investment in CELIO a.s. The carrying amount of the investment was CZK 1,093 thousand as at 31 December 2009.

On 24 March 2010 UNIPETROL, a.s. as the seller entered into an agreement for the sale and purchase of its shares (10.53 %) in CELIO a.s. with TICATANOR s.r.o., a special purpose vehicle established by two top managers of CELIO a.s., as the buyer.

The closing of the sale of shareholding in CELIO, a.s. under the above agreement took place on 14 April 2010. UNIPETROL, a.s. sold its shareholding of 10.53 % in CELIO a.s for the aggregate selling price of CZK 16,147 thousand.

Dividend income amounted to CZK 1,000 thousand in period ended 31 December 2009.

16. Non-current loans to subsidiaries

The Company provided to its subsidiaries UNIPETROL RPA, s.r.o., BENZINA, s.r.o. and BUTADIEN KRALUPY a.s. non-current loans amounting to CZK 2,662,294 thousand as at 31 December 2010. These loans are repayable by regular fixed instalments over next 7 years. The interest rates were based on 3M and 6M PRIBOR and fair value of loans approximates their carrying amount except for the loan provided to BENZINA s.r.o. in 1998. This loan bears effective interest rate 9.97% p.a. and fair value amounted to CZK 2,518,037 thousand as at 31 December 2010. A carrying amount of this loan amounts to CZK 2,104,661 thousand. The portion of non-current loans due within one year is reported as current loans to subsidiaries (note 19).

Movement table of non-current loans to subsidiaries:

	31/12/2010	31/12/2009
Balance at beginning of the year	**2,963,304**	**3,006,223**
Loans granted	77,361	319,406
Repayments	(51,000)	--
Reclassification to current loans to subsidiaries	(327,371)	(362,325)
Balance at end of the year	**2,662,294**	**2,963,304**

17. Non-current receivables from subsidiaries

Non-current receivables from subsidiaries include advance payment for Benzina´s cards in amount CZK 168 thousand and receivable from UNIPETROL TRADE a.s., acquired by the Company in 2001 from Credit Lyonnais bank Praha, a.s. and Credit Lyonnais bank Slovakia, a.s. The receivable is payable in instalments out of which the last one is due on 31 December 2017. The receivable is denominated in CZK. During year 2010 the extraordinary instalment in amount of CZK 130,000 thousand was repaid. Due to planned liquidation of UNIPETROL TRADE a.s. the receivable was reclassified as short-term receivable and the allowance in amount of CZK 48,286 thousand was created.

18. Trade and other receivables

	2010	2009
Trade accounts receivable	144,776	243,058
Other receivables	210,629	163,687
Gross trade and other receivables	**355,405**	**406,745**
Impairment losses	(179,750)	(131,520)
Net trade and other receivables	**175,655**	**275,225**

The management considers that the carrying amount of trade receivables approximates their fair value.

The Company exposure to credit and currency risk related to trade and other receivables is disclosed in note 31 and detailed information about receivables from related parties is presented in note 30 – Related parties.

Movement in the impairment loss amount

	2010	2009
Balance at beginning of the year	**131,520**	**131,585**
Increases	48,285	--
Release	(55)	(65)
Balance at end of the year	**179,750**	**131,520**

Recognition and reversal of receivables allowances are presented in other operating activity.

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

19. Current loans to subsidiaries

The Company provided loans to its subsidiaries UNIPETROL RPA, s.r.o., BENZINA s.r.o., PARAMO a.s., UNIPETROL TRADE a.s., UNIPETROL DOPRAVA, s.r.o., Butadien Kralupy a.s. and MOGUL SLOVAKIA, s.r.o.

The following table presents loans granted as at 31 December 2010 and 31 December 2009.

	2010	2009
Cash pooling	1,577,295	1,402,198
Operating loans	4,936,808	6,878,136
Total	**6,514,103**	**8,280,334**

The movements on operating loans were as follows:

	2010	2009
Balance as at 1 January	**6,878,136**	**6,897,109**
Loans granted	6,828,279	3,115,143
Repayment	(9,096,978)	(3,496,441)
Reclassification from non-current loans to	327,371	362,325
Balance as at 31 December	**4,936,808**	**6,878,136**

The interest rates were based on appropriate inter-bank rates and fair value of loans approximates their carrying amount except for the loan provided to BENZINA s.r.o. in 1998 (see note 16). The current loans provided to subsidiaries are not collateralised. The current loans to subsidiaries as at 31 December 2010 include the portion of non-current loans due within one year amounted to CZK 435,215 thousand (31 December 2009 – CZK 425,334 thousand).

The analysis of current loans by currency of denomination is presented in the Note 31.

20. Current loans to related companies

In 2010 the Company provided a short-term loan to related entity SPOLANA a.s. The carrying amount of the loan amounted CZK 500,035 thousand as at 31 December 2010 (31 December 2009 – CZK 250,214 thousand). The interest rates were based on appropriate inter-bank rates and the fair value of the loan approximated its carrying amount at 31 December 2010. Zakłady Azotowe ANWIL Spółka Akcyjna provided full guarantee for the loan obligation of SPOLANA a.s.

21. Deferred tax

Deferred income taxes result from future tax benefits and costs related to the differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. The deferred income taxes have been calculated using the tax rate expected to apply to periods when the respective asset is realized or liability is settled (i.e. 19 % in 2010 and onward).

The movement for the year 2010 in the Company's net deferred tax position was follows:

	2010	2009
Balance as at 1 January	(3,510)	--
Income statement charge	3,931	(3,510)
Balance as at 31 December	**421**	**(3,510)**

The movement in deferred tax assets and liabilities recognised during the period is as follows:

Deferred tax liabilities	01/01/2010	Recognised in profit or loss	31/12/2010
Property, plant and equipment	(4,868)	70	(4,798)
Finance lease	(14)	14	--
Total deferred tax liabilities	**(4,882)**	**84**	**(4,798)**

Deferred tax assets	01/01/2010	Recognised in profit or loss	31/12/2010
Personnel expenses	1,372	3,847	5,219
Total deferred tax assets	**1,372**	**3,847**	**5,219**

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

22. Cash and cash equivalents

	2010	2009
Cash in hand	63	61
Cash at bank	2,863,029	253,815
Total	**2,863,092**	**253,876**

The carrying amount of these assets approximates their fair value.

The analysis of cash and cash equivalents by currency of denomination is presented in note 31.

23. Share capital

The issued capital of the Company as at 31 December 2010 was CZK 18,133,476 thousand (2009: CZK 18,133,476 thousand). This represents 181,334,764 (2009: 181,334,764) bearer ordinary shares, each with a nominal value of CZK 100. All issued shares have been fully paid and bear equal voting rights. The Company's shares are listed on the Prague stock exchange.

24. Reserves

In accordance with the Czech Commercial Code, joint stock companies are required to establish a reserve fund for possible future losses and other events. Contributions must be a minimum of 20% of the profit for the period in the first year in which profits are generated and 5% of profit each year thereafter until the fund reaches at least 20% of the issued capital. The balance of Statutory reserve fund amounted as at 31 December 2010 to CZK 1,625,865 thousand (31 December 2009 – CZK 1,612,772 thousand). In addition as reserves fair value changes related to investment property amounting to CZK 20,748 thousand and other reserves amounting to CZK 7,452 thousand are recorded.

25. Retained earnings and dividends

The Ordinary General Meeting of UNIPETROL, a.s. held on 28 June 2010 decided on appropriation of the profit for 2009 amounting to CZK 261,864 thousand. In accordance with Article 26 (1) of the Company's Articles of Association CZK 13,093 thousand was allocated to the reserve fund and CZK 248,771 thousand to retained earnings. The decision regarding appropriation of 2010 profit will be made on the annual general meeting of shareholders, which will be held in May / June 2011.

26. Loans and borrowings

This note provides information about the contractual terms of the Company's interest – bearing loans and borrowings, which are measured at amortised cost.

Information about the Company's exposure to interest rate, foreign currency a liquidity risk is included in the Note 31.

	2010	2009
Non – current loans and borrowings		
Unsecured bonds issued	2,000,000	2,000,000
Total non – current loans and borrowings	**2,000,000**	**2,000,000**
Current loans and borrowings		
Current portion of unsecured bonds issued	102,634	136,614
Unsecured bank loans	15,967	18,141
Unsecured loans from subsidiaries	616,289	294,017
Total current loans and borrowings	**734,890**	**448,772**

Unsecured bonds issued

In 1998 the Company issued 2,000 bonds at a total nominal value of CZK 2,000,000 thousand. The bonds mature in 15 years from the issue date at their nominal value of CZK 2,000,000 thousand. The interest rate is 0 % p.a. for the first two years and 12.53 % p.a. in subsequent years. The effective interest rate is 9.82 %. Interest is payable on an annual basis. Interest expense is accrued using the effective interest rate method. The aggregate carrying amount of the bonds is CZK 2,102,634 thousand (CZK 2,136,614 thousand at 31 December 2009). Part of the liability due within 12 months is presented in current liabilities. Using the actual market interest rate, based on the analysis of the current market conditions, the fair value of the aggregate liability arising from the bonds is currently estimated at CZK 2,518,730 thousand (CZK 2,634,838 thousand at 31 December 2009). Accrued interest, which will be repaid before 31 December 2011, is presented under current loans and borrowings in amount of CZK 102,634 thousand (CZK 136,614 thousand at 31 December 2009).

Unsecured bank loans

As at 31 December 2010 the Company had bank loans amounting to CZK 15,967 thousand. The interest rates were based on appropriate inter-bank rates and fair value of loans approximates their carrying amount. The analyses of bank loans (in CZK thousands) as at 31 December 2010:

	CZK	EUR	USD	Total
Balance at beginning of the year	**6,674**	**1,788**	**9,679**	**18,141**
Loans taken	3,655,571	657,089	3,607	4,316,267
Accrued interest	7	63	--	70
Repayments	(3,657,586)	(647,640)	(13,285)	(4,318,511)
Balance at end of the year	**4,666**	**11,300**	**1**	**15,967**

Loans from subsidiaries

The current loans from subsidiaries are connected with a cash-pool structure. During the year 2010 the Company had cash-pooling agreements with following banks and subsidiaries:

Banks: CITIBANK a.s., ING Bank N.V., organizační složka and Česká spořitelna, a.s., Commerzbank AG, HSBC Bank Plc, Credit Agricole, S.A.., RBS, N.V.

Subsidiaries: UNIPETROL RPA, s.r.o., BENZINA s.r.o., PARAMO,a.s., UNIPETROL DOPRAVA, s.r.o., UNIPETROL TRADE a.s., PETROTRANS, s.r.o., UNIPETROL SERVICES, s.r.o., UNIPETROL SLOVENSKO, s.r.o., BUTADIEN KRALUPY a.s. and MOGUL SLOVAKIA, s.r.o..

Cash on bank accounts with the above mentioned banks is pooled among the Company and subsidiaries listed above. The agreements enable the Company and the subsidiaries to take bank overdrafts at the total amount within the range from CZK 1,000,000 thousand to CZK 1,500,000 thousand at each bank. Interest income / expense is calculated from pooled balances and subsequently divided between the participants. The liabilities from cash-pooling bank loans amounted CZK 10,695 thousand and cash-pooling liabilities to subsidiaries in amount of CZK 616,289 thousand as at 31 December 2010 (as at 31 December 2009 CZK 18,141 thousand and CZK 294,017 thousand).

27. Trade and other payables and accruals

	2010	2009
Trade payables	45,132	97,569
Wages and salaries	33,531	42,114
Other payables	19,305	20,254
Social security and other taxes	9,207	3,315
Total accounts payable	**107,175**	**163,252**

The average credit period for trade payables is 30 days. The analysis of the trade and other payables is presented in note 31. As of 31 December 2010 and 31 December 2009, the Company did not have any trade payables after their due dates. Management of the Company is of the opinion that the carrying amount of trade payables approximates their fair values.

28. Operating leases

The Company as a lessee

Operating lease arrangements

At the balance sheet date, the Company had future minimum lease payments under non-cancelable operating leases for the following periods:

Non-cancellable operating lease commitments

	Minimum lease payments	
	2010	2009
Not later than one year	4,888	4,776
Later than one year and not later than five years inclusive	19,555	19,104
Later than five years	14,667	19,104
Total	**39,110**	**42,984**

Payments recognised as an expense were as follows:

	2010	2009
Non-cancellable operating lease	4,800	4,477
Cancellable operating lease	728	648
Total	**5,528**	**5,125**

29. Commitments and contingencies

Contingent liabilities and commitments related to the sale of shares in KAUČUK, a.s. (currently SYNTHOS Kralupy a.s.)

On 30 January 2007, UNIPETROL, a.s., as seller, and FIRMA CHEMICZNA DWORY S.A., with its registered office at ul. Chemików 1, 32-600 Oświęcim, Poland, KRS No.: 38981 ("Dwory"), as purchaser, executed the Share Purchase Agreement (the "Share Purchase Agreement") on sale of 100% shares of KAUČUK, a.s., with its registered office at Kralupy nad Vltavou, O. Wichterleho 810, District Mělník, Postal Code: 278 52, Czech Republic, Id. No: 25053272.

Determination of Liability for Impacts of Operation of SYNTHOS Kralupy a.s. on Environment

The environmental audit of plots of land owned by the Company and used by SYNTHOS Kralupy a.s. was performed for the purpose of determining the liability of contractual parties arising from existing or future impacts of SYNTHOS Kralupy a.s. operation on the environment. The share purchase agreement provides that liability for the environmental conditions originating prior to the closing of the transaction lies with the Company and liability for the environmental conditions originating after the closing of the transaction lies with Dwory. Liability of the contractual parties for the environmental conditions is limited up to 10 % of the purchase price for the shares (and by 5 years).

The Company's management, based on the available information and current knowledge of the situation, does not expect any additional expense / payment related to described issue.

Execution of Agreement on Pre-emptive Right to Plots of Land Owned by UNIPETROL, a.s. and Used by SYNTHOS Kralupy a.s. for Its Operations

On 10 July 2007 the Company and SYNTHOS Kralupy a.s. executed the agreement pursuant to which UNIPETROL, a.s. undertook to create in favor of SYNTHOS Kralupy a.s. the pre-emptive right and other rights to certain plots of land owned by the Company in industrial area in Kralupy nad Vltavou which are used by SYNTHOS Kralupy a.s. for its operations.

The share purchase agreement anticipates that the sale of the subject plots of land will be realized after satisfaction of all administrative, operational and legal conditions necessary for a split of parts of industrial area in Kralupy nad Vltavou.

Apart from the foregoing, the sale of shares of SYNTHOS Kralupy a.s. owned by the Company to Dwory was based on the following major principles, among others:

- uninterrupted operation of the present butadiene unit;
- contractual satisfaction of supplies of energies, steam, water and other services within the industrial area in Kralupy nad Vltavou which are at present provided by SYNTHOS Kralupy a.s. to ČESKÁ RAFINÉRSKÁ, a.s.; and
- continuation of all important agreements with the companies of Unipetrol Group and further operation of the energy unit.

The Company's management, based on the available information and current knowledge of the situation, does not expect any additional expense / payment related to described issue.

Contingent liabilities related to the sale of shares in SPOLANA a.s.

The purchase price in accordance with the share purchase agreement entered into in 2006 between the Company and Zakłady Azotowe ANWIL Spółka Akcyjna, may be subject to price adjustments which would result mainly on the occurrence of any of the following events:

(i) Environmental guarantees provided by the National Property Fund of the Czech Republic will not be sufficient for compensation of costs for the environmental damage remediation of the Old Amalgam Electrolysis project.

In this case the Company will be obligated to financially indemnify ANWIL up to 40 % of the purchase price provided that all necessary steps will have been taken by ANWIL and SPOLANA a.s. without success for obtaining additional funds for this purpose.

(ii) Other potential obstacles in future operation of SPOLANA a.s.

In this case, the Company will be obligated to financially indemnify ANWIL up to 1-3 % of the purchase price.

The Company's management, based on the available information and current knowledge of the situation, does not expect any additional expense / payment related to described issue.

Claims related to fines imposed by the European Commission

In November 2006, the European Commission imposed fines, among others, upon Shell, Dow, Eni, UNIPETROL, a.s. and SYNTHOS Kralupy a.s. for an alleged cartel in the area of Emulsion Syrene Butadiene Rubber ("ESBR"). UNIPETROL, a.s. and SYNTHOS Kralupy a.s., its subsidiary at that time, were jointly imposed a fine of EUR 17.5 million, which they reimbursed to

the Commission. At the same time, both companies appealed to the Court of First Instance in Luxembourg and this action is pending.

First hearing regarding the appeal of UNIPETROL, a.s. against the European Commission decision was held on 20 October 2009 at the Court of First Instance of the European Union. The Judgement has not been delivered yet.

Following the above decision of the European Commission, UNIPETROL, a.s. has been served with a claim for damages, which tire producers brought against the members of the ESBR cartel. The claim for damages was filed with the High Court of Justice, Queen's Bench Division, Commercial Court. The claimants ask for damages, together with interest, to compensate for their loss suffered as a result of an alleged cartel. The amount claimed is to be assessed. The next hearing should take place in June 2011.

Furthermore, the Italian group Eni, one of the entities fined by the European Commission, initiated proceedings before a court in Milan in which it seeks a judgment that the ESBR cartel did not exist and no damage occurred as a result thereof. Eni's action has also been served upon UNIPETROL, a.s., which decided to take part in the proceeding. The claims were dismissed by the Court.

Purchase of shares of PARAMO, a.s.

In January 2009 UNIPETROL, a.s. effected a squeeze out of PARAMO, a.s. shares within the meaning of Sections 183i et seq. of the Commercial Code and became sole shareholder of PARAMO, a.s.

In accordance with the resolutions of the Extraordinary General Meeting of PARAMO, a.s. of 6 January 2009, all other shares in PARAMO, a.s were transferred to the Company and the Company provided to the other shareholders of PARAMO, a.s. and/or pledges, the monetary consideration in the amount of CZK 977 per one share of PARAMO, a.s. On 4 February 2009 the registration of the above resolution of the Extraordinary General Meeting was published in the

Czech Commercial Register. Pursuant to the Czech Commercial Code, the ownership title to shares of the other shareholders passed to the Company on 4 March 2009 upon expiration of one month from the above publication and UNIPETROL, a.s. became the sole shareholder of PARAMO, a.s.

In connection with the squeeze-out, certain minority shareholders of PARAMO, a.s. filed a petition with the Regional Court in Hradec Králové for review of adequacy of compensation within the meaning of the Czech Commercial Code. The case has been consolidated and removed to Municipal Court of Prague. The claimants have appealed the procedural decision and filed a constitutional complaint with the Constitutional Court of the Czech Republic in this respect, asserting violation of their right to judge. The Czech Constitutional Court returned the matter to the High Court in Prague for a new decision on the removal of the case.

Furthermore some of former minority shareholders of PARAMO, a.s. requested the Regional Court in Hradec Králové to declare the invalidity of PARAMO, a.s. general meeting resolution dated 6 January 2009 and the District Court in Prague 4 to review the decision of 28 November 2008 by which the Czech National Bank granted in accordance with Section 183n(1) of the Czech Commercial Code its previous approval with the monetary consideration provided under the above squeeze-out. In case of invalidity of the General Meeting resolution, the Regional Court of Hradec Králové (Pardubice branch) on 2 March 2010 decided in favor of PARAMO, a.s. and dismissed the Action of minority shareholders. The minority shareholders filed an appeal against the Decision of the Regional Court in Hradec Králové of 2 March 2010 and the appellate proceedings are pending before the High Court in Prague. In case of the proceedings concerning the previous approval of the Czech National Bank, the action was dismissed by the District Court for Prague 4 in favor of the Czech National Bank and UNIPETROL, a.s. The claimants filed an appeal and the proceedings are pending before the Municipal Court in Prague.

