

Annual Report 2006



One Team – One Goal

# 1 team



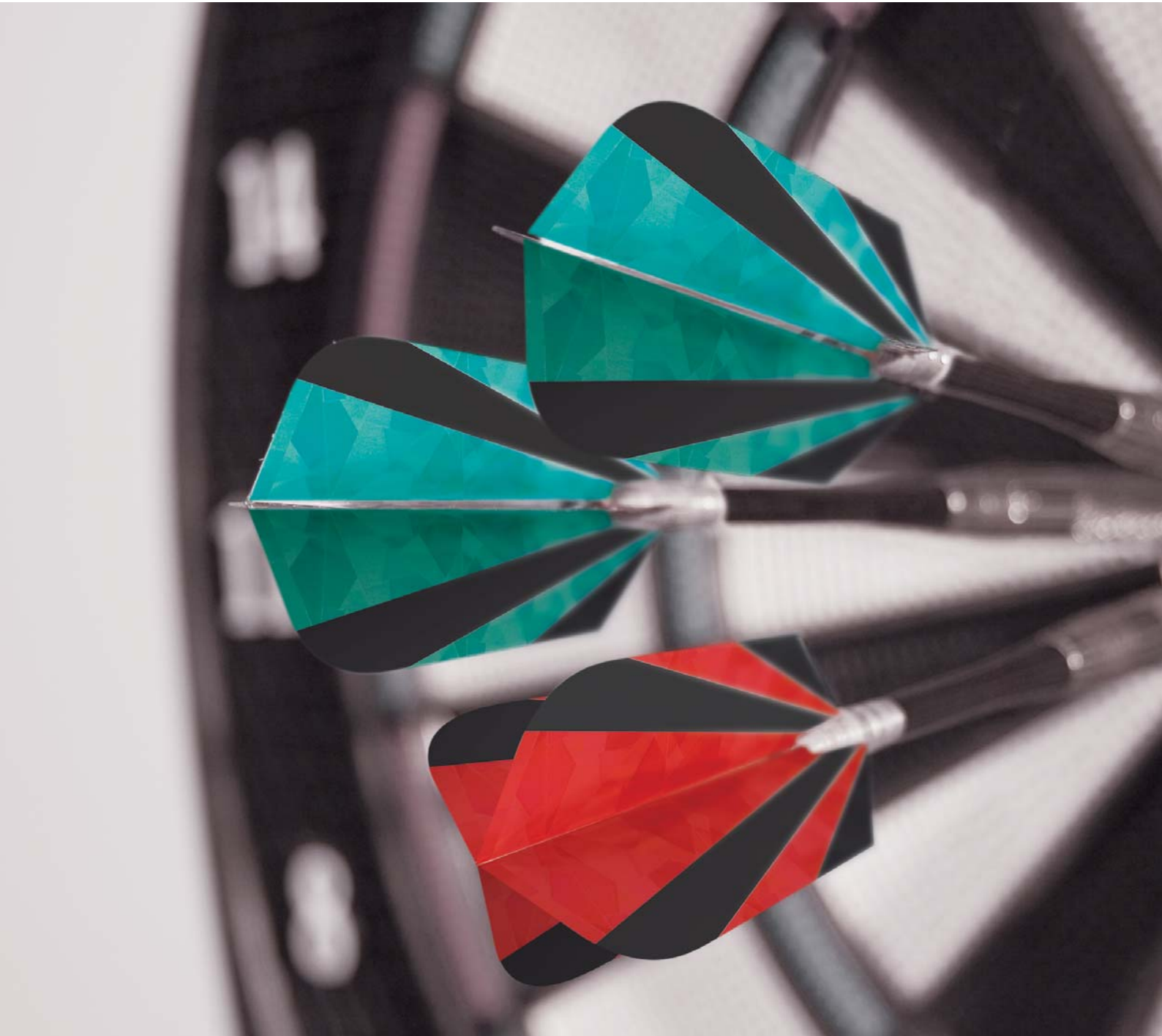


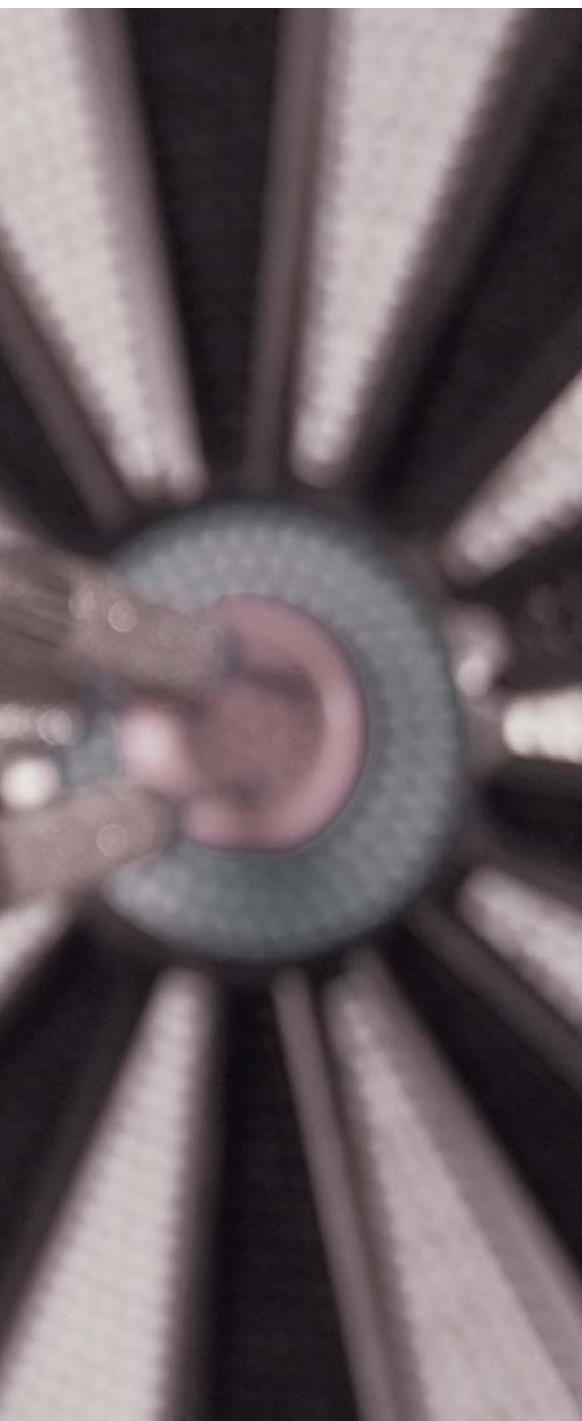
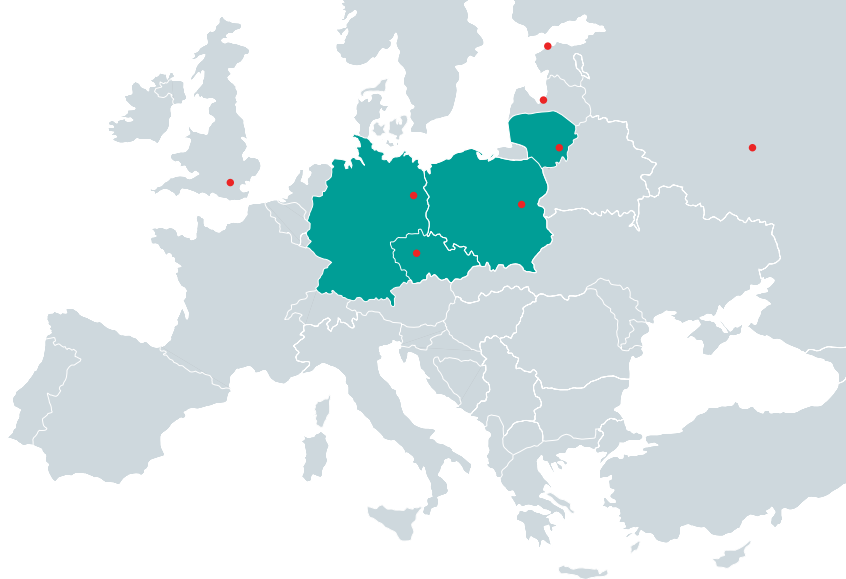
Hundreds of people, tens of jobs, experts and professionals – each employee's work is necessary for the success of UNIPETROL, a member of ORLEN GROUP.

3 refineries, 4.3 million tonnes of processed crude oil in 2006, 319 filling stations, almost 6 thousand employees, CZK 41 billion sales revenue from exports and capital expenditure of CZK 4 billion: all this makes UNIPETROL Group one of the largest companies in the Czech Republic and a significant player on the refinery products and petrochemicals market in Central Europe.



# 1 goal





We are co-building the strongest petrochemical group in central Europe.

UNIPETROL is part of the supranational PKN ORLEN oil Group which operates 7 refineries in Poland, the Czech Republic and Lithuania with a total annual capacity of almost 32 million tonnes and 2,700 filling stations in Poland, the Czech Republic, Germany and Lithuania. In total, PKN ORLEN Group employs more than 20 thousand people.







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# 6

## Corporate Mission and Goals |

### Mission

In our business we strive to ensure a long-term and permanent value growth for our shareholders. We want to achieve this by focusing on three strategic business segments:

- **Crude oil refinery and wholesale in refinery products**
- **Petrochemical production**
- **Retail in motor fuels**

We will always offer top-quality products and services to our customers.

All of our operations are based on the principles of best available practice of corporate management and operating perfection, with a focus on care for our employees and environmental protection.





## Key goals

The company's key goals in 2006 were:

- **Continued implementation and utilisation of effects of the integrating Partnership Programme**
- **Restructuring of the Group**
  - Sale of non-essential assets
  - Optimisation of the Group's legal structure and management structure (new Corporate Governance model project)
  - Introduction of management based on business segments
- **Further integration and harmonisation between UNIPETROL and PKN ORLEN**
  - Harmonisation of organisational structure and human resources policy
  - Further process alignment (budgeting, financial reporting, production planning etc.)
- **Introduction of the "two brand" strategy in the network of filling stations**

## Code of Conduct

The employees of UNIPETROL and the whole Group shall pursue three key principles in all of their internal and external relationships. Their conduct always has to be:

Legal	Ethical	Transparent
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Since we are a part of PKN ORLEN European business group, we also undertake to comply with the Code of Ethics officially adopted by our majority shareholder in 2006.



## Introduction

UNIPETROL is a group of companies operating in the Czech Republic in the petrochemical business. Specifically the Group is active in production and sale of refinery products, chemicals, petrochemicals, commodity, polymers, fertilisers and specialty chemicals. It also operates its own transport services, as well as research and development. UNIPETROL Group is the leading downstream oil and petrochemical company in the Czech Republic and important player in Central and Eastern Europe.

UNIPETROL is a shareholder of ČESKÁ RAFINÉRSKÁ (a joint venture with ENI INTERNATIONAL B.V., ConocoPhillips Central and Eastern Europe Holdings B.V. and Shell Overseas Investment B.V. a processing refinery with total yearly capacity of 8.8 m tonnes) and PARAMO, the biggest Czech producers of bitumens, oils and other refinery products. The holding also owns 100% shares in CHEMOPETROL, engaged mostly in petrochemical products and plastics production, Benzina, the biggest fuel stations network in the Czech Republic, and UNIPETROL RAFINÉRIE, specialising in oil purchasing and sale of oil products.

The annual turnover of the companies from the UNIPETROL Group reaches almost CZK 95 billion, which puts the Group among the biggest companies in the Czech Republic, as well as among the country's biggest exporters. The position of the Group in the Czech Republic corresponds to its registered capital, exceeding CZK 18 billion, and almost 6 thousand employees at the end of 2006.

## Brief history

The joint-stock company UNIPETROL was founded in 1994, which marked the fulfilment of one of the milestones on the path of privatisation of the Czech petrochemical industry. The purpose of UNIPETROL was to write the selected Czech petrochemical firms into an organisation capable of competing against strong multinational corporations.

2005 was a significant turning year for the Group. PKN ORLEN, which mainly specialises in the processing of crude oil, manufacture of oil-intensive products, their storage, transport and distribution, purchased 62.99% of UNIPETROL's shares that year. The merger of the two groups resulted in the regional consolidation of two major Central European petrochemical corporations, aimed at ensuring their competitiveness not just in Europe, but also globally. The merger led to new strategic goals focused on the growth of operating and business effectiveness within UNIPETROL. A complex development programme called Partnership Programme was set up to utilise the synergies between the corporations; UNIPETROL launched the programme in June 2005, with a view to maximising the effectiveness of operations in the company's key business areas and ultimately to increasing the value for its shareholders. The programme is expected to have a positive impact on the operating profit, yielding EUR 138 million by 2008 (calculated on the basis of the fixed macroeconomic conditions of the reference year 2004). This result will be achieved especially in the field of crude oil processing and through activities focused on revenue growth.



## Breakthrough year 2006

Certain major events occurred in 2006 in line with the core strategic goals and tasks within the framework of the long-term activity plan of UNIPETROL. In October 2006 BENZINA a.s. triggered a new strategy, dividing its network of filling stations into two brands – premium brand BENZINA plus and standard brand BENZINA. BENZINA's financial results generated that year were the best since 2001.

Other key events involved divestments of KAUČUK and SPOLANA. UNIPETROL intends to focus on its key business areas, namely on crude oil processing, petrochemical production and fuel retail. From this point of view KAUČUK and SPOLANA were not strategic enterprises, and UNIPETROL therefore decided to sell them. Both transactions proceeded in line with market expectations.

In 2006 UNIPETROL prepared for a new management model, launched within the Group on 1 January 2007. The change in the mode of management is based on three key principles, namely on the separation of manufacture and sales, establishment of a specialised Shared Services Centre and simplification of legal structure. The new model will result in lower bureaucracy, improved coordination, faster decision-making processes and increased competitiveness of the whole Group.

The success of UNIPETROL Group and the correctness of the direction taken by the Group can be attested by two important awards won by the company in 2006 in the prestigious contest 2005 CZECH TOP 100. In the main category UNIPETROL ended up third again thanks to its year-on-year revenue increase of 12%. It came second among exporters, which is an improvement by one place compared to the previous year. The growth of exports by CZK 4 billion to CZK 34 billion in 2005 contributed to this result (CZK 41 billion in 2006).

By joining with PKN ORLEN, UNIPETROL has expanded its territorial reach. In addition to the Czech Republic its majority owner operates in Poland, Germany and Lithuania and has very specific plans regarding its expansion throughout Europe.

### Key companies within UNIPETROL Group

As at 31 December 2006:
• ČESKÁ RAFINÉRSKÁ, a.s.
• UNIPETROL RAFINÉRIE a.s.
• PARAMO, a.s.
• BENZINA a.s.
• CHEMOPETROL, a.s.
• KAUČUK, a.s.

## Key Financial Indicators of the Group |

Structure of assets and liabilities (CZK millions)	2006	2005	2004
Total assets	71,907	76,442	72,144
Non-current assets	40,134	48,990	47,859
Current assets	31,773	27,452	24,284
Equity	41,160	39,696	33,422
Liabilities (external resources)	30,747	36,746	38,722
Net debt <sup>1)</sup>	4,892	11,937	17,276
<b>Profit-loss structure (CZK millions)<sup>2)</sup></b>			
Sales revenues	94,642	80,946	71,098
EBITDA (EBIT + depreciation)	7,827	9,507	11,919
Operating profit (EBIT)	3,782	5,282	5,846
Income tax	(1,496)	(894)	(1,210)
Profit for shareholders of parent company	1,600	3,431	3,639
<b>Financial indicators</b>			
ROACE <sup>3)</sup>	6.4%	7.9%	9.0%
Earnings per share (CZK)	8,82	18,92	20,07
Net debt / equity	11.9%	30.1%	51.8%
CZK / USD – end of period	20,88	24,59	22,37
CZK / EUR – end of period	27,50	29,01	30,47

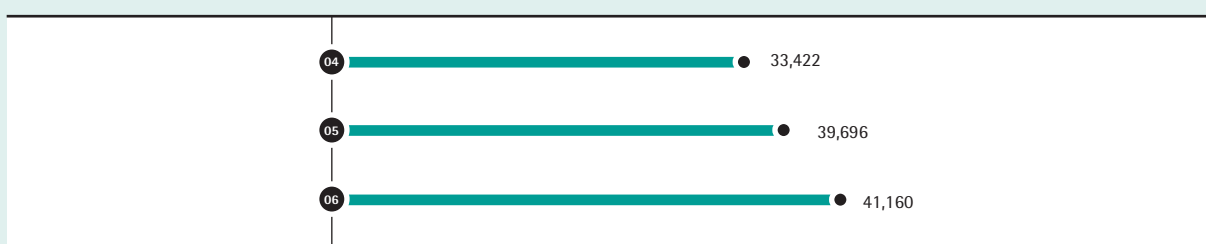
<sup>1)</sup> Net debt = short-term and long-term debt – cash and cash equivalents

<sup>2)</sup> 2006 data contains the following one-off items: fine of CZK 333 mil. from European Commission (CZK 483 mil. – CZK 150 mil. of financial reserve from the past); accounting loss from the sale of SPOLANA's assets amounting to CZK 334 mil.; impairment of assets held for sale relating to the sale of KAUČUK's shares: CZK 1,670 mil.; the effect of unclaimed investment incentives of CHEMOPETROL (CZK 324 mil.)

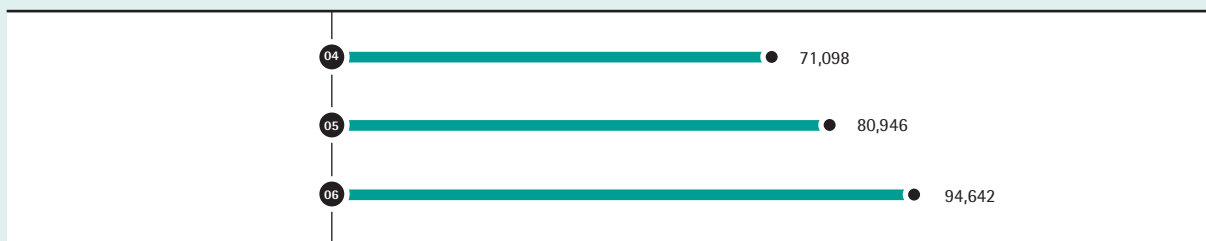
<sup>3)</sup> ROACE = operating profit after tax / (net debt + equity)



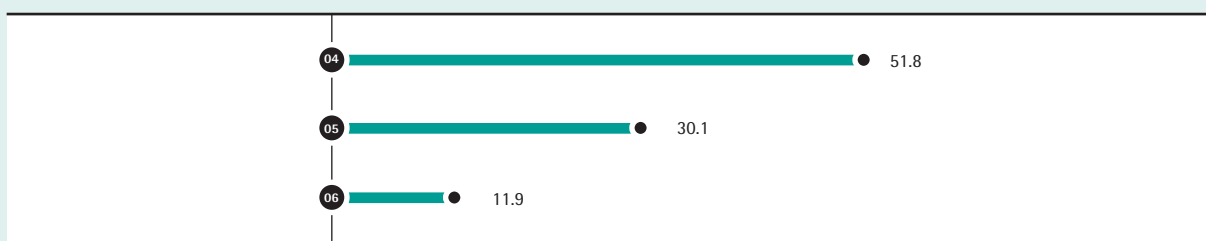
## Equity (CZK millions)



## Sales revenues (CZK millions)



## Net debt/equity (%)



## Key Highlights |





## May

At its 10 May 2006 meeting the Supervisory Board of UNIPETROL noted the resignation of Vít Šubert as a member of the company's Board of Directors. His term of office would end on 10 May 2006.

### 19 May

At its 19 May 2006 meeting UNIPETROL's Supervisory Board elected Petr Bodlák as a member of the company's Board of Directors as of the same date.

### 15 May

On 15 May 2006 UNIPETROL published its financial results for the first quarter of 2006. During that period the company generated revenue from sales amounting to CZK 20,140 million. This figure is 12% higher compared with the same period of the previous year. The volume of the crude oil processed in UNIPETROL Group (100% PARAMO, a.s. and 51% ČESKÁ RAFINÉRSKÁ, a.s.) totalled 875,000 tons and was at about the same level as in the first three months of 2005. The operating profit after the first three months of 2006 reached CZK 978 million. The consolidated net profit of UNIPETROL Group for the three months of 2006 was CZK 814 million.

## July

On 17 July 2006 UNIPETROL announced that in order to sell its 100% interest in KAUČUK, UNIPETROL started time-limited exclusive negotiations with Dwory S.A.

## June

A Regular General Meeting of UNIPETROL was held on 22 June 2006; it discussed all points on the agenda as announced in the notification published on 17 May 2006 in Hospodářské noviny and the Commercial Gazette and approved the Report of the Board of Directors on the company's Operations and Assets in 2005. It also approved the regular financial statements at 31 December 2005 and the consolidated financial statements at 31 December 2005, and decided on profit distribution for 2005.

### 22 June

On 22 June 2006 UNIPETROL's Supervisory Board recalled Frederik J. Emich as a member of the company's Board of Directors and elected Ivan Ottis as its Board member. At this meeting the company's Supervisory Board noted the resignation of Vlastimil Růžička and Miroslav Grégr from the positions of members of the company's Supervisory Board as of 22 June 2006. The Supervisory Board also appointed Czesław Adam Bugaj and Rafał Zbigniew Kapler as substitute members of the Supervisory Board until the company's next General Meeting.

## September

On 29 September 2006 UNIPETROL published information on the progress and results of its Extraordinary General Meeting convened at the request of a minority shareholder. None of the presented proposals (change of the company's Statutes, discussion and approval of the 2005 Annual Report, personnel changes in the Supervisory Board) was accepted by the General Meeting.

## August

On 11 August 2006 UNIPETROL published its consolidated financial results for the first half of 2006. Over the six months of 2006 the company's revenues amounted to CZK 44,935 million, compared to CZK 38,141 million generated over the same period of the previous year. The company's operating profit in the first half of 2006 was CZK 2,802 million. Its consolidated net profit during that period was CZK 1,981 million, which marks an 11% increase compared to the same period in 2005. The consolidated net profit in the second half of 2006 reached CZK 1,167 million.

## 27 October

On 27 October 2006 UNIPETROL signed a contract of sale of UNIPETROL's 81.78% interest in SPOLANA a.s. with the Polish chemical works Zakłady Azotowe ANWIL Spółka Akcyjna. The purchase price of SPOLANA's shares exceeded CZK 640 million. A payment of about CZK 660 million that SPOLANA owed to UNIPETROL was also secured. The decision to sell SPOLANA's shares was taken as part of UNIPETROL's new strategy, announced to all of the company's shareholders in line with the Key Strategic Goals and Tasks within the framework of UNIPETROL's long-term action plan submitted at the company's General Meeting in April 2006.

## 25 October

On 25 October 2006 UNIPETROL announced that within the framework of its new business strategy BENZINA had launched its premium brand BENZINA plus. The company plans to upgrade and rename about 108 out of over 300 filling stations throughout the country. The goal is to attract the most demanding drivers with an offering of premium services and to increase the company's market share. The first BENZINA plus filling station was officially opened on the D1 motorway in Prague-Průhonice, on the same day.

## 6 October

On 6 October 2006 UNIPETROL announced that Miroslav Krejčí and Martin Durčák were elected as new members of the company's Board of Directors at a Supervisory Board meeting. Ivan Kočárník, the Supervisory Board's existing member, was elected as its Vice-Chairman.

## 9. listopad

On 9 November 2006 UNIPETROL announced that as of 1 January 2007 UNIPETROL Group would switch to a new management model. After the completion of UNIPETROL's restructuring, which had taken place since 2005, the company's EBITDA should grow at least by EUR 138 million.

On 9 November 2006 UNIPETROL published its financial results over the first nine months of 2006. Its net profit of CZK 2.91 billion over the first nine months of 2006 marked a year-on-year increase by 27%. The net profit over the three months of Q3 2006 increased by 76% compared to the same period in 2005..

## 29 November

On 29 November 2006 UNIPETROL responded to a fine imposed by the European Commission on the same day for the alleged price cartel of KAUKČUK / UNIPETROL. The company does not agree with the fine for the price cartel imposed by the European Commission. The company will use all possibilities of legal defence.

## 23 November

On 23 November 2006 UNIPETROL announced the details of sale of SPOLANA a.s. The debt to SPOLANA was fully paid within 90 days of the transaction settlement. SPOLANA's shares were transferred and the purchase price was paid on 13 November 2006.

## 26 October

At its 26 October 2006 the Supervisory Board of UNIPETROL recalled Marek Mroczkowski as a member of the company's Board of Directors.

## 18 October

On 18 October 2006 UNIPETROL announced that the operation of the ethylene unit of CHEMOPETROL, a.s. had been renewed in the morning of the same day, i.e. two days before the original scheduled date. The Litvinov refinery of ČESKÁ RAFINÉRSKÁ, a.s., which had been in partial operation during a 15-day shutdown, was increasing the output of equipment that had been out of operation or whose operation had been reduced due to the shutdown from the beginning of the week.

2006

2007

**30 November**

On 30 November 2006 UNIPETROL announced that it had a new Chief Financial Officer – Petr Sosik, who joined the company in the first half of 2006 and worked first as Special Projects Manager and later as the Head of Controlling.

**11 December**

On 11 December 2006 UNIPETROL announced that in contrast to the original plans, CHEMOPETROL and UNIPETROL RAFINÉRIE were expected to merge into a limited-liability company that would be wholly owned by UNIPETROL. In line with the original plan this new company would internally separate manufacturing and trading operations into two independent organisational units.

**30 January**

On 30 January 2007 UNIPETROL and the Polish chemical works FIRMA CHEMICZNA DWORY S.A. signed a contract of sale of 100% of KAUCUK's shares owned by UNIPETROL. The purchase price was EUR 195 million (about CZK 5.4 billion). The execution of the contract was the result of a tender procedure that took almost one year and involved 11 potential investors.

**20 December**

On 20 December a shutdown of the FCC unit in the Kralupy refinery of ČESKÁ RAFINÉRSKÁ, a.s. was announced. The duration of the shutdown was estimated at 2–3 weeks. Since the repair took less time than originally projected, the unit was restored into operation on 26 December (i.e. 8 days after the complete shutdown).

**13 December**

On 13 December 2006 UNIPETROL announced that an Extraordinary General Meeting was held on the same day, convened at the request of UNIPETROL's majority owner PKN ORLEN. The only point on agenda was a change in UNIPETROL's Supervisory Board. Czesław A. Bugaj and Rafał Zbigniew Kapler were elected as new members of UNIPETROL's Supervisory Board.

**15 March**

A new company – UNIPETROL SERVICES, s.r.o. – was incorporated in the Commercial Register on 15 March. On 22 March UNIPETROL undertook to increase its monetary contribution in this company by CZK 100 million.

**5 March**

On 5 March Piotr Kownacki, Arkadiusz Kotlicki and Mirosław Jasiński became new members of the company's Supervisory Board. Paweł Jasiński was recalled as a member of the Supervisory Board. Piotr Kownacki was elected as the Supervisory Board's new Chairman.

**February**

UNIPETROL and KAUCUK filed actions with the first-instance European Court of Justice against the decision of the European Commission taken at the end of 2006, whereby they were jointly imposed a fine of EUR 17.5 million for their participation in an alleged cartel in the field of styrene butadiene rubber.

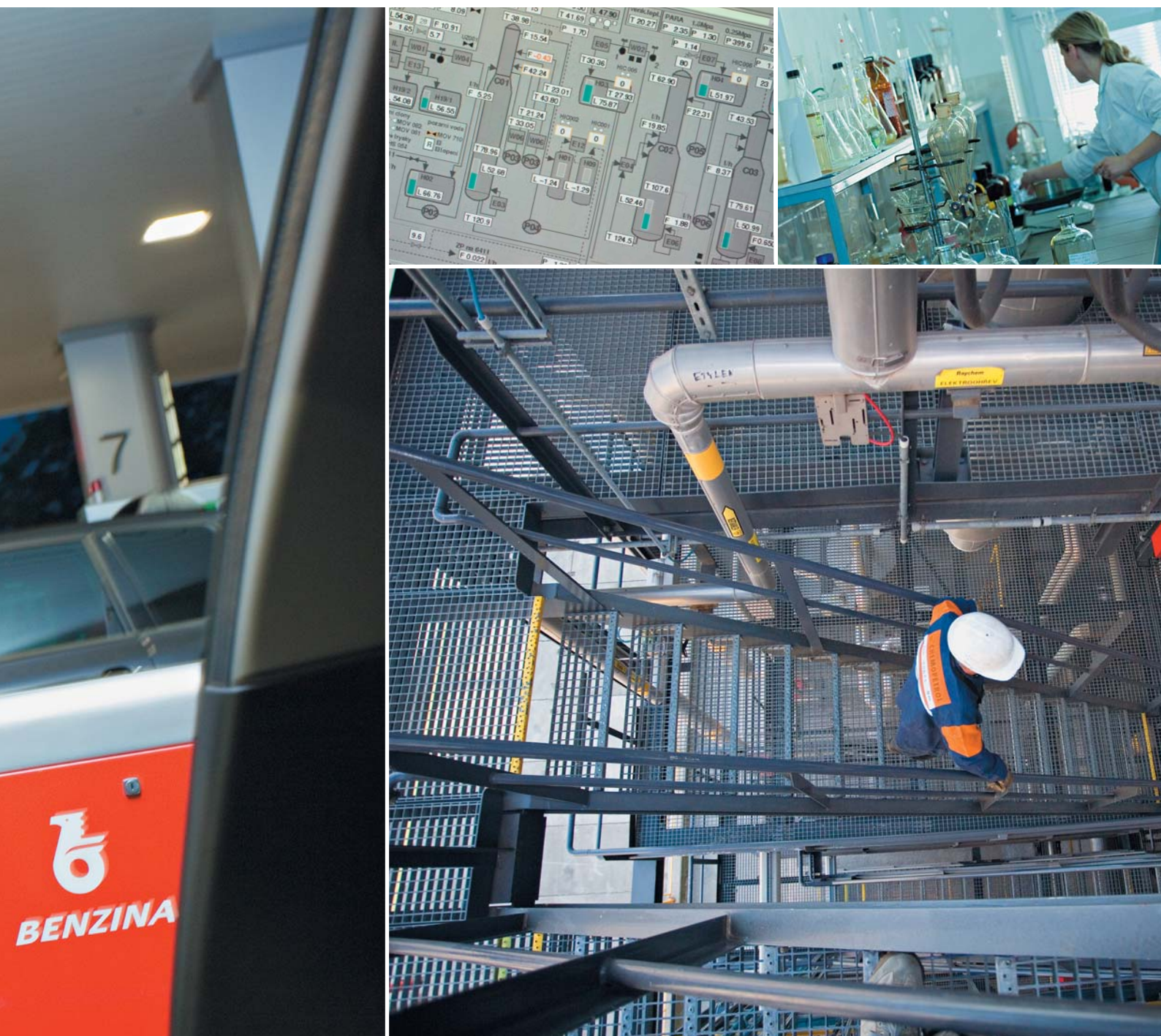


# EUR 109 m.





UNIPETROL Group embarked on a period of change; the goal of such transformation is to achieve an efficient and well managed Group which excels in three areas: crude oil processing, petrochemicals and fuel retail. Simultaneously we will continue benefiting from the strategic partnership with PKN ORLEN – in 2006 the partnership helped us generate an additional EUR 109 million at the level of operating profit (in the conditions of 2004).



## Chairman of Board of Director's Letter to the Shareholders |

Esteemed shareholders, ladies and gentlemen!

2006 was the first full calendar and accounting year during which UNIPETROL functioned as a private company and the results achieved show that the route of change the company embarked on with the support of its majority owner PKN ORLEN was correct. Compared with the previous year, sales revenues increased by 17% and the operating profit without nonbusiness one-off items was 16% higher. In terms of sales revenues, UNIPETROL is the third largest company in the Czech Republic. The petrochemical production was the company's workhorse: CHEMOPETROL's 2006 results are the best in the history of the firm. The main factors which led to this success included the implementation of our commercial excellence program, the very favourable market conditions in the relevant segments and a favourable exchange rate.

I would also like to praise BENZINA which so far has played the role of a "Cinderella" in our group. Last year the company witnessed a distinct revival and thanks to a more efficient organizational structure, an increase in the quality of services and more efficient marketing, it has achieved the best results since 2001. We believe that it is very significant that the company managed to reverse the trend of BENZINA's long-term market decrease. In the 4th quarter of last year, BENZINA introduced and began implementing a new strategy based on two brands – a new "premium" brand, BENZINA Plus, and the traditional, but modernized, BENZINA brand. In the future, this strategy should ensure very significant growth of the firm and help permanently foster its position on the Czech market.

Despite excellent achievements in the petrochemical segment and in retail, results in crude oil refinery were below expectations. Our business in this segment was strongly affected by the macroeconomic conditions, such as low margins in the refinery segments, and strongly fluctuating prices on global crude oil market. Also, shut-downs in key production complexes in Litvinov and Kralupy had a negative impact on the results. In spite of these unfavourable market conditions, UNIPETROL handled the situation fairly well and maintained economic results at an acceptable level. PARAMO recorded good results, especially during the second half of the year. In the future, PARAMO can trade on the growing demand for bitumen related to the construction of new roads and motorways in the Czech Republic.

The successful completion of the sales of KAUČUK and SPOLANA were historical events in the history of our company. The sale of both companies is a key step in the implementation of our mid-term strategy with objective to concentrate only on 3 key business areas, i.e. on crude oil processing, petrochemical production and retail fuel sales.

The time from preparation till the completion of the sale of these two companies lasted over a year and involved organization of public tenders in which we were seeking the best market offer. The revenue from the sale of SPOLANA totalled CZK 1.3 billion and is expected to amount CZK 5.4 billion for KAUČUK. We are planning to invest this cash in the framework of the holding to ensure not only strong organic growth i.e. by expanding the existing capacities, but potentially also through suitable acquisitions in our key segments. Another important part of these transactions is the fact that the buyers undertook to maintain mutually advantageous business relations with the UNIPETROL Group. As a result, KAUČUK and SPOLANA are or will become major customers.



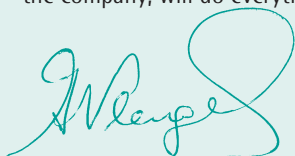


For some time now, certain terms have become a significant part of our: "increasing operational efficiency, standardization, synergies and simplification of organizational structures". The initiatives related to the Partnership Program with PKN Orlen are also implemented in this framework. The program was initiated in 2005 and focuses on the identification and use of synergistic effects between UNIPETROL and PKN ORLEN Group. Last year, our efforts resulted in significant additional revenues and savings of EUR 109 million (in macroeconomic conditions of the year 2004), and the plan was substantially exceeded.

The project involving changes in the company management model was launched in the 3rd quarter 2006. Its aim is to eliminate paperwork, to significantly simplify and standardize processes and enhance quality in the area of sales. Since January 2007, the commercial and supply chain sections of CHEMOPETROL and UNIPETROL RAFINÉRIE were united in one organizational unit and a Shared Services Center was created. The latter took over support processes and activities from individual companies, which were formerly carried out in several places of the holding. This year, the transition to a new management model will continue. Among other things, its significant part is a change of the legal form of 100% owned companies – from joint-stock companies to limited liability companies. This will lower the administrative load, accelerate adoption of key business decisions and help us on our journey to become a dynamic, efficient and effective company. In our opinion, it is a natural part of business in a modern and responsible company to participate in the life of a country where we engage in business, and in the society, and not only by producing high quality products and services. We are therefore proud to be a partner of the National Theatre in Prague, we support Czech film through our cooperation with the International Film Festival in Karlovy Vary, and we also support Czech science (cooperation with The Institute of Chemical Technology in Prague, and subsidies to the "Czech Mind" project), and we are also partners of the Czech Olympic team.

In 2007, UNIPETROL will continue implementing its strategy. Inside the company, it will particularly mean completion of the change in the management model and of other projects in the framework of the Partnership programme. On the outside, the most visible project will probably be the ongoing modernization of BENZINA filling stations. The company also has distinct acquisition intentions. As has recently been published, UNIPETROL is interested in increasing its holding in UNIPETROL RAFINÉRSKÁ and it is also ready to expand its retail network. As in previous years, our efforts will aim at increasing the value of the company and to use, to the maximum possible extent, its internal potential to achieve better and better business results.

Favourable results in 2006 and good prospects for the future are, primarily, the result of the professional and self-sacrificing work of our staff. I would like to use this opportunity to thank them all and wish them a lot of success in fulfilling the demanding plans we set in front of ourselves for this and the upcoming years. I would also like to thank our shareholders for their support, and the investors for the confidence they show when they buy our shares. I, and the whole management of the company, will do everything we can to make your investment a success.



**François Vleugels**

Chairman of the Board of Directors and CEO

## Letter from the Chairman of the Supervisory Board |

Dear Ladies and Gentlemen,

UNIPETROL is the biggest crude oil processor and manufacturer of petrochemical products in the Czech Republic. The Group operates in an industry where economic results depend on macroeconomic processes, especially on the development of crude oil prices on the global markets and on the behaviour of our European and global competitors. In this context our 2006 results are highly satisfactory.

What I see as a major achievement is the significant progress we made in the implementation of our medium-term strategy adopted by the company's bodies after privatisation in 2005. Within the framework of the Partnership Programme we generated further savings and improved cost efficiency. Our target – increase of EBITDA by at least EUR 138 million by 2008 (subject to stable macroeconomic conditions) – is within reach now. Last year we eliminated the Group's principal debts, so the debt / equity ratio decreased from 30% in 2005 to 12% in 2006.

The preparation and implementation of a development strategy for BENZINA and the sale of SPOLANA and KAUČUK were important elements in the implementation of last year's plans for UNIPETROL.

The acquisition of UNIPETROL by PKN ORLEN as its strategic investor was immensely important for both corporations. It was a crucial step on the path to forming an international refinery and petrochemical capital group that currently operates in four countries and it became a leader on the Central European market. There is a close and mutually advantageous co-operation between both corporations. It involves, for example, the central purchase of crude oil and other essential raw materials, the co-ordination of sales on the individual markets and the exchange of experience in the field of management and administration of retail operations. As I have already mentioned, this co-operations brings tangible and specific results. I am convinced that the strength of PKN ORLEN, which includes and is co-created by UNIPETROL, is a major reason for preserving its good position in active international competition.





I am happy that in 2006 we managed to introduce a new corporate management model. In the past UNIPETROL was a conglomerate of separate refineries and petrochemical and chemical plants and its management was complicated, ineffective and often lacking in transparency. The new model, involving the individual companies in the UNIPETROL Group, introduced some fundamental elements of segment management. Its goal is to simplify and increase the effectiveness of the processes going on in all companies. It also creates a visible communication link between them, facilitates decision-making processes and puts emphasis on the increased responsibility of the individual managers.

Finally, I would like to thank Igor Chalupec and Cezary Smorszczewski, who ran the Supervisory Board last year, i.e. I would also like to thank the company's executive officers and all employees for their devoted work.

It is you who creates UNIPETROL and its results. Your involvement, high qualifications, professionalism and commitment are the source of its success. I would also like to thank UNIPETROL's business partners and customers for their trust. I believe our dynamic development will continue and UNIPETROL will achieve the set targets much faster.



**Piotr Kownacki**  
Chairman, Supervisory Board



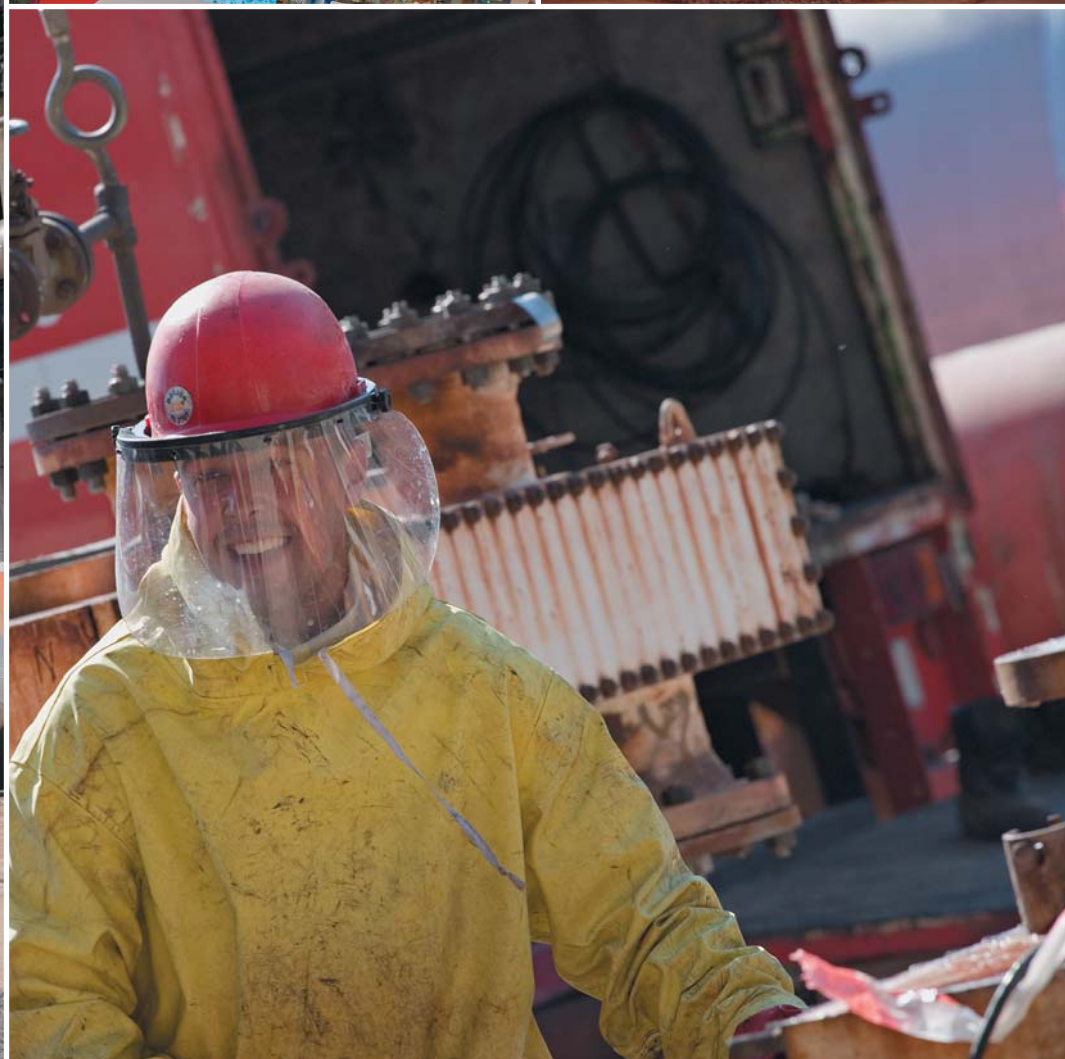
# 319







The restructuring of BENZINA filling stations will continue in 2007. By the end of 2007 156 of the 319 filling stations will have been fully reconstructed – either to the new BENZINA or the BENZINA Plus premium brand. The Czech motoring public can look forward to a new quality of services in our network.



## Expected Development, Goals and Plans |

UNIPETROL set the permanent evaluation of financial and business activities and results of all subsidiaries as its goal. The standard job description of all executive employees includes the identification of the hidden potential in the individual business areas, leading to an improvement of the company's economic position. This process of increasing the effectiveness of the individual companies and the whole Group, and therefore increasing the value for shareholders, was formalised within the framework of the Partnership Programme in 2005.

An important part of the process to increase effectiveness was the project to introduce a new management model for the Group, whose first stage was successfully implemented in the second half of 2006. This laid very strong and solid foundations for the ensuing changes that would take place in the following project stages in 2007 and 2008 and would result in the Group's better economic performance. The simplification and standardisation of processes in most subsidiaries with a 100% interest will facilitate a faster and more effective decision-making process. The use of synergies based on the Group's size in purchasing, optimisation of production to maximise the profits of the subsidiaries and the commissioning of a centre of shared services will lead to a long-term, sustainable increase in the shareholders' value of the whole UNIPETROL Group.

In 2007 and later the Group will focus on the areas mentioned above, as well as on many other fields that constitute the whole business under the new management model and the Partnership Programme. The challenges in 2007 include the successful implementation of the strategy of BENZINA filling stations, including an increase in the quality of the provided services above the level of competitors, unification of customer support for business partners, enhancement of purchasing and procurement, evaluation of the concept of the Group's logistics to maximise performance and use of the Business Excellence and Process Excellence platforms the Group has created.

The mentioned projects, as well as other projects, are properly incorporated in the plan of the Group's medium-term development as well as in the 2007 business plan. The positive results of these operations are not too visible at first because the 2007 business plan is affected by the scheduled shutdown of manufacturing technology, which will take place in the second half of the year and will take 21 to 60 days in the individual subsidiaries, depending on the scope of the planned work. A special co-ordination team was set up to minimise the impact of this scheduled shutdown; its purpose is to optimise the planned work, to supply the units in operation, to co-ordinate storage and logistics and to deal with other shutdown-related areas.

The 2007 business plan also envisions a slight and slow decrease in crude oil prices on the global markets compared to the prices of the previous year and the same development of the difference between the prices of Brent and Ural crude oil. It also projects a slight decline of the margins of petrochemical products and a rather positive development in refinery margins. The production capacity (and the volume of products sold) is partly decreased by the shutdown periods, even taking into account the positive impact of inventory and sales optimisation during that period. Disregarding the impact of the scheduled shutdown, we expect the financial and business results of UNIPETROL to be higher than in the previous years – they will therefore copy the projected market development or will be above this development. The 2007 plan envisages a stable or increasing demand for diesel oil, which is a pan-European trend, a stable or increasing demand for petrochemical products and an increase of sales at retail units.

In 2007 and later the Group intends to continue in the revision and rationalisation of costs in areas with this potential. A change of the Group's financial management is also contemplated by virtue of transfer of individual short-term credit contracts from subsidiaries to UNIPETROL, a.s., which would lead to a higher effectiveness of utilisation of external capital. The introduction of a full financial management model required approval by the company's statutory bodies, which was granted. Approval of the General Meeting is needed for a part of the concept, but it did not discuss this requirement as an item on its agenda at the time of preparation of the annual report; however, it is expected to be discussed at the Regular General Meeting in mid-2007. If the General Meeting's approval is granted, the Group will have an opportunity to use the potential of the new financial management of external resources to the maximum, thus continuing in the trend from 2006, when the Group's financial position improved and the use of external funding sources decreased. The need for financial resources will probably grow in the case of purchase of assets through acquisitions.

UNIPETROL's strategy is focused on key areas: petrochemistry, refinery processing, and retail in motor fuels through a chain of filling stations. The Group's intention is to maximise the benefits of the existing asset portfolio, to invest in the development of these assets to maintain and improve its market positions and to enhance its market and competitive position through the acquisition of a suitable entity. If an opportunity to invest into commercially and economically profitable activities presents itself in the key areas of activity mentioned above, the Group is prepared to assess the given opportunity with a team of experts and, if the benefits for shareholders are found to be supreme, to participate in the tender procedure or to make the investment.

Information and circumstances labelled as confidential by any entity incorporated in the Group and all information from business practice that could by itself or in connection with other information or circumstances result in the loss to any entity in the Group shall be deemed as confidential within the Group. That is why this Annual Report does not contain information on prices, payments, interest rates and other financial data, unless the predicative ability of this Annual Report is limited.





## UNIPETROL's Statutory Bodies and Management |



**Francois Vleugels**  
Chairman of the Board  
of Directors



**Dariusz Marzec**  
Member of the Board  
of Directors



**Ivan Ottis**  
Member of the Board  
of Directors



**Miroslav Krejčí**  
Member of the Board  
of Directors



**Martin Durčák**  
Member of the Board  
of Directors





## Board of Directors

The Board of Directors is the company's statutory body managing its activities and acting on its behalf. In compliance with the Statutes in effect as at 1 January 2006, the Board of Directors had five members who were elected for a five-year term of office. Following the approval of amendments to the company's Statutes by the Extraordinary General Meeting on 13 April 2006 the Board of Directors has seven members and the term of office of the Board members lasts three years. The Board of Directors members elect the Chairman and two Vice-Chairmen who represent – each of them fully and independently – the Chairman of the Board of Directors in the exercise of his competence.

As at 1 January 2006 the Board of Directors had the following members: Marek Mroczkowski – Vice-Chairman, acting Chairman of the Board of Directors, Vít Šubert – Vice-Chairman, Dariusz Robert Marzec, Frederik Jules Emich – members.

**Marek Mroczkowski** \*14 January 1956; Vice-Chairman of the Board of Directors (8 June 2005–26 October 2006); acting Chairman of the Board of Directors (19 September 2005–3 April 2006); University diploma, length of service: 26 years. In the previous five years he worked for companies other than UNIPETROL Group as: Vice-Chairman of the Board of Directors and CFO of PKN ORLEN S.A., Polish Republic (until August 2001); Chairman of the Supervisory Board of ANWILL S.A. Polish Republic (until September 2001); Chairman of the Board of Directors and CEO of ELANA S.A. Toruń, Polish Republic (office no longer discharged); Chairman of the Board of Directors and CEO of POLKOMTEL S.A., Warsaw, Polish Republic (office no longer discharged); Vice-Chairman of the Supervisory Board of IMPEXMETAL S.A., Warsaw, Polish Republic (office no longer discharged); Vice-Chairman of the Supervisory Board of ENERGOMONTAŻ PÓŁNOC S.A., Polish Republic (office no longer discharged). At the same time he was, and currently is, the shareholder or partner in business companies other than UNIPETROL, a.s. and its subsidiaries, holding less than 5% shares of companies listed on the exchange. At present he is not a member of any administrative, management or supervisory body.

**Vít Šubert** \*29 March 1949; Vice-Chairman of the Board of Directors (18 June 2004–10 May 2006); University diploma, 36 years of practice. In the previous five years apart from UNIPETROL Group he was a member of the Administrative Board of the National Educational Fund and a member of the Solidarita Foundation.

**Dariusz Robert Marzec** \*7 December 1964; Member of the Board of Directors (1 September 2005–6 November 2006); Vice-Chairman of the Board of Directors (since 7 November 2006, his term of office will terminate on 31 August 2008); University diploma, 12 years of practice. In the previous five years he worked for companies other than UNIPETROL Group as the Deputy Minister at the Polish Republic's Minister of Finance (July 2004–March 2005) and a member of the Supervisory Board of Polskie Sieci Elektroenergetyczne S.A. (2005).

**Frederik Jules Emich** \*30 October 1959; Member of the Board of Directors (8 June 2005–22 June 2006).

At its meeting of 16 February 2006, the Supervisory Board of UNIPETROL, a.s. elected Francois Vleugels as a member of UNIPETROL's Board of Directors with effect from 1 April 2006 and, at the same time, recommended the Board of Directors to elect him to the post of Chairman of the Board of Directors and appoint him to the position of CEO.

On the basis of the Supervisory Board's recommendation, the Board of Directors dismissed on 3 April 2006 Marek Mroczkowsky as the Board of Directors' Chairman and elected Francois Vleugels as Chairman of the Board of Directors of UNIPETROL, a.s.

**Francois Vleugels** \*14 September 1948; Chairman of the Board of Directors (since 1 April 2006, term of office will terminate on 31 March 2009); University diploma, 34 years of practice. In the previous five years he worked for companies other than UNIPETROL Group as Chief Administrative Officer (CAO) in Hexion Specialty Chemicals BV and, in connection with this post, as the executive director in many of its subsidiaries. After resigning on the CAO position and his recruitment by UNIPETROL as at 1 January 2004 he was recalled from these positions in March 2006. He was simultaneously Chairman of the Supervisory Board of Eastman Sokolov, Czech Republic (until August 2002).

At its meeting of 10 May 2006 the Supervisory Board noted resignation of Vít Šubert as a member and Vice-Chairman of the Board of Directors and at its extraordinary meeting of 16 May 2006 appointed Petr Bodlák as a member of the Board of Directors.

**Petr Bodlák** \*19 April 1962; Member of the Board of Directors (16 May 2006–6 October 2006); University diploma.

At its meeting of 22 June 2006 the Supervisory Board appointed Ivan Ottis, Chairman of the Board of Directors and CEO of PARAMO, a.s., as a member of the Board of Directors.

**Ivan Ottis** \*21 November 1947; Member of the Board of Directors (since 22 June 2006, term of office will terminate on 21 June 2009); University diploma, 36 years of practice. In the previous five years he has been a member of bodies in companies other than UNIPETROL Group, namely: the Supervisory Board of Rafineria Trzebinia S.A., Trzebinia, Polish Republic (term of office continues), member of the Supervisory Board of Rafineria Jedlicze, S.A., Polish Republic (term of office continues) and member of the Supervisory Board of ORLEN OIL Sp. z o.o., Polish Republic (term of office continues).

At its meeting of 6 October 2006 the Supervisory Board appointed as members of the Board of Directors Miroslav Krejčí, Vice-Chairman and Executive Director of CHEMOPETROL, a.s., and Martin Durčák, Vice-Chairman of the Board of Directors and CEO of BENZINA a.s.

**Miroslav Krejčí** \*11 May 1944; Member of the Board of Directors (since 6 October 2006, term of office will terminate on 5 October 2009); University diploma, postgraduate studies, 40 years of practice. In the previous five years he worked in companies other than UNIPETROL Group as Chairman of the Board of Directors and CEO of HEXION Speciality Chemicals, a.s., Sokolov, the term of office terminated.



**Martin Durčák** \*25 November 1966; Member of the Board of Directors (since 6 October 2006, term of office will terminate on 5 October 2009); University diploma, 16 years of practice. In the previous five years he worked in companies other than UNIPETROL Group as a member of the Board of Directors of ARAL ČR a.s.; the term of office terminated.

On 26 October 2006 the Supervisory Board recalled Marek Mroczkowsky as a member and Vice-Chairman of the Board of Directors. As at 31 December 2006, the composition of the Board of Directors was as follows: Francois Vleugels – Chairman, Dariusz Marzec – Vice-Chairman, Ivan Ottis, Miroslav Krejčí, Martin Durčák – members.

## Supervisory Board

The Supervisory Board is the company's supervisory body. It supervises the Board of Directors' activities and the company's business activities. In compliance with the Statutes in effect as at 1 January 2006, the Supervisory Board had 12 members who were elected for a five-year term of office. Following the approval of amendments to the company's Statutes by the Extraordinary General Meeting on 13 April 2006 the Supervisory Board has 12 members, but the term of office of the Board members lasts three years. The Supervisory Board's members elect the Chairman and two Vice-Chairmen who represent – each of them fully and independently, the Chairman of the Supervisory Board in the exercise of his competence.

As at 1 January 2006, the Supervisory Board had the following members: Igor Adam Chalupec – Chairman, Miroslav Grégr – Vice-Chairman, Cezary Krzysztof Smorszczewski, Paweł Henryk Szymański, Ewa Joanna Chmielewska, Piotr Kearney, Dariusz Marek Formela, Wojciech Lorenc, Vlastimil Růžicka, Miloslav Suchánek, Zdeněk Černý and Milan Kuncíř.

**Igor Adam Chalupec** \*29 May 1966; Chairman of the Supervisory Board (8 June 2005–26 January 2007); University diploma, 16 years of practice. In the previous five years he worked in companies other than UNIPETROL Group as: Chairman of the Board of Directors and CEO of PKN ORLEN, S.A., Polish Republic (2004–2007, the term of office terminated); Member of the Board of Directors of AB Maziėkiu Nafta, Juodeikiai, Lithuania (2006); Member of the Board of Directors of Bank Pekao S.A., Polish Republic (1995–2003); Chairman of the Supervisory Board of ORLEN Deutschland AG, Elmshorn, Germany (2004–2006); Chairman of the Supervisory Board of Rafineria Trzebinia S.A., Trzebinia, Polish Republic (2006); Chairman of the Supervisory Board of Rafineria Jedlicze, S.A., Polish Republic (2006); Member of the Supervisory Board of the Warsaw Stock Exchange S.A., Polish Republic (1995–2003); Chairman of the Supervisory Board of Pekao Pension Fund company S.A. (2000–2003); Chairman of the Supervisory Board of Pioneer Pekao Investment Management S.A., Polish Republic (2001–2003); Chairman of the Supervisory Board of Jupiter National Investment Fund S.A., Polish Republic (2000–2003); Chairman of the Supervisory Board of Pekao Trust Fund company S.A., Polish Republic (2000–2002); Member of the Supervisory Board of Mitteleuropäische Handelsbank AG, Germany (2000–2001). Since 1998 he has also been a shareholder of Bank Pekao S.A.

**Miroslav Grégr** \*13 December 1929; Vice-Chairman of the Supervisory Board (8 June 2005–22 June 2006); University diploma, 53 years of practice. In previous five years he has not been a member of any administrative, management or supervisory body, or a partner of any business company or partnership of individuals other than UNIPETROL Group.

**Cezary Krzysztof Smorszczewski** \*25 July 1965; Member and Vice-Chairman of the Supervisory Board (8 June 2005–26 April 2007); University diploma, 15 years of practice. In previous five years he was in companies other than UNIPETROL Group: Member of the Board of Directors of PKN ORLEN S.A., Polish Republic (October 2004–2007), and Member of the Supervisory Board of the following companies: Pekao Leasing Sp. z o.o., Polish Republic (until 2004); Pekao Factoring Sp. z o.o., Polish Republic (until 2003); Bank Pekao Ukraina Ltd. (until 2003); ANWILL S.A., Polish Republic (2004–2005); POLKOMTEL S.A., mobile operator, Polish Republic (2004–2007); CDM S.A., brokerage, Polish Republic (until 2003).

**Paweł Henryk Szymański** \*14 April 1972; Member of the Supervisory Board (8 June 2005, his term of office will terminate on 7 June 2008).

**Ewa Joanna Chmielewska** \*21 February 1962; Member of the Supervisory Board (8 June 2005–15 March 2006)

**Piotr Kearney** \*4 October 1969; Member of the Supervisory Board (from 8 June 2005, the term of office will terminate on 7 June 2008); University diploma, 13 years of practice. In previous five years he worked in companies other than UNIPETROL Group as Director for Strategy of PKN ORLEN S.A., Polish Republic (the term of office continues), and also as a member of supervisory boards of the following companies: ORLEN Deutschland AG, Elmshorn, Germany (2003–2004); Rafineria Trzebinia S.A., Trzebinia, Polish Republic (2003–2004); Inowrocławskie Kopalnie Soli Solino S.A., Inowrocław, Polish Republic (2003–2004); ORLEN Upstream Sp. z o.o., Warsaw, Polish Republic (2006–continuing); AB Maziekiu Nafta, Juodeikiai, Lithuania (2006–continuing). He is also a shareholder in a business company KGL Sp. z o.o., Gdynia, Polish Republic (a 20% holding) and also a shareholder with less than a 5% holding in private, or exchange listed companies other than UNIPETROL, a.s. or its subsidiaries.

**Dariusz Marek Formela** \*5 January 1974; Member of the Supervisory Board (from 8 June 2005, the term of office will terminate on 7 June 2008); University diploma, 9 years of practice. In previous five years he was in companies other than UNIPETROL Group: Chairman of the Supervisory Board of ORLEN Transport Kędzierzyn Koźle Sp. z o.o., Polish Republic (June 2001–December 2004); Member of the Supervisory Board of AB Maziekiu Nafta, Juodeikiai, Lithuania (November 2006–continuing); Chairman of the Supervisory Board of ORLEN Ochrona Sp. z o.o., Polish Republic (September 2004–December 2006); Chairman of the Supervisory Board of ORLEN Laboratorium Sp. z o.o., Polish Republic (September 2004–December 2006); Chairman of the Supervisory Board of ORLEN Prewencja, Polish Republic; Vice-Chairman of the Supervisory Board of ORLEN Księgowość, Polish Republic. He currently held the following positions in companies other than UNIPETROL Group: Chairman of the Supervisory Board of ORLEN Administracja Sp. z o.o., Polish Republic; Chairman of the Supervisory Board of Wisła Płock S.A., Polish Republic; Chairman of the Supervisory Board of Płockiego Parku Przemysłowo-Technologicznego; Member of Ethics Task team of PKN ORLEN S.A., Polish Republic; Member of the Supervisory Board

of Foundation – Fundusz Grantowy dla Płocka, PKN ORLEN S.A. representative in Development Forum of Mazowieckie Voivodeship; Member of the Board of Directors of AB Maziėkiu Nafta, Juodeikiai, Lithuania.

**Wojciech Lorenc** \*19 June 1960; Member of the Supervisory Board (8 June 2005–26 January 2007).

**Vlastimil Růžička** \*16 March 1949; Member of the Supervisory Board (8 June 2005–22 June 2006); University diploma, 34 years of practice. In previous five years he has not been a member of any administrative, management or supervisory body, or a partner of any business company or partnership of individuals other than UNIPETROL Group.

**Miloslav Suchánek** \*18 October 1942; Member of the Supervisory Board (since 18 August 2000, re-elected by the General Meeting on 13 April 2006, term of office will terminate on 13 April 2009); University diploma, 42 years of practice. In previous five years he has not been a member of any administrative, management or supervisory body, or a partner of any business company or partnership of individuals other than UNIPETROL Group.