With respect to the above described facts regarding determination of consideration value, Czech National Bank decision and approval of the Extraordinary General Meeting of PARAMO, a.s., UNIPETROL, a.s. considers the petition for review of reasonableness of consideration unfounded.

30. Related parties

Ultimate controlling party

During 2010 and 2009 a majority of the Company's shares were in possession of PKN Orlen (62.99%).

2010	PKN Orlen	Parties under control of the Company	Entities under control or significant influence of PKN Orlen	Other related parties
Current receivables and loans	108	6,539,449	500,178	--
Current payables and loans	1,812	627,776	--	--
Non-current receivables and loans	--	2,710,053	--	--
Expenses	11,005	58,049	126	--
Revenues	119	141,496	100	--
Purchases of fixed assets	--	204	--	--
Sales of intangible assets	--	3,590	--	--
Dividends income	--	410,336	--	--
Financial income and expense	--	412,237	11,067	--

2009	PKN Orlen	Parties under control of the Company	Entities under control or significant influence of PKN Orlen	Other related parties
Current receivables	4	8,424,262	250,213	--
Current payables including loans	2,148	308,564	--	--
Non-current receivables	--	2,963,304	--	--
Expenses	13,682	111,901	18	--
Revenues	10	220,164	90	--
Purchases of fixed assets	4,308	446	--	--
Sales of property, plant and equipment	--	8,086	--	--
Dividends income	--	150,562	--	1,000
Financial income and expense	--	509,137	7,703	--

31. Financial instruments

Accounting classification and fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

2010	Note	Available for sale	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Investments in subsidiaries and joint ventures, other investments	13,14	14,358,367	--	--	14,358,367	14,358,367
Loans granted	16,19,20	--	9,676,432	--	9,676,432	10,089,808
Cash and cash equivalents	22	--	2,863,092	--	2,863,092	2,863,092
Trade and other receivables	18	--	175,655	--	175,655	175,655
Receivables from subsidiaries	17	--	168	--	168	168
Total of financial assets		**14,358,367**	**12,715,347**	**--**	**27,073,714**	**27,487,090**
Loans and borrowings	26	--	--	2,734,890	2,734,890	3,151,016
Trade and other payables and accruals	27	--	--	149,161	149,161	149,161
Total of financial liabilities		**--**	**--**	**2,884,051**	**2,884,051**	**3,300,177**

2009	Note	Available for sale	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Investments in subsidiaries and joint ventures, other investments	13,14	14,278,868	--	--	14,278,868	14,278,868
Loans granted	16,19,20	--	11,493,852	--	11,493,852	11,980,759
Trade and other receivables	18	--	275,225	--	275,225	275,225
Cash and cash equivalents	22	--	253,876	--	253,876	253,876
Receivables from subsidiaries	17	--	73,564	--	73,564	73,564
Financial assets held to maturity		1,093	--	--	1,093	1,093
Total of financial assets		**14,279,961**	**12,096,517**	**--**	**26,376,478**	**26, 863,385**
Loans and borrowings	26	--	--	2,448,772	2,448,772	3,083,610
Trade and other payables and accruals	27	--	--	225,739	225,739	225,739
Total of financial liabilities		**--**	**--**	**2,674,511**	**2,674,511**	**3,309,349**

Capital structure management

The Company manages its capital to ensure that entities in UNIPETROL Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 26, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 23, 24 and 25 respectively.

The net debt to equity ratio at the year end was as follows:

	2010	2009
Debt (i)	2,734,890	2,448,772
Cash and cash equivalents	(2,863,092)	(253,876)
Net debt	**(128,202)**	**2,194,896**
Equity (ii)	24,759,527	24,247,409
Net debt to equity ratio (in %)	**(0.52)**	**9.05**

(i) Debt is defined as long-term and short-term borrowings, as detailed in note 26

(ii) Equity includes all capital and reserves of the Company

Currency risk management

The carrying amounts of the Company's currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

2010	CZK	EUR	USD	Other currencies	Total
Non-current receivables	168	--	--	--	168
Loans granted	9,649,362	27,070	--	--	9,676,432
Trade and other receivables	174,380	1,167	--	108	175,655
Prepaid expenses	2,624	694	150	5,783	9,251
Cash and cash equivalents	2,792,503	57,770	12,819	--	2,863,092
Non-current loans and borrowings	(2,000,000)	--	--	--	(2,000,000)
Trade and other payables and accruals	(109,214)	(8,394)	(350)	(1,191)	(119,149)
Loans and borrowings	641,272	81,625	11,993	--	734,890
Dividends payables	(30,012)	--	--	--	(30,012)
Net exposure	**9,838,539**	**(3,318)**	**626**	**4,700**	**9,840,547**

2009	CZK	EUR	USD	Other currencies	Total
Non-current receivables	73,564	--	--	--	73,564
Loans granted	11,471,668	12,311	9,873	--	11,493,852
Trade and other receivables	274,412	811	2	--	275,225
Prepaid expenses	7,898	224	805	240	9,167
Cash and cash equivalents	211,791	36,161	5,924	--	253,876
Non-current loans and borrowings	(2,000,000)	--	--	--	(2,000,000)
Trade and other payables and accruals	(188,745)	(3,889)	(184)	(1,541)	(194,359)
Loans and borrowings	437,305	(1,788)	(9,679)	--	448,772
Dividends payables	(31,380)	--	--	--	(31,380)
Net exposure	**9,381,903**	**43,830**	**6,741**	**(1,301)**	**9,431,173**

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2010	2009	2010	2009
CZK/EUR	25.290	26.445	25.060	26.465
CZK/USD	19.111	19.057	18.751	18.368

Foreign Currency sensitivity analysis

The following table details the Company's sensitivity to a 10% increase and decrease in the CZK against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes external loans as well as loans to foreign operations where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit where the CZK strengthens 10% against the relevant currency. For a 10% weakening of the CZK against the relevant currency, there would be an equal and opposite impact on the profit.

(data in CZK thousand)	CZK / USD Impact		CZK / EUR Impact	
	2010	2009	2010	2009
Profit/Equity	63	674	332	4,383

Interest rate risk management

The Company has adopted a Debt Policy, which covers transferring of external financial sources to subsidiaries. These external financial sources are transferred with similar conditions and interest rates including a mark up (see notes 16, 19, and 26). There are no loans and borrowings used for Company's own purposes.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended 31 December 2010 would decrease/increase by CZK 34,831 thousand (2009: decrease/increase by CZK 42,849 thousand). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

The Company's sensitivity to interest rates has decreased during the current period mainly due to repayments of loans. For further information see Note 26.

Interest rate risk profile

The interest rate profile of the Group's interest bearing financial instrument at the reporting date was as follows:

	2010	2009
Fixed rate instruments		
Financial assets	2,280,484	2,488,007
Financial liabilities	2,251,795	2,361,353
Variable rate instruments		
Financial assets	7,571,771	9,354,634
Financial liabilities	632,256	313,158

Credit risk management

The Company has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Loans to subsidiaries (notes 16 and 19) and receivables (notes 17 and 18) principally consist of amounts due from Group companies. The Company does not require collateral in respect of these financial assets. At the balance sheet date there was a significant concentrations of credit risk that is shown in notes 16 and 19. The Company's management monitors the most significant debtors and assesses their creditworthiness. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Note	Carrying amount	
		2010	2009
Available for sale financial assets	15	--	1,093
Loans and receivables	16,17,18,19,20	9,852,255	11,842,641
Cash and cash equivalents	22	2,863,092	253,876
Total		**12,715,347**	**12,097,610**

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

	2010		2009	
	Secured	Unsecured	Secured	Unsecured
Czech Republic	500,035	9,324,755	456,694	11,385,883
European Union	--	27,465	--	64
Total	**500,035**	**9,352,220**	**456,694**	**11,385,947**

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Aging of loans and receivables at the reporting date was:

	2010		2009	
	Gross	Impairment	Gross	Impairment
Not past due	9,900,432	48,285	11,842,626	--
Past due 0-30 days	108	--	15	--
Past due 30-180 days	--	--	--	--
More than 180 days	131,465	131,465	131,520	131,520
Total	**10,032,005**	**179,750**	**11,974,161**	**131,520**

Liquidity risk management

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

Liquidity risk tables

The following table details the Company's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

Expected maturity of non-derivative financial assets

2010	Total	Less then 3 months	3-12 months	More then 1 year
Non-current assets				
Loans to subsidiaries	2,662,294	--	--	2,662,294
Receivables from subsidiaries	168	--	--	168
Current assets				
Trade and other receivables	175,655	127,349	48,306	--
Loans to subsidiaries	6,514,103	6,198,219	315,884	--
Loans to related companies	500,035	500,035	--	--
Cash and cash equivalents	2,863,092	2,863,092	--	--
Total	**12,715,347**	**9,688,695**	**364,190**	**2,662,462**

2009	Total	Less then 3 months	3-12 months	More then 1 year
Non-current assets				
Loans to subsidiaries	2,963,304	--	--	2,963,304
Receivables from subsidiaries	73,564	--	--	73,564
Current assets				
Trade and other receivables	275,225	275,225	--	--
Loans to subsidiaries	8,280,334	8,129,956	150,378	--
Loans to related companies	250,214	250,214	--	--
Cash and cash equivalents	253,876	253,876	--	--
Total	**12,096,517**	**8,909,271**	**150,378**	**3,036,868**

Contractual maturity of non-derivative financial liabilities

2010	Total	Less then 3 months	3-12 months	More then 1 year
Non-current liabilities				
Loans and borrowings	2,000,000	--	--	2,000,000
Current liabilities				
Trade and other payables and accruals	119,149	119,149	--	--
Loans and borrowings	734,890	632,256	102,634	--
Total	**2,854,039**	**751,405**	**102,634**	**2,000,000**

2009	Total	Less then 3 months	3-12 months	More then 1 year
Non-current liabilities				
Loans and borrowings	2,000,000	--	--	2,000,000
Current liabilities				
Trade and other payables and accruals	194,359	194,359	--	--
Loans and borrowings	448,772	312,158	136,614	--
Total	**2,643,131**	**506,517**	**136,614**	**2,000,000**

32. Past environmental liabilities

The Company is the recipient of funds provided by the Ministry of Finance (previously the National Property Fund) of the Czech Republic for settling environmental liabilities relating to the historic environmental damage.

An overview of funds provided for the environmental contracts:

In CZK million	Total amount of funds to be provided	Used funds as at 31/12/2010	Unused funds as at 31/12/2010
UNIPETROL, a.s./ premises of UNIPETROL RPA, s.r.o.	6,012	2,572	3,440
UNIPETROL, a.s./ premises of SYNTHOS, a.s.	4,244	18	4,226
Total	**10,256**	**2,590**	**7,666**

In CZK million	Total amount of funds to be provided	Used funds as at 31/12/2009	Unused funds as at 31/12/2009
UNIPETROL, a.s./ premises of UNIPETROL RPA, s.r.o.	6,012	2,161	3,851
UNIPETROL, a.s./ premises of SYNTHOS, a.s.	4,244	12	4,232
Total	**10,256**	**2,173**	**8,083**

33. Significant post balance sheet events

The Company's management is not aware of any events that have occurred since the balance sheet date that would have any material impact on the financial statements as at 31 December 2010.

Signature of statutory representatives

14 March 2011

Piotr Chełmiński

Chairman of the Board of Directors

Mariusz Kędra

Member of the Board of Directors

Consolidated financial statements

Consolidated statement of financial position

prepared in accordance with International Financial Reporting Standards as at 31 December 2010 (in thousands of Czech crowns)

	Note	31 December 2010	31 December 2009
ASSETS			
Non-current assets			
Property, plant and equipment	10	33,909,010	35,811,639
Intangible assets	11	1,908,948	1,668,184
Investment property	12	162,190	162,627
Other investments	13	192,425	198,343
Non-current receivables	14	130,224	121,179
Deferred tax asset	15	48,280	99,409
Total non-current assets		**36,351,077**	**38,061,381**
Current assets			
Inventories	16	10,193,515	8,598,273
Trade and other receivables	17	9,487,630	9,310,024
Short-term financial assets	18	540,342	747,042
Prepayments and other current assets		141,780	230,626
Cash and cash equivalents	19	4,741,831	1,185,721
Current tax assets		14,623	37,730
Assets classified as held for sale	20	--	78,333
Total current assets		**25,119,721**	**20,187,749**
Total assets		**61,470,798**	**58,249,130**
EQUITY AND LIABILITIES			
Equity			
Share capital	21	18,133,476	18,133,476
Statutory reserves	22	2,452,698	2,425,274
Other reserves		25,971	33,615
Retained earnings	23	18,187,563	17,278,971
Total equity attributable to equity holders of the Company		**38,799,708**	**37,871,336**
Non-current liabilities			
Loans and borrowings	24	2,013,357	2,031,363
Deferred tax liability	15	1,758,773	1,714,928
Provisions	25	392,789	355,891
Other non-current liabilities	26	146,823	165,033
Total non-current liabilities		**4,311,742**	**4,267,215**
Current liabilities			
Trade and other payables and accruals	27	16,741,801	14,595,230
Loans and borrowings	24	212,454	366,254
Provisions	25	1,301,691	1,106,768
Short-term financial liabilities	28	80,276	307
Current tax liabilities		23,126	42,020
Total current liabilities		**18,359,348**	**16,110,579**
Total liabilities		**22,671,090**	**20,377,794**
Total equity and liabilities		**61,470,798**	**58,249,130**

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements.

Consolidated statement of comprehensive income

prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2010 (in thousands of Czech crowns)

	Note	2010	2009
Revenue	3	85,966,537	67,386,500
Cost of sales		(81,632,954)	(65,229,622)
Gross profit		**4,333,583**	**2,156,878**
Other income		891,615	1,777,088
Distribution expenses		(1,963,665)	(2,025,040)
Administrative expenses		(1,176,590)	(1,342,875)
Other expenses		(406,887)	(1,219,776)
Result from operating activities	5	**1,678,056**	**(653,725)**
Finance income		96,137	97,918
Finance costs		(588,500)	(661,925)
Net finance costs	6	**(492,363)**	**(564,007)**
Profit (loss) before income tax		**1,185,693**	**(1,217,732)**
Income tax (expense) credit	8	(248,960)	372,458
Profit (loss) for the year		**936,733**	**(845,274)**
Other comprehensive income:			
Foreign currency translation differences - foreign operations		(7,644)	(5,778)
Investment property revaluation		--	3,529
Other transactions		(717)	11,311
Other comprehensive income for the year, net of tax		**(8,361)**	**9,062**
Total comprehensive income for the year		**928,372**	**(836,212)**
Profit (loss) attributable to:			
Owners of the Company		936,733	(840,295)
Non-controlling interests		--	(4,979)
Profit (loss) for the year		**936,733**	**(845,274)**
Total comprehensive income attributable to:			
Owners of the Company		928,372	(831,233)
Non-controlling interests		--	(4,979)
Total comprehensive income for the year		**928,372**	**(836,212)**
Basic and diluted earnings per share (in CZK)	9	**5.17**	**(4.63)**

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements.

Consolidated statement of changes in equity

prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2010 (in thousands of Czech crowns)

	Share capital	Statutory reserves	Translation reserve	Fair value reserve	Retained earnings	Equity attributable to equity holders of the Company	Non-controlling interests	Total equity
Balance as at 1 January 2009	**18,133,476**	**2,173,616**	**18,645**	**17,219**	**18,359,613**	**38,702,569**	**210,271**	**38,912,840**
Total comprehensive income for the year								
Profit or loss	--	251,658	--	--	(1,091,953)	(840,295)	(4,979)	(845,274)
Other comprehensive income								
Foreign currency translation differences	--	--	(5,778)	--	--	(5,778)	--	(5,778)
Adjustment to Investment property	--	--	--	3,529	--	3,529	--	3,529
Other items	--	--	--	--	11,311	11,311	--	11,311
Total other comprehensive income	--	--	(5,778)	3,529	11,311	9,062	--	9,062
Total comprehensive income for the year	**--**	**251,658**	**(5,778)**	**3,529**	**(1,080,642)**	**(831,233)**	**(4,979)**	**(836,212)**
Transactions with owners, recorded directly in equity:								
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Acquisition of 8.24 % shares of PARAMO,a.s.	--	--	--	--	--	--	(205,292)	(205,292)
Total changes in ownership interests in subsidiaries	--	--	--	--	--	--	(205,292)	(205,292)
Total transactions with owners	--	--	--	--	--	--	(205,292)	(205,292)
Balance as at 31 December 2009	**18,133,476**	**2,425,274**	**12,867**	**20,748**	**17,278,971**	**37,871,336**	**--**	**37,871,336**
Balance as at 1 January 2010	**18,133,476**	**2,425,274**	**12,867**	**20,748**	**17,278,971**	**37,871,336**	**--**	**37,871,336**
Total comprehensive income for the year								
Profit or loss	--	27,424	--	--	909,309	936,733	--	936,733
Other comprehensive income								
Foreign currency translation differences	--	--	(7,644)	--	--	(7,644)	--	(7,644)
Other items	--	--	--	--	(717)	(717)	--	(717)
Total other comprehensive income	--	--	(7,644)	--	(717)	(8,361)	--	(8,361)
Total comprehensive income for the year	**--**	**27,424**	**(7,644)**	**--**	**908,592**	**928,372**	**--**	**928,372**
Balance as at 31 December 2010	**18,133,476**	**2,452,698**	**5,223**	**20,748**	**18,187,563**	**38,799,708**	**--**	**38,799,708**

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements.

Consolidated statements of cash flows

prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2010 (in thousands of Czech crowns)

	2010	2009
Cash flows from operating activities:		
Profit for the year	**936,733**	**(845,274)**
Adjustments for:		
Depreciation of the property, plant and equipment and amortisation of intangible assets	3,495,539	3,432,193
Gain on disposals of property, plant and equipment and intangible assets	(70,274)	(1,330,121)
Negative goodwill derecognition	--	(86,640)
Dividends income	(7,759)	(10,183)
Other finance income and costs - net	242,364	127,856
Impairment losses on financial investments, property, inventory, receivables	(123,323)	(68,512)
Other non cash transaction	178,376	47,116
Income tax expense (credit)	248,960	(372,458)
Changes in:		
- in trade receivables and other current assets	(202,254)	51,478
- in inventories	(1,597,349)	(1,389,437)
- in trade and other payables and accruals	1,987,085	3,365,889
- in provisions	(16,169)	899,173
Interest paid	(285,298)	(341,416)
Income tax (paid) returned	(150,192)	401,568
Net cash from operating activities	**4,636,439**	**3,881,232**
Cash flows from investing activities:		
Proceed from disposals of property, plant and equipment and intangible assets	1,945,748	1,769,208
Proceed from disposals of short-term financial assets	359,405	--
Proceed from disposals of CELIO, a.s.	78,323	--
Interest received	13,387	9,027
Dividends received	7,759	10,183
Acquisition of property, plant and equipment and intangible assets	(3,089,309)	(3,187,494)
Change in loans granted	(251,963)	53,430
Acquisition of additional shareholding in subsidiary	--	(107,070)
Acquisition of short-term financial assets	--	(359 405)
Net cash used in investing activities	**(936,650)**	**(1,812,121)**
Cash flows from financing activities:		
Change in loans and borrowings	(124,295)	(1,672,045)
Payment of finance lease libilities	(18,016)	(146,769)
Dividends paid	(1,368)	(16,783)
Net cash used in financing activities	**(143,679)**	**(1,835,597)**
Net change in cash and cash equivalents	**3,556,110**	**233,514**
Cash and cash equivalents at the beginning of the year	**1,185,721**	**952,207**
Cash and cash equivalents at the end of the year	**4,741,831**	**1,185,721**

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements.