**Zdeněk Černý** \*20 October 1953; Member of the Supervisory Board (since 17 June 2004, the term of office will terminate on 16 June 2007); University diploma, 33 years of practice. In previous five years he was in companies other than UNIPETROL Group: Chairman of the Supervisory Board of Vykáň a.s. (until 30 June 2006); Member of the Supervisory Board of Severomoravská energetika a.s., Ostrava (until 28 February 2007).

**Milan Kuncíř** \*25 June 1961; Member of the Supervisory Board (on 19 November 2002 elected as an employee representative – resigned on 13 April 2006); University diploma, 22 years of practice. In previous five years he was in companies other than UNIPETROL Group: Chairman of the Board of Directors of Rafineria Trzebinia S.A., Trzebinia, Polish Republic (27 October 2005–2 October 2006); Chairman of the Board of Directors of ORLEN OIL Sp. z o.o., Polish Republic (from 25 July 2005, continuing).

At its meeting on 15 March 2006 the Supervisory Board noted the resignation of Ewa Joanna Chmielewska, a member of the Supervisory Board. On 13 April 2006, an Extraordinary General Meeting re-elected (after termination of his term of office) Miloslav Suchánek to the Supervisory Board and elected Paweł Jasiński as a member of the Supervisory Board. At its meeting on 13 April 2006 the Supervisory Board noted the resignation of Milan Kuncíř.

**Paweł Jasiński** \*9 January 1974; Member of the Supervisory Board (13 April 2006–5 March 2007); University diploma, 8 years of practice. In previous five years he was in companies other than UNIPETROL Group a member of the Board of Directors of PKS NOWY SACZ S.A., Polish Republic (until June 2006) and a member of the Board of Directors of KEP SP. z o.o., Polish Republic.

The company's Regular General Meeting held on 22 June 2006 elected Ivan Kočárník as a member to the Supervisory Board. Subsequently, he was elected to the position of Vice-Chairman of the Supervisory Board at the Supervisory Board's meeting.

**Ivan Kočárník** \*29 November 1944; Vice-Chairman of the Supervisory Board (from 22 June 2006, the term of office will terminate on 21 June 2009); University diploma, 40 years of practice. In previous five years he was in companies other than UNIPETROL Group: Chairman of the Supervisory Board of Bedy, a.s. (until 20 December 2002); Chairman of the Supervisory Board of Impronta, a.s. (until 13 June 2003); Chairman of the Supervisory Board of Česká pojišťovna Slovensko, a.s. – terminated; Chairman of the Administrative Council of the Prague School of Economics Foundation, terminated; Chairman of the Supervisory Board of Česká pojišťovna a.s. – terminate; currently he is Chairman of the Supervisory Board of ČESKÉ AEROLINIE, a.s.

At its meeting on 22 June 2006 the Supervisory Board noted the resignation of Miroslav Grégr as a member and Vice-Chairman of the Supervisory Board and the resignation of Vlastimil Růžička as a member of the Supervisory Board. At this meeting the Supervisory Board also elected substitute members of the Supervisory Board (for the period until the next General Meeting) – Czesław Adam Bugaj and Rafał Zbigniew Kapler.

**Czesław Adam Bugaj** \*27 January 1950; Member of the Supervisory Board (from 22 June 2006 to 29 September 2006 a substitute member, from 13 December 2006 a member, his term of office will terminate on 12 December 2009); University diploma, 35 years of practice. In previous five years he was in companies other than UNIPETROL Group: Member of the Supervisory Board of AB Maziėkiu Nafta, Juodeikiai, Lithuania; Member of the Supervisory Board of Rafineria Jedlicze, S.A., Polish Republic; Vice-Chairman of the Supervisory Board of ORLEN OIL Sp. z o.o., Polish Republic; Vice-Chairman of the Supervisory Board of ANWILL S.A., Polish Republic.

**Rafał Zbigniew Kapler** \*14 December 1974; Member of the Supervisory Board (from 22 June 2006 to 29 September 2006 a substitute member, from 13 December 2006 a member, his term of office will terminate on 12 December 2009)

The Extraordinary General Meeting held on 29 September 2006 did not confirm Czesław Adam Bugaj and Rafał Zbigniew Kapler as members of the Supervisory Board because this issue was not on the agenda of this General Meeting which was convened at the request of a minority shareholder.

The Extraordinary General Meeting held on 13 December 2006 elected Czesław Adam Bugaj and Rafał Zbigniew Kapler as members of the Supervisory Board.

As at 31 December 2006, the composition of the Supervisory Board was as follows: Igor Adam Chalupec – Chairman, Ivan Kočárník – Vice-Chairman, Cezary Krzysztof Smorszczewski – Vice-Chairman, Paweł Henryk Szymański, Piotr Kearney, Dariusz Marek Formela, Wojciech Lorenc, Miloslav Suchánek, Zdeněk Černý, Paweł Jasiński, Czesław Adam Bugaj and Rafał Zbigniew Kapler – members.



## Management

Executive persons refer to persons in executive positions who substantially influence the company's operations. In case of UNIPETROL, a.s., executive persons are Chief Executive Officer, Chief Financial Officer and Chief Investments Officer.

Chief Executive Officer	Marek Mroczkowski	August 2005–2 April 2006
	Francois Vleugels	3 April 2006–now
Chief Financial Officer	Marek Mroczkowski	June 2005–31 October 2006
	Petr Sosík	7 November 2006–now
Chief Investments Officer	Dariusz Marzec	1 September 2005–now

**Petr Sosík** \*20 November 1974; University diploma, 9 years of practice. In the past five years he was not and currently is not a member of any administrative, management or supervisory body or a member of any business company or partnership of individuals other than UNIPETROL Group.

## Statement of Compliance

The members of the Board of Directors, the Supervisory Board and the company's management named below (hereinafter the "persons")

Board of Directors and other executive persons	Supervisory Board
Marek Mroczkowski	Igor Adam Chalupec
Vít Šubert	Miroslav Grégr
Dariusz Robert Marzec	Cezary Krzysztof Smorszczewski
Francois Vleugels	Piotr Kearney
Ivan Ottis	Dariusz Marek Formela
Miroslav Krejčí	Vlastimil Růžička
Martin Durčák	Miloslav Suchánek
	Zdeněk Černý
	Milan Kuncíř
	Paweł Jasiński
Petr Sosík	Czesław Adam Bugaj
	Ivan Kočárník
	Ewa Joanna Chmielewské

submitted, each individually, a declaration to UNIPETROL, a.s., stating that

- “(a) in the past five years they were not members of any administrative, management or supervisory body or members of any business company or partnership of individuals other than UNIPETROL, a.s. or any of its subsidiaries,
- (b) they are not members of any administrative, management or supervisory body or members of any business company or partnership of individuals other than UNIPETROL, a.s. or any of its subsidiaries,
- (c) they were not sentenced for any frauds over the past five years,
- (d) in the past five years they were not associated with any bankruptcy proceedings, receivership or liquidation,
- (e) they were not officially and publicly charged or sanctioned by statutory or regulatory bodies (including specific professional bodies),
- (f) in the past five years they were not judicially declared as incapable of performing the position of a member of an administrative, management or supervisory body of any issuer or any position in the management or performance of activities of any issuer,
- (g) they are not in any conflict of interest between their obligations associated with the performance of their office, their private interests or other obligations, and UNIPETROL, a.s. and
- (h) they have not concluded a contract on the performance of a position in UNIPETROL, a.s. or its subsidiary that would give them any advantage in connection with the end of performance of their office.”

and at the same time they have made any possible exemptions from the individual items of this Declaration in case any of the facts specified herein apply to them.

Exemptions from items (a) and (b), made by the individual persons, are specified in this Chapter (above) for each person individually, as stipulated in the respective persons' declarations.

No exemptions were made from items (c)–(h).

Persons appointed as Chief Executive Officer, Chief Financial Officer, Chief Human Resources Officer or Chief Investments Officer in UNIPETROL, a.s. or its subsidiaries have concluded management contracts with the respective company, stipulating the benefits arising at the end of their work from the given position in accordance with the rules of rewarding specified below.

UNIPETROL, a.s. did not obtain the statement on the information required by law from the members of the Board of Directors Frederik Jules Emich and Petr Bodlák and from the members of the Supervisory Board Paweł Henryk Szymański, Wojciech Lorenc and Rafał Zbigniew Kapler in spite of its best efforts.

## Rules of Appointment

In line with the company's Statutes, the members of the Board of Directors are elected and recalled by the company's Supervisory Board. If a member of the Board of Directors dies, resigns, is recalled or his/her term of office ends in any other manner, the Supervisory Board shall elect a new member of the Board of Directors within three months of the date of that event. Any member of the Supervisory Board is entitled to submit a proposal for election or recall of members of the Board of Directors. The election or recall of Board members is performed by secret vote at the Supervisory Board meeting. Re-election as a member of the Board of Directors is possible.

The Supervisory Board has twelve members, of which eight members are elected and recalled by the General Meeting and four members by the company's employees if the company has over fifty employees employed for over a half of the weekly working hours as stipulated in a special legal regulation on the first day of the accounting period in which the General Meeting that elects the Supervisory Board members is convened. Since this condition was not met at 1 January 2006, all Supervisory Board members were elected by the General Meeting. Unless the number of Supervisory Board members elected by the General Meeting decreases under a half, the Supervisory Board may appoint substitute members until the next General Meeting; otherwise the new Supervisory Board members have to be elected within three months from the date on which the term of office of the existing Supervisory Board members ends. Re-election as a member of the Supervisory Board is possible. The executive persons of the company are appointed and recalled by the company's Board of Directors.

## Rewarding

### Principles of rewarding of issuer's executive persons and members of the Supervisory Board

The rewards for the members of the company's Board of Directors and Supervisory Board shall be determined by the General Meeting. The General Meeting decided to set the rewards as a fixed amount for an unlimited period of time, differentiated for the Chairman, the Vice-Chairman and the members of the Board of Directors and the Supervisory Board in 2001. In addition, the company's General Meeting approved a change in the Statutes on 13 April 2006, establishing committees of the Supervisory Board, including the Personnel and Rewarding Committee. The General Meeting also took a decision on the amount of liability insurance of the members of the Board of Directors and the Supervisory Board.

#### Personnel and Rewarding Committee

The competency of the Personnel and Rewarding Committee includes the support of implementation of the company's strategic goals by submitting opinions and recommendations to the Supervisory Board in matters involving the management structure, including organisational solutions, the rewarding system and the choice of suitable persons able to help accomplish the company's success. The competency of the Personnel and Rewarding Committee especially includes:

- a) presentation of recommendations to the Supervisory Board involving the appointment and recall of its members and the Board of Directors,



- b) regular assessment and presentation of recommendations involving the principles and system of rewarding of the members of the Board of Directors and Chief Executive Officer, including management contracts and an incentive system, and presentation of proposals on the establishment of such systems to the Supervisory Board, taking into account the implementation of the company's strategic goals,
- c) presentation of opinions to the Supervisory Board involving the justification of a reward contingent upon the generated results in connection with an evaluation of the progress of implementation of the company's set tasks and goals,
- d) assessment of the company's human resources management system,
- e) recommendation of candidates for the company's Chief Executive Officer,
- f) reporting to the Supervisory Board on all circumstances involving the activities of the Personnel and Rewarding Committee.

In 2006 Cezary Smorszczewski, Wojciech Lorenc, Zdeněk Černý and Pawel Jasinski were the member of the Personnel and Rewarding Committee.

The structure of the rewards for employees and executive persons is the same, i.e. the rewards in both cases comprise a fixed element and a variable element linked to the specific position and the management level. The variable element ranges between 35–50% of the basic monthly wage depending on the management level.

Aside from cash income, the employees of UNIPETROL, a.s. are entitled to non-monetary income, such as:

- right to a company car for private purposes
- food tickets
- insurance of damage caused to the employer
- use of mobile phones with the defined limit amounts
- language courses
- contribution for long-term incapacity for work (over 29 days)

Executive persons are entitled to a compensation for their compliance with the competition ban after the end of their employment. Two employees are entitled to the payment of an amount as a "service pension".

The rights to benefits are controlled by internal procedures, guidelines, regulations or CEO's decisions.

At the end of 2005, the modification of the established Management by Objectives (MBO) system was prepared in co-operation with PKN ORLEN, with a view to managing and evaluating personnel performance even more effectively. This system was approved by the Boards of Directors of the companies directly controlled by UNIPETROL, a.s.

In 2006 this Management by Objectives (MBO) system was implemented down to the N-2 level. The evaluation of fulfilment of targets and the payout based on the approved methodology will be performed in 2007, when the financial statements verified by the auditor are approved.

The variable element of the wage for employees and executive persons included in the MBO system (down to the N-2 level in 2006) was determined by level. The variable element comprises two parts and depends on the fulfilment of specific qualitative and quantitative tasks and on the accomplishment of the Group's planned economic results.

Quantitative tasks especially include the accomplishment of the specified levels of operating profit, net profit, SVA (Shareholder Value Added), total fixed costs and total personnel costs. An MBO commission was set up to solve specific issues and complaints of employees related to the MBO system; its members are the company's executive persons. A similar rewarding method is used in companies controlled by UNIPETROL, a.s.

The specific qualitative and quantitative tasks are assigned to the employees by their immediate superiors and approved by N+1. The immediate superior also evaluates the fulfilment of tasks in the given period. The evaluation is approved by N+2m where N is the employee. Only in case of Chief Executive Officer the tasks are assigned and evaluated by the Supervisory Board.

#### Payments from the issuer for the last accounting period in CZK '000

	Supervisory Board	Board of Directors	Executive persons
Cash	6,618	2,872	14,326
Non-cash	42	259	913
Total	6,660	3,131	15,239

#### Payments from persons in the same group with the issuer for the last accounting period in CZK '000

	Supervisory Board	Board of Directors	Executive persons
Cash	317	5,465	170
Non-cash	21	390	6
Total	338	5,855	176

The members of the Board of Directors and the Supervisory Board and the executive persons do not hold the issuer's participation securities and options pursuant to Section 118 of the Capital Market Business Act No. 256/2004 Coll. and §10 of ES 809/2004. The issuer did not provide any credits, loans and guarantees to the members of the Board of Directors and the Supervisory Board and other executive persons. The members of the Board of Directors and the Supervisory Board and other executive persons did not take part in any business transactions beyond the framework of the issuer's business activities and other transactions unusual for the issuer in terms of form, nature, conditions or subject during the current year and the last finished accounting period or in the previous accounting periods.

## Application of Rules of Corporate Governance |

The Rules of Corporate Governance used in UNIPETROL are based on the Code of Corporate Governance based on the principles of the Organization for Economic Cooperation and Development ("OECD") from 2004 and issued by the Securities Commission ("Code"). The statement of UNIPETROL's Board of Directors on the compliance of UNIPETROL's corporate governance with the Code of Corporate Governance based on OECD's principles from 11 April 2006 implies that UNIPETROL fully applies the content of the code, especially in the Commercial Code and the Capital Markets Business Act. UNIPETROL is obliged to comply with these rules and implement them in its corporate governance. Some rules of the Code, however, have not been regulated in the Czech system of laws (e.g. the obligation of a joint-stock company to disclose information on the application of corporate governance rules and some other disclosure obligations in relation to the shareholders). In case of a voluntary implementation of a given rule, UNIPETROL is always obliged to fully comply with the limitations arising from the applicable laws.

Taking into account the facts stated above, UNIPETROL initiated measures last year aimed at intensifying the implementation of the rules of the code in UNIPETROL that go beyond the framework of minimum requirements of the Czech laws and whose implementation is possible under Czech legislation (e.g. establishment of committees of the Supervisory Board). In this respect UNIPETROL used the experience and observations of Polski Koncern Naftowy ORLEN Spółka Akcyjna.

One of the key elements of the rules of corporate governance contained in the Code is the equal treatment of minority shareholders and the protection of their rights. In line with the rules of the code UNIPETROL protects the legal rights of the shareholder of UNIPETROL and fully allows their exercise.

As regards the relationship of UNIPETROL to its employees, creditors and business partners, the Supervisory Board concludes that UNIPETROL proceeds in the field in line with the obligations stipulated by the laws of the Czech Republic.

UNIPETROL implemented the rules of the Code taking into account the generally recognised standards and rules of ethics. This compliance is essential for UNIPETROL, especially in relation to the controlled companies.

The rules of the Code were implemented in UNIPETROL especially through an extensive change of its Statutes, approved by the Extraordinary General Meeting on 13 April 2006.

UNIPETROL considers the application of the Code in the context of the company so important that it prepared and submitted to the Regular General Meeting held on 22 June 2006 a report and a table (see the table) containing an overview of the individual rules of the Code implemented in UNIPETROL on the General Meeting date, together with a description of the individual rules of the Code and the degree of their implementation in UNIPETROL. The table contains general comments on the individual rules of the Code and any reference to the individual provisions of UNIPETROL's Statutes (as amended) that implement the specific rules of the Code.

PRINCIPLE		IMPLEMENTATION OF PRINCIPLE IN UNIPETROL, A.S.	COMMENTS OF UNIPETROL, A.S.
<b>General principles</b>			
I	<b>Cooperate goal</b> The basic goal of the corporate bodies is to enforce and exercise the company's interests, especially to value its assets invested by its shareholders, taking into account the rights and interests of other entities engaged in the company's operation, in particular its creditors and employees.	Yes	<i>This principle is based on the nature of the business activities as stipulated in the Commercial Code.</i>
II	<b>Rule of the majority and protection of the minority</b> A joint-stock company is a capital company with the principle of capital majority rule. A shareholder that invests higher-value assets in a company's registered capital also bears higher business risks. That is why his interests are taken into account proportionately to the invested capital. However, the minority's rights have to be protected by law. In this respect the majority shareholder is obliged to note the minority rights when enforcing his shareholding rights.	Yes	<i>The principle of majority rule is based on the Commercial Code and the Statutes (profit share proportional to the nominal share value, voting rights based on the number of shares) etc.</i>
III	<b>Fair intentions and no abuse of powers</b> The exercise of rights and the use of legal institutes have to be based on fair intentions (good faith) and shall not be aimed at violating or circumventing the specific purpose. It is necessary to protect the minority against any abuse of majority rights and to protect the majority interests against the abuse of minority rights, thus ensuring the broadest possible protection of the justified rights of the shareholders as well as other persons involved.	Yes	<i>The obligation to act in accordance with best conduct and principles of fair business practice is stipulated in Section 3 of the Civil Code and Section 265 of the Commercial Code.</i>
IV	<b>Court supervision</b> The company's bodies and persons running the General Meeting cannot take decisions on issues that should be the subject of court decisions. This, however, does not apply to issues that are within their competency pursuant to the legal regulations.	Yes	<i>The scope of authorisation of the company's bodies and persons running the General Meeting is specified in the Statutes in line with the law (Art. 15 of the Articles).</i>
V	<b>Independence of opinions requested by the company</b> The company shall choose providers of expert services, in particular auditing, financial consultancy, tax advisory and legal services, taking into account if there are any circumstances that would impair the independence or impartiality of the provider in the exercise of the specific assignments.	Yes	<i>In many cases the law stipulates that the appraisal expert necessary for some business transactions shall be appointed by court, e.g. Section 59(3), Section 66a(12) of the Commercial Code.</i>  <i>Audit-related issues are within the competency of the Supervisory Board's Audit Committee (see Art. 23 of the Articles).</i>
<b>Shareholders' rights and key ownership functions</b>			
1	The shareholders' fundamental rights include: <ul style="list-style-type: none"> <li>• Right to safe ownership registration methods;</li> <li>• Right to the transfer of shares;</li> <li>• Right to obtain applicable information on the company regularly and in time;</li> <li>• Right to take part in General Meetings and vote in them;</li> <li>• Right to elect and recall members of the Supervisory Board and/or the Board of Directors;</li> <li>• Right to share in the company's profit and in the liquidation balance;</li> <li>• Right to the redemption of shares by the joint-stock company or the majority shareholder in cases specified by law;</li> <li>• Pre-emption right to subscribe to newly issued shares.</li> </ul>	Yes	<ul style="list-style-type: none"> <li>• The company has book-entered shares – registration provided by the Securities Centre.</li> <li>• Transfer of shares is not limited by the Statutes</li> <li>• The right to a share in the profit or liquidation balance is provided for in the Commercial Code and the Statutes.</li> <li>• The right to participate in the General Meeting and vote in it is provided for in the Commercial Code and the Statutes.</li> <li>• The redemption right is provided for e.g. in Section 183b or § 186a of the Commercial Code.</li> <li>• The preferential subscription to new shares is provided for in the Commercial Code and the Statutes.</li> </ul>
2	Shareholders are entitled to participate in the decision-making processes on major changes in the company and to be sufficiently informed of them. This especially applies to the following changes: <ul style="list-style-type: none"> <li>• Change of Statutes or Founder's Deed or similar fundamental documents of the company;</li> <li>• Approval of an issue of new shares;</li> <li>• Extraordinary transactions, including transfer of all or almost all assets that in fact result in the sale of the company.</li> </ul>	Yes	<i>The nature of the proposed changes in the Statutes shall be characterised in the notice of convention of the General Meeting (Section 184(8) of the Commercial Code).</i>  <i>Issues of corporate transformation, increase of registered capital and enterprise sale are within the competency of the General Meeting (Art. 12 of the Statutes).</i>



	PRINCIPLE	IMPLEMENTATION OF PRINCIPLE IN UNIPETROL, A.S.	COMMENTS OF UNIPETROL, A.S.
3	<p>Shareholders shall have an opportunity to take an effective part in General Meetings and to vote in them and shall be informed of the rules governing the General Meetings, including voting procedures:</p> <ul style="list-style-type: none"> <li>• The shareholders shall receive sufficient and timely information on the date, place and agenda of the General Meeting and full and timely information on the issues to be decided at the General Meeting;</li> <li>• The shareholders shall have an opportunity to ask questions from the Board of Directors and the Supervisory Board, including questions relating to the annual external audit, and to add items to the agenda of the General Meeting under reasonable limiting conditions;</li> <li>• The shareholders' participation in key decisions involving corporate governance, such as nominating and electing members of administrative bodies, shall be facilitated;</li> <li>• The shareholders shall have an opportunity to voice their opinions on the policy of rewarding the members of bodies and key persons in the company's management. The shareholders shall approve the share section of rewarding schemes involving the members of administrative bodies and the employees;</li> <li>• The shareholders shall have an opportunity to vote personally or in representation and the results of this voting in absence shall be equally important.</li> </ul>	Yes	<p><i>The obligation to provide information on the General Meeting is stipulated by the law and in Art. 14 of the Statutes.</i></p> <p><i>The right of the company's shareholder to an explanation is stipulated in the Commercial Code and in Art. 10 of the Statutes.</i></p> <p><i>In line with the Commercial Code and Art. 13 of the Statutes, the possibility of a shareholder's representation at the General Meeting is stipulated on the basis of a power of attorney.</i></p> <p><i>The Czech laws do not allow remote voting.</i></p>
4	Capital structures and arrangements that allow some shareholders to control a company to an extent that is not in proportion to their holding of shares shall be published.	Yes	<i>The control disclosure obligation is stipulated in Section 122 of the Capital Markets Business Act.</i>
5	<p>Enterprise takeover markets shall be allowed to operate effectively and transparently.</p> <ul style="list-style-type: none"> <li>• The rules and procedures governing the takeover of enterprise control on the capital market and extraordinary transactions, such as mergers and sales of significant parts of corporate assets, shall be clearly formulated and published so the investors could understand their rights and options for defence. Transactions shall be performed at transparent prices and under fair conditions that protect the rights of all groups of shareholders.</li> <li>• The tools of defence against takeover shall not be used in a manner that would protect the management against responsibility.</li> </ul>	Yes	<p><i>At present the 13th Directive of the EU on trading companies is being implemented – significant legislative changes can be expected.</i></p> <p><i>The disclosure obligations in case of mergers are stipulated in the Commercial Code (e.g. Section 220a et seq. of the Commercial Code).</i></p>
6	<p>The exercise of ownership rights of all shareholders, including institutional investors, shall be facilitated.</p> <ul style="list-style-type: none"> <li>• Institutional investors who act as the custodians of entrusted funds should publish their corporate governance policy and voting policy in relation to their investment, including decision-making procedures on the application of voting rights.</li> <li>• Institutional investors who act as the custodians of entrusted funds shall publish how they settle significant conflicts of interest that could influence the exercise of their key ownership functions in relation to their investment.</li> <li>• Institutional investors who act as the custodians of entrusted funds should publish their corporate governance policy and voting policy in relation to their investment, including decision-making procedures on the application of voting rights.</li> </ul>	NOT A DUTY OF UNIPETROL, a.s.	<p><i>UNIPETROL, a.s. maintains the principle of equal treatment of all shareholders under Section 155(7) of the Commercial Code and Section 120(1)(a) of the Capital Markets Business Act.</i></p> <p><i>UNIPETROL, a.s. does not make any statement on the issue of obligations imposed upon institutional investors.</i></p>
7	<p>Shareholders, including institutional shareholders, shall be allowed to mutually consult their problems involving their fundamental shareholding rights, with exceptions focused against the abuse of mutual consultations.</p> <ul style="list-style-type: none"> <li>• The Commercial Code does not admit the possibility of remote voting, e.g. using electronic means of communication. In case of the General Meeting this ban is based on Section 66(5) of the Commercial Code; however, this is possible in case of other corporate bodies.</li> <li>• The disclosure obligation is stipulated in Section 122 of the Capital Markets Business Act. The voting right shall inure to an entity that really disposes of it, which may be sometimes difficult to determine in practice.</li> <li>• In line with Section 5(1) of the Capital Market Supervision Act, an institutional investor is a bank, an investment company, an investment fund, a pension fund, an insurance company or a foreign company authorised to do business in the same fields in the Czech Republic.</li> </ul>	Yes	<i>Mutual consultations between the shareholders have statutory limitations and the Czech laws in this respect do not allow the full application of this principle. The Czech laws stipulate the so-called acting in concert, which has to be notified to the Czech National Bank and the company in case of procedure under Section 122 of the Capital Markets Business Act. The so-called shareholders' contracts are also limited by Section 178(13) of the Commercial Code.</i>

PRINCIPLE		IMPLEMENTATION OF PRINCIPLE IN UNIPETROL, A.S.	COMMENTS OF UNIPETROL, A.S.
<b>Equal treatment of shareholders</b>			
8	<p>All shareholders of the same type shall be treated equally.</p> <ul style="list-style-type: none"> <li>All shareholders shall have the same rights within the framework of each type of shares of the same issue (these have to be representation shares of the same nominal value). All investors shall have an opportunity to receive information on the rights attached to all types of shares before the purchase of the shares. The shareholders concerned should be informed of all changes in the voting rights.</li> <li>Minority shareholders shall be protected against the direct or indirect damaging conduct of shareholders controlling the company or any damaging conduct to their benefit and shall have effective means at their disposal to require compensation.</li> <li>Custodians and nominees shall vote in the manner agreed with the shareholder. This applies if the shareholder gives instructions. If no instructions are given, the custodian or nominee can vote at their discretion, but the voting rights are attributed to them.</li> <li>Process procedures at General Meetings shall allow the equal treatment of all shareholders. The company's procedures shall not impair or increase the price of vote application.</li> </ul>	Yes	<p><i>A stricter disclosure obligation applies to companies with listed shares (Sections 118 to 121 of the Capital Markets Business Act).</i></p> <p><i>An abuse of a majority or a minority of votes in the company is prohibited (Section 56a of the Commercial Code).</i></p> <p><i>The equal treatment of shareholders at the General Meeting is guaranteed by the Commercial Code (Section 180 of the Commercial Code).</i></p> <p><i>UNIPETROL, a.s. does not comment on the obligations stipulated for the custodians.</i></p>
9	Insider trading and abusive self-dealing practices are banned.	Yes	<i>The ban is based directly on the law; the company is obliged to respect it (Sections 194(5) and 196 of the Commercial Code, Sections 124 and 125 of the Capital Markets Business Act).</i>
10	The members of the Board of Directors and the Supervisory Board and the managers shall be required to inform the Board of Directors or the Supervisory Board if they have any direct or indirect interest or third-party interest in transactions or matters that directly involve the company.	Yes	<i>This obligation is stipulated in the company's internal regulations.</i>
<b>Role of parties involved in corporate governance</b>			
11	The rights of involved parties protected by law or by mutual contracts shall be respected.	Yes	<i>Relationships with employees, creditors, suppliers and customers are respected in accordance with the law and contractual relationships.</i>
12	If the interests of the involved parties are protected by law, the involved parties shall have an opportunity to demand a reasonable compensation for the breach of their rights.	Yes	<i>See clause 11 above.</i>
13	The involved parties, including the individual employees and their representatives, shall have an opportunity to freely inform the Supervisory Board of their concerns regarding any unlawful or unethical practices and their rights shall not be affected thereby.	Yes	
14	The corporate governance framework shall be complemented with an efficient insolvency management framework and efficient enforcement of creditors' rights.	Yes	
<b>Disclosure and transparency</b>			
15	<p>Disclosures shall contain at least the following substantial information:</p> <ul style="list-style-type: none"> <li>Financial and operating results of the company;</li> <li>Goals of the company;</li> <li>Large ownership interests in shares and voting rights;</li> <li>Policy of rewarding of the members of the Board of Directors and the Supervisory Board and the key managers, including their qualifications, process of drafting and information if they are treated as independent;</li> <li>Transactions with affiliated persons;</li> <li>Predictable risk factors;</li> <li>Problems in relation to employees and other involved parties;</li> <li>Structure of corporate governance and procedures in this area, especially the content of the Code of Corporate Governance and the process of its practical application.</li> </ul>	Yes	<p><i>The disclosure of financial and operating results is stipulated in the Capital Markets Business Act and the Accounting Act.</i></p> <p><i>The obligation to disclose the company's goals is not stipulated in the law. The applicable laws only require the disclosure of information on the projected economic and financial situation in the following period (Section 20 of the Accounting Act, Section 118 of the Capital Markets Business Act).</i></p> <p><i>The disclosure of the amount and acquisition of ownership interests is stipulated in Section 122 of the Capital Markets Business Act.</i></p> <p><i>The disclosure of information on the payments received by the members of the company's bodies and management is required to be made in the company's Annual Report under the Capital Markets Business Act.</i></p> <p><i>The obligation to disclose predictable risk factors and problems in relation to employees and other involved parties is not stipulated in the law, but can be inferred from the general clause on the function and content of the Annual Report and the Interim Report.</i></p>

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16	The information shall be prepared and published based on the best accounting practice and principles of disclosure of financial and non-financial information.	Yes	See item 17 above.
14	The annual audit shall be performed by an independent, competent and qualified auditor with a view to providing the Board of Directors, the Supervisory Board and the shareholders with an external and objective assurance that the financial statements correctly represent the financial situation and performance of the company in all significant aspects.	Yes	See Art. 23 of the Statutes.
18	External auditors shall be liable to the shareholders and are obliged to exercise due professional care when performing the audit in the company.	NOT APPLICABLE	The law does not stipulate any enforceable direct liability of the auditors to the shareholders – the auditors are liable to the company.
19	Information distribution channels shall provide a fair, timely and cost-effective approach of the users to the relevant information.	Yes	The Capital Markets Business Act stipulates the obligation to disclose diverse data in a manner that allows remote access – see <a href="http://www.UNIPETROL.cz">www.UNIPETROL.cz</a>
<b>Responsibility of the board of directors and the supervisory board</b>			
20	The members of the Board of Directors and the Supervisory Board shall take fully informed actions, in good faith, with due care and in the best interest of the company and the shareholders.	Yes	This obligation is stipulated in the Commercial Code (Section 194). The Commercial Code imposes the obligation to act with due care.
21	If the decisions of the Board of Directors or the Supervisory Board can influence different groups of shareholders differently, the Board of Directors or the Supervisory Board shall treat all shareholders fairly.	Yes	See Section 120 of the Capital Markets Business Act.
22	The Board of Directors and the Supervisory Board shall comply with high ethical standards. They shall take into account the interests of the involved parties.	Yes	The law does not stipulate obligations of an ethical nature. Based on the Commercial Code the members of the Board of Directors and the Supervisory Board are obliged to perform their duties with due care.
23	The Board of Directors and/or the Supervisory Board shall fulfil certain key functions, such as: <ul style="list-style-type: none"> <li>• Revision and formulation of the company's strategy, plans for major projects, risk policy, annual business plans and budgets; determination of performance targets, monitoring of their implementation and performance of the company; supervision over large capital expenses, acquisitions and sales of assets;</li> <li>• Monitoring of efficiency of the company's processes in corporate governance and performance of changes if needed;</li> <li>• Selection, rewarding, monitoring and, if needed, replacement of key executive persons and supervision over promotion planning;</li> <li>• Making sure that the rewards for the members of the Board of Directors and the Supervisory Board comply with the company's and the shareholders' long-term interests;</li> <li>• Ensuring a formally proper and transparent process of appointment and election of the members of the Board of Directors and the Supervisory Board;</li> <li>• Monitoring and solving potential conflicts of interest of the management, the members of the Board of Directors and the Supervisory Board and the shareholders, including abuse of the company's assets and irregularities in transactions with affiliated persons;</li> <li>• Ensuring integrity of the accounting and financial reporting systems, including an independent audit and functionality of the relevant management systems, especially the risk management system, the financial management system and the monitoring of compliance with the laws and the applicable standards;</li> <li>• Supervision over the process of disclosure of information and public relations.</li> </ul>	Yes	See Art. 16(5), Art. 16(6), Art. 20(4), Art. 20(5), Art. 23 of the Statutes.
24	To make sure the members of the Board of Directors and the Supervisory Board can fulfil their responsibilities, they shall have access to accurate, important and timely information.	Yes	The Board of Directors is generally entitled to corporate information. It is obliged to provide the members of the Supervisory Board with access to all information (Section 197(2) of the Commercial Code and Art. 20(2) of the Statutes).
<b>Corporate governance committees set up by administrative bodies</b>			
25	The Audit Committee should be especially obliged to: <ul style="list-style-type: none"> <li>• Examine the management's procedures ensuring the suitability and effectiveness of systems and inspections;</li> <li>• Investigate the procedures applied by the management to ensure the fulfilment of the requirements and standards of the regulatory system.</li> </ul>	Yes	See Art. 23 of the Statutes.

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26	<b>Rewarding Committee:</b> Its task is to recommend generally defined procedures involving all aspects of rewarding of directors and executive persons to the administrative bodies.	Yes	<i>See Art. 23 – UNIPETROL, a.s. sets up the Personnel and Rewarding Committee.</i>  <i>Under the Czech law the determination of a reward for employees (incl. executive employees under Section 27 of the Labour Code) is within the exclusive competency of the company's statutory body (Board of Directors). The wage can be also agreed with a trade union in the collective agreement.</i>
27	<b>Appointment Committee:</b> Its task is to submit to the administrative bodies proposals for the appointment of members of administrative bodies and executive managers liable to the shareholders or directly to the Chairman or Chief Executive Officer, and the Committee deals with the planning of replacements of employees in the company.	Yes	<i>See Art. 23 – similar activities are provided by the Personnel and Rewarding Committee set up by the Supervisory Board.</i>
28	<b>Board of Directors:</b> The Board of Directors is a managing body whose task is to define the strategic focus and goals of the company, to appoint and monitor operating management, to monitor how and in what manner the company fulfils the set targets and to monitor compliance with standards. The Board of Directors reports to the shareholders.  The Board of Directors is responsible for: <ul style="list-style-type: none"> <li>• Defining the company's strategic goals and concepts.</li> <li>• Appointing the company's top management.</li> <li>• Monitoring and evaluating progress in the accomplishment of the set targets and compliance with the specific strategy.</li> <li>• Submitting the company's operating and financial results to the Supervisory Board and the shareholders at the General Meeting.</li> </ul>	Yes	<i>See Art. 16 of the Statutes.</i>
29	<b>Administrative bodies and management:</b> The General Meeting of shareholders has the right to establish or wind up the company and its administrative bodies. It also watches over the company's Statutes because only the General Meeting is entitled to modify the company's Statutes. The General Meeting of shareholders, together with the Board of Directors and the Supervisory Board, are bodies with direct responsibility for the company's future.	Yes	<i>The competency of the General Meeting in the issues of the company's liquidation and Statutes is stipulated by the law. The obligation to file a petition in bankruptcy is, however, in the competency of the Board of Directors.</i>
30	<b>Management of the company:</b> In case of listed joint-stock company the function of the Board of Directors is focused primarily on the adoption of strategic decisions; there should be a clear separation line between leadership (i.e. administrative bodies), management and ownership. If the company is listed at the Prague Stock Exchange, its obligations are more stringent – the company has to fulfil not only the criteria determined by the stock exchange, but also the rules of disclosure of information as stipulated by the law and enforced by the Czech National Bank.	Yes	<i>The disclosure obligation is based on the provisions of the Capital Markets Business Act. This obligation is monitored and enforced by the Czech National Bank.</i>
31	<b>Supervisory Board:</b> Based on the Commercial Code the Supervisory Board is authorised to supervise over the exercise of the Board of Directors' powers and over the whole company's business activities. The members of the Supervisory Board are therefore entitled to read all document related to the company's operations, to verify its annual financial reports and the proposed profit distribution.	Yes	<i>Obligations and powers of the Supervisory Board arising out of the law – Sections 197 to 201 of the Commercial Code – and the Statutes (Art. 20 et seq.).</i>



	PRINCIPLE	IMPLEMENTATION OF PRINCIPLE IN UNIPETROL, A.S.	COMMENTS OF UNIPETROL, A.S.
32	<b>The Board of Directors should:</b> Verify measures and mechanisms used to determine the employees' wages and other working conditions (e.g. degree of centralisation and recognition of trade unions), taking into account the need to derive the wage as much as possible from the productivity and other factors on the labour markets. Verify the systems through which the company consults the proposed final decisions with its employees, the ways in which it submits significant decisions and general information on the company to its employees, and ensures the maximum effective participation of employees in decisions on matters that influence them, and the ways of giving its employees an opportunity to obtain a share in the company's ownership. Regardless of whether there is a collective agreement, make sure that the company's management has clear guidelines to discuss the wage level and other conditions for its employees. Verify the environmental protection and occupational safety policy taking into account compliance with the applicable legal regulations in the interest of physical health of the employees.	Yes	<p><i>As regards the Board of Directors' obligations, see clause 23 above.</i></p> <p><i>The obligations of UNIPETROL, a.s. in relation to the rewarding of employees and to the obligation to inform the employees and discuss with them some matters involving the UNIPETROL, a.s. (e.g. the employer's economic situation, work standardisation, personnel evaluation and rewarding system, measures involving a larger number of employees) are peremptorily (i.e. without any possibility of their contractual modification) stipulated in the Labour Code and in the Wages Act. UNIPETROL, a.s. is obliged to respect these peremptorily specified rules and proceed in accordance with them. In addition, UNIPETROL, a.s. is obliged to proceed in accordance its internal guidelines regulating labour-law relationships.</i></p>
33	<b>Conflict of interest:</b> It is a general rule that the members of administrative bodies shall not abuse their powers, use opportunities available to the company for their own benefit, allow their personal interests to run into conflict with the company's interests or abuse the company's assets. The Commercial Code especially bans competitive behaviour (except for cases permitted in the Statutes or the General Meeting's decision); in case of a breach of this provision it also allows the company to strip the party in breach of the benefits or obtained rights and to request a compensation of damage.	Yes	<p><i>The issue of conflict of interest is settled in legal regulations (Commercial Code – Section 196 and agreement with employees – no competition clause within the meaning of section 29a of the Labour Code contained in management contracts if the Labour Code allows this obligation in the specific working position).</i></p>
34	<b>Obligations of the member of the Board of Directors:</b> Direct responsibility – where the member of the Board of Directors is required to act in a specific manner in the interest of the company or a third party. Indirect responsibility – where required in the interest of third parties or in public interest. Contingent responsibility – where it is required to fulfil a specific task and it is not important who will fulfil it, but where the nature of the function of the Board of Directors' members implies that they will have to fulfil the task. The members of the Board of Directors are obliged to take care of the entrusted assets of the company available or under their control.	Yes	<p><i>The obligation of the members of the Board of Directors is the so-called residual obligation, i.e. everything not falling within the competency of the General Meeting and the Supervisory Board is in the competency of the Board of Directors (Section 191 of the Commercial Code). As regards generally the obligations of the Board of Directors see item 23 above.</i></p>
35	<b>Employment of members of the Board of Directors:</b> The position of a member of the Board of Directors cannot be performed on the basis of an employment contract, but rather on the basis of a work contract – a member of the Board of Directors is not employed by the company. The employment of a member of the Board of Directors may arise not only with the company whose Board of Directors the person is a member of; the member of an administrative body of a group of companies can have an employment contract with any company in the group. Where a member of an administrative body of a group of companies is to be an employee of a 100% subsidiary, the approval of the shareholders of the group should be required to conclude such an employment contract.	Yes	<p><i>The impossibility to perform the position of a member of the Board of Directors within the framework of employment is based on the current case law, which is respected by UNIPETROL, a.s. This does not, however, exclude the possibility that the member of the Board of Directors can be employed by the company, but the obligations arising out of the labour-law relationship and the commercial-law relationship shall be separated.</i></p>
36	<b>Loans to the members of administrative bodies:</b> The Commercial Code also stipulates rules for granting loans and for similar transactions with the members of administrative bodies and in specific cases to persons close to them. These transactions and any cashless transfers of assets are subject to prior approval of the General Meeting and shall be carried out under usual business conditions.	Yes	<p><i>See Section 196a(1) of the Commercial Code.</i></p>
37	<b>Members of the Board of Directors and ownership of shares:</b> The ownership of the company's shares by the members of the Board of Directors is a generally accepted and supported practice provided that it has the nature of a long-term investment. The Statutes of some companies even require the members of the Board of Directors to own the company's shares. They should not abuse their good knowledge for trading with the company's shares.	Yes	<p><i>Insider dealing is banned (Section 124 of the Capital Markets Business Act).</i></p>

PRINCIPLE	IMPLEMENTATION OF PRINCIPLE IN UNIPETROL, A.S.	COMMENTS OF UNIPETROL, A.S.
<b>38 Report on the activities of statutory bodies:</b> The administrative bodies of each company are obliged to prepare a report for each financial year. <ul style="list-style-type: none"> <li>• Thorough evaluation of the development of the company's and its subsidiaries' business activities during the financial year; evaluation of their situation at the end of the period; recommendation of the amount of dividends or the amount to be transferred to the shareholders' equity (if profit is generated).</li> <li>• Names of all persons there were members of administrative bodies during the period concerned, the number of their shares and other interests (both in relation to the company).</li> <li>• Key activities of the company and its subsidiaries, changes in them during the year, changes in the value of assets.</li> <li>• Information on the acquisition of the company's treasury stock and the applicable fees.</li> <li>• Health, safety and working conditions of the employees.</li> </ul>	Yes	<i>See e.g. Section 118 of the Capital Markets Business Act. In accordance with the Statutes and the Commercial Code the Board of Directors is obliged to prepare a report on business activities.</i>
<b>39 Annual financial statements and report of statutory bodies:</b> The company's annual financial statements require approval by the Board of Directors and the Supervisory Board; after that the Balance sheet is signed by a member of the Board of Directors. A copy of the financial statements is sent to the Czech National Bank and the Commercial Register. The report of the statutory bodies shall be approved by the statutory bodies and signed by their authorised member and is also a part of the Annual Report delivered to the Czech National Bank and included in the Collection of Deeds. Copies of both documents submitted to the General Meeting or published in any other way shall bear the names of the persons that signed the documents.	Yes	<i>See item 43 above.</i>
<b>40 Mode of business:</b> The main business values include the obligation not to accept or offer bribes, not to abuse personal relationships in obtaining business opportunities and not to provide untrue or misleading information.	Yes	<i>These are obligations enforced by the penal law and the Commercial Code.</i>
<b>41 Attitude to customers:</b> Long-term work on public relations.	Yes	<i>As regards generally the obligations of the Board of Directors see item 23 above.</i>
<b>42 Approach to public administration:</b> Recording of all financial transactions in accounting books. Compliance with all laws and legal regulations of the countries in which business is done.	Yes	<i>Arises out of the Accounting Act and the general obligation to act in accordance with the law.</i>
<b>43 Approach to the community:</b> Develop good relationships with the surroundings we work in , e.g. by supporting educational, health, environmental, cultural and other events.	Yes	<i>UNIPETROL, a.s. participates in the sponsoring of sporting and cultural events.</i>





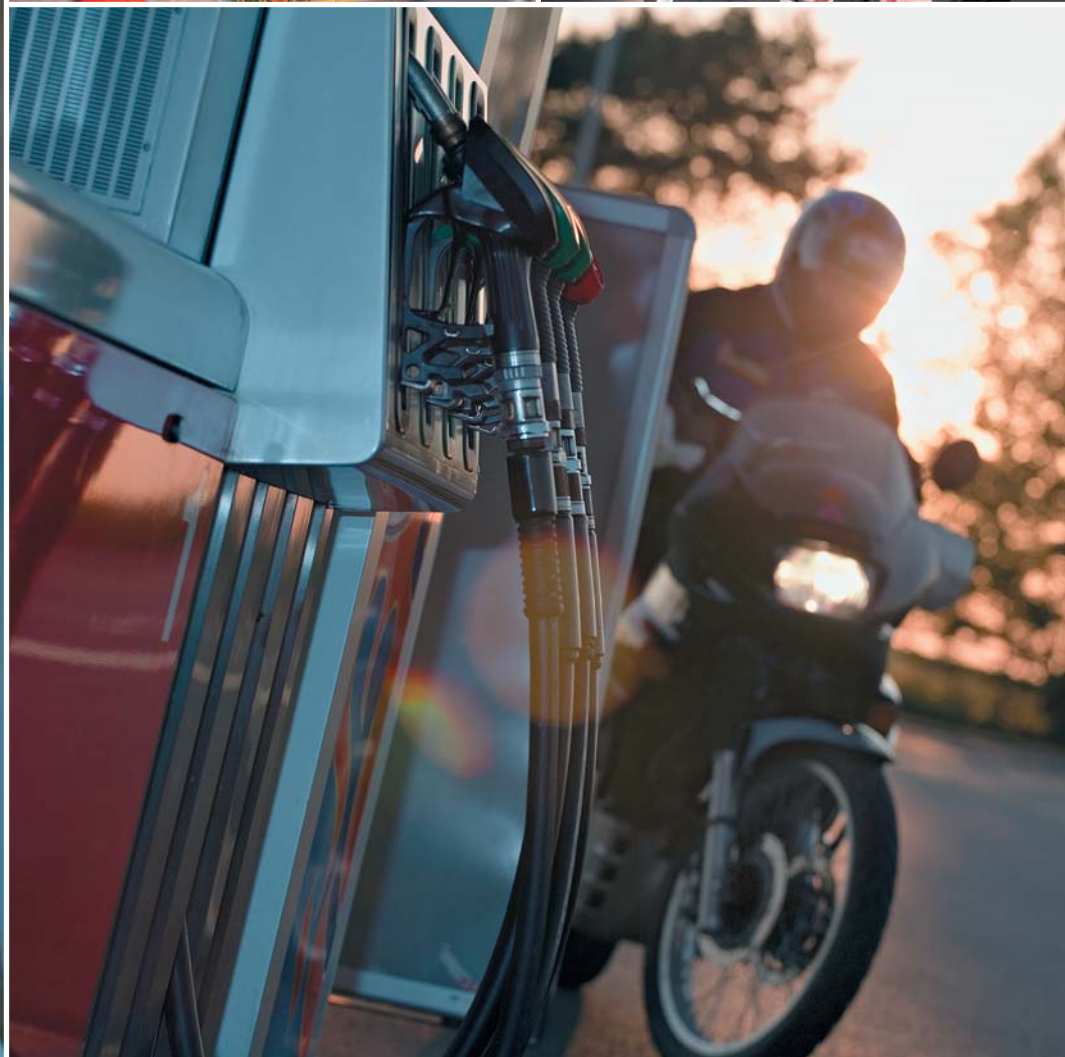
# CZK 6.6 bn.







The potential operating profit of UNIPETROL Group for 2006 was assessed at CZK 6.6 billion. Compared with the previous year, we sold 19% more fuels, 9% more bitumen, and fuel sales at BENZINA filling stations increased by 15% in 2006.



# Board of Directors' Report on the Company's Business Activities and the State of its Assets

## Introduction

In 2006, UNIPETROL's operating profit (excluding one-off non-business items) increased by 10% compared with the previous year thanks to the ongoing transformation of the company, high performance in the petrochemical segment and retail sale, as well as good results in crude oil refining. Sales revenues of the Group increased year-on-year by 17% and its cash flow exceeded that of 2005 and enabled us to pay a substantial part of the long-term debt with the highest interest rate.

CZK million	2006	2005	Y/Y
Revenues	94,642	80,946	+17%
Operating profit	3,782	5,282	-28%
Operating profit (without one-off non-business costs) <sup>1)</sup>	5,785	5,282	+10%
Net profit attributable to equity holders of the Company	1,600	3,431	-53%
Net profit attributable to equity holders of the Company (without one-off non-operating costs) <sup>2)</sup>	4,354	3,431	+27%
Operating cash flow	7,387	7,189	+3%

<sup>1)</sup> Adjusted for the effect of impairment of assets held for sale relating to KAUČUK and EC fine

<sup>2)</sup> Also adjusted for the effect of unclaimed investment incentives of CHEMO PETROL and the accounting loss from the sale of SPOLANA shares

Non-operating one-off items totalled more than CZK 2.3 billion. They include the accounting loss from the sale of SPOLANA shares and the decreased asset value related to the sale of KAUČUK's shares. In the case of SPOLANA, the loss represented CZK -334 million and in the case of KAUČUK CZK -1,670 million. A fine imposed to UNIPETROL and KAUČUK by the European Commission (EC) for KAUČUK's alleged participation in the cartel of synthetic rubber manufacturers is another extraordinary item recorded in the accounts in the 4th quarter of 2006. The fine was CZK 483 million (CZK 150 million was reserved for this purpose in previous years). Both companies filed lawsuits against the EC Commission decision with the European Court of First Instance. In their actions, UNIPETROL and KAUČUK challenge the European Commission's decision in full.

Operating one-off items included three shut-downs at our facilities during 2006: shut-down of the hydro-splitter in Litvínov (ČESKÁ RAFINÉRSKÁ) in March, shut-down of the ethylene unit (CHEMOPETROL) in October connected with shut-down of the hydro-splitter (ČESKÁ RAFINÉRSKÁ) and the December shut-down of the FCC unit in Kralupy (ČESKÁ RAFINÉRSKÁ). The shut-downs reduced the gross margin by almost CZK 800 million. It is mostly the consequence of the extended planned shut-down cycle from two to four years (the last planned shut-down took place in 2003). Synchronized shut-downs which are scheduled for the second half of 2007, taking into account the extended cycle, will be used for regular maintenance, and they will also contribute to further expansion of the production capacity and optimization of the product portfolio. According to the plan, the shut-downs will last up to 56 days in ČESKÁ RAFINÉRSKÁ, 45 days in CHEMOPETROL and 21 days in PARAMO. This investment will allow better use of capacities, higher reliability and shift to products with higher margin in future years. In 2007, the value of the Group's investment will increase to almost CZK 5.5 billion compared with the almost CZK 4 billion invested in 2006 (inclusive 100% in ČESKÁ RAFINÉRSKÁ).

Net profit of the Group was influenced by a one-off item related to unclaimed investment incentive of CZK 324 million that were originally claimed by CHEMOPETROL in 2005. The company decided not to apply incentives related to the income tax return for 2005 and, at the same time, took steps leading to a tax refund.

#### UNIPETROL Group's potential at the level of operating profit

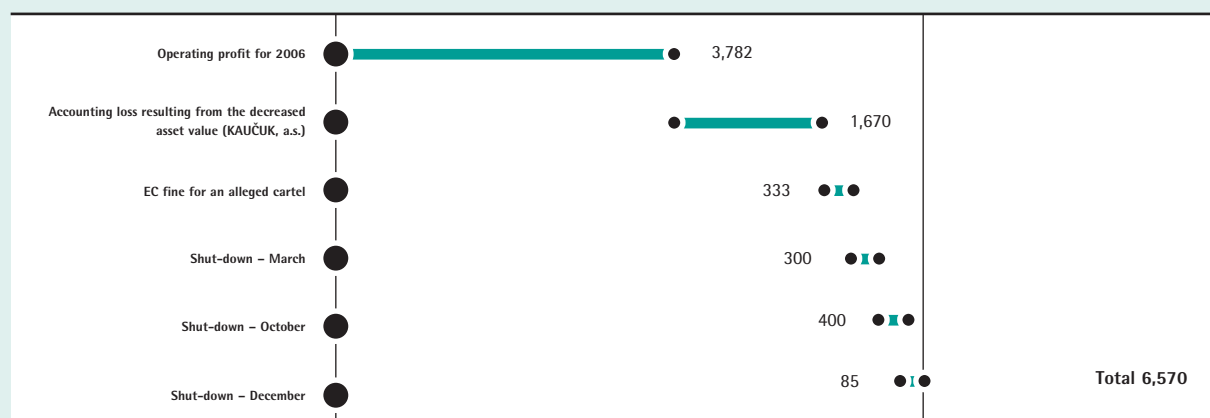
CZK million	2006	2005	Y/Y
Operating profit for 2006	3,782		
Accounting loss resulting from the decreased asset value (KAUČUK, a.s.) <sup>1)</sup>	1,670		
EC fine for an alleged cartel <sup>2</sup>	333		
Shut-down – March <sup>3</sup>	300		
Shut-down – October <sup>3</sup>	400		
Shut-down – December <sup>3</sup>	85		
<b>Operating profit without one-off items</b>	<b>6,570</b>	<b>5,282</b>	<b>+24 %</b>

<sup>1)</sup> Accounting loss in the 4th quarter of 2006

<sup>2)</sup> EC fine for an alleged cartel agreement for butadiene-styrene rubber in 1996–2002 of CZK 483 million (plus: a financial reserve created in previous years, CZK 150 million). UNIPETROL will use all available legal means to defend the company.

<sup>3)</sup> The impact on gross margin; details are contained in "Key Events of the Year".

#### UNIPETROL Group's potential at the level of operating profit (CZK million)



It is obvious that the Group has an enormous potential. In the future, two main sources are expected to boost the growth of the Group:

- Internal corporate growth will be achieved through: better organization of the Group (the current implementation of the Corporate Governance model); our focus on "commercial excellence" (production and sales/marketing departments); optimization of the product portfolio and gross margin of the entire Group and broader use of synergistic effects between the Group and PKN ORLEN, the majority owner (Partnership Programme).
- External growth will be, first of all, ensured by investing in the expansion of capacities and increasing reliability of our manufacturing units. We are also looking for suitable acquisitions in all our three key business areas (crude oil refining and wholesale, retail sale and petrochemical production).

#### Sales in individual key segments

	2006	2005	Y/Y
Wholesale fuels volume sales (th. tones) <sup>1)</sup>	2,558	2,151	+19%
Petrochemical volume sales (th. tones) <sup>2)</sup>	2,456	2,534	-3% <sup>4)</sup>
Retail volume sales (m liters) <sup>3)</sup>	535	486	+10%

1) Refers to gasoline, diesel, Jet, LHO

2) Refers to CHPL + UNIPETROL RAFINÉRIE + PARAMO

3) Refers to retail sales of Gasoline, Diesel, LPG

4) October shut-down of the ethylene unit

**Crude oil processing:** High sales volumes compensated to a considerable extent the unfavourable external conditions, such as the low refinery margin in the 1st and 4th quarter of the year. The refinery segment did well especially in the 2nd half of 2006, very good results were achieved especially in diesel oil and naphtha. The sales volume rose by 18.9% to 2,558 kt, despite the March, October and December shut-downs in ČESKÁ RAFINÉRSKÁ. During the shut-down planned for 2007, the capacity of the hydro-splitter ČESKÁ RAFINÉRSKÁ) and the conversion unit will be increased, and the production of diesel in the Group's product portfolio reinforced.

**Petrochemicals:** CHEMOPETROL's economic results were the best in the Company's history, despite the above mentioned October shut-down of the ethylene unit and an unused investment incentive. Main factors which contributed to this included excellent market conditions in the given segment and strong demand for petrochemical products which resulted in the volumes achieved (see the chart). In the Central European region the demand is expected to grow also in future years. We respond to it with increasing the capacity of the ethylene unit and the resulting higher polyolefins production, opening the benzene extraction distillation project, and also with launching the joint project with KAUČUK – construction of the new butadiene unit which is planned to open for operation in 2009.

**Retail sale:** Excellent growth in volumes also mirrored in financial results: in 2006 they were the best since 2001 and they already reflected the first effects of restructuring and modernization of our filling stations network. In the 4th quarter of 2006 BENZINA introduced its new strategy focused on two brands – the cost-saving BENZINA and the premium BENZINA Plus – aimed at further increase in sales and the company's market share. Modernization of the network will continue in





## Motto:

"Everyone can be a star in good times; we are changing the Group to remain stars even during bad times."

future years, capital expenditures planned for this purpose total CZK 1.3 billion for 2006–2009 when synergistic effects arising from the rebranding will show.

## External Conditions

In 2006, macroeconomic conditions of the Czech Republic were favourable. The 6% year-on-year growth of the gross domestic product was above the level achieved in neighbouring countries, and the inflation was also kept at low level – around 2%. We anticipate positive development also for the future, however with the necessity to carry out structural reforms in the area of public finance, such as pension, health, social and other reforms in order to maintain favourable macroeconomic environment. The crude oil and refinery products market is global, and the market prices are strongly influenced by the development in world economy, geopolitical influences and negotiations of major extracting countries or their associations (OPEC). Seasonal influence is also significant and the weather can also have a dramatic impact (for example the influence of the hurricane season in the USA, a warm winter etc.). While petrochemical margins developed favourably in 2006 because they mostly reflected the strong and growing demand in the Central European region, refinery margins recorded a sharp decline, especially in the 4th quarter.

### Refinery margins – quarterly averages

USD/bbl	Q1	Q2	Q3	Q4
2005	3.2	7.1	7.4	7.2
2006	5.0	6.3	5.2	2.9

Source: Reuters: Refinery margin calculated from Brent-type crude oil, Rotterdam listing and the refinery's arrangement as a "cracking" refinery.

### Refinery margins



We put great emphasis on cost control because we are aware of the volatility of the petrochemical industry and the ever stronger competition. Despite the ongoing restructuring of the Group which is demanding in terms of variable costs (in particular HR costs) and fixed costs, we have managed to keep the Group's costs under control.

## Commercial Activities

### Wholesale – Refinery products

#### UNIPETROL RAFINÉRIE

In purchases, the difference between prices of Brent reference crude oil and the derived price of the REB type processed crude oil developed favourably. Compared with 2005, the volume of processed crude oil rose by almost 6%.

Sales of automotive gasolines and diesel oil went up by 11% and 12% respectively, despite several shut-downs during which the production was limited. In harmony with the company's strategic goals, its market shares of automotive gasolines and diesel oils in the Czech Republic strengthened and reached one third of total consumption. The increase in sales to BENZINA (higher by 14% against the previous year) had a positive impact.

#### *Crude oil purchases*

The year 2006 meant a strategic change in organization of crude oil supplies. The crude oil purchases were ensured by PKN ORLEN (from 1 January 2006 via Družba oil pipeline, from 1 April 2006 via the TAL-IKL system) with the exception of deliveries from domestic sources and crude oil resales in the framework of stocks optimisation between crude oil processors in ČESKÁ RAFINÉRSKÁ. With a 57% share, UNIPETROL RAFINÉRIE was the most significant REB oil importer via the Družba oil pipeline to the Czech Republic in 2006 and ensured also 100% REB-Družba oil deliveries to PARAMO, the sister refinery company. As for low-sulphur crude oil via the TAL-IKL oil pipeline system, the company continues to be the majority importer of the Azeri Light oil from Azerbaidjan, the key oil processing feedstock in the Kralupy refinery. Lower volumes of



other oil types were purchased: CPC Blend (Kazakhstan), Saharan Blend oil (Algeria), Amna (Libya) and Mellitah Blend (Libya). Based on long-term contracts smooth oil deliveries of low-sulphur Moravian oil blends from "Moravské naftové doly" via pipeline continued representing 3-4% of total processed volume.

#### *Fuels*

In 2006, cooperation with PKN ORLEN was successfully expanded because the export policy for Central Europe was unified, and mutual support at the times of production problems was successfully implemented. In the area of quality, there was stronger demand for goods with the sulphur contents up to 10 ppm and it was saturated by the Litvínov production. At the end of the year, the first fuel containing up to 5% of bio-component was expedited from the Litvínov refinery. Sale began at three new points of dispatch in Domažlice, Pardubice and Píerov and 98 octane automotive gasoline made by PKN ORLEN enriched the company's product range.