Notes to the consolidated financial statements

prepared in accordance with International Financial Reporting Standards

Year ended 31 December 2010 (in thousands of CZK)

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1. Description of the parent company and structure of the consolidated group

Establishment of the parent company

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

Registered office of the Company

UNIPETROL, a.s.

Na Pankraci 127

140 00 Praha 4

Czech Republic

Principal activities

The Company operates as a holding company covering and administering a group of companies (hereinafter the "Group"). The principal businesses of the Group include oil and petroleum products processing, production of commodity chemicals, semi-finished industrial fertilizers and polymer materials, mineral lubricants, plastic lubricants, paraffins, oils and petroleum jellies. Furthermore, the Group is engaged in the distribution of fuels and operation of gas stations.

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

Ownership structure

The shareholders as at 31 December 2010 are as follows:

POLSKI KONCERN NAFTOWY ORLEN S.A.	63 %
Investment funds and other minority shareholders	37 %

Changes in structure of the Group

On 1 June 2010 CHEMAPOL (SCHWEIZ) AG and on 1 January 2011 UNIPETROL TRADE a.s. were put under liquidation due to restructuring process of UNIPETROL TRADE Group. It is expected that liquidation will finish in 2011.

Statutory and supervisory bodies

Members of the statutory and supervisory bodies of UNIPETROL, a.s. as at 31 December 2010 were as follows:

	Position	Name
Board of directors	Chairman	Piotr Chelminski
	Vice-Chairman	Marek Serafin
	Member	Mariusz Kędra
	Member	Martin Durčák
	Member	Ivan Ottis
	Member	Artur Paździor
Supervisory board	Chairman	Dariusz Jacek Krawiec
	Vice-Chairman	Ivan Kočárník
	Vice-Chairman	Slawomir Robert Jedrzejczyk
	Member	Piotr Robert Kearney
	Member	Zdeněk Černý
	Member	Krystian Pater
	Member	Rafal Sekula
	Member	Andrzej Jerzy Kozlowski
	Member	Bogdan Dzudzewicz

Changes in the board of directors during 2010 were as follows:

Position	Name	Change	Date of change
Vice-Chairman	Wojciech Ostrowski	Elected for a new Term of office	18 June 2010
Vice-Chairman	Wojciech Ostrowski	Resigned as member and Vice-Chairman	30 September 2010
Member	Mariusz Kędra	Elected as a member	1 October 2010

Changes in the supervisory board during 2010 were as follow:

Position	Name	Change	Date of change
Member	Krystian Pater	Elected for new Term of office as a member	29 June 2010
Member	Zdeněk Černý	Elected for new Term of office as a member	29 June 2010

The following table shows subsidiaries and joint-ventures forming the consolidated group of UNIPETROL, a.s., and the Group's interest in the capital of subsidiaries and joint-ventures held either directly by the parent company or indirectly by the consolidated subsidiaries and allocation of subsidiaries into the Operating segments (information as of 31 December 2010).

Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries	Operating segment
Parent company UNIPETROL, a.s. Na Pankráci 127, 140 00 Praha 4, Czech Republic			Other
Subsidiaries consolidated by full method BENZINA, s.r.o. Na Pankráci 127, 140 00 Praha 4, Czech Republic	100.00 %	--	Retail
PARAMO, a.s. Přerovská 560, 530 06 Pardubice, Czech Republic	100.00 %	--	Refinery
UNIPETROL TRADE a.s. v likvidaci Na Pankráci 127, 140 00 Praha 4, Czech Republic	100.00 %	--	Petrochemical
UNIPETROL RPA, s.r.o. Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00 %	--	Refinery, Petrochemical, Other
UNIPETROL SERVICES, s.r.o. Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00 %	--	Other
UNIPETROL DOPRAVA s.r.o. Litvínov – Růžodol č.p. 4, 436 70 Litvínov, Czech Republic	0.12 %	99.88 %	Refinery
Chemapol (Schweiz) AG in liquidation Leimenstrasse 21, 4003 Basel, Switzerland	--	100.00 %	Petrochemical
UNIPETROL Deutschland GmbH Paul Ehrlich Str. 1/B , 63225 Langen/Hessen, Germany	0.10 %	99.90 %	Petrochemical
PETROTRANS, s.r.o. Střelničná 2221, 182 00 Praha 8, Czech Republic	0.63%	99.37 %	Retail
UNIPETROL SLOVENSKO s.r.o. (previously UNIRAF Slovensko s.r.o) Panónská cesta 7, 850 00 Bratislava, Slovak republic	13.04%	86.96 %	Refinery
Joint-ventures consolidated by proportional method ČESKÁ RAFINÉRSKÁ, a.s. Záluží 2, 436 70 Litvínov, Czech Republic	51.22 %	--	Refinery
Butadien Kralupy a.s. O. Wichterleho 810, 278 01 Kralupy nad Vltavou, Czech Republic	51.00 %	--	Petrochemical

According to the articles of association of ČESKÁ RAFINÉRSKÁ, a.s. adoption of decisions on all important matters requires 67.5 % or greater majority of all votes.

The ownership interests and allocation of subsidiaries into the operating segments as at 31 December 2009 were the same as it is presented in the table above.

2. Significant accounting policies

A Statement of compliance and accounting policies

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods but which the Group has not early adopted. Relevant items are as follows:

- Revised IAS 24 Related Party Disclosure (effective for annual periods beginning on or after 1 January 2011)
- Amendment to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010)
- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010)

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

B Basis of preparation

The consolidated financial statements of the Company for the period ended 31 December 2010 comprise the Company and its subsidiaries (together referred as the "Group") and the Group's interest in jointly controlled entities.

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading, financial instruments classified as available-for-sale, financial instruments at fair value through profit or loss and investment property.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements 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 recognised 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.

Judgements 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 note 10 – Property, plant and equipment and 11 - Intangibles assets in relation to impairment.

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

C Functional and presentation currency

These consolidated financial statements are presented in Czech crown (CZK), which is the Group´s functional currency. All financial information presented in CZK has been rounded to the nearest thousand.

D Group accounting principles and policies

(1) Foreign currency

(i) Transactions in foreign currency

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

At the end of the reporting period:

- foreign currency monetary items including units of currency held by the Group as well as receivables and liabilities due in defined or definable units of currency are translated using the closing rate, i.e. spot exchange rate as at the end of the reporting period,

- non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and

- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

(ii) Financial statements of foreign operations

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Czech Crowns, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Financial statements of foreign entities, for consolidation purposes, are translated into CZK using the following methods:

- assets and liabilities of each presented statement of financial position are translated at the closing rate published by the Czech National bank ("CNB") at the end of the reporting period;

- respective items of statement of comprehensive income and statement of cash flows are translated at average exchange rates published by the CNB.

All resulting exchange differences are recognized in equity, as foreign exchange differences on revaluation of subsidiaries. These differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the balance sheet date.

(2) Principles of consolidation

The consolidated financial statements of the Group include data of UNIPETROL, a.s., its subsidiaries and jointly controlled entities (joint ventures) prepared as at the end of the same reporting period as unconsolidated financial statements of UNIPETROL, a.s. and using uniform accounting principles in relation to similar transactions and other events in similar circumstances.

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The non-controlling interest is presented in equity separately from equity attributable to equity holders of the parent. Net profit attributable to non-controlling interest is presented in the statement of comprehensive income.

(ii) Equity accounted investees

Equity accounted investees are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised profits or losses and other comprehensive income of Equity accounted investees on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

(iii) Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's proportionate share of the entities' assets, liabilities, revenues and expenses with items of a similar nature on a line by line basis, from the date that joint control commences until the date that joint control ceases.

(iv) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with Equity accounted investees and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

<u>(3) Revenue recognition</u>

(i)Revenue from sales

Revenues from sales are recognized when it is probable that the economic benefits associated with the sale transaction will flow to the Group and can be measured reliably.

Revenues from sale of finished goods, merchandise, and raw materials are recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods. Revenues are measured at fair value of the consideration received or receivable decreased by the amount of any discounts, value added tax (VAT), excise tax and fuel charges.

Revenue from services rendered is recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs.

When the Group acts as an agent for its customers and buys and sells goods for a fixed margin without controlling purchase and selling prices, it does not report the revenue and cost from the sale of goods on a gross basis. It reports a net margin in the statement of comprehensive income.

(ii) Revenue from licences, royalties and trade mark

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

(iii) Franchise revenues

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

(iv) Rental income

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

<u>(4) Costs recognition</u>

The Group recognizes costs in accordance with accrual basis and prudence.

(i) Costs of sales- comprise costs of finished goods sold and costs of services sold, including services of support functions and cost of merchandise and raw materials sold.

(ii) Distribution expenses - include selling brokerage expenses, trading expenses, advertising and promotion expenses as well as distribution expenses.

(iii) Administrative expenses they include expenses relating to management and administration of the Group as a whole.

<u>(5) Operating segments</u>

The operations of the Group are divided into the following segments: Refinery, Retail, Petrochemical and Other.

- The Refinery Segment comprises crude oil processing and wholesale, oil production and sale
- as well as primary logistics,
- The Retail Segment comprises trade in refinery products and secondary logistics,
- The Petrochemical Segment encompasses production and sales of petrochemicals as well as
- supporting production,
- Segment Other includes mainly administration and other supporting functions and activities
- not allocated to any other segment

The Group determines and presents operating segments based on the information that is internally provided to the Management of the Company.

Transactions between segments are arm´s length transactions.

Segment revenue is the revenue reported in the consolidated statement of comprehensive income, earned from sales to external customers or from inter-segment transactions that is directly attributable or reasonably allocable to a segment. Segment expenses include expenses relating to sales to external customers and inter-segment transactions that result from operating activities and are directly attributable to the segment and the relevant portion of the expenses that is reasonably allocable to a segment. Segment expenses do not include: income tax expense, interest, losses on sales of investments or losses on extinguishment of debt, general and administrative expenses and other expenses arising at the level of the Group as a whole, unless they are directly attributable to the segment and can be allocated to the segment on a reasonable basis. The segment result is determined at the level of profit from operations.

Segment assets (liabilities) are those operating assets (liabilities) that are employed by that segment in operating activity (result from operating activity) and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. In particular financial assets and liabilities and income tax items are not allocated to reportable segments.

The revenues, result, assets and liabilities of a given segment are defined before inter-segment adjustments are made, after adjustments within a given segment.

(6) Other operating income and expenses

Other operating income in particular include income from liquidation and sale of non-financial non-current assets, surplus of assets, return of court fees, penalties earned, grants other than those for construction in progress, acquisition of fixed assets and the execution of development work, property assets received free of charge, reversal of receivable impairment allowances and provisions, compensations earned and revaluation gains.

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

(7) Financial income and finance expenses

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

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

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

(8) Taxation

Income tax comprises current tax and deferred tax.

Current tax is determined in accordance with the relevant tax law based on the taxable profit for a given period.

Current tax liabilities represent the amounts payable at the reporting date. If the amount of the current income tax paid exceeds the amount due the excess is recognized as a receivable.

Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for deductible temporary differences, unrealized tax losses and unrealized tax relieves to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deductible temporary differences are temporary differences that will result in reducing taxable amounts of future periods when the carrying amount of the asset or liability is recovered or settled. Deductible temporary differences arise when the carrying amount of an asset is lower than its tax base or when the carrying amount of a liability is higher than its tax base. Deductible temporary differences may also arise in connection with items not recognized in the accounting records as assets or liabilities. Tax base is determined in relation to expected recovery of assets or settlement of liabilities.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are recognized regardless of when the timing difference is likely to be realized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the statement of comprehensive income.

The deferred tax assets and liabilities are measured at the end of each reporting period using enacted tax rates binding for the year in which the tax obligation arises, based on tax rates published in tax law.

Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are accounted for as non-current assets or long-term liabilities in the statement of financial position.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends and is able to settle its current tax assets and liabilities on a net basis.

(9) Earnings per share

Basic earnings per share for each period are calculated by dividing the net profit for a given period by the weighted average number of shares outstanding during that period.

Diluted earnings per share for each period are calculated by dividing the net profit for a given period adjusted by changes of the net profit resulting from conversion of the dilutive potential ordinary shares by the weighted average number of shares.

(10) Property, plant and equipment

(i) Owned assets

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

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

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

Depreciation of an item of property, plant and equipment begins when it is available for use that is from the month it is in the location and condition necessary for it to be capable of operating in the manner intended by the management, over the period reflecting their estimated economic useful life, considering the residual value. Appropriateness of the applied depreciation rates is verified periodically (once a year), and respective adjustments are made to the subsequent periods of depreciation. Components of property, plant and equipment which are material for the whole item are depreciated separately in accordance with their economic useful life

Depreciation is charged so as to write off the cost or valuation of assets to their residual values, other than land, over their estimated useful lives, using the straight-line method.

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

Buildings and constructions	10-70 years
Machinery and equipment	3-25 years
Vehicles and other	4-17 years

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

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

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in income.

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

(ii) Leased assets

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

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

(iii) Subsequent expenditure

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

(11) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Gains and losses resulting from changes in fair value of investment property are presented in the statement of comprehensive income in the period which they arise.

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

(12) Intangible assets

Intangible assets include identifiable non-monetary assets without physical substance.

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

Intangible assets are measured at acquisition or construction cost less amortization and impairment allowances. Intangible assets with a finite useful life are amortized when it is available for use that is when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management over their estimated economic useful life. Appropriateness of the applied amortization periods and rates is periodically reviewed, at least at the end of the reporting year, and potential adjustments to amortization allowances are made in the subsequent periods. Intangible assets with an indefinite useful life are not amortized.

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

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

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

(i) Research and development

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

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

(ii) Computer software

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

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

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

(iii) Other intangible assets

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

(iv) Subsequent expenditure

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

(13) Government grants

Government grants are recognised in the statement of financial position initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions attached to it.

If the grant relates to a given income, it is recognized as income over the period necessary to match it with the related costs which the grant is intended to compensate.

If the grant concerns particular asset, its fair value is recognized as deferred income and on a systematic basis over the estimated useful life of the underlying asset in the Statement of comprehensive income.

(14) Carbon dioxide emission allowances

Emissions allowances received by the Group are recognised as intangible assets at the fair value of CO2 emission allowances at the date of their receipt. Purchased emission allowances are recognised at the acquisition price.

CO2 emission allowances granted free of charge and appropriate deferred income are recognized at the fair value of CO2 emission allowances at the date of their receipt in the consolidated statement of financial position.

The Group recognizes provision for estimated CO2 emissions in the reporting period. In the consolidated statement of comprehensive income the cost of recognized provision is compensated with settlement of deferred income on granted CO2 emission rights.

Starting from 1 January 2010 the Group used the above described policy. The change in presentation had no material impact on consolidated statement of comprehensive income for the period ended 31 December 2009, nor on the consolidated statement of financial position as at 31 December 2009 due to the sale of CO2 emissions allowances in 2009.

(15) Borrowing costs

Borrowing costs consist of interest and other costs that are incurred in connection with the borrowing of funds.

The Group capitalises borrowing costs attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset, until the time when the assets are substantially ready for their intended use or sale.

Qualifying assets are the assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Borrowing costs which are not connected with qualifying assets are recognized in the statement of comprehensive income in the period in which they are incurred.

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

(16) Impairment

The carrying amounts of the Group’s assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated.

For intangible assets that are not yet available for use and intangible assets with indefinite useful lives, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

(i) Calculation of recoverable amount

Financial instruments, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial instruments are impaired where there is an objective evidence that, as a result of one or more events that occurred after the initial recognition the estimated future cash flows of the instrument have been impacted.

For equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial instruments the objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- evidence that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial instruments, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial instruments measured at amortised cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of a held-to-maturity security or receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised as income. An impairment loss recognised in respect of goodwill is not reversed in subsequent periods.

(17) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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

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

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

(18) Trade and other receivables

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

(19) Cash and cash equivalents

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

(20) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments are initially recognised at fair value, plus transaction costs, except for instruments at fair value through profit or loss, which are initially measured at fair value. Non-derivative financial instruments are classified into the following categories: financial assets 'at fair value through profit or loss', 'held-to-maturity', 'available-for-sale' and other. The classification depends on the nature and purpose of the financial instrument and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument.

Financial assets at fair value through profit or loss

Financial instruments are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss upon initial recognition.

A financial instrument is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or

- it is a part of an identified portfolio of financial instruments that the Group manages together
- and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial instrument other than a financial instrument held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition
- inconsistency that would otherwise arise; or
- the financial instrument forms part of a group of financial assets or financial liabilities or both,
- which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial

Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial instruments at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described below.

Held-to-maturity

Debt securities with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment.

Available-for-sale financial instruments

Equity securities held by the Group that are traded in an active market are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described below. Gains and losses arising from changes in fair value are recognised directly in equity with the exception of impairment losses and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the instrument is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group’s right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Other financial instruments

Other financial instruments include instruments that have fixed or determinable payments that are not quoted in an active market. Other financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Derecognition of financial instruments

The Group derecognises a financial instrument when the contractual rights to the cash flows from the asset expire; or it transfers the financial instrument and substantially all the risks and rewards of ownership of the instrument to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred instrument, the Group recognises its retained interest in the instrument and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial instrument, the Group continues to recognise the financial instrument and also recognises a collateralised borrowing for the proceeds received.

(ii) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative instrument is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged items.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedge risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the statement of comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are reported in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in equity are transferred to profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in equity are transferred from equity and included in the initial measurement of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss recognised in equity remains in equity until the forecast transaction is recorded in profit or loss. When a forecast transaction is no longer expected to occur; the cumulative gain or loss that was recognised in equity is transferred immediately to profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses presented in the foreign currency translation reserve are recognised in profit or loss on disposal of the foreign operation.

(iii) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial instruments with standard terms and conditions and traded on active
- liquid markets is determined with reference to quoted market prices;
- the fair value of other financial instruments (excluding derivative instruments) is determined
- in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- the fair value of derivative instruments is calculated based on quoted prices. Where such prices are not available, the fair value is calculated based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and

- the fair value of financial guarantee contracts is determined using option pricing models where

the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

(21) Provisions

Provisions are recognised when the Group 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 Group establishes provisions for environmental damage, legal disputes, penalties and estimated expenditures related to the fulfilment of obligations as a result of warranty claims. No provisions are established in respect of environmental damages which occurred prior to establishment of the Company as the Czech government contractually committed to reimburse the Group for clean-up costs.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. Future operating costs are not provided for.

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised when the land is contaminated.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(22) Social security and pension schemes

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

(23) Long-term service benefits

The Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield at the balance sheet date on AAA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations.

Retirement benefits and jubilee bonuses

Under the Group'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 Group does not assign assets which would be used for future retirement or jubilee liabilities. The Group creates a provision for future retirement benefits and jubilee bonuses in order to allocate costs to relevant periods. In accordance with IAS 19, jubilee bonuses are long-term employee benefits and retirement benefits are classified as post-employment benefit plans. The present value of those liabilities is estimated at the end of each reporting period and adjusted if there are any material indications impacting the value of the liabilities. The accumulated liabilities equal discounted future payments, considering employee rotation. Demographic data and information on employee rotation are based on historical records. Actuarial gains and losses are recognized in the profit and loss.