#### *LPG*

In addition to the traditionally narrow cooperation with other processors and stable deliveries to consumers in the Czech Republic and to foreign companies, synergies were also exploited between the company and ORLEN Gaz in 2006.

*UNIPETROL RAFINÉRIE provided feedstocks for related manufactures in UNIPETROL Group (ethylene unit, POX) and fully satisfied their needs*

Next to delivering its own products, the company also purchased part of feedstocks from other processors, and imported another part and exploited synergies between itself and PKN ORLEN.

#### *Other products*

In 2006, dark refinery products were sold again in strategic partnership with PARAMO, and synergies with PKN ORLEN were exploited in the case of certain products (alcylate, reformat, vaccum distillates).



*Branches abroad*

The Slovak branch, UNIRAF SLOVENSKO, engages in the sale of fuels on the Slovak market. In term of sales volumes, UNIRAF SLOVENSKO ranks among the company's top ten customers and its market share on the Slovak market oscillated around 15% in 2006. Synergies with PKN ORLEN were exploited in supplying of the branch.

**PARAMO**

Fuels (i.e. diesel oil, naphtha, light and heavy fuel oils, propane-butane) found their customers mostly on the domestic market.

In the sphere of refinery commodity products, retail sale activities continued to expand. Their share in the company's turnover totalled 30% while the sales margin was about CZK 125 million. Performance of contract for diesel oil deliveries to České dráhy (the Czech Railways), one of the company's largest customers, concluded for the period until June 2008, continued. In the period under review, UNIPETROL RAFINÉRIE, PARAMO's sister company, remained its main business partner. PARAMO purchased products from it (diesel oil, bitumens, fuel oils and base oils from UNIPETROL's share in ČESKÁ RAFINÉRSKÁ. Subsequently, it sold the products to end-user exploiting its long-term knowledge of the market.

Lower sales of bitumens and bitumen products at the beginning of the year were caused by bad climatic conditions. The sale also mirrored the complexity of the launch of new production technology for Biturox oxidized bitumens. Nevertheless, total yearly plan for bitumen products was exceeded by 3% and the market share on the domestic market was maintained at the 2005 level. Total export of bitumen products was lower compare with the previous period. The sale of products in small packaging to Slovakia remained at usual, stable level, the exports to Germany slightly grew. Road bitumens were demanded especially on constructions of D8 and D11 motorways. Favourable weather at the end of the year allowed the sales to continue and this partially mitigated the decrease from the 1st half of the year.

Base oils recorded a 10% increase in sales compared with the previous period. Larger part of production is exported (94%) to Switzerland, Germany, Hungary, Slovenia and other countries. The sale of processing oils and extracts also rose, namely by 30%.

Total sales of final lubricants increased. Both the export and local sale contributed substantially to this fact. The company managed to take over the supplies of oils to major petrol stations networks thanks to own efforts and logistic help of authorized sellers and business partners and to continue supplying the hypermarkets. Despite permanently growing prices of base oils, which can be partially attributed to growing crude oil prices and, mainly, to the ever growing demand, we can describe the results as good.

Synergistic effects in the framework of the PKN ORLEN Group (ORLEN OIL, ORLEN ASFALT and NAFTOWAX) deepened especially through mutual supplies to complement the product range and substituting supplies in certain areas, or at the time of lower production, and brought positive financial results.



## Plastics

As the previous year, 2006, and especially its first three quarters, was influenced by a substantial increase in input feedstocks dictated by a dramatic increase of crude oil prices. Price development of polyolefins, expressed by movements in ICIS reference price quotations, did not fully cover the cost increase. As a result, individual margins were gradually decreased in the given period of 2006. However, total margin for polyolefins did not drop compared with 2005, thanks to a comparatively high production, especially in the first half of 2006.

At the end of 2006, the situation reversed; the prices of crude oil and its derivatives dropped, followed by a decrease in costs. Thanks to the fact that prices of polyolefins sold were maintained it was possible to increase unit and subsequently total margins, and this again contributed to excellent results for the year. Total sales revenues from polyolefin production increased due to generally higher sale prices to a record level of CZK 14 billion; it is about CZK 1,5 billion more than the year before.

Throughout 2006, the demand for PP and HDPE was high, and it exceeded the production capacity that was restricted especially due to limited production of the ethylene unit in the second half of the year, and due to technical problems in PP production plant. Despite these circumstances, three new plastics were launched on the market responding to the customers' wishes.

On average, the profits from the sale of ethylene, benzene, C4 fraction and other products of the ethylene unit were higher than in the previous year. These products were sold for market prices.

In the course of 2006, the sale of urea and ammonia, as well as monomers and plastics, were influenced by a substantial growth in input feedstock prices. Especially in the first half of the year, it was not fully reflected in end prices. The situation markedly changed in the second half of 2006 when the crude oil/gas prices stabilized and allowed to reverse the negative price development and make final result for the year positive, i.e. profitable.

In the first half of the year, the situation in the sale of oxo-alkohols has also developed very unfavourably – due to the already described escalating prices of input feedstocks. Following the stabilization of input feedstocks' prices, the situation has visibly improved and the sales in the 2nd half of the year were profitable. Nevertheless, it was not possible to fully eliminate the loss incurred in the 1st half and total 2006 ended in red numbers. The company's needs for feedstocks were satisfied, while the main partner in the area of purchase was a partner company, UNIPETROL RAFINÉRIE a.s.

## Fuel retail sale

In 2006, BENZINA a.s., began changing the company's retail sale strategy with emphasis on customer care and product quality with the aim to increase the sale of fuels and the market share. In the period under review, the market share reached 11.8%, i.e. against the same period of 2005 it increased by 1.9%.

The optimisation process of the corporate structure was successfully completed with the merger with PARAMO Trysk. During 2006, the optimisation of assets necessary for retail sale business continued.

Two existing petrol stations in lucrative locations were purchased and expanded the company's filling stations' network. Cultivation of the existing portfolio of filling stations continued with the sale of nine stations in unsuitable locations, and two storage facilities. With 319 petrol stations (as of 31 December 2006), BENZINA continues being the largest network in the Czech Republic. In the Slovak Republic, holdings in three petrol stations were sold.

BENZINA carried out nation-wide promotional events at petrol stations to support the planned increase of sale and embetterment of the brand image. One of the events focused on truck drivers and the support of diesel oil sale. In this nation-wide marketing event called "Films of Your Heart" participants had a possibility to gain attractive titles of stories and classical films for diesel purchases. It resulted in higher demand and an increase in fuel sales.

A number of restructuring processes culminated in the 2nd half of 2006 with the completion and introduction to the public of the company's new retail sale strategy for the filling stations market for 2006-2009. In the retail sale strategy, the emphasis was increasing fuel sales, changing and modernizing the brand design, expanding and increasing the quality of services and refreshments. On 25 October 2006, the first reconstructed BENZINA plus petrol station was introduced to the public in Průhonice. As a rule, the new petrol stations sell also high-octane automotive petrol VERVA 100, which is declared as a super-clean sulphur-free fuel, and offer warm meals under the name "Bistro minute".

Excellent results were achieved in the quality of fuels sold in the network of BENZINA petrol stations. Nation-wide quality monitoring, which is carried out by the Czech Commercial Inspection, did not find any deviation from stipulated standard parameters. BENZINA's product offer includes also fuels with above-standard additives. Staff behaviour standards were introduced at the petrol stations corresponding to customers' expectations and modern trends in retail sale at petrol stations.

All above described activities reflected in higher customer interest in the BENZINA brand and had a direct impact on the sale of fuels which increased by 15%, while services rose by about 20%.

## Production

The following four charts present the Group's portfolio and production trends in individual segments.

### Growing volume of processed crude oil and improving use of capacities

kt	2006	2005
<b>Litvínov refinery</b>	<b>th. tonnes</b>	<b>th. tonnes</b>
Annual nameplate crude processing capacity	5,492	5,492
of which refers to UNIPETROL stake (51%)	2,801	2,801
Throughput of crude oil	2,355	2,256
Capacity utilisation (in %)	82.7%	80.5%
<b>Kralupy refinery</b>		
Annual nameplate crude distillation capacity	3,290	3,290
of which refers to UNIPETROL stake (51%)	1,678	1,678
Throughput of crude oil	1,364	1,259
Capacity utilisation (in %)	79.9%	75.0%
<b>PARAMO (100%)</b>		
Annual capacity	985	985
Throughput of crude oil	562	635
Capacity utilisation (in %)	57.1%	64.5%

### Refinery products of the Group (Litvínov + Kralupy + PARAMO) – The Group has a wide product portfolio

kt	2006	2005	Y/Y
Processed crude oil	4,281	4,152	+3%
Automotive petrol	781	715	+9%
Diesel oil	1,632	1,528	+7%
Light fuel oil	54.6	53.7	+2%
JET	66	67	-1%
LPG	85.3	90.6	-6%
Bitumens	283.7	259.9	+9%
Fuels, total	2,618.9	2,454.3	7%
Fuel yield (%)	57.8	56.2	+1.6 pp
White products yield (%)	72.8	70.8	+2.0 pp
Usage of refinery capacities (%)	77.1	74.9	+2.2 pp

### Retail – growing share of diesel oil is a trend in the entire region

Sales volume	2006 (th. tonnes)	2005 (th. tonnes)	Y/Y
Gasoline	202	183	+10%
Diesel	225	172	+31%

### Petrochemical production – high demand for polyolefins (PE, PP) is expected in the future, too

	2006 (th. tonnes)	2005 (th. tonnes)	Y/Y
Urea	171	138	+24%
Ammonia	148	180	-18%
Oxoalcohols	59	57	+4%
Ethylene	155	176	-12%
Polyethylene	287	292	-2%
Polypropylene	205	205	0%
Propylene	4	4	0%







Motto:

"One team – one goal"

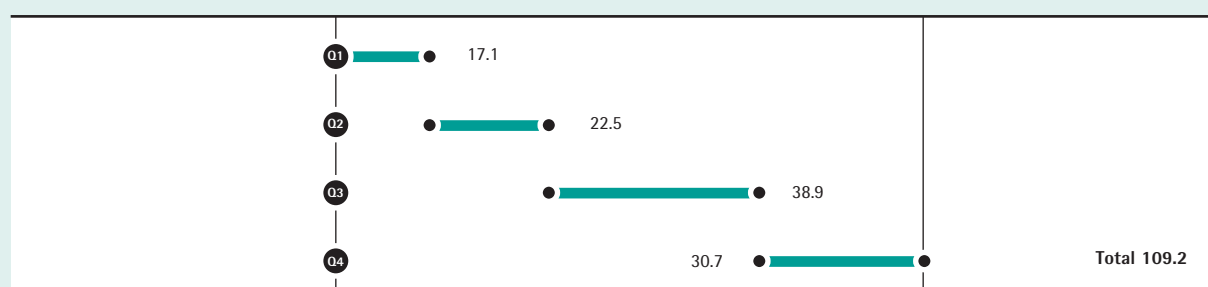
## Partnership Programme and New Corporate Governance Model

### Partnership Programme

On 22 September 2005, UNIPETROL's Supervisory Board approved the operating and financial plan containing synergies with PKN ORLEN S.A., which was presented to investors, analytics and the public on 17 October 2005. The Partnership Programme was first applied in key business and functional areas and also stipulated support for UNIPETROL and PKN ORLEN. The operating improvements plan of the Partnership Programme anticipates UNIPETROL Group's EBITDA to increase at least by EUR 138 million by 2008 under the macroeconomic conditions of 2004. More than 20 work groups staffed by Czech and Polish experts prepared almost 140 initiatives. And in the first year, the Partnership Programme brought additional sales revenues and cost savings worth EUR 28 million.

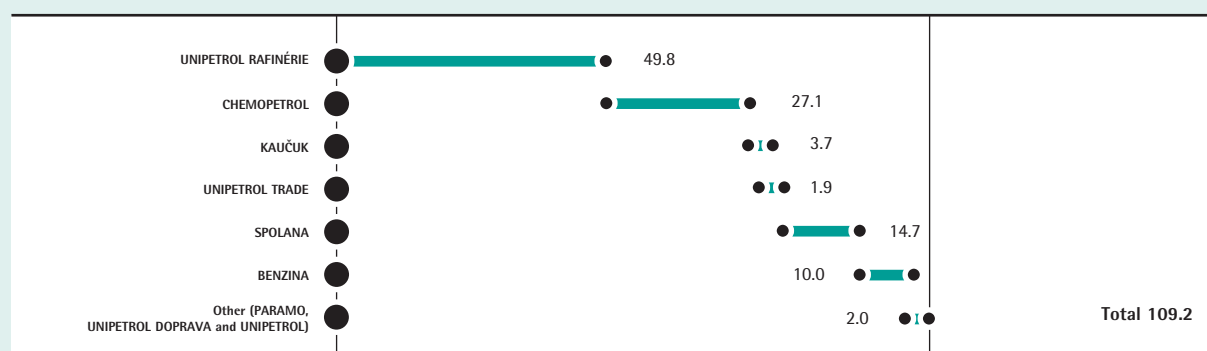
The Partnership Programme plan for 2006 expected additional sales revenues and cost savings of at least EUR 75 million. Through coordinated activities of the Czech and Polish parties, this ambitious plan was exceeded and results achieved in the framework of the Partnership Programme totalled EUR 109 million under the macroeconomic conditions of 2004.

### Quarterly Results of the Partnership Programme, 2006 (macroeconomic conditions of 2004, EUR million)



More than 70% of the Partnership Programme benefits in 2006 was created jointly by UNIPETROL RAFINÉRIE and CHEMOPETROL, key companies of UNIPETROL Group, which contributed the largest share to this positive result. BENZINA also substantially contributed to total results and achieved EUR 10 million under macroeconomic conditions of 2004.

**Partnership Programme 2006 results in individual companies**  
(macroeconomic conditions of 2004, EUR million)



*Specific examples*

Synergistic effects do not result merely in better financial results but also in the sharing of "the best practices". The exchange of the best procedures in operating service and maintenance of the ethylene unit which led to the implementation of very practical improvements is but one of many examples. Another example involves application of PKN ORLEN retail sale experience with brand management in the preparation and implementation of BENZINA's new re-branding strategy. We can also point out the sharing of the best procedures within central purchasing focused on negotiating better terms for materials and certain feedstock purchases.

**New Corporate Governance model**

In the 2<sup>nd</sup> half of 2006, the implementation of the new corporate governance model in UNIPETROL Group was launched. The new model introduces key features of the sales activities segmental management aimed at simplification and higher efficiency of the Group's administration and management. The new model also creates clearer communication links between individual companies, it facilitates management processes and it is also geared at the strengthening of responsibility of managers in individual companies of the Group.

The aim of the new corporate governance model is to achieve higher added value and cost savings in the area of administration and management in UNIPETROL Group, and to increase the Group's competitive edge at relevant markets and to bring benefits to all UNIPETROL's shareholders. Restructuring of business activities of certain companies in UNIPETROL Group in connection with the implementation of the new corporate governance model should not lead to substantial changes in the sphere of employment in the framework of UNIPETROL Group.

The cornerstone of the project lies in 2007 and it includes the following main targets:

- Detachment of sales activities to specialised divisions ("Sales Units")
- Centralization of certain activities of the Group in a specialized company ("Shared Services Centre")
- Change of legal form of 100% holdings from a joint-stock company (in Czech abbreviated as a.s.) to a limited liability company (in Czech abbreviated as s.r.o.)



## Motto:

"We want to be leaders in fewer segments than being average in many."

## Asset Portfolio Optimization

The company intends to focus on key business areas, namely on crude oil processing and wholesale, petrochemical production and fuel retail sale. We are persuaded that this strategy will ensure the highest growth in the value of the Group for its shareholders and turn us into a highly competitive company in the Central European region.

### Sale of KAUČUK

On 30 January 2007, a contract for sale of 100% of KAUČUK shares owned by UNIPETROL was signed between UNIPETROL, a.s., and the Polish chemical company FIRMA CHEMICZNA DWORY S.A. The purchase price totalled EUR 195 million (ca CZK 5.4 bn). The contract was concluded on the basis of a tender that lasted almost one year and in which eleven investors participated.

The decision about the sale of KAUČUK's shares was adopted in line with UNIPETROL's new strategy communicated to the public in autumn 2005, and in compliance with the Main strategic objectives and key targets within long-term activity plan of UNIPETROL, presented at the General Meeting in April 2006. From this point of view, KAUČUK is not a strategic enterprise. The fact that KAUČUK's operation and its product portfolio do not bring any competitive advantages compared with European competitors, and do not optimize the company's value also played a role in the decision to sell KAUČUK. Sale of the company to a strategic investor will enable UNIPETROL to maximize its value through future business relations with KAUČUK – due to synergistic effects shared with the new investor. With funds acquired from the sale of KAUČUK UNIPETROL will be able to invest in its key business areas and to further restructure debts in the framework of the Group.

The main aim of this divestment is to maximise the value for UNIPETROL and its shareholders. To make sure that the decision to sell was the best possible solution, it was necessary to organize a tender according to the best standards and procedures applied in similar M&A transactions.

The tender, which is described in detail at the company's website, was won by Dwory. As opposed to other participants, Dwory was evaluated as an investor allowing UNIPETROL to share in the maximum extent synergies related to the purchase of KAUČUK, primarily thanks to geographic, market and capital conditions.

The purchase price, as well as other conditions negotiated by UNIPETROL and Dwory, are based on expert opinions drafted by independent external advisors. Komerční banka, acting in this transaction as a leading financial advisor, prepared estimation of the market value. The estimation was subsequently confirmed by VOX Consult, an independent expert institute. Based on the analysis, Deloitte, an internationally recognised independent firm, confirmed that the amount provided by the investor for KAUČUK shares was adequate. VOX Consult also scrutinized all tender procedures and documentation and in a separate statement it confirmed that the tender was conducted and performed up to the market standards and practices. Estimates of these three independent experts was between CZK 3.4 bn. and CZK 5.4 bn, while the valuation for the purpose of fairness opinion concerning performance provided by the investor ranged between CZK 4.2 bn and CZK 4.6 bn.

Other important terms were agreed in addition to the purchase price. As KAUČUK's future owner, the company Dwory is obliged to guarantee among other things:

- future undisturbed operation of the butadiene extraction unit as the essential element of the chain: refinery – ethylene unit – butadiene extraction unit,
- creation of a joint-venture by UNIPETROL Group (51%) and KAUČUK (49%) for the construction and operation of a new butadiene extraction unit,
- assurance of C4 fraction from CHEMOPETROL and sale of raffinate 1 to UNIPETROL RAFINÉRIE,
- continuation of ethylene and benzene off-takes from CHEMOPETROL and future operation of ethylene-benzene unit in KAUČUK,
- contractual supplies of energy, steam, water and other site services provided by KAUČUK to ČESKÁ RAFINÉRSKÁ,
- continuation of all major contracts concluded with UNIPETROL Group companies,
- allocation of responsibilities for current and potential environmental impact of KAUČUK's operation,
- future operation of the energy unit,
- co-operation in activities allowing for future sale of the land owned by UNIPETROL, on which KAUČUK operates.

The contract also tackles the fine imposed by the European Commission (jointly and severely) to KAUČUK and UNIPETROL for their alleged cartel concerning price fixing and sharing of customers for certain types of synthetic rubber (in the period from 1999 to 2002). Although legal defence of both companies at the EC Commission was thorough, a fine of EUR 17.55 million was imposed. As the EC Commission ruling did not stipulate a specific split of the fine, UNIPETROL and KAUČUK agreed in compliance with the Czech law to split the fine equally (50% each). The risk-division mechanism was also defined for the case that the current decision on the fine in effect should change.

UNIPETROL and Dwory also agreed on a possible adjustment of the purchase price resulting from any claim by any government authority or a private individual in connection with environmental damage caused by KAUČUK (the maximum adjustment is 10% of the purchase price and can be applied only during 5 years following the closing of the transaction).

The closing of the transaction (i.e. payment of the purchase price and transfer of shares) will occur after the satisfaction of several conditions precedent by both contractual parties. These conditions include, among others, obtaining the necessary consent from the relevant antimonopoly authorities, performance of an environmental audit in order to identify any existing environmental damage on the land used by KAUČUK, and conclusion of commercial contracts based on already agreed principles that target at assuring further smooth operation of UNIPETROL Group. Depending on the satisfaction of the conditions precedent, the transaction may be closed approximately during first two to three quarters of 2007.

#### **Sale of SPOLANA**

On 27 October 2006, UNIPETROL and Zakłady Azotowe ANWIL Spółka Akcyjna, a Polish chemical company, signed a contract for sale of 81.78% of shares owned by UNIPETROL in SPOLANA a.s. The purchase price of SPOLANA shares exceeded CZK 640 million. In addition to this, the buyer undertook to pay the debt of CZK 660 million owed by SPOLANA to UNIPETROL.



Signature of the contract followed after a nine-months long public tender in which initially 10 investors showed interest in the purchase of shares.

In line with UNIPETROL Group's strategy, the Group will concentrate only on its main business activities, namely on the operation of refineries, petrochemical production and fuel retail sale. In this respect, SPOLANA is not a key firm, beneficial for UNIPETROL Group. UNIPETROL will be able to invest funds gained from the sale of SPOLANA to the company's key business activities and to restructure the company's debt.

To make sure that the sale was the best possible option, it was necessary to organize the tender for the sale of SPOLANA in accordance with the strictest rules applicable to similar transactions. Compared with other participants, the winner of the tender, Anwil, demonstrated that it will be able to share to the maximum extent the synergistic effects with UNIPETROL resulting from the acquisition of SPOLANA and related to geographical and market conditions.

The purchase price agreed by UNIPETROL and Anwil was largely based on the Fairness Opinion prepared by BDO, an independent consulting firm. The Fairness Opinion stipulated the value of SPOLANA shares that could be achieved – according to the appraiser's opinion – if the shares were sold in the open market – and assuming that the buyer was sharing certain synergies with the seller. According to BDO, the market value of 81.78% of SPOLANA shares ranged between CZK 490 and 757 million. Based on BDO's conclusion and at the motion of UNIPETROL's Supervisory Board, the Company ordered another valuation from Czech court experts, Mr Jiří Hlaváč and Mr Ladislav Kollárik (Horwath TPA Notia Consulting). Their expert opinion was prepared on the basis of discounted cash flow method (similarly as in the case of BDO) and its aim was to review the assessed market value. They also took into account certain potential synergies of a strategic investor. According to the experts' opinion, the value of UNIPETROL's holding in SPOLANA ranged from CZK 407 and CZK 712 million.

UNIPETROL insisted that the new SPOLANA owner undertook to maintain certain business and operational standards, in addition to meeting the financial criteria of the tender, including business relations with other companies of UNIPETROL Group.



## Capital Expenditure

In 2006, key companies of UNIPETROL Group invested almost CZK 4 billion (CZK 3,937 million). In the framework of the Group 347 investment projects were implemented, 150 projects were completed and 126 projects started.

The investment programme of ČESKÁ RAFINÉRSKÁ for 2006 was focused on the following areas: Stay-in-Business, Environment Protection, Equipment Reliability/Availability and also on Performance Improvement and Capacity Expansion. In the area of Stay-in-Business – the major achievement was completion of the bio-fuels programme. This programme was initiated in response to requirements contained in the EU 2003/30/EC (i.e. support of bio-fuels as a renewable source of energy and a partial substitute of fossil fuels). The programme includes addition of max. 5% rapeseed oil methyl ester (RME) to diesel oil and addition of max. 10% of bio-ethanol to gasoline. Construction of the Selective Hydrogenation of FCC Gasoline unit in Kralupy started. The technology will allow production of motor fuels with sulphur contents up to 10 ppm. The project is part of the "Clean fuel 2009" programme which aims at achieving the maximum sulphur contents of 10 mg/kg in motor fuels. Activities focused on the Capacity Expansion included successful revitalisation of "Chamber 11" (K011), the old hydro-splitter and intensification of the main hydro-splitter in Litvínov started – it which should increase its capacity to 160 t/h. The latter will be completed during a shut-down of the Litvínov refinery in 2007. Adaptation of the dispatching terminal in Kralupy was also completed.

The most important completed project in PARAMO was total reconstruction of the modified bitumen unit.

BENZINA carried out and completed construction of one new filling station in Starovičky (D2 motorway) and bought two other existing filling stations in Prague. Other projects were traditionally focused on reconstruction of obsolete filling station, replacement of car washing lines and reconstruction of waste water treatment plants. Based on BENZINA's new retail strategy, the rebranding of about a third of BENZINA's filling stations to BENZINA Plus brand and redesign of the rest of them was started.



CHEMOPETROL implemented projects resulting in an increased capacity of the ethylene unit to 544 kt of ethylene, and the related higher production of polyethylene and polypropylene. Additionally, preparation of the extractive distillation of benzene project began.

KAUČUK started technical and contract preparation of a new butadien unit construction with a capacity of 120 kt/y. This project will be completed at the end of 2009.

#### Capital expenditure in 2005 and 2006 in individual companies of the Group

	2006	2005	increase
CHEMOPETROL	1,163	1,097	+6%
ČESKÁ RAFINERSKÁ*	1,735	589	+195%
KAUČUK	182	391	-53%
BENZINA**	499	453	+10%
PARAMO	158	360	-56%
UNIPETROL DOPRAVA	200	119	+68%
SPOLANA		152	
<b>Total</b>	<b>3,937</b>	<b>3,161</b>	<b>+25%</b>

\*) 100% ČESKÁ RAFINERSKÁ

\*\*) including purchase of PARAMO Trysk filling stations

#### Main projects for 2007 (for more details see the table below)

- Refining: NHC capacity and conversion revamp, Selective hydrogenation of FCC gasoline
- Petrochemicals: ethylene unit expansion, New butadiene unit, Benzene extractive distillation, C5 surplus processing, Increase of polyolefins capacity
- Retail: Overall network upgrade

## Capital Expenditure Implementation Survey

Capital expenditure in CZK million			
ČESKÁ RAFINÉRSKÁ, a.s./UNIPETROL RAFINÉRIE a.s.			
Key projects completed	Completed in	2006 cost	Description
Expansion of Litvinov site hydrocracking capacity by revitalisation of mothballed unit (Chamber 11 and D distillation)	Q2	300	To enable increase production of ethylene unit feed or lube oil bases from vacuum distillates
Installation of three-cut splitter in Kralupy FCC unit	Q1	5	To split FCC naphtha stream to three streams, reduce loading of naphtha hydrotreating unit and enable gasoline production with sulphur content below 10 ppm wt.
Rape seed oil methyl ester (RME) blending into diesel – Litvinov	Q4	42	To enable production of automotive fuels with bio components as requested by legislation of European community directive no. 2003/30/EC
Rape seed oil methyl ester (RME) blending into diesel – Kralupy	Q4	39	
Bioethanol blending into motor gas – Litvinov	Q4	31	
Key projects started	Started	2006 cost	Description
Litvinov hydrocracker capacity and conversion revamp (160 t/h & 74%)	Q1	245	To enable expansion of diesel fuels production and ethylene cracker feed
Light cycle oil transfer from Kralupy to Litvinov site, unloading, storing and feeding to gasoil hydrotreater	Q2	34	Conversion of LCO to valuable products and GRM improvement
PARAMO, a.s.			
Key projects completed	Completed in	2006 cost	Description
Modified bitumen production – Biturox	Q2	72	Capacity and efficiency improvement – development project
Low capacity blending of speciality goods	Q2	6	Refurbishment of blending unit for production of synthetic cutting liquids, emulsions and lubricants
BENZINA a.s.			
Key projects completed	Completed in	2006 cost	Description
Acquisition of 18 PARAMO Trysk petrol stations	Q2	252	Expansion to enable market share increase
Construction of one new and purchase of two petrol stations including purchase of parcels	Q2	62	Expansion to enable market share increase
Reconstruction of existing petrol stations	Q4	40	Refurbishment of obsolete equipment
Replacement of 18 carwash and 3 waste water treatment technologies	Q4	31	Refurbishment of obsolete equipment
Key projects started	Started	2006 cost	Description
Redesign of BENZINA petrol stations	Q1	45	
CHEMOPETROL, a.s.			
Key projects completed	Completed in	2006 cost	Description
Revamp of pyrolysis furnace BA-105	Q3	23	Refurbishment of radiation and convection bank of furnace due to extremely high heat flux



## Motto:

"The main difference between an average and successful company is People. Our staff is our most valuable asset."

Capital expenditure in CZK million			
Key projects started	Started	2006 cost	Description
Capacity expansion of the Ethylene Unit to 544 kta	Q1	155	
Revamp of Ethylene unit control system – stage II	Q1	24	Upgrade of DCS
Capacity expansion of polyethylene unit to 355 th. tonnes/year – licence	Q3	63	Expansion to capacity corresponding to monomers production
Capacity expansion of polypropylene unit to 275 th. tonnes/year	Q4	11	Expansion from existing 250 kta to capacity corresponding to monomers production
Extractive distillation of benzene and the processing of excess volume of C5-fraction	Q3	1	Removing of the narrow section in the processing of pyrolysis condensates through the separation of C6-fraction from which benzene is extracted after hydrogenation
KAUČUK, a.s.			
Key projects started	Started	2006 cost	Description
New butadiene unit (capacity 120 th. tonnes/year)	Q3	4	To increase butadiene production capacity, improve reliability and safety by construction of new and demolition of existing obsolete butadiene unit

## Employment Policy

### UNIPETROL, a.s.

To UNIPETROL employees, the year 2006 brought most of all changes in the company's management. Mr Francois Vleugels from Belgium was appointed to the post of CEO and Chairman of the Board of Directors.

At the end of 2006, the average adjusted number of employees was 57. Higher efficiency of the company was achieved primarily as a result of due retirement without replacement of employees, as well as by new division of work and reorganization of certain sections. The organizational structure was simplified, i.e. management levels were reduced. More transparent structure enabled better communication, which is essential for efficient management.

### UNIPETROL Group

Implementation of a New Corporate Governance Model in UNIPETROL Group began. The project necessitated hiring new experts with previous managerial knowledge in international environment.

In the last quarter, preparations for the Shared Services Centre were in progress, to which all support activities for the entire Group were transferred. A decision was made to establish the Centre in Litvínov and minimize the loss of jobs in a place with high unemployment rate. The establishment of the Shared Services Centre showed the necessity to increase professional employee skills and training plans for future periods were drafted.



The knowledge of English as a corporate language at least at the N-2 level proved essential due to the company's international environment. The staff can choose from a wide offer of language courses. Cooperation with secondary schools and colleges/universities also continued and jobs were offered to their graduates. "Junior" Programme was again prepared for new recruits. In 2006, 20 employees had an opportunity to participate in Business Academy which is organized by PKN ORLEN, the majority shareholder, namely in modular studies in "Talent" and "Manager" programmes.

In 2006, rotation of managers in the framework of PKN ORLEN Group took place. Human Resources Optimisation is one of partial projects of the Partnership Programme. The project will be completed in 2007.

Activities in the area of work safety continued simultaneously. This area is and will be a priority for the entire Group. The number of registered accidents stood at 28 (a decrease from 45 accidents in 2005) and the frequency (number of accidents to total number of employees) dropped from 0.67 in 2005 to 0.46; and the accident frequency (number of accidents per million hours of work) also decreased from 4.02 to 2.7. Only one indicator – the severity of accidents (measured by number of days lost in relation to total hours of work and number of employees) increased to 0.17 from the original 0.09.

The number of the Group's employees is decreasing. It reflects the company's transformation from a conglomerate of individual companies to a Group with modern management. This involves removal of duplicate activities and a gradual increase of efficiency in all areas: in production, purchase and sale, as well as in support activities.

#### UNIPETROL Group's Workforce

Average adjusted number of employees at the end of the period		2006	2005	2004
BENZINA	technical and administration	119	163	191
	workers			0
	<b>TOTAL</b>	<b>119</b>	<b>163</b>	<b>191</b>
CHEMOPETROL	technical and administration	174	179	193
	workers	2,208	2,283	2,397
	<b>TOTAL</b>	<b>2,382</b>	<b>2,462</b>	<b>2,590</b>
KAUČUK	technical and administration	192	204	209
	workers	736	770	813
	<b>TOTAL</b>	<b>929</b>	<b>974</b>	<b>1,022</b>
PARAMO	technical and administration	277	287	294
	workers	567	592	607
	<b>TOTAL</b>	<b>844</b>	<b>879</b>	<b>901</b>
SPOLANA <sup>1</sup>	technical and administration	126	138	178
	workers	869	911	927
	<b>TOTAL</b>	<b>995</b>	<b>1,049</b>	<b>1,105</b>

Average adjusted number of employees at the end of the period		2006	2005	2004
UNIPETROL DOPRAVA	technical and administration	47	45	51
	workers	471	469	469
	<b>TOTAL</b>	<b>518</b>	<b>514</b>	<b>520</b>
UNIPETROL	technical and administration	57	44	43
	workers	0	0	0
	<b>TOTAL</b>	<b>57</b>	<b>44</b>	<b>43</b>
UNIPETROL TRADE	technical and administration	10	6	6
	workers	0	0	0
	<b>TOTAL</b>	<b>10</b>	<b>6</b>	<b>6</b>
UNIPETROL RAFINÉRIE	technical and administration	56	54	37
	workers	0	0	0
	<b>TOTAL</b>	<b>56</b>	<b>54</b>	<b>37</b>
<b>TOTAL</b>		<b>5,909</b>	<b>6,145</b>	<b>6,415</b>

<sup>1)</sup> Part of the Group until 13 November 2006

The employees cannot share the issuer's registered capital.

## Research and Development

There are two R&D companies in UNIPETROL Group but not a single one is consolidated there. We report on major events in these two companies in the course of 2006.

### Výzkumný ústav anorganické chemie, a.s. (VÚAnCh)

- Within the project „Application of residual and waste aluminosilicates for production of building materials on the basis of inorganic polymers“ a contract about the realization of the project results has been signed with Czech Shale Plant (ĚLUZ). It concerns an implementation of a new product (double-barrelled connective system on the basis of inorganic polymers designed for production of building materials).
- Within the project „The research and verification of a regeneration technology of volatile acids from acid cleaning, polishing and eloxal coating sludge in a pilot-scale unit“ a contract about the realization of the project results has been signed with the company EKOMOR which realizes the production of regeneration units of the polishing and eloxal coating sludge.

## POLYMER INSTITUTE BRNO, spol. s r.o.

### *Polymer synthesis*

- development of the CrOx-based catalyst for manufacturing extrusion and blow-molding HDPE grades in gas-phase
- development of the HDPE-fiber grade for bi-component PE/PP spun-bond technology
- study of the initial stage of the PP polymerization process
- development of the method for testing metallocene-based catalysts in lab scale
- catalyst active centers determination using polymer chains counting
- development of impact-copolymer PP grades (not included in the current license agreement)
- development of bi-modal homopolymer PP grades on ZN di-ether catalyst
- procedure for prediction of new electron donor structures using PC modelling

### *Material research and testing*

- development of PP/wood-flour composites for extrusion and injection molding applications
- development of PET/glass-fiber composite based on recycled PET material
- moisture crosslinkable PE copolymers for automotive applications
- maleic anhydride grafted PP and PE – adhesive and coupling agents (e.g. for PP/glass fiber composites, multi-layer blown film (PE/PA, PE/EVOH))
- accelerated static pressure test of pipe grade (PE, PEX) materials in aggressive medium (CI)
- ring-tensile test for monitoring pipe-grade aging
- cone-test for evaluating slow-crack-progress
- modified FNCT-test in aggressive medium in tensile and/or compression mode
- special ESCR test for cartouche HDPE-grade (substitution of the "belt" test)

### *Polymer analysis and structure*

- development of the method for the morphological analysis of hetero-phase impact-copolymers PP

### *Polymer stabilization and additives*

- development of the additive formulation securing reduced flammability and UV stability for high-performance PP-based polymers
- metal corrosion inhibitor concentrates for PE packaging films

## Information Technologies

### Application

In 2006, certain changes were made in the UNIPETROL Group information system which targeted at consolidation, standardization and centralization. The SAP information system plays a key role in the information system, as it supports a wide range of processes including key production and sales processed (in total, 1,800 users in the Group). In 2006, user support was consolidated in the form of an outsourcing contract with IDS Scheer. The project resulted in a successful certification of the new SAP CR Competence Centre. In the 4<sup>th</sup> quarter, the first phase of SAP infrastructure centralization was implemented in the framework of the Corporate Governance programme, so far for CHEMOPETROL, UNIPETROL RAFINÉRIE and UNIPETROL. The opening of activities of the Shared Services Centre was conditioned by this project.

Other key applications for the support of corporate business processes include the ISDL system (logistics and transport) which controls rail transport of products and feedstocks, and also dePOS and Karta retail sale systems used in BENZINA a.s.

Hyperion system was implemented in UNIPETROL Group in cooperation with PKN ORLEN in the 4<sup>th</sup> quarter. The system enables more efficient management of consolidated financial reporting.

### Communication infrastructure

UNIPETROL Group continued using an external firm (T-Systems Czech, s.r.o.) to ensure most of IT services: data centre services, corporate WAN data network services, hardware rental and IT outsourcing for individual companies of the Group. In general, the security of the communication infrastructure was increased thanks to replacement of active network elements (CHEMOPETROL, UNIPETROL) and installation of WAN firewall system. Video-conferences and tele-conferences are used more often and their number is growing.

### Security

Strengthening of security was one of IT development priorities in 2006. Security principles for users of tele-information sources were defined and the creation of the security policy was supported by several specific technological processed in practice. These included in particular separation of UNIPETROL Group information systems from systems used by other companies (SAP, Lotus Notes, domain, network infrastructure).

### Purchases

UNIPETROL Group achieved substantial savings in the area of IT products purchases thanks to coordination of purchases with PKN ORLEN. A joint tender for the purchase of computers was organized at the beginning of 2006 (Dell company); during the year UNIPETROL Group companies signed advantageous framework contracts for purchase of Microsoft and Symantec products. A project aimed at a similar use of joint market strength for the purchase and administration of SAP licences was initiated at the end of the year.

## Financial Situation – Comments on major changes

### Balance Sheet

#### Assets

##### *Property, plant and equipment*

As a result of the sale of shares of SPOLANA, a.s. and presentation of assets of KAUČUK, a.s. as "Assets held for sale" an appropriate decrease of assets level was made in the position "Property, plant and equipment". The Consolidated Balance Sheet of UNIPETROL, a.s. as of 31<sup>st</sup> December 2006 shows the number of CZK 34,366,580 thousand in this position of assets while a year ago it was CZK 42,919,439 thousand. The assets related to SPOLANA, a.s. amounted to CZK 2,395,074 thousand, the value of assets related to KAUČUK, a.s. amounted to CZK 5,175,496 thousand.

##### *Inventories*

The sale transaction with SPOLANA, a.s. shares and presentation of assets of KAUČUK, a.s. in the position of "Assets held for sale" had an impact on the level of inventories in the Consolidated Balance Sheet of UNIPETROL, a.s. The number of inventories decreased by 413,684 thousand CZK as a result of the sale of SPOLANA, a.s. shares and by CZK 1,223,364 thousand as a consequence of transfer KAUČUK, a.s.' assets of to a separate position - "Assets held for sale" in the Balance Sheet.

##### *Assets held for sale*

The position in the Consolidated Balance Sheet of UNIPETROL, a.s. as of 31<sup>st</sup> December 2006 – Assets held for sale – noted a significant increase in comparison to last year statements. The latest number was increased by the value of net assets of KAUČUK, a.s. in the amount of CZK 7,249,428 thousand.

#### Liabilities

##### *Interest bearing loans and borrowings*

The position in the Consolidated Balance Sheet of UNIPETROL, a.s. as at 31<sup>st</sup> December 2006 – Interest bearing loans and borrowings (long-term loans) – decreased by 4,296,942 thousand CZK in comparison to the last year figure. The level of the loans and borrowings was influenced partially by the sale of shares of SPOLANA, a.s. and reclassification of KAUČUK, a.s. liabilities to "Liabilities related to assets held for sale" in the amount of 1,430,128 thousand CZK, the remaining difference is a result of current company's operations – repayment of interest bearing liabilities.

##### *Borrowings (short-term bank loans)*

In comparison to 2005 numbers, borrowings during the year 2006 were decreased by the amount of 2,421,024 thousand CZK to the level of 374,686 thousand CZK. During the year 2006 the Company decreased the level of short-term liabilities by repayment of the debt.



*Liabilities related to assets held for sale*

Liabilities related to assets held for sale show the amount of 1,417,716 thousand CZK and that value reflects the liabilities related to the company KAUČUK, a.s.

**Income Statement***Other operating expenses*

The significant factor influencing the Company results in the year 2006 is an impairment resulting from the sale of KAUČUK, a.s.'s shares in the amount of CZK 1,669,916 thousand. The said value of impairment derives from the difference between selling price of KAUČUK, a.s. shares (including fees related to the sale and other costs) and the net assets of KAUČUK, a.s.

Additionally to the number above, the Company's operating result was decreased by the amount of CZK 332,536 thousand as a consequence of EU penalty for alleged rubber anti-competition operations. The full EU penalty amounted to 482,536 thousand CZK, but 150,000 thousand CZK was used from the provision the Company created in previous years.

*Finance expenses*

In 2006, the sale of SPOLANA, a.s. shares was finalized. The transaction resulted in a loss of CZK 334,072 thousand which was accounted in "Financial expenses" in the Consolidated Income Statement of UNIPETROL, a.s. for the year 2006.

**Non-consolidated Results of UNIPETROL, a.s. and Dividends**

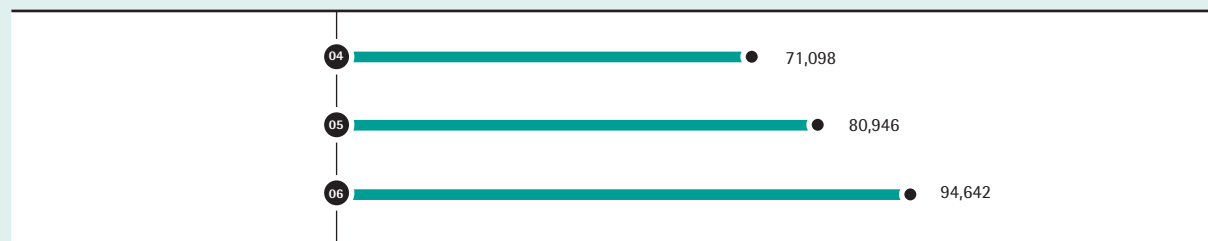
CZK thousand	2006	2005	2004	2003
Profit	2,432,188	1,025,956	142,580	-220,224
Allocation to the social fund				
Allocation to the reserve fund		51,297	7,130	0
No. of shares with a title to dividend (pcs)	181,334,764	181,334,764	181,334,764	181,334,764
Profit (loss) per dividend (pcs)				
Dividend per share (CZK)		0	0	0
Emoluments				
Total for distribution	2,432,188	974,659	135,450	0
Retained profit		974,659	135,450	0

Shareholders at the ordinary General Meeting will decide on a potential dividend and the date of its payment.

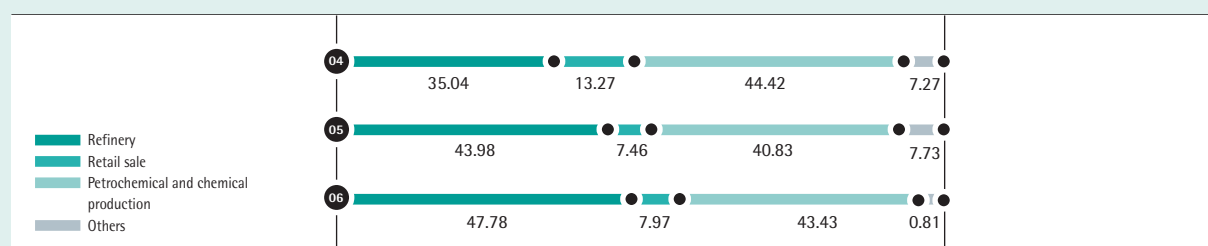
## Sales Revenues

Sales revenues of UNIPETROL Group are influenced by several major facts including namely fluctuations in crude oil prices on world market as the basic feedstock of the entire Group which are mirrored in final prices of products, and hence, in sales revenues; demand for certain products, like diesel oil, polyolefins etc. and also by higher efficiency of certain production equipment. Shut-downs in several production facilities, for example the hydro-splitter in March, hydro-splitter and ethylene unit in October and fluid catalytic splitter unit in December 2006 had a certain negative impact on 2006 sales revenues. The impact of above mentioned main influences on sales revenues also showed in the structure of sales revenues by individual segments. Geographical breakdown of sales revenues in the years under review is stable.

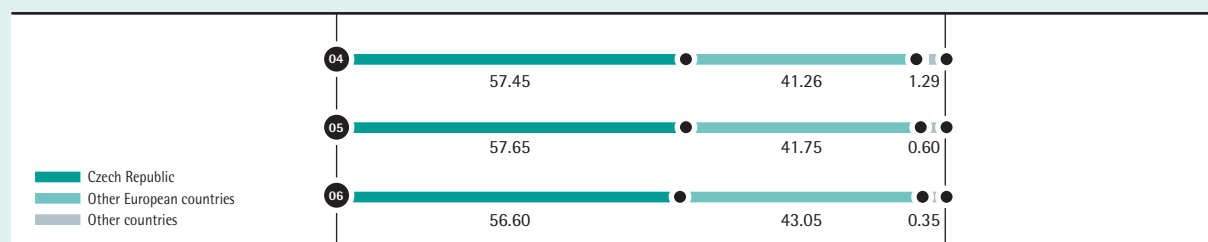
### Trends in sales revenues for own products and services sold (CZK million)



### Sales revenues for own products and services sold by segment (%)



### Sales revenues by territory (%)



## Immovable Assets

### List of immovables owned by the issuer (unconsolidated data)

Area	Land	
	Area (thousand m <sup>2</sup> )	Valuation (CZK thousand)
Dolní Jiřetín	1,083,038	3,521
Dolní Litvínov	277,822	841
Konobříže	169,121	649
Kopisty	8,320	23
Růžodol	2,757,687	8,420
Záluží u Litvínova	4,099,375	205,356
Pařidla	969	64
Lubenec	648	45
Milovice u Hořic	1,038	34
Chvatěruby	327,911	52,392
Kozomín	5,156	15
Kralupy nad Vltavou	31,431	6,228
Lobečák	1,129,506	159,303
Nelahozeves	1,504	27
Úžice u Kralup nad Vltavou	14,348	73
Veltrusy	877,024	58,698
Zlončice	8,524	1,621
TOTAL	10,515,600	497,311

UNIPETROL, a.s. does not own any buildings.

UNIPETROL, a.s. does not have any crude oil / natural gas fields at its disposal.

## Sources of Capital

We may summarize that it was possible to maintain a stable financial position of the entire Group throughout 2006 and create conditions for maintaining this stability also in the future period.

In the area of operational financing, sufficient sources for all subsidiaries were ensured or, better, maintained. In addition to this, thanks to excellent results of prior periods it was possible to substantially improve financing and non-financing term under which operational financing is provided to companies of the Group. During second half of the year, dividends were also paid to the parent company by CHEMOPETROL, a.s., KAUČUK, a.s., and ČESKÁ RAFINÉRSKÁ, a.s. These funds were used primarily to pay selected long-term liabilities before due dates and, at the same time, to ensure operational financing of the Group.

As at 31 December 2006, the volume of unpaid long-term loan totalled CZK 8,521,115 thousand, including CZK 4,048,568 thousand due within one year. As at 31 December 2006, 374,686 thousand were drawn from operational sources.

No new medium-, or long-term loan contracts were concluded at the level of the parent company.

## Risk-management System

Risk-management in the Group is governed by several basic documents. The Debt Management Policy deals with ensuring new short-, medium- and long-term outside resources for the company's needs, including all types of guarantee mechanisms such as guarantees, guarantor's statements etc. The Liquidity Management Policy tackles primarily introduction of cash pooling and other tools for the management of short- term financial sources, needs and extras used at the level of UNIPETROL, a.s., also in individual companies of UNIPETROL Group. The main aim of the Financial Risk Management Policy is mainly management of the exchange rate and interest rate risks. The Prudent Financial Investment Policy stipulates common principles which include, among other things, approved institutions and instruments, including financial limits, banned operations etc. Basic Credit Risk Management Principles is the last document. It aims at defining basic rules for specific areas of credit risk management including description of related procedures in UNIPETROL Group.

In compliance with the Financial Risk Management Policy, no major re-insurance transactions were made in 2006; mainly because all major risk were already dealt with in previous periods and the Financial Risk Management Policy in effect is based on the principle that companies in the Group behave as conservative entities which do not use, in any case, their means or position for speculation purposes.

## Risk Factors

UNIPETROL Group is the largest crude oil processing firm and crude oil products and derivatives manufacturer in the Czech Republic. This means that the Group's results are substantially influenced by crude oil prices on world markets, and especially prices of Brent and Ural crude oil types. These prices, together with prices of oil derivatives, determine the refinery margin. Similarly, trends in the petrochemical products margin are related to commodity markets. Fuel wholesale and retail sale prices are set according to current market situation where the main factors, next to crude oil and oil derivatives prices, are also total demand in the given country and seasonal demand. Another important component of the price is fuel consumption tax together with the added value tax.

In brief, the common denominator for all the above described groups is market demand for products influenced by seasonal fluctuations.

Another major factor is the exchange rate of the Czech crown to foreign currencies, especially to the American dollar and euro, because transactions on the said commodity exchanges are made primarily in these two currencies.

The Group's economic situation is also influenced by availability of production facilities, abundance of basic feedstock and other factors.





# CZK 1 bn.







The investment of almost CZK 1 billion in environment protection in 2006 bears witness to UNIPETROL Group's responsible approach to the environment in terms of its business. In 2006, UNIPETROL continued its tradition of sponsoring the International Film Festival in Karlovy Vary and supporting the National Theatre in Prague as a partner.



## The Company and the Environment |

### The Environment

#### Informing the public about impact of UNIPETROL Group companies's activities on the environment

Information openness is one of the key principles of the "Joint Environmental Policy of UNIPETROL Group", the Group's basic document dealing with environment protection. Detailed information on the status and development of the Group's activities on the environment are regularly published in the "UNIPETROL Group's Joint Environmental Report" and on the websites of the Group companies. Every two years, the Group companies publish their own Environmental Reports and, beginning from 2002, they publicly discuss their reports on compliance with the "Responsible Care" programme with representatives of trade unions and local and regional authorities. An overview of their environmental protection activities is constantly available on UNIPETROL Group companies's websites.

UNIPETROL Group companies apply principles of corporate social responsibility towards towns and villages in their vicinity. As part of cooperation with the public, management representatives of UNIPETROL Group companies attend public meetings of local authorities and inform them about the company's impact on the environment in the vicinity. Every year, the companies organize "Open Door Days" and meetings with mayors of villages in the region where participants are informed about all activities including environmental protection issues. Should an emergency situation occur, the mayors of neighbouring villages are immediately informed via SMS messages. "Green lines" are used by the companies to ensure immediate dialogue with the public and with the company's employees, the most recent information is also published in corporate periodicals.

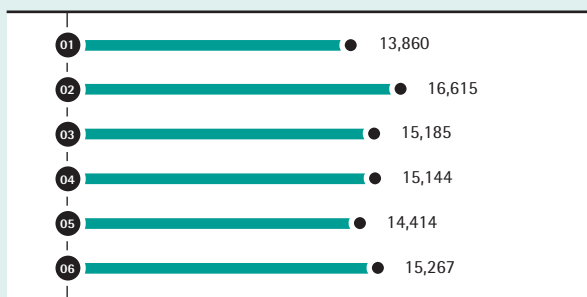
Activities of the Ecological Centre Most which has been operated since 2000 with the support of CHEMOPETROL, a.s., and ČESKÁ RAFINÉRSKÁ, a.s. is another example of active information openness in the area of environment protection. The centre significantly contributes to mutual dialogue on environmental issues between industrial companies and the public. In 2006, the Ecological Centre Kralupy nad Vltavou was open. It is supported by ČESKÁ RAFINÉRSKÁ and other companies in the industrial complex and, in terms of organization, it is connected with the Most centre, providing similar services for the Kralupy nad Vltavou region.

#### Selected emission and waste indicators

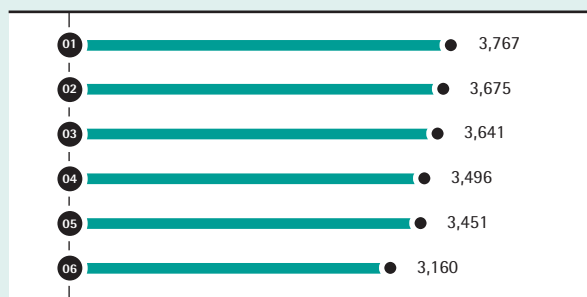
In the past three years, emission of pollutants into the environment remained stable, at the level achieved through massive investments in the environment in the previous decade. The UNIPETROL Group succeeded in stabilizing the emissions of sulphur dioxide and nitrogen oxides, reducing COD discharged to surface water, as well as the volume of total and hazardous waste.

## Emission and waste in UNIPETROL Group

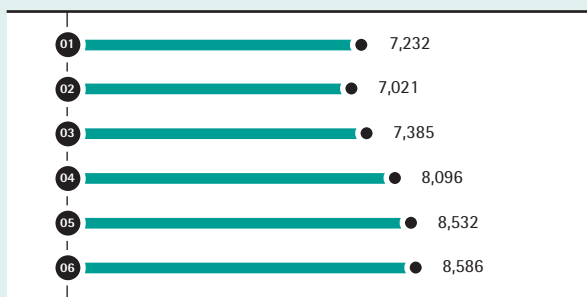
### SO<sub>2</sub> in Group companies (t/year)



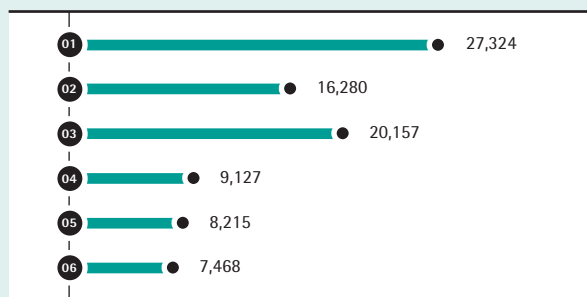
### COD discharged in Group companies (t/year)



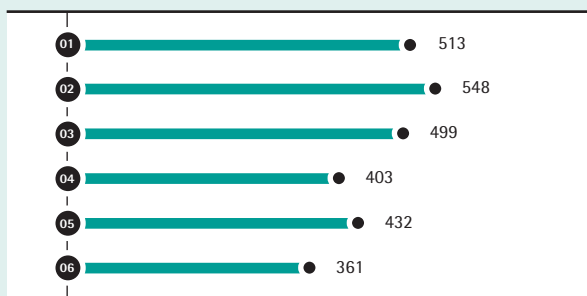
### Nitrogen oxide emissions in Group companies (t/year)



### Hazardous waste produced in Group companies (t/year)



### Solid particles emissions in Group companies (t/year)



More detailed information about achievements in the area of environment protection are published separately in "Joint environmental report of UNIPETROL Group" and on the internet address [www.UNIPETROL.cz](http://www.UNIPETROL.cz).

## Environment Protection Costs

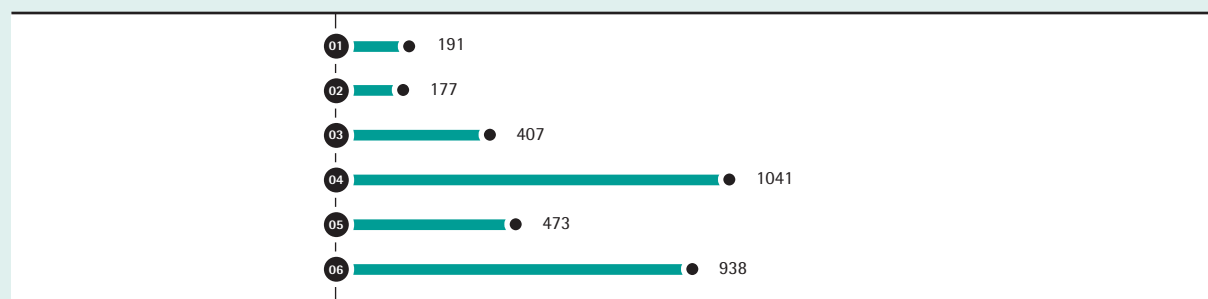
### Environmental investment

With a total of CZK 740 million spent on environmental projects in 2006, ČESKÁ RAFINÉRSKÁ invested the largest amount in the environment protection of all Group companies. Environmental investments were particularly devoted to a set of measures related to the "bio-fuels", "selective hydrogenation of the gasoline" and several smaller projects aimed at improving the air quality and water protection.

PARAMO was the second major environmental investor within the UNIPETROL Group. The company spent CZK 87 million on environmental measures for the abatement of odour emissions, reduction of the production-related energy consumption and for the protection of surface water. CHEMOPETROL spent CZK 65 million on projects dealing with usage of biological sediment from treated wastewater for power generation, with surface water protection and usage of fly-ashes from incineration processes. SPOLANA invested CZK 22 million in measures for water protection, recycling of waste from PVC production and reduction of emissions in 2006.

Having largely invested in environmental projects in previous years, KAUČUK and BENZINA invested smaller sums in further emission reduction, in abatement of pollution discharged to surface water, and noise reduction in 2006.

### Environmental investment costs in the Group (CZK million)



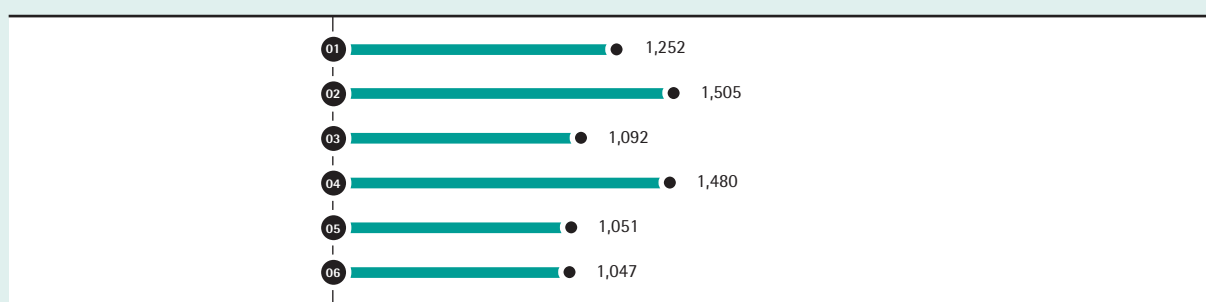
### Environmental operating costs

Environmental operating costs are closely related to environmental investments and facilities. They include costs related to the operation of facilities for air protection, waste water treatment, waste handling, EMS operation, monitoring of substances released to water and air, assessment of environmental impact (EIA), integrated pollution prevention (IPPC) and other related environmental activities.

Recently installed modern technologies with highly efficient raw materials conversion, reduced waste discharge and higher energetic efficiency resulted in lower environmental operating costs in 2005–2006. The following table shows their development in 2001–2005:



#### Environmental protection operating costs in the Group (CZK million/year)

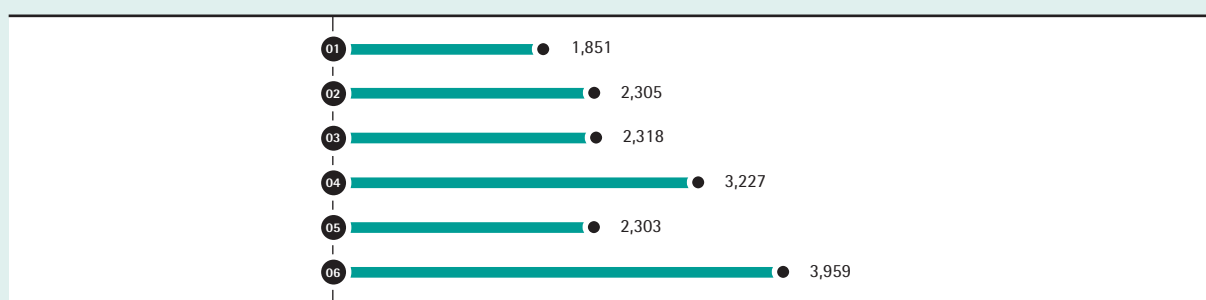


#### Total environment protection costs incurred by the Group

Total costs of environment protection in UNIPETROL Group include costs of environmental investment, operating environment protection costs, cost of old environmental damage clean-up and also charges for air pollution, waste water release, waste storage on dumping sites, creation of provisions for dumping sites recultivation and reimbursement of imission-related damage in the forest.

The Group's costs incurred in relation to the environment protection in 2006 totalled CZK 3,959 million. Compared with the previous year, total environmental costs were distinctly higher due to extremely high cost of old environmental damage clean-up in SPOLANA and the high amount of environmental investments in ČESKÁ RAFINÉRSKÁ.