(24) Non-current assets held for sale

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

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

- A decision on initiation of the sale was adopted by the Company's management;
- The assets are available for an immediate sale in their present condition;
- An active program to locate a buyer has been initiated;
- The sale transaction is highly probable and can be completed within 12 months following the
- sale decision.

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

(25) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

(26) Share capital

Ordinary shares are classified as share capital.

(27) Contingent liabilities and receivables

Contingent liabilities are defined as obligations that arise from past events and which are dependent on occurrence or non-occurrence of some uncertain future events. Contingent liabilities are not recognized in the balance sheet 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 balance sheet.

Contingent receivables are not recognized in the balance sheet; however the respective information on the contingent receivable is disclosed if the inflow of assets relating to economic benefits is probable.

3. Revenue

An analysis of the Group's revenue is as follows:

	2010	2009
Gross sales of finished goods	97,941,881	75,896,888
Less: Excise tax	(24,212,030)	(22,867,231)
Gross sales of merchandise and materials	6,950,395	10,827,670
Less: Excise tax	(212,446)	(1,549,563)
Net revenue from sales of own products, merchandise and materials	**80,467,800**	**62,307,764**
Revenue from services	**5,498,737**	**5,078,736**
Total revenue	**85,966,537**	**67,386,500**

4. Operating segments

Revenues and operating result

Year ended 31/12/2010	Refinery	Retail	Petrochemical	Other	Eliminations	Consolidated
Total external revenues	46,389,674	8,498,507	30,978,308	100,048	--	85,966,537
Inter segment revenues	18,311,815	296,895	1,289,311	528,405	(20,426,426)	--
Total segment revenue	64,701,489	8,795,402	32,267,619	628,453	(20,426,426)	85,966,537
Result from operating activities	**465,565**	**547,396**	**714,772**	**(49,677)**	**--**	**1,678,056**
Net finance costs						(492,363)
Profit before income tax						**1,185,693**
Income tax expense						(248,960)
Profit for the year						**936,733**
Depreciation and amortisation	**(1,119,435)**	**(374,552)**	**(1,916,230)**	**(85,322)**		**(3,495,539)**

Year ended 31/12/2009	Refinery	Retail	Petrochemical	Other	Eliminations	Consolidated
Total external revenues	36,672,796	7,261,229	23,376,058	76,417	--	67,386,500
Inter segment revenues	13,139,561	343,585	1,967,168	559,986	(16,010,300)	--
Total segment revenue	49,812,357	7,604,814	25,343,226	636,403	(16,010,300)	67,386,500
Result from operating activities	**(1,176,794)**	**692,636**	**(94,923)**	**(74,644)**	**--**	**(653,725)**
Net finance costs						(564 007)
Loss before income tax						**(1,217,732)**
Income tax credit						372,458
Loss for the year						**(845,274)**
Depreciation and amortisation	**(1,110,486)**	**(372,490)**	**(1,867,277)**	**(81,940)**		**(3,432,193)**

Asset s and liabilities

31/12/2010	Refinery	Retail	Petrochemical	Other	Eliminations	Consolidated
Segment assets	26,156,910	6,676,068	24,132,333	4,857,607	(1,337,018)	60,485,900
Unallocated corporate assets						984,898
Total assets						**61,470,798**
Additions to non-current assets	310,214	265,254	1,008,944	72,611	**--**	**1,657,023**
Segment liabilities	14,398,414	1,460,277	3,736,472	319,310	(1,337,018)	18,577,455
Unallocated corporate liabilities						4,093,635
Total liabilities						**22,671,090**

31/12/2009	Refinery	Retail	Petrochemical	Other	Eliminations	Consolidated
Segment assets	24,130,332	6,827,730	26,188,173	2,622,148	(2,840,455)	56,927,928
Assets classified as held for sale	--	--	77,240	1,093	--	78,333
Unallocated corporate assets	--	--	--	--	--	1,242,869
Total assets						**58,249,130**
Additions to non-current assets	902,400	212,711	1,858,192	89,188	**--**	**3,062,491**
Segment liabilities	9,840,213	1,647,732	7,150,263	430,568	(2,840,455)	16,228,321
Unallocated corporate liabilities	--	--	--	--	--	4,149,473
Total liabilities						**20,377,794**

Additions to non-current assets comprise additions to property, plant and equipment (Note 10) and intangible assets (Note 11).

Recognition and reversal of impairment allowances

2010	Refinery	Retail	Petrochemical	Other	Consolidated
Recognition of impairment allowances	(188,619)	(22,199)	(85,850)	(358)	**(297,026)**
Reversal of impairment allowances	81,863	87,630	126,626	412	**296,531**

2009	Refinery	Retail	Petrochemical	Other	Consolidated
Recognition of impairment allowances	(136,190)	(100,434)	(103,450)	--	**(340,074)**
Reversal of impairment allowances	241,463	93,201	76,361	29,564	**440,589**

Geographical information

	Revenues		Total assets	
	2010	2009	2010	2009
Czech Republic	59,683,619	50,544,074	60,146,183	57,138,036
Germany	7,850,820	4,676,627	167,406	175,162
Poland	2,678,541	1,419,266	--	--
Slovakia	6,166,200	4,002,213	1,134,220	860,084
Other countries	9,587,357	6,744,320	22,989	75,848
Total	**85,966,537**	**67,386,500**	**61,470,798**	**58,249,130**

With the exception of the Czech Republic no other individual country accounted for more than 10% of consolidated revenues or assets. Revenues are based on the country in which the customer is located. Total assets are based on location of the assets.

Major customer

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

Revenues from major products and services

The following is an analysis on the Group's external revenues from its major products and services:

External revenues from major products and services	2010	2009
Refinery	**46,389,674**	**36,672,796**
Diesel	23,022,205	17,147,240
Gasoline	9,659,408	7,797,728
Bitumen	2,336,904	1,966,770
Lubricants	771,597	706,937
Other refinery products	6,832,365	5,447,810
Services	3,767,195	3,606,311
Retail	**8,498,507**	**7,261,229**
Refinery products	8,185,920	6,928,759
Services	312,587	332,470
Petrochemical	**30,978,308**	**23,376,058**
Ethylene	3,677,893	2,576,475
Benzene	3,738,697	2,162,073
Urea	976,596	868,296
Ammonia	904,098	1,332,043
C4 fraction	1,581,889	1,336,845
Polyethylene (HDPE)	7,108,208	5,946,023
Polypropylene	6,697,248	4,112,521
Other petrochemical products	4,919,496	3,952,291
Services	1,374,183	1,089,491
Other	**100,048**	**76,417**
Total	**85,966,537**	**67,386,500**

5. Operating expenses and incomes

The following table shows the most significant types of operating expenses analysed by nature and operating incomes categories.

2010	Cost of sales	Distribution costs	Administrative expenses	Other operating income / (expenses)	Total
Materials consumed	(63,314,873)	(200,507)	(22,353)	--	**(63,537,733)**
Cost of merchandise and materials sold	(4,991,388)	--	--	--	**(4,991,388)**
Energy	(2,070,341)	(1,231)	(5,776)	--	**(2,077,348)**
Repairs and maintenance	(1,174,012)	(24,832)	(15,926)	--	**(1,214,770)**
Other services	(5,019,494)	(1,006,291)	(251,393)	--	**(6,277,178)**
Personnel expenses	(1,731,424)	(231,547)	(614,286)	--	**(2,577,257)**
Depreciation					
- owned assets	(2,734,218)	(402,277)	(27,272)	--	**(3,163,767)**
- leased assets	(91,832)	(20,626)	(571)	--	**(113,029)**
Amortization	(136,889)	(33,319)	(48,535)	--	**(218,743)**
Impairment losses on intangible assets and PPE recognised / (released)	--	--	--	67,686	**67,686**
Inventory write-down released /	(43,009)	--	--	--	**(43,009)**
Impairment to receivables released / (recognized)	--	--	--	(25,171)	**(25,171)**
Research expenditures	(17,958)	(9,253)	--	--	**(27,211)**
Investment property expense	--	--	--	(1,314)	**(1,314)**
Non-cancellable operating lease rentals	(31,109)	--	(13,532)	--	**(44,641)**
Profit / (loss) on disposal of PPE and intangible assets	--	--	--	159,305	**159,305**
Release / (Addition) to provisions	--	--	--	(61,883)	**(61,883)**
Insurance	(145,748)	(6,410)	(109,802)	--	**(261,960)**
Addition to provisions for CO2	(1,082,904)	--	--	--	**(1,082,904)**
CO2 rights grant recognition	1,066,971	--	--	254,135	**1,321,106**
Taxes and charges	(26,644)	(2,162)	(25,604)	--	**(54,410)**
Other expenses	(88,082)	(25,210)	(41,540)	(55,986)	**(210,818)**
Other income	--	--	--	147,956	**147,956**
Operating expenses	**(81,632,954)**	**(1,963,665)**	**(1,176,590)**	**484,728**	**(84,288,481)**
Revenue					**85,966,537**
Results from operating activities					**1,678,056**

2009	Cost of sales	Distribution costs	Administrative expenses	Other operating income / (expenses)	Total
Materials consumed	(46,184,88	(300,505)	(62,102)	--	**(46,547,489)**
Cost of merchandise and materials sold	(6,692,368)	--	--	--	**(6,692,368)**
Energy	(1,690,428)	(1,108)	(6,903)	--	**(1,698,439)**
Repairs and maintenance	(1,097,408)	(23,103)	(12,798)	--	**(1,133,309)**
Other services	(4,709,038)	(991,551)	(327,503)	--	**(6,028,092)**
Personnel expenses	(1,746,731)	(229,572)	(605,300)	268	**(2,581,335)**
Depreciation					
- owned assets	(2,652,079)	(398,153)	(39,186)	--	**(3,089,418)**
- leased assets	(103,486)	(28,694)	(534)	--	**(132,714)**
Amortization	(149,612)	(13,072)	(47,377)	--	**(210,061)**
Impairment losses on intangible assets and	--	--	--	19,406	**19,406**
Inventory write-down released / (recognized)	132,505	--	--	--	**132,505**
Impairment to receivables released / (recognized)	--	--	--	(51,396)	**(51,396)**
Research expenditures	(14,545)	(9,729)	--	--	**(24,274)**
Investment property expense	--	--	--	(1,301)	**(1,301)**
Non-cancellable operating lease rentals	(32,384)	--	(16,570)	--	**(48,954)**
Profit / (loss) on disposal of PPE and intangible assets	--	--	--	1,356,895	**1,356,895**
Release / (Addition) to provisions	--	--	--	(948,701)	**(948,701)**
Insurance	(181,957)	(3,753)	(90,753)	--	**(276,463)**
Derecognition of negative goodwill	--	--	--	86,640	**86,640**
Taxes and charges	(24,693)	(1,609)	(23,543)	--	**(49,845)**
Other expenses	(82,516)	(24,191)	(110,306)	(51,152)	**(268,165)**
Other income	--	--	--	146,653	**146,653**
Operating expenses	**(65,229,62**	**(2,025,040)**	**(1,342,875)**	**557,312**	**(68,040,22**
Revenue					**67,386,500**
Results from operating activities					**(653,725)**

6. Finance income and finance costs

	2010	2009
Finance income		
Interest income:		
- bank deposits	17,262	28,583
- loans and receivables	63,928	44,237
Total Interest income	**81,190**	**72,820**
Dividend income	7,759	10,183
Revaluation of investments	--	2,200
Other finance income	7,188	12,715
Total finance income	**96,137**	**97,918**
Finance costs		
Interest expense:		
- bank overdrafts, loans and borrowings	(265,862)	(310,344)
- finance leases	(287)	(2,359)
- other	(2,808)	(784)
Total Interest expense	(268,957)	(313,487)
Less amounts included in qualifying assets	2,780	3,084
Borrowing costs recognized in the statement of comprehensive income	**(266,177)**	**(310,403)**
Net foreign exchange losses	(117,773)	(120,891)
Revaluation of investments	(5,916)	(3,000)
Net loss arising on derivatives	(99,660)	(150,826)
Other finance expenses	(98,974)	(76,805)
Total finance costs	**(588,500)**	**(661,925)**
Net finance costs	**(492,363)**	**(564,007)**

7. Personnel expenses

The number of employees and managers and their remuneration for 2010 and 2009 are as follows:

2010	Employees	Key Management	Total
Number of employees average per year FTE*	3,905	71	**3,976**
Number of employees as at balance sheet day**	3,788	69	**3,857**
Wages and salaries	1,629,039	234,636	**1,863,675**
Social and health insurance	590,860	42,443	**633,303**
Social expense	39,279	1,331	**40,610**
Part of expenses related to benefit plans	27,359	224	**27,583**

2009	Employees	Key Management	Total
Number of employees average per year FTE*	4,092	99	**4,191**
Number of employees as at balance sheet day**	3,925	99	**4,024**
Wages and salaries	1,646,202	204,749	**1,850,951**
Social and health insurance	608,242	43,821	**652,063**
Social expense	33,588	1,339	**34,927**
Part of expenses related to benefit plans	31,688	458	**32,146**

* FTE – full time equivalent

** In case of companies consolidated under proportionate method relevant percentage is used; number of employees comprises only active employees

In 2010 the remuneration of members of the Board of directors was CZK 4,711 thousand (CZK 4,714 thousand in 2009). The remuneration of members of the Supervisory board was CZK 6,507 thousand in 2010 (CZK 6,802 thousand in 2009). Cost of social and health insurance connected with members of Board of directors and Supervisory board remuneration amounted to CZK 868 thousand in 2010 (CZK 847 thousand in 2009).

8. Income tax

	2010	2009
Current tax – Czech Republic	(122,413)	(97,651)
Current tax – other countries	(31,544)	(25,082)
Deferred tax	(95,003)	495,191
Income tax (expense) credit	**(248,960)**	**372,458**

Domestic income tax is calculated in accordance with Czech tax regulations at the rate of 19 % in 2010 (2009: 20 %) of the estimated taxable income for the year. The deferred tax has been calculated using tax rate approved for years 2010 and forward i.e. 19 %. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Reconciliation of effective tax rate

	2010		2009	
Profit / (loss) for the year		936,733		(845,274)
Total income tax expense / (credit)		248,960		(372,458)
Profit / (loss) excluding income tax		1,185,693		(1,217,732)
Income tax using domestic income tax rate	19 %	225,282	20 %	(243,546)
Effect of tax rates in foreign jurisdictions	0 %	3,929	0 %	2,558
Non-deductible expenses	1 %	15,498	(3 %)	39,859
Tax exempt income	0 %	(1,474)	1 %	(11,392)
Recognition of previously unrecognised tax losses	0 %	--	11 %	(136,734)
Change in unrecognised temporary differences	0 %	(2,133)	3 %	(28,052)
Tax penalties	0 %	--	0 %	(344)
Under (over) provided in prior periods	0 %	--	(2 %)	21,814
Other differences	1 %	7,858	1 %	(16,621)
Total income tax (expense) credit	**21 %**	**248,960**	**31 %**	**(372,458)**

9. Earnings per share

Basic earnings per share

	2010	2009
Profit / (loss) for the period attributable to equity holders (in CZK '000)	936,733	(840,295)
Weighted average number of shares	181,334,764	181,334,764
Earnings per share (in CZK)	**5.17**	**(4.63)**

Diluted earnings per share

Diluted earnings per share are the same as basic earnings per share.

10. Property, plant and equipment

	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Constructio n in progress	Total
Cost						
Balance at 01/01/2009	**1,239,845**	**22,515,951**	**35,430,441**	**2,945,703**	**4,177,310**	**66,309,250**
Additions	5,089	86,037	399,734	155,203	1,877,244	2,523,307
Disposals	(18,171)	(36,649)	(480,264)	(179,303)	--	(714,387)
Reclassifications	17,692	820,610	1,674,587	209,130	(2,733,208)	(11,189)
Other	(6,460)	(98,981)	(244,618)	(1,788)	(113,927)	(465,774)
FX differences	--	(356)	(13)	(200)	--	(569)
Balance at 31/12/2009	**1,237,995**	**23,286,612**	**36,779,867**	**3,128,745**	**3,207,419**	**67,640,638**
Additions	--	19,378	64,385	28,405	1,375,014	1,487,182
Disposals	(5,312)	(93,976)	(379,318)	(213,863)	(5,668)	(698,137)
Reclassifications	32,634	839,291	2,201,258	119,688	(3,276,477)	(83,606)
Other	--	(181)	(24,062)	956	(17)	(23,304)
FX differences	--	2,184	(46)	(392)	--	1,746
Balance at 31/12/2010	**1,265,317**	**24,053,308**	**38,642,084**	**3,063,539**	**1,300,271**	**68,324,519**
Depreciation						
Balance at 01/01/2009	**--**	**7,767,862**	**19,870,796**	**1,659,274**	**--**	**29,297,932**
Charge for the period	--	622,602	2,298,872	300,657	--	3,222,131
Disposals	--	(123,548)	(994,705)	(163,144)	--	(1,281,397)
Other	--	9,209	253,174	3,088	--	265,471
FX differences	--	--	(12)	(150)	--	(162)
Balance at 31/12/2009	**--**	**8,276,125**	**21,428,125**	**1,799,725**	**--**	**31,503,975**
Charge for the period	--	594,226	2,375,966	306,604	--	3,276,796
Disposals	--	(66,508)	(372,649)	(183,841)	--	(622,998)
Other	--	65	(99)	820	--	786
FX differences	--	--	(45)	(343)	--	(388)
Balance at 31/12/2010	**--**	**8,803,908**	**23,431,298**	**1,922,965**	**--**	**34,158,171**
Impairment						
Balance at 01/01/2009	**50,724**	**188,319**	**97,745**	**5,175**	**1,861**	**343,824**
Impairment losses	3,000	60,923	21,068	3,551	--	88,542
Reversal of impairment	(13,000)	(62,953)	(28,709)	(1,853)	(827)	(107,342)
Balance at 31/12/2009	**40,724**	**186,289**	**90,104**	**6,873**	**1,034**	**325,024**
Impairment losses	--	22,637	42,634	116	20,552	85,939
Reversal of impairment	(2,100)	(61,150)	(84,022)	(6,353)	--	(153,625)
Balance at 31/12/2010	**38,624**	**147,776**	**48,716**	**636**	**21,586**	**257,338**
Carrying amount at	**1,189,121**	**14,559,770**	**15,461,900**	**1,281,254**	**4,175,449**	**36,667,494**
Carrying amount at	**1,197,271**	**14,824,198**	**15,261,638**	**1,322,147**	**3,206,385**	**35,811,639**
Carrying amount at	**1,226,693**	**15,101,624**	**15,162,070**	**1,139,938**	**1,278,685**	**33,909,010**

According to IAS 23 the Group capitalizes those borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, as part of the cost of that asset. Borrowing costs capitalized in the year ended 31 December 2010 amounted to CZK 2,780 thousand (31 December 2009 CZK 3,084 thousand).

Impairment allowances disclosed in the property, plant and equipment movement table are equal to the amount by which the carrying amount of assets exceeds their recoverable amount. Recognition and reversal of impairment allowances for property, plant and equipment are recognized in other operating activities. In 2010 the major part of impairment was created by the Group in connection with shutdown of heating plant T200 (CZK 28,400 thousand) and in connections with suspension of investment projects (CZK 20,552 thousand).

As at 31 December 2010 the Group reviewed economic useful lives of property, plant and equipment applied before according to its accounting policy. Should the rates from the previous year be applied, deprecation expense for 2010 would be lower by CZK 3,585 thousand.

The gross book value of all fully depreciated property, plant and equipment still in use as at 31 December 2010 amounted to CZK 12,088,991 thousand and as at 31 December 2009 amounted to CZK 9,685,402 thousand.

The carrying amount of idle property, plant and equipment amounted to CZK 80,458 thousand as at 31 December 2010 (CZK 104,240 thousand as at 31 December 2009).

Pledged assets

The Group's gas stations, buildings, machinery and land are pledged to secure the Groups' liabilities.

Bank – lender	Asset pledged	Acquisition cost of pledged assets	Outstanding amount of loan secured
ČSOB	Buildings	1,709,900	12,017
Total at 31/12/2010		**1,709,900**	**12,017**

Bank – lender	Asset pledged	Acquisition cost of pledged assets	Outstanding amount of loan secured
ČSOB	Buildings	1,690,562	84,155
Total at 31/12/2009		**1,690,562**	**84,155**

11. Intangible assets

	Software	Licences, patents and trade	Goodwil l	Assets under developme	CO2 emission allowance	Other intangible assets	Total
Cost							
Balance at 01/01/2009	**797,080**	**1,948,651**	**51,595**	**35,861**	**--**	**399,857**	**3,233,044**
Additions	31,024	466	--	499,556	--	3,281	**534,327**
Disposals	(428)	--	--	(5,712)	--	(362,875)	**(369,015)**
Reclassifications	18,592	10,344	--	(424,781)	--	407,034	**11,189**
Other	(18,803)	--	--	103,067	--	(3,044)	**81,220**
FX differences	(19)	--	--	--	--	--	**(19)**
Balance at 31/12/2009	**827,446**	**1,959,461**	**51,595**	**207,991**	**--**	**444,253**	**3,490,746**
Additions	10,046	289	--	157,714	1,521,675	1,793	**1,691,517**
Disposals	(96,642)	(17,472)	--	--	(1,711,559)	(620)	**(1,826,293)**
Reclassifications	158,347	108,012	--	(265,247)	--	82,382	**83,494**
Other	32,247	(16)	--	(3,180)	403,723	(27,445)	**405,329**
FX differences	(40)	--	--	--	--	--	**(40)**
Balance at 31/12/2010	**931,404**	**2,050,274**	**51,595**	**97,278**	**213,839**	**500,363**	**3,844,753**
Amortization							
Balance at 01/01/2009	**717,295**	**670,934**	**--**	**--**	**--**	**224,923**	**1,613,152**
Charge for the year	42,056	100,771	--	--	--	67,234	**210,061**
Disposals	(813)	--	--	--	--	(12,179)	**(12,992)**
Other	--	--	--	--	--	12,351	**12,351**
FX differences	(10)	--	--	--	--	--	**(10)**
Balance at 31/12/2009	**758,528**	**771,705**	**--**	**--**	**--**	**292,329**	**1,822,562**
Charge for the year	50,582	105,156	--	--	--	63,005	**218,743**
Disposals	(96,642)	(13,918)	--	--	--	(365)	**(110,925)**
Other	26,963	(12)	--	--	--	(21,500)	**5,451**
FX differences	(26)	--	--	--	--	--	**(26)**
Balance at 31/12/2010	**739,405**	**862,931**	**--**	**--**	**--**	**333,469**	**1,935,805**
Impairment							
Balance at 01/01/2009	**--**	**--**	**--**	**--**	**--**	**606**	**606**
Reversal of impairment losses	--	--	--	--	--	(606)	**(606)**
Balance at 31/12/2009	**--**	**--**	**--**	**--**	**--**	**--**	**--**
Reversal of impairment losses	--	--	--	--	--	--	**--**
Balance at 31/12/2010	**--**	**--**	**--**	**--**	**--**	**--**	**--**
Carrying amount at	**79,785**	**1,277,717**	**51,595**	**35,861**	**--**	**174,328**	**1,619,286**
Carrying amount at	**68,918**	**1,187,756**	**51,595**	**207,991**	**--**	**151,924**	**1,668,184**
Carrying amount at	**191,999**	**1,187,343**	**51,595**	**97,278**	**213,839**	**166,894**	**1,908,948**

Recognition and reversal of impairment allowances for intangible assets are recognized in other operating activities.

Software increased due to RIS system purchase in acquisition price of CZK 136,040 thousand. Licences, patents and trade marks include licenses related to production of plastics (high-density polyethylene- HDPE and polypropylene), which account for CZK 1,076,871 thousand of carrying amount as of 31 December 2010 (CZK 1,134,739 thousand as of 31 December 2009) and the unicracking process licence in carrying amount of CZK 5,778 thousand as of 31 December 2010 (CZK 7,705 thousand as of 31 December 2009). Other intangible assets include development costs in carrying amount of CZK 145,105 thousand as of 31 December 2010.

There were no changes in economic useful lives of intangible assets applied according to Group's accounting policy in 2010 and 2009.

The gross book value of all fully amortized intangible assets still in use as at 31 December 2010 amounted to CZK 1,503,173 thousand and as at 31 December 2009 amounted to CZK 1,522,138 thousand.

CO2 emission rights

In 2008 the Group obtained allowances for carbon dioxide emissions according to the Czech National Allocation Scheme for years 2008-2012. The total number of the emission allowances allocated to the Group for the period 2008-2012 was 18,819,992 tons.

Information about emission allowances in the reporting period:

	value	In tons
Emission allowances at 31 December 2009	184,668	609,321
Emission allowances granted in 2010	1,242,692	3,775,436
Settled emission allowances for 2009	(1,023,637)	(3,144,669)
Emission allowances acquired in 2010	1,521,675	4,275,302
Sales of emissions allowances in 2010	(1,711,559)	(4,859,319)
Estimated emission allowances at 31 December 2010	**213,839**	**656,071**
Estimated utilization of allowances in 2010	(1,082,904)	(3,090,467)
Planned way to cover the deficit, including:	869,065	2,434,396
The use of following tranche	144,064	416,597
Purchase transactions concluded on 31 December 2010	725,001	2,017,799

On 18 February 2010 the Group received CO2 allowances in amount of 3,775,436 tons. On that day the market value of one CO2 allowance was EUR 12.80.

The emission allowances acquired and sold by the Group during the year 2010 are included in the statement of consolidated cash flows respectively under investing activities in Acquisition of property, plant and equipment and intangible assets and Proceeds from disposals of property, plant and equipment and intangible assets respectively.

Goodwill

The goodwill amounted to CZK 51,595 thousand as at 31 December 2010 (31 December 2009 CZK 51,595 thousand). It results from the acquisition of 0.221 % share in the registered capital of ČESKÁ RAFINÉRSKÁ, a.s. during the year ended 31 December 2007.

As at 31 December 2010, the Group reviewed the economic value of goodwill in accordance with the requirements of IAS 36 and concluded that there is no impairment.

Purchase of shares of PARAMO, a.s.

On 4 March 2009 the purchase of 8.24 % share of PARAMO a.s. was completed. The negative goodwill amounting to CZK 86,640 thousand was recognised in other operating income.

The share of 8.24 % in the fair value of the identifiable assets and liabilities of PARAMO a.s. as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Carrying value	Fair value recognized on acquisition
Non-current assets	163,188	163,188
Current assets	173,927	173,927
Total assets	**337,115**	**337,115**
Non-current liabilities	8,233	8,233
Current liabilities	135,172	135,172
Total liabilities	**143,405**	**143,405**
Net assets	**193,710**	**193,710**
Consideration, covered by cash		107,070
Negative goodwill on acquisition		**86,640**

Cash outflow on acquisition:	
Net cash acquired	871
Cash paid	107,070
Net cash outflow	**106,199**

12. Investment property

Investment property at 31 December 2010 comprised the land owned by the Group and leased to third parties. The changes recorded during the year ended 31 December 2010 are presented in the following table:

	2010	2009
Investment property at 1 January	**162,627**	**160,057**
Purchase	112	4,214
Disposals	(549)	(1,441)
Transfer to Property, plant and equipment	--	(846)
Transfer from Property, plant and equipment	--	643
Total balance at 31 December	**162,190**	**162,627**

Rental income amounted to CZK 20,698 thousand in 2010 (2009: CZK 20,494 thousand). Operating costs that in reporting period generated rental income from Investment property amounted 1,314 CZK thousand in 2010 (2009: CZK 1,301 thousand).

Future rental income is as follows:

	Less than one year	Between one and five years
Total future rental income	21,008	90,527

Depending on the characteristics of the investment property, its fair value was assessed by an independent surveyor based on comparison approach. Comparison approach was applied assuming that the value of assessed property was equal to the market price of a similar property.

13. Other investments

The Group has equity investments amounting to CZK 192,425 thousand as at 31 December 2010 (CZK 198,343 thousand as at 31 December 2009), which represent ownership interests in companies that do not have quoted market price and whose fair value cannot be reliably measured and therefore are carried at acquisition cost, less any impairment losses.

14. Non-current receivables

The Group has provided a loan to ČESKÁ RAFINÉRSKÁ, a.s. in the amount of CZK 174,952 thousand (31 December 2009: CZK 206,287 thousand) for reconstruction of production unit. Part of this receivable in amount of CZK 89,619 thousand was eliminated as an intergroup transaction. The loan is due in 2016 and bears interest of 1M PRIBOR increased by mark up. Short term part of the loan in amount of CZK 15,284 thousand is presented in other receivables. The Group also presents non-current receivables from cash deposits to operators of fuel stations in amount of CZK 21,356 thousand and prepayments for investments in amount of CZK 37,110 thousand.

Due date	Due within 1-3 year	Due 3-5 years	Due within more than 5 years	Total
31/12/2010	70,585	48,982	10,657	**130,224**
31/12/2009	49,890	32,600	38,689	**121,179**

The management considers that carrying amount of receivables approximates their fair value.

15. Deferred tax assets and liabilities

Deferred income taxes result from future tax benefits and costs related to the differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. The deferred income taxes have been calculated using the tax rate expected to apply to periods when the respective asset is realized or liability is settled (i.e. 19 % in 2011 and onward).

The movement for the year in the Group's net deferred tax position was follows:

	2010	2009
At 1 January	**(1,615,519)**	**(2,113,931)**
Deferred tax recognised in the Statements of comprehensive income	(95,003)	495,191
FX difference	29	2,712
Tax charged to other comprehensive income	--	509
At 31 December	**(1,710,493)**	**(1,615,519)**

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

Deferred tax assets	01/01/2010	Recognised in profit or loss	FX differences	31/12/2010
Property, plant and equipment	82,146	(50,444)	--	31,702
Provisions	301,272	(6,039)	(537)	294,696
Unused tax losses carried forward	516,889	19,325	--	536,214
10% investment relief	1,582	(1,582)	--	--
Other	129,939	50,799	522	181,260
Total deferred tax assets	**1,031,828**	**12,059**	**(15)**	**1,043,872**

Deferred tax liabilities	01/01/2010	Recognised in profit or loss	FX differences	31/12/2010
Property, plant and equipment	2,420,737	97,477	(39)	2,518,175
Inventory	76,193	23,176	--	99,369
Provisions	38,087	(155)	--	37,932
Finance lease	110,113	(17,930)	--	92,183
Other	2,217	4,494	(5)	6,706
Total deferred tax liabilities	**2,647,347**	**107,062**	**(44)**	**2,754,365**

Deferred income tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	31/12/2010	31/12/2009
Deferred tax asset	48,280	99,409
Deferred tax liability	(1,758,773)	(1,714,928)
Net	**(1,710,493)**	**(1,615,519)**

Deferred income tax assets are recognised for tax loss and deductible temporary differences carried forward to the extent that realisation of the related tax benefit through the future taxable profit is probable.

In the calculation of Deferred tax assets in 2010 The Group has recognized all tax deductible temporary differences. In previous period the temporary differences in the amount of CZK 73,975 thousand had not been recognised due to unpredictability of future taxable income.

16. Inventories

	31/12/2010	31/12/2009
Raw materials	3,422,109	2,564,312
Net realisable value allowance for raw materials	(57,957)	(176,683)
Work in progress	1,444,554	1,361,751
Net realisable value allowance for work in progress	(2,570)	(4)
Finished goods	3,571,204	3,087,124
Net realisable value allowance for finished goods	(16,815)	(20,095)
Goods for sale	464,998	435,327
Net realisable value allowance for goods for sale	(4,347)	(8,521)
Spare parts	1,638,240	1,615,302
Net realisable value allowance for spare parts	(265,901)	(260,240)
Total inventory	**10,193,515**	**8,598,273**

Changes in the net realisable value allowances for inventories amount to CZK 43,009 thousand and are included in cost of sales (CZK 132,505 thousand in 2009) see Note 5.

17. Trade and other receivables

	31/12/2010	31/12/2009
Trade receivable	9,945,746	9,900,832
Excise tax receivable	347,537	149,587
Taxation, duty, and social security receivable	17,603	29,967
Other receivables	101,839	146,610
Gross trade and other receivables	**10,412,725**	**10,226,996**
Impairment losses	(925,095)	(916,972)
Net trade and other receivables	**9,487,630**	**9,310,024**

Trade receivables result primarily from sales of finished goods and sales of merchandise. The management considers that the carrying amount of trade receivables approximates their fair value. The average credit period on sales of goods is 35 days. No interest is charged on the trade receivables for the first 3 days after the due date. Thereafter, interest is charged using 2W REPO actual rate or 6M EURIBOR actual rate.

The Group exposure to credit and currency risk related to trade and other receivables is disclosed in note 29 and detailed information about receivables from related parties is presented in note 32.

Movement in the impairment loss allowance

	31/12/2010	31/12/2009
Balance at beginning of the year	**916,972**	**923,926**
Increases	124,970	106,029
Utilization	(7,987)	(56,947)
Release	(99,799)	(54,633)
F/X differences	(9,061)	(1,403)
Balance at end of the year	**925,095**	**916,972**

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

18. Short-term financial assets

	31/12/2010	31/12/2009
Loans	533,435	250,214
Derivative financial instruments	6,907	137,423
Financial assets held to maturity	--	359,405
Total	**540,342**	**747,042**

Loans and receivables

The Group provided short-term loans to related entities. The carrying amount of the loan amounted CZK 533,435 thousand as at 31 December 2010 (31 December 2009 CZK 250,214 thousand). The interest rates were based on appropriate inter-bank rates and the fair value of the loan approximated its carrying amount as at 31 December 2010. The loan in amount of CZK 500,035 thousand provided to related entity belonging to PKN ORLEN Group is fully guaranteed.

Financial instruments at fair value through profit and loss

Transactions with derivative financial instruments are subject to risk management procedures. The Group is exposed to foreign currency risk resulting mainly from purchase of crude oil in USD and selling of products in EUR. It is the Group policy to mitigate this risk by entering into the various hedging arrangements.

The Group analyses the risk arising from discrepancies in the pricing formulas in purchases of crude oil and sales of products and reduces it by entering into commodity swaps.

The Group is exposed to commodity price risk resulting from the adverse changes in raw material, mainly crude oil prices. Management addresses these procurement risks by means of a commodity and supplier risk management.

The Group monitors the emission allowances granted to the Group under National Allocation Plan and CO2 emissions planned. The Group enters into transactions on emission allowances market in order to cover shortages or utilize the excess of obtained emission allowances over the required amount.

The following table shows the contract principal amounts, fair values of derivative financial instruments analysed by type of contracts. The contract or underlying principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The markets and standard pricing models of financial instruments determine the fair values.

	Contract principal amount		Fair value of derivatives	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Non-delivery Forwards / sale of EUR	36,640 T		3,441	
Non-delivery Forwards / sale of USD	17,760 T		3,260	
Forwards USD/EUR	17,000 T	5,000 T USD	206	16
Emission Allowances Swap EUA/CER	--	4,732 T EUR	--	95,527
Forwards USD/CZK	--	33,000 T	--	41,472
SWAP EUR/CZK	--	10,100 T	--	408
Total financial derivative – assets			**6,907**	**137,423**

The settlement date of above presented financial instruments is no later than 15 December 2011, all related balances are presented as current assets.

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

Derivative financial instruments- finance result

	2010			2009		
	Financial income	Financial cost	Net gain / (loss)	Financial income	Financial cost	Net gain / (loss)
Emission Allowances Swaps EUA/CER	--	95,527	(95,527)	--	59,867	(59,867)
Currency Swaps	3,624	--	3,624	--	726	(726)
Commodity Swap	--	15,487	(15,487)	--	--	--
Forwards	7,730	--	7,730	--	90,233	(90,233)
Total	**11,354**	**111,014**	**(99,660)**	**--**	**150,826**	**(150,826)**

Financial assets held to maturity

Following table presents detailed information regarding promissory notes bought in 2009:

Counterparty	Currency	Maturity date	31/12/2010	31/12/2009
ČEZ, a.s.	CZK	03/03/2010	--	101,004
ČEZ, a.s.	CZK	22/04/2010	--	76,008
ČEZ, a.s.	CZK	24/05/2010	--	50,703
ČEZ, a.s.	CZK	03/02/2010	--	75,937
ČEZ, a.s.	CZK	22/03/2010	--	55,753
Total			**--**	**359,405**

19. Cash and cash equivalents

	31/12/2010	31/12/2009
Cash in hand and at bank	4,598,611	1,085,223
Short-term bank deposits	143,220	100,498
Total cash and cash equivalents	**4,741,831**	**1,185,721**

Short-term bank deposits comprise deposits with maturity of three months or less and obligatory deposits relating to the bank loans. The carrying amount of these assets approximates their fair value. Withdrawals from the Group's bank account with Komerční banka, a.s. must be approved by the Environmental Department of the District Authority in Ústí nad Labem. The account had balance of CZK 51,743 thousand (31 December 2009 CZK 51,343 thousand).

20. Assets held for sale

As at 31 December 2009 Group held 97 shares in CELIO a.s. in nominal value of 1,000 thousand CZK. The Group's share in CELIO a.s. was classified as a current asset held for sale since its carrying amount was to be recovered principally through a sale transaction rather than through continuing use. The management approved a plan to sell its investment in CELIO a.s. The carrying amount of the investment was CZK 78,333 thousand as at 31 December 2009.

On 24 March 2010 UNIPETROL, a.s. and UNIPETROL RPA, s.r.o. as the sellers entered into an agreement for the sale and purchase of 50 % of shares in CELIO a.s. with TICATANOR s.r.o., a special purpose vehicle established by two top managers of CELIO a.s., as the buyer.

Under the agreement 10.53 % of the shares owned by UNIPETROL, a.s. and 39.47 % owned by UNIPETROL RPA, s.r.o. were sold on 14 April 2010. On the same date the remaining 1.06 % of the shares in CELIO a.s. owned by UNIPETROL RPA, s.r.o. was sold to B.E. Fin S.A. As a consequence of transactions, CELIO has currently two shareholders B.E. Fin S.A and TICATANOR s.r.o. each of them holding a 50% stake.

The closing of both transactions resulted in exit of UNIPETROL, a.s. and UNIPETROL RPA, s.r.o. from CELIO a.s. as of 14 April 2010. The Group under above mentioned transactions sold in total a shareholding of 51.06% in CELIO for the aggregate selling price of CZK 78,333 thousand.

21. Share capital

The issued capital of the parent company as at 31 December 2010 was CZK 18,133,476 thousand (2009 - CZK 18,133,476 thousand). This represents 181,334,764 (2009 - 181,334,764) bearer ordinary shares, each with a nominal value of CZK 100. All issued shares have been fully paid and bear equal voting rights. The Company's shares are listed on the Prague stock exchange.