#### Total costs (operating + investment) of environment protection in Group companies (CZK million/year)



#### Implementation of Joint Environmental Policy of UNIPETROL Group

As in the previous period, implementation of "Joint Environmental Policy of UNIPETROL Group" concentrated on four key current issues in 2006. The regulation of carbon dioxide emissions in compliance with the EU Emission Allowances Trading Scheme (EU ETS) was the first major issue. The second major issue was fulfilment of environment protection conditions for issuing integrated permits for operation of selected production plants (at the latest by 2007), environmental investments

related to the fulfilment of conditions of the integrated pollution prevention and submission of data on the release of specified pollutants by individual companies to the Integrated Pollution Register (IPR). The continuing clean-up of old environmental damage, which originated before privatization of the Group companies in 1992, was the third, already traditional, issue in UNIPETROL Group. Activities connected with proper functioning and increasing efficiency of the EMS system in Group companies were the fourth major issue.

#### EU ETS and introduction of emission allowances

Based on Act No. 695/2004 Coll., on Conditions of Trading with Greenhouse Gases Emission Allowances and the related European Parliament and Council Directive 2003/87/EC, the government allocated tradeable emission allowances for carbon dioxide to selected companies through a Government Order No. 315/2005 of 20 July 2005 on the National Allocation Plan (NAP) for 2005–2007 (Appendix No. 2 of the GO).

#### Allocation of emission allowances to companies of the UNIPETROL Group pursuant to NAP and actual CO<sub>2</sub> emissions in 2006

Allowances allocated, Actual emissions	CHEMOPETROL	KAUČUK	SPOLANA	ČESKÁ RAFINÉRSKÁ (100%)	PARAMO	Skupina UNIPETROL celkem
NAP – Allowances allocated/year	3,495,028	548,402	412,291	1,100,247	270,251	5,826,219
2006, CO <sub>2</sub> emissions (t/year)	3,091,831	411,178	313,850	909,819	196,064	4,922,742

Emission allowances allocated to companies of UNIPETROL Group (including so-called bonuses for preliminary measures taken to decrease carbon dioxide emissions, and for operating combined heat and electricity generating units) covered the production needs of companies and actual emissions in 2005 and 2006. One part of the excessive allowances was transferred to the next year to cover planned production growth, and another part was traded. Based on a call of the Chemical Industry Union, ČESKÁ RAFINÉRSKÁ undertook to reinvest income from the emission allowances sale in environment protection.

#### Integrated pollution prevention and Integrated Pollution Register (IPR)

2006 was the year before last of a period when chemical companies have an obligation to acquire an integrated permit for their operations under Act No. 76/2002 Coll. on integrated pollution prevention. At the same time, 2006 was the second year when the Integrated Pollution Register was introduced and maintained.

#### Integrated Pollution Register

In 2006, UNIPETROL Group companies fulfilled for the second time the demanding requirements connected with the obligation to report data to the IPR. The Integrated Pollution Register is operated on the basis of Act No. 76/2002 Coll. and Government Order No. 368/2003. The IPR registers data on emissions to air, water, soil released by individual companies and industrial branches, and on the transfer of 72 reported substances. Companies have to submit data for the previous year by 15 February, and the data are subsequently published on the IPR server until 30 September of the following year. The 2005 data for individual companies are published at [www.irz.cz](http://www.irz.cz).

### **Integrated operation permits**

In 2006, a new integrated permit was issued for the ammonia and urea plant of CHEMOPETROL, a.s. for the block crystal polystyrene plant of KAUČUK, a.s., for the PVC operation in SPOLANA and for the oil operation in PARAMO, a.s. cost centre, Pardubice. Current status of integrated permits in UNIPETROL Group is as follows:

ČESKÁ RAFINÉRSKÁ and PARAMO have effective integrated operation permits for all their plants (Litvínov refinery, Kralupy refinery, PARAMO, Pardubice cost centre with a heating plant, bitumen production, fuel production, oil production and Kolín cost centre.

CHEMOPETROL holds integrated permits for the polymer production plant, the ethylene unit, the power generating block of the ethylene unit, the naphthalene concentrate production unit, the urea plant, the ammonia plant and mazut gasification (POX). Applications for the issue of integrated operation permits for the OXO plant and corporate power generation are being processed.

KAUČUK has obtained integrated permits for a new ethyl-benzene production plant in Litvínov, for styrene, expandable polystyrene and high-impact block polystyrene units, for crystal block polystyrene and for the operation of Veltrusy II dumping site. Applications for the issue of integrated permits for the company's waste incineration plant, for butadiene-styrene rubber production plant and for the company's power generation units.

SPOLANA has so far obtained integrated permits for linear internal olefine (LIO) production unit, for caprolactam and sulphuric acid production units and for PVC production. Applications for the issue of integrated permits for power generation, operation of a dumping site, chlorine and caustic soda (sodium hydroxide) production by amalgam electrolysis, are being processed.

### **Removal of old environmental burdens**

Based on the Czech government's decision related to the privatization UNIPETROL Group companies concluded in 1994–2004 the following agreements with the Czech Republic's National Property Fund on the solution of old environmental obligations arisen before the privatization: UNIPETROL, a.s. (successor organization of CHEMOPETROL Group, a.s.) agreement No. 14/94 amended by Supplement No. 3 of 25 January 2005; UNIPETROL, a.s. (successor organization of KAUČUK Group, a.s.) agreement No. 32/94 amended by Supplement No. 1 of 4 July 2001; SPOLANA a.s. agreement No. 33/94 amended by Supplement No. 3 of 25 January 2005; PARAMO, a.s. agreement No. 39/94 amended by Supplement No. 2 of 4 July 2001 and agreement No. 58/94 amended by Supplement of 14 November 2002; BENZINA a.s., agreement No. 184/97 amended by Supplement No. 5 of 16 February 2004.

The issue of liability for old environmental burdens caused by CHEMOPETROL and KAUČUK refinery plants, which merged with ČESKÁ RAFINÉRSKÁ is tackled in a separate Environmental Agreement between UNIPETROL, a.s. and ČESKÁ RAFINÉRSKÁ, a.s.

The clean-up work, which is carried out on the basis of environmental agreements between UNIPETROL Group companies and the Czech Republic's National Property Fund, progressed unevenly in 2006. While in some localities the clean-up work

continued without major difficulties (CHEMOPETROL – clean-up of the ethyl-benzene product pipeline, remedy of liquid waste lagoons in Růžodol; SPOLANA – removal of dioxine contamination, preparation of ground water treatment), in other places the work was complicated due to unclarities in the approved implementation projects (SPOLANA – clean-up of the old amalgam electrolysis building), or to dragging approving procedures at the Czech Republic's Ministry of Finance (CHEMOPETROL – ground water treatment, PARAMO – "Časy" location, KAUČUK –Nelahozeves dumping site).

#### Guarantees based on agreements with the NPF CR (Czech Republic's National Property Fund) and the cost of clean-up work in UNIPETROL Group in 2006

Indicator	UNIPETROL Group total	UNIPETROL/Litvínov	UNIPETROL/Kralupy	SPOLANA	PARAMO	BENZINA
Amount of NPF CR guarantee (CZK mil.)	20,121	6,012	4,244	6,330	2,182	1,353
Total cost from the beginning of clean-up	5,580	1,713	4 <sup>a</sup>	2,584	1,020	259 <sup>b</sup>
Total cost of clean-up in 2006	1,815	147	0	1,613	40	15
Anticipated future clean-up cost	12,520	1,500	400	6,330	3,200	1,090

<sup>a)</sup> without about CZK 40 million for the clean-up of the filling stations network of the former KPetro (completed 1995–1999);

<sup>b)</sup> without own costs of BENZINA a.s. (ca CZK 500 million) for the clean-up work since 1997

#### Clean-up work expenses in UNIPETROL Group in 2001–2006

CZK million/year	2006	2005	2004	2003	2002	2001
UNIPETROL/Litvínov	147	199	206	195	178	89
UNIPETROL/Kralupy	0	3	0	0	0	1
BENZINA	15	26	40	40	55	22
PARAMO/Kolín	37	65	104	155	99	110
PARAMO/Pardubice	3	18	15	15	2	0
SPOLANA	1,613	275	151	166	6	0
UNIPETROL Group	1,815	586	516	571	340	222

#### Environmental management systems and "Responsible Care" programme

Management systems play a significant role in environment protection. UNIPETROL Group companies gradually introduce and certify the environmental management system (EMS) as a guarantee of a system-based approach to environment protection, quality management (QMS) and occupational safety management ("Safe enterprise" programme, OHSAS). In addition to this, the companies participate in the international programme for the chemical industry called "Responsible Care", developed in the Czech Republic under the name "Odpovědné podnikání v chemii" (Responsible Business in Chemicals).

#### Environmental management system

CHEMOPETROL, KAUČUK, ČESKÁ RAFINÉRSKÁ, PARAMO and SPOLANA have implemented, successfully repeatedly certified and adhered to the environmental management system in compliance with ISO 14000 standards.

### EMS Implementation in UNIPETROL Group in 2005

Company	Certified by / Certification body	Certification standard	Certified in	Re-certification date
CHEMOPETROL	LRQA	ISO 14001	2002, 2005	2008
KAUČUK	LRQA	ISO 14001	1999, 2002, 2005	2008
ČESKÁ RAFINÉRSKÁ	LRQA	ISO 14001:1996 ISO 14001:2004	2001 (QEMS) 2004, 2005	2007
PARAMO	RWTÚV	ISO 14001:1996 ISO 14001:2004	2004 2004, 2006	2009
SPOLANA	RW TUV TUV NORD	ISO 14001 ISO 14001:2004	2001 2006	2009

### "Responsible Care" Programme

"Responsible Care" programme is a significant voluntary worldwide initiative of the chemical industry that sets high goals in environmental protection and occupational safety and health protection, operational safety, product quality and stewardship throughout its life-cycle. The programme was established more than 20 years ago in Canada, and since 1994 it has been introduced also in the Czech Republic. In 2002, the programme received the UNEP Award at the UN World summit in Johannesburg. UNIPETROL Group companies – CHEMOPETROL, KAUČUK and SPOLANA were among the founding members of this programme in the Czech Republic. They were already four times granted the right to use the programme's trademark "Responsible Care" (in Europe administered by CEFIC) for their successful fulfilment of the programme's requirements. At present, all production companies of UNIPETROL Group as well as the Group's HQs – UNIPETROL, a.s. – have the right to use the "Responsible Care" logo.

### Voluntary activities of UNIPETROL Group in "Odpovědné podnikání v chemii – Responsible Care" programme

Company	Certified by	Certification standard	Certified in	Re-certification date
CHEMOPETROL	SCHP ČR	RC: CEFIC, SCHP ČR	1996, 1998, 2000, 2002, 2004	2008
KAUČUK	SCHP ČR	RC: CEFIC, SCHP ČR	1996, 1998, 2000, 2002, 2004	2007
ČESKÁ RAFINÉRSKÁ	SCHP ČR	RC: CEFIC, SCHP ČR	2000, 2002, 2004	2008
PARAMO	SCHP ČR	RC: CEFIC, SCHP ČR	2001, 2003, 2005	2008
SPOLANA	SCHP ČR	RC: CEFIC, SCHP ČR	1996, 1998, 2000, 2003, 2005	2008
UNIPETROL	SCHP ČR	RC: CEFIC, SCHP ČR	2000, 2003, 2005	2007



## Sponsorship

UNIPETROL Group continued supporting cultural, sports and charity projects in 2006 and building the company's image. The Group was a partner to major cultural activities. One of them was Mozart's Year in the National Theatre, a project, which emphasized relations of the famous composer to Prague. It was an honour for UNIPETROL to support this prestigious event on the occasion of the worldwide celebration of Wolfgang Amadeus Mozart's 250th anniversary. In 2007, UNIPETROL will be a partner to the National Theatre as such. Cooperation with the National Theatre is of major importance for the company; by supporting this significant cultural institution, the company continues in the long tradition of art mercenaries who enabled the birth of many fabulous works of art. The International Film Festival in Karlovy Vary is another cultural project traditionally sponsored by UNIPETROL Group. The cooperation began back in 2000 and, thanks to its favourable progress, it continued in 2001, 2005 and 2006. In 2006, PKN ORLEN, UNIPETROL's parent company, also became a partner of the event. This year's film festival will again be supported by PKN ORLEN and UNIPETROL Group; the latter will promote the BENZINA brand in the course of the festival.

Another important event was the donation of Karel Pauzer's sculptural group „Dog Family” to the National Gallery in Prague – Collection of modern and contemporary art. The work is part of the permanent exposition of Czech art on the 2nd floor of Veletržní Palác. In 2006, UNIPETROL also supported the music cycle “Strings of Autumn”, which introduced a wide spectre of top interpreters of jazz, classical and experimental music. UNIPETROL Group traditionally supports the Czech science – it is a significant part of its sponsorship activities. In 2006, UNIPETROL was for the 5th year in a row the General Partner of the “Czech Head”, a project which supports scientists and technicians and aims at promoting science and increasing the social prestige of Czech technical and scientific workers as the main creators of the country's economic prosperity. Each year, the project culminates with granting of national “Czech Head” awards for the best personalities from the area of science and technology. In the framework of this project, UNIPETROL Group grants its own award: “Patria”. With this award, UNIPETROL Group has contributed to this project throughout its existence, i.e. since 2001.

Another major project in the area of science is support to the University of Chemical Technology in Prague, the largest educational institution of its kind in central Europe which ensures high quality education as well as research and development. The school's more than 170-years old tradition combined with progressive fields of study and worldwide reputation opens each student access to top technologies, possibilities of scholarships abroad, and subsequently it serves as a ticket to well-paid jobs at home and abroad. Cooperation with the University of Chemical Technology helps UNIPETROL to establish relations with potential employees as well as with the academic community.

Last but not least, UNIPETROL also sponsors projects in the area of sports; since 2005, UNIPETROL has provided support to the Czech Olympic team. Effective and result-yielding support is provided to the Czech olympic sportsmen in the framework of this partnership. UNIPETROL is proud to be able to associate its name with a project that enjoys such high moral credit and social prestige. For several years, UNIPETROL has also co-sponsored the Litvínov hockey club HC CHEMOPETROL.

## Structure of the Group |

UNIPETROL, a.s. (a joint-stock company) is part of ORLEN Group whose parent company is Polski Koncern Naftowy ORLEN Spółka Akcyjna with a registered office in Plock, Chemików Street 7, Postal Code 09-411, Polish Republic (hereafter "PKN ORLEN S.A."). PKN ORLEN S.A. owns shares representing 62.99%\* of the share capital of UNIPETROL, a.s. As at the date of Extraordinary General Meeting convened for 13 December 2006, GOLDENFRAZIL LIMITED, P.C. 1066, Nicosia, Themistokli Dervi, 48 owned shares representing 3.59% of the share capital. In the course of 2006, the company was not notified by any other persons about their direct or indirect holding in the share capital, or share in voting rights exceeding 3%. UNIPETROL, a.s. and PKN ORLEN S.A. did not conclude so-called controlling contract. The company is not dependant on any other entity within ORLEN Group. Agreements which might result in the change of control over the company are not known.

**ORLEN Group** includes 7 refineries: three of them are located in Poland, three in the Czech Republic and one in Lithuania. Companies of the Group operate networks of filling stations in Poland, Germany, the Czech Republic and Lithuania. The Group also includes several subholdings which are controlled by the Groups's major companies.

**PKN ORLEN S.A.** is one of the largest processing companies in Central Europe. It specializes in refinery processing of crude oil (the refinery in Plock), manufacture of fuels, fuel oils, aviation fuel, plastics and other petrochemical products. At the end of the year, the company operated a network of 1,932 filling stations in Poland with estimated market share of 39.6%. As at 31 December 2006 the company employed a staff of 4,773. The ownership structure as at 31 December 2006: Nafta Polska 17.32%, State Treasury\*\* 10.20%, The Bank of New York 4.95%, other shareholders 67.53%. At the end of 2006, the company had direct holdings in 80 business companies, and in 47 of them it was the majority owner. The following companies representing the main business segments are major companies of ORLEN Group:

**UNIPETROL, a.s.** The parent company of UNIPETROL Group comprising primarily companies engaging in the refinery crude oil processing, petrochemicals and fuel distribution. The ownership structure as at 31 December 2006: PKN ORLEN S.A. 62.99%, other shareholders 37.01%. For detailed information about the company's holdings see the following chapter.

**AB Mazeikiu Nafta (segment: refinery)** The company has engaged in business since 1980 and it is one of the largest companies in Lithuania. It owns the only crude oil refinery in Baltic countries and thanks to this it acquired a dominant position on their markets. The yearly capacity of crude oil processing is around 10 million tonnes of raw material. The company exports about 80% of its production volume. It has a strong logistic base, including the port terminal in the port of Butynge. At the end of the year, the company employed a staff of 3,858 persons. The ownership structure as at 31 December 2006: PKN ORLEN S.A. 84.20%, Lithuanian government 10%, others 5.80%. The company has direct and indirect holdings in eight other companies.

\*) If not stated in the text that the value of the ownership interest differs from the number of pertaining voting rights, it can be assumed that they correspond.

\*\*) The equivalent of the Czech National Property Fund

**Basell ORLEN Polyolefins Sp. z o.o. (segment: petrochemicals)** This Polish company was founded in 2003 as a joint enterprise of Basell Europe Holdings B.V. (50%) and PKN ORLEN S.A. (50%). It specializes in the production of polyolefins. Thanks to integration with Basell, products from Płock are available both in Poland and in the Basell distribution network throughout Europe. At the end of the year 2006, the company employed a staff of 431 (consolidated figure). The company owns 100% of Basell ORLEN Polyolefins Sprzedaż Sp. z o.o. focused on sale and marketing.

**Zakłady Azotowe Anwil S.A. (segment: chemicals)** The company is the sole manufacturer of polyvinylchloride (PVC) and one of the largest manufacturers of nitrogen-based fertilizers in Poland. It manufactures PVC and sodium hydroxide, ammonium nitrate and calcium-ammonium nitrate, cable types of PVC, hard technical mixtures, dry PVC mixtures and PVC plastic foil. It also supplies energies and processes industrial waste. At the end of 2006 the company employed a staff of 3,480 (consolidated figure). Ownership structure as at 31 December 2006: PKN ORLEN S.A. 84.79%, Koncern Energetyczny ENERGIA SA 4.15 %, State Treasury 5.56%, others 5.5%. The company has holdings in ten other companies, including SPOLANA a.s.

**ORLEN Deutschland AG (segment: retail)** The company with a registered office in Elmshorn operates 469 fuel stations with ORLEN and Star logos. At the end of the year 2006 it employed a staff of 98. Ownership structure as at 31 December 2006: PKN ORLEN S.A. 100%.

**ORLEN Oil Sp. z o.o. (segment: oils)** The company is the main lubricant manufacturer and distributor in Poland. Its product range includes a wide assortment of lubricants and oils for motor vehicles as well as for the industry. They include the newest generation of the Platinum motor oil, industrial and technical oils, plastic lubricant, operation fluids, car cosmetics, solvents and oil bases. At the end of 2006 the company employed a staff of 513. The ownership structure as at 31 December 2006: PKN ORLEN S.A. 51.69%, Rafineria Trzebinia 43.84%, Rafineria Nafty Jedlicze 4.47%.

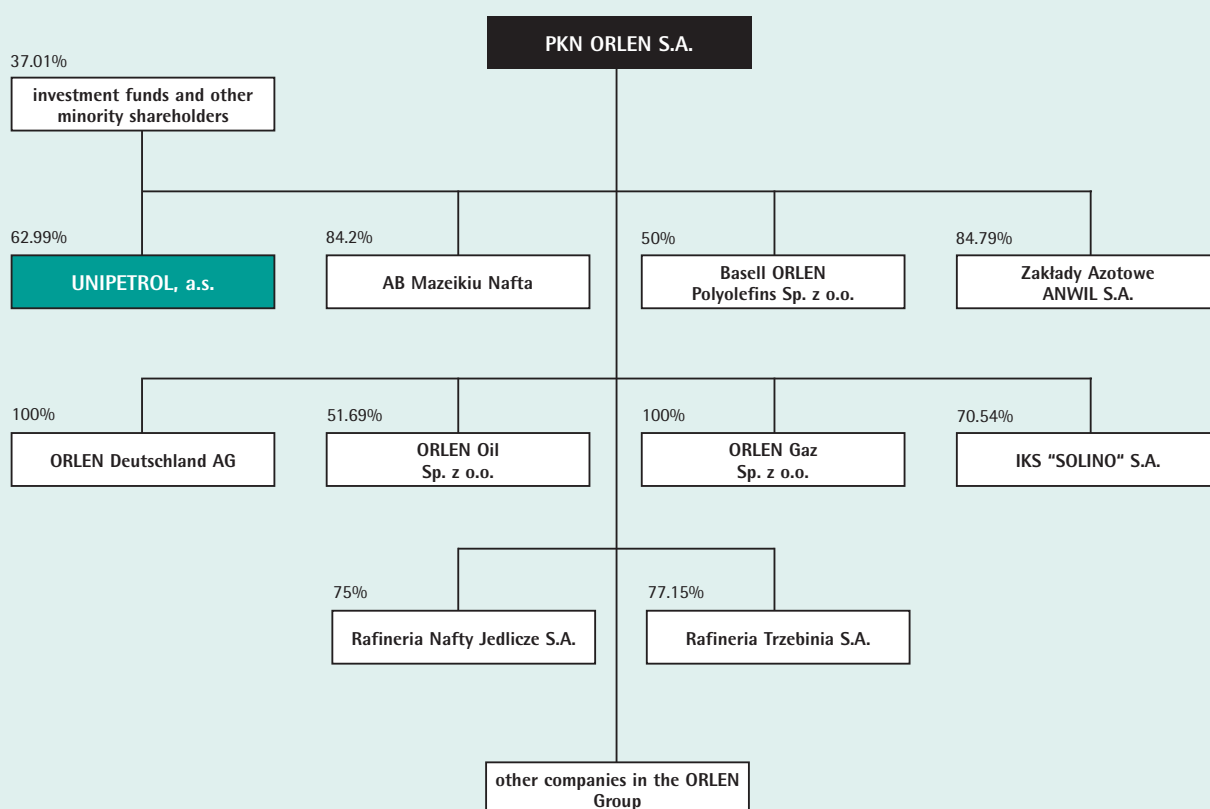
**ORLEN Gaz Sp. z o.o. (segment: wholesale)** The largest Polish company on the liquefied gas market. Its principal activities include sale and distribution of propane, butane and propane-butane. At the end of 2006 the company employed a staff of 171. The ownership structure as at 31 December 2006: PKN ORLEN S.A. 100%

**Inowrocławskie Kopalnie Soli „SOLINO” S.A. (segment: logistics)** The company is a major logistics operator in the field of crude oil and fuel storage, and also the leading exporter of highly processed salt products to the European market. Its principal business activity is underground storage of crude oil and liquid fuel in salt mines and production of brine. At the end of 2006 the company employed a staff of 293. The ownership structure as at 31 December 2006: PKN ORLEN S.A. 70.54%, State Treasury 25.19%, others 4.27%.

**Rafineria Trzebinia S.A. (segment: refinery)** One of the oldest refineries in Poland. In 2005 it opened a new production segment, namely bio-fuels. At the end of 2006 the company employed a staff of 743 (consolidated figure). Ownership structure as at 31 December 2006: PKN ORLEN S.A. 77.15%, State Treasury 9.19%, 13.65%. The company has holdings in seven other companies.

**Rafineria Nafty Jedlicze S.A. (segment: refinery)** A refinery with a longer than one-hundred-year tradition, a leader in the production of heating fuels and lubricating oils. The company's principal activities are regeneration and purchase of used oils and manufacture of oil bases from regeneration, production of fuel oils, production and sale of fuels. At the end of 2006 the company employed a staff of 574 (consolidated figure). Ownership structure as at 31 December 2006: PKN ORLEN S.A. 75%, State Treasure 10%, others 15%. The company has holdings in nine other companies.

**Status of UNIPETROL, a.s. in PKN ORLEN S.A. capital group**



## UNIPETROL Group

UNIPETROL a.s. (hereafter referred to as UNIPETROL, or the holding company, or the company) comprises companies which engage in crude oil refining, petrochemical production and fuel distribution. In 2006 the Group included mainly the following companies:

- ČESKÁ RAFINÉRSKÁ, a.s.
- UNIPETROL RAFINÉRIE a.s.
- PARAMO, a.s.
- CHEMOPETROL, a.s.
- BENZINA a.s.
- KAUČUK, a.s.
- SPOLANA a.s. (since 14 November 2006 member of ANWIL Group)

In addition to the main companies, the Group includes also several smaller distribution, servicing and research companies: UNIPETROL TRADE a.s., UNIPETROL DOPRAVA, a.s., Výzkumný ústav anorganické chemie, a.s. and others (see the following chapter).

As at 31 December 2006, the holding company owned 100% of shares of CHEMOPETROL, a.s., KAUČUK, a.s., BENZINA a.s., UNIPETROL RAFINÉRIE a.s., UNIPETROL TRADE a.s. and Výzkumný ústav anorganické chemie, a.s. and also newly acquired holdings (100%) in Meliba Estates s.r.o. and Steen Estates s.r.o. At the same time, the company was a majority partner of PARAMO, a.s. (73.52%) and ČESKÁ RAFINÉRSKÁ, a.s. (51%).

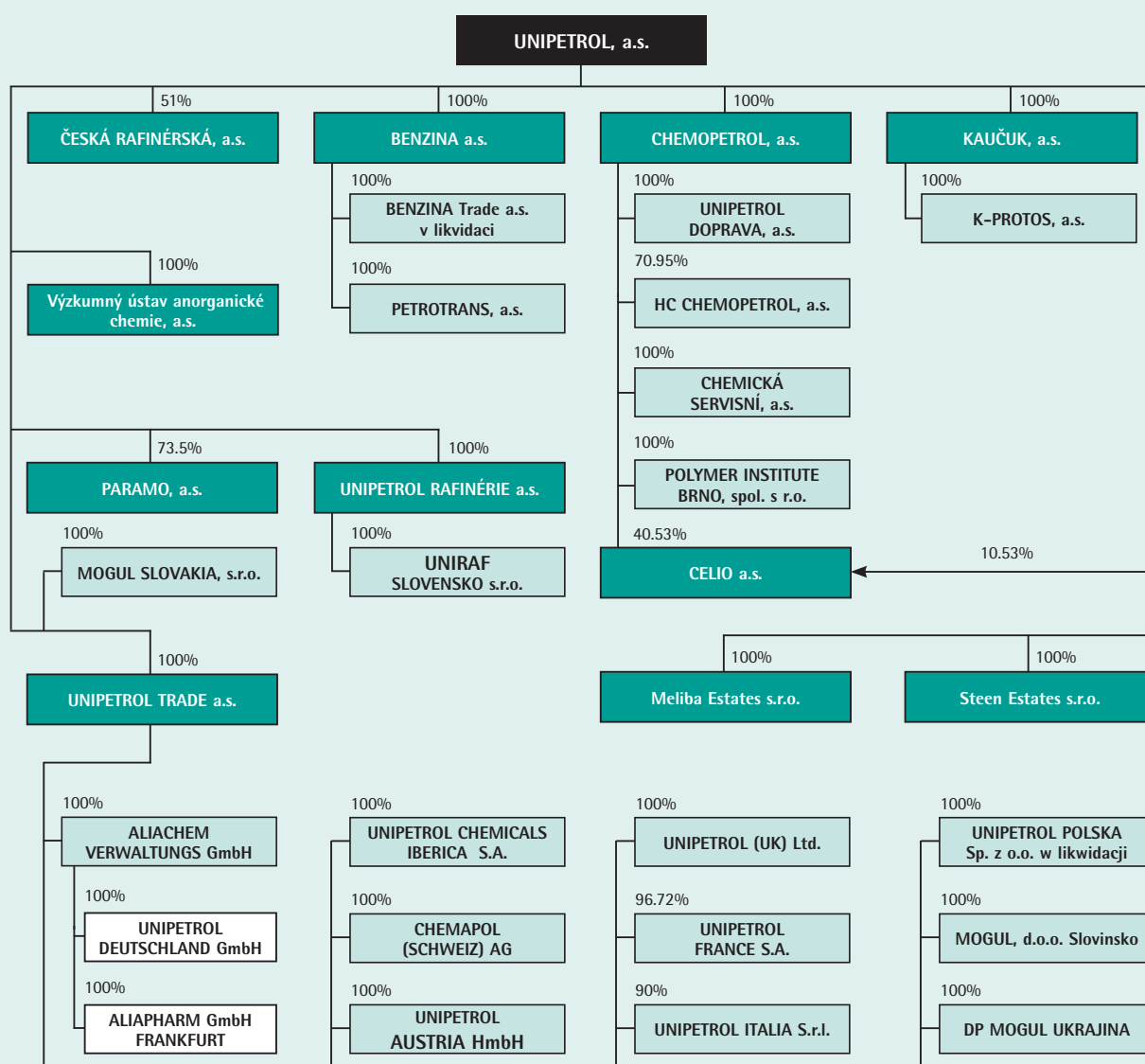
The Group also comprised companies controlled indirectly, through the above listed subsidiaries. As at 31 December 2006 they included UNIPETROL DOPRAVA, a.s., HC CHEMOPETROL, a.s., CHEMICKÁ SERVISNÍ, a.s., POLYMER INSTITUTE BRNO, spol. s r.o., K-PROTOS, a.s., BENZINA Trade a.s. in liquidation, PETROTRANS, a.s., MOGUL SLOVAKIA, s.r.o., UNIRAF SLOVENSKO s.r.o. and companies abroad directly controlled by UNIPETROL TRADE a.s.

UNIPETROL had significant direct holdings also in AGROBOHEMIE a.s. (50%) and Synthesia, a.s. (38.79%) which, however, are not controlled by the company.

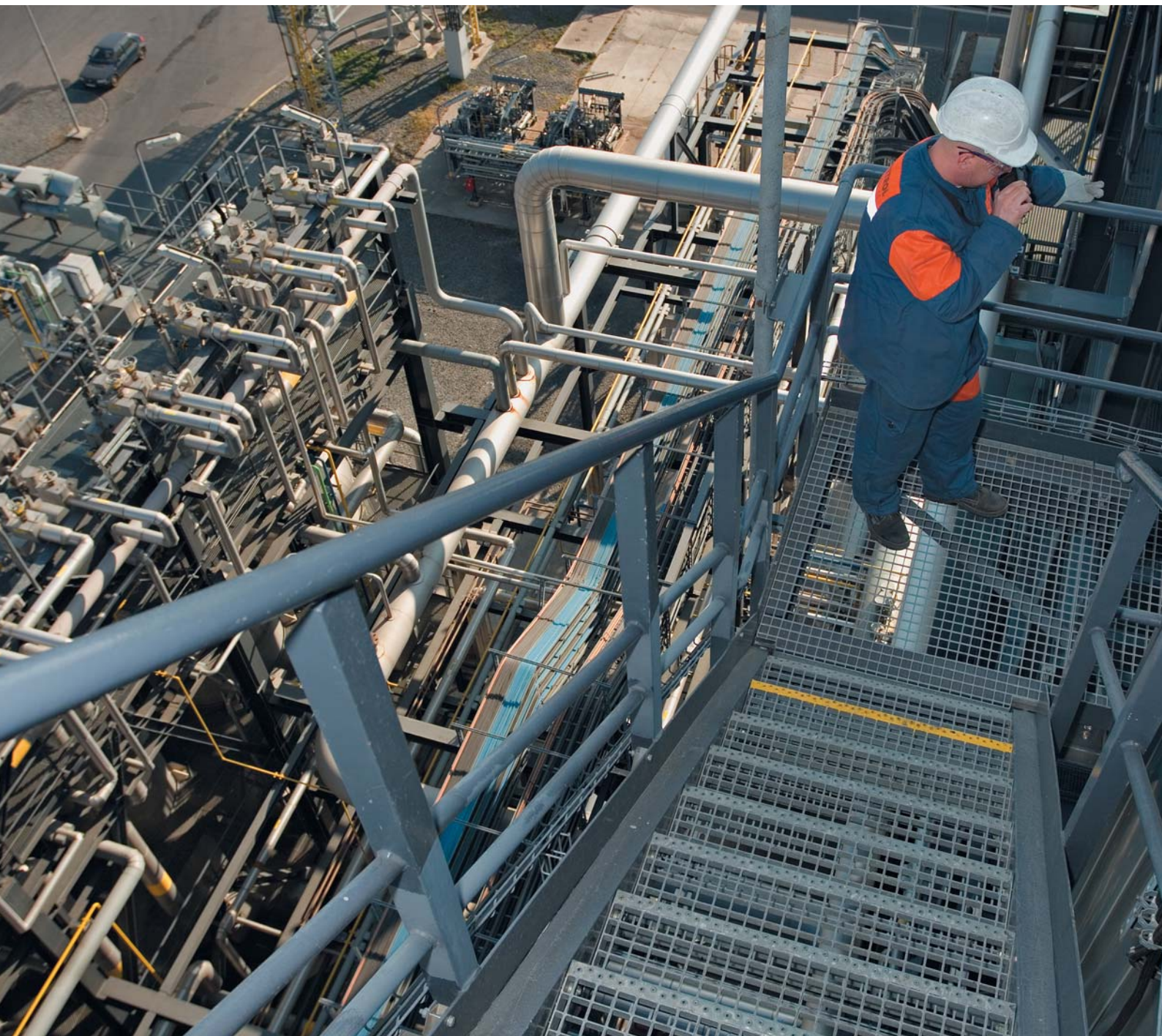
UNIPETROL does not have any organizational units.



## Structure of the Group as at 31 December 2006



# 347







Capital expenditure for the main companies in UNIPETROL Group totalled almost CZK 4 billion (including 100% of ČESKÁ RAFINÉRSKÁ) in 2006. 347 investment projects were in progress, 150 projects were completed and 126 projects were launched.



## Ownership interests |

### Changes in the structure of ownership interests in 2006

The sale of the majority holding (81.8%) in SPOLANA a.s. was the main change in the framework of UNIPETROL Group. Other changes included the fact that certain ownership interests of subsidiaries ceased to exist.

### Ownership interests of UNIPETROL, a.s.

Major change in the structure of the company's ownership interests was the sale of shares of SPOLANA a.s. (81.8%) to the Polish company Zakłady Azotowe Anwil S.A.

In the course of the year, the share capital of UNIPETROL RAFINÉRIE a.s. was increased by CZK 300 million (to CZK 301 million) from the company's own resources. The parent company's investment which increased the share capital of BENZINA a.s. by CZK 300 million (to CZK 900,778,296), and was fully paid, was entered in the Commercial Register. In connection with the introduction of the new group management model UNIPETROL expanded its ownership interest portfolio and added holdings in Meliba Estates s.r.o. (100%) and Steen Estates s.r.o. (100%) that will be used in the next implementation phase of the project.

### Ownership interests of companies associated in the Group

**CHEMOPETROL, a.s.** – In 2006, the holding in B.U.T., s.r.o. (100%) was sold. Ownership interests in UNIPETROL DOPRAVA, a.s. (100%), CHEMICKÁ SERVISNÍ, a.s. (100%), POLYMER INSTITUTE BRNO, spol. s r.o. (100%), HC CHEMOPETROL, a.s. (70.95 %) and CELIO a.s. (40.5%) did not change in the course of the year.

**KAUČUK, a.s.** – No changes, the company continued to be the sole shareholder of K-PROTOS, a.s.

**BENZINA a.s.** – As at 1 January 2006, its subsidiary BENZINA Trade, a.s. was put into liquidation. As at 31 January 2006, BENZINA a.s. became the sole shareholder of PARAMO Trysk a.s. as a result of purchase of 100% of shares. On 31 December 2006 this company merged with the parent company. In the course of the year BENZINA a.s. purchased three filling stations in Slovakia (ČS Žilina s.r.o., ČS Smižany s.r.o. and ČS Milhost' s.r.o.).

**UNIPETROL RAFINÉRIE a.s.** – No changes, the company continued to be the sole shareholder of UNIRAF SLOVENSKO s.r.o.

**UNIPETROL TRADE a.s.** – Following the completed liquidation, its subsidiary ALIACHEM BENELUX B.V. ceased to exist. In the course of the year, UNIPETROL POLSKA Sp. z o.o. was under liquidation and the name of the subsidiary ALIACHEM ITALIA S.r.l. was changed to UNIPETROL ITALIA S.r.l.

**SPOLANA a.s.** – As at the date of change of the majority shareholder (13 November 2006) SPOLANA a.s. had holdings in NeraPharm, spol. s r.o. (100%) and TIÚ-PLAST a.s. (15.27%). NeraPharm, spol. s r.o. was subsequently sold outside the Group

**PARAMO, a.s.** – After the sale of 100% of PARAMO Trysk a.s. shares to BENZINA a.s. (on 31 January 2006) the company owns only one subsidiary, i.e. MOGUL SLOVAKIA, s.r.o. (100%).

**AGROBOHEMIE a.s.** – Holdings in Synthesia, a.s. (up to 1 April 2006 ALIACHEM a.s.) and Lovochemie, a.s. did not change in 2006 (55.01% and 100% of the share capital).

### Ownership interests of UNIPETROL, a.s. as at 31 December 2006

Company	Registered office	ID No.	Share capital CZK	Ownership interest %age of the share capital
CHEMOPETROL, a.s.	Litvinov	25003887	10,846,764,000	100.00
KAUČUK, a.s.	Kralupy nad Vlt.	25053272	6,236,000,000	100.00
BENZINA a.s.	Prague	60193328	900,778,296	100.00
UNIPETROL RAFINÉRIE a.s.	Litvinov	25025139	301,000,000	100.00
UNIPETROL TRADE a.s.	Prague	25056433	2,172,000	100.00
Výzkumný ústav anorganické chemie, a.s.	Ústí nad Labem	62243136	60,000,000	100.00
Meliba Estates s.r.o.**	Praha	27608051	200,000	100.00
Steen Estates s.r.o.	Praha	27597075	200,000	100.00
PARAMO, a.s.	Pardubice	48173355	1,330,078,000	73.52
ČESKÁ RAFINÉRSKÁ, a.s.	Litvinov	62741772	9,348,240,000	51.00
AGROBOHEMIE a.s.	Prague	63078121	1,015,200,000	50.00
Synthesia, a.s.	Pardubice	60108 916	4,304,599,240	38.79
Penzijní fond CERTUM-RENTA a.s. v likvidaci v konkursu	Prague	60916354	120,000,000	15.84
UNIVERSAL BANKA, a.s., v konkursu	Prague 1	48264865	1,520,000,000	16.45**
CELIO a.s.	Litvinov	48289 922	190,000,000	10.53*

\*) Ownership interest of CHEMOPETROL, a.s. totals 40.53%, joint holding 51.06%.

\*\*) Ownership interest of CHEMOPETROL, a.s. totals 12.24%, joint holding 28.69%.

\*\*\*) From 15 March 2007 its name changed to UNIPETROL SERVICES, s.r.o.





## Main Subsidiaries

### ČESKÁ RAFINÉRSKÁ, a.s.

Registered office: Litvínov, Záluží 2, Postal Code 43670  
ID No.: 62741772

#### Key financial and operating data (according to IFRS)

(in CZK thousand)	2006	2005
Total assets	26,250,190	24,906,136
Shareholders' equity	18,128,375	18,131,752
Share capital	9,348,240	9,347,240
Liabilities	8,121,815	6,774,384
Total sales revenues	9,255,568	9,292,780
Operating profit	328,836	468,191
Profit (loss) of accounting period	240,771	325,834
Average number of employees	688	693

#### Brief description of the company

The company operates crude oil refineries in Litvínov and Kralupy nad Vltavou. Their joint capacity is 8 million tonnes annually, and it is the largest crude oil processing company and crude oil products manufacturer in the Czech Republic.

Since 2003, the company is operated in so-called "processing system" which means that companies authorized by their owners, so-called processors (UNIPETROL RAFINÉRIE a.s., Agip Česká republika, s.r.o., ConocoPhillips Czech Republic s.r.o. and Shell Czech Republic a.s.), purchase crude oil and other feedstock for processing in the refineries in Litvínov or Kralupy nad Vltavou, and subsequently buy and trade processed products. Each processor has at its disposal a capacity proportionate to its shareholding. Processors pay "a processing fee" to the refinery. The introduction of the "processing system" in ČESKÁ RAFINÉRSKÁ, a.s. ended its sales activities.

Ownership structure	UNIPETROL, a.s.	51%
	ConocoPhillips Central and Eastern Europe Holdings B.V.	16 1/3%
	ENI International B.V.	16 1/3%
	Shell Overseas Investments B.V.	16 1/3%

### Main products and services

Main products include automotive gasolines, diesel oil, aviation fuel, fuel oils, liquid gases (propane-butane), bitumens, SBP and white spirits, solvents, oil hydrogenates, sulphur, propylene, MTBE and feedstock for petrochemical production.

### Significant events of the year (including the 1st quarter of 2007)

- A record volume of crude oil in the company's history was processed – 7.2 million tonnes of crude oil, i.e. by about 2% more than in the previous year.
- Manufacture of "clean" fuels – In 2006, all manufactured motor fuels (gasolines and diesel oil) met the prescribed limits for aromatic compounds and sulphur (i.e. they complied with the requirements of the EU Directive No. 98/70/EC in the wording of Directive No. 2003/17/EC. The company manufactures motor fuels with sulphur contents below 50 mg/kg. At the same time, the company launched limited production of diesel oil which meets the requirements of the "Net Fuels 2009" (i.e. with sulphur contents lower than 10 mg/kg).
- Bio-fuels manufacture – The company began producing bio-fuels in its new bio-fuel mixing facility at the end of 2006. In the first phase, 202 thousand tonnes of diesel oil containing RME (rapeseed oil methylester) were produced for exports.
- Czech Donors Forum granted a title "Responsible company" to ČESKÁ RAFINÉRSKÁ. The award is the result of transparent assessment of the company's active and systematic activities in the area of environment protection, employee welfare and its support provided to towns and villages in the vicinity of both refineries.
- No work accident with subsequent sick leave occurred in the company.
- The company received HR Excellence Award at the Conference of personnel managers of the Czech Republic.
- Foremost placement of the company in the national round of the European Week of Work Safety and Health Protection (in Czech abbreviated as BOZP). The year 2006 called "BOZ(P) – Get Ready", focused on newly recruited young people and on the reduction of the accident rate.
- Supervisory visits of auditors and submission of application for ISO recertification audit.
- Completion of the certification audit "Safe enterprise"; it confirmed further improvement of the company in the area of integrated management systems.
- No extraordinary event occurred, and no event having an unfavourable impact on the environment or quality of life in the neighbouring towns and villages.
- The company won the Occupational Safety Contest organized in the framework of UNIPETROL Group (i.e. the company's main shareholder)
- State inspection bodies granted the company the title "Self-regulating company". The company demonstrated its Risk Based Inspection (RBI) methodology in the new Litvinov refinery complex.

**UNIPETROL RAFINÉRIE a.s.**

Registered office: Litvínov, Litvínov-Záluží 1, Postal Code 436 70

ID No.: 25025139

**Key financial and operating data (according to IFRS)**

(in CZK thousand)	2006	2005
Total assets	12,830,685	13,263,226
Shareholders' equity	2,036,589	1,406,158
Share capital	301,000	1,000
Liabilities	10,794,096	11,857,068
Total sales revenues	61,935,055	56,868,048
Operating profit	673,143	978,333
Profit (loss) of accounting period	643,496	578,353
Average number of employees	56	54

**Brief description of the company**

The most significant Czech company purchasing crude oil and selling crude oil products. In line with UNIPETROL, a.s.' holding in the share capital of ČESKÁ RAFINÉRSKÁ, a.s., it uses 51% of the refinery's capacities.

Ownership structure as at 31 December 2006	UNIPETROL, a.s.	100%
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**Main products and services**

Motor fuels (automotive gasolines, diesel oil, jet kerosene), feedstock for the ethylene unit (naphtha, gas oil, HCVD) and masout (black oil) gasification (POX), liquefied petroleum gases (LPG, propylene and others), oil hydrogenates, fuel oils, bitumens, other refinery products (MTBE, sulphur).

**Ownership interest**

Company	Registered office	ID no.	Share capital, SKK	Ownership interest, %age of the share capital
UNIRAF SLOVENSKO s.r.o.	Bratislava	35,777,087	200,000*	100.00

\*) As at 7 March 2007, an increase of the share capital by SKK 30,000 to SKK 230,000 (cash investment contribution of UNIPETROL, a.s.) was entered in the Commercial Register.

**Significant events of the year**

- Mediation of crude oil purchases through PKN ORLEN S.A.
- Completion of the investment project "Chamber 11" which increased the capacity of the Litvínov refinery.

- Launch of sale of diesel oil with RME component.
- Significant increase of UNIRAF SLOVENSKO s.r.o.'s position on the Slovak market.

### PARAMO, a.s.

Registered office: Pardubice, Přerovská 560, Postal Code 530 06  
ID No: 48173355

### Key financial and operating data (according to IFRS)

(in CZK thousand)	2006	2005
Total assets	4,296,520	4,351,747
Shareholders' equity	2,164,423	1,897,487
Share capital	1,330,078	1,330,078
Liabilities	2,132,097	2,454,260
Total sales revenues	11,814,830	11,073,141
Operating profit	302,035	(103,499)
Profit (loss) of accounting period	266,881	(207,411)
Average number of employees	844	879

### Brief description of the company

PARAMO, a.s. has a longer than a hundred-year old tradition in crude oil processing and fuels, lubricants and bitumen manufacture. The company operates a simple crude oil refinery with a capacity of 800 thousand tonnes a year.

Ownership structure as at 31 December 2006	UNIPETROL, a.s.	73.52%
	PKN ORLEN S.A.	3.73%
	HET TSJECHIE EN SLOWAKIJE FONDS N.V.	11.39%
	MIDDEN EUROPESE BELEGINGSMAATSCHAP	3.00%
	Blue Mountain, s.r.o.	0.12%
	other shareholders	8.24%

### Main products and services

In addition to extensive production of motor fuels, the company is also a well known manufacturer of automotive and industrial oils, metalworking fluids and conservation agents, bitumens, special bitumen products, greases, petroleum jellies and paraffins.

At the end of 2003, former KORAMO, a.s., company with a hundred-year tradition in crude oil processing and manufacture of motor and transmission oil, paraffins, lubricants and greases was included in the structure of PARAMO, a.s.

### Ownership interest

Company	Registered office	ID No.	Share capital, SKK	Ownership interest, % age o the share capital
MOGUL SLOVAKIA, s.r.o.	Hradište pod Vrátnom	36,222,992	11,476,000	100.00

### Significant events of the year

- On 31 January 2006, the joint-stock company PARAMO sold its 100% holding in PARAMO Trysk a.s., to BENZINA a.s., which is a 100% subsidiary of UNIPETROL, a.s.
- On 10 March, the Extraordinary General Meeting of PARAMO approved changes in the Board of Directors, the Supervisory Board and the company's top management. Changes in the company's bodies were also approved by following General Meeting in the course of the year.
- On 20 March, Ivan Ottis, the company's CEO, took over a challenge cup for PARAMO's 1st place in UNIPETROL's corporate contest "Year of Work Safety" for 2005.
- In March, spring operating outages were undertaken as planned along with a company-wide energy shutdown. Repairs were carried out simultaneously at seven interconnected manufacturing centres.
- In the recertification audit (in a three-year cycle), the company successfully defended its certificates complying with the ISO 9001/14001 standards in May 2006 confirming its efforts in the area of responsible business undertakings.
- In July, PARAMO opened for operation a new unit for the manufacture of oxidized bitumens.
- At the end of the year, PARAMO started preparing for the certification of its Health and Safety Management System (HSMS) under OHSAS (Occupational Health and Safety Assessment Series) 18 001.
- The company kicked-off a two-year training project ("G- profession"), aimed at the education of successors and at increasing multi-professionalism of its workforce. It is co-financed from the European Social Fund and the Czech Republic's state budget through the Ministry of Industry and Trade.
- In the second half of the year, the company started monitoring the economic performance of individual business segments – refinery production, manufacture of bitumens, manufacutre of oils in the Pardubice centre, manufacture of oils in the Kolín centre and sales of goods.





**BENZINA a.s.**

Registered office: Prague 7, Dělnická 12, Postal Code 170 04  
ID No: 60193328

**Key financial and operating data (according to IFRS)\***

(in CZK thousand)	2006	2005
Total assets	6,615,199	7,657,185
Shareholders' equity	977,727	1,123,429
Share capital	900,778	900,778
Liabilities	5,637,472	6,533,756
Total sales revenues	7,810,452	6,298,500
Operating profit	326,011	(9,361)
Profit (loss) of accounting period	(145,702)	(499,103)
Average number of employees	119	163

\*) Source: Transformed financial statement according to IFRS

**Brief description of the company**

As at 31 December 2006, the company operated 319 filling stations throughout the Czech Republic; the largest nation-wide network, selling fuels and other goods and services to a wide range of customers.

Ownership structure as at 31 December 2006	UNIPETROL, a.s.	100%
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**Ownership interest**

Company	Registered office	ID No.	Share capital, CZK	Ownership interest, %age of the share capital
PETROTRANS, a.s.	Praha	25123041	16,000,000	100.00

Note: As at 31 December 2006, subsidiary PARAMO Trysk a.s. merged with BENZINA a.s. and ceased to exist.

## Significant events of the year

- In January, a new form of contractual relations with partners of the filling stations, including implementation of new conduct standards for the staff, care of and behaviour of partners at the filling stations.
- BENZINA a.s. purchased shares of PARAMO Trysk a.s. and leased a network of 18 filling stations, originally operated by this company.
- Liquidation of the subsidiary BENZINA Trade a.s. was begun.
- Surveys "Conduct, BENZINA brand evaluation compared with the competition" were carried out and evaluated.
- Due to climatic conditions, arctic diesel oil began to be sold in selected filling stations.
- In February, training programme focusing on standard customer care began for area managers, partners of the filling stations and the staff.
- A new filling station opened in Cheb-Obilná on 2 March 2006.
- BENZINA a.s. obtained a Security certificate granted by the National Security Office.
- On 6 April 2006, a ceremony opened a new filling station on D 2 motorway at Starovičky.
- Work and consultations on the new design of filling stations began.
- From 15 April 2006 a series of promotion events under the slogan "Fill up beer" aiming at lorry drivers was launched at selected filling stations; drivers could win points for diesel oil purchases and exchange them later for beer.
- On the basis of emergency situation "floods 2006" declared by the government, BENZINA crisis cards were issued on the basis of a contract signed with the State Administration of Material Reserves for Integrated Energy System units entitling them to purchase fuels.
- The company management approved the merger with PARAMO Trysk a.s.; the date of merger was 1 May 2006.
- A promotion event called „Films of Your Heart" was launched at all filling stations; the "game" involved collection of points for purchased fuel and a subsequent reward: choice of various films on DVD.
- Based on the shareholder's decision, changes were made in the company's bodies in June. Francois Vleugels was elected new Chairman of the Board of Directors. Martin Durčák was appointed new CEO and Vice-Chairman of the Board of Directors.
- On 25 October, the company presented its new retail strategy to the public and introduced its first re-constructed BENZINA Plus filling station on D1 motorway in Průhonice.
- A new type of fuel, high-octane automotive gasoline was marketed under the name VERVA 100, classified as sulphur-free fuel.
- In December, a supervisory audit of the quality management system complying with ISO 9001 standard was carried out in the company and at the filling stations; no system non-conformities and no major deficiencies were found.
- BENZINA a.s. introduced the AdBlue fluid at selected filling station: the exhaust gas reducing agent for lorries, which contributes to the improvement of environment.

**CHEMOPETROL, a.s.**

Registered office: Litvínov, Litvínov-Záluží 1, Postal Code 436 70  
ID No.: 25003887

**Key financial and operating data (according to IFRS)**

(in CZK thousand)	2006	2005
Total assets	27,552,859	28,381,695
Shareholders' equity	14,186,837	14,184,923
Share capital	10,846,764	10,846,764
Liabilities	13,366,022	14,196,772
Total sales revenues	33,358,762	31,181,618
Operating profit	3,368,025	3,159,945
Profit (loss) of accounting period	2,345,341	2,619,194
Average number of employees	2,382	2,462

**Brief description of the company**

The company is the largest petrochemical company in the Czech Republic. It ranks among key suppliers of products for further processing, in particular in the chemical industry, but also in the plastics and pharmaceutical industries.

Ownership structure as at 31 December 2006	UNIPETROL, a.s.	100%
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**Main products and services**

The company's main products include olefins (ethylene, propylene, C4 fraction), polyolefins (high-density polyethylene, polypropylene), aromates (benzene), alcohols (butanols, 2-ethylhexanol, ethanol refining), ammonia, urea, technical gases. Most of polymers in the form of feedstock for the processing industry are earmarked for export. The production is closely connected with the Litvínov refinery.

**Významné majetkové účasti**

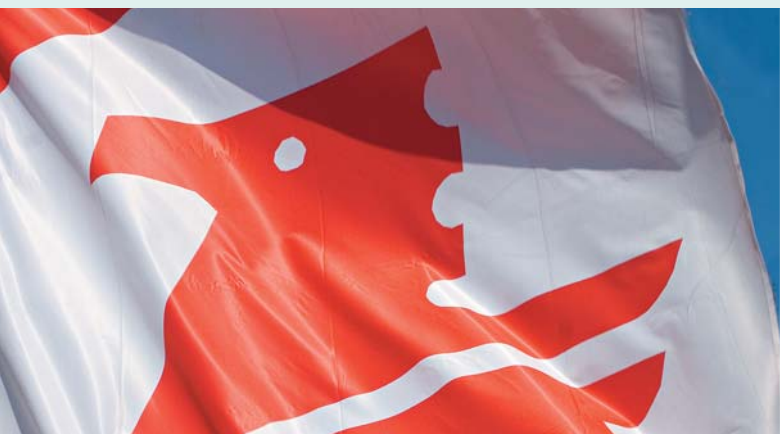
Company	Registered office	ID No.	Share capital, CZK	Ownership interest, %age of the share capital
UNIPETROL DOPRAVA, a.s.	Litvínov	64049701	806,000,000	100.00
POLYMER INSTITUTE BRNO, spol. s r.o.	Brno	60711990	97,000,000	100.00
HC CHEMOPETROL, a.s.	Litvínov	64048098	42,000,000	70.95
CELIO a.s.	Litvínov	48289922	190,000,000	40.53*

\* ) The ownership interest of UNIPETROL, a.s. totals 10.53%, joint holding totals 51.06%.

## Significant events of the year

- Motivational system in the area of work safety and health protection for 2006 was announced in January 2006.
- CHEMOPETROL introduced itself at the international plastics fair "Plast' 2006" held in Milan, Italy between 14 and 18 February.
- In the middle of March, LRQA auditor verified records on greenhouse gases emissions for 2005. CHEMOPETROL produced less emissions than the legislation allows.
- At the end of March, assembly of new polypropylene storage facilities was completed ("Petrochemie" plant).
- CHEMOPETROL managers met at a two-day corporate meeting in Loučná pod Klínovcem. The main subject was cooperation within UNIPETROL Group (Partnership Programme), motivation of CHEMOPETROL employees and implementation of measures arisen from the sociology research carried out in 2005.
- On 3 April CHEMOPETROL undertook to donate CZK 1.2 million to twelve towns and villages in the region of Most in 2006. The money was traditionally determined for the support of sports, culture and health care.
- CHEMOPETROL placed 3rd in the Year of Security (for 2005) among companies within UNIPETROL Group.
- CHEMOPETROL won 2nd place in the Employer of the Ústí nad Labem region contest.
- In April, the project of polyolefins sale reorganization (unification of PP and PE sales, introduction of the territorial management of polyolefins sales) was launched.
- In the framework of regular half-yearly verification of the certified integrated management system (IMS), representatives of Lloyd's Register Quality Assurance (LRQA) carried out an audit from 3 to 5 May. It was the first supervisory audit carried out by LRQA representatives since the "big" recertification audit in autumn 2005.
- Almost thirty clients from 22 local companies took part in CHEMOPETROL's corporate days on 16 and 17 May.
- About 900 people visited CHEMOPETROL's industrial complex during the Open-Door-Day on 28 May.
- In June, the company signed a contract with Linde-KCA-Dresden on an increase of production to 544 thousand tonnes of ethylene per year.
- On 5 June, the planned shutdown of line "A" in the plant for masout (black oil) gasification (POX) began and, as opposed to plan, the unit opened for operation two days early, i.e. on 23 June.
- On 30 June CHEMOPETROL signed a contract on the sale of its subsidiary B.U.T. (a 100% holding) with TELLMER, the contract came into force on 17 July 2006.
- As at 30 June, General Director Petr Cingr left the company.
- The company's Board of Directors decided on new managers. On 1 July, François Vleugels was appointed CHEMOPETROL's CEO and, since 17 July, Miroslav Krejčí has executed the function of the Executive Director.
- A newly built tank with a capacity of 10,000 m<sup>3</sup> benzene was handed over for operation.
- On 3 August, the Shared Services Centre project began to be implemented. It is one of the six projects prepared in the framework of Corporate Governance Project. The programme anticipates simplification of the holding's management, unification and standardization of processes and increase of efficiency of activities.
- A licence agreement with Univation Technologies on the increase of HDPE production to 360 thousand tonnes per year was signed on 15 August.

- Intensification of PP production plant to 275 thousand tonnes per year was approved and an Annex to Licence agreement with Ineos Technologies was signed on 21 August.
- Ethylene production in the Petrochemie plant was discontinued from 4 to 17 October. The technological shutdown was shortened by two days.
- CHEMOPETROL won the contest named "Health Supporting Company of the Year 2006" and it won the 3rd degree award. It was lent to CHEMOPETROL for three years.
- Joint thematic emergency exercise of CHEMOPETROL, ČESKÁ RAFINÉRSKÁ, KAUČUK and UNIPETROL DOPRAVA took place on 9 November in CHEMOPETROL's industrial complex and in its close vicinity.
- On 22 November a new ammonia reactor R-101 was put into operation in the ammonia and urea production plant (Agro plant).
- A new Corporate Governance model was introduced in UNIPETROL Group in November. In connection with the implementation of the new model, UNIPETROL decided to integrate new elements into the restructuring processes currently under way in CHEMOPETROL and UNIPETROL RAFINÉRIE. The aim is more efficient functioning of the Group's structure and benefit for every UNIPETROL's shareholder.
- In 2006, ten years have passed since the establishment of the Transportation Information and Accident System (TRINS) in which CHEMOPETROL, a.s. acts as the Regional Centre No. 1, and as a nation-wide coordination centre.





**KAUČUK, a.s.**

Registered office: Kralupy nad Vltavou, O.Wichterleho 810, Postal Code 278 52  
ID No.: 25053272

**Key financial and operating data (according to IFRS)**

(in CZK thousand)	2006	2005
Total assets	9,226,439	8,909,922
Shareholders' equity	7,031,442	6,795,322
Share capital	6,236,000	6,236,000
Liabilities	2,194,997	2,114,600
Total sales revenues	11,335,103	10,395,443
Operating profit	974,903	535,599
Profit (loss) of accounting period	722,715	439,068
Average number of employees	929	974

**Brief description of the company**

The company is the sole manufacturer of butadiene-styrene rubbers and polystyrene plastics in the Czech Republic. It is a major supplier of synthetic rubber to European tyre manufacturers.

Ownership structure as at 31 December 2006	UNIPETROL, a.s.	100%
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On 30 January 2007, UNIPETROL, a.s. and the Polish chemical company FIRMA CHEMICZNA DWORY S.A. concluded a contract on the sale of 100% shares in KAUČUK, a.s., held by UNIPETROL, a.s. The purchase price totals EUR 195 million. Shares will be transferred upon fulfilment of all terms defined in the contract.

**Main products and services**

The company manufactures synthetic rubber and polystyrene plastics. Production of basic monomers – butadiene and styrene is part of its business, too. They serve as a base for the manufacture of polystyrene plastics, such as sturdy, crystal and expandable polystyrene, and they cooperate in the production of ABS copolymer, too. In 2002 the company purchased an ethyl-benzene production plant in Litvínov, and fully modernized it.