22. Statutory reserves

In accordance with the Czech Commercial Code, joint stock companies are required to establish a reserve fund for possible future losses and other events. Contributions must be a minimum of 20 % of the profit for the period in the first year in which profits are generated and 5 % of profit each year thereafter until the fund reaches at least 20 % of the issued capital. The balance of Statutory reserve fund amounted as at 31 December 2010 to CZK 2,452,698 thousand (31 December 2009 – CZK 2,425,274 thousand).

23. Retained earnings and dividends

Dividends

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

The Ordinary General Meeting of UNIPETROL, a.s. held on 28 June 2010 decided on appropriation of the unconsolidated profit for 2009 amounting to CZK 261,864 thousand. In accordance with Article 26 (1) of the Company's Articles of Association CZK 13,093 thousand was allocated to the reserve fund and CZK 248,771 thousand to retained earnings. The decision regarding allocation of 2010 profit will be made on the annual general meeting of shareholders, which will be held in May / June 2011.

24. Loans and borrowings

This note provides information about the contractual terms of the Group's interest – bearing loans and borrowings, which are measured at amortised cost.

	31/12/2010	31/12/2009
Non – current loans and borrowings		
Unsecured bonds issued	2,000,000	2,000,000
Finance lease liability	13,357	19,363
Secured bank loans	--	12,000
Total non – current loans and borrowings	**2,013,357**	**2,031,363**
Current loans and borrowings		
Current portion of unsecured bonds issued	102,634	136,614
Unsecured bank loans	86,748	140,069
Current portion of secured bank loans	12,017	72,154
Current portion of financial leasing	11,055	17,417
Total current loans and borrowings	**212,454**	**366,254**

Unsecured bonds issued

In 1998 the Company issued 2,000 bonds at a total nominal value of CZK 2,000,000 thousand. The nominal value of bonds matures in 15 years from the issue date at their nominal value of CZK 2,000,000 thousand. The interest rate is 0 % p.a. for the first two years and 12.53 % p.a. in subsequent years. The effective interest rate is 9.82 %. Interest is payable on an annual basis. Interest expense is accrued using the effective interest rate method. The aggregate carrying amount of bonds issued is CZK 2,102,634 thousand (CZK 2,136,614 thousand at 31 December 2009). Part of the liability due within 12 months is presented in current liabilities. Using the actual market interest rate, based on the analysis of the current market conditions, the fair value of the aggregate liability arising from the bonds is currently estimated at CZK 2,518,730 thousand (CZK 2,634,838 thousand at 31 December 2009). Accrued interest, which will be repaid before 31 December 2011, is presented within current loans and borrowings amounts to CZK 102,634 thousand (CZK 136,614 thousand at 31 December 2009). The remaining current portion of bank loans is CZK 12,017 thousand (CZK 72,155 thousand as at 31 December 2009).

Secured bank loans

The bank loan is secured over property plant and equipment with carrying amount of CZK 1,709,900 thousand (2009: CZK 1,690,562 thousand). The loan is due in 2011 and the interest rate is based on PRIBOR inter-bank rate.

Analyses of bank loans

	USD	EUR	CZK	Total
Balance as at 1 January 2010	**11,737**	**113,021**	**87,466**	**212,224**
Loans taken	36,327	673,455	3,669,047	**4,378,829**
Accrued interest as balance sheet date	--	67	24	**91**
Conversion from/to short term – long term	--	--	12,000	**12,000**
Repayment	(11,736)	(755,126)	(3,736,263)	**(4,503,125)**
Repayment of accrued interest	(1)	(4)	(1,202)	**(1,207)**
FX differences	--	(47)	--	**(47)**
Balance as at 31 December 2010	**36,327**	**31,366**	**31,072**	**98,765**

Short-term bank loans are subject to normal credit terms and their carrying amounts approximate fair values. Average effective interest rate as at 31 December 2010 was 1.79 % (31 December 2009: 2.23 %).

Financial leases

	Minimum lease payments		Present value of minimum lease payments	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Amounts payable under finance leases:				
Not later than one year	12,093	18,152	11,055	17,417
Later than one year and not later than five years	14,191	20,221	13,357	19,363
Less: future finance charges	(1,872)	(1,593)	--	--
Present value of lease obligation	**24,412**	**36,780**	**24,412**	**36,780**
Less: Amount due for settlement within 12 months			(11,055)	(17,417)
Amount due for settlement after 12 months			**13,357**	**19,363**

It is the Group's policy to lease certain fixtures and equipment under finance leases. The average lease term is 3-4 years. For the year ended 31 December 2010, the average effective borrowing rate was 2.85%. Interest rates are fixed at the inception of the lease. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The fair value of the Group's lease obligations approximates their carrying amount. All lease obligations are denominated in Czech crowns.

25. Provisions

Long – term provision	31/12/2009	Reclassification btw. accounts	Additional provision	Utilization of provision	Release of provision	F/X differences	31/12/2010
Provisions for environmental damages and land restoration	301,246	--	17,184	(1,620)	(815)	--	315,995
Provisions for legal disputes	22,499	--	2,270	--	--	--	24,769
Employee benefits provision	32,146	--	2,572	--	(4,669)	--	30,049
Other provisions	--	--	39,292	--	(17,316)	--	21,976
Total	**355,891**	**--**	**61,318**	**(1,620)**	**(22,800)**	**--**	**392,789**

Short – term provision	31/12/2009	Reclassification btw. accounts	Additional provision	Utilization of provision	Release of provision	F/X differences	31/12/2010
Provisions for environmental damages and land restoration	5,000	--	--	(1,750)	(3,250)	--	--
Provisions for legal disputes	123,511	--	11,911	--	(386)	--	135,036
Provision on CO2 allowances	--	917,860	1,082,904	(845,263)	(72,597)	--	1,082,904
Other provisions	978,257	(917,860)	59,648	(2,470)	(33,786)	(38)	83,751
Total	**1,106,768**	**--**	**1,154,463**	**(849,483)**	**(110,019)**	**(38)**	**1,301,691**

The provision for land restoration is created as a result of the legal obligation to restore the fly-ash dump after it is discontinued. This is expected to be after 2043. The provision amounted to CZK 305,684 thousand as of 31 December 2010 (CZK 293,746 thousand as of 31 December 2009).

The provision for Bílina´s river pollution (leakage of pyrolytic gas) was fully utilized during 2010 (provision amounted to CZK 5,000 thousand as at 31 December 2009).

Provision for compensation of damage to Lesy Česká republika amounted to CZK 8,500 thousand as at 31 December 2010 (CZK 5,000 thousand as at 31 December 2009).

The provision for legal disputes is created for expected future outflows arising from legal disputes with third parties where the Group is the defendant. The Group has a provision for a penalty imposed by the Antimonopoly Office for a breach of the Economic Competition Protection Act in the amount of CZK 98,000 thousand. The provision as at 31 December 2010 included the nominal amount of penalty increased by CZK 33,021 thousand interest (CZK 25,511 thousand as at 31 December 2009). As at 31 December 2010 the Group had provisions for potential legal disputes with Air Products in amount of CZK 9,871 thousand (CZK 9,871 thousand as at 31 December 2009) and Aversen Enterprises Limited in amount CZK 6,000 thousand as at 31 December 2010 (CZK 6,000 thousand as at 31 December 2009)

Provisions for other future liabilities of the Group amounted to CZK 105,727 thousand as at 31 December 2010, out of which CZK 56,504 thousand was a provision for dismantling costs connected with liquidation of unused assets. The provision in connection with shutdown of Oxoalcohols plant was fully utilized. In 2010 the Group created provisions in connection with planned shutdown of heating plant T200 in amount of CZK 37,110 thousand as at 31 December 2010.

Provision on CO2 allowances is created for estimated CO2 emissions in the reporting period.

Provision for jubilee bonuses, retirement and pension benefits

The companies of the Group realize the program of paying out retirement benefits and jubilee bonuses in line with remuneration systems in force. The jubilee bonuses are paid to employees after elapse of a defined number of years in service. The retirement benefits are paid as one-time payments at retirement. The amount of retirement benefits as well as jubilee bonuses depends on the number of years of service and an employee's average remuneration. The base for the calculation of provision for an employee is expected benefit which the Group is obliged to pay in accordance with internal regulation. The present value of these obligations is estimated at the end of each reporting year and adjusted if there are any material indications impacting the value of the obligations. The accrued liabilities equal discounted future payments, considering employee rotation and relate to the period ended at the last day of the reporting year.

Employee benefits

	Provisions on retirements
Current value of liabilities as at 01/01/2010	(32,146)
Actuarial profit and losses	2,467
Other	(370)
Current value of liabilities as at 31/12/2010	**(30,049)**

	Provisions on retirements
Current value of liabilities as at 01/01/2009	(32,414)
The costs of current employment	(2,021)
Actuarial profit and losses	2,289
Current value of liabilities as at 31/12/2009	**(32,146)**

Total expense recognized in the Statement of comprehensive income

	2010	2009
The costs of current employment	**--**	(2,021)
Actuarial profit and losses	**2,467**	2,289
Other	**(370)**	--
Total	**2,097**	**268**

Employment benefits provisions are created for retirement benefits and jubilee bonuses received by employees, discount rate used is 3.75 % p.a., used assumptions are based on Collective agreement.

Costs of benefits are presented in the following lines of the Statement of Comprehensive Income:

	2010	2009
General and administrative expenses	**16**	--
Cost of sales	**2,081**	--
Other operating expenses	**--**	(3,749)
Other operating revenues	**--**	4,017
Total	**2,097**	**268**

26. Other non-current liabilities

	31/12/2010	31/12/2009
Deferred income from government grants	41,237	55,016
Amounts payable to business partners	91,191	92,388
Other liabilities	14,395	17,629
Total	**146,823**	**165,033**

The Group booked deferred income from government grants, which has been obtained from the German Ministry for Environmental Protection and Safety of Reactors in order to execute a pilot environmental project targeted at limiting cross-border pollution, in connection with the reconstruction of the T 700 power station and its desulphurization. The amount of the grant is amortized over the useful economic life of the respective assets financed by the grant.

All other non-current liabilities are denominated in Czech crowns.

27. Trade and other paybles and accruals

	31/12/2010	31/12/2009
Trade payables	10,544,655	8,597,884
Excise tax liabilities	4,152,280	3,965,240
Value added tax liability	892,918	887,134
Other taxation, duty and social security liabilities	115,458	102,154
Liabilities due to acquisition of property, plant and equipment	428,476	397,287
Wages and salaries liabilities	346,540	353,911
Accrued expenses	105,105	76,099
Prepayments	79,340	145,091
Dividends liabilities	30,012	31,380
Other payables	47,017	39,050
Total	**16,741,801**	**14,595,230**

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

28. Short term financial liabilities

Derivative financial instruments – liabilities

The following table presents the contract principal amounts, fair values of derivative financial instruments analysed by type of contracts. The contract or underlying principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The markets and standard pricing models of financial instruments determine the fair values.

	Contract principal amount		Fair value of derivatives	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Forwards USD/EUR	104,000 T USD	18,000 T USD	16,031	193
Forwards USD/CZK	116,900 T USD	12,000 T USD	29,092	114
Non-delivery Forwards / sale of EUR	72,800 T USD	--	23,828	--
Non-delivery Forwards / purchase of USD	49,490 T USD	--	11,325	--
Total financial derivatives – liabilities			**80,276**	**307**

The settlement date of above presented financial instruments is no later than 15 December 2011.

All transactions are presented as current liabilities.

The detailed information including the impact of Derivative financial instruments on the statement of comprehensive income of the Group is disclosed in Note 18.

29. Financial instruments

Accounting classification and fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

31/12/2010	Note	Designated at fair value	Held to maturity	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Other investments	13	--	--	192,425	--	192,425	192,425
Non-current receivables	14	--	--	130,224	--	130,224	130,224
Trade and other receivables	17	--	--	9,487,630	--	9,487,630	9,487,630
Loans granted	18	--	--	533,435	--	533,435	533,435
Currency forwards	18	6,907	--	--	--	6,907	6,907
Cash and cash equivalents	19	--	--	4,741,831	--	4,741,831	4,741,831
Total of financial assets		**6,907**	**--**	**15,085,545**	**--**	**15,092,452**	**15,092,452**
Loans and borrowings	24	--	--		2,225,811	2,225,811	2,641,907
Other non-current liabilities	26	--	--	--	146,823	146,823	146,823
Trade and other payables and accruals	27	--	--	--	16,741,801	16,741,801	16,741,801
Currency forwards	28	80,276	--	--	--	80,276	80,276
Total of financial liabilities		**80,276**	**--**	**--**	**19,114,435**	**19,194,711**	**19,610,807**

31/12/2009	Note	Designated at fair value	Held to maturity	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Other investments	13	--	--	198,343	--	198,343	198,343
Non-current receivables	14	--	--	121,179	--	121,179	121,179
Trade and other receivables	17	--	--	9,310,024	--	9,310,024	9,310,024
Financial assets held to maturity	18	--	359,405	--	--	359,405	359,405
Loans granted	18	--	--	250,214	--	250,214	250,214
Emission Allowances Swaps EUA/CER	18	95,527	--	--	--	95,527	95,527
Currency forwards and swaps	18	41,896	--	--	--	41,896	41,896
Cash and cash equvalents	19	--	--	1,185,721	--	1,185,721	1,185,721
Total of financial assets		**137,423**	**359,405**	**11,065,481**	**--**	**11,562,309**	**11,562,309**
Loans and borrowings	24	--	--	--	2,397,617	2,397,617	2,895,841
Other non-current liabilities	26	--	--	--	165,033	165,033	165,033
Trade and other paybles and accruals	27	--	--	--	14,595,230	14,595,230	14,595,230
Currency forwards	28	307	--	--	--	307	307
Total of financial liabilities		**307**	**--**	**--**	**17,157,880**	**17,158,187**	**17,656,411**

The fair value of financial instruments (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instrument. The fair value of derivative instruments is calculated based on quoted prices. Where such prices are not available, the fair value is calculated based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives.

Capital structure management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 24, cash and cash equivalents and equity attributable to equity holders of the parent, comprising shared capital and retained earnings as disclosed in notes 21 and 23 respectively.

29. FINANCIAL INSTRUMENTS (CONTINUED)

The net debt to equity ratio at the year end was as follows:

	31/12/2010	31/12/2009
Debt (i)	(2,225,811)	(2,397,617)
Cash and cash equivalents	4,741,831	1,185,721
Net debt	**2,516,020**	**(1,211,896)**
Equity (ii)	38,799,708	37,871,336
Net debt to equity ratio	**(6.48)**	**3.20**

(i) Debt is defined as long- and short-term borrowings
(ii) Equity included all capital and reserves of the Group

Risk management objectives

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

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

Credit risk management

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

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

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

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management. Before accepting any new customer, the Group uses own or an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. As at 31 December 2010 none of the customers represented more than 5 % of the total balance of consolidated trade receivables.

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

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

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is presented under table Accounting classification and fair values.

The maximum exposure to credit risk for loans, receivables, cash and cash equivalents and other investments at the reporting date by geographic region was as follows:

	31/12/2010		31/12/2009	
	Secured	Unsecured	Secured	Unsecured
Czech Republic	2,673,311	9,814,486	2,586,498	7,367,888
European Union	1,256,541	1,239,571	657,266	377,980
Other	56,641	44,995	28,309	47,540
Total	**3,986,493**	**11,099,052**	**3,272,073**	**7,793,408**

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Aging of loans and receivables at the reporting date was:

	31/12/2010		31/12/2009	
	Gross	Impairment	Gross	Impairment
Not past due	14,733,811	--	10,357,009	--
Past due 0-30 days	250,469	--	400,794	--
Past due 30-180 days	37,519	--	121,958	--
More than 180 days	977,357	(913,611)	1,102,692	(916,972)
Total	**15,999,156**	**(913,611)**	**11,982,453**	**(916,972)**

Liquidity risk management

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

Liquidity risk tables

The following table details the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

Expected maturity of non-derivative financial assets

	Carrying amount	Contractual cash flows	Less then 6 months	6 months - 1 year	1-5 years	More then 5 years
31/12/2010						
Other investments	192,425	192,425	--	--	--	192,425
Non-current receivables	130,224	130,224	--	--	130,224	--
Trade and other receivables	9,487,630	9,487,630	9,438,859	48,771	--	--
Loans granted	533,435	533,435	--	533,435	--	--
Cash and cash equivalents	4,741,831	4,741,831	4,741,831	--	--	--
Total	**15,085,545**	**15,085,545**	**14,180,690**	**582,206**	**130,224**	**192 ,425**
31/12/2009						
Other investments	198,343	198,343	--	--	--	198,343
Non-current receivables	121,179	121,179	--	--	121,179	--
Trade and other receivables	9,310,024	9,310,024	9,261,084	48,940	--	--
Short-term financial assets held to maturity	359,405	359,405	232,694	126,711	--	--
Loans to other entities	250,214	250,214	250,214	--	--	--
Cash and cash equivalents	1,185,721	1,185,721	1,185,721	--	--	--
Total	**11,424,886**	**11,424,886**	**10,929,713**	**175,651**	**121,179**	**198,343**

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

Contractual maturity of non-derivative financial liabilities

	Carrying amount	Contractual cash flows	Less then 6 months	6 months - 1 year	1-5 years
31/12/2010					
Unsecured bond issues	2,102,634	2,102,634	--	102,634	2,000,000
Secured bank loans	12,017	12,017	--	12,017	--
Trade and other payables	16,888,624	16,888,624	16,741,801	--	146,823
Unsecured bank loans	86,748	86,748	86,748	--	--
Finance lease liabilities	24,412	24,412	--	11,055	13,357
Total	**19,114,435**	**19,114,435**	**16,828,549**	**125,706**	**2,160,180**
31/12/2009					
Unsecured bond issues	2,136,615	2,136,615	--	136,615	2,000,000
Secured bank loans	84,155	84,155	24,000	48,155	12,000
Trade and other payables	14,760,262	14,760,262	14,595,229	--	165,033
Unsecured bank loans	140,068	140,068	--	140,068	--
Finance lease liabilities	36,780	36,780	--	17,417	19,363
Total	**17,157,880**	**17,157,880**	**14,619,229**	**342,255**	**2,196,396**

Liquidity analysis of derivative financial instruments

The following table indicates the periods in which the cash flows associated with derivatives are expected to occur.

	Carrying amount	Expected cash flows	Less then 6 months	6 months - 1 year
31/12/2010				
Non-delivery Forwards / sale of EUR	3,441	3,441	2,145	1,296
Non-delivery Forwards / sale of USD	3,260	3,260	3,260	--
Forwards USD/EUR	206	206	206	--
Assets	**6,907**	**6,907**	**5,611**	**1,296**
Forwards USD/CZK	(29,092)	(29,092)	(29,092)	--
Non-delivery Forwards / sale of EUR	(23,828)	(23,828)	(13,212)	(10,616)
Forwards USD/EUR	(16,031)	(16,031)	(16,031)	--
Non-delivery Forwards / purchase of USD	(11,325)	(11,325)	(7,130)	(4,195)
Liabilities	**(80,276)**	**(80,276)**	**(65,465)**	**(14,811)**
Net	**(73,369)**	**(73,369)**	**(59,854)**	**(13,515)**
31/12/2009				
Emission Allowances Swaps EUA/CER	95,527	95,527	--	95,527
Forwards USD/CZK	41,472	41,472	41,472	--
SWAP EUR/CZK	408	408	408	--
Forwards USD/EUR	16	16	16	--
Assets	**137,423**	**137,423**	**41,896**	**95,527**
Forwards USD/CZK	(193)	(193)	(193)	--
Forwards USD/EUR	(114)	(114)	(114)	--
Liabilities	**(307)**	**(307)**	**(307)**	**--**
Net	**137,116**	**137,116**	**41,589**	**95,527**

Market risk

The Group's activities are exposed primarily to the risks of changes in foreign currency exchange rates, commodity prices and interest rates. The Group enters into financial derivative contracts to manage its exposure to interest rate and currency risk.

Currency risk management

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

31/12/2010	CZK	EUR	USD	Other currencies	Total
Non-current receivables	130,224	--	--	--	130,224
Trade and other receivables	6,025,402	3,132,769	328,800	659	9,487,630
Loans granted	540,342	--	--	--	540,342
Cash and cash equivalents	4,330,428	384,948	18,424	8,030	4,741,831
Non-current loans and borrowings	(2,000,000)	--	--	--	(2,000,000)
Trade and other payables and accruals	(9,692,515)	(1,173,411)	(5,870,397)	(5,478	(16,741,801)
Other non-current liabilities	(146,823)	--	--	--	(146,823)
Current portion of non-current loans and borrowings	(102,634)	--	--	--	(102,634)
Current loans and borrowings	(31,072)	(31,366)	(36,327)	--	(98,765)
Financial lease liability	(24,412)	--	--	--	(24,412)
Gross exposure		**2,312,940**	**(5,559,500)**	**3,211**	**(3,243,349)**
Derivatives		(2,268,871)	4,460,863	--	2,191,992
Net exposure		**44,069**	**(1,098,637)**	**3,211**	**(1,051,357)**

31/12/2009	CZK	EUR	USD	Other currencies	Total
Non-current receivables	121,179	--	--	--	121,179
Trade and other receivables	6,338,899	2,778,656	168,085	24,384	9,310,024
Prepayments and other current assets	230,626	--	--	--	230,626
Financial assets held to maturity	359,405	--	--	--	359,405
Loans granted	250,214	--	--	--	250,214
Cash and cash equivalents	726,853	419,137	10,063	29,667	1,185,721
Non-current loans and borrowings	(2,012,000)	--	--	--	(2,012,000)
Trade and other payables and accruals	(9,061,357)	(1,083,545)	(4,367,648)	(82,680)	(14,595,230)
Current portion of non-current loans and borrowings	(208,769)	--	--	--	(208,769)
Current loans and borrowings	(15,309)	(113,022)	(11,737)	--	(140,068)
Finance lease liability	(36,780)	--	--	--	(36,780)
Gross exposure		**2,001,226**	**(4,201,237)**	**(28,629)**	**(2,228,640)**
Derivatives		(270,216)	1,424,396	--	1,154,180
Net exposure		**1,731,010**	**(2,776,841)**	**(28,629)**	**(1,074,460)**

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2010	**2009**	**2010**	**2009**
CZK/EUR	25.290	26.445	25.060	26.465
CZK/USD	19.111	19.057	18.751	18.368

Foreign currency sensitivity analysis

The Group is mainly exposed to the fluctuation of exchange rates of CZK/USD and CZK/EUR.

The following table details the Group's sensitivity to percentage increase and decrease in the CZK against the relevant foreign currencies. The following sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates were as follows:

for year 2010	for year 2009
USD +/- 11.20 %	USD +/- 4.20 %
EUR +/- 3.60 %	EUR +/- 3.60 %

The rates present the highest / lowest differences between average and actual FX rate during appropriate year. The sensitivity analysis was performed on net exposure of financial assets and liabilities. A positive number below indicates an increase in profit and equity where the CZK appreciates by 11.20 % and 3.60 % against the relevant currency. For a depreciation of the CZK against the relevant currency by the same parameters, there would be an equal and opposite impact on the profit and equity.

	CZK/USD Impact		CZK/EUR Impact	
	2010	**2009**	**2010**	**2009**
Profit or loss / equity	(123,047)	176,452	1,586	72,044

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite. Optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

The Group's exposures to interest rate risk on financial liabilities are detailed in Note 24.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate assts and liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- profit for the year ended 31 December 2010 would decrease/increase by CZK 2,051 thousand (2009: decrease/increase by CZK 54 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group's sensitivity to interest rates has decreased during the current period mainly due to repayments of loans. For further information see Note 24.

Interest rate risk profile

The interest rate profile of the Group's interest bearing financial instrument at the reporting date was as follows:

	31/12/2010	31/12/2009
Variable rate instruments		
Financial assets	533,435	250,214
Financial liabilities	(123,177)	(261,004)

Market price risks

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

Emission allowances risk

The Group monitors the emission allowances granted to the Group under National Allocation Plan and CO2 emissions planned. The Group enters into transactions on emission allowances market in order to cover for shortages or utilize the excess of obtained emission allowances over the required amount.

The Group had Emission Allowances Swap EUA/CER with settlement in December 2010. This derivative was held and reported as derivatives for trading.

30. Operating leases

The Group as lessee

Leasing arrangements

At the balance sheet date, the Group had future minimum lease payments under non-cancellable operating leases for the following periods:

Non-cancellable operating lease commitments

	Minimum lease payments	
	2010	2009
Not later than one year	42,070	53,063
Later than one year and not later than five years	83,405	115,519
Later than five years	188,332	199,987
Total	**313,807**	**368,569**

The Group leases vehicles and offices under operating leases. The vehicle leases typically run for a two year period. Lease payments are increased annually to reflect market conditions. None of the leases includes contingent rentals.

Payments recognised as an expense were as follows:

	2010	2009
Non-cancellable operating lease	44,641	48,954
Cancellable operating lease	143,542	145,646
Total	**188,183**	**194,600**

31. Commitments and contingencies

Purchase of shares of PARAMO, a.s.

In January 2009 UNIPETROL, a.s. effected a squeeze out of PARAMO, a.s. shares within the meaning of Sections 183i et seq. of the Commercial Code and became sole shareholder of PARAMO, a.s.

In accordance with the resolutions of the Extraordinary General Meeting of PARAMO, a.s. of 6 January 2009, all other shares in PARAMO, a.s were transferred to the Company and the Company provided to the other shareholders of PARAMO, a.s. and/or pledges, the monetary consideration in the amount of CZK 977 per one share of PARAMO, a.s. On 4 February 2009 the registration of the above resolution of the Extraordinary General Meeting was published in the Czech Commercial Register. Pursuant to the Czech Commercial Code, the ownership title to shares of the other shareholders passed to the Company on 4 March 2009 upon expiration of one month from the above publication and UNIPETROL, a.s. became the sole shareholder of PARAMO, a.s.

In connection with the squeeze-out, certain minority shareholders of PARAMO, a.s. filed a petition with the Regional Court in Hradec Králové for review of adequacy of compensation within the meaning of the Czech Commercial Code. The case has been consolidated and removed to Municipal Court of Prague. The claimants have appealed the procedural decision and filed a constitutional complaint with the Constitutional Court of the Czech Republic in this respect, asserting violation of their right to judge. The Czech Constitutional Court returned the matter to the High Court in Prague for a new decision on the removal of the case.

Furthermore some of former minority shareholders of PARAMO, a.s. requested the Regional Court in Hradec Králové to declare the invalidity of PARAMO, a.s. general meeting resolution dated 6 January 2009 and the District Court in Prague 4 to review the decision of 28 November 2008 by which the Czech National Bank granted in accordance with Section 183n(1) of the Czech Commercial Code its previous approval with the monetary consideration provided under the above squeeze-out. In case of invalidity of the General Meeting resolution, the Regional Court of Hradec Králové (Pardubice branch) on 2 March 2010 decided in favor of PARAMO, a.s. and dismissed

the Action of minority shareholders. The minority shareholders filed an appeal against the Decision of the Regional Court in Hradec Králové of 2 March 2010 and the appellate proceedings are pending before the High Court in Prague. In case of the proceedings concerning the previous approval of the Czech National Bank, the action was dismissed by the District Court for Prague 4 in favor of the Czech National Bank and UNIPETROL, a.s. The claimants filed an appeal and the proceedings are pending before the Municipal Court in Prague.

With respect to the above described facts regarding determination of consideration value, Czech National Bank decision and approval of the Extraordinary General Meeting of PARAMO, a.s., UNIPETROL, a.s. considers the petition for review of reasonableness of consideration unfounded.

Contingent liabilities and commitments related to the sale of shares in KAUČUK, a.s. (currently SYNTHOS Kralupy a.s.)

On 30 January 2007, UNIPETROL, a.s., as seller, and FIRMA CHEMICZNA DWORY S.A., with its registered office at ul. Chemików 1, 32-600 Oświęcim, Poland, KRS No.: 38981 ("Dwory"), as purchaser, executed the Share Purchase Agreement (the "Share Purchase Agreement") on sale of 100% shares of SYNTHOS Kralupy a.s., with its registered office at Kralupy nad Vltavou, O. Wichterleho 810, District Mělník, Postal Code: 278 52, Czech Republic, Id. No: 25053272.

Determination of Liability for the Impacts of Operation of SYNTHOS Kralupy a.s. on Environment

The environmental audit of plots of land owned by UNIPETROL, a.s. and used by SYNTHOS Kralupy a.s. was performed for the purpose of determining the liability of contractual parties arising from existing or future impacts of SYNTHOS Kralupy a.s.´s operation on the environment.

The Share Purchase Agreement provides that liability for the environmental conditions originating prior to the closing of the transaction lies with UNIPETROL, a.s. and liability for the environmental conditions originating after the closing of the transaction lies with Dwory. Liability of the contractual parties for the environmental conditions is limited up to 10 % of the purchase price for the shares (and by 5 years).

The Company's management, based on the available information and current knowledge of the situation, does not expect any additional expense / payment related to described issue.

Execution of Agreement on Pre-emptive Right to Plots of Land Owned by UNIPETROL, a.s. and Used by SYNTHOS Kralupy a.s. for Its Operations

On 10 July 2007, UNIPETROL, a.s. and SYNTHOS Kralupy a.s. executed the agreement pursuant to which UNIPETROL, a.s. undertook to create in favour of SYNTHOS Kralupy a.s. the pre-emptive right and other rights to certain plots of land owned by UNIPETROL, a.s. in industrial area in Kralupy nad Vltavou which are used by SYNTHOS Kralupy a.s. for its operations. The share purchase agreement anticipates that the sale of the subject plots of land will be realized after satisfaction of all administrative, operational and legal conditions necessary for a split of parts of industrial area in Kralupy nad Vltavou.

Apart from the foregoing, the sale of shares of SYNTHOS Kralupy a.s. owned by UNIPETROL, a.s. to Dwory was based on the following major principles, among others:

- uninterrupted operation of the present butadiene unit;
- contractual satisfaction of supplies of energies, steam, water and other services within the industrial area in Kralupy nad Vltavou which are at present provided by SYNTHOS Kralupy a.s. to ČESKÁ RAFINÉRSKÁ, a.s.; and
- continuation of all important agreements with the companies of Unipetrol Group and further operation of the energy unit.

The Company's management, based on the available information and current knowledge of the situation, does not expect any additional expense / payment related to described issue.

Contingent liabilities related to the sale of shares in SPOLANA a.s.

The purchase price, in accordance with the share purchase agreement entered into in 2006 between UNIPETROL, a.s., and Zakłady Azotowe ANWIL Spółka Akcyjna (further Anwil), may be subject to price adjustments which would result mainly on the occurrence of any of the following events:

(i) Environmental guarantees provided by the National Property Fund of the Czech Republic will not be sufficient for compensation of costs for the environmental damage remediation of the Old Amalgam Electrolysis project.

In this case UNIPETROL, a.s. will be obligated to financially indemnify Anwil up to 40 % of the purchase price provided that all necessary steps will have been taken by Anwil and SPOLANA a.s. without success for obtaining additional funds for this purpose.

(ii) Other potential obstacles in future operation of SPOLANA a.s.

In this case UNIPETROL, a.s. will be obligated to financially indemnify Anwil up to 1-3 % of the purchase price.

The Company's management, based on the available information and current knowledge of the situation, does not expect any additional expense / payment related to described issue.

Claims related to fines imposed by the European Commission

In November 2006, the European Commission imposed fines, among others, upon Shell, Dow, Eni, UNIPETROL, a.s. and SYNTHOS Kralupy a.s. for an alleged cartel in the area of Emulsion Syrene Butadiene Rubber ("ESBR"). UNIPETROL, a.s. and SYNTHOS Kralupy a.s., its subsidiary at that time, were jointly imposed a fine of EUR 17.5 million, which they reimbursed to the Commission. At the same time, both companies appealed to the Court of First Instance in Luxembourg and this action is pending.

First hearing regarding the appeal of UNIPETROL, a.s. against the European Commission decision was held on 20 October 2009 at the Court of First Instance of the European Union. The Judgement has not been delivered yet.

Following the above decision of the European Commission, UNIPETROL, a.s. has been served with a claim for damages, which tire producers brought against the members of the ESBR cartel. The claim for damages was filed with the High Court of Justice, Queen’s Bench Division, Commercial Court. The claimants ask for damages, together with interest, to compensate for their loss suffered as a result of an alleged cartel. The amount claimed is to be assessed.

Furthermore, the Italian group Eni, one of the entities fined by the European Commission, initiated proceedings before a court in Milan in which it seeks a judgment that the ESBR cartel did not exist and no damage occurred as a result thereof. Eni's action has also been served upon UNIPETROL, a.s., which decided to take part in the proceeding. The claims were dismissed by the Court.

Claims regarding reward for employees’ invention

In the year 2001 the court case commenced on reward for the employees’ intellectual work between UNIPETROL RPA, s.r.o. and its two employees. Employees demanded the reward in the

amount of approx. CZK 1.8 million. UNIPETROL RPA, s.r.o. as a defendant did not agree and offered the reward amounting to approx. CZK 1.4 million, based on the experts’ valuations. In 2005 Employees plaintiffs filed next petition to the court to extend the action to the amount of approx. CZK 82 million. The first instance hearing has not been settled by the court yet.

Guarantees

The Group issued the guaranty on behalf of HC Litvínov in favour of Association of ice hockey clubs in amount of CZK 7,000 thousand. Based on the Group’s request, Commerzbank AG, Komerční banka, a.s. and HSBC, a.s. issued bank guarantees relating to the security of customs debt and excise tax at customs offices in Most and Domažlice. Total balance of guarantees related to excise tax is CZK 955 million as at 31 December 2010 (31 December 2009 CZK 1,205 million).

32. Related parties

Parent and ultimate controlling party

During 2010 and 2009 a majority (62.99%) of the Company's shares were in possession of PKN Orlen.

Transaction with non-consolidated subsidiaries, associates and other related parties:

2010	PKN Orlen	Parties under significant influence of the Group	Entities under control or significant influence of PKN Orlen	Other related parties
Current receivables	24,725	38,183	185,200	--
Current payables including loans	5,680,150	13,356	162,806	--
Non-current payables including loans	--	4	--	--
Expenses	45,952,434	103,608	1,411,211	3,385
Revenues	1,190,751	186,900	1,699,031	340
Purchases of property, plant and	--	--	--	--
Interests income and expense	(1,533)	--	19,527	--
Dividends received	--	--	--	--

2009	PKN Orlen	Parties under significant influence of the Group	Entities under control or significant influence of PKN Orlen	Other related parties
Current receivables	26	46,940	741,299	104
Current payables including loans	4,321,146	8,570	34,469	1,846
Non-current payables including loans	--	4	--	--
Expenses	32,894,819	86,342	900,960	13,412
Revenues	699,541	149,794	1,741,767	868
Purchases of property, plant and equipment	1,535	918	--	176
Interests income and expense	--	--	7,703	--
Dividends received	--	5,287	--	3,851

Material transactions concluded by the Group Companies with related parties

In 2010 there were no transactions concluded by the Group with related parties on other than market terms.

Transactions with key management personnel

In 2010 the Group companies did not grant to key management personnel and their relatives any advances, loans, guarantees and commitments, or other agreements obliging, to render services to the Company and related parties. In 2010 there were no significant transactions concluded with members of the Board of Directors, Supervisory Board, their spouses, siblings, descendants, ascendants or their other relatives.

Transaction with related parties concluded thought the key management personnel of the Capital Group companies.

In 2010 members of the key management personnel of the Parent Company and the Group companies submitted statements that they have not concluded any transaction with related parties.

33. Past environmental liabilities

The Group is the recipient of funds provided by the National Property Fund of the Czech Republic for settling environmental liabilities relating to the historic environmental damage.

An overview of funds provided by the National Property Fund (currently administered by the Ministry of Finance) for the environmental contracts:

In CZK million	Total amount of funds to be provided	Used funds as at 31/12/2010	Unused funds as at 31/12/2010
UNIPETROL, a.s./ premises of UNIPETROL RPA, s.r.o.	6,012	2,572	3, 440
UNIPETROL, a.s./ premises of SYNTHOS Kralupy, a.s.	4,244	18	4,226
BENZINA s.r.o.	1,349	374*	975
PARAMO, a.s./ premises in Pardubice	1,241	334	907
PARAMO, a.s./ premises in Kolín	1,907	1,511	396
Total	**14,753**	**4,809**	**9,944**

*Without the costs of the already completed rehabilitation of the petrol stations network of the former KPetrol 1995-1999 of CZK 40 mil.

In CZK million	Total amount of funds to be provided	Used funds as at 31/12/2009	Unused funds as at 31/12/2009
UNIPETROL, a.s./ premises of UNIPETROL RPA, s.r.o.	6,012	2,161	3,851
UNIPETROL, a.s./ premises of SYNTHOS Kralupy, a.s.	4,244	12	4,232
BENZINA s.r.o.	1,349	350*	999
PARAMO, a.s./ premises in Pardubice	1,241	159	1,082
PARAMO, a.s./ premises in Kolín	1,907	1,160	747
Total	**14,753**	**3,842**	**10,911**

*Without the costs of the already completed rehabilitation of the petrol stations network of the former K-Petrol 1995-1999 of CZK 40 mil.

34. Interest in a joint ventures

The Group has a 51.221 % interest in a joint venture ČESKÁ RAFINÉRSKÁ, a.s. which is involved in the refining of crude oil and the production and distribution of petroleum based products. The following amounts represent the Group's 51.221 % share of the assets and liabilities and sales and results of the joint venture and are included in the consolidated statement of financial position and statement of comprehensive income:

	2010	2009
Non-current assets	8,404,701	8,984,092
Current assets	4,497,649	4,176,992
Non-current liabilities	(548,354)	(508,892)
Current liabilities	(3,023,575)	(3,135,665)
Net assets	**9,330,421**	**9,516,527**
Revenues	**4,984,809**	**4,648,648**
Profit before tax	282,304	140,213
Income taxes	58,646	34,082
Profit for the period	**223,658**	**106,131**

The Group has a 51 % interest in a joint venture Butadien Kralupy a.s. The company, which is a producer of butadiene, commenced operations in 2010.

The following amounts represent the Group's 51 % share of the assets and liabilities and sales and results of the joint venture and are included in the consolidated statement of financial position and statement of comprehensive income:

	2010	2009
Non-current assets	638,251	518,198
Current assets	257,657	16,110
Non-current liabilities	(495,549)	(453,706)
Current liabilities	(214,679)	(11,157)
Net assets	**185,680**	**69,445**
Revenues	**1,019,803**	--
Profit before tax	59,356	(4,641)
Income taxes	(19,141)	882
Profit for the period	**40,215**	**(3,759)**

35. Significant post balance sheet events

The Group's management is not aware of any events that have occurred since the balance sheet date that would have any material impact on the financial statements as at 31 December 2010.