**Ownership interests**

Company	Registered office	ID No.	Share capital, CZK	Ownership interest, %age of the share capital
K-PROTOS, a.s.	Kralupy nad Vltavou	25617214	37,705,230	100.00

### Significant events of the year

- In January, the installment of new graders in the polystyrene plastics plant, namely in the "series 500" area, continued despite heavy frosts. Thanks to aggregate assembly comprising a combination of civil, machine and electrical engineering works, as well as measurement and regulation, the schedule was kept and the plant was ready for a new season of expandable polystyrene of the Koplen product line.
- Together with ČESKÁ RAFINÉRSKÁ a.s. the company drew a plan for reduction of noise from its technological equipment. The primary task was the replacement of the existing compressors installed in the pneumatic transport of plastics.
- Evaluation of results of the previous year pointed out successful introduction of the transport portal in the company's computer system in the Logistics section. Demands were placed through the system for 271 destinations and 29 hauliers.
- In January UNIPETROL announced its decision to sell KAUČUK and SPOLANA Neratovice, i.e. companies that were not the holding's main interest and its further development.
- From the point of view of future prospects of the Liquid Substances Store it was important to complete work related to improvements in work safety. All measurements were transferred to electronic form, and, among other things, the storage capacity of monomer styrene increased.
- On 17 May, the two millionth tonne of butadiene hydrocarbon, the basic component of Krallex synthetic rubbers was produced.
- An integrated audit carried out by an affiliate of the British auditing company LRQA in compliance with ISO 9 001:2000 and ISO 14 001:2004 standards was successful for the company.
- KAUČUK, together with other companies engaging in business in the KAUČUK industrial complex or in its close vicinity supported the establishment of an Ecology Centre, second in the Czech Republic.
- "Days of Products" were again organized in June, This time they were designed for construction companies and focused on non-traditional usage of foam polystyrene.
- Closing protocol from the audit of the Regional Work Inspectorate was signed; it was related to the extension of validity of the Safe Enterprise certificate. The auditors' opinion was favourable.
- Results of the health research in our company were presented at the 36th annual conference of the European Environmental Mutagen Society in Prague. The survey examined exposure of our employees to butadiene hydrocarbon gas. Results of this unique study showed lower impact on people in KAUČUK than in similar facilities abroad. Among other things, it is an evidence of high-quality maintenance of equipment which prevents leakage of gas into working environment.
- In November KAUČUK received the Safe Enterprise certificate for another three years.

## SPOLANA a.s.

Registered office: Neratovice, Práce 657, Postal Code 277 11

ID No.: 45147787

### Key financial and operating data (according to IFRS)

(in CZK thousand)	1 January–13 November 2006*	2005
Total assets	3,794,033	3,870,302
Shareholders' equity	1,191,408	1,067,598
Share capital	885,229	885,229
Liabilities	2,602,625	2,802,704
Total sales revenues	5,325,072	5,757,796
Operating profit	210,435	291,883
Profit (loss) of accounting period	123,810	183,070
Average number of employees	995	1,049

\*) As at 13 November 2006 shares of SPOLANA a.s. were transferred to ZA ANWIL S.A.

### Brief description of the company

The company's principal activities are production of petrochemicals and chemicals. It is the sole manufacturer of PVC and caprolactam in the Czech Republic. Major part of its production is exported.

Ownership structure as at 13 November 2006	UNIPETROL, a.s. (from 14 November 2006 ANWIL S.A.)	81.78%
	PKN ORLEN S.A.	13.40%
	others	4.82%

### Main products and services

The company is the sole manufacturer of suspension polyvinylchloride (PVC) in the Czech Republic, and of smaller quantity of granulated PVC. Other major products include compounds, such as caustic soda, liquid chlorine, sodium hypochlorite and ammonia sulphate. Another important product is caprolactam as a raw material for polyamid fibre and construction plastics.

### Ownership interests\*

Company	Registered office	ID No.	Share capital, CZK	Ownership interest, %age of the share capital
NeraPharm s.r.o. (from 5 December 2006 Cayman Pharma s.r.o.)	Neratovice	26499258	200,000	100.00

\*) In November 2006 NeraPharm s.r.o. was sold outside ORLEN Group.

**Significant events of 2006**

- A record quantity of caprolactam was manufactured in 2006 – 47 thousand tonnes, i.e. five thousand tonnes more than the capacity declared on the label of the equipment.
- At the request of the majority shareholder UNIPETROL, an Extraordinary General Meeting was held on 16 March. It approved changes in the Statutes and elected Benedykt Michewicz and Jiří Štepek to the company's Supervisory Board.
- On 30 March, the 3rd flood emergency degree was declared in the SPOLANA complex; it was recalled on 6 April, and subsequently, on 9 April SPOLANA recalled the 1st flood emergency degree. Water from the Labe River flooded approximately one tenth of the complex. Production was discontinued for 13 days, the VCM plant was the last facility to renew work on 13 April.
- On 11 May, complete recovery of dioxine-contaminated facilities started in the BCD CZ complex.
- On 16 May SPOLANA took over a certificate on the fulfilment of conditions of the Safe Enterprise programme in Brno.
- On 27 October UNIPETROL and the Polish chemical company ANWIL S. A. signed a contract on sale of UNIPETROL's 81.78% holding in SPOLANA.
- At its extraordinary meeting on 24 November, the company's Board of Directors co-opted Joanna Zofia Wisniewska to the Board of Directors – she replaced Marek Mroczkowsky who resigned. On this occasion, the Board of Directors appointed Joanna Zofia Wisniewska to the post of Director for integration.
- NeraPharm – SPOLANA's subsidiary was sold on 27 November – the pertaining contract was signed with Cayman Chemical company, USA.



## Other Ownership Interests

### AGROBOHEMIE a.s.

Registered office: Prague 3, Roháčova 1099/83, Postal Code 130 00  
ID No.: 63078121

#### Brief description of the company

The company engages in wholesale of chemical products (ammonia, urea). It also administers ownership interests in companies involved in chemical production.

Ownership structure as at 31 December 2006	UNIPETROL, a.s.	50%
	DEZA, a.s.	50%

#### Ownership interests

Company	Registered office	ID No.	Share capital, CZK	Ownership interest, %age of the share capital
Lovochemie, a.s.	Lovosice	491,00,262	1,141,382,000	100.00
Synthesisia, a.s. (until 1 April 2006 ALIACHEM a.s.)	Pardubice	60108,916	4,304,599,240	50.01





## Synthesia, a.s.

Registered office: Pardubice, Semtín, Pardubice no. 103, Postal Code 532 17  
ID No.: 60108916

### Brief description of the company

The company focuses primarily on organic and inorganic chemicals, production of nitrocellulose, pigments and colours. Its subsidiary, Fatra, a.s., engages in the manufacture of plastics.

Ownership structure as at 31 December 2006	AGROBOHEMIE a.s.	55.01%
	UNIPETROL, a.s.	38.79%
	DEZA, a.s.	4.67%
	others	1.53%

### Significant ownership interests

Company	Registered office	ID No.	Share capital, CZK	Ownership interest, %age of the share capital
Fatra, a.s.	Napajedla	27465021	1,027,000,000	100.00
Energetika Chropyně, a.s.	Chropyně	25517074	285,839,000	100.00
Synthesia Polska Sp. z o.o.	Łódź	–	PLN 100,000	100.00
Výzkumný ústav organických syntéz a.s.	Pardubice	60108975	102,219,000	100.00



# 2007





The new management model of the Group to be fully implemented in 2007 will increase our internal efficiency and flexibility. This particularly includes the establishment of business units for individual segments (refinery products, monomers and agro-products, polyolefins and retail), joint management of supplies, joint Shared Services Centre and transformation of 100% owned joint-stock companies into limited liability companies.







## Report on Relations between Interconnected Entities

UNIPETROL, a.s.

Registered office: Klimentská 10, 110 05 Prague 1

ID No.: 61672190

Entered in the Commercial Register at the Municipal Court in Prague, in Part B, File 3020

### REPORT ON RELATIONS BETWEEN THE CONTROLLING AND THE CONTROLLED ENTITY AND ON OTHER ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY FOR 2006

#### Controlled Entity

UNIPETROL, a.s. with a registered office at Klimentská 10, 110 05 Prague 1, Czech Republic, ID No. 61672190 (hereafter referred to also as UNIPETROL, or the company)

UNIPETROL is the controlling entity of UNIPETROL Group; structure of the Group is contained in Appendix No. 1 to this annual report.

#### Controlling Entity

POLSKI KONCERN NAFTOWY ORLEN S.A. with a registered office in Płock, ul. Chemików 7, 09 – 411 Poland.

#### Other interconnected entities

Other interconnected entities include companies controlled by POLSKI KONCERN NAFTOWY ORLEN S.A. A detailed list of other interconnected entities is contained in Appendix No. 2 – Structure of the POLSKI KONCERN NAFTOWY ORLEN S.A. Group.

The following relations occurred between the company and the related entities in 2006.

#### Part I.

#### Contracts concluded between the company and the interconnected entities in 2006 and performance (counter-performance) provided (accepted) by the company in 2006 on the basis of contracts concluded in previous periods

#### Note:

a) Contracts are categorized in compliance with the accounting policies.

b) Foreign currencies are translated to the Czech crowns at the current exchange rates of the Czech National Bank as at the date of performance (counter-performance).



## CONTROLLING ENTITY

### *POLSKI KONCERN NAFTOWY ORLEN S.A.*

Relation to the company: Controlling entity

Relations in the year 2006 were based on standard business terms. The contracts signed were in no way detrimental to the company.

The following relations took place in 2006:

In 2006 the company concluded with POLSKI KONCERN NAFTOWY ORLEN S.A. a contract (in previous periods two contracts) on the basis of which the company pays the corresponding part of costs of joint projects. The purpose of the latter is to achieve synergies and efficiency of certain processes including reimbursement of travel costs to members of the controlling company bodies. In 2006, the company provided performance of CZK 38,633,000. The cost of services was contractually agreed as a standard price.

In 2006 the company concluded two contracts on the basis of which it re-invoiced to the controlling entity costs related to the audit of interim financial statements of ČESKÁ RAFINÉRSKÁ, a.s. No performance was accepted under these contracts. The price of services was contractually agreed as a standard price.

In 2006, the company concluded a contract on cooperation. No performance was accepted or provided under this contract.

The company concluded a confidentiality contract in previous periods. No performance was accepted or provided under this contract.

## OTHER INTERCONNECTED ENTITIES

### *Zakłady Azotowe ANWIL Spółka Akcyjna*

Relation to the company: a company directly controlled by POLSKI KONCERN NAFTOWY ORLEN S.A.

Relations in the year 2006 were based on standard business terms. The contracts signed were in no way detrimental to the company.

The following relations took place in 2006:

In 2006 the company signed a contract under which it sold 81.78% of shares of SPOLANA a.s. and accepted for them performance of CZK 640,383,000. The price of shares was contractually agreed as a usual price and it is to a considerable extent based on the Fairness Opinion drafted by independent consulting firm, BDO. According to the appraiser's opinion, the value of SPOLANA a.s. shares set in the Fairness Opinion set corresponds to the market price of shares which anticipates certain synergies of business activities of potential buyers. According to BDO's Fairness Opinion, the market value of 81.78% of SPOLANA a.s. shares ranges from 490 and 757 million. Based on BDO's conclusion and the Supervisory Board's proposal, UNIPETROL ordered another opinion from the Czech court experts Jiří Hlaváč and Ladislav Kollárik from Horwath TPA Notia Consulting. Their expert opinion – whose aim was to review the estimated market price – was prepared using the discounted cash flows method (similarly as BDO), and it also took into account certain potential synergies of the buyer. The experts set the value of 81.78% of SPOLANA shares between CZK 407–712 million.

### *SPOLANA a.s.*

Relation to the company: a company directly controlled by Zakłady Azotowe ANWIL Spółka Akcyjna from 13 November 2006.

Relations in the year 2006 were based on standard business terms. The contracts signed were in no way detrimental to the company.

The following relations took place in 2006:

In the previous periods the company concluded a contract under which the company gets invoices for lease payments; in 2006 it provided performance of CZK 126,000 under the contract. The price of services was contractually agreed as a standard price.

In previous periods the company concluded a contract under which it re-invoiced fees for access to databases. For this service, the company accepted performance of CZK 97,000 in 2006. The price of services was contractually agreed as a standard price.

In previous periods the company concluded a contract on a loan under which it accounts for interest. In 2006 the company received performance of CZK 1,810,000. The interest rate was contractually agreed in the usual amount.

### *Centrum Edukacji Sp. z o.o.*

Relation to the company: a company directly controlled by POLSKI KONCERN NAFTOWY ORLEN S.A.

Relations in the year 2006 were based on standard business terms. The contracts signed were in no way detrimental to the company.

The following relations took place in 2006:

In previous periods the company concluded a contract under which it received invoices for accommodation / for this it provided performance of CZK 11,000. The price of services was contractually agreed as a standard price.

*ORLEN OIL Sp. z o.o.*

Relation to the company: a company directly controlled by POLSKI KONCERN NAFTOWY ORLEN S.A.

Relations in the year 2006 were based on standard business terms. The contracts signed were in no way detrimental to the company.

The following relations took place in 2006:

In previous periods the company concluded a contract under which travel costs are re-invoiced to it; in 2006 the company provided performance of CZK 32,000 for them. The price of services was contractually agreed as a standard price.

*ORLEN Transport Plock Sp. z o.o.*

Relation to the company: a company directly controlled by POLSKI KONCERN NAFTOWY ORLEN S.A.

Relations in the year 2006 were based on standard business terms. The contracts signed were in no way detrimental to the company.

The following relations took place in 2006:

In 2006 the company concluded a contract under which travel costs are re-invoiced to the company, and for which it provided performance of CZK 53,000. The price of services was contractually agreed as a standard price.

## **Part II.**

### **Other legal acts effectuated in the interest of the interconnected entities**

In 2006 no acts were effectuated in the interest of interconnected entities.

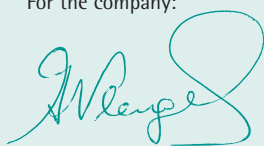
## **Part III.**

### **Other measures adopted or realized in the interest or at the motion of interconnected entities**

No measures were adopted or realized in the interest or at the motion of interconnected entities in 2006.

In Prague, 29 March 2007

For the company:



**Francois Vleugels**

Chairman of the Board of Directors



**Dariusz Marzec**

Member of the Board of Directors

## Appendix No. 1

### UNIPETROL Group – controlled companies in 2006

1 January – 31 December 2006

COMPANY direct holding indirect holding	Changes in control in the course of 2006	Registered office	ID No.	Ownership interest (%age of the share capital)	Other shareholders within the Group	
					company	%
UNIPETROL, a.s. – controlled companies						
CHEMOPETROL, a.s.		Litvinov	25003887	100.00		
KAUČUK, a.s.		Kralupy nad Vltavou	25053272	100.00		
BENZINA a.s.		Prague	60193328	100.00		
UNIPETROL RAFINÉRIE a.s.		Litvinov	25025139	100.00		
UNIPETROL TRADE a.s.		Prague	25056433	100.00		
Výzkumný ústav anorganické chemie, a.s.		Ústí nad Labem	62243136	100.00		
SPOLANA a.s.	controlled until 13 November 2006, then controlled by ANWIL S.A.	Neratovice	45147787	81.78		
PARAMO, a.s.		Pardubice	48173355	73.52		
ČESKÁ RAFINÉRSKÁ, a.s.		Litvinov	62741772	51.00		
Synthesia, a.s. (until 1 April 2006 ALIACHEM a.s.)	controlled until 24 January 2006	Pardubice	60108916	38.79	AGROBOHEMIE, a.s.	55.01
CELIO a.s.		Litvinov 7	48289922	10.53	CHEMOPETROL, a.s.	40.53
Meliba Estates s.r.o.	controlled from 27 December 2006	Prague	27608051	100.00		
Steen Estates s.r.o.	controlled from 27 December 2006	Prague	27597075	100.00		
CHEMOPETROL, a.s. – controlled companies						
B.U.T., s.r.o.	controlled until 17 July 2006	Litvinov	25005120	100.00		
UNIPETROL DOPRAVA, a.s.		Litvinov	64049701	100.00		
HC CHEMOPETROL, a.s.		Litvinov	64048098	70.95		
CHEMICKÁ SERVISNÍ, a.s.		Litvinov	25492110	100.00		
POLYMER INSTITUTE BRNO, spol. s r.o.		Brno	60711990	100.00		
CELJO a.s.		Litvinov 7	48289922	40.53	UNIPETROL, a.s.	10.53
KAUČUK, a.s. – controlled companies						
K-PROTOS, a.s.		Kralupy nad Vltavou	25617214	100.00		
BENZINA a.s. – controlled companies						
BENZINA Trade a.s. v likvidaci		Prague	26135710	100.00		
PETROTRANS, a.s.		Prague	25123041	100.00		
Paramo Trysk a.s. merger with BENZINA a.s., 31 December 2006	controlled from 31 January 2006	Pardubice	64259790	100.00		
ČS Žilina s.r.o.	controlled until 7 September 2006	Bratislava	35807539	100.00		
ČS Smižany s.r.o.	controlled until 7 September 2006	Bratislava	35808306	100.00		
ČS Milhošť s.r.o.	controlled until 7 September 2006	Bratislava	35807547	100.00		

COMPANY direct holding indirect holding	Changes in control in the course of 2006	Registered office	ID No.	Ownership interest (%age of the share capital)	Other shareholders within the Group	
					company	%
UNIPETROL RAFINÉRIE a.s. - controlled companies						
UNIRAF SLOVENSKO s.r.o.		Bratislava	35777087	100.00		
UNIPETROL TRADE a.s. - controlled companies						
ALIACHEM VERWALTUNGS GmbH		Langen/Hessen, SRN		100.00		
UNIPETROL DEUTSCHLAND GmbH		Langen/Hessen, SRN		100.00		
ALIAPHARM GmbH FRANKFURT		Frankfurt /Main, SRN		100.00		
UNIPETROL CHEMICALS IBERICA S.A.		Barcelona, Španělsko		100.00		
CHEMAPOL (SCHWEIZ) AG		Basel, Švýcarsko		100.00		
UNIPETROL AUSTRIA HmbH		Wien, Rakousko		100.00		
UNIPETROL (UK) LIMITED		Kingston upon Thames, V.Brit.		100.00		
ALIACHEM BENELUX B.V. v likvidaci	the company wound-up as at 15 Augustu 2006	Le Amstelween, Nizoz. král.		100.00		
UNIPETROL FRANCE S.A.		Paris, Francie		96.72		
UNIPETROL ITALIA S.r.l. (until June 06 ALIACHEM ITALIA S.r.l.)		Milano, Itálie		90.00		
UNIPETROL POLSKA Sp. z o.o. w likwidacji		Łódž, Polsko		100.00		
MOGUL, d.o.o.		Velenje, Slovinsko		100.00		
DP MOGUL UKRAJINA		Kijev, Ukrajina		100.00		
SPOLANA a.s. - controlled companies						
Cayman Pharma s.r.o.		Neratovice	26499258	100.00		
PARAMO, a.s. - controlled companies						
Paramo Trysk a.s.	31 January 2006 transfer to Benzina a.s.	Pardubice	64259790	100,00		
MOGUL SLOVAKIA, s.r.o.		Hradište pod Vrátnom, SR	36222992	100.00		
PETRA SLOVAKIA, s.r.o. „v likvidácii“	the company wound up as at 29 March 2006	Ladomierská Vieska, SR	31600191	70.00		
Synthesia, a.s. - controlled companies						
Fatra, a.s.		Napajedla	27465021	100.00		
FATRA - HIF, s.r.o.		Napajedla	48584355	100.00		
Energetika Chropyně, a.s.		Chropyně	25517074	100.00		
Výzkumný ústav organických syntéz a.s.		Pardubice	60108975	100.00		
SynBiol, a.s. (until 27 March 2006 „SYNTHESIA a.s.“)		Pardubice	26014343	100.00		
OSTACOLOR s.r.o.		Pardubice	25937421	100.00		
Synthesia Polska Sp. z o.o. (until 30 May 2006 „Ostacolor Polska Sp. z o.o.“)		Łódž, Polsko		100.00		

## Appendix No. 2

## PKN ORLEN S.A. Group – companies controlled in 2006

1 January to 31 December 2006

Companies controlled by PKN ORLEN S.A. Companies with a direct holding of PKN ORLEN S.A. Companies with indirect holding of PKN ORLEN S.A.	Registered office	Holding in directly and indirectly controlled companies %age of the share capital		Note
		1 January 2006	31 December 2006	
UNIPETROL, a.s.	Prague	62.99	62.99	See a separate list of companies controlled by UNIPETROL, a.s.
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	
B.H.T. Dromech S.A. Warszawa w upadłości	Warszawa	81.14	81.14	in bankruptcy
ORLEN Gaz Sp. z o.o.	Płock	100.00	100.00	
ORLEN Petrogaz Wrocław Sp. z o.o.	Wrocław	51.61	100.00	
ORLEN KolTrans Sp. z o.o.	Płock	99.85	99.85	
Orlen Laboratorium Sp. z o.o.	Płock	94.94	94.94	
RAF -LAB Sp. z o.o.	Jedlicze	100.00	0.00	31 July 2006 merger with the parent company
ORLEN Medica Sp. z o.o.	Płock	100.00	100.00	
Sanatorium Uzdrowskowie „Krystynka” Sp. z o.o.	Ciechocinek	98.54	98.54	
ORLEN Morena Sp. z o.o.	Gdańsk	100.00	100.00	
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.
Petro-Oil Pomorskie Centrum Sprzedaży Sp. z o.o.	Gdańsk	24.00	100.00	controlled from 30 October 2006
Petro-Oil Lubelskie Centrum Sprzedaży Sp. z o.o.	Lublin	24.00	24.00	76% ORLEN PetroProfit Sp. z o.o.
ORLEN OIL ČESKO s.r.o.	Brno	100.00	100.00	
Platinum Oil Mazowsze Sp. z o.o.	Józefowo	99.75	100.00	
ORLEN PetroCentrum Sp. z o.o.	Płock	100.00	100.00	
ORLEN PetroProfit Sp. z o.o.	Niemce	100.00	100.00	
Petrooktan Sp. z o.o.	Świdnik	51.00	0.00	wound up on 22 December 2006
Petromont Sp. z o.o.	Niemce	85.00	0.00	controlled until 1 August 2006
Petro-Oil Lubelskie Centrum Sprzedaży Sp. z o.o.	Lublin	76.00	76.00	24% ORLEN OIL Sp. z o.o.
Petroukraina LTD Lwów w likwidacji	Lwów	80.00	80.00	in liquidation
ORLEN PetroTank Sp. z o.o.	Widulka	90.00	90.00	
ORLEN PetroZachód Sp. z o.o.	Poznań	51.83	100.00	
ORLEN Powiernik Sp. z o.o.	Płock	100.00	100.00	
ORLEN Projekt S.A.	Płock	51.00	51.00	
ORLEN Transport Kędzierzyn-Koźle Sp. z o.o.	Kędzierzyn-Koźle	94.29	94.29	
ORLEN Transport Kraków Sp. z o.o.	Kraków	98.41	98.41	
RAF-TRANS Sp. z o.o.	Jedlicze	100.00	0.00	2 June 2006 merger with the parent company
ORLEN Transport Nowa Sól Sp. z o.o.	Nowa Sól	96.80	96.80	
ORLEN Transport Olsztyn Sp. z o.o.	Olsztyn	94.89	94.89	
ORLEN Transport Płock Sp. z o.o.	Płock	97.55	97.55	
ORLEN Transport Słupsk Sp. z o.o.	Słupsk	97.06	97.06	
ORLEN Transport Szczecin Sp. z o.o.	Szczecin	99.56	99.56	
ORLEN Wir Sp. z o.o.	Płock	51.00	51.00	
Petrolot Sp. z o.o.	Warszawa	51.00	51.00	
Petromor Sp. z o.o.	Gdańsk	51.31	51.31	
Petrotel Sp. z o.o.	Płock	80.65	75.00	
Rafineria Nafty Jedlicze S.A.	Jedlicze	75.00	75.00	
„RAF-BIT” Sp. z o.o.	Jedlicze	100.00	100.00	
„RAF-ENERGIA” Sp. z o.o.	Jedlicze	99.65	99.65	
„RAF-KOLTRANS” Sp. z o.o.	Jedlicze	100.00	100.00	
„RAF-Służba Ratownicza” Sp. z o.o.	Jedlicze	88.19	88.19	
„RAF-REMAT” Sp. z o.o.	Jedlicze	96.12	96.12	



Companies controlled by PKN ORLEN S.A. Companies with a direct holding of PKN ORLEN S.A. Companies with indirect holding of PKN ORLEN S.A.	Registered office	Holding in directly and indirectly controlled companies %age of the share capital		Note
		1 January 2006	31 December 2006	
„RAF-EKOLOGIA” Sp. z o.o.	Jedlicze	92.74	92.74	
Konsorcjum Olejów Przetworzonych „ORGANIZACJA ODZYSKU” S.A.	Jedlicze	81.00	81.00	8% Rafineria Trzebinia S.A.
„RAN-PETROMEX” Sp. z o.o.	Opole	51.00	51.00	
„RAN-WATT” Sp. z o.o. w likwidacji	Toruń	51.00	51.00	
Rafineria Trzebinia S.A.	Trzebinia	77.15	77.15	
Fabryka Parafin NaftoWax Sp. z o.o. - Trzebinia	Trzebinia	100.00	100.00	
Energomedia Sp. z o.o. - Trzebinia	Trzebinia	100.00	100.00	
Euronafit Trzebinia Sp. z o.o. - Trzebinia	Trzebinia	99.99	99.99	
Zakładowa Straż Pożarna Sp. z o.o. - Trzebinia	Trzebinia	99.98	99.98	
EkoNaft Sp. z o.o. - Trzebinia	Trzebinia	99.00	99.00	
ORLEN OIL Sp. z o.o. - Kraków	Kraków	43.84	43.84	51.69% PKN ORLEN S.A.
ORLEN Asphalt Sp. z o.o. - Płock	Płock	17.54	17.54	82.46% PKN ORLEN S.A.
Konsorcjum Olejów Przetworzonych „ORGANIZACJA ODZYSKU” S.A.	Jedlicze	8.00	8.00	81.00% Rafineria Nafty Jedlicze S.A.
SAMRELAKS Mąchoć Sp. z o.o.	Mąchoć Kapitulne	100.00	0.00	controlled until 3 April 2006
Ship - Service S.A.	Warszawa	60.86	60.86	
Bor Farm Sp. z o.o.	Radowo Małe	100.00	0.00	
Ship Service Agro Sp. z o.o.	Szczecin	100.00	100.00	
Ship-Service Kłajpeda	Kłajpeda, Litwa	50.00	0.00	
WISŁA Płock S.A.	Płock	100.00	100.00	
Zakład Budowy Aparatury S.A.	Płock	96.57	0.00	controlled until 1 August 2006
ORLEN Centrum Serwisowe Sp. z o.o.	Opole	96.65	96.37	
Anwil S.A.	Włocławek	84.49	84.79	
Przedsiębiorstwo Rolne AGRO-AZOTY II Włocławek Sp. z o.o. w łące	Czaplinek	100.00	100.00	
Przedsiębiorstwo Inwestycyjno - Remontowe REMWIL Sp. z o.o.	Włocławek	99.98	99.98	
Przedsiębiorstwo Produkcyjno-Handlowo-Usługowe PRO-LAB Sp. z o.o.	Włocławek	99.20	99.20	
SPOLANA a.s.	Neratovice	0.00	81.78	controlled until 14 November 2006 - 13.4% PKN ORLEN S.A.
Przedsiębiorstwo Usług Specjalistycznych i Projektowych CHEMEKO Sp. z o.o.	Włocławek	55.93	55.93	
Przedsiębiorstwo Usług Technicznych WIRCOM Sp. z o.o.	Włocławek	49.02	49.02	
Zakład Usługowo Produkcyjny EKO - DRÓG Sp. z o.o.	Włocławek	48.78	48.78	
APEX-ELZAR Sp. z o.o.	Włocławek	46.96	46.96	
Specjalistyczna Przychodnia Przemysłowa PROF-MED Sp. z o.o.	Włocławek	45.86	45.86	
Przedsiębiorstwo Produkcyjno-Handlowo Usługowe ARBUD Sp. z o.o.	Włocławek	45.26	45.26	
ORLEN EKO Sp. z o.o.	Płock	100.00	100.00	
ORLEN Administracja Sp. z o.o.	Płock	100.00	100.00	
ORLEN Upstream Sp. z o.o.	Warszawa	0.00	100.00	founded on 26 April 2006
ORLEN Prewencja Sp. z o.o.	Płock	0.00	100.00	founded on 09 August 2006
ORLEN Księgowość Sp. z o.o.	Płock	0.00	100.00	founded on 22 August 2006
Etylobenzen Płock Sp. z o.o.	Płock	0.00	51.00	founded on 16 October 2006
Orlen Holding Malta Limited	Sliema, Malta	0.00	99.50	controlled from 13 November 2006
ORLEN Insurance Ltd	Sliema, Malta	0.00	100.00	controlled from 16 November 2006
AB Mazeikių Nafta	Juodeikiai, Litwa	0.00	84.20	controlled until 15 December 2006
SPOLANA a.s.	Neratovice	13.4	13.4	63% UNIPETROL a.s. then ANWIL S.A.
Basell Orlen Polyolefins Sp. z o.o.	Płock	50.00	50.00	50% Basell Europe Holdings B.V.
Basell Orlen Polyolefins Sprzedaż Sp. z o.o.	Płock	100.00	100.00	
Płocki Park Przemysłowo-Technologiczny S.A.	Płock	50.00	50.00	50% Town of Płock
Centrum Koncepcji i Technologii Sp. z o.o.	Płock	100.00	100.00	
Centrum Edukacji Sp. z o.o.	Płock	69.43	69.43	



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## Auditor's report to the shareholders of UNIPETROL, a.s.

### Financial statements

On the basis of our audit, on 8 March 2007 we issued an auditor's report on the Company's non-consolidated 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 balance sheet as of 31 December 2006, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is stated in point 1 of the notes to these financial statements.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements of UNIPETROL, a.s. in accordance with the Czech accounting legislation and in accordance with International Financial Reporting Standards as adopted by the E.U. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### 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 present fairly in all material respects the assets, liabilities and the financial position of UNIPETROL, a.s. as of 31 December 2006, and of its expenses, revenues and financial performance and its cash flows for the year then ended in accordance with the Czech accounting legislation and in accordance with International Financial Reporting Standards as adopted by the E.U.

Without qualifying our opinion, we draw attention to Note 14 to the financial statements. There is a dispute between UNIPETROL, a.s. and DEZA, a.s. relating to the sale of shares in AGROBOHEMIE a.s. and Synthesia, a.s. The result of this dispute is uncertain and there may be a significant negative effect on the value of these shares. No impairment charge has been established in respect of these shares (carrying amount of CZK 817 million at 31 December 2006) and no provision has been established in respect of possible penalties."

On the basis of our audit, on 8 March 2007 we issued an auditor's report on the Company's consolidated statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying consolidated financial statements of UNIPETROL, a.s. and its subsidiaries („the Group“), which comprise the balance sheet as of 31 December 2006, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to these consolidated financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is stated in point 1 of the notes to these financial statements.

#### Management's Responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements of UNIPETROL, a.s. in accordance with the Czech accounting legislation and in accordance with International Financial Reporting Standards as adopted by the E.U. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

KPMG Česká republika Audit, s.r.o., a Czech limited liability company incorporated under the Czech Commercial Code, is a member firm of KPMG International, a Swiss cooperative.

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

IČ 49619187  
DIČ CZ49619187

Živnostenská banka  
Praha 1  
č.ú./account no.  
466016004/0400



#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly in all material respects the assets, liabilities and the financial position of the Group as of 31 December 2006, and of its expenses, revenues and financial performance and its cash flows for the year then ended in accordance with the Czech accounting legislation and in accordance with International Financial Reporting Standards as adopted by the E.U.

Without qualifying our opinion, we draw attention to Note 15 to the consolidated financial statements. There is a dispute between UNIPETROL, a.s. and DEZA, a.s. relating to the sale of shares in AGROBOHEMIE a.s. and Synthesia, a.s. The result of this dispute is uncertain and there may be a significant negative effect on the value of these shares. No impairment charge has been established in respect of these shares (carrying amount of CZK 3 654 million at 31 December 2006) and no provision has been established in respect of possible penalties."

#### Report on relations between related parties

We have also 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 2006. This report on relations between the related parties is the responsibility of the Company's management. Our responsibility is to express our view on the report on relations based on our review.

We conducted our review in accordance with 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 review to obtain moderate assurance that the report on relations is free of material factual misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not conducted an audit of the report on relations and, accordingly, we do not express an audit opinion.

Nothing has come to our attention based on our review that indicates that the information disclosed in the report on relations between related parties of UNIPETROL, a.s. for the year ended 31 December 2006 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 Company's management. 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 all also presented in the financial statements is, in all material respects, consistent with the audited financial statements. We believe that our audit provides a reasonable basis for the auditor's opinion.

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

Prague, 26 April 2007

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

Ing. Otakar Hora  
Partner  
Licence number 1197

## Non-consolidated Financial Statements

### Balance Sheet (non-consolidated)

prepared in accordance with International Financial Reporting Standards

As at 31 December 2006 (in thousands of Czech crowns)

	Note	31 December 2006	31 December 2006	31 December 2005	31 December 2005
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	519,502		513,265	
Intangible assets	12	138		284	
Investments in subsidiaries	13	12,636,364		18,669,052	
Loans to subsidiaries	16	3,349,365		4,962,433	
Other investments	14	817,116		817,688	
Receivables from subsidiaries	17	110,602		110,602	
Deferred tax asset	18	11,911		10,481	
<b>Total non-current assets</b>		<b>17,444,998</b>		<b>25,083,805</b>	
<b>Current assets</b>					
Trade receivables	19	166,409		210,120	
Loans to subsidiaries	20	3,830,918		1,495,463	
Prepaid expenses		6,943		5,405	
Income tax receivable		3,064		19,255	
Cash and cash equivalents	21	1,016,186		12,693	
Assets classified as held for sale	15	5,347,618		–	
<b>Total current assets</b>		<b>10,371,138</b>		<b>1,742,936</b>	
<b>Total assets</b>		<b>27,816,136</b>		<b>26,826,741</b>	
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	22	18,133,476		18,133,476	
Reserves	23	1,277,185		1,225,914	
Retained earnings		3,338,875		957,984	
<b>Total equity</b>		<b>22,749,536</b>		<b>20,317,374</b>	
<b>Non-current liabilities</b>					
Loans and borrowings	24	2,000,000		4,961,623	
<b>Total non-current liabilities</b>		<b>2,000,000</b>		<b>4,961,623</b>	
<b>Current liabilities</b>					
Trade and other payables and accruals	25	426,489		149,274	
Loans and borrowings	26	2,640,111		1,188,470	
Payables to subsidiaries		–		210,000	
<b>Total current liabilities</b>		<b>3,066,600</b>		<b>1,547,744</b>	
<b>Total liabilities</b>		<b>5,066,600</b>		<b>6,509,367</b>	
<b>Total equity and liabilities</b>		<b>27,816,136</b>		<b>26,826,741</b>	

## Income Statement (non-consolidated)

prepared in accordance with International Financial Reporting Standards

For the year ended 31 December 2006 (in thousands of Czech crowns)

	Note	2006	2005
Revenue	5	177,728	164,106
Cost of sales		(84,463)	(90,859)
<b>Gross profit</b>		<b>93,265</b>	<b>73,247</b>
Other income		5,173	2,244
Administrative expenses		(354,993)	(203,197)
Other expenses		(260,901)	(1,592)
<b>Operating loss before finance income</b>	<b>7</b>	<b>(517,456)</b>	<b>(129,298)</b>
Finance income		3,484,122	1,971,169
Finance expenses		(535,908)	(824,069)
<b>Net finance income</b>	<b>8</b>	<b>2,948,214</b>	<b>1,147,100</b>
<b>Profit before tax</b>		<b>2,430,758</b>	<b>1,017,802</b>
Income tax credit	10	1,430	8,154
<b>Profit for the period</b>		<b>2,432,188</b>	<b>1,025,956</b>



## Statement of Changes in Equity (non-consolidated)

prepared in accordance with International Financial Reporting Standards

For the year ended 31 December 2006 (in thousands of Czech crowns)

	Share capital	Reserves	Retained earnings	Total
Balance at 1 January 2005	18,133,476	1,218,784	(60,842)	19,291,418
Allocation of profit to reserves	-	7,130	(7,130)	-
Profit for the period	-	-	1,025,956	1,025,956
Balance at 31 December 2005	18,133,476	1,225,914	957,984	20,317,374

	Share capital	Reserves	Retained earnings	Total
Balance at 1 January 2006	18,133,476	1,225,914	957,984	20,317,374
Allocation of profit to reserves	-	51,297	(51,297)	-
Profit for the period	-	-	2,432,188	2,432,188
Other	-	(26)	-	(26)
Balance at 31 December 2006	18,133,476	1,277,185	3,338,875	22,749,536

## Cash Flows Statement (non-consolidated)

prepared in accordance with International Financial Reporting Standards

For the year ended 31 December 2006 (in thousands of Czech crowns)

	Note	2006	2005
<b>Cash flows from operating activities</b>			
Profit for the period		2,432,188	1,025,956
Adjustments for:			
Depreciation and amortisation of property, plant and equipment and intangible assets	11,12	5,807	5,437
Gain on disposals of property, plant and equipment and intangible assets		(1,935)	(721)
Profit on disposals of financial investments		(69,961)	-
Interest income, net		(40,295)	(21,220)
Dividend income		(2,962,755)	(1,499,363)
Impairment losses on assets classified as held for sale, property, plant and equipment and receivables		115,653	374,661
Foreign exchange losses / (gains)		121	(89)
Income tax credit		(1,430)	(8,154)
Change in trade receivables and prepaid expenses		43,978	17,591
Change in trade and other payables and accruals		68,331	48,289
Interest paid		(335,822)	(407,098)
Income tax (paid) / reimbursed		16,191	(5,795)
<b>Net cash from operating activities</b>		<b>(729,929)</b>	<b>(470,506)</b>
<b>Cash flows from investing activities</b>			
Increase of capital of subsidiary		(1,082)	(1,089,000)
Acquisition of property, plant and equipment and intangible assets		(12,896)	(14,264)
Proceed from sales of property, plant and equipment and intangible assets		3,166	4,983
Proceed from sales of financial investments		640,383	-
Interest received		375,244	433,732
Repayment of / (providing) borrowings by / to subsidiaries		(805,900)	1,985,590
Dividends received		2,962,755	1,499,363
<b>Net cash from investing activities</b>		<b>3,161,670</b>	<b>2,820,404</b>
<b>Cash flows from financing activities</b>			
Repayment of current loans and borrowings		(610,000)	(676,395)
Repayment of non-current loans borrowings		(818,248)	(1,673,071)
<b>Net cash used in financing activities</b>		<b>(1,428,248)</b>	<b>(2,349,466)</b>
<b>Net change in cash and cash equivalents</b>		<b>1,003,493</b>	<b>432</b>
Cash and cash equivalents at 1 January		12,693	12,261
<b>Cash and cash equivalents at 31 December</b>		<b>1,016,186</b>	<b>12,693</b>

## Notes to the Non-consolidated Financial Statements

prepared in accordance with International Financial Reporting Standards

Year ended 31 December 2006 (in thousands of CZK)

### 1. Description of the company

#### Establishment of the 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.  
Klimentská 10  
110 05 Praha 1  
Czech Republic

#### Principal business of the Company

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 including synthetic rubber, 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 2006 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 2006 were as follows:

	Position	Name
Board of directors	Chairman	Francois Vleugels
	Vice-Chairman	Dariusz Robert Marzec
	member	Miroslav Krejčí
	member	Ivan Ottis
	member	Martin Durčák
Supervisory board	Chairman	Igor Chalupec
	Vice-Chairman	Ivan Kočárník
	member	Zdeněk Černý
	member	Pavel Szymanski
	member	Cesary Krzysztof Smorszczewski
	member	Piotr Kearney
	member	Rafał Zbigniew Kapler
	member	Dariusz Marek Formela
	member	Paweł Jasinski
	member	Miloslav Suchánek
	member	Czesław Adam Bugaj

Changes in the board of directors during 2006 were as follows:

Position	Name	Change	Date of change
Chairman	Francois Vleugels	Elected as Chairman	1 April 2006
Vice-Chairman	Marek Mroczkowski	Recalled as Vice-Chairman	26 October 2006
Vice-Chairman	Vit Šubert	Resigned as Vice-Chairman	10 May 2006
Member	Petr Bodlák	Elected as member	19 May 2006
Member	Frederik Jules Emich	Recalled as member	22 June 2006
Member	Ivan Ottis	Elected as member	22 June 2006
Member	Petr Bodlák	Resigned as member	6 October 2006
Member	Miroslav Krejčí	Elected as member	6 October 2006
Member	Martin Durčák	Elected as member	6 October 2006

Changes in the supervisory board during 2006 were as follows:

Position	Name	Change	Date of change
Member	Ewa Joanna Chmielewska	Resigned as member	15 March 2006
Member	Paweł Jasinski	Elected as member	15 March 2006
Member	Milan Kuncif	Resigned as member	13 April 2006
Member	Paweł Jasinski	Resigned as member	12 April 2006
Vice-Chairman	Cesary Krzysztof Smorszczewski	Elected as Vice-Chairman	10 May 2006
Member	Vlastimil Růžička	Resigned as member	22 June 2006
Vice-Chairman	Miroslav Grégr	Resigned as Vice-Chairman	22 June 2006
Member	Ivan Kočárník	Elected as member	22 June 2006
Member	Czesław Adam Bugaj	Established as member	22 June 2006
Member	Rafał Zbigniew Kapler	Established as member	22 June 2006
Vice-Chairman	Ivan Kočárník	Elected as Vice-Chairman	6 October 2006
Member	Czesław Adam Bugaj	Elected as member	13 December 2006
Member	Rafał Zbigniew Kapler	Elected as member	13 December 2006

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

The following table shows subsidiaries, joint-ventures and associated companies forming the group of UNIPETROL, a.s. and the Company's interest in the share capital of subsidiaries and joint-ventures held either directly by the Company or indirectly by its subsidiaries (information as of 31 December 2006).

Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries
<b>Parent company</b>		
UNIPETROL, a.s. Klimentská 10 110 05 Praha 1 Czech Republic		
<b>Subsidiaries</b>		
CHEMOPETROL, a.s. Litvínov-Záluží 1 436 70 Litvínov Czech Republic	100.00%	–
KAUČUK, a.s. O. Wichterleho 810 278 52 Kralupy nad Vltavou Czech Republic	100.00%	–
BENZINA a.s. Dělnická 12 170 04 Praha 7 Czech Republic	100.00%	–
PARAMO, a.s. Přerovská 560 530 06 Pardubice Czech Republic	73.52%	–



Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries
UNIPETROL TRADE a.s. Klimentská 10 110 05 Praha 1 Czech Republic	100.00%	–
UNIPETROL RAFINÉRIE a.s. Litvínov–Žáluží 436 70 Litvínov	100.00%	–
UNIRAF SLOVENSKO s.r.o. Panónska cesta 7 850 00 Bratislava	–	100.00%
UNIPETROL – DOPRAVA a.s. Litvínov–Růžodol č.p. 4 436 70 Litvínov Czech Republic	–	100.00%
HC CHEMOPETROL, a.s. S. K. Neumanna 1598, zimní stadión 436 01 Litvínov Czech Republic	–	70.95%
POLYMER INSTITUTE BRNO, spol. s r.o. Tkalcovská 36/2 Brno Czech Republic	–	100.00%
UNIPETROL CHEMICALS IBERICA S.A C/Travesera de Gracia, 58, 1o2a. 08006 BARCELONA SPAIN	–	100.00%
CHEMAPOL (SCHWEIZ) AG Leimenstrasse 21 4003 BASEL SCHWEIZ	–	100.00%

Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries
UNIPETROL AUSTRIA GmbH Apfelfasse 2 1040 VIENNA AUSTRIA	–	100.00%
ALIACHEM VERWALTUNGS GmbH Paul-Ehrlich-Strasse 1 b 63225 Langen/Hessen GERMANY	–	100.00%
UNIPETROL DEUTSCHLAND GmbH Paul Ehrlich Str. 1/B 63225 Langen/Hessen GERMANY	–	100.00%
ALIAPHARM GmbH Niedenu 49 Postfach 170237 D-60325 FRANKFURT/Main GERMANY	–	100.00%
PETROTRANS, a.s. Dělnická 12 170 04 Praha 12 Czech Republic	–	100.00%
<b>Joint-venture</b>		
ČESKÁ RAFINÉRSKÁ, a.s. 436 70 Litvinov Czech Republic	51.00%	–
<b>Other investments</b>		
AGROBOHEMIE a.s. Roháčova 1099/83 130 00 Praha 3 Czech Republic	50.00%	–
Synthesia, a.s. Pardubice č.p. 103 532 17 Pardubice, Semtín Czech Republic	38.79%	–

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.

### 3. Significant accounting policies

#### A Statement of compliance

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

The following documents have not been endorsed by the European Commission as of 31 December 2006 and were not adopted when preparing the financial statements:

- IFRS 8 Operating Segments – Amendment issued in November 2006 and effective 1 January 2009;
- IFRIC 10 Interim Financial Reporting and Impairment;
- IFRIC 11 Group and Treasury Share Transactions;
- IFRIC 12 Service Concession Arrangements.

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 March 2006 or later periods but which the Company has not early adopted. Relevant items are as follows:

- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies. (effective for annual periods beginning on or after 1 March 2006). The Interpretation contains guidance on how an entity would restate its financial statements pursuant to IAS 29 in the first year it identifies the existence of hyperinflation in the economy of its functional currency. IFRIC 7 is not relevant to the Company's operations as none of the Group entities have the currency of a hyperinflationary economy as its functional currency.
- IFRIC 8 Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006). The Interpretation clarifies that the accounting standard IFRS 2 Share-based Payment applies to arrangements where an entity makes share-based payments for apparently nil or inadequate consideration. IFRIC 8 is not relevant to the Company's operations.
- IFRIC 9 Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006). The Interpretation requires that a reassessment of whether an embedded derivative should be separated from the underlying host contract should be made only when there are changes in the terms of the contract that significantly modify the cash flows that otherwise would be required under the contract. The Company has not yet completed its analysis of the impact of the new Interpretation.
- IFRIC 10 Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). The Interpretation prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, investments in equity instruments or financial assets carried at cost. The Company does not expect the Interpretation to have any impact on the financial statements.
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). The Interpretation requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. It also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent, should be accounted for as cash-settled or equity-settled in the entity's financial statements. IFRIC 11 is not relevant to the Company's operations as the Company has not entered into any share-based payments arrangements.
- IFRIC 12 Service Concession Arrangements (effective from 1 January 2008). The Interpretation provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 is not relevant to the Company's operations as none of the Company entities have entered into any service concession arrangements.

## **B Basis of preparation**

The financial statements are presented in thousands of Czech crowns, rounded to the nearest thousand. They 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 at fair value through profit or loss, financial instruments classified as available-for-sale and investment property.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less cost 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.

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 note 34.

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

## C 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 income statement over the period of the loan on an effective interest basis.

### *(3) Revenue recognition*

#### *(i) Goods sold and services rendered*

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement 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, associated costs or the possible return of goods. 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 income statement.

#### *(ii) Interest and dividend income*

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.

#### *(iii) Government grants*

Government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Company will comply with the conditions attaching to it. Grants that compensate the Company for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Company for the cost of an asset are recognised in the income statement as other operating income on a systematic basis over the useful life of the asset.

### *(4) Foreign currency*

#### *(i) Foreign currency translation*

Foreign currency transactions are translated to Czech crowns at the Czech National Bank official exchange rate prevailing on the day of the transaction. Monetary assets and liabilities denominated in a foreign currency are retranslated at the Czech National Bank official exchange rates as at the balance sheet date. Exchange differences arising on translation are included in revenues and expenses. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Czech crowns at the foreign exchange

rate prevailing at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Czech crowns at foreign exchange rates ruling at the dates the fair value was determined.

#### *(5) Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### *(6) Taxation*

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement 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 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 the initial recognition of assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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 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 income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is recognised in equity.

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.

#### *(7) Property, plant and equipment*

##### *(i) Owned assets*

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (refer to accounting policy 9). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.



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, on the following bases:

Office equipment	3–12 years
Fixtures and fittings	2–20 years
Vehicles	4 years

Assets under development represent plant and properties under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs. Assets under development are not depreciated until the relevant assets are ready for their intended use.

Items of property, plant and equipment costing less than CZK 40 thousand are charged in profit or loss in the period in which they are ready for their intended use.

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 profit or loss.

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 income statement 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 is 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 income statement 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 income statement as an expense as incurred.

### (8) Intangible assets

Intangible assets with an acquisition cost of less than CZK 60 thousand are expensed in the period in which they are ready for their intended use.

#### (i) 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 will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff 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.

(ii) Other intangible assets

Expenditure to acquire patents, trademarks and licenses is capitalised and amortised using the straight-line method over their useful lives, but not exceeding 20 years.

(iii) Subsequent expenditure

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

*(9) Impairment*

The carrying amounts of the Company's assets, other than deferred tax assets (refer to accounting policy 6), 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, 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 income statement.

(i) Calculation of recoverable amount

The recoverable amount of the Company's investments in held-to-maturity securities and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

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.

*(10) Trade and other receivables*

Trade and other receivables are stated at their cost less impairment losses.

*(11) 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.

*(12) Investments in debt and equity securities held for trading*

Financial instruments held for trading are classified as financial instruments at fair value through profit or loss and are stated at fair value, with any resultant gain or loss recognised in the income statement.

*(13) Bank borrowings and other interest bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

The assets pledged to secure banking facilities to the Company are presented in the notes to the financial statements and summarised by categories of assets.

*(14) Trade payables*

Trade payables are stated at amortised cost.

*(15) Derivative financial instruments, hedging*

The Company uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy hedging).

The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

**Hedging****(i) Cash flow hedges**

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e., when interest income or expense is recognised). For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the Company revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in

accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

(ii) Hedge of monetary assets and liabilities

Where a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.

*(16) Provisions*

Provisions are recognised when the Company has a present obligation 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 announced publicly. 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.

*(17) 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 income statement in the same period as the related salary cost. The Company has no pension or post-retirement commitments.

*(18) Non-current assets classified as held for sale*

Non-current assets that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. 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.

## 4. Change in accounting policy

### Net foreign exchange gains/ losses

From 2006 the Company has presented foreign exchange gains/losses as a net amount. Comparative information presented in these financial statements has been restated.

## 5. Revenue

An analysis of the Company's revenue is as follows:

	2006	2005
<b>Fees for use of land</b>		
Domestic	89,047	85,167
Export	–	–
<b>Revenue from services</b>		
Domestic	88,681	78,939
Export	–	–
<b>Total revenue</b>	<b>177,728</b>	<b>164,106</b>

## 6. 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 entity located in the Czech Republic.

## 7. Analysis of expenses according to their nature

The following analysis shows the most significant types of operating expenses analysed by nature:

	2006	2005
Revenue	177,728	164,106
Materials consumed and energy	(9,924)	(7,846)
Operating leasing	(17,160)	(12,900)
Repairs and maintenance	(2,581)	(1,736)
Travel expenses	(6,104)	(4,567)
Representation expenses	(2,595)	(4,366)
Advisory services	(42,590)	(20,087)
Legal services	(26,416)	(11,586)
Advertising expenses	(44,459)	(39,790)
Maintenance fee for software	(1,302)	(16,631)
Services related to administration of investments in subsidiaries	(45,418)	(8,628)
Other services (mostly administration of land)	(51,621)	(35,794)
Wages and salaries	(127,338)	(71,995)
Remuneration of board members	(9,490)	(8,133)
Social security and health insurance expenses	(44,620)	(24,963)
Social expenses	(913)	(635)
Taxes and charges	(1,119)	(1,335)
Depreciation and amortisation	(5,807)	(5,437)
Proceeds from disposals of property, plant and equipment and intangible assets	3,166	4,983
Property, plant and equipment and intangible assets disposed	(1,231)	(4,262)
Change in provisions and impairment charges relating to operating activity	648	(1,592)
Fine imposed by the European Commission	(241,507)	–
Other income	2,592	1,523
Other expenses	(19,395)	(17,627)
<b>Operating profit / (loss) before financing income</b>	<b>(517,456)</b>	<b>(129,298)</b>



## 8. Net finance income

	2006	2005
Interest expense:		
– bank loans and borrowings	(407,082)	(442,439)
Total borrowings costs	(407,082)	(442,439)
Less: amounts included in the cost of qualifying assets	–	–
Borrowing cost recognized in statement of income	(407,082)	(442,439)
Net foreign exchange losses	(8,938)	(68)
Impairment of investments in subsidiaries	–	(376,254)
Impairment of assets classified as held for sale	(116,301)	–
Other finance expenses	(3,587)	(5,308)
Interest income	447,377	463,659
Dividend income	2,962,755	1,499,363
Net income from sale of investments in subsidiaries	69,961	–
Other finance income	4,029	8,147
<b>Net finance income</b>	<b>2,948,214</b>	<b>1,147,100</b>

## 9. Personnel expenses

The total remuneration of directors and executives within the Company is as follows:

	Supervisory board members		Boards of directors members	
	2006	2005	2006	2005
Cash benefits	6,618	5,564	2,872	2,569
Non-cash benefits	42	164	259	31
<b>Total</b>	<b>6,660</b>	<b>5,728</b>	<b>3,131</b>	<b>2,600</b>

The average number of employees and managers and staff costs for 2006 and 2005 are as follows:

2006	Number of employees	Wages and salaries	Social security and health insurance expenses	Social expenses
Employees	69	113,012	39,606	617
Management	4	14,326	5,014	296
<b>Total</b>	<b>73</b>	<b>127,338</b>	<b>44,620</b>	<b>913</b>

2005	Number of employees	Wages and salaries	Social security and health insurance expenses	Social expenses
Employees	41	36,765	12,868	521
Management	9	35,230	12,095	114
<b>Total</b>	<b>50</b>	<b>71,995</b>	<b>24,963</b>	<b>635</b>

The Company changed the definition of management. In 2006 management include selected members of top management that are also members of the board of directors. In 2005 management included all members of top management.

## 10. Income tax credit

	2006	2005
Current tax	-	(2,580)
Deferred tax	1,430	10,734
<b>Income tax credit</b>	<b>1,430</b>	<b>8,154</b>

Income tax is calculated in accordance with Czech tax regulations at the rate of 24% in 2006 (2005: 26%) of the estimated taxable income for the year.

Reconciliation between the income tax expense and accounting profit is as follows:

	2006	2006	2005	2005
Profit for the period		2,432,188		1,025,956
Total income tax credit		1,430		8,154
Profit excluding income tax		2,430,758		1,017,802
Income tax using income tax rate	24%	583,382	26%	264,629
Non-deductible expenses	5%	124,582	11%	118,950
Tax exempt income	(29)%	(711,452)	(38)%	(394,353)
Current year losses for which no deferred tax asset was recognised	-	2,058	-	40
Under (over) provided in prior periods	-	-	-	2,580
<b>Income tax credit</b>		<b>(1,430)</b>		<b>(8,154)</b>

## 11. Property, plant and equipment

	Land	Vehicles and office equipment	Other	Assets under development	Total
<b>Acquisition cost</b>					
Balance as at 1/1/05	495,478	18,514	726	10	514,728
Additions	1,842	11,099	–	2,095	15,036
Disposals	(435)	(6,854)	–	–	(7,289)
Reclassifications	–	–	–	–	–
Balance as at 31/12/05	496,885	22,759	726	2,105	522,475
Additions	769	12,504	–	192	13,465
Disposals	(343)	(6,390)	(565)	–	(7,298)
Reclassifications	–	1,628	–	(1,628)	–
Balance as at 31/12/06	497,311	30,501	161	669	528,642
<b>Accumulated depreciation</b>					
Balance as at 1/1/05	–	10,189	–	–	10,189
Charge for the year	–	3,782	–	–	3,782
Disposals	–	(5,227)	–	–	(5,227)
Reclassifications	–	–	–	–	–
Balance as at 31/12/05	–	8,744	–	–	8,744
Charge for the year	–	5,428	–	–	5,428
Disposals	–	(5,498)	–	–	(5,498)
Reclassifications	–	–	–	–	–
Balance as at 31/12/06	–	8,674	–	–	8,674
<b>Impairment losses</b>					
Balance as at 1/1/05	–	–	–	–	–
Impairment losses	–	–	–	466	466
Reversal of impairment losses	–	–	–	–	–
Balance as at 31/12/05	–	–	–	466	466
Impairment losses	–	–	–	–	–
Reversal of impairment losses	–	–	–	–	–
Balance as at 31/12/06	–	–	–	466	466
Carrying amount as at 1/1/05	495,478	8,325	726	10	504,539
Carrying amount as at 31/12/05	496,885	14,015	726	1,639	513,265
Carrying amount as at 31/12/06	497,311	21,827	161	203	519,502

Major additions to property, plant and equipment in 2006 relate to personnel cars with acquisition cost of CZK 12,504 thousand (2005 – CZK 11,099 thousand).

## 12. Intangible assets

	Software	License and patents	Other intangible assets	Total
<b>Acquisition cost</b>				
Balance as at 1/1/05	11,369	3,100	7,920	22,389
Additions	80	-	-	80
Disposals	-	(2,800)	-	(2,800)
Reclassifications	-	-	-	-
Balance as at 31/12/05	11,449	300	7,920	19,669
Additions	-	-	-	-
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Balance as at 31/12/06	11,449	300	7,920	19,669
<b>Accumulated amortization</b>				
Balance as at 1/1/05	11,027	608	6,309	17,944
Charge for the year	138	107	1,410	1,655
Disposals	-	(600)	-	(600)
Reclassifications	-	-	-	-
Balance as at 31/12/05	11,165	115	7,719	18,999
Charge for the year	146	60	173	379
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Balance as at 31/12/06	11,311	175	7,892	19,378
<b>Impairment losses</b>				
Balance as at 1/1/05	-	-	-	-
Impairment losses	-	185	201	386
Reversal of impairment losses	-	-	-	-
Balance as at 31/12/05	-	185	201	386
Impairment losses	-	-	-	-
Reversal of impairment losses	-	(60)	(173)	(233)
Balance as at 31/12/06	-	125	28	153
Carrying amount as at 1/1/05	342	2,492	1,611	4,445
Carrying amount as at 31/12/05	284	-	-	284
Carrying amount as at 31/12/06	138	-	-	138

### 13. Investments in subsidiaries

Investments in subsidiaries as at 31 December 2006 were as follows:

Name of the entity	Registered office	Cost of investment	Ownership percentage	Impairment	Carrying amount	Dividend income for the period
CHEMOPETROL, a.s.	Litvínov	7,358,945	100.00	–	7,358,945	2,349,735
Výzkumný ústav anorganické chemie, a.s.	Ústí nad Labem	59,171	100.00	7,860	51,311	–
UNIPETROL TRADE a.s.	Praha 1	350,000	100.00	350,000	–	–
BENZINA a.s.	Praha 7	3,221,070	100.00	1,922,070	1,299,000	–
UNIPETROL RAFINÉRIE a.s.	Litvínov	1,110	100.00	–	1,110	–
PARAMO, a.s.	Pardubice	146,684	73.52	–	146,684	–
ČESKÁ RAFINÉRSKÁ, a.s.*	Litvínov	3, 778,754	51.00	–	3,778,754	124,505
Steen Estates s.r.o.	Praha	280	100.00	–	280	–
Meliba Estates s.r.o.	Praha	280	100.00	–	280	–
<b>Total</b>		<b>14 ,916,294</b>	<b>–</b>	<b>2,279,930</b>	<b>12,636,364</b>	<b>2,474,240</b>

*\*) 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.*

Dividend income for 2006 amounts to CZK 2,962,755 thousand. It includes dividend income of CZK 2,474,240 thousand per the table above, dividends received from KAUČUK, a.s. of CZK 486,595 thousand and dividend received from CELIO a.s. of CZK 1,920 thousand.

#### SPOLANA a.s.

On 27 October 2006 the Company entered into a share purchase agreement with Zakłady Azotowe ANWIL S.A. (a company controlled by PKN Orlen S.A.) to sell 81.78% of shares of SPOLANA, a.s. On 13 November 2006 the shares were transferred to the purchaser and subsequently the purchase price was settled. Net income from the sale amount to CZK 69,961 thousand (proceeds of CZK 640,383 thousand less cost of investment CZK 570,422 thousand).

#### KAUČUK, a.s.

On 30 January 2007 the Company entered into a share purchase agreement with FIRMA CHEMICZNA DWORY S.A. to sell 100% of the shares of KAUČUK, a.s. The contracted selling price is EUR 195 million. Completion of the sale is expected in the next few months. As a result the investment in KAUČUK, a.s. is presented as assets held for sale as at 31 December 2006. Based on the contracted selling price and estimated expenses to be incurred to complete the sale, an impairment charge of CZK 116,301 thousand was established to assets held for sale. Their carrying amount totals CZK 5,346,525 thousand.

Investments in subsidiaries as at 31 December 2005 were as follows:

Name of the entity	Registered office	Cost of investment	Ownership percentage	Impairment	Carrying amount	Dividend income for the period
CHEMOPETROL, a.s.	Litvínov	7,358,945	100.00	–	7,358,945	1,499,023
KAUČUK, a.s.	Kralupy nad Vltavou	5,462,826	100.00	–	5,462,826	–
Výzkumný ústav anorganické chemie, a.s.	Ústí nad Labem	59,171	100.00	7,860	51,311	–
UNIPETROL TRADE a.s.	Praha 1	350,000	100.00	350,000	–	–
BENZINA a.s.	Praha 7	3,221,070	100.00	1,922,070	1,299,000	–
UNIPETROL RAFINÉRIE a.s.	Litvínov	1,110	100.00	–	1,110	–
SPOLANA a.s.	Neratovice	570,422	81.78	–	570,422	–
PARAMO, a.s.	Pardubice	146,684	73.52	–	146,684	–
ČESKÁ RAFINÉRSKÁ, a.s.*	Litvínov	3, 778,754	51.00	–	3,778,754	–
<b>Total</b>		<b>20,948,982</b>	<b>–</b>	<b>2,279,930</b>	<b>18,669,052</b>	<b>1,499,023</b>

*\*) 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.*

Dividend income for 2005 amounts to CZK 1,499,363 thousand. It includes dividend income of CZK 1,499,023 thousand per the table above and dividends received from CELIO a.s. of CZK 340 thousand.

## 14. Other investments

Other investments as at 31 December 2006 were as follows:

Company	Registered office	Cost of investment	Ownership percentage	Impairment	Carrying amount
AGROBOHEMIE a.s.	Praha 3	507,600	50.00	35,442	472,158
Synthesia, a.s.	Pardubice	344,436	38.90	–	344,436
ORLEN MALTA HOLDING	La Valetta	522	–	–	522
Spolek pro chemickou a hutní výrobu, akciová společnost	Ústí nad Labem	0.2	–	–	0.2
<b>Total</b>		<b>852,558</b>	<b>–</b>	<b>35,442</b>	<b>817,116</b>

ALIACHEM a.s. was renamed Synthesia, a.s. on 1 April 2006.

### CELIO a.s.

The management of the Company approved a plan to sell its investment in CELIO a.s. As a result investment in CELIO a.s. is presented as asset held for sale as at 31 December 2006. Its carrying amount totals CZK 1,093 thousand.

### Potential impact on the carrying amount of shares of AGROBOHEMIE a.s and Synthesia, a.s.

In August/September 2005 UNIPETROL, a.s. received letters from DEZA, a.s. requesting to enter into share purchase agreements related to shares of AGROBOHEMIE a.s. and Synthesia, a.s. Each of companies UNIPETROL, a.s. and DEZA, a.s. are owners of 50% shares of AGROBOHEMIE a.s. In Synthesia, a.s., AGROBOHEMIE a.s. owns 55.01%, UNIPETROL, a.s. 38.79% and DEZA, a.s. 4.67%. The remaining 1.53% of shares is owned by minority shareholders.

These letters referred to agreements on future share purchase agreements signed between UNIPETROL, a.s. and DEZA, a.s. which regard shares of AGROBOHEMIE a.s. (date of signing 12 October 2000) and Synthesia, a.s. (date of signing 15 August 2001).

Having thoroughly analysed the signed documents and the received letters, the Board of Directors of UNIPETROL, a.s. concluded that, apart from deviating from standard market practices and prudent business behaviour, the above mentioned agreements suffer by serious legal defects which are likely to make these agreements invalid. Consequently, the Board of Directors of UNIPETROL, a.s. proposed to DEZA, a.s.



to modify the agreements so that the risk of their invalidity can be safely excluded. By means of correspondence and direct meetings, UNIPETROL, a.s. tried pro-actively to convince DEZA, a.s. that the agreements are modified accordingly.

Despite these efforts, DEZA, a.s. had rejected proposals of the Board of Directors of UNIPETROL, a.s., and on 26 January 2006, it filed to the court its claim for contractual penalties against UNIPETROL, a.s. based on the argument that UNIPETROL, a.s. breached its obligation to sign the share transfer agreements. DEZA, a.s. calculates the penalties on the basis of the above mentioned agreements in the amount of CZK 1.5 mil. per day. On 22 August 2006, DEZA, a.s. filed to the court its claim for (i) performance under the share transfer agreements, and (ii) damages, both based on the same argument as its aforementioned claim for contractual penalties, namely that UNIPETROL, a.s. breached its obligation to sign the share transfer agreements.

Over the course of the second half of 2006, UNIPETROL, a.s. and DEZA, a.s. have commenced, and continued in, a mutual negotiation with respect to a potential out-of-court settlement of the above mentioned dispute. As of today, these negotiations have not been concluded and no agreement has been reached between UNIPETROL, a.s. and DEZA, a.s. on any of the outstanding issues relating to the on-going dispute. Although UNIPETROL, a.s. remains fully committed to its good faith acting to reach a mutually acceptable out-of-court settlement with DEZA, a.s., it is very difficult to estimate the likelihood of any such settlement being ultimately reached.

In the absence of an out-of-court settlement between UNIPETROL, a.s. and DEZA, a.s., it can be assumed that the pending court proceedings will continue. It is very difficult to estimate the time period within which the court may arrive at the final and unappealable decision regarding the invalidity of the agreements or payment (if any) of the contractual penalties and or damages (if any) claimed by DEZA, a.s. Court proceedings in the Czech Republic would normally last a number of years, depending on various circumstances.

In addition, UNIPETROL, a.s. has currently no access to any commercial information relating to a future development of both AGROBOHEMIE a.s. and Synthesia, a.s. It is also unable to manage, control or influence the operational and financial situation of both companies with the result that these companies are controlled by DEZA, a.s. In these circumstances, and given the existence of the court disputes with DEZA, a.s. UNIPETROL, a.s.' ability to sell its shares in both companies to a third party investor is very limited.

The above stated circumstances can have a significant negative impact on the value of UNIPETROL a.s.' shares in AGROBOHEMIE a.s. and Synthesia, a.s. However, having in mind the two facts: i) uncertainty about future result of the court proceedings and ii) difficulties with determination of fair value of these shares, no impairment charge has been established in respect of these shares and no provision for penalties/damages has been established.

Other investments as at 31 December 2005 were as follows:

Company	Registered office	Cost of investment	Ownership percentage	Impairment	Dividend income for the period	Carrying amount
AGROBOHEMIE a.s.	Praha 3	507,600	50.00	35,442	–	472,158
ALIACHEM a.s.	Pardubice	344,436	38.90	–	–	344,436
CELIO a.s.	Litvínov	1,094	10.50	–	340	1,094
Spolek pro chemickou a hutní výrobu, akciová společnost	Ústí nad Labem	0.2	–	–	–	0.2
<b>Total</b>		<b>853,130</b>	<b>–</b>	<b>35,442</b>	<b>340</b>	<b>817,688</b>

## 15. Assets classified as held for sale

	31/12/2006	31/12/2005
100% of shares in KAUCUK, a.s.	5,346,525	–
10.5% of shares in CELIO a.s.	1,093	–
<b>Total</b>	<b>5,347,618</b>	

## 16. Non-current loans to subsidiaries

Non-current loans provided to subsidiaries as at 31 December 2006 were as follows:

Company	Effective interest rate	Maturity date	Currency	Carrying amount 31/12/2006	Fair value	Interest for the period
CHEMOPETROL, a.s.	6M EURIBOR*	29/6/2012	EUR	427,829	427,829	23,786
CHEMOPETROL, a.s.	6M EURIBOR*	16/7/2012	EUR	559,554	559,554	27,429
CHEMOPETROL, a.s.	6M LIBOR*	15/8/2012	USD	361,982	361,982	26,876
BENZINA a.s.	9.97%	28/12/2013	CZK	2,000,000	2,671,883	223,984
<b>Total</b>				<b>3,349,365</b>		<b>302,075</b>

\*) Interest rate increases by the agreed margin.

Non-current loans provided to subsidiaries are not collateralised.

The portion of non-current loans due within one year is not stated in the above table but is reported as current loans to subsidiaries (note 20).

Non-current loans provided to subsidiaries as at 31 December 2005 were as follows:

Company	Effective interest rate	Maturity date	Currency	Carrying amount 31/12/2005	Fair value	Interest for the period
CHEMOPETROL, a.s.	6M EURIBOR*	29/6/2012	EUR	551,620	551,620	23,029
CHEMOPETROL, a.s.	6M EURIBOR*	16/7/2012	EUR	708,341	708,341	27,093
CHEMOPETROL, a.s.	6M LIBOR*	15/8/2012	USD	511,616	511,616	22,731
BENZINA a.s.	9.97%	28/12/2013	CZK	2,019,100	2,835,277	226,848
BENZINA a.s.	8.92%	1/4/2007	CZK	1,171,756	1,247,110	93,982
<b>Total</b>				<b>4,962,433</b>		<b>393,683</b>

\*) Interest rate increases by the agreed margin.

Interest income for 2006 from non-current and current loans to subsidiaries amounted to CZK 437,058 thousand (2005: CZK 461,383 thousand)

## 17. Non-current receivables from subsidiaries

Non-current receivables from subsidiaries include a 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 in 31 December 2017. It is denominated in CZK. The carrying amount of the receivable as of 31 December 2006 is CZK 110,602 thousand (2005: CZK 110,602 thousand). The nominal value of the receivable is CZK 396,354 thousand as of 31 December 2006 (2005: CZK 396,354 thousand).

## 18. Deferred tax

Deferred income taxes result from future tax benefits and expenses 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. 24% in 2006 and 26% in 2005.

The movement for the year in the Company's net deferred tax position was follows:

	2006
At 1 January	10,481
Income statement charge	1,430
Tax charged to equity	-
At 31 December	11,911

The movement in deferred tax assets and liabilities recognised during the period is as follows:

Deferred tax liabilities	At 1 January 2006	Charged / (credited) to net profit	Charged to equity	At 31 December 2006
Property, plant and equipment	(292)	(638)	-	(930)
<b>Total deferred tax liabilities</b>	<b>(292)</b>	<b>(638)</b>	<b>-</b>	<b>(930)</b>

Deferred tax assets	At 1 January 2006	Charged / (credited) to net profit	Charged to equity	At 31 December 2006
Unused tax losses carried forward	10,773	(437)	-	10,336
Other	-	2,505	-	2,505
<b>Total deferred tax assets</b>	<b>10,773</b>	<b>2,068</b>	<b>-</b>	<b>12,841</b>

## 19. Trade receivables

	31/12/2006	31/12/2005
Trade receivables	166,409	210,481
Impairment losses	-	(361)
<b>Total trade receivables</b>	<b>166,409</b>	<b>210,120</b>

The management consider that the carrying amount of trade receivables approximates their fair value.

The analysis of trade receivables by currency of denomination is as follows (in CZK thousands):

	31/12/2006	31/12/2005
Denominated in	Total	Total
CZK	162,810	208,950
EUR	3,371	895
USD	228	275
<b>Total accounts receivable</b>	<b>166,409</b>	<b>210,120</b>

## 20. Current loans to subsidiaries

Current loans provided to subsidiaries as at 31 December 2006 and 31 December 2005 are as follows:

Company name	Effective interest rate	Currency	Carrying amount 31/12/2006	Fair value 2006	Carrying amount 31/12/2005	Fair value 2005
<b>Subsidiaries</b>						
Current portion of non-current loans						
CHEMOPETROL, a.s.	6M EURIBOR*	EUR	220,065	220,065	231,581	231,581
CHEMOPETROL, a.s.	6M LIBOR*	USD	82,162	82,162	95,440	95,440
BENZINA a.s.	9.97%	CZK	242,985	324,614	258,442	362,912
BENZINA a.s.	8.92%	CZK	1,275,726	1,289,269	–	–
Current loans						
CHEMOPETROL, a.s.	1M PRIBOR*	CZK	850,000	850,000	–	–
SPOLANA a.s.	1M PRIBOR*	CZK	600,000	600,000	760,000	760,000
BENZINA a.s.	1M PRIBOR*	CZK	450,000	450,000	150,000	150,000
UNIPETROL TRADE a.s.	3M EURIBOR*	EUR	109,980	109,980	–	–
<b>Total</b>			<b>3,830,918</b>		<b>1,495,463</b>	

\*) Interest rate is increased by the agreed margin.

## 21. Cash and cash equivalents

Cash and cash equivalents are comprised as follows:

	31/12/2006	31/12/2005
Cash in hand	34	37
Cash at bank	40,278	12,656
Short-term bank deposits	975,874	–
<b>Total</b>	<b>1,016,186</b>	<b>12,693</b>

Short-term bank deposits comprise deposits with maturity up to three months.

The carrying amount of cash and cash equivalents approximates their fair value.

The analysis of cash and cash equivalents by currency of denomination is as follows (in CZK thousands):

Denominated in	31/12/2006	31/12/2005
CZK	992,417	9,994
EUR	14,445	1,893
USD	9,324	806
<b>Total cash and cash equivalents</b>	<b>1,016,186</b>	<b>12,693</b>

## 22. Share capital

The share capital of the Company as at 31 December 2006 amounts to CZK 18,133,476 thousand (2005: CZK 18,133,476 thousand). It is divided into 181,334,764 (2005: 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.

## 23. 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 share capital.

	31/12/2006	31/12/2005
Reserve fund	1,269,756	1,218,460
Other funds	7,429	7,454
<b>Total</b>	<b>1,277,185</b>	<b>1,225,914</b>

## 24. Non-current loans and borrowings

Non-current interest-bearing borrowings as at 31 December 2006 were as follows:

Creditor	Currency	Balance at 31/12/2006	Fair value at 31/12/2006	Effective interest rate	Form of collateral
Long-term bonds – Issue I.	CZK	2,000,000	2,676,706	9.82 %	Unsecured
<b>Total</b>		<b>2,000,000</b>			

\*) Interest rate is increased by the agreed-upon mark up.

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. Interest is payable on an annual basis. Interest expense is accrued using the effective interest rate method.

Non-current interest bearing loans and borrowings as at December 2005 were as follows:

Creditor	Currency	Balance at 31/12/2005	Fair value at 31/12/2005	Effective interest rate	Form of collateral
Kreditanstalt für Wiederaufbau (a)	EUR	551,620	551,620	6M EURIBOR*	Guarantee by CHEMOPETROL, a.s.
Kreditanstalt für Wiederaufbau (b)	EUR	708,341	708,342	6M EURIBOR*	Guarantee by CHEMOPETROL, a.s. and Hermes Germany
Citibank, N.A.	USD	511,616	511,616	6M LIBOR*	Guarantee by CHEMOPETROL, a.s. and US EXIM bank
Long-term bonds – Issue I.	CZK	2,018,290	2,840,273	9.82%	Unsecured
Long-term bonds – Issue II.	CZK	1,171,756	1,247,110	8.70%	Unsecured
<b>Total</b>		<b>4,961,623</b>			

The terms and conditions underlying the issues of bonds and loan contracts include clauses, the non-compliance with which gives rise to the creditor's right to have the nominal value of the bonds or principal of the loan repaid on an earlier date.

The current portion of non-current loans and borrowings maturing before 31 December 2007 and 31 December 2006 respectively is presented within current portion of loans and borrowings.

Term and debt repayment schedule as at 31 December 2006:

Due date	Due within 1 year	Due 1-5 years	Due over 5 years	Total
Non-current loans and borrowings	–	–	2,000,000	2,000,000

Term and debt repayment schedule as at 31 December 2005:

Due date	Due within 1 year	Due 1-2 years	Due 2-3 years	Due 3-4 years	Due 4-5 years	Due over 5 years	Total
Non-current loans and borrowings	–	1,475,376	303,621	303,621	303,621	2,575,384	4,961,623

The loan from Kreditanstalt für Wiederaufbau (a) was repaid in 2006 before maturity date.

Analysis of non-current and current loans and borrowings by currency as at 31 December 2006:

Currency	CZK	EUR	USD	Total
Non-current loans and borrowings	2,000,000	–	–	2,000,000
Current loans and borrowings	1,512,577	683,725	443,809	2,640,111
<b>Total non-current and current loans and borrowings</b>	<b>3,512,577</b>	<b>683,725</b>	<b>443,809</b>	<b>4,640,111</b>

Analysis of non-current and current loans and borrowings by currency as at 31 December 2005:

Currency	CZK	EUR	USD	Total
Non-current loans and borrowings	3,190,046	1,259,961	511,616	4,961,623
Current loans and borrowings	884,849	218,352	85,269	1,188,470
<b>Total non-current and current loans and borrowings</b>	<b>4,074,895</b>	<b>1,478,313</b>	<b>596,885</b>	<b>6,150,093</b>

## 25. Trade and other payables and accruals

As of 31 December 2006 and 2005, the Company does not show any trade payables after their due dates. Management of the Company is of that opinion that the carrying amount of trade payables approximates their fair values.

In 2006 the European Commission imposed a fine of EUR 17.55 million on the Company and its wholly owned subsidiary KAUČUK, a.s. for their involvement in a synthetic rubber cartel agreements. The European Commission concluded that cartel agreements on prices were concluded and subsequently sensitive information was exchanged between competitors during meetings of the European Synthetic Rubber Association (ESRA) in years 1999 – 2002. The Company was investigated as the parent company of KAUČUK, a.s. whose trade representatives took part in the ESRA meetings. The fine was split equally between the Company and KAUČUK, a.s. in accordance with the agreement on sharing the fine. The Company's portion thus amounts to EUR 8.775 million being to CZK 241,269 thousand and is presented within other payables. Detailed information in respect of the fine is included in note 33.



## 26. Current loans and borrowings

Current loans and borrowings and borrowings as at 31 December 2006 were as follows:

Creditor	Currency	Balance at 31/12/2006	Fair value at 31/12/2006	Effective interest rate	Form of collateral
<b>Current portion of non-current loans and borrowings</b>					
Kreditanstalt für Wiederaufbau	EUR	683,725	683,725	6M EURIBOR*	Guarantee by CHEMOPETROL, a.s. and Hermes Germany
Citibank, N.A.	USD	443,809	443,809	6M LIBOR*	Guarantee by CHEMOPETROL, a.s. and US EXIM bank
Long-term bonds – Issue I.	CZK	238,944	319,791	9,82%	Unsecured
Long-term bonds – Issue II.	CZK	1,273,933	1,289,269	8,70%	Unsecured
<b>Total</b>		<b>2,640,411</b>			

\*) Interest rate is increased by the agreed-upon mark up

In 1999 the Group issued 1,300 zero-coupon bonds at a total nominal value of CZK 1,300,000 thousand. The bonds mature in 8 years from the issue date at their nominal value of CZK 1,300,000 thousand. Interest expense is payable on the maturity date. It is accrued using the effective interest rate method.

Current portion of non-current loans and borrowings and current loans and borrowings as at 31 December 2005 were as follows:

Creditor	Currency	Balance at 31/12/2005	Fair value at 31/12/2005	Effective interest rate	Form of collateral
<b>Current portion of non-current loans and borrowings</b>					
Kreditanstalt für Wiederaufbau	EUR	100,416	100,295	6M EURIBOR*	Guarantee by CHEMOPETROL, a.s.
Kreditanstalt für Wiederaufbau	EUR	128,743	118,057	6M EURIBOR*	Guarantee by CHEMOPETROL, a.s. and Hermes Germany
Citibank, N.A.	USD	94,977	85,269	6M LIBOR*	Guarantee by CHEMOPETROL, a.s. and US EXIM bank
Long-term bonds – Issue I.	CZK	254,334	357,916	9,82%	Unsecured
<b>Current loans and borrowings</b>					
ING Bank N.V.	CZK	460,000	460,000	1M PRIBOR*	Unsecured
Česká spořitelna, a.s.	CZK	150,000	150,000	1M PRIBOR*	Unsecured
<b>Total</b>		<b>1,188,470</b>			

\*) Interest rate is increased by the agreed-upon mark up.

Management of the Company is of that opinion that fair value of the current loans approximates their carrying amounts as they bear interest based on floating interest rates.

Analyses of current loans and borrowings and borrowings by currency is included in note 24.

## 27. Operating leases

### The Company as a lessee

At the balance sheet date, the Company had future minimum lease payments under non-cancellable operating leases for the following periods:

	Minimum lease payments	
	31/12/2006	31/12/2005
Not later than one year	9,075	13,516
Later than one year and not later than five years inclusive	7,092	29,346
Later than five years	–	–
<b>Total</b>	<b>16,167</b>	<b>42,862</b>

The Company leases offices and information technology under operating leases. Lease agreements are valid till the end of 2008 with an option to extend the lease after that date. Lease payments are increased annually to reflect market conditions.

	2006	2005
Minimum lease payments under operating leases recognised as expense in income for the year	17,160	12,900

## 28. Guarantees, commitments and other contingencies

As of 31 December 2006 the Company issued guarantees in favour of third parties in the amount of CZK 2,086,120 thousand (2005: 5,422,444 CZK thousand) in respect of bank loans drawn by its subsidiaries. Amounts in foreign currencies are translated using the exchange rate of the Czech National Bank on 31 December 2006 and 31 December 2005 respectively. As of the balance sheet date, there are no indications that any of the above transactions is likely to result in a liability of the Company.

## 29. Eliminations of past environmental damages

Being the legal successor of CHEMOPETROL GROUP, a.s. and KAUČUK Group, a.s. the Company 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 for the environmental damages.

(in millions of CZK)

	Total amount of funds to be provided	Used funds 31/12/2006	Unused funds 31/12/2006
Premises of CHEMOPETROL, a.s.	6,012	1,713	4,299
Premises of KAUČUK, a.s.	4,244	44	4,200
<b>Total</b>	<b>10,256</b>	<b>1,757</b>	<b>8,499</b>

(in millions of CZK)

	Total amount of funds to be provided	Used funds 31/12/2005	Unused funds 31/12/2005
Premises of CHEMOPETROL, a.s.	6,012	1,633	4,379
Premises of KAUČUK, a.s.	4,244	32	4,212
<b>Total</b>	<b>10,256</b>	<b>1,665</b>	<b>8,591</b>

### 30. Related parties

Transactions with key management personnel and members of statutory and supervisory boards:

	Supervisory board	Board of directors	Top management	Total
Total remuneration including non-cash benefits	6,660	3,131	20,236	30,027
<b>Number of persons</b>	<b>12</b>	<b>5</b>	<b>4</b>	<b>20</b>

Transactions with subsidiaries, joint ventures and equity accounted investees:

	31/12/2006				31/12/2005			
	PKN	Consolidated entities and joint ventures under control of UNIPETROL, a.s.	Entities under control or significant influence of PKN	Non-consolidated entities under control of UNIPETROL, a.s.	PKN	Consolidated entities and joint ventures under control of UNIPETROL, a.s.	Entities under control or significant influence of PKN	Non-consolidated entities under control of UNIPETROL, a.s.
Current assets	659	3,352,229	601,871	–	–	1,646,796	108	131
Non-current assets	–	3,459,967	–	–	–	5,073,035	–	–
Current payables	659	3,208	–	–	30,386	213,387	–	30,386
Non-current payables	–	–	–	–	–	–	–	–
Expenses	8,834	26,673	238	629	–	9,995	–	–
Revenues	659	166,958	769	363	–	162,516	276	555
Purchases of property, plant and equipment	–	–	–	185	–	–	–	–
Sales of property, plant and equipment	–	–	–	–	–	2,558	–	–
Sales of financial assets	–	–	640,383	–	–	–	–	–
Dividends income	–	2,960,946	–	1,920	–	1,499,023	–	340
Interest income	–	434,784	1,958	–	–	456,736	4,164	–
Other financial income	–	3,885	–	1	–	7,974	–	–

## 31. Risk management

### Credit risk

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 20) and receivables (notes 17 and 19) 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 20. 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.

### Interest rate risk

The Company has adopted a Debt Policy, which fully covers interest rate risk as well as transferring of external financial sources to Group companies. These external financial sources are transferred with similar conditions and interest rates including a mark up (see note 24). There are no loans and borrowings used for Company's own purposes.

### Foreign exchange risk

The foreign exchange risk arises most significantly from the exposure of loans to subsidiaries denominated in foreign currencies (see notes 16 and 20). Foreign exchange risk is mostly covered by natural hedging with bank loans and borrowings (see notes 24 and 26) denominated in the same currencies.

## 32. Contingent liabilities

### Contingent liabilities related to the sale of shares in SPOLANA a.s.

The purchase price, in accordance with the share purchase agreement entered into between UNIPETROL, a.s., as 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, 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.

## 33. Significant post balance sheet events

### Implementation of new corporate governance model

From 1 January 2007 UNIPETROL, a.s. will start implementation of a new governance model.

The change of governance is based on three key principles:

- 1) focus on production and focus on sales
- 2) creation of a specialized shared services centre
- 3) simplification of the legal structures

#### Implementation of the new corporate governance model:

As of 1 January 2007, CHEMOPETROL, a.s and UNIPETROL RAFINÉRIE a.s. will be merged into a limited liability company wholly owned by UNIPETROL, a.s.

In connection with implementation of the new corporate governance model relevant corporate bodies of UNIPETROL, a.s. approved:

- (i) the conclusion of the agreements concerning:
  - the transfer of 1 share of UNIPETROL DOPRAVA, a.s. owned by CHEMOPETROL, a.s. to UNIPETROL, a.s.,
  - the transfer of the 1% of ownership interest of CHEMOPETROL, a.s. in POLYMER INSTITUTE BRNO, spol. s r.o. to UNIPETROL, a.s.,
  - the transfer of 1 share of PETROTRANS, a.s. owned by BENZINA a.s. to UNIPETROL, a.s., and
- (ii) the increase in the registered capital of UNIRAF SLOVENSKO s.r.o. by a monetary contribution in the amount of SKK 30,000, which will be fully paid by UNIPETROL, a.s.

#### Finalization of the selling process relating to shares of KAUČUK, a.s.

On 30 January 2007, UNIPETROL, a.s. ("Unipetrol"), as seller, and FIRMA CHEMICKÁ DWORY S.A., with its registered office at ul. Chemików 1, 32-600 Oświęcim, Poland, KRS No.: 38981 ("Dwory"), as purchaser, entered into the Share Purchase Agreement (the "Share Purchase Agreement") for the 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 ("Kaučuk").

The purchase price for 6,236,000 ordinary registered shares of Kaučuk, with a nominal value of CZK 1,000 each, representing in the aggregate 100% of the registered share capital of Kaučuk (the "Shares") amounts to EUR 195,000,000 (the "Purchase Price").

The transaction will occur only after the satisfaction of several conditions precedent by both Unipetrol and Dwory which may take up several months. These conditions include, among others, obtaining of all necessary consents from the relevant antimonopoly authorities to the sale of the Shares to Dwory and the transactions contemplated by the Share Purchase Agreement (including, a formation of a joint-venture between Unipetrol Group and Kaučuk for the purposes of the construction and operation of a new butadiene unit), performance of an environmental audit concerning the land owned by Unipetrol and used by Kaučuk in order to identify any existing environmental conditions, and execution of commercial contracts between Unipetrol Group and Kaučuk on the basis of the already agreed principles which will assure a further smooth operation of Unipetrol Group.

The Share Purchase Agreement provides for a possible adjustment of the Purchase Price resulting, apart from other reasons, from environmental conditions relating to Kaučuk and its operations. The parties agreed to arrange for an environmental audit concerning the land owned by Unipetrol and used by Kaučuk in order to identify all existing environmental conditions. The Purchase Price will be decreased by the amount of all losses incurred by Kaučuk as a result of any claims of any governmental authority or private third party in connection with Kaučuk's environmental conditions, which are specified in the environmental audit or proved by Dwory as being originated prior to the closing of the transaction. In contrast, the Purchase Price will be increased by the amount of all losses incurred by Unipetrol as a result of any claims of any governmental authority or private third party in connection with Kaučuk's environmental conditions that originated after the closing of the transaction. The maximum aggregate amount of the adjustment of the Purchase Price is 10% of the Purchase Price.

As for the monetary fine recently imposed, jointly and severally, on Kaučuk and Unipetrol by the Commission of the European Communities for participating in an alleged cartel aimed at prices fixing and sharing of customers for certain types of synthetic rubber (in the period from 1999 until 2002), the Share Purchase Agreement addresses this issue through an agreed risk-division mechanism. First, both Unipetrol and Kaučuk will use all available legal tools and remedies to defend themselves in appellate proceedings and to eliminate the imposed monetary fine. The current amount of the fine (i.e., EUR 17.55 million) will be split, in accordance with applicable law, between Unipetrol and Kaučuk equally so that each of them will be liable for 50% of the fine, i.e., EUR 8.775 million. If the final and unappealable decision of any relevant authority of the European Communities results in an increase of the fine to be paid by Kaučuk above EUR 8.775 million and, at the same time, Unipetrol receives any amount of the fine hitherto paid by it, the Purchase Price will be increased by the amount equal to the lower of the increase of the fine to be paid by Kaučuk and the payment received by Unipetrol, provided, however, that the maximum potential financial exposure of Unipetrol is, in any case, limited to EUR 5 million.

### The charge of UNIPETROL against the European Commission

On 17 February 2007 KAUČUK, a.s. and UNIPETROL, a.s. lodged legal charges with the European Court of First Instance against the European Commission in respect of the fine of EUR 17.55 million for their involvement in a synthetic rubber cartel. KAUČUK, a.s. and UNIPETROL, a.s. challenge the Commission's decision to the full extent. The evidence presented by the Commission does not indicate that KAUČUK, a.s.'s trade representatives took part in any anti-competitive practices. UNIPETROL, a.s. does not operate on the synthetic rubber market and was not a member of the ESRA. The fact that it is a parent company of KAUČUK, a.s. cannot constitute sufficient grounds for establishing responsibility for cartel practices.

### Changes in statutory bodies

The Extraordinary Shareholders' Meeting of UNIPETROL, a.s., which was held on 5 March 2007, decided on election of Mr. Piotr Kownacki, Mr. Arkadiusz Kotlicki and Mr. Mirosław Jasiński to the Supervisory Board of UNIPETROL, a.s. and decided to recall Mr. Paweł Jasiński from the Supervisory Board of UNIPETROL, a.s.

On 5 March 2007 the Supervisory Board appointed Mr. Piotr Kownacki to the position of the chairman of the Supervisory Board of UNIPETROL, a.s.

## 34. Accounting estimates and judgements

Key sources of estimation uncertainty are as follows:

- fair value of financial investments in AGROBOHEMIE a.s. and Synthesia, a.s. (see note 14);
- valuation of loans to subsidiaries ( see note 16 and 20);

8 March 2007

Signature of statutory representatives

<b>Function:</b>	<b>Chairman of the Board of Directors</b>
<b>Name:</b>	<b>Francois Vleugels</b>

Signature: 

<b>Function:</b>	<b>Vice-chairman of the Board of Directors</b>
<b>Name:</b>	<b>Dariusz Marzec</b>

Signature: 



## Consolidated Financial Statements

### Balance Sheet (consolidated)

prepared in accordance with International Financial Reporting Standards

As at 31 December 2006 (in thousands of Czech crowns)

	Note	31 December 2006	31 December 2005 as restated
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	34,366,580	42,919,439
Investment property	13	–	341,141
Intangible assets	14	1,738,824	1,744,952
Other investments	15	3,710,018	3,786,255
Non-current receivables	16	202,398	130,007
Derivative financial instruments	28	45,045	16,753
Deferred tax asset	17	70,895	51,044
<b>Total non-current assets</b>		<b>40,133,760</b>	<b>48,989,591</b>
<b>Current assets</b>			
Inventories	18	7,884,539	10,825,958
Trade receivables	19	11,176,135	12,324,194
Prepayments and other current assets	20	874,243	579,191
Derivative financial instruments		6,847	7,633
Income tax receivable		173,850	134,772
Cash and cash equivalents	21	4,329,852	3,501,967
Assets classified as held for sale	22	7,327,762	78,334
<b>Total current assets</b>		<b>31,773,228</b>	<b>27,452,049</b>
<b>Total assets</b>		<b>71,906,988</b>	<b>76,441,640</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	23	18,133,476	18,133,476
Statutory reserves	24	1,759,163	1,554,972
Other reserves		(11,848)	(23,620)
Retained earnings		20,695,309	19,323,215
<b>Total equity attributable to equity holders of the Company</b>		<b>40,576,100</b>	<b>38,988,043</b>
<b>Minority interests</b>		<b>584,094</b>	<b>707,587</b>
<b>Total equity</b>		<b>41,160,194</b>	<b>39,695,630</b>

	Note	31 December 2006	31 December 2005 as restated
<b>Non-current liabilities</b>			
Loans and borrowings	25	4,472,547	8,769,489
Deferred tax liability	17	2,627,520	2,847,619
Provisions	26	570,741	811,474
Finance lease liability	27	203,892	279,470
Derivative financial instruments	28	4,583	13,962
Other non-current liabilities	29	220,163	232,543
<b>Total non-current liabilities</b>		<b>8,099,446</b>	<b>12,954,557</b>
<b>Current liabilities</b>			
Trade and other payables and accruals	30	15,860,434	16,995,591
Current portion of loans and borrowings	25	4,048,568	3,465,890
Short-term bank loans	31	374,686	2,795,710
Current portion of finance lease liabilities	27	122,006	128,129
Derivative financial instruments	28	4,766	12,495
Provisions	26	113,041	226,461
Income tax payable		706,131	167,177
Liabilities classified as held for sale	22	1,417,716	–
<b>Total current liabilities</b>		<b>22,647,348</b>	<b>23,791,453</b>
<b>Total liabilities</b>		<b>30,746,794</b>	<b>36,746,010</b>
<b>Total equity and liabilities</b>		<b>71,906,988</b>	<b>76,441,640</b>

## Income Statement (consolidated)

prepared in accordance with International Financial Reporting Standards

For the year ended 31 December 2006 (in thousands of Czech crowns)

	Note	2006	2005 as restated
Revenue	4	94,642,132	80,946,337
Cost of sales	7	(83,956,754)	(70,661,101)
<b>Gross profit</b>		<b>10,685,378</b>	<b>10,285,236</b>
Other income		932,005	954,603
Distribution expenses	7	(3,234,221)	(2,976,608)
Administrative expenses	7	(2,123,477)	(2,085,252)
Other expenses	7	(2,478,034)	(896,205)
<b>Operating profit before finance costs</b>		<b>3,781,651</b>	<b>5,281,774</b>
Finance income	8	521,880	106,580
Finance expenses	8	(1,113,869)	(1,044,129)
<b>Net finance costs</b>		<b>(591,989)</b>	<b>(937,549)</b>
Share of profit of equity accounted investees		–	(40,534)
<b>Profit before tax</b>		<b>3,189,662</b>	<b>4,303,691</b>
Income tax expense	10	(1,496,387)	(893,876)
<b>Profit for the period</b>		<b>1,693,275</b>	<b>3,409,815</b>
<b>Attributable to:</b>			
Equity holders of the Company		1,599,827	3,431,277
Minority interest		93,448	(21,462)
<b>Profit for the period</b>		<b>1,693,275</b>	<b>3,409,815</b>
<b>Basic and diluted earnings per share (in CZK)</b>	<b>11</b>	<b>8.82</b>	<b>18.92</b>

## Statement of Changes in Equity (consolidated)

prepared in accordance with International Financial Reporting Standards

For the year ended 31 December 2006 (in thousands of Czech crowns)

	Note	Share capital	Statutory reserves	Other reserves	Retained earnings	Equity attributable to equity holders of the Company	Minority interest	Total equity
Balance as at 1 January 2005		18,133,476	1,389,867	(43,081)	16,057,348	35,537,610	730,635	36,268,245
Profit for the period					3,428,573	3,428,573	(21,462)	3,407,111
Allocation of profit to reserves			167,353		(167,353)			
Changes in fair value of derivatives				22,940		22,940		22,940
Other			511	(588)	(1,003)	(1,080)	(1,586)	(2,666)
Balance as at 31 December 2005 as previously stated		18,133,476	1,557,731	(20,729)	19,317,565	38,988,043	707,587	39,695,630
Effect of restatements	3		(2,759)	(2,891)	5,650			
Balance as at 1 January 2006 as restated		18,133,476	1,554,972	(23,620)	19,323,215	38,988,043	707,587	39,695,630
Profit for the period					1,599,827	1,599,827	93,448	1,693,275
Allocation of profit to reserves			214,078		(214,078)			
Changes in fair value of derivatives				16,903		16,903		16,903
Deferred tax charged directly to equity				(4,057)		(4,057)		(4,057)
Disposal of subsidiary							(216,941)	(216,941)
Other			(9,887)	(1,074)	(13,655)	(24,616)		(24,616)
Balance as at 31 December 2006		18,133,476	1,759,163	(11,848)	20,695,309	40,576,100	584,094	41,160,194

## Cash Flows Statements (consolidated)

prepared in accordance with International Financial Reporting Standards

Year ended 31 December 2006 (in thousands of Czech crowns)

	2006	2005
<b>Cash flows from operating activities</b>		
Profit for the period	1,693,275	3,428,573
Adjustments for:		
Depreciation and amortisation of the property, plant and equipment and intangible assets	4,045,813	4,226,064
Gain on disposals of property, plant and equipment and intangible assets	(490,995)	(574,462)
(Gain) / loss on disposals of subsidiaries	253,977	(2,211)
Group share of profit of equity accounted investees	–	40,534
Interest expense	566,821	735,799
Dividends income	(10,846)	(4,081)
(Reversal of) impairment losses on financial investments, property, inventory, receivables	(138,051)	154,908
Other non cash transaction	11,071	–
Income tax expense	1,496,387	893,876
Foreign exchange gains	(273,236)	(56,322)
Impairment losses on assets classified as held for sale	1,669,916	–
<b>Operating profit before working capital changes</b>	<b>8,824,132</b>	<b>8,842,678</b>
Change in trade and other receivables, prepayments and other current assets	(545,836)	(2,107,665)
Change in trade and other accounts payable and accruals	532,897	1,657,013
Change in provisions	(76,788)	276,569
Interest paid	(505,851)	(716,314)
Income tax paid	(841,486)	(763,586)
<b>Net cash provided by operating activities</b>	<b>7,387,068</b>	<b>7,188,695</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment and intangible assets	(3,267,600)	(2,822,326)
Decrease of cash relating to disposal of subsidiaries	(70,612)	–
Purchase of financial investments	(3,603)	–
Proceed from disposals of property, plant and equipment and intangible assets	641,004	908,875
Proceed from disposals of subsidiaries	971,544	871
<b>Net cash provided by investing activities</b>	<b>(1,729,267)</b>	<b>(1,912,580)</b>
<b>Cash flows from financing activities</b>		
Change in short-term bank loans	(121,730)	(3,200,861)
Change in loans and borrowings	(4,078,234)	(1,235,258)
Dividends received	10,846	4,081
<b>Net cash provided by financing activities</b>	<b>(4,189,118)</b>	<b>(4,432,038)</b>
<b>Net change in cash</b>	<b>1,468,683</b>	<b>844,077</b>
<b>Cash at beginning of year</b>	<b>3,501,967</b>	<b>2,657,890</b>
<b>Cash and cash equivalents related to assets classified as held for sale</b>	<b>640,798</b>	<b>–</b>
<b>Cash at end of year</b>	<b>4,329,852</b>	<b>3,501,967</b>

## Notes to the Consolidated Financial Statements

prepared in accordance with International Financial Reporting Standards  
Year ended 31 December 2006 (in thousands of CZK)

### 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.

On 28 April 2004, the Government of the Czech Republic decided to sell its share in UNIPETROL, a.s. to POLSKI KONCERN NAFTOWY ORLEN S.A. ("PKN Orlen"). On 20 April 2005 PKN Orlen received notification from the European Commission Directorate General for Competition, informing about approval of the purchase of 62.99% of UNIPETROL, a.s. shares.

PKN Orlen paid the remaining part of the purchase price for 62.99% of UNIPETROL, a.s. shares on 24 May 2005 and became owner of the shares. At the general meeting of UNIPETROL, a.s. held on 8 June 2005 new supervisory board members were elected and on the same day at its first meeting the supervisory board elected a new board of directors. PKN Orlen made an obligatory offer to minority shareholders to acquire their shares during September 2005 and, consequently, the percentage of shares owned by PKN Orlen increased by 0.0014% of share capital of the Company.

The Company is listed and registered on the Prague Stock Exchange.

#### Registered office of the Company

UNIPETROL, a.s.  
Klimentská 10  
110 05 Praha 1  
Czech Republic

#### Principal business of the Company

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, including synthetic rubber, 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 and other services.

#### Ownership structure

The shareholders as at 31 December 2006 are as follows:

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



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.

Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries
<b>Parent company</b>		
UNIPETROL, a.s. Klimentská 10 110 05 Praha 1 Czech Republic		
<b>Consolidated subsidiaries</b>		
CHEMOPETROL, a.s. Litvínov–Žáluží 1 436 70 Litvínov Czech Republic	100.00%	–
KAUČUK, a.s. O. Wichterleho 810 278 52 Kralupy nad Vltavou Czech Republic	100.00%	–
BENZINA a.s. Dělnická 12 170 04 Praha 7 Czech Republic	100.00%	–
PARAMO, a.s. Přerovská 560 530 06 Pardubice Czech Republic	73.52%	–
UNIPETROL TRADE a.s. Klimentská 10 110 05 Praha 1 Czech Republic	100.00%	–
UNIPETROL RAFINÉRIE a.s. Litvínov–Žáluží 436 70 Litvínov Czech Republic	100.00%	–
SPOLANA a.s. (until 13/11/2006) Ul. Práce 657 277 11 Neratovice Czech Republic	81.78%	–

Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries
UNIRAF SLOVENSKO s.r.o. Panónska cesta 7 850 00 Bratislava Slovak Republic	–	100.00%
UNIPETROL – DOPRAVA a.s. Litvinov–Růžodol č.p. 4 436 70 Litvinov Czech Republic	–	100.00%
B.U.T., s.r.o. (until 30/6/2006) Podkrušnohorská 1719 436 06 Litvinov Czech Republic	–	100.00%
HC CHEMOPETROL, a.s. S. K. Neumanna 1598, zimní stadión 436 01 Litvinov Czech Republic	–	70.95%
POLYMER INSTITUT BRNO, spol. s r.o. Tkalcovská 36/2 Brno Czech Republic	–	100.00%
UNIPETROL CHEMICALS IBERICA S.A. C/Travesera de Gracia, 58, 1o2a. 08006 BARCELONA Spain	–	100.00%
CHEMAPOL (SCHWEIZ) AG Leimenstrasse 21 4003 BASEL Switzerland	–	100.00%

Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries
UNIPETROL AUSTRIA GmbH Apfelgasse 2 1040 Vienna Austria	–	100.00%
ALIACHEM VERWALTUNGS GmbH Paul Ehrlich Strasse 1 b 63225 Langen/Hessen Germany	–	100.00%
UNIPETROL DEUTSCHLAND GmbH Paul Ehrlich Str. 1/B 63225 Langen/Hessen Germany	–	100.00%
ALIAPHARM GmbH Niedenau 49 Postfach 170237 D-60325 FRANKFURT/Main Germany	–	100.00%
BENZINA Trade a.s. v likvidaci Dělnická 12 170 04 Praha 7 Czech Republic	–	100.00%
PETROTRANS, a.s. Dělnická 12 170 04 Praha 12 Czech Republic	–	100.00%

**SPOLANA a.s.**

On 27 October 2006 the Company entered into a share purchase agreement with Zakłady Azotowe ANWIL S.A. (a company controlled by PKN Orlen) to sell 81.78% of the shares of SPOLANA, a.s. On 13 November 2006 the shares were transferred to the purchaser and subsequently the purchase price was settled. Net loss from the sale amounts to CZK 334,072 thousand.

**B.U.T., s.r.o.**

On 30 June 2006 the Group sold its 100% share in B.U.T., s.r.o. Net income from the sale amounts to CZK 80,095 thousand.

Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries
<b>Consolidated joint-ventures</b>		
ČESKÁ RAFINÉRSKÁ, a.s. 436 70 Litvínov 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.

The following investments were treated as investments in equity accounted investees until 30 September 2005 when the board of directors of UNIPETROL, a.s. realised that there is no longer a significant influence over AGROBOHEMIE a.s. and Synthesia, a.s. As of 31 December 2006 and 31 December 2005 they are presented as other investments. For further information refer to note 15.

Name and registered office	Ownership interest of the parent company in share capital
Associated companies (until 30 September 2005)	
AGROBOHEMIE a.s. Roháčova 1099/83 130 00 Praha 3 Czech Republic	50.00%
Synthesia, a.s. (formerly ALIACHEM, a.s.) Pardubice č.p. 103 532 17 Pardubice, Semtín Czech Republic	38.79%

## 2. Significant accounting policies

### A Statement of compliance

The 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.

The following documents have not been endorsed by the European Commission as of 31 December 2006 and were not adopted when preparing the financial statements:

- IFRS 8 Operating Segments – Amendment issued in November 2006 and effective 1 January 2009;
- IFRIC 10 Interim Financial Reporting and Impairment;
- IFRIC 11 Group and Treasury Share Transactions;
- IFRIC 12 Service Concession Arrangements.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group accounting periods beginning on or after 1 March 2006 or later periods but which the Group has not early adopted. Relevant items are as follows:

- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1 March 2006). The Interpretation contains guidance on how an entity would restate its financial statements pursuant to IAS 29 in the first year it identifies the existence of hyperinflation in the economy of its functional currency. IFRIC 7 is not relevant to the Group's operations as none of the Group entities have the currency of a hyperinflationary economy as its functional currency.
- IFRIC 8 Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006). The Interpretation clarifies that the accounting standard IFRS 2 Share-based Payment applies to arrangements where an entity makes share-based payments for apparently nil or inadequate consideration. IFRIC 8 is not relevant to the Group's operations.
- IFRIC 9 Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006). The Interpretation requires that a reassessment of whether an embedded derivative should be separated from the underlying host contract should be made only when there are changes in the terms of the contract that significantly modify the cash flows that otherwise would be required under the contract. The Group has not yet completed its analysis of the impact of the new Interpretation.
- IFRIC 10 Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). The Interpretation prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, investments in equity instruments or financial assets carried at cost. The Group does not expect the Interpretation to have any impact on the consolidated financial statements.
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). The Interpretation requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. It also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent, should be accounted for as cash-settled or equity-settled in the entity's financial statements. IFRIC 11 is not relevant to the Group's operations as the Group has not entered into any share-based payments arrangements.
- IFRIC 12 Service Concession Arrangements (effective from 1 January 2008). The Interpretation provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 is not relevant to the Group's operations as none of the Group entities have entered into any service concession arrangements.

## **B Basis of preparation**

The consolidated financial statements of the Company for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred as the "Group") and the Group's interest in equity accounted investees and jointly controlled entities.

The financial statements are presented in thousands of Czech crowns, rounded to the nearest thousand. They 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 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 IFRSs 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.

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 presented in note 42.

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

## **C Group accounting principles and policy**

### *(1) Basis of consolidation*

#### **(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.

#### **(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 gains and losses 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 associate.

#### **(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, revenue 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**

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup 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.

#### **(v) Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is stated after initial recognition at cost less accumulated impairment losses. In respect of Equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

#### **(vi) Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (Negative goodwill)**

Negative goodwill arising on acquisition is recognised directly in profit and loss.

*(2) Revenue recognition**(i) Goods sold and services rendered*

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is

recognised in the income statement 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, associated costs or the possible return of goods. 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 income statement.

*(ii) Rental income*

Rental income from investment property is recognised in the income statement 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.

*(iii) Interest and dividend income*

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.

*(iv) Government grants*

Government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions attaching to it. Grants that compensate the Group for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in the income statement as other operating income on a systematic basis over the useful life of the asset.

*(3) Foreign currency**(i) Foreign currency translation*

Foreign currency transactions are translated to Czech crowns at the Czech National Bank official exchange rate prevailing on the day of the transaction. Monetary assets and liabilities denominated in a foreign currency are retranslated at the Czech National Bank official exchange rates as at the balance sheet date. Exchange differences arising on translation are included in revenues and expenses. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Czech crowns at the foreign exchange rate prevailing at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Czech crowns at foreign exchange rates ruling at the dates the fair value was determined.

*(ii) Financial statements of foreign operations*

Assets and liabilities of foreign operations are translated to Czech crowns at foreign exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period that approximate the actual exchange rates at the date of transaction. Exchange differences arising, if any, are classified as equity and transferred to the Group's reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.



*(4) Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

*(5) Taxation*

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement 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 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.

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 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 income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is recognised in equity.

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.

*(6) Property, plant and equipment**(i) Owned assets*

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (refer to accounting policy 10). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

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, on the following bases:

Buildings	25–80 years
Plant and equipment	3–30 years
Tools and machinery	2–50 years
Fixtures and fittings	2–20 years
Vehicles	4–17 years
Catalysts and items from precious metals	1–15 years
Other tangible fixed assets	4–30 years

Assets under development represent plant and properties under construction and are stated at cost. This includes cost of construction, plant and equipment and other direct costs. Assets under development are not depreciated until the relevant assets are ready for their intended use.

Items of property, plant and equipment costing less than CZK 40 thousand are charged to the profit and loss account in the period in which they are ready for their intended use. 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 income statement 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 is 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 income statement 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 income statement as an expense as incurred.

#### (7) 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.

*(8) Intangible assets*

Intangible assets with an acquisition cost of less than CZK 60 thousand are expensed in the period in which they are ready for their intended use.

*(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 income statement 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. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Development costs that have been capitalised are amortised on a straight-line basis over the period of their expected benefit, not exceeding five years.

*(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 will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff 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, but not exceeding 20 years, 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 income statement as an expense as incurred.

*(iv) Subsequent expenditure*

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

*(9) Carbon dioxide emission allowances*

Emissions allowances received by the Group are recognised initially as intangible assets. These assets are written off to the income statement in accordance with actual emissions. The allowances are received from a government for free. The resulting government grant is recognised at fair value. The grant then is recognised as deferred income and recognised in the income statement on a systematic basis over the compliance period. Allowances are presented net of the deferred government grant. If the actual emissions are lower than emission allowances received for the compliance period, the excessive emission allowances are reported as assets held for sale net of the deferred government grant.

*(10) Impairment*

The carrying amounts of the Group's assets, other than inventories (refer to accounting policy 11) and deferred tax assets (refer to accounting policy 5), 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, 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 income statement.

*(i) Calculation of recoverable amount*

The recoverable amount of the Group's investments in held-to-maturity securities and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

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.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

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.

*(11) 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.

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

*(12) Trade and other receivables*

Trade and other receivables are stated at their cost less impairment losses.

*(13) 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.

*(14) Investments in debt and equity securities*

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement.

Where the Group has the positive intent and ability to hold government bonds to maturity, they are stated at amortised cost less impairment losses (see accounting policy 10).

Other financial instruments held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in profit or loss.

The fair value of financial instruments classified as held for trading and available-for-sale is their quoted bid price at the balance sheet date.

Financial instruments classified as held for trading or available-for-sale investments are recognised / derecognised by the Group on the date it commits to purchase / sell the investments. Securities held-to-maturity are recognised / derecognised on the day they are transferred to / by the Group.

*(15) Bank borrowings and other interest bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

The assets pledged to secure banking facilities to the Group are presented in the notes to the financial statements and summarised by categories of assets.

*(16) Trade payables*

Trade payables are stated at amortised cost.

*(17) Derivative financial instruments, hedging*

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy hedging).

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

## Hedging

### (i) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e., when interest income or expense is recognised). For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

### (ii) Hedge of monetary assets and liabilities

Where a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.

### (iii) Hedge of net investment in foreign operation

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity. The ineffective portion is recognised immediately in profit or loss.

## (18) Provisions

Provisions are recognised when the Group has a present obligation 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 announced publicly. 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.

*(19) 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 income statement in the same period as the related salary cost. The Group has no pension or post-retirement commitments.

*(20) 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.

*(21) 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. 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, employee benefit 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.

*(22) 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 income statement is restated as if the operation had been discontinued from the start of the comparative period.

### 3. Correction of prior period errors

#### Classifications in the financial statements

In order to be consistent with the classification principles of the Group, certain items were reclassified in the financial statements of subsidiaries. The 2005 figures presented in the consolidated financial statements were restated to conform to the Group classifications.

The following table summarizes corrections of prior period errors and their impact on the balance sheet as at 31 December 2005:

	31/12/2005 as previously stated	Catalysts	Accrual for untaken holiday	Other reclassifications	31/12/2005 as restated
<b>ASSETS</b>					
Property, plant and equipment	42,821,159	98,280	–	–	42,919,439
Prepayments and other current assets	677,471	(98,280)	–	–	579,191
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Statutory reserves	1,557,731	–	–	(2,759)	1,554,972
Fair value and other reserves	(20,729)	–	–	(2,891)	(23,620)
Retained earnings	19,317,565	–	–	5,650	19,323,215
Provisions	827,441	–	(15,967)	–	811,474
Trade payables and accruals	16,965,499	–	15,967	14,125	16,995,591
Income tax payable	181,302	–	–	(14,125)	167,177

The following table summarizes corrections of prior period errors and their impact on the income statement for the year ended 31 December 2005:

	31/12/2005 as previously stated	Reclassifications	31/12/2005 as restated
<b>INCOME STATEMENT</b>			
Cost of sales	(70,645,169)	(15,932)	(70,661,101)
Other operating income	966,303	(11,700)	954,603
Distribution expenses	(2,766,857)	(209,751)	(2,976,608)
Administrative expenses	(2,244,747)	159,495	(2,085,252)
Other operating expenses	(976,798)	80,593	(896,205)
Financial income	109,419	(2,839)	106,580
Finance expenses	(1,046,968)	2,839	(1,044,129)
Profit for the period	3,407,111	2,704	3,409,815

#### 4. Revenue

	2006	2005
<b>Gross proceeds from sale of own products and merchandise</b>		
Domestic	67,513,780	61,886,779
Export	43,648,860	33,803,824
<b>Total gross proceeds from sale of own products and merchandise</b>	<b>111,162,640</b>	<b>95,690,603</b>
Less: excise tax	21,204,160	19,508,980
<b>Total net revenue from sale of own products and merchandise</b>	<b>89,958,480</b>	<b>76,181,623</b>
<b>Revenue from services</b>		
Domestic	4,209,337	4,289,235
Export	474,315	475,479
<b>Total revenue from services</b>	<b>4,683,652</b>	<b>4,764,714</b>
<b>Total revenue</b>	<b>94,642,132</b>	<b>80,946,337</b>

#### 5. Business segments

Year ended 31 December 2006	Refinery production	Retail	Chemical production	Other	Eliminations	Total
<b>Revenues</b>						
Total external revenues	45,219,301	7,545,273	41,107,861	769,697	–	94,642,132
Intersegment revenues	33,250,923	112,824	14,861,893	1,587,862	(49,813,502)	–
Total segment revenue	78,470,224	7,658,097	55,969,754	2,357,559	(49,813,502)	94,642,132
<b>Result from operating activities</b>	<b>1,142,884</b>	<b>373,271</b>	<b>4,759,061</b>	<b>(752,104)</b>	<b>(1,741,461)</b>	<b>3,781,651</b>
Net finance costs						(591,989)
<b>Profit before tax</b>						<b>3,189,662</b>
Income tax expense						(1,496,387)
<b>Profit for the period</b>						<b>1,693,275</b>

Year ended 31 December 2005	Refinery production	Retail	Chemical production	Other	Eliminations	Total
<b>Revenues</b>						
Total external revenues	35,596,470	6,035,874	38,777,513	536,480	–	80,946,337
Intersegment revenues	42,156,710	148,325	13,026,050	1,677,079	(57,008,164)	–
Total segment revenue	77,753,180	6,184,199	51,803,563	2,213,559	(57,008,164)	80,946,337
<b>Result from operating activities</b>	<b>1,113,611</b>	<b>(41,538)</b>	<b>4,592,750</b>	<b>(468,110)</b>	<b>85,061</b>	<b>5,281,774</b>
Net finance costs						(937,549)
Share of profit of equity accounted investees						(40,534)
<b>Profit before tax</b>						<b>4,303,691</b>
Income tax expense						(893,876)
<b>Profit for the period</b>						<b>3,409,815</b>

Balance sheet 31 December 2006	Refinery production	Retail production	Chemical production	Other	Eliminations	Consolidated
Segment assets	24,717,260	6,390,234	35,244,999	5,554,495	–	71,906,988
<b>Total assets</b>	<b>24,717,260</b>	<b>6,390,234</b>	<b>35,244,999</b>	<b>5,554,495</b>	<b>–</b>	<b>71,906,988</b>
Segment liabilities	13,779,768	689,270	11,057,791	5,219,965	–	30,746,794
<b>Total liabilities</b>	<b>13,779,768</b>	<b>689,270</b>	<b>11,057,791</b>	<b>5,219,965</b>	<b>–</b>	<b>30,746,794</b>

Balance sheet 31 December 2005	Refinery production	Retail production	Chemical production	Other	Eliminations	Consolidated
<b>Assets</b>						
Segment assets	24,109,087	7,383,667	34,392,376	6,013,216	–	71,898,346
Investments in equity accounted investees	–	–	3,786,225	–	–	3,786,225
Unallocated corporate assets	–	–	757,069	–	–	757,069
<b>Total</b>	<b>24,109,087</b>	<b>7,383,667</b>	<b>38,935,670</b>	<b>6,013,216</b>	<b>–</b>	<b>76,441,640</b>
Segment liabilities	14,680,703	2,064,466	13,248,914	6,751,927	–	36,746,010
<b>Total</b>	<b>14,680,703</b>	<b>2,064,466</b>	<b>13,248,914</b>	<b>6,751,927</b>	<b>–</b>	<b>36,746,010</b>

Other information 31 December 2006	Refinery	Retail	Chemical	Other	Eliminations	Consolidated
Depreciation	(775,711)	(313,451)	(2,618,907)	(144,235)	–	(3,852,304)
Amortisation of intangible assets	(60,136)	(20,570)	(112,354)	(448)	–	(193,508)
Impairment losses on intangible assets and PPE	10,473	(48,663)	88,004	4,712	–	54,526

## 6. Geographical segments

### Secondary reporting format – geographical segments

	Revenues		Total assets		Capital expenditure	
	2006	2005	2006	2005	2006	2005
Czech Republic	53,571,607	46,667,034	70,493,512	75,370,973	3,528,821	1,994,518
Other European countries	40,742,193	33,796,166	1,413,476	1,070,667	–	–
Other countries	328,332	483,137	–	–	–	–
<b>Total assets</b>	<b>94,642,132</b>	<b>80,946,337</b>	<b>71,906,988</b>	<b>76,441,640</b>	<b>3,528,821</b>	<b>1,994,518</b>

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. There are no sales between the geographical segments. Total assets and capital expenditure are based on location of the assets. Capital expenditure comprises expenditures relating to additions to property, plant and equipment (Note 12) and intangible assets (Note 14).

## 7. Analysis of expenses according to their nature

2006	Cost of sales	Distribution costs	Administrative expenses	Other operating income / (expenses)	Total
Materials consumed	(71,457,741)	(336,148)	(56,448)	(6,276)	(71,856,613)
Energy	(1,631,113)	(989)	(8,838)	-	(1,640,940)
Repairs and maintenance	(1,800,335)	(38,994)	(30,033)	-	(1,869,362)
Other services	(3,020,422)	(2,145,338)	(844,935)	-	(6,010,695)
Personnel expenses	(2,213,519)	(282,470)	(887,055)	-	(3,383,044)
Depreciation					
- owned assets	(3,236,104)	(345,010)	(119,755)	-	(3,700,869)
- leased assets	(114,194)	(34,306)	(2,935)	-	(151,435)
Amortization					
- software	(51,547)	(20,653)	(13,551)	-	(85,751)
- other intangible assets	(98,423)	(81)	(9,254)	-	(107,758)
Impairment of PPE recognised / (released)	10,473	-	51,694	(7,873)	54,294
Inventory write-down recognised / (released)	2,667	-	(2,269)	47,248	47,646
Impairment to trade receivables recognised / (released)	-	-	(18,177)	6,737	(11,440)
Research expenditures	(21,354)	-	-	-	(21,354)
Investment property expense	(4,411)	-	-	-	(4,411)
Operating lease rentals	(29,193)	-	(17,160)	-	(46,353)
Profit / (loss) on disposal of PPE	-	-	-	490,995	490,995
Addition / (utilization, release) to provisions	15,933	-	(15,401)	62,923	63,455
Insurance	(194,513)	(4,229)	(75,052)	(128,273)	(402,067)
Write off of receivables	(772)	-	(16)	(39,164)	(39,952)
Impairment of assets qualified as held for sale	-	-	-	(1,669,916)	(1,669,916)
Other expenses	(162,793)	(21,051)	(44,157)	(616,435)	(844,436)
Other income	50,607	(4,952)	(30,135)	314,005	329,525
<b>Total operating expenses</b>	<b>(83,956,754)</b>	<b>(3,234,221)</b>	<b>(2,123,477)</b>	<b>(1,546,029)</b>	<b>(90,860,481)</b>
Revenue					94,642,132
<b>Operating profit before finance costs</b>					<b>3,781,651</b>

2005	Cost of sales	Distribution costs	Administrative expenses	Other operating income / (expenses)	Total
Materials consumed	(57,988,560)	(70,470)	(51,128)	-	(58,110,158)
Energy	(1,580,799)	(952)	(8,264)	-	(1,590,015)
Repairs and maintenance	(1,934,084)	(31,034)	(24,426)	-	(1,989,544)
Other services	(3,100,776)	(2,102,472)	(848,665)	-	(6,051,913)
Personnel expenses	(2,153,019)	(260,433)	(828,263)	-	(3,241,715)
Depreciation					
- owned assets	(3,205,364)	(375,357)	(136,861)	-	(3,717,582)
- leased assets	(141,532)	(27,793)	(4,842)	-	(174,167)
Amortization					
- software	(16,832)	(23,016)	(4,929)	-	(44,777)
- other intangible assets	(156,456)	(2,012)	(12,346)	-	(170,814)
Impairment of PPE recognised / (released)	25,668	-	76,471	(253,214)	(151,075)
Inventory write-down recognised / (released)	(40,321)	-	(878)	(106,833)	(148,032)
Impairment to trade receivables recognised / (released)	186,946	-	7,692	32,135	226,773
Research expenditures	(21,162)	-	-	-	(21,162)
Investment property expense	(5,239)	-	-	-	(5,239)
Operating lease rentals	(26,812)	-	(12,900)	-	(39,712)
Profit / (loss) on disposal of PPE	-	-	-	61,062	61,062
Addition / (utilization, release) to provisions	15,365	-	527	(229,558)	(213,666)
Insurance	(213,619)	(4,582)	(108,206)	(35,825)	(362,232)
Write off of receivables	(183,530)	-	(2,152)	(57,519)	(243,201)
Other expenses	(199,550)	(78,487)	(126,082)	(105,513)	(509,632)
Other income	78,576	-	-	753,662	832,238
<b>Total operating expenses</b>	<b>(70,661,100)</b>	<b>(2,976,608)</b>	<b>(2,085,252)</b>	<b>58,397</b>	<b>(75,664,563)</b>
Revenue					80,946,337
<b>Operating profit before finance costs</b>					<b>5,281,774</b>



## 8. Net finance costs

	2006	2005
Finance income:		
Interest income	145,523	74,203
Dividend income	10,846	4,204
Net foreign exchange gains	273,236	-
Reversal of impairment of held-to-maturity securities	47,551	-
Fair value gains on derivatives	37,157	28,173
Other finance income	7,567	-
<b>Total finance income</b>	<b>521,880</b>	<b>106,580</b>
Finance expenses:		
Interest expense:		
- bank loans and borrowings	(714,586)	(790,813)
- finance leases	(16,148)	(21,872)
Total borrowings costs	(730,734)	(812,685)
Less: amounts included in the cost of qualifying assets	18,390	6,764
Borrowing costs recognized in the income statement	(712,344)	(805,921)
Net foreign exchange losses	-	(162,245)
Impairment of held-to-maturity securities	-	(37,981)
Net loss from disposal of subsidiaries	(253,977)	-
Other finance expenses	(147,548)	(37,982)
<b>Total finance expenses</b>	<b>(1,113,869)</b>	<b>(1,044,129)</b>
<b>Net finance costs</b>	<b>(591,989)</b>	<b>(937,549)</b>

## 9. Personnel expenses

Remuneration of directors and executives within the Group is as follows:

	Supervisory board members		Boards of directors members	
	2006	2005	2006	2005
Cash benefits	15,965	13,507	28,147	26,217
Non-cash benefits	1,162	819	1,102	2,254
<b>Total</b>	<b>17,127</b>	<b>14,326</b>	<b>29,249</b>	<b>28,471</b>

The number of employees and managers and staff costs for 2006 and 2005 are as follows:

2006	Number of employees	Wages and salaries	Social and health insurance	Expenses related to benefit plans	Social expense
Employees	6,867	2,284,084	781,905	4,999	64,822
Management – Boards of directors	51	161,718	39,580	117	1,706
<b>Total</b>	<b>6,918</b>	<b>2,445,802</b>	<b>821,485</b>	<b>5,116</b>	<b>66,528</b>

2005	Number of employees	Wages and salaries	Social and health insurance	Expenses related to benefit plans	Social expense
Employees	6,820	2,207,138	756,397	4,914	53,655
Management – Boards of directors	59	164,394	45,855	102	1,595
<b>Total</b>	<b>6,879</b>	<b>2,371,532</b>	<b>802,252</b>	<b>5,016</b>	<b>55,250</b>

Management include selected members of top management that are also members of the board of directors.

## 10. Income tax expense

	2006	2005
Current tax – domestic	(1,329,027)	(301,339)
Current tax – foreign	(3,928)	(25,063)
Deferred tax	(163,432)	(567,474)
<b>Income tax expense</b>	<b>(1,496,387)</b>	<b>(893,876)</b>

Domestic income tax is calculated in accordance with Czech tax regulations at the rate of 24% in 2006 (2005: 26%) of the estimated taxable income for the year. Taxation for other jurisdictions is calculated at the rates in the respective jurisdictions.

Reconciliation between the income tax expense and accounting profit is as follows:

	2006	2006	2005	2005
Profit for the period	-	1,693,275	-	3,409,815
Total income tax expense	-	1,496,387	-	893,876
Profit excluding income tax	-	3,189,662	-	4,303,691
Income tax using domestic income tax rate	24.00%	765,519	26.00%	1,118,960
Effect of tax rates in foreign jurisdictions	0.43%	13,816	(0.03%)	(1,437)
Non-deductible expenses	23.67%	754,897	5.58%	240,240
Tax exempt income	(1.86%)	(59,386)	(1.45%)	(62,566)
Tax incentives	(3.71%)	(118,475)	(11.39%)	(490,238)
Recognition of previously unrecognised tax losses	(6.60%)	(210,613)	(2.25%)	(96,755)
Current year losses for which no deferred tax asset was recognised	0.06%	2,058	0.00%	40
Change in unrecognised temporary differences	0.75%	23,772	4.25%	183,052
Under (over) provided in prior periods	10.18%	324,799	0.06%	2,580
<b>Total income tax expense</b>	<b>46.91%</b>	<b>1,496,387</b>	<b>20.77%</b>	<b>893,876</b>

The Group obtained investment incentives for acquisition of production equipment in the form of income tax relief that could have been claimed during 2001 to 2005. However in 2006 the Group received an updated interpretation of the respective tax legislation based on which it is not certain whether or not the conditions for the utilization of tax incentives would be considered as being met and whether the Group would be allowed to utilize tax incentives. Consequently, the Group decided not to utilize the incentives in the 2005 tax return filed on 2 October 2006. The charge for 2006 at the amount of CZK 324,799 thousand represents additionally filed and paid income tax for 2005. The Group is performing all necessary steps to claim back this income tax.

## 11. Earnings per share

### Basic earnings per share

	2006	2005
Profit for the period attributable to equity holders	1,599,827	3,431,277
Weighted average number of shares	181,334,764	181,334,764
Earnings per share (in CZK)	8.82	18.92

### Diluted earnings per share

Diluted earnings per share are the same as basic earnings per share.

## 12. Property, plant and equipment

	Land and buildings	Machinery and equipment	Other	Assets under development	Total
<b>Cost</b>					
Balance as at 1/1/05	28,892,296	50,870,107	480,012	693,297	80,935,712
Additions	478,652	1,197,367	13,649	1,310,442	3,000,110
Disposals	(499,686)	(1,206,144)	(159,983)	(31,839)	(1,897,652)
Reclassifications	82,995	277,162	2,973	(363,130)	-
Restatement	(51,361)	170,168	39,232	-	158,039
Balance as at 31/12/05	28,902,896	51,308,660	375,884	1,608,770	82,196,210
Additions	242,219	1,350,301	26,711	1,524,820	3,144,051
Disposals	(470,210)	(1,406,557)	(44,385)	(147,308)	(2,068,460)
Reclassifications	487,281	213,102	(152,993)	(581,020)	(33,630)
Transfer to assets held for sale	(2,665,775)	(7,392,131)	(1,211)	(84,646)	(10,143,763)
Disposal of subsidiary	(3,885,336)	(9,597,576)	(7,948)	(101,604)	(13,592,464)
Balance as at 31/12/06	22,611,075	34,475,799	196,058	2,219,012	59,501,944
<b>Depreciation</b>					
Balance as at 1/1/05	8,942,814	26,472,061	280,687	-	35,695,562
Depreciation for the year	888,710	3,024,993	30,743	-	3,944,446
Disposals	(278,014)	(1,113,532)	(172,798)	-	(1,564,344)
Reclassifications	(875)	(3,407)	3,816	466	-
Restatement	(104,371)	(57,853)	25,644	(466)	(137,046)
Balance as at 31/12/05	9,448,2645	28,322,262	168,092	-	37,938,618
Charge for the year	850,540	2,998,925	37,548	-	3,887,013
Disposals	(284,740)	(1,372,289)	(30,856)	466	(1,687,419)
Reclassifications	(40,478)	92,684	(73,090)	(466)	(21,350)
Transfer to assets held for sale	(721,147)	(4,197,407)	-	-	(4,918,554)
Disposal of subsidiary	(2,400,919)	(8,307,214)	(6,427)	-	(10,714,560)
Balance as at 31/12/06	6,851,520	17,536,961	95,267	-	24,483,748
<b>Impairment</b>					
Balance as at 1/1/05	772,524	213,019	-	7,856	993,399
Restatement	53,011	143,328	-	466	196,805
Balance as at 31/12/05	917,917	393,429	-	26,806	1,338,152
Impairment losses	130,237	33,506	-	2,262	166,005
Reversal of impairment losses	(216,060)	(101,969)	-	(1,968)	(319,997)
Transfer to assets held for sale	(46,356)	(938)	-	(2,419)	(49,713)
Disposal of subsidiary	(435,591)	(47,240)	-	-	(482,831)
Balance as at 31/12/06	350,147	276,788	-	24,681	651,616
Carrying amount as at 1/1/05	19,176,958	24,185,027	199,325	685,441	44,246,751
Carrying amount as at 31/12/05	18,536,715	22,592,696	207,791	1,581,964	42,919,439
Carrying amount as at 31/12/06	15,409,408	16,662,050	100,791	2,194,331	34,366,580

Property, plant and equipment include production technologies of CZK 753,807 thousand and vehicles of CZK 255,824 thousand and office equipment CZK 1,806 thousand held under finance leases as of 31 December 2006. The carrying amounts of property, plant and equipment held under finance leases as of 31 December 2005 was CZK 1,268,126 thousand. Most of the leased assets are purchased for a residual amount at the end of the lease period. Total capitalised borrowing costs in 2006 amounted to CZK 18,390 thousand (2005: CZK 6,764 thousand).

**Pledged assets**

The Group's gas stations, buildings, machinery and land are pledged to secure bank borrowings of the Group.

Bank – lender	Asset pledged	Acquisition cost of pledged assets	Outstanding amount of loan secured
ČSOB	Buildings, land	1,625,870	383,338
PKN Orlen	Buildings, machines, land	406,774	269,462
BANCO SABADEL	Building	5,444	6,599
UBS AG Basel	Buildings, land	23,254	-
<b>Total as of 31/12/06</b>		<b>2,061,342</b>	<b>659,399</b>

Bank – lender	Asset pledged	Acquisition cost of pledged assets	Outstanding amount of loan secured
PKN Orlen	Gas stations	4,127,778	942,344
PKN Orlen	Buildings	1,658,231	1,042,628
PKN Orlen	Buildings, machinery, land	406,774	168,938
ČSOB, a.s.	Buildings, land	870,620	345,747
Raiffeisen banka a.s.	Buildings, machinery, land	406,774	168,938
Raiffeisen banka a.s.	Buildings, machinery, land	652,865	286,293
BANCO SABADEL	Buildings, machinery, land	5,743	7,396
UBS AG Basel	Buildings, machinery, land	25,351	10,260
<b>Total as of 31/12/05</b>		<b>8,154,136</b>	<b>2,972,544</b>

**13. Investment property**

Investment property is composed of the following two groups of assets:

**(i) Apartments**

As of the balance sheet date, the fair value (estimated net recoverable value) of the property is established by reference to the regional market value. Carrying amounts approximate fair values.

**(ii) Commercial buildings leased to businesses outside the Group**

In establishing the fair value as of the balance sheet date, the Group used the discounted cash flow method over the horizon of the next 15 years. Carrying amounts approximate fair values.

	Investment property
<b>Acquisition cost</b>	
Balance as at 31/12/05	596,002
Additions	564
Disposals	(596,566)
Balance as at 31/12/06	-
<b>Accumulated depreciation and impairment losses</b>	
Balance as at 31/12/05	254,861
Additions	4,575
Disposals	(259,436)
Balance as at 31/12/06	-
<b>Carrying amount 31/12/05</b>	<b>341,141</b>
<b>Carrying amount 31/12/06</b>	<b>-</b>

Operating costs relating to investment property were as follows:

	2006	2005
Apartments	5,207	19,957
Commercial buildings	12,218	10,957
<b>Total</b>	<b>17,425</b>	<b>30,914</b>

Rental income was as follows:

	2006	2005
Apartments	16,860	29,673
Commercial buildings	67,159	68,295
<b>Total</b>	<b>84,019</b>	<b>97,968</b>



## 14. Intangible assets

	Software	Other intangible assets	Assets under development	Total
<b>Cost</b>				
Balance as at 1/1/05	732,316	2,122,923	64,531	2,919,770
Additions	42,620	116,600	11,566	170,786
Disposals	(20,370)	(7,704)	–	(28,074)
Balance as at 31/12/05	754,566	2,231,819	76,097	3,062,482
Additions	38,940	87,735	100,055	226,730
Disposals	(16,671)	(66,782)	(41,541)	(124,994)
Reclassifications	19,104	6,202	(14,014)	11,292
Transfer to assets held for sale	(16,892)	–	(4,544)	(21,436)
Disposal of subsidiary	(20,942)	(133,286)	–	(154,228)
Balance as at 31/12/06	758,105	2,125,688	116,053	2,999,846
<b>Amortization</b>				
Balance as at 1/1/05	561,732	508,024	–	1,069,756
Amortisation for the year	100,077	169,927	–	270,004
Disposals	(20,337)	(2,840)	–	(23,177)
Balance as at 31/12/05	641,472	675,111	–	1,316,583
Charge for the year	72,469	121,396	–	193,865
Disposals	(16,382)	(70,268)	–	(86,650)
Reclassifications	–	–	–	–
Transfer to assets held for sale	(13,846)	–	–	(13,846)
Disposal of subsidiary	(20,309)	(132,274)	–	(152,583)
Balance as at 31/12/06	663,404	593,965	–	1,257,369
<b>Impairment</b>				
Balance as at 1/1/05	–	935	–	935
Balance as at 31/12/05	–	947	–	947
Impairment losses	–	–	3,500	3,500
Reversal of impairment losses	–	(546)	–	(546)
Disposal of subsidiary	–	(248)	–	(248)
Balance as at 31/12/06	–	153	3,500	3,653
Carrying amount as at 1/1/05	170,584	1,613,964	64,531	1,849,079
Carrying amount as at 31/12/05	113,094	1,555,761	76,097	1,744,952
Carrying amount as at 31/12/06	94,701	1,531,570	112,553	1,738,824

## 15. Other investments

	31/12/2006	31/12/2005
Investments in AGROBOHEMIE a.s. and Synthesia, a.s.	3,653,948	3,653,948
Other equity investments	56,070	132,307
<b>Total other investments</b>	<b>3,710,018</b>	<b>3,786,255</b>

Investments in AGROBOHEMIE a.s. and Synthesia, a.s. were treated as equity accounted investees until 30 September 2005 when the board of directors of UNIPETROL, a.s. realised that there is no longer a significant influence over AGROBOHEMIE a.s. and Synthesia, a.s.

Carrying amount before derecognition of negative goodwill at 1 January 2005	2,380,567
Derecognition of negative goodwill	1,313,915
Share in losses of equity accounted investees 1-9/2005	(40,534)
<b>Carrying amount of investments in equity accounted investees at 30 September 2005</b>	<b>3,653,948</b>

Effective from 1 October 2005 when these equity accounted investees became financial investments, the deemed cost of these investments is the Group's retained interest in the carrying amount of the net assets of AGROBOHEMIE a.s. and Synthesia, a.s. at the date of change in status of the investment.

Other equity investments represent ownership interests in companies that do not have a quoted market price and whose fair value cannot be reliably measured and therefore are carried at acquisition cost.

### Potential impact on the carrying amount of shares of AGROBOHEMIE a.s. and Synthesia, a.s.

In August/September 2005 UNIPETROL, a.s. received letters from DEZA, a.s. requesting to enter into share purchase agreements related to the shares of AGROBOHEMIE a.s. and Synthesia, a.s. Each of the companies UNIPETROL, a.s. and DEZA, a.s. are owners of 50% shares of AGROBOHEMIE a.s. In Synthesia, a.s., AGROBOHEMIE a.s. owns 55.01%, UNIPETROL, a.s. 38.79% and DEZA, a.s. 4.67%. The remaining 1.53% of shares is owned by minority shareholders.

These letters referred to agreements on future share purchase agreements signed between UNIPETROL, a.s. and DEZA, a.s. which regard shares of AGROBOHEMIE a.s. (date of signing 12 October 2000) and Synthesia, a.s. (date of signing 15 August 2001).

Having thoroughly analysed the signed documents and the received letters, the Board of Directors of UNIPETROL, a.s. concluded that, apart from deviating from standard market practices and prudent business behaviour, the above mentioned agreements suffer by serious legal defects which are likely to make these agreements invalid. Consequently, the Board of Directors of UNIPETROL, a.s. proposed to DEZA, a.s. to modify the agreements so that the risk of their invalidity can be safely excluded. By means of correspondence and direct meetings, UNIPETROL, a.s. tried pro-actively to convince DEZA, a.s. that the agreements are modified accordingly.

Despite these efforts, DEZA, a.s. had rejected proposals of the Board of Directors of UNIPETROL, a.s., and on 26 January 2006, it filed to the court its claim for contractual penalties against UNIPETROL, a.s. based on the argument that UNIPETROL, a.s. breached its obligation to sign the share transfer agreements. DEZA, a.s. calculates the penalties on the basis of the above mentioned agreements in the amount of CZK 1.5 mil per day. On 22 August 2006, DEZA, a.s. filed to the court its claim for (i) performance under the share transfer agreements, and (ii) damages, both based on the same argument as its aforementioned claim for contractual penalties, namely that UNIPETROL, a.s. breached its obligation to sign the share transfer agreements.

Over the course of the second half of 2006, UNIPETROL, a.s. and DEZA, a.s. have commenced, and continued in, a mutual negotiation with respect to a potential out-of-court settlement of the above mentioned dispute. As of today, these negotiations have not been concluded and no agreement has been reached between UNIPETROL, a.s. and DEZA, a.s. on any of the outstanding issues relating to the on-going dispute. Although UNIPETROL, a.s. remains fully committed to its good faith acting to reach a mutually acceptable out-of-court settlement with DEZA, a.s., it is very difficult to estimate the likelihood of any such settlement being ultimately reached.

In the absence of an out-of-court settlement between UNIPETROL, a.s. and DEZA, a.s., it can be assumed that the pending court proceedings will continue. It is very difficult to estimate the time period within which the court may arrive at the final and unappealable decision regarding the invalidity of the agreements or payment (if any) of the contractual penalties and or damages (if any) claimed by DEZA, a.s. Court proceedings in the Czech Republic would normally last a number of years, depending on various circumstances.

In addition, UNIPETROL, a.s. has currently no access to any commercial information relating to the future development of both AGROBOHEMIE a.s. and Synthesia, a.s. It is also unable to manage, control or influence the operational and financial situation of both companies with the result that these companies are controlled by DEZA, a.s. In these circumstances, and given the existence of the court disputes with DEZA, a.s. UNIPETROL, a.s.' ability to sell its shares in both companies to a third party investor is very limited.

The above stated circumstances can have a significant negative impact on the value of UNIPETROL a.s.' shares in AGROBOHEMIE a.s. and Synthesia, a.s. However, having in mind the two facts: i) uncertainty about future result of the court proceedings and ii) difficulties with determination of fair value of these shares, no impairment charge has been established in respect of these shares and no provision for penalties/damages has been established. The Board of Directors of UNIPETROL, a.s. believes, however, that given the above circumstances, the fair value of UNIPETROL, a.s. shareholdings in both companies is likely to be lower than their carrying amount presented in the consolidated financial statements of UNIPETROL, a.s.

## 16. Non-current receivables

The Group has a long-term receivable relating to sale of property amounting to CZK 36,400 thousand as of 31 December 2006 (31 December 2005: CZK 36,400 thousand). In 2005 the instalments planned for 2006 and 2007 were repaid. The remaining balance is due in 2008 to 2015. The outstanding balance bears interest of 1.4%.

The Group has provided a loan to ČESKÁ RAFINÉRSKÁ, a.s. in the amount of CZK 338,158 thousands for reconstruction of a production unit. Part of this receivables in amount of CZK 172,460 thousands was eliminated as an intragroup transaction. The loan is due in 2016 and bears interest of 1M PRIBOR increased by the agreed mark up.

Receivables due in	31/12/2006	31/12/2005
2007	–	9,461
2008	4,850	700
2009	4,550	1,722
2010	4,550	17,410
2011	4,550	–
2012	4,550	62,814
2013	4,550	1,500
2014	4,550	–
2015	4,550	36,400
2016	165,698	–
<b>Total</b>	<b>202,398</b>	<b>130,007</b>

The management consider that the carrying amount of receivables approximates their fair value.

## 17. Deferred tax

Deferred income taxes result from future tax benefits and expenses 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. 24% in 2005 and in 2006).

The movement for the year in the Group's net deferred tax position was follows:

	2006
<b>At 1 January</b>	<b>(2,796,575)</b>
Income statement charge	(163,432)
Tax charged to equity	(4,057)
Transfer to assets qualified as held for sale	407,439
<b>At 31 December</b>	<b>(2,556,625)</b>

The movement in deferred tax assets and liabilities (prior to offsetting balances within the same tax jurisdiction) recognised by the Group during the period is as follows:

Deferred tax liabilities	At 1/1/2006	Charged/ (credited) to income statement	Charged to equity	Transfer to assets qualified as held for sale	At 31/12/2006
Property, plant and equipment	(3,068,131)	(71,328)	7,190	444,078	(2,688,191)
Inventory	(53,402)	(984)	-	-	(54,386)
Finance lease	(138,327)	(6,091)	-	-	(144,418)
Other	(71,331)	2,556	-	-	(68,775)
<b>Total deferred tax liabilities</b>	<b>(3,331,191)</b>	<b>(75,847)</b>	<b>7,190</b>	<b>444,078</b>	<b>(2,955,770)</b>

Deferred tax assets	At 1/1/2006	Charged/ (credited) to income statement	Charged to equity	Transfer to assets held for sale	At 31/12/2006
Property, plant and equipment	32,714	-	-	-	32,714
Provisions	242,863	(13,802)	-	(20,849)	208,212
Unused tax losses carried forward	139,437	(86,862)	-	-	52,575
10% investment relief	89,395	(5,125)	-	-	84,270
Derivative instruments	6,300	-	(4,057)	-	2,243
Other	23,907	18,205	(7,190)	(15,789)	19,131
<b>Total deferred tax assets</b>	<b>534,616</b>	<b>(87,584)</b>	<b>(11,247)</b>	<b>(36,638)</b>	<b>399,145</b>

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	31/12/2006	31/12/2005
Deferred tax asset	70,895	51,044
Deferred tax liability	(2,627,520)	(2,847,619)
<b>Net</b>	<b>(2,556,625)</b>	<b>(2,796,575)</b>

The amounts shown in the balance sheet include the following:

	31/12/2006	31/12/2005
Deferred tax assets to be recovered after more than 12 month	234,336	343,042
Deferred tax liabilities to be settled after more than 12 month	(2,790,959)	(2,044,734)

Deferred income tax assets are recognised for tax loss and deductible temporary differences carry forwards to the extent that realisation of the related tax benefit through the future taxable profit is probable.

The Group has tax assets relating primarily to tax losses carried forward, as shown below in the amount of CZK 298,941 thousand which have not been recognised due to unpredictability of future taxable income (2005: CZK 1,213,969 thousand). Tax losses of CZK 50,099 thousand (2005: CZK 1,168,850 thousand) will expire in 2009.

Details of the tax assets not recognised are summarised in the following table:

	31/12/2006	31/12/2005
Unused tax losses	50,099	1,168,850
Deductible temporary differences	248,842	45,119
<b>Deferred tax asset</b>	<b>298,941</b>	<b>1,213,969</b>

## 18. Inventories

	31/12/2006	31/12/2005
Raw materials	4,243,618	5,902,989
Net realisable value allowance for raw materials	(294,918)	(342,200)
Work in progress	1,296,692	1,771,083
Net realisable value allowance for work in progress	(8,190)	(21,175)
Finished goods	1,911,267	3,053,998
Net realisable value allowance for finished goods	(14,800)	(46,871)
Goods for sales	760,286	519,318
Net realisable value allowance for goods for sales	(9,416)	(11,184)
<b>Total</b>	<b>7,884,539</b>	<b>10,825,958</b>

## 19. Trade and other receivables

	31/12/2006	31/12/2005
Trade accounts receivable	9,864,910	9,999,725
Other receivables	2,426,820	3,732,181
Impairment losses	(1,115,595)	(1,407,712)
<b>Total accounts receivable</b>	<b>11,176,135</b>	<b>12,324,194</b>

The management consider that the carrying amount of trade receivables approximates their fair value.

The analysis of trade receivables by currency of denomination is as follows (in CZK thousands):

Denominated in	31/12/2006	31/12/2005
CZK	8,064,061	9,416,258
EUR	2,523,081	2,236,761
USD	501,761	586,142
Other currencies	87,232	85,033
<b>Total accounts receivable</b>	<b>11,176,135</b>	<b>12,324,194</b>

## 20. Prepayments and other current assets

	31/12/2006	31/12/2005
Prepayments	121,844	436,542
Other current assets	752,399	142,649
<b>Total</b>	<b>874,243</b>	<b>579,191</b>

The management consider that the carrying amount of other current assets approximates their fair value.

The analysis of prepayments and other current assets by currency of denomination is as follows (in CZK thousands):

Denominated in	31/12/2006	31/12/2005
CZK	771,597	296,721
EUR	2,044	282,160
USD	100,214	261
Other currencies	388	49
<b>Total accounts receivable</b>	<b>874,243</b>	<b>579,191</b>

## 21. Cash and cash equivalents

	31/12/2006	31/12/2005
Cash in hand	2,723	169,729
Cash at bank	2,663,744	2,061,735
Short-term bank deposits	1,663,385	1,270,503
<b>Total</b>	<b>4,329,852</b>	<b>3,501,967</b>

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.

As of 31 December 2006, restrictions were placed on the Group's bank account with Komerční banka, a.s. with the balance of CZK 60,218 thousand (31 December 2005: CZK 60,218 thousand). Withdrawals from this account must be approved by the Environmental Department of the District Authority in Ústí nad Labem.

The analysis of cash and cash equivalents by currency of denomination is as follows (in CZK thousands):

Denominated in	31/12/2006	31/12/2005
CZK	3,774,816	2,995,605
EUR	198,411	410,448
USD	261,159	73,475
Other currencies	95,466	22,439
<b>Total cash and cash equivalents</b>	<b>4,329,852</b>	<b>3,501,967</b>

## 22. Assets and liabilities classified as held for sale

### KAUČUK, a.s.

On 30 January 2007 the Company entered into a share purchase agreement with FIRMA CHEMICZNA DWORY S.A. to sell 100% of shares of KAUČUK, a.s. The contracted selling price is EUR 195 million. Completion of the sale is expected in the next few months. As a result KAUČUK, a.s.'s assets and liabilities are presented as assets and liabilities classified as held for sale as at 31 December 2006. Based on the contracted selling price and estimated expenses to be incurred to complete the sale, an impairment charge of CZK 1,669,916 thousand was established to assets held for sale.

### CELIO a.s.

The Group approved a plan to sell its investment in CELIO a.s. As a result the investment is presented as assets classified as held for sale. The carrying amount of the investment totals CZK 78,334 thousand.

#### *Assets classified as held for sale*

	31/12/2006	31/12/2005
Property, plant and equipment	5,175,496	-
Intangible assets	7,590	-
Other investments	117,272	78,334
Non-current receivables	51,459	-
Inventories	1,223,364	-
Trade receivables	1,725,073	-
Prepayments and other current assets	56,626	-
Cash and cash equivalents	640,798	-
Impairment of assets held for sale	(1,669,916)	-
<b>Assets held for sale</b>	<b>7,327,762</b>	<b>78,334</b>



*Liabilities classified as held for sale*

	31/12/2006
Provisions	106,396
Deferred tax liability	404,970
Interest bearing loans and borrowings	100,025
Trade payables and accruals	756,325
Current portion of interest bearing loans and borrowings	50,000
<b>Liabilities related to assets held for sale</b>	<b>1,417,716</b>

**23. Issued capital**

The issued capital of the Company as at 31 December 2006 was CZK 18,133,476 thousand (2005: CZK 18,133,476 thousand). This represents 181,334,764 (2005: 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. 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.

	31/12/2006	31/12/2005
Reserve fund	877,507	1,513,316
Other funds	881,656	41,656
<b>Total</b>	<b>1,759,163</b>	<b>1,554,972</b>

**25. Loans and borrowings**

Creditor / Currency	Balance as at 31/12/2006	Fair value at 31/12/2006	Effective interest rate
Citibank, N.A. / USD	443,809	443,809	6M LIBOR*
PKN ORLEN S.A. / CZK	269,462	269,462	3M PRIBOR*
Česká spořitelna, a.s. / CZK	249,834	249,834	6M PRIBOR*
Česká spořitelna, a.s. / CZK and EUR	154,045	154,045	6M PRIBOR*
ČSOB, a.s. / CZK	383,338	383,338	3M PRIBOR*
ING Bank N.V. / EUR	363,545	363,545	6M EURIBOR*
Kreditanstalt für Wiederaufbau / EUR	683,725	683,725	6M EURIBOR*
Syndicated loan from the bank consortium of Česká spořitelna, a.s., CALYON BANK CZECH REPUBLIC, a.s., Citibank a.s., Komerční banka, a.s., Investcredit Bank, ING Bank N.V. org.složka, ČSOB, a.s., HVB Bank Czech Republic, a.s. / CZK and EUR	2,096,935	2,096,935	6M EURIBOR*
Živnostenská banka, a.s. / EUR	363,545	363,545	6M LIBOR*
Bonds – Issue I. / CZK	2,238,944	2,996,497	9.82%
Bonds – Issue II. / CZK	1,273,933	1,289,269	8.70%
<b>Total</b>	<b>8,521,115</b>	<b>9,294,004</b>	
Current portion of loans and borrowings maturing within next 12 months	(4,048,568)		
<b>Non-current loans and borrowings</b>	<b>4,472,547</b>		

\*) Interest rates are increased by the agreed mark up.

The current portion of non-current loans and borrowings maturing by 31 December 2007 is classified within current liabilities.

Creditor / Currency	Balance as at 31/12/2005	Fair value at 31 /12/2005	Effective interest rate in 2005
Citibank, N.A. / USD	596,886	606,594	6M LIBOR*
PKN ORLEN S.A. / CZK	2,153,910	2,153,910	3M PRIBOR*
Česká spořitelna, a.s. / CZK	-	-	-
Česká spořitelna, a.s. / CZK and EUR	347,834	347,834	6M PRIBOR*
ČSOB, a.s. / CZK	172,859	172,859	3M PRIBOR*
ING Bank N.V. / CZK	200,000	200,000	3M PRIBOR*
ING Bank N.V. / EUR	493,085	493,085	6M EURIBOR*
Kreditanstalt für Wiederaufbau / EUR	1,479,149	1,489,863	6M EURIBOR*
Raiffeisen banka a.s. / CZK	187,500	187,500	3M PRIBOR*
Raiffeisen banka a.s. / CZK	33,458	33,458	3M PRIBOR*
Syndicated loan from the bank consortium of Česká spořitelna, a.s., CALYON BANK CZECH REPUBLIC, a.s., Citibank a.s., Komerční banka, a.s., Investcredit Bank, ING Bank N.V. org.složka, ČSOB, a.s., HVB Bank Czech Republic, a.s. / CZK and EUR	2,612,718	2,612,718	6M PRIBOR*
Živnostenská banka, a.s. / EUR	493,085	493,085	6M LIBOR*
Bonds – Issue I. / CZK	2,293,139	3,198,917	9.82%
Bonds – Issue II. / CZK	1,171,756	1,247,110	8.70%
<b>Total</b>	<b>12,235,379</b>	<b>13,236,933</b>	
Current portion of loans and bonds maturing within next 12 months	(3,465,890)		
<b>Non-current loans and borrowings</b>	<b>8,769,489</b>		

\*) Interest rates are increased by the agreed mark up.

Debt repayment schedule:

Due date	Due within 1 year	Due 1–2 years	Due 2–3 years	Due 3–4 years	Due 4–5 years	Due over 5 years	Total
Loans and borrowings as at 31/12/2006	4,048,568	722,637	817,595	548,092	384,223	2,000,000	8,521,115
Loans and borrowings as at 31/12/2005	3,465,890	2,617,607	1,080,452	1,080,452	920,877	3,070,101	12,235,379

Analysis of loans and borrowings by currency:

Currency	CZK	EUR	USD	Total
Non-current loans and borrowings as at 31/12/2006	2,664,173	1,808,374	-	4,472,547
Current portion of loans and borrowings maturing in the year ended 31/12/2007	2,400,338	1,204,421	443,809	4,048,568
<b>Total loans and borrowings as at 31/12/2006</b>	<b>5,064,511</b>	<b>3,012,795</b>	<b>443,809</b>	<b>8,521,115</b>
Non-current loans and borrowings as at 31/12/2005	4,577,353	3,680,519	511,617	8,769,489
Current portion of loans and borrowings maturing in the year ended 31/12/2006	2,614,409	756,504	94,977	3,465,890
<b>Total loans and borrowings as at 31/12/2005</b>	<b>7,191,762</b>	<b>4,437,023</b>	<b>606,594</b>	<b>12,235,379</b>

## Analysis of loans and borrowings by security:

Security	Unsecured	Pledged assets	Secured by third party	Total
Non-current loans and borrowings as at 31/12/2006	4,008,241	464,306	–	4,472,547
Current portion of loans and borrowings maturing in the year ended 31/12/2007	3,416,265	188,494	443,809	4,048,568
<b>Total loans and borrowings as at 31/12/2006</b>	<b>7,424,506</b>	<b>652,800</b>	<b>443,809</b>	<b>8,521,115</b>
Non-current loans and borrowings as at 31/12/2005	5,877,638	2,380,235	511,616	8,769,489
Current portion of loans and borrowings maturing in the year ended 31/12/2006	3,260,532	110,380	94,978	3,465,890
<b>Total loans and borrowings as at 31/12/2005</b>	<b>9,138,170</b>	<b>2,490,615</b>	<b>606,594</b>	<b>12,235,379</b>

In 1998 the Group 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. Interest is payable on an annual basis. Interest expense is calculated using the effective interest rate method.

In 1999 the Group issued 1,300 zero-coupon bonds at a total nominal value of CZK 1,300,000 thousand. The bonds mature in 8 years from the issue date at their nominal value of

CZK 1,300,000 thousand. Interest expense is calculated using the effective interest rate method.

The terms and conditions underlying the issues of bonds include clauses, the non-compliance with which gives rise to the creditor's right to have the nominal value of the bonds repaid on an earlier date.

## 26. Provisions

Provisions	31/12/2005	Additions	Utilisation	Disposal of subsidiary	Transferred to liabilities classified as held for sale	31/12/2006
Provisions for environmental damages and land restoration	513,712	61,362	86,547	46,934	126,621	314,972
Provisions for legal disputes	385,208	23,613	167,988	–	–	240,833
Employee benefits	53,251	24,785	23,561	11,833	7,790	34,852
Other provisions	85,764	136,365	44,134	47,629	37,241	93,125
<b>Total provision</b>	<b>1,037,935</b>	<b>246,125</b>	<b>322,230</b>	<b>106,396</b>	<b>171,652</b>	<b>683,782</b>

The provision for land restoration is created as a result of the legal obligation to restore the fly-ash dump land after the use of the dump is discontinued. The expected timing of this event is after 2043.

The provision for legal disputes is created for expected future outflows from legal disputes with third parties under which the Group is a defendant. The most significant component were as follows:

The liability resulting from the litigation with Agrobanka Praha, a.s. v likvidaci, to which the Group provided a guarantee in respect of a medium-term loan of CZK 96,312 thousand provided by Agrobanka to KOBECO spol. s r.o.

On 8 June 2005 the European Commission opened a formal administrative procedure against several producers of butadiene rubber and emulsion styrene butadiene rubber including the Group for allegedly undertaking cartel activities in breach of EU competition law. The Group contested its involvement in any such activities. In 2005 the Group created a provision in the amount of TCZK 150,000 which reflected legal and economic circumstances of the case. On 7 December 2006 the Group received the resolution of the European Commission stating that the Group during 1998 to 2002 participated in cartel conduct of emulsion styrene butadiene rubber / butadiene rubber producers. The fine was imposed in the amount of EUR 17.55 million. The Group recognized a liability amounting to TCZK 482,536. The provision of CZK 150,000 thousand was released.

The Group created a provision for the penalty of TCZK 98,000 imposed by the Antimonopoly Office for a breach of the Economic Competition Protection Act.

Provisions for other probable future liabilities of the Group amounts to CZK 93,125 thousand as of 31 December 2006 out of which CZK 54,990 thousand is a provision for severance payments and legal costs created in relation to future restructuring of the Group activities and provision for dismantling costs connected with liquidation of unused assets in the amount of CZK 37,286 thousand.

## 27. Finance lease liability

	Minimum lease payments		Present value of minimum lease payments	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
Amounts payable under finance leases:				
Not later than one year	133,467	143,215	122,006	128,129
Later than one year and not later than five years inclusive	211,053	292,785	203,892	279,470
Later then five years		–		–
	<b>344,520</b>	<b>436,000</b>	<b>325,898</b>	<b>407,599</b>
Less: future finance charges	(18,622)	(28,401)	N/A	N/A
Present value of lease obligation	325,898	407,599	325,898	407,599
Less: Amount due for settlement within 12 months			122,006	128,129
<b>Amount due for settlement after 12 months</b>			<b>203,892</b>	<b>279,470</b>

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 3–4 years. For the year ended 31 December 2006, the average effective borrowing rate was 3.7–5% p.a. 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.

All lease obligations are denominated in Czech crowns.

The fair value of the Group's lease obligations approximates their carrying amount.

## 28. Derivative financial instruments

The Group uses derivative financial instruments primarily to hedge currency and interest rate positions, and thereby minimise currency risks and financing costs caused by exchange rate or interest rate fluctuations. The instruments used are foreign currency swap contracts and interest rate swaps. Transactions with derivative financial instruments are subject to continuous risk management procedures.

The following table shows the contract or underlying principal amounts, fair values of derivative financial instruments analysed by type of contracts and effectiveness of hedging. 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.

### Derivative financial instruments – assets

	Currency	Maturity date	Contract or underlying principal amount		Fair value CZK '000	
			31 December 2006	31 December 2005	31 December 2006	31 December 2005
Derivative held for trading						
Cross Currency Swap	EUR	15/7/2011	21,333	25,600	51,892	24,386
Total financial derivative – assets					51,892	24,386

**Derivative financial instruments – liabilities**

	Currency	Maturity date	Contract or underlying principal amount		Fair value CZK '000	
			31 December 2006	31 December 2005	31 December 2006	31 December 2005
Derivative financial instruments effective for hedge accounting purposes						
Interest rate swaps	USD	15/8/2008	20,701	24,275	(9,349)	(26,251)
Derivative held for trading						
Interest rate swaps	USD	15/8/2008	–	190	–	(206)
Total financial derivative – liabilities					(9,349)	(26,457)

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 correspond with the hedged risk are included in derivatives held for trading and are reported in the income statement.

Following tables summarizes fair values of financial instruments presented in the balance sheet as non-current and current receivables and liabilities on the basis of expected realization.

	Fair value as at 31/12/2006			Fair value as at 31/12/2005		
	Non-current receivables	Current receivables	Total	Non-current receivables	Current receivables	Total
Cross Currency Swap	45,045	6,847	51,892	16,753	7,633	24,386
<b>Total</b>	<b>45,045</b>	<b>6,847</b>	<b>51,892</b>	<b>16,753</b>	<b>7,633</b>	<b>24,386</b>

	Fair value as at 31/12/2006			Fair value as at 31/12/2005		
	Non-current receivables	Current receivables	Total	Non-current receivables	Current receivables	Total
Interest Rate Swaps	(4,583)	(4,766)	(9,349)	(13,962)	(12,495)	(26,457)
<b>Total</b>	<b>(4,583)</b>	<b>(4,766)</b>	<b>(9,349)</b>	<b>(13,962)</b>	<b>(12,495)</b>	<b>(26,457)</b>

**29. Other non-current liabilities**

Description	31/12/2006	31/12/2005
Deferred income from government grants	96,818	113,139
Amounts payable to business partners	86,398	87,597
Other long-term liabilities	36,947	31,807
<b>Total</b>	<b>220,163</b>	<b>232,543</b>

A government grant 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.

## 30. Trade and other payables and accruals

	31/12/2006	31/12/2005
Trade payables	9,996,639	11,483,812
Other payables	2,002,943	1,339,066
Accrued expenses	356,504	644,784
Social security and other taxes	3,504,348	3,527,929
<b>Total trade and other payables and accruals</b>	<b>15,860,434</b>	<b>16,995,591</b>

The management consider that the carrying amount of trade payables approximate their fair value.

Denominated in	31/12/2006	31/12/2005
CZK	11,393,633	11,373,675
EUR	925,729	480,093
USD	3,456,603	5,082,208
Other currencies	84,469	59,615
<b>Total trade and other payables and accruals</b>	<b>15,860,434</b>	<b>16,995,591</b>

## 31. Short-term bank loan

Creditor / currency	31/12/2006	31/12/2005
B.B.V.A. / EUR	9,106	1,120
BANCO DE VALENCIA / EUR	9,488	5,761
BANCO SABADEL / EUR	24,153	26,871
BANCO SANTANDER / EUR	9,284	-
BANESTO / EUR	12,800	12,136
CAIXA DE CATALUNYA / EUR	3,278	1,666
CAIXA DE GALICIA / EUR	1,871	-
CAIXANOVA / EUR	7,735	-
CITIBANK a.s. / CZK	-	500,000
Commerzbank AG / CZK	110	258,208
Commerzbank AG / EUR	54,990	159,527
Československá obchodní banka, a.s. / CZK	-	230,000
Česká spořitelna, a.s. / CZK	-	150,000
DEUTSCHE BANK / EUR	12,214	2,134
Dresdner Bank AG, Frankfurt / EUR	-	58,038
HVB Bank Czech Republic a.s. / CZK	100,000	153,000
ING Bank N.V. / CZK	-	460,000
Raiffeisen banka a.s. / CZK	2,020	500,000
UBS AG Basel / CHF	-	10,260
Živnostenská banka, a.s. / CZK	-	200,000
Overdraft balances on bank accounts	127,637	66,989
<b>Total short-term loans</b>	<b>374,686</b>	<b>2,795,710</b>

Short-term bank loans are subject to normal credit terms and their carrying amounts approximate fair values. Average effective interest rate in 2006 was 3% p.a. (2005: 3% p.a.).

Analysis of short-term bank loans by security:

Security	Unsecured	Pledged assets	Total
Short – term bank loans as at 31/12/2006	368,087	6,599	374,686
Short – term bank loans as at 31/12/2005	2,324,041	471,669	2,795,710

Analysis of borrowings by currency:

Currency	CZK	EUR	CHF	Total
Short – term bank loans as at 31/12/2006	229,767	144,919	–	374,686
Short – term bank loans as at 31/12/2005	2,518,197	267,253	10,260	2,795,710

## 32. Operating leases

### The Group as lessee

At the balance sheet date, the Group had future minimum lease payments under non-cancellable operating leases for the following periods:

	Minimum lease payments	
	31/12/2006	31/12/2005
Not later than one year	49,435	74,007
Later than one year and not later than five years inclusive	37,787	104,216
Later than five years	5,484	6,809
<b>Total</b>	<b>92,706</b>	<b>185,032</b>

The Group leases railway containers and information technology under operating leases. The railway containers leases typically run for an undefined period. Information technology leases run up to the end 2007 with an option to renew the lease after that date. Lease payments are increased annually to reflect market conditions. None of the leases includes contingent rentals.

	2006	2005
Minimum lease payments under operating leases recognised as expense during the year	419,413	511,241

## 33. Capital commitments

At the balance sheet date, the Group has commitments for the acquisition of property, plant and equipment in the amount of CZK 2,459,810 of which the contractual commitment is CZK 1,716,710 thousand as at 31 December 2006 (CZK 941,493 thousand, of which the contractual commitment is CZK 557,263 thousand as at 31 December 2005).



### 34. Guarantees, commitments and other contingencies

#### Guarantees issued

As at 31 December 2006 the Group has issued a guarantee of CZK 2,805 thousand in respect of the loan drawn by the Municipal Authority Chvatěruby from the State Environmental Fund of the Czech Republic. The outstanding balance as at 31 December 2006 amounts to CZK 255 thousands (2005: CZK 405 thousands).

As of the balance sheet date, there are no indications that any of the above transactions is likely to result in a liability of the Group.

#### Guarantees received

Based on the Group's request, Citibank a.s. and Commerzbank A.G. issued a bank guarantees in respect of custom duty and excise tax due to the Custom Authority in Most. As of 31 December 2006, the total balance of the guarantee was CZK 630,000 thousands.

As of 31 December 2006 the Group received following guarantees for trade receivables:

Bussiness partner	Guarantor	Amount	Date of issue	Due date	
Marimpex GmbH, Hamburg	Petroplus Int. N.V., Rotterdam	CZK 400 000	2/3/2006	28/2/2007	Security for goods supply
Hungaronafta KFT	Raiffeisenlandesbank Sien	USD 3 000	8/2/2006	10/2/2007	Security for goods supply
REAL – H.M. s.r.o.	ČSOB, a.s., Bratislava	SKK 20 000	16/3/2006	31/1/2007	Security for goods supply

### 35. Related parties

Transactions with related parties are as follows:

	31/12/2006				31/12/2005			
	PKN Orlen	Entities under control or significant influence of the Group	Entities under control or significant influence of PKN Orlen	Other related parties	PKN Orlen	Entities under control or significant influence of the Group	Equity accounted investees 1-9/2005	Other related parties
Current receivables	128,112	28,492	767,604	1,544,068	50,983	48,426	3,790	1,657,516
Non-current receivables	–	–	15,959	–	–	19,151	–	–
Current payables	3,493,130	2,849	38,950	18,871	2,173,392	23,921	18,608	8,245
Non-current payables	219,632	–	–	26,665	269,462	9,461	–	–
Expenses	41,691,518	15,602	761,291	265,329	416,421	102,474	193,988	135,414
Revenues	430,710	106,836	315,855	3,193,608	1,472,456	111,174	57,160	2,587,232
Sales of financial assets	–	–	640,383	–	–	–	–	–
Purchases of property, plant and equipment	–	–	–	185	–	–	–	–
Sales of property, plant and equipment	–	–	–	8	–	25,835	25	–
Interests income and expense	(11,774)	–	1,958	432	(43,860)	–	4,164	340

Other related parties include transactions with members in the joint-venture (Česká rafinérská a.s.).

## 36. Risk management

### Foreign exchange risk

The foreign exchange 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 covered to a large extent 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.

### Interest rate risk

The Group manages its exposure to interest rate risk by changing the portion of fixed rate debt and variable rate debt in its total debt portfolio. To manage this mix, the Group enters into interest rate agreements in which it exchanges the periodic payments based on a notional amount and agreed fixed and variable interest rate.

### Credit risk

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 credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

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

## 37. Elimination of 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 for the environmental contracts:

In CZK million	Total amount of funds to be provided	Used funds as at 31/12/2006	Unused funds as at 31/12/2006
UNIPETROL, a.s. / premises of CHEMOPETROL, a.s.	6,012	1,713	4,299
UNIPETROL, a.s. / premises of KAUČUK, a.s.	4,244	44	4,200
BENZINA a.s.	1,353	257	1,096
PARAMO, a.s. / premises in Kolin	2,182	951	1,231
<b>THE UNIPETROL GROUP</b>	<b>13,791</b>	<b>2,965</b>	<b>10,826</b>

In CZK million	Total amount of funds to be provided	Used funds as at 31/12/2006	Unused funds as at 31/12/2006
UNIPETROL, a.s. / premises of CHEMOPETROL, a.s.	6,012	1,623	4,389
UNIPETROL, a.s. / premises of KAUČUK, a.s.	4,244	32	4,212
BENZINA a.s.	1,100	323	777
PARAMO, a.s. / premises in Kolin	2,182	955	2,236
Spolana a.s.	6,330	1,059	5,271
<b>THE UNIPETROL GROUP</b>	<b>19,868</b>	<b>3,992</b>	<b>16,885</b>

### 38. Interest in a joint venture

The Group has a 51% 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% share of the assets and liabilities and revenues and results of the joint venture and are included in the consolidated balance sheet and income statement:

	2006	2005
Non-current assets	8,748,351	8,530,376
Current assets	4,639,246	4,171,753
	13,387,597	12,702,129
Non-current liabilities	451,431	296,203
Current liabilities	3,690,695	3,158,732
<b>Net assets</b>	<b>9,245,471</b>	<b>9,247,194</b>
<b>Revenues</b>	<b>4,720,340</b>	<b>4,739,318</b>
Profit before tax	184,957	246,358
Income taxes	(62,164)	(80,183)
<b>Profit for the period</b>	<b>122,793</b>	<b>166,175</b>

### 39. Emission rights

In 2005 the Group obtained allowances for carbon dioxide emissions according the Czech National Allocation Scheme. In 2006 the Group received the second part (1/3) of the total quota, i.e. 5,287,098 units.

Information on granted emission rights and its balance sheet presentation	Amount	Value in TCZK
The total number of the emission rights allocated to the Group for the period 2005–2007	15,861,294	9,624,734
Estimated / actual utilization in 2005 of the acquired rights	4,397,913	2,668,682
Emissions estimated for 2006	4,516,815	2,740,832
Emissions planned in 2007	4,555,586	2,764,359
<b>Revenues from sales of emissions allowances in the period of 2006</b>	<b>581,285</b>	<b>357,783</b>

### 40. Investment incentives

The Group obtained the investment incentive for acquisition of production equipment in the form of income tax relief in the amount up to CZK 2,189 million under the relevant regulation. There are strict conditions which need to be fulfilled in order to be eligible for the investment incentives. If these conditions are not met there is a risk that the tax relief will be withdrawn and sizeable penalties can be assessed.

As at 31 December 2006 the investment incentive was utilized as follows:

	CZK thousand
Investment incentive approved	2,184,922
Tax relief utilised as at balance sheet date	(293,125)
Tax relief expired as at balance sheet date	(1,566,998)
<b>Investment incentive outstanding as at 31 December 2006</b>	<b>324,799</b>

The Group obtained investment incentives for acquisition of production equipment in the form of income tax relief that could have been claimed from 2001 till 2005. However in 2006 the Group received an updated interpretation of the respective tax legislation based on which it is not certain whether or not the conditions for the utilization of tax incentives would be considered as being met and whether the Group would be allowed to utilize tax incentives. Subsequently the Group decided not to utilize the incentives in the 2005 tax return filed on 2 October 2006. Tax charge for 2006 at the amount of CZK 324,799 thousand represents additionally filed and paid income tax for 2005. The Group performs all steps necessary to claim income tax back. The tax charge of CZK 324,799 thousand is included in investment incentive outstanding as at 31 December 2006.

## 41. Significant post balance sheet events

### Implementation of new corporate governance model

From 1 January 2007 UNIPETROL, a.s. started implementation of a new governance model.

The change of governance is based on three key principles:

- 1) focus on production and focus on sales
- 2) creation of a specialized shared services centre
- 3) simplification of the legal structures

### Implementation of the new corporate governance model:

As of 1 January 2007, CHEMOPETROL, a.s. and UNIPETROL RAFINÉRIE a.s. will be merged into a limited liability company wholly owned by UNIPETROL, a.s.

In connection with implementation of the new corporate governance model relevant corporate bodies of UNIPETROL, a.s. approved:

(i) the conclusion of the agreements concerning:

- the transfer of 1 share of UNIPETROL DOPRAVA, a.s. owned by CHEMOPETROL, a.s. to UNIPETROL, a.s.,
- the transfer of the 1% of ownership interest of CHEMOPETROL, a.s. in POLYMER INSTITUTE BRNO, spol. s r.o. to UNIPETROL, a.s.,
- the transfer of 1 share of PETROTRANS, a.s. owned by BENZINA a.s. to UNIPETROL, a.s., and

(ii) the increase in the registered capital of UNIRAF SLOVENSKO s.r.o. by a monetary contribution in the amount of SKK 30,000, which will be fully paid by UNIPETROL, a.s.

### Finalization of the selling process relating to shares of KAUČUK, a.s.

On 30 January 2007, UNIPETROL, a.s. ("Unipetrol"), 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, entered into the Share Purchase Agreement (the "Share Purchase Agreement") for the 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 ("Kaučuk").

The purchase price for 6,236,000 ordinary registered shares of Kaučuk, with a nominal value of CZK 1,000 each, representing in the aggregate 100% of the registered share capital of Kaučuk (the "Shares") amounts to EUR 195,000,000 (the "Purchase Price").

The transaction will occur only after the satisfaction of several conditions precedent by both Unipetrol and Dwory which may take up several months. These conditions include, among others, obtaining of all necessary consents from the relevant antimonopoly authorities to the sale of the Shares to Dwory and the transactions contemplated by the Share Purchase Agreement (including, a formation of a joint-venture between Unipetrol Group and Kaučuk for the purposes of the construction and operation of a new butadiene unit), performance of an environmental audit concerning the land owned by Unipetrol and used by Kaučuk in order to identify any existing environmental conditions, and execution of commercial contracts between Unipetrol Group and Kaučuk on the basis of the already agreed principles which will assure a further smooth operation of Unipetrol Group.

The Share Purchase Agreement provides for a possible adjustment of the Purchase Price resulting, apart from other reasons, from environmental conditions relating to Kaučuk and its operations. The parties agreed to arrange for an environmental audit concerning the land owned by Unipetrol and used by Kaučuk in order to identify all existing environmental conditions. The Purchase Price will be decreased by the amount of all losses incurred by Kaučuk as a result of any claims of any governmental authority or private third party in connection with Kaučuk's environmental conditions, which are specified in the environmental audit or proved by Dwory as being originated prior to the closing of the transaction. In contrast, the Purchase Price will be increased by the amount of all losses incurred by Unipetrol as a result of any claims of any governmental authority or private third party in connection with Kaučuk's environmental conditions that originated after the closing of the transaction. The maximum aggregate amount of the adjustment of the Purchase Price is 10% of the Purchase Price.

As for the monetary fine recently imposed, jointly and severally, on Kaučuk and Unipetrol by the Commission of the European Communities for participating in an alleged cartel aimed at prices fixing and sharing of customers for certain types of synthetic rubber (in the period from 1999 until 2002), the Share Purchase Agreement addresses this issue through an agreed risk-division mechanism. First, both Unipetrol and Kaučuk will use all available legal tools and remedies to defend themselves in appellate proceedings and to eliminate the imposed monetary fine. The current amount of the fine (i.e., EUR 17.55 million) will be split, in accordance with applicable law, between Unipetrol and Kaučuk equally so that each of them will be liable for 50% of the fine, i.e., EUR 8.775 million. If the final and unappealable decision of any relevant authority of the European Communities results in an increase of the fine to be paid by Kaučuk above EUR 8.775 million and, at the same time, Unipetrol receives any amount of the fine hitherto paid by it, the Purchase Price will be increased by the amount equal to the lower of the increase of the fine to be paid by Kaučuk and the payment received by Unipetrol, provided, however, that the maximum potential financial exposure of Unipetrol is, in any case, limited to EUR 5 million.

#### **The charge of UNIPETROL against the European Commission**

On 17 February 2007 KAUČUK, a.s. and UNIPETROL, a.s. lodged legal charges with the European Court of First Instance against the European Commission in respect of the fine of EUR 17.55 million for their involvement in a synthetic rubber cartel. KAUČUK, a.s. and UNIPETROL, a.s. challenge the Commission's decision to the full extent. The evidence presented by the Commission does not indicate that KAUČUK, a.s.'s trade representatives took part in any anti-competitive practices. UNIPETROL, a.s. does not operate on the synthetic rubber market and was not a member of the ESRA. The fact that it is a parent company of KAUČUK, a.s. cannot constitute sufficient grounds for establishing responsibility for cartel practices.

#### **Changes in statutory bodies**

The Extraordinary Shareholders' Meeting of UNIPETROL, a.s., which was held on 5 March 2007, decided on election of Mr. Piotr Kownacki, Mr. Arkadiusz Kotlicki and Mr. Mirosław Jasiński to the Supervisory Board of UNIPETROL, a.s. and decided to recall Mr. Paweł Jasiński from the Supervisory Board of UNIPETROL, a.s.

On 5 March 2007 the Supervisory Board appointed Mr. Piotr Kownacki to the position of the chairman of the Supervisory Board of UNIPETROL, a.s.

## **42. Contingent liabilities**

#### **Contingent liabilities related to the sale of shares in SPOLANA a.s.**

The purchase price, in accordance with the share purchase agreement entered into between UNIPETROL, a.s., as 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, 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.

### 43. Accounting estimates and judgements

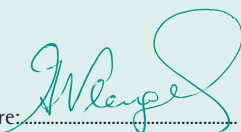
Key sources of estimation uncertainty are as follows:

- fair value of financial investments in AGROBOHEMIE a.s. and Synthesia, a.s. (see note 15);
- impairment of property, plant and equipment (see note 12);
- deferred tax asset (see note 17).

8 March 2007

Signature of statutory representatives

<b>Function:</b>	Chairman of the Board of Directors
<b>Name:</b>	Francois Vleugels

Signature: 

<b>Function:</b>	Vice-chairman of the Board of Directors
<b>Name:</b>	Dariusz Marzec

Signature: 

## Other Information under the Capital Market Act

### Legal Regulations

#### Legal regulations governing the issuer's business activities

UNIPETROL, a.s.' business activities are governed by all relevant regulations.

Basic legal regulations governing business activities of UNIPETROL, a.s. include:

- Act No. 513/1991 Coll., the Commercial Code
- Act No. 455 / 1991 Coll. , the Trades Licensing Act
- Act No. 563/1991 Sb., the Accounting Act
- Act No. 591/1992 Sb., the Securities Act
- Act No. 256/2004 Sb., the Capital Market Act
- Act No. 40/1964 Sb., the Civil Code
- Statutes of UNIPETROL, a.s.

### Major Contracts

UNIPETROL Group includes companies involved in business in refinery and petrochemical industry which use to the maximum extent all advantages stemming from the group membership. Based on many contracts concluded in the framework of the Group, in particular contract on the sale of feedstock and basic products and on the supply of motor fuels, the Group companies take advantage of related synergistic effects. Feedstock and basic products include for example fraction C4, naphta, fraction C5, raffinade 1, or heavy fuel oils. Motor fuels include for example: unleaded 95 octane gasoline, unleaded 91 octane gasoline and diesel oil.

Contracts for the supply of crude oil are concluded with several companies; the most significant supplier contract has been concluded with PKN ORLEN S.A.

Other, business contracts, are related to production and include contracts for purchase and sale of power-generating resources, especially coal, electricity, steam and similar.

As published, the Partnership Programme was introduced as a platform for increase of efficiency in the area of trade and finance. Proper functioning of synergistic effects is based on the Partnership Contract concluded between UNIPETROL Group and PKN ORLEN S.A.

In 2006, significant contracts and agreements were signed on the basis of the already published strategy concerning optimisation of the asset portfolio, including the Agreement on the Purchase of SPOLANA, a.s.' shares and the Agreement on the Purchase of KAUČUK, a.s.' shares – both will become effective after due approval of the respective EU bodies.

UNIPETROL Group started several projects leading to changes in the following areas: Corporate Governance, optimisation of the asset portfolio and other strategic projects that require services of external consulting companies providing, in particular, strategic, legal and tax consulting services, and IT consulting services and project implementation.



## Major business contracts concluded with third parties in the course of 2006

	Organization	Subject of contract
<b>CHEMOPETROL</b>		
1	AIR PRODUCTS s.r.o.	raw material and energy supplies
2	Appian Group a.s.	coal supplies
<b>PARAMO</b>		
1.	České Dráhy, a.s.	diesel oil supplies
<b>UNIPETROL RAFINÉRIE</b>		
1.	PKN ORLEN S.A.	REB crude oil supplies
2.	PKN ORLEN S.A.	light oil supplies
4.	Moravské naftové doly, a.s.	Moravian crude oil blends supplies
5.	Shell Overseas Investment B.V.	sale of aviation fuel from Kralupy to the Prague Airport
6.	ENI INTERNATIONAL B.V.	naphta supplies
7.	ConocoPhillips Central and Eastern Europe Holdings B.V.	naphta supplies
8.	Shell Overseas Investment B.V.	naphta supplies
9.	Tesco Stores, s.r.o.	sale of motor fuels to the network of Tesco filling stations
10.	Ahold Czech Republic, s.r.o.	sale of motor fuels to Tesco filling stations
11.	KM-PRONA, a.s.	sale of motor fuels to filling stations and wholesale
12.	G7, a.s.	sale of motor fuels to filling stations and wholesale
13.	Agropodnik Domažlice, a.s.	wholesales of motor fuels
14.	Robin Oil, a.s.	sale of motor fuels to Robin Oil filling stations
15.	OMV Česká republika, a.s.	sale of motor fuels to filling stations and wholesale
16.	Profi Auto CZ, s.r.o.	sale of motor fuels to PAP Oil filling stations
17.	Čepro, a.s.	sale of motor fuels to filling stations and wholesale

## Information on Persons Responsible for the Annual Report

Francois Vleugels, Chief Executive Officer and Chairman of the Board of Directors of UNIPETROL, a.s. and Petr Sosík, Chief Financial Officer of UNIPETROL, a.s. declare that the information stated in the Annual Report corresponds to reality and that no substantial circumstances which might influence correct and precise assessment of the issuer of securities, were omitted.



Francois Vleugels – Chief Executive Officer and Chairman of the Board of Directors



Petr Sosík – Chief Financial Officer

## Audit

(in CZK thousand)	Consolidated	Non-consolidated
Audit fees	21,196,225	1,820,416
Consulting services, translations	1,347,600	954,000

Name and address of the auditor for 2006 and 2005:

**KPMG Česká republika Audit, s.r.o.**

Partner: Otakar Hora

Licence No.: 1197

Pobřežní 648/1a

186 00 Prague 8

ID No.: 49619187

Name and address of the auditor for 2004:

**Deloitte s.r.o.**

Partner: Stanislav Staněk

Licence No.: 1674

Týn 641/4

110 00 Prague 1

## Securities

### Shares

Name	UNIPETROL, a.s.
Type	ordinary share
ISIN	CZ0009091500
BIC	BAAUNIP
Class	bearer share
Form	book-entered security
Currency	CZK
Nominal value	CZK 100
No. of shares	181,334,764
Total value of issue	CZK 18,133,476,400
Trading details	listed on the main market of the Prague Stock Exchange (Burza Cenných Papírů Praha, a.s.)

Based on a contract, BADMINISTER spol. s r.o., Husova 109, 284 01 Kutná Hora, ID No. 47551054 was authorized to pay the dividends.

UNIPETROL, a.s. shares are traded on the main market of the Prague Stock Exchange and in the RM-SYSTÉM, a.s.

Voting rights of individual shareholders correspond to the number of their shares where one share with a nominal value of CZK 100 represents one vote.

The shareholder is entitled to the proportionate part in the company's profit (a dividend), which was approved by the General Meeting for distribution. This proportionate part is determined by the ratio of the nominal value of the shareholder's shares to the nominal value of all shareholders' shares at a specific date.

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When a company is wound up and liquidated, the shareholder has a right to the proportionate of the liquidation value. This part is determined in the same way as the shareholder's share in profit (dividend). The share also entitles the shareholder to participate in the company's management. The shareholder exercises this right strictly at the General Meeting, while respecting organizational measures applicable to General Meetings. The shareholder has a right to participate in the General Meeting, to vote, require and receive explanation of matters concerning the company if such explanation is necessary for the assessment of issues discussed at a General Meeting, and to make proposals and counter-proposals. The dividend payment date is the date following two months after the date of the General Meeting which decided on the payment of dividend, and numeral designation of the day complies with the day of the General Meeting. The right to the payment of dividend is autonomously transferable from the date on which the General Meeting decided on the dividend payment date.

## Bonds

### UNIPETROL VAR/13

Name	UNIPETROL VAR/13
ISIN	CZ0003501041
BIC	BDAUNIP
Kind	bearer share
Form	book-entered security
Currency	CZK
Nominal value	CZK 1,000,000
No. of shares	2,000
Total value of issue	CZK 2,000,000,000
Interest rate	the first and the second year the yield is 0 %, the third and each subsequent year the yield is 12.53 %
Date of issue	28 December 1998
Payment date (maturity)	28 December 2013
The first payment date of interest yield	28 December 2001
Trading details	registered security (free market of the Prague Stock Exchange)
Issue administrator	ABN AMRO Bank N.V., foreign bank branch, Lazarská 3 111 21 Prague 1

Bonds are traded on the free market of the Prague Stock Exchange and on the market of the organizer, RM-SYSTÉM, a.s.

### UNIPETROL 0,00/07

Name	UNIPETROL 0,00/07
ISIN	CZ0003501082
BIC:	BDBUNIP
Kind:	bearer share
Form:	book-entered security
Currency:	CZK
Nominal value:	CZK 1,000,000
Number of shares:	1,300
Total value of issue:	CZK 1,300,000,000
Interest rate:	8.72% (bond with zero coupon)
Date of issue:	1 April 1999
Payment date (maturity):	1 April 2007
Trading details:	registered security (free market of the Prague Stock Exchange)
Issue administrator:	ABN AMRO Bank N.V., foreign bank branch, Lazarská 3, 111 21 Prague 1

The bond was duly paid and withdrawn from the public market on 2 April 2007. The bonds were traded on the free market of the Prague Stock Exchange and in the RM-SYSTÉM, a.s.

## Acquisition of Own Shares and Interim Certificates

As at 31 December 2006 the Group did not hold any own shares, or interim certificates.

## Information on the Issuer's Share Capital

The company's share capital totals CZK 18,133,476,400; it was fully paid.

The share capital comprises the following securities:

Name	UNIPETROL, a.s.
Type	ordinary share
ISIN	CZ0009091500
BIC	BAAUNIP
Kind	bearer share
Form	book-entered security
Nominal value	CZK 100
Number of shares	181,334,764
Total value of issue	CZK 18,133,476,400
Trading details	registered security (main market of the Prague Stock Exchange)

67,110,726 of shares (ISIN CZ0009091500) were subscribed by the public; this represents CZK 6,711,072,600 (37.01% of the company's share capital).

With 62.99% holding (114,224,038 shares) PKN ORLEN S.A. is the only shareholder with a holding larger than 5% of the company's share capital, and of the voting rights.

The company's employees do not enjoy any advantages related to the participation in the issuer's share capital. In the past three years, no changes occurred in the share capital of UNIPETROL, a.s.

## Litigations

Data on litigations, administrative or arbitration proceedings conducted within the current accounting period and two prior accounting periods that had or could have a significant impact on the issuer's financial situation

At the date of the annual report, UNIPETROL, a.s. does not conduct litigations that could have a significant impact on its economic or financial situation, except for litigations involving the company DEZA, a.s.

The following summary presents certain litigations in which UNIPETROL, a.s. is the Defendant or the Plaintiff. This summary does not include petty cases, restitution litigations concerning lands and litigations in which UNIPETROL, a.s. requested the change of a Plaintiff or a Defendant to CHEMOPETROL, a.s. and KAUČUK, a.s., in connection with singular succession after the merger of CHEMOPETROL GROUP, a.s. and KAUČUK GROUP, a.s. in 1997.

## Passive litigations – UNIPETROL, a.s. is the Defendant

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

The company UNIPETROL, a.s. jointly with the company KAUČUK, a.s. filed an action with the European Court of first instance challenging the decision of the European Commission of the end of 2006, imposing on them a joint fine amounting to EUR 17.5 million for participation in an alleged cartel agreement in the field of butadiene-styrene rubber. In view of the fact that filing an action against this decision does not have a suspensory effect, the companies UNIPETROL, a.s. and KAUČUK, a.s. jointly paid half of the imposed fine each within the stipulated time-limit. Fines in connection with participation in this alleged cartel were also imposed on the companies Dow, Shell and Eni. According to the Commission, cartel agreements on prices and exchange of sensitive information between competitors were supposed to take place during meetings of the European association of butadiene-styrene rubber producers (ESRA) in 1999–2002. KAUČUK did not participate in these meetings directly, it was represented by its commercial representative. UNIPETROL was investigated solely on the grounds of being the parent company of KAUČUK.

UNIPETROL and KAUČUK challenged the decision of the Commission to the full extent in their filing. The Plaintiff consentingly claims that it does not ensue from the produced evidence that the commercial representative of KAUČUK participated in any unfair competitive conduct. In the case of UNIPETROL, responsibility for possible cartel is even excluded due to the fact that it is not involved in the rubber market and it was not even a member of ESRA. The fact itself that it is a parent company of the company KAUČUK cannot serve as a sufficient basis for establishing responsibility for cartel conduct.

### II. AVERSEN ENTERPRISES LIMITED versus UNIPETROL, a.s. for CZK 3,953,682.34 and accessories

This action concerns alleged guarantees of the state enterprise CHEMOPETROL for the loan provided in 1992 by Agrobanka Praha, a.s. to the company HUMEC s.r.o., ID No.: 41329317, registered office at Most, Žatecká bl. 211. The company HUMEC paid up a part of the loan and bankruptcy proceedings were adjudicated in respect of its assets on February 13, 1995. Agrobanka, a.s. assigned the registered receivable to the Plaintiff on the basis of a contract. UNIPETROL, a.s. contests in the litigations that, inter alia, the obligation concerned did not pass to UNIPETROL, a.s., because UNIPETROL, a.s. did not take over any assets during the merger with CHEMOPETROL GROUP to which the said obligations could relate. As for the asserted claim, UNIPETROL, a.s. is not a legal successor of CHEMOPETROL, s.p. and CHEMOPETROL GROUP. It is further challenged that the guarantor's obligation was signed by an unauthorized person and that fact could have been known to the loan provider – Agrobanka, a.s.

### III. Adam Černý versus UNIPETROL, a.s. on declaration of invalidity of the Extraordinary General Meeting resolution of 29 September 2006

The Plaintiff seeks declaration of invalidity of the Extraordinary General Meeting resolution on the following grounds: 1) the obligation was breached to discuss point 5 of the agenda of the Extraordinary General Meeting; 2) vagueness of the Notification; 3) substantial breach of shareholders rights resulting from breach of legal regulations; 4) the General Meeting resolution was not duly adopted; 5) conduct of the Chairman of the General Meeting was contrary to law. UNIPETROL, a.s. rejects all allegations included in the action, supporting its opinion in its statement on the action and, in addition, it challenges the lack of the Plaintiff's entitlement to sue. So far, oral hearings of the case were not ordered.

### IV. Czech National Bank – administrative proceedings concerning defects in the 2005 Annual Report (ref. no. 2006/11357/540 file ref. no. 51/Se/38/2006)

Within the administrative proceedings announced in the notification of the Czech National Bank of 1 December 2006, explanations in respect of individual criticized defects were provided to the administrative authority. UNIPETROL, a.s. published explanations in respect to the 2005 Annual Report on its internet pages. On the basis of investigation and oral hearings the administrative authority decided not to impose sanctions.

### V. Czech National Bank – administrative proceedings in the case of alleged breach of duty according to § 125(1) of the Capital Market Act, No. 256/2004 Coll., in the wording of subsequent legislation, by UNIPETROL (ref. no. 2006/10145/540, file ref. no. 51/Se/35/2006)

On November 28, 2006, UNIPETROL, a.s. ("UNIPETROL") received the notification of the Czech National Bank ("ČNB") on opening administrative proceedings in an official capacity. According to the Czech National Bank, UNIPETROL was supposed to violate its duty according to the above-quoted Act by its failure to publish certain internal information in the determined manner in connection with its ownership interest in the company SPOLANA a.s. ("SPOLANA"), causing thus an administrative wrong in the meaning of § 171, letter d) of the Act. The administrative authority decided to discontinue the administrative proceedings.

**VI. Telefónica O2 Czech Republic, a.s. (formerly EUROTEL Praha s.r.o.) versus UNIPETROL, a.s. (for CZK 4,323,659 including accessories)**

An action to pay contractual fine for giving notice of termination in respect to the contract on delivery of telecommunications services. The action was dismissed by the judgement of the Municipal Court in Prague. The Plaintiff filed an appeal to the judgment of the Municipal Court in Prague to the High Court in Prague. The High Court in Prague overruled the original judgment and returned the dispute for further proceedings to the court of first instance, stating its legal opinion that the contractual fine was justified and that it was necessary to document the legitimacy of the claimed fine. Negotiations took place between the parties to achieve conciliation. The negotiations were unsuccessful. UNIPETROL disputed the part of the amount required. It is expected that the judgment will be issued.

**VII. DEZA, as. versus UNIPETROL, a.s. on payment of the contractual fine and damage compensation**

(see chapter 15 of the consolidated financial statements and chapter 14 of the non-consolidated financial statements)

**Active litigations – UNIPETROL, a.s. is the Plaintiff****I. UNIPETROL, a.s., versus Telefónica O2 Czech Republic, a.s., (formerly ČESKÝ TELECOM, a.s.) for CZK 765,927 and CZK 1,625,691 with accessories.**

The action to replace the decision of the Czech Telecommunications Office on payment of the above amounts to the company Telefónica O2 Czech Republic, a.s. by title of outstanding amount between contractual telephone charges and the price of actual telephone calls made. The action was filed on 7 October 2004 with the District Court for Prague 1, date of the trial has not yet been determined.

### Principal business of the company

#### 1. The company engages in the following business activities

- provision of business, financial, organizational and economic consulting services;
- provision of technical consulting in the field of
  - research and development;
  - environment protection;
  - logistics;
- research in natural and technical sciences;
- provision of administrative management, and organizational and economic services to individuals and legal entities;
- provision of services in the area of occupational health and safety;
- provision of software and HW, and SW consulting services;
- data processing, databank services, network administration;
- mediation of trade;
- mediation of services;
- organization of specialized training courses and other educational activities, including lecturing.

#### 2. The company's main mission

- strategic management and development of the Group's directly or indirectly controlled companies;
- coordination and attending to joint matters of the Group's directly or indirectly controlled companies;
- ensuring financing and developing funding systems in companies that are part of the holding;
- development of HR potential and human resources management systems in companies that are part of the holding;
- administration, acquisition and disposal of the ownership interests and the company's other property, namely:
  - establishment of business companies, participation in their establishment and other acquisition of ownership interests in the business of their legal entities;
  - exercise of shareholding and similar rights in directly or indirectly controlled companies;
- lease of real property and provision of basic services ensuring proper operation of real property.

See the company's Statutes: *I General provisions, Article 4 Principal business*



## Administrative and managing bodies

Two members of the Board of Directors act jointly on behalf of the company on all corporate matters; one of them must be the Chairman or Vice-Chairman of the Board of Directors. Signing on behalf of the company: members of the Boards of Directors who are authorized to act on behalf of the company add their signature to the company name.

See the company's Statutes: *I. General provisions, Article 6 Acting on behalf of the company*

An authorized representative is authorized to act on behalf of the company on the basis and within the scope of a Power of Attorney. In cases stipulated by law the Power of Attorney must be in writing and its extent must be specified.

*The company's employees can act on behalf of the company as its representatives on the basis of a Power of Attorney or on the basis of § 15 of the Commercial Code.*

An authorized agent (a proxy) can also act on behalf of the company, if a procuration was conferred. A procuration becomes effective from the day it is entered in the Commercial Register. A proxy signs on behalf of the company by adding his signature and letters designating the procuration to the company's name.

See the company's Statutes: *I. General provisions, Article 7 Representing the company*

### Company bodies are:

- A. The General Meeting
- B. The Board of Directors
- C. The Supervisory Board

The General Meeting consists of shareholders. Czech and foreign natural persons (individuals) capable to duly fulfil tasks entrusted to them on the basis of their professional knowledge and experience, and meeting requirements under legal regulations, can be members of other company bodies.

See the company's Statutes: *III. Organization of the company, Article 11 Company bodies*

### Status and scope of authority of the General Meeting

1. The General Meeting is the highest body of the company.
2. The General Meeting is authorized to:
  - a) decide on amendment to the Statutes, if it is not an amendment resulting from the Board of Directors' increase in the company's share capital (capital stock) under § 210 of the Commercial Code and Article 28(7) of these Statutes or a change which occurred on the basis of other legal facts;
  - b) decide on an increase in the share capital and on authorizing the Board of Directors to increase the share capital under § 210 of the Commercial Code and Article 28(7) of these Statutes, to decide on the possibility to settle a cash receivable from the company against a receivable for payment of a rate of issue;
  - c) to decide on an issue of debentures under § 160 of the Commercial Code;
  - d) to decide on a decrease of the share capital;
  - e) to decide on merger, transfer of capital to one shareholder or its splitting, or on a change of the company's legal form;
  - f) to decide on winding up and liquidation of the company, on appointing and recalling a liquidator, and determining his reward, on approving the proposal for the distribution of the liquidation balance;
  - g) to approve a non-monetary investment in the company, or to determine the company's body that will approve the value of the non-monetary investment when authorizing the Board of Directors to decide on an increase of the share capital under § 210 of the Commercial Code and Article 28(7) of these Statutes;
  - h) to decide on elimination or restriction of the preferential right to acquire exchangeable or priority debentures, or to subscribe new company shares to increase the share capital for the company's shareholders;

- i) to decide on an issue of priority claims to acquire exchangeable and priority debenture, to subscribe shares when claiming the rights attached to priority debentures, or to subscribe shares when the company's capital stock is increased;
  - j) to decide on a change in the kind or type of shares and on the change of rights related to a certain type of shares, to decide on the split or unification of shares, to decide on the issue of a stock certificate replacing shares;
  - k) to decide on the listing of participation securities under a special regulation, and on their exclusion from trading on an official market;
  - l) to decide on the acquisition of the company's own shares where such decision is required by the Commercial Code;
  - m) to decide on the establishment and dissolution of any reserve funds (created from profits) and on the rules of their usage;
  - n) to elect and recall members of the Supervisory Board, with the exception of the Supervisory Board's members who are elected and recalled by employees in compliance with § 200 of the Commercial Code, and to decide on confirmation of their election under § 38l(6) of the Commercial Code;
  - o) to decide on the reimbursement of members of the Board of Directors and the Supervisory Board, on the approval of contract on the exercise of function of the Supervisory Board's members;
  - p) to grant preliminary approval with the conclusion of a loan contract between the company and a member of the Board of Directors, of the Supervisory Board, the authorized agent or another person who is authorized to conclude such contract on behalf of the company, or persons close to them, or a contract on securing these persons' liabilities (payables) or on gratuitous transfer of the company property to these persons;
  - q) to grant a preliminary approval with conclusion of a loan contract with another person than persons listed under letter p) or on securing such person's liability, if persons listed under letter p) are entitled to conclude such a contract on behalf of this other person; this does not apply if the loan is granted by the controlling party to the controlled person, or the controlled person's liabilities are secured by the controlling person;
  - r) to grant a preliminary approval with conclusion of a contract on a gratuitous transfer of assets to the shareholders;
  - s) to approve the report on the company's business activities and the state of its assets (Management Report);
  - t) to approve ordinary or extraordinary financial statements and consolidated financial statements, and in cases stipulated by law also interim financial statements, and to decide on the distribution of profit including possible share of employees in the distributed profit, and decide on the compensation of loss and fixing of emoluments;
  - u) to approve contracts defined in § 67a of the Commercial Code;
  - v) to decide on the decisive date for the payment of dividend;
  - w) to approve controlling contracts, contracts on the transfer of profit and contracts on silent partnership, as well as their amendments;
  - x) to approve conclusion of a contract on the basis of which the company is to acquire or sell assets, if such approval is required under § 193(2) of the Commercial Code;
  - y) to decide on other issues in the General Meeting's competence under the Commercial Code or these Statutes.
3. The General Meeting cannot decide on matters which are not in the scope of its authority under the law or these Statutes. The General Meeting's scope of authority does not affect the Supervisory Board's scope of authority in compliance with § 193(2).
  4. The company bears the costs of the General Meeting; the shareholders are not entitled to reimbursement of costs related with their participation in the General Meeting.

See the company's Statutes: *III. Organization of the company, Article 12 Status and scope of authority of the General Meeting*

#### **Status and scope of authority of the Board of Directors**

1. The Board of Directors is the company's statutory body that governs the company's activities and acts on its behalf.
2. The Board of Directors decides on all company matters unless they are – in compliance with the Commercial Code or these Statutes – in the competence of the General Meeting or the Supervisory Board.
3. These Statutes and/or decisions of the General Meeting or the Supervisory Board can restrict the Board of Directors' right to act on behalf of the company, however these restrictions are not effective towards third parties.
4. The Board of Directors is particularly authorized to:
  - a) ensure management of the company's business;
  - b) ensure proper keeping of accounts and other company documents;
  - c) convene the General Meeting;
  - d) prepare and submit for review to the Supervisory Board and for approval to the General Meeting ordinary, extraordinary, consolidated, or interim financial statements including the proposal for distribution of profit or compensation of loss;

- e) submit once a year to the General Meeting the Report on the company's Business Activities and the State of its Assets (Management Report);
- f) execute resolutions of the General Meeting;
- g) submit to the Supervisory Board for discussion, or approval, matters falling under these Statutes in the scope of authority of the Supervisory Board;
- h) decide in compliance with Article 28(7) of these Statutes and on authorization of the General Meeting on the increase of the company's share capital;
- i) decide on the use of corporate reserve funds (created from profit) in line with rules approved by the General Meeting, with the reservation that Article 27 of these Statutes is not hereby affected;
- j) grant and withdraw the procuration;
- k) keep a list of interim certificates' owners;
- l) decide on the refusal to provide information required by a shareholder at the General Meeting under conditions stipulated in § 180(4) of the Commercial Code;
- m) appoint and recall the company's senior managers on the condition that the provision of Article 16(4)(n) is not affected by these Statutes;
- n) appoint and recall the company's CEO taking into account the Supervisory Board's opinion on this matter;
- o) appoint and recall the company's auditor for the purpose of auditing the company's ordinary financial statements, and, if necessary, other documents whose verification is required by law, taking into account the Supervisory Board's opinion in this matter.

See the company's Statutes: *III. Organization of the company, Article 16 Status and scope of authority of the Board of Directors*

#### **The Board of Directors composition, establishment and term of office**

1. The company's Board of Directors has seven members who are elected and recalled by the Supervisory Board.
2. The Board of Directors's members are appointed for three years. Re-election of a member to the Board of Directors is possible.
3. The Board of Directors' members can resign from the Board of Directors, but they are obliged to inform about it the Supervisory Board in writing. The exercise of their function ends on the date when the Supervisory Board discussed or should have discussed the resignation. The Supervisory Board is obliged to discuss the resignation at its nearest meeting after it learned about the resignation. If the resigning Board of Directors' member announces his/her resignation at the Supervisory Board's meeting, the exercise of his/her function ends two months after the announcement, unless the Supervisory Board approves – upon request of the resigning Board of Directors' member – another final day of his/her function.
4. Should a Board of Directors' member die, resign, be recalled or his term of office ends in another way, the Supervisory Board must choose a new Board of Directors' member within three months from the day on which the death occurred.
5. The Board of Directors elects from among its members the Chairman and two Vice-Chairmen who fully and independently represent the Board of Directors' Chairman in the exercise of his competence.

See the company's Statutes: *III. Organization of the company, Article 17 The Board of Directors's members, establishment of the Board and terms of office of its members*

#### **Status and scope of authority of the Supervisory Board**

1. The Supervisory Board is the company's supervisory body. It supervises the Board of Directors' exercise of their powers and the company's business activities.
2. The Supervisory Board's members are entitled to review all documents and records pertaining to the company's activities and they check whether the accounting entries are properly kept and correspond to the reality, and whether the company's business activities are carried out in compliance with legal regulations, the Statutes and the General Meeting's instructions. The Supervisory Board has a right to request information from the company's auditor and to continually co-operate with him.
3. The Supervisory Board is competent to:
  - a) inspect as part of its supervisory activities the exercise of the Board of Directors' scope of authority, in particular fulfilment of tasks set to the Board of Directors by the General Meeting, abidance by the corporate Statutes and legal regulations, the state of the company's assets, its receivables and payables and keeping of accounts and their supportability, and to submit to the General Meeting results, conclusions and recommendations resulting from the inspection activities;
  - b) review the ordinary, extraordinary, consolidated and, if prepared, also interim financial statements and the proposal for distribution of profits or compensation of loss, and to report to the General Meeting on the review;

- c) discuss all Board of Directors proposals submitted to the General Meeting and to present its opinion on these matters to the General Meeting;
  - d) convene the General Meeting, when necessary, and to propose necessary measures to the General Meeting;
  - e) to ask the Board of Directors to complement the agenda of the General Meeting;
  - f) to elect and recall Board of Directors' members, to confirm the election of the Board of Directors' members under § 381(6) of the Commercial Code;
  - g) to represent the company through its member in a litigation against the Board of Directors' members in court proceedings, or another institution;
  - h) to exercise other activities entrusted to it under the Commercial Code or these Statutes.
4. The Supervisory Board gives the Board of Directors a preliminary consent with the Board of Directors's acts in agreement with Article 16(5) of these Statutes.
  5. Based on the Board of Directors' request, the Supervisory Board gives the Board of Directors its preliminary opinion on the Board of Directors' decisions in agreement with Article 16(4n,o) and Article 16(6) of these Statutes.
  6. Any member of the Supervisory Board is entitled to submit a proposal for the election, or recall, of a Board of Directors' member. The Board of Directors members are elected, or recalled, in a secret vote at the Supervisory Board's meetings; an agreement on the vote outside the meeting is not admissible in this case.
  7. The Supervisory Board is governed by principles and instructions approved by the General Meeting, if they comply with legal regulations and these Statutes.

See the company's Statutes: *III. Organization of the company, Article 20 Status and scope of authority of the Supervisory Board*

## **The Board of Directors' composition, establishment and term of office**

1. The Supervisory Board has twelve members; eight members of the Supervisory Board are elected and recalled by the General Meeting, and four members of the Supervisory Board are elected by employees if the company has more than fifty employees working on the basis of a work contract with working time exceeding one half of regular weekly working hours as stipulated by a special regulation as at the first day of the accounting period in which the General Meeting is convened.
2. Only employees with employment status have the right to elect members of the Supervisory Board. Only a natural person (an individual) who is at the time of election employed by the company, or is an employee representative or member of an employee representative body under a special regulation may be elected. The election of the Supervisory Board members elected by employees are organized by the Board of Directors on the basis of Election Rules that are drafted and approved after they have been discussed with the company employees who meet the condition set in the first sentence of this paragraph.
3. The Supervisory Board members are elected for three years. A member can be re-elected to the Supervisory Board.
4. Members of the Supervisory Board can resign from the Supervisory Board, but they are obliged to notify the Supervisory Board about it in writing. The exercise of their function ends on the date when the Supervisory Board discussed or should have discussed the resignation. The Supervisory Board is obliged to discuss the resignation at its nearest meeting after it learned about the resignation. If the resigning Supervisory Board's member announces its resignation at the Supervisory Board's meeting, the exercise of his/her function ends two months after the announcement, unless the Supervisory Board approves – upon request of the resigning Supervisory Board's member – another termination date of his/her function.
5. If the number of Supervisory Board's members does not drop to less than one half, the Supervisory Board can appoint substitute members by the next General Meeting, or else the new Supervisory Board members must be elected within three months from the day on which the existing Supervisory Board members ceased exercising their function.
6. The Supervisory Board elects from among its members the Chairman and two Vice-Chairmen each of whom represents, fully and independently, the Chairman of the Supervisory Board in the exercise of his competence.

See the company's Statutes: *III. Organization of the company, Article 21 The Supervisory Board's composition, establishment and term of office*

## **Supervisory Board Committees**

1. The Supervisory Board is obliged to establish the following committees:
  - a) Personnel and Rewarding Committee,
  - b) Finance and Audit Committee,
  - c) Administration and Management Committee,

- d) Strategy and Development Committee (hereafter only "Supervisory Board committees").
- 2. Every Supervisory Board committee has four members.
- 3. Members of Supervisory Board committees are appointed and recalled by the Supervisory Board and the Supervisory Board can decide on their appointment or recall any time. The Supervisory Board committees' members are elected for three years, unless a respective Supervisory Board committee member's term of office ends sooner; in such case the term of office of the respective Supervisory Board committee member ends as at this date. The Supervisory Board committees can comprise only members of the Supervisory Board.
- 4. Personnel and Rewarding Committee  
The Personnel and Rewarding Committee's scope of authority also includes support to the company's strategic goals in the form of submitting its opinions and recommendations to the Supervisory Board on matters related to the management structure, including organizational issues, the rewarding system and selection of personnel capable of helping the company to achieve success. The Personnel and Rewarding Committee's scope of authority includes in particular:
  - a) submission of recommendations to the Supervisory Board concerning the appointment and recall of the Board of Directors' members,
  - b) regular assessment and submission of recommendations concerning principles governing the system of rewarding of the Board of Directors' members and the CEO, including managerial contracts and the motivational system, and submission of proposals to the Supervisory Board concerning the creation of these systems with respect to the fulfilment of the company's strategic goals,
  - c) submission of opinions to the Supervisory Board concerning the substantiation of rewards based on results in relation to the evaluation of the level of fulfilment of the set tasks and the company's goals,
  - d) assessment of the company's human resources management system,
  - e) recommendation of candidates for the post of CEO,
  - f) information of the Supervisory Board on all matters concerning activities of the Personnel and Rewarding Committee.
- 5. Finance and Audit Committee  
The scope of authority of the Finance and Audit Committee includes provision of consulting services to the Supervisory Board related to proper implementation of rules governing the budget, budgetary and financial reporting and internal audit in the company, and also co-operation with the company's auditors. The scope of authority of the Finance and Audit Committee includes in particular:
  - a) co-operation with the company's auditors and submission of recommendations to the Supervisory Board concerning the choice of auditors and their reward,
  - b) review of the company's financial statements,
  - c) discussion of all issues or reservations that can be connected with the review of the financial statements,
  - d) evaluation of the company auditor's letters to the Board of Directors, and also evaluation of the impartiality and objectivity of audits and the Board of Directors' replies,
  - e) checks on the company's accounting,
  - f) evaluation of the company's internal checking system and annual report,
  - g) yearly control of the internal audit programme, coordination of internal and external auditors' activities and review of terms under which internal audits are carried out,
  - h) co-operation with the company's departments responsible for audit and control, including regular evaluation of their activities and results,
  - i) assessment of all other issues related to the company's audit which were pointed out by the Committee or the Supervisory Board,
  - j) information of the Supervisory Board on all issues related to the scope of authority of the Finance and Audit Committee.
- 6. Administration and Management Committee  
The Administration and Management Committee's scope of authority includes preparation and submission of opinions and recommendations to the Supervisory Board concerning the company's organizational structure, the company's status as the issuer of listed securities and as a member of an international capital group. The Administration and Management Committee's scope of authority includes in particular:
  - a) evaluation of implementation of the company's administration and management principles,
  - b) submission of recommendations to the Supervisory Board concerning the implementation of the company's administration and management rules,
  - c) comments on normative documents related to the company's administration and management,
  - d) evaluation of reports on harmonization of the company's administration and management rules with the rules of administration and management as prepared by the Prague Stock Exchange or the Czech National Bank, if such rules were prepared,
  - e) submission of opinions on proposed amendments of corporate documents, and on the preparation of the draft amendments in case of the Supervisory Board's documents,

- f) monitoring of the company's management compliance with legal regulations, including valid rules of the company's administration and management,
- g) information of the Supervisory Board on all issues concerning the Administration and Management Committee's scope of authority.
- 7. **Strategy and Development Committee**  
The Strategy and Development Committee's scope of authority includes drafting and submission of opinions and recommendations to the Supervisory Board concerning the company's strategy, commenting on strategic plans and on projected investment and divestment that can have a substantial impact on the company's assets. The Strategy and Development Committee's scope of authority includes in particular:
  - a) assessment of impact of any projected and materialized investment and divestment on the company's assets,
  - b) evaluation of measures, contracts, letters of intent and other documents related to the acquisition, sale, charging and other form of disposal with the company's assets,
  - c) expressing an opinion on all documents of strategic importance submitted by the Board of Directors to the Supervisory Board,
  - d) expressing an opinion on long-term strategic plans and yearly technical and business plans,
  - e) informing the Supervisory Board on all issues within the Strategy and Development Committee's scope of authority.
- 8. Every Supervisory Board's committee elects from among its members the Chairman and Vice-Chairman, who is authorized to represent the Chairman in his absence.
- 9. The Supervisory Board's committees meet when necessary, but at least once in every three months.
- 10. The Supervisory Board's committees meetings are convened by the Chairman of the respective Committee and, in case of his absence, by the Vice-Chairman or any other member of the Committee authorized to do so.
- 11. The Supervisory Board's committee constitutes a quorum if all members of the respective committee were duly invited to its meeting and if more than an absolute majority of all members is present at the meeting.
- 12. The absolute majority of all members is necessary for the adoption of a Supervisory Board's committee resolution.
- 13. Minutes are taken at the Supervisory Board's committees meetings; they are signed by the Chairman, or by the Vice-Chairman or another Committee member authorized to do so. The minutes include also opinions of the minority of members if they require it. The minutes must be filed for the entire existence of the company.
- 14. The Supervisory Board's committees' Rules of Procedure which are approved by the Supervisory Board stipulate details about the Supervisory Board's committees meetings and their scope of authority.

See the company's Statutes: *III Organization of the company, Article 23 Supervisory Board's committees*

## Rights, advantages and limitations valid for each type of existing shares

### Company shares

1. The share capital of the company is divided into 181,334,764 (in words: one hundred eighty one million three hundred thirty four thousand seven hundred and sixty four pieces) ordinary registered shares with a nominal value of CZK 100 each.
2. The shares are issued as uncertificated quoted shares entered in the registry of the Securities Centre.
3. A subscriber pays the entire issue price of the shares subscribed by him, and to be paid up by monetary investment contribution, within six months of the entry of the increase in the share capital in the Commercial Register. Non-monetary investment contributions shall be paid up prior to filing a petition for entry of the increase in the share capital in the Commercial Register in the manner according to paragraphs 4 to 6 of this Article.
4. Where a non-monetary investment contribution is a movable asset, a subscriber hands over the object of the investment contribution to the company and arrange for acquisition of the ownership title by the company to the paid up investment contribution prior to filing a petition for entry of the increase in the share capital in the Commercial Register.
5. Where a non-monetary investment contribution is an immovable asset (real estate), a subscriber hands over the object of the investment contribution, the written declaration with officially certified signature and arranges for acquisition of the ownership title to the paid up object of the investment contribution by the company prior to filing a petition for entry of the increase in the share capital in the Commercial Register; a petition for entry in the real estate cadastre has to be filed within fifteen days of the entry of the increase in the share capital in the Commercial Register.
6. In the case of other non-monetary investment contributions, the investment contribution is paid up upon conclusion of a written contract on the investment contribution. Where know-how constitutes a non-monetary investment contribution, the documentation

containing know-how is also handed over so that investment contribution is deemed to be paid-up. Where an enterprise or a part thereof constitutes a non-monetary investment contribution, handover of such enterprise or a part thereof is required so that the investment contribution is deemed to be paid-up. The company and the subscriber makes a record on the handover of the documentation containing know-how and on handover of an enterprise or a part thereof.

7. In the case of breach of a duty to pay up the issue price of the subscribed shares or a due portion thereof, a subscriber pays the interest on default at an annual rate of 20%.
8. Should a subscriber fail to pay the due portion of the issue price of the subscribed shares, the Board of Directors invites him to pay the amount in arrears within sixty days of delivery of the Board of Directors' invitation. Should such time-limit expire in vain, the Board of Directors expels the subscriber from the company and asks him to return his interim certificate within an appropriate time-limit fixed by the Board. Procedure for declaring an interim certificate not returned by an expelled shareholder null and void and for the issue of a new interim certificate is determined in § 177(5 to 7 of the Commercial Code. Instead of the procedure according to the preceding sentences, the Board of Directors may file an action to pay up the issue price of the shares or the due portion of the issue price against the subscriber who is in default with payment, or the General Meeting may decide on reducing the share capital by waiving the issue of shares to the scope in which subscribers are in default with payment of the nominal value of shares.
9. The amount determined for payment of the issue price of the shares or the value of the paid-up non-monetary investment contribution is accounted for the share premium first. Should such amount or value be insufficient for paying up the due portion of the nominal value of all subscribed shares, it is accounted for successively as part payment of the payable portion of the nominal values of individual shares.

**See the company's Statutes: II. The company's share capital and shares, Article 9 Company shares, manner of paying the issue price and consequences of breaching the obligation to pay for shares**

#### **Shareholders' rights and obligations**

A shareholder is entitled to a proportion of the company's profit (a dividend) approved by the General Meeting for distribution to shareholders, taking into account the company's financial results. This proportion is determined as the ratio between the nominal value of the shareholder's share and the total nominal value of all the shareholders' shares. A shareholder is not bound to refund the company for any dividend accepted in good faith; in case of doubt, good faith is presumed.

The amount determined as a company's profit for distribution may not be higher than the trading result for the accounting period shown in the financial statements, reduced by the mandatory allocation to the reserve fund under § 217(2 of the Commercial Code and unsettled losses from previous years, and increased by retained profit from preceding years and funds created from profit which the company may use at its own discretion.

The company may not distribute profit or other own resources among shareholders when its equity capital, as established in ordinary or extraordinary financial statements, is, or due to the distribution of profit would be, lower than the share capital of the company, increased by:

- a) the subscribed nominal value of shares, if the company's shares were subscribed in order to increase its share capital, and the new share capital was not entered in the Commercial Register at the day when the ordinary or extraordinary financial statements were drawn up; and
- b) such portion of the reserve fund or reserve funds which, under the law and the Statutes, the company may not use for payment to shareholders.

Unless the General Meeting decides otherwise, dividends are payable within two months of the day of holding the General Meeting that decides on payment of the dividend, and the numerical designation of the day is identical with the numerical designation of the day of holding the General Meeting.

Unless the resolution of the General Meeting or an agreement with a shareholder determines otherwise, the company pays out a dividend at its own cost and risk at the shareholder's address, as recorded in the registry of uncertificated securities kept by the Securities Centre, in the section determined for the issuer, at the decisive date. The Board of Directors notifies shareholders of the date when dividends are to be paid, the place and method of such payment in the manner determined for convening the General Meeting (Article 14(5) of these Statutes).

The right to a dividend payment is separately transferable as of the date when the General Meeting passes a resolution on the payment of a dividend.



During the company's existence, even if it is wound up, a shareholder may not demand the refund of his investment contribution.

An investment contribution is not deemed to be refunded when payment is made:

- a) due to a reduction of the share capital,
- b) on the redemption of shares by the company if the statutory requirements are met,
- c) on return of an interim certificate, or on declaring such certificate null and void,
- d) on distribution of a liquidation share.

In the case of winding-up of the company and its liquidation, each shareholder of the company is entitled to a liquidation share. The amount of this share is determined in the same manner as when determining the shareholder's share in profit (dividends).

A right to participate in the company's management is attached to a share. A shareholder exercises this right explicitly through the General Meeting while respecting organizational measures for holding General Meetings. A shareholder is entitled to attend the General Meeting, to vote, to ask for explanations and to receive answers to questions about matters concerning the company, if such explanations are necessary for considering the issue discussed by the General Meeting and to make proposals and counterproposals. A shareholder attending a General Meeting has also the right to be given explanations according to the preceding sentence about matters concerning persons controlled by the company. Information may be refused on grounds stated in § 180(4) of the Commercial Code.

If a shareholder intends to make at the General Meeting counterproposals to proposals whose content was stated in the notification of the General Meeting, or if a notarial deed must be drawn up on such General Meeting's decision, he is obliged to deliver the written wording of his proposal or counterproposal to the company at least five working days before the General Meeting is held; this does not apply if nominations for the election of specific persons to the company bodies are involved. If possible, the Board of Directors publicizes the counterproposal, together with its opinion, at least three days before the scheduled date of the General Meeting.

Where the share capital is increased by a new subscription, each shareholder has a pre-emptive right to subscribe for a part of the company's new shares in proportion to his holding in the existing share capital, provided that such shares are to be subscribed by monetary investment contributions. A resolution of the General Meeting may restrict or exclude pre-emptive rights in the same extent for all shareholders, if there is a serious reason to do so on the part of the company.

A shareholder or shareholders having shares of the total nominal value exceeding three per cent of the company's share capital may request:

- a) the Board of Directors to convene an Extraordinary General Meeting in order to discuss matters proposed by such shareholder(s),
- b) the Board of Directors to include the proposed matters on the agenda of the General Meeting. If such request is delivered after publicizing a notification that such General Meeting is to be held, the Board of Directors publicizes supplementary information on other matters to be included in the agenda in the manner according to Article 14(5) of these Statutes; when the publishing of such notification is not feasible, the matter may be included in the agenda of the General Meeting only if the procedure according to Article 15(6) of these Statutes is used,
- c) the Supervisory Board to examine the performance of the Board of Directors in the matters raised in the request,
- d) the Supervisory Board to claim any right to compensation for damage which the company has against a member of the Board of Directors,
- e) the Board of Directors to file a petition with a court concerning outstanding payment of the issue price against shareholders who are in default with such payment, or to apply the procedure according to Article 9(8) of these Statutes,
- f) the court to appoint an expert to review the Report on Relations between Interconnected Entities according to § 66a(12) of the Commercial Code, should there be important reasons, even if prerequisites stipulated in § 66a(13) of the Commercial Code are not met,
- g) the court to recall a liquidator appointed by the General Meeting and to appoint another liquidator.

Misuse of majority, as well as minority of votes is prohibited in the company.

Agreements concluded for the purpose of giving a shareholder an advantage over the company or other shareholders are null and void.

See the company's Statutes: II. The company's share capital and shares, Article 10 Shareholders' rights and obligations

## Procedures governing changes in shareholders' rights

Shareholders' rights and obligations are stipulated in legal regulations and the company's Statutes. Both local and foreign legal entities or natural persons may be shareholders of the company.

See the company's Statutes: *II. The company's share capital and shares, Article 10 Shareholders' rights and obligations*

If a shareholder acting in concert with other persons attains a share (percentage) in the voting rights of the company enabling him to control the company, he is bound to make a tender offer to all company's shareholders within sixty days of the day following the day when the shareholder attained or exceeded such share. This duty terminates if a shareholder reduces his share (percentage) of voting rights below the threshold which gave rise to his duty according to this paragraph, or if he transfers the shares to another person with the objective not to exercise decisive influence on the company himself or through other persons. In both cases, termination of such duty is subject to the decision of the Securities Commission based on a written application by a shareholder. The above does not apply if the shares are transferred to a person whom the shareholder controls or who controls such shareholder, or to an entity which is acting in concert with such shareholder or with which the shareholder is related through his property or personnel, even when the right to dispose of voting rights was left to such entity. The Commercial Code stipulates similar rules for exercising this duty; as for specific cases, the Securities Commission decides at a shareholder's request.

A shareholder who attains or exceeds the threshold of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50% or 75% in all company's voting rights, or reduces its share in all voting rights below any of the said thresholds notifies the company and the Securities Commission about this fact in writing within three working days after this shareholder learns or could have learnt of such fact. The reporting duty does not apply to a shareholder whose share in voting rights can be ascertained from the Securities Centre's registry, and who concluded a contract with the Securities Centre under which the latter is bound to discharge the shareholder's reporting duty in relation to the company and the Securities Commission. The reporting duty does not apply to a shareholder who is a controlled person if this controlled person's reporting duty is discharged by the controlling person when discharging its own reporting duty. Details, including calculation of the share in the company's voting rights and consequences of failure to comply with the reporting duty are stipulated in a special legal regulation governing business activities on the capital market and the Commercial Code.

A shareholder is bound to report possible changes in the data concerning its person, as entered in the registry of uncertificated securities according to the law without undue delay. The company is not liable for any consequences resulting from omission to comply with this duty.

See the company's Statutes: *II. The company's share capital and shares, Article 10 Shareholders' rights and obligations*

## Conditions for convening general meetings

### Convening the General Meeting

1. The General Meeting of the company is convened at least once a year, in particular no later than six months after the last day of the accounting period. In cases when the Board of Directors fails to convene the General Meeting without undue delay and the law stipulates a duty to convene the General Meeting, or if the Board of Directors lacks a quorum long-term, any member of the Board of Directors is entitled to convene the General Meeting.
2. The Board of Directors convene a General Meeting, without undue delay, when it ascertains that a settlement of a loss (as shown in any of the company's financial statements) from the company's disposable funds would still leave an unsettled amount representing half of the company's share capital, or that this fact can be envisaged taking account of all the circumstances, or if the Board establishes that the company has become insolvent, in which case it will recommend the General Meeting to wind up the company or adopt another measure, unless other statutory provisions specify otherwise.
3. At the request of a shareholder or shareholders according to Article 10(14,a) of these Statutes, the Board of Directors convene an Extraordinary General Meeting so that it is held no later than forty days after it received the request for its convening; the time-limit set in par. 5 of this Article is shortened to fifteen days. The Board of Directors is not entitled to change the proposed agenda; it may be supplemented only with the consent of the persons who asked for an Extraordinary General Meeting to be convened.
4. On the basis of the decision of the Board of Directors, a General Meeting is convened also in other cases; should the company's interests require so, the General Meeting may be convened by the Supervisory Board that propose necessary measures to the General Meeting.

5. The General Meeting is convened by a notice convening the General Meeting published in the Commercial Bulletin and in Hospodářské noviny at least thirty days prior to holding the General Meeting. If a shareholder establishes a lien on at least one company's share in favour of the company as security for settlement of the cost of sending him notices of holding a General Meeting to the address stated in his application, the company sends him such notifications to the stated address at his expense.
6. A notice of the General Meeting includes the commercial name and the registered office of the company, date, hour and venue of the General Meeting, designation whether an ordinary, extraordinary or substitute General Meeting is being convened, the agenda of the General Meeting, the decisive day for participation in the General Meeting, and possibly other prerequisites stipulated by the law.
7. The venue, date and hour must be determined in such a manner as not to restrict the possibility of shareholders' attendance at such General Meeting, as much as possible.
8. A General Meeting may be revoked or postponed to the later date. Revocation or postponement of the General Meeting must be communicated in the manner determined in paragraph 5 of this Article, in particular no later than one week prior to the day scheduled for its holding, otherwise the company is obliged to reimburse all the purposefully incurred expenses of shareholders who came in accordance with the original notice. When the new date of the General Meeting is determined, the time-limit according to paragraph 5, or possibly paragraph 3 of this Article must be complied with.
9. In the case that the Board of Directors convenes the General Meeting, the Supervisory Board must be informed about its convening and the proposed agenda and the Board of Directors is obliged to supplement the agenda according to the requirements of the Supervisory Board that must be submitted in the manner enabling compliance with the time-limit set for convening the General Meeting according to paragraph 5 of this Article. In the case that the Supervisory Board convenes the General Meeting, the Board of Directors is informed about its convening and the proposed agenda. The Supervisory Board is obliged to supplement the agenda according to the requirements of the Board of Directors that must be submitted in the manner enabling compliance with the time-limit set for convening the General Meeting according to paragraph 5 of this Article. Together with the notice of holding the General Meeting, however no later than within the time-limit according to paragraph 5 of this Article, the convening body submits to the other body written documents concerning individual points of the agenda of the General Meeting, proposed by such body.
10. The Board of Directors is responsible for organizing the General Meeting. Should the number of members of the Board of Directors fall below one half, the organ convening the General Meeting is responsible for organizing the General Meeting.

See the company's Statutes: *III. Organization of the company, Article 14 Convening the General Meeting*

## Participation in the General Meeting

1. Each shareholder may participate in the General Meeting in person or through a representative holding a written power of attorney. A shareholder may not be represented by a member of the company's Board of Directors or Supervisory Board.
2. The decisive day for participation in the General Meeting is the seventh calendar day preceding the day of holding the General Meeting.
3. Natural persons according to par. 1 of this Article of the Statutes present their valid identity cards. The statutory organ of the shareholder, or a member of the statutory organ of a shareholder is further obliged to present the officially certified abstract from the Commercial Register not older than 3 months of the day of holding the General Meeting and a shareholder's representative present a written power of attorney stipulating the scope of such representative's authorization. In the case of power of attorney granted to a legal entity, the representative also submits the officially certified abstract from the Commercial Register, or another written power of attorney proving his authorization to act on behalf of such legal entity. The persons concerned are obliged to submit the powers of attorney and abstracts from the Commercial Register as specified in the second and third sentences to the company.
4. Members of the Board of Directors and members of the Supervisory Board attends the General Meeting. The auditor of the financial statements is entitled to attend the part of the General Meeting discussing the financial statements. Other persons may attend the General Meeting only subject to its approval; the public has no access to the General Meeting.
5. The attending shareholders sign an attendance list containing the following details: their commercial name or designation and the registered office, if a shareholder is a legal entity, or his full name and home address, if the shareholder is an individual or a shareholder's representative, the nominal value of shares which entitle the attending person to vote, and, if appropriate, the information that a share does not entitle its holder to vote. Should the company refuse to enter a certain person in the list of attending shareholders, this fact is noted in the attendance list together with the reason for such shareholder's exclusion. Persons stipulated in par. 4 of this Article of the Statutes also signs the list of attendance. The correctness of the attendance list is verified by the signatures of the chairman of the General Meeting and the minutes clerk in compliance with Article 15(1) of these Statutes.

See the company's Statutes: *III. Organization of the company, Article 13 Participation in the General Meeting*

## Description of all provisions of the issuer's Statutes that could cause a delay, postponement of a change in control over the issuer, or could prevent it

1. The company keeps accounts in the prescribed way and in line with accounting legal regulations. The company's Board of Directors is responsible for proper account-keeping which ensures audits of ordinary, extraordinary, consolidated, and – if compiled – interim financial statements by an auditor.
2. The company builds an information system as stipulated by legal regulations and provides information on its activities to bodies stipulated in these legal regulations.
3. If discussion and approval of the financial statements is on the agenda of the General Meeting, the Board of Directors publishes key information from the financial statements at least thirty days before the General Meeting is convened, and also states the time and place where the financial statements are ready for inspection for the company shareholders. The company is obliged to publish data from the financial statements and the annual report; the way of their publication and their extent is stipulated by legal regulations.
4. Financial statements must be compiled as the corresponding legal regulation and proper accounting principles stipulate, so that they provide full information on the company's assets and financial situation, as well as on its profit or loss.
5. The company prepares the annual report in compliance with legal regulations; it includes ordinary financial statements and the report on the company's business activities and the state of its assets.

See the company's Statutes: *IV. The company's performance and results, Article 25 Financial statements*

## Provisions of Statutes setting the ownership limit above which the name of the shareholder must be published

If a shareholder acting in concert with other persons attains a share (percentage) in the voting rights of the company enabling him to control the company, he is bound to make a tender offer to all company's shareholders within sixty days following the day when the shareholder attained or exceeded such share. This duty terminates if a shareholder – in the same period – reduces his share (percentage) of voting rights below the threshold which gave rise to his obligation according to this paragraph, or if he transfers the shares to another person with the objective not to exercise decisive influence on the company himself or through other persons. In both cases, termination of such duty is subject to the decision of the Securities Commission based on a written application by a shareholder. The above does not apply if the shares are transferred to a person whom the shareholder controls or who controls such shareholder, or to an entity which is acting in concert with such shareholder or with which the shareholder is related through his property or personnel, even when the right to dispose of voting rights was left to such entity. The Commercial Code stipulates similar rules for exercising this duty; as for specific cases, the Securities Commission decides at a shareholder's request.

A shareholder who attains or exceeds the threshold of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50% or 75% in all company's voting rights, or reduces its share in all voting rights below any of the said thresholds shall notify about it the company and the Securities Commission in writing within three working days after this shareholder learns or could have learnt of such fact. The reporting duty shall not apply to a shareholder whose share in voting rights can be ascertained from the Securities Centre's registry, and who concluded a contract with the Securities Centre under which the latter is bound to discharge the shareholder's reporting duty in relation to the company and the Securities Commission. The reporting duty shall not apply to a shareholder who is a controlled person and if the reporting duty is discharged by the controlling person when it is discharging its own reporting duty. Details, including calculation of the share in the company's voting rights and consequences of failure to comply with the reporting duty are stipulated in a special legal regulation governing capital market business activities and the Commercial Code.

See the company's Statutes: *II. Share capital and company shares, Article 10 Shareholders' rights and obligations*

## Conditions for changes in the capital if the conditions are stricter than the law requires

### Distribution of profit, or compensation of losses and creation of reserves

1. After the obligatory allocation to the reserve fund, the profit can be used – in agreement with the General Meeting's decision – for distribution among shareholders, for an increase in the share capital from the company's own resources, for allocations to the company's other funds created from profit, for setting the Board of Directors and the Supervisory Board's members share in profit, for setting the company's employees share in profit, and for other purposes permitted by law, or, eventually, for the compensation of the loss or for transfer the Retained profits account. The previous sentence applies adequately to the General Meeting's decision on the distribution of Retained earnings from prior periods.
2. Under these Statutes, the company has a duty to establish and use a reserve fund.
3. The company cannot establish other-purpose funds which are replenished from profit while respecting applicable regulations for their establishment and use, and while respecting the rules set by the General Meeting.
4. The company's performance-related loss can be covered – in compliance with the General Meeting's decision from Retained earnings from prior periods, from the share premium, from other capital funds, from other funds created from profit, from the reserve fund, by decreasing the share capital, or by compensating the loss from future business results.

See the company's Statutes: *IV. The company's performance and results, Article 26 Distribution of profit, or compensation of loss and creation of funds*

### Reserve fund

1. A reserve fund of CZK 500,000 (in words five hundred thousand Czech crowns) was created at the time of the company's establishment by the sole founder's extra payment above the rate of the share issue and it is annually complemented by five percent of the net profit, at the maximum to 20% of the share capital (mandatory part of the reserve fund). The mandatory part of the reserve fund can be used only to cover the company's losses.
2. Total amount of the reserve fund, including the mandatory part of the reserve fund, must not exceed one third of the company's share capital entered in the Commercial Register as at the first day of the given accounting period.
3. The part of the reserve fund which is not compulsorily replenished in accordance with paragraph 1 of this Article can be replenished in compliance with the General Meeting's decision from the company's own resources, in particular in the form of other allocations from profit for distribution, from the differences between the rate of issue and the nominal value of shares, from other capital funds as well as from the retained profits of prior periods.
4. Under conditions stated in § 216a of the Commercial Code, the reserve fund can be replenished through a decrease in the share capital.
5. The Board of Directors decides on the use of the reserve fund; this does not apply to the use of the mandatory part of the reserve fund, which is in the authority of the General Meeting.
6. The share in the company's net profit can be determined only after the compulsory part of the reserve fund was replenished in compliance with these Statutes.
7. The company establishes other reserve funds in cases stipulated by law; the funds can only be used for purposes stipulated herein. The amount of these reserve funds is not included in the maximum amount as specified in paragraph 2 of this Article. The company creates the reserve funds from its own resources in the following order: retained profit, funds created from profit and capital funds.

See the company's Statutes: *IV. The company's performance and results, Article 27 Reserve fund*

### Increase in the share capital

1. The General Meeting decides on the increase in the share capital, except when the decision on the increase of the share capital is under paragraph 7 of this Article in the competence of the Board of Directors. The effect of the increase of the share capital, as well as the change in Statutes in consequence of the decision on the increase in the share capital, occur as at the date of entry of the increase of the share capital in the Commercial Register.
2. The notification of convening of the General Meeting which should decide on an increase in the share capital must include, with the exception of requisites contained in Article 14(6) of the Statutes also requisites listed in § 202(2), and possibly also (3) and (4) of the Commercial Code.

3. If the company's share capital is to be increased by a subscription of new shares, the General Meeting defines, in accordance with § 203 and 204 of the Commercial Code, the methods and terms of their subscription and payment. Subscription of new shares cannot begin before the General Meeting's resolution on an increase of the share capital is entered in the Commercial Register – in compliance with § 203(4) of the Commercial Code, unless the proposal for entry of the relevant resolution in the Commercial Register was submitted and the subscription of shares is bound to a disengagement clause. i.e. legal power of the decision on the rejection of the proposal of the General Meeting's resolution on an increase in the share capital to the Commercial Code. The subscription of shares is not effective if the proposal to enter the increase in the share capital to the Commercial Register is rejected. § 204a applies to the preferential right of the existing shareholders to subscribe, if the subscribed shares are paid by cash.
4. When the company's share capital is increased from the company's own resources, the General Meeting decides whether it will be increased through an issue of new shares and their gratuitous distribution among shareholders proportionately to their portion of subscribed shares in the existing share capital, or through an increase of the nominal value of existing shares. Terms and procedure of this way of the share capital are stipulated by § 208 and 209 in the Commercial Code.
5. The General Meeting decides on a conditional increase in the share capital (§ 207 of the Commercial Code) simultaneously with the decision on an issue of convertible or priority bonds under § 160 of the Commercial Code.
6. The General Meeting can decide on a combined increase in the share capital under conditions stipulated in § 209a of the Commercial Code.
7. The General Meeting can authorize with its resolution the Board of Directors to decide on an increase in the share capital under conditions stipulated by the Commercial Code and these Statutes by subscription of new shares that will be either paid in cash or with non-monetary deposits, or from the company's own resources with the exception of retained profit, up to one third of the company's share capital at the time when the General Meeting has decided about the Board of Directors' authorization. The share capital may be increased on the basis of the Board of Directors' decision repeatedly. The Board of Directors has a right to decide on the increase of the share capital by subscription of shares if the rate of the share issue is paid by non-monetary deposits which are made on the basis of a privatization ruling under Act No. 92/1991 Coll., on conditions of transfer of the state's property to other persons, as amended, and in other cases under the condition, the General Meeting's resolution concerning authorization of the Board of Directors determines the way of increase of the share capital, type of deposit that can be used for the payment of the rate of the share issue, if the Board of Directors is authorized to increase the share capital by subscription of shares, and the unsurpassable extent of the share capital for the given way of increase, if the Board of Directors is authorized to decide on the increase of the share capital by non-monetary deposits, if the Board of Directors is authorized to increase the share capital, the relevant authorization must also include specification which company body shall decide about the assessment of the non-monetary deposit on the basis of an expert opinion. The proposal to increase the share capital must be discussed with the company's Supervisory Board and the General Meeting must be informed about the decision at the nearest meeting.

See the company's Statutes: *IV. The company's performance and results, Article 28 Increase in the share capital*

#### **Decrease of the share capital**

1. The General Meeting decides on a decrease of the share capital. The decrease of the share capital, as well as the change in Statutes related to the decision to decrease the share capital and the decrease of the share capital become effective as at the date of entry of the share capital's decrease in the Commercial Register.
2. The notice convening the General Meeting which shall decide about the decrease of the share capital must include, in addition to requisites stated in Article 14(6) of these Statutes also requisites stated in § 211(1) of the Commercial Code.
3. The decrease of the share capital must not impair the recoverability of receivables of creditors. Creditors' rights in the event of decrease of the share capital are stipulated in § 215, 216 and § 216a(4) of the Commercial Code.
4. Within 30 days after the adoption of the General Meeting's resolution on the decrease of the share capital, the Board of Directors is obligated to file a proposal for entry of this resolution to the Commercial Register.
5. The General Meeting decides about the way and procedure of the decrease in the share capital in compliance with § 213 and subsequent, of the Commercial Code.

See the company's Statutes: *IV. The company's performance and results, Article 29 Share capital decrease*

## Amendments in the course of 2006

An extensive amendment to the Statutes was approved at the Extraordinary General Meeting held on 13 April 2006; it resulted particularly in the following modifications:

- Change in acting on behalf of the company**  
 Acting for the company was modified as follows: the entitlement of at least five Board of Directors' members to act on behalf of the company when neither the Chairman of the Board of Directors nor the Vice-Chairman is elected, was omitted.
- Change in the General Meeting's scope of authority**  
 The following was left out from the General Meeting's scope of authority (a) the decision on an issue of bonds, except for bonds specified in § 160 of the Commercial Code; (b) the decision on acquisition of own shares, except when such decision is required by the Commercial Code; (c) the decision on the use of the reserve fund, namely the part which must not be decided by the General Meeting; (d) the decision on a lease or pledging of the company's fixed assets; (e) the decision on the approval of key strategic goals and basic targets of the company's long-term business plan; (f) the decision on an audit (of the "due diligence" process) and (g) the decision on the amount for sponsorship donations. The General Meeting's scope of authority newly includes (a) the decision on the establishment of any funds created from profit and on the rules of their use, and (b) the decision on the payment date of the dividend.
- Change in the Board of Directors' scope of authority**  
 Certain Board of Directors' acts are subject to prior approval of the Supervisory Board, in particular issues concerning (a) encumbering, alienation or lease of the company's assets exceeding the stipulated accounting value; (b) issue of bonds, if the issue does not require approval by the General Meeting ; (c) acceptance of a loan or other financial debt exceeding the stipulated amount; (d) investment activities over the stipulated amount; (e) provision of a remedy, guarantee of other security for third party obligations, if the amount of obligation, remedy, guarantee or other security exceeds the stipulated amount; (f) provision of sponsorship and donations exceeding the stipulated amount; (g) establishment and closing of the company's organizational units abroad; (h) founding of legal entities (companies) and attaining and alienating ownership interests in these legal entities and investment contributions