Signature of statutory representatives

14 March 2011

Piotr Chełmiński

Chairman of the Board of Directors

Mariusz Kędra

Member of the Board of Directors

Unipetrol

ORLEN GROUP

REPORT ON RELATIONS BETWEEN THE CONTROLLING AND THE CONTROLLED PERSON, AND ON RELATIONS BETWEEN THE CONTROLLED PERSON A OTHER PERSONS CONTROLLED BY THE SAME CONTROLLING PERSON FOR YEAR 2010

Controlled Person

UNIPETROL, a.s., registered office at Na Pankraci 127, 140 00 Praha 4, ICO 61672190 (Hereinafter "Company")

UNIPETROL, a.s. is the controlling person of the Unipetrol business group whose organisational chart is shown in Appendix 1.

Controlling Person

POLSKI KONCERN NAFTOWY Orlen S.A., registered office at ul. Chemików 7, 09 - 411 Płock

Other Related Persons

Companies controlled by POLSKI KONCERN NAFTOWY Orlen S.A. are the other related persons. Detailed overview of the other related persons is shown in Appendix 2 - POLSKI KONCERN NAFTOWY Orlen S.A. Business Group Organisational Chart.

In 2010, the following relations were established between the Company and the related persons.

Part I.

Agreements concluded between the Company and the related persons in 2010 and performances (counter-performances) provided (received) in 2010 in virtue of agreements concluded in previous periods

Note:

a) Categorisation of agreements follows the accounting methodology;

b) Conversion from foreign currencies follows the current Czech National Bank exchange rate as of the respective performance (counter-performance) day.

CONTROLLING PERSON

POLSKI KONCERN NAFTOWY Orlen S.A.

Relation to the Company: Controling Person

Relations in 2010 were based on the standard terms and conditions of business relations. The Company suffered no loss as a result of concluded contracts.

The following relations were established in 2010:

Based on the agreements concluded in the previous periods, the Company received services for which it provided payments amounting to CZK 11,005 thousand. The price for the services was contractually agreed at arm's length basis.

The Company further provided services for which it received the payment in amount of CZK 119 thousand.

In previous periods, the Company concluded an agreement on confidentiality. No performance has been provided and received in virtue of this agreement.

OTHER RELATED PERSONS

SPOLANA, a.s.

Relation to the Company: The person directly controlled by Anwil S.A.

Relations in 2010 were based on the standard terms and conditions of business relations. The Company suffered no loss as a result of concluded contracts

The following relations were established in 2010:

The Company concluded in previous periods the agreement based on which it provided services to SPOLANA a.s.. The Company received for these services the payment amounting to CZK 100 thousand. The price for the services was contractually agreed at arm's length basis.

The Company has concluded in previous period the loan contract based on which it charges interest and fees. In 2010, the Company received payment amounting to CZK 11,067 thousand. The interest rate was contractually agreed at arm's length basis.

Based on the "Agreement on insurance premiums payment" for liability insurance of the Board Members and the Supervisory Board Members, and the liability insurance for damage caused by a product in the given period, the Company covered for SPOLANA, a.s. the corresponding portion of premiums in accordance with respective insurance agreements concluded with third persons. SPOLANA, a.s. has consequently paid this amount (CZK 449 thousand) to the Company.

ORLEN Medica Sp. z o.o.

Relation to the Company: The company directly controlled by POLSKI KONCERN NAFTOWY Orlen S.A.

Relations in 2010 were based on the standard terms and conditions of business relations. The Company suffered no loss as a result of concluded contracts.

The following relations were established in 2010:

The Company has concluded in previous period contract based on which in 2010 the Company received services for which it provided payment in amount of CZK 35 thousand. The price for the services was contractually agreed at arm's length basis.

ORLEN Ochrona Sp. z o.o.

Relation to the Company: The company directly controlled by POLSKI KONCERN NAFTOWY Orlen S.A.

Relations in 2010 were based on the standard terms and conditions of business relations. The Company suffered no loss as a result of concluded contracts.

The following relations were established in 2010:

The Company has concluded one contract in the given period based on which in 2010 the Company received service for which it provided payment in amount of CZK 91 thousand. The price for the services was contractually agreed at arm's length basis.

Part II.

Other legal actions made in favour of related persons

Anwil S.A.

Relation to the Company: The company directly controlled by POLSKI KONCERN NAFTOWY Orlen S.A.

Based on the agreement concluded, Anwil S.A. guaranteed for the loan provided by the Company to SPOLANA, a.s.

There were no other legal actions made in favour of related persons in 2010.

Part III.

Other measures taken or realised in favour of or initiated by related persons

In 2010 There were no other measures taken or realized by the Company in favour of or initiated by related persons.

In Prague, 23 March 2011

On behalf of the Company:

Piotr Chełmiński

Chairman of the Board of Directors

Mariusz Kędra

Member of the Board of Directors

Appendix 1 - Unipetrol Business Group - Controlled companies

Companies controlled directly and indirectly of UNIPETROL, a.s. companies	Registered Office	ICO	Controlling companies within Unipetrol Group	Controlling companies holdings in % of basic capital 1 January 2010	31 December 2010	Changes during 2010
BENZINA, s.r.o.	Praha	60193328	UNIPETROL, a.s.	100.00	100.00	
ČESKÁ RAFINÉRSKÁ, a.s.	Litvínov	62741772	UNIPETROL, a.s.	51.22*	51.22*	
PARAMO, a.s.	Pardubice	48173355	UNIPETROL, a.s.	100.00	100.00	
UNIPETROL RPA, s.r.o.	Litvínov	27597075	UNIPETROL, a.s.	100.00	100.00	
UNIPETROL SERVICES, s.r.o.	Litvínov	27608051	UNIPETROL, a.s.	100.00	100.00	
Butadien Kralupy, a.s.	Kralupy nad Vltavou	27893995	UNIPETROL, a.s.	51.00	51.00	
Výzkumný ústav anorganické chemie, a.s.	Ústí nad Labem	62243136	UNIPETROL, a.s.	100.00	100.00	
UNIPETROL TRADE, a.s.	Praha	25056433	UNIPETROL, a.s.	100.00	100.00	
UNIPETROL RAFINÉRIE, s.r.o.	Litvínov	27885429	UNIPETROL, a.s.	100.00	100.00	
PETROTRANS, s.r.o.	Praha	25123041	BENZINA, s.r.o.	99.37	99.37	
			UNIPETROL, a.s.	0.63	0.63	
Mogul Slovakia, s.r.o.	Hradište pod Vrátnom	36222992	PARAMO, a.s.	100.00	100.00	
HC BENZINA Litvínov, a.s.	Litvínov	64048098	UNIPETROL RPA, s.r.o.	70.95	70.95	
CHEMOPETROL, a.s.	Litvínov	25492110	UNIPETROL RPA, s.r.o.	100.00	100.00	
POLYMER INSTITUTE BRNO, spol. s.r.o.	Brno	60711990	UNIPETROL RPA, s.r.o.	99.00	99.00	
			UNIPETROL, a.s.	1.00	1.00	
UNIPETROL DOPRAVA, s.r.o.	Litvínov	64049701	UNIPETROL RPA, s.r.o.	99.88	99.88	
			UNIPETROL, a.s.	0.12	0.12	
CELIO, a.s.	Litvínov 7	48289922	UNIPETROL RPA, s.r.o.	40.53	0.00	Sold in 2010
			UNIPETROL, a.s.	10.53	0.00	
UNIPETROL SLOVENSKO s.r.o.	Bratislava	35777087	UNIPETROL RPA, s.ro.	86.96	86.96	
			UNIPETROL, a.s.	13.04	13.04	
UNIPETROL DEUTSCHLAND GmbH	Langen/Hessen, Germany	TAX ID 04424705213	UNIPETROL RPA, s.r.o. UNIPETROL, a.s. UNIPETROL TRADE, a.s.	0.00 0.00 100.00	99.90 0.10 0.00	Sale of shares-27.12.2010
CHEMAPOL (SCHWEIZ) AG	Basel, Switzerland	CH-270.3.000.762-9	UNIPETROL RPA, s.r.o. UNIPETROL TRADE, a.s.	0.00 100.00	100.00 0.00	Sale of shares-1.12.2010 From 1.6.2010 in liquidation
UNIPETROL AUSTRIA HmbH in Liqu.	Vienna, Austria	(ID) 1549510	UNIPETROL, a.s. UNIPETROL TRADE, a.s.	0.00 100.00	100.00 0.00	Sale of shares-9.12.2010

*According to the articles of association of ČESKÁ RAFINÉRSKÁ, a.s. adoption of decisions on all important matters requires 67.5 % or greater majority of all votes.

Appendix 2 - PKN ORLEN S.A. Business Group – Controlled companies

1.1.2010 – 31.12.2010

PKN ORLEN S.A. controlled companies	Registered Office	Stock in directly and indirectly controlled companies - in % of basic capital		Note
Companies with PKN ORLEN S.A. direct stock				
Companies with PKN ORLEN S.A. indirect stock		**1.1.**	**31.12.**	
UNIPETROL, a.s.	Praha	62.99	62.99	See the Unipetrol Business Group separate list
ORLEN Deutschland AG	Elmshorn	100.00	100.00	
ORLEN Budonaft Sp. z o.o.	Kraków	100.00	100.00	
ORLEN Automatyka Sp. z o.o.	Płock	52.42	52.42	
ORLEN Asfalt Sp. z o.o.	Płock	82.46	82.46	17.54% Rafineria Trzebinia S.A.
Inowrocławskie Kopalnie Soli "SOLINO" S.A.	Inowrocław	70.54	70.54	
ORLEN Gaz Sp. z o.o.	Płock	100.00	100.00	
ORLEN KolTrans Sp. z o.o.	Płock	99.85	99.85	
Orlen Laboratorium Sp. z o.o.	Płock	94.94	94.94	
ORLEN Medica Sp. z o.o.	Płock	100.00	100.00	
Sanatorium Uzdrowiskowe "Krystynka" Sp. z o.o.	Ciechocinek	98.54	98.54	
ORLEN Ochrona Sp. z o.o.	Płock	100.00	100.00	
ORLEN OIL Sp. z o.o.	Kraków	51.69	51.69	43.84% Rafineria Trzebinia S.A. aand 4.47% Rafineria nafty Jedlicze
Petro-Oil Pomorskie Centrum Sprzedaży Sp. z o.o.	Gdańsk	100.00	0.00	Sale in 2010
Platinum Oil Sp. z o.o.	Lublin	100.00	100.00	
ORLEN OIL ČESKO , s. r. o.	Brno	100.00	100.00	
ORLEN PetroCentrum Sp. z o.o.	Plock	100.00	100.00	
ORLEN PetroTank Sp. z o.o.	Widełka	100.00	100.00	
Petro-Mawi Sp. z o.o. w likwidacji	Sosnowiec	60.00	60.00	
ORLEN Powiernik Sp. z o.o. w likwidacji	Płock	100.00	0.00	7.1.2010 - liquidation
ORLEN Projekt S.A.	Płock	51.00	51.00	
ORLEN Transport Kraków Sp. z o.o. w upadlosci	Kraków	98.41	98.41	
ORLEN Transport Sp. z o.o.	Plock	66.78	66.78	
ORLEN Wir Sp. z o.o.	Płock	51.00	51.00	
Petrolot Sp. z o.o.	Warszawa	51.00	51.00	
Rafineria Nafty Jedlicze S.A.	Jedlicze	75.00	75.00	
„RAF-BIT" Sp. z o.o.	Jedlicze	100.00	100.00	
„RAF-KOLTRANS" Sp. z o.o.	Jedlicze	100.00	100.00	
„RAF-Służba Ratownicza" Sp. z o.o.	Jedlicze	100.00	100.00	
Konsorcjum Olejów Przepracowanych "ORGANIZACJA ODZYSKU" S.A.	Jedlicze	81.00	81.00	8% Rafineria Trzebinia S.A.
"RAN-WATT" Sp. z o.o. w likwidacji	Toruń	51.00	51.00	
Rafineria Trzebinia S.A.	Trzebinia	77.15	86.35	30.12.2010 - purchase by PKN ORLEN shares representing 9.2% of the company's share capital
Fabryka Parafin NaftoWax sp. z o.o. - Trzebinia	Trzebinia	100.00	100.00	
Energomedia Sp. z o.o.	Trzebinia	100.00	100.00	
Euronaft Trzebinia Sp. z o.o.	Trzebinia	99.99	99.99	
EkoNaft Sp. zo.o.	Trzebinia	99.00	99.00	
Zakładowa Straż Pożarna Sp. z o.o.	Trzebinia	99.98	99.98	
Ship - Service S.A.	Warszawa	60.86	60.86	
Ship Service Agro Sp. z o.o.	Szczecin	100.00	0.00	14.12.2010 - sale
ORLEN Centrum Serwisowe Sp. z o.o.	Opole	99.01	99.01	

Anwil S.A.	Włocławek	84.79	90.35	30.12.2010 - purchase by PKN ORLEN shares representing 5.56% of the company's share capital
Przedsiębiorstwo Inwestycyjno - Remontowe REMWIL Sp. z o.o.	Włocławek	99.98	99.98	
Przedsiębiorstwo Produkcyjno-Handlowo-Usługowe PRO-LAB Sp. z o.o.	Włocławek	99.32	99.32	
SPOLANA a.s.	Neratovice	100.00	100.00	
Przedsiębiorstwo Usług Specjalistycznych i Projektowych CHEMEKO Sp. z o.o.	Włocławek	55.93	55.93	
ORLEN EKO Sp. z o.o.	Plock	100.00	100.00	
ORLEN Administracja Sp. z o.o.	Plock	100.00	100.00	
ORLEN Upstream Sp. z o.o.	Warszawa	100.00	100.00	
ORLEN Prewencja Sp. z o.o.	Plock	100.00	100.00	
ORLEN Księgowość Sp. z o.o.	Plock	100.00	100.00	
ORLEN HOLDING MALTA Limited	Sliema, Malta	99.50	99.50	
ORLEN Insurance Ltd	Sliema, Malta	99.99	99.99	0.000001 PKN (one share)
AB ORLEN Lietuva	Juodeikiai	100.00	100.00	
UAB Uotas w likvidacji	Mazeikiai	100.00	100.00	
AB Ventus Nafta	Vilnius	100.00	100.00	
UAB Mazeikiu Nafta Trading House	Vilnius	100.00	100.00	
UAB Mazeikiu Nafta Health Care Center	Juodeikiai	100.00	100.00	
UAB Mazeikiu Nafta Paslaugos Tau	Juodeikiai	100.00	100.00	
UAB EMAS	Juodeikiai	100.00	100.00	
UAB "Remonto Mechanikos Centras w likvidacji	Juodeikiai	100.00	0.00	From 19.7.2010 in liquidation
ORLEN Finance AB	Sztokholm	100.00	100.00	
ORLEN Capital AB	Sztokholm	0.00	100.00	27.10.2010 - registration
Basell Orlen Polyolefins Sp. z o.o.	Plock	50.00	50.00	50% owned by Basell Europe Holding B. V.
Basell Orlen Polyolefins Sp. z o.o. Sprzedaž Sp. z o.o.	Plock	100.00	100.00	
Plocki Park Przemyslowo-Technologiczny S.A.	Plock	50.00	50.00	50% owned by the Town of Płock
Centrum Edukacji Sp. z o. o.	Plock	69.43	69.43	
ORLEN International Exploration –Production Company BV	Amsterdam	100.00	100.00	
SIA Balin Energy Grupa OIE-PC BV	Lotwa	50.00	50.00	

Glossary terms and abbreviations

a.s.	Public limited company (Czech Republic)
B.V.	Limited liability company (Netherlands)
BA	Automotive gasoline
BCPP	Praque Stock Exchange
BČOV	Biological wastewater treatment
BU I-III	Business units
CAPEX	Capital expenditure
ČAPPO	Czech Association of Petroleum Industry and Trade
ČNB	Czech National Bank
DODO	Dealer Owned – Dealer Operated
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization
EC	European Commission
EIA	Environmental impact assessment
EMS	Environmental management system
ERP	Enterprise resource planning system
ESRA	European Synthetic Rubber Association
EU	European Union
EU ETS	EU emissions trading scheme (regulating trading with carbon dioxide emission allowances)
FCC	Fluid Catalytic Cracker
FNM	National Property Fund
FTE	Full time equivalent
GmbH	Limited liability company (Germany)
HDPE	High-density polyethylene
HR	Human resources
IČ	Identification number
IFRS	International Financial Reporting Standards
IPPC	Integrated pollution prevention and control
IR	Investor relations
IRZ	Integrated Pollution Registry
IT	Information technology
LPG	Liquefied petroleum gas
Ltd.	Limited liability company
MAT	MicroActivity Test
MBO	Management by Objectives
MEŘO	Coleseed oil methyl ester
N.V.	Public limited liability corporation (Netherlands)
NRU	National Refinery Upgrade
OHSAS	Occupational health and safety system
OPEC	Organization of the Petroleum Exporting Countries
PIB	POLYMER INSTITUTE BRNO, spol. s r.o.
POX	Partial oxidation
PP	Polypropylene
PR	Public relations
QMS	Quality management systems
REACH	Registration, evaluation, authorisation and restriction of chemicals
REBCO	Russian export blend crude oil
S.A.	Limited liability company (Polska)
s.r.o.	Ltd (Czech Republic)
SCM	Supply chain management
Sp. z o.o.	Ltd (Polska)
SSC	Shared Services Centre
SVA	Shareholder value added
IKL	Ingolstadt – Kralupy nad Vltavou – Litvinov
TAL	Transalpine Olleitung
UNEP	United Nations Enviromental Programme
VÚANCH	Výzkumný ústav anorganické chemie, a.s.

Identification and contact information

Name:	UNIPETROL, a.s.
Registered office:	Na Pankráci 127, 140 00 Praha 4
Company number:	61672190
Tax ID:	CZ61672190
Bank:	The Royal Bank of Scotland N.V., foreign bank branch,
	P.O. Box 773, Jungmanova 745/24, Praha 1, 111 21, Acount No. 29129/5400
Date of establishment:	27 December 1994 – established for an indeterminate period of time
Datum of incorporation:	Incorporated on 17 February 1995
Incorporation registration:	Municipal Court in Prague, Section B, File 3020
Legal form:	Public limited company, organised under Czech law
Tel.:	225 001 417 (IR), 225 001 670 (PR)
Fax:	225 001 471
Internet:	www.unipetrol.cz
E-mail:	robert.keller@unipetrol.cz, info@unipetrol.cz
Auditor:	KPMG Česká republika Audit, s.r.o.

Law inder which the issuer was established

Law:	Law of the Czech republic
Legal regulation:	Act No. 104/1990 on Public Limited Companies

The company is a member of the Unipetrol Consolidation Group.

The English language version of Unipetrol's Annual Report 2010 is a convenience translation. The version in the Czech language is the definitive version.

The names of Unipetrol Group companies (UNIPETROL, a.s., BENZINA s.r.o., ČESKÁ RAFINÉRSKÁ, a.s., PARAMO, a.s., UNIPETROL RPA, s.r.o. and others) appear in the text of this report also in their simplified form (Unipetrol, Benzina, Česká rafinérská, Paramo, Unipetrol RPA atd.).

Annual Report 2010 closing date: 23 March 2011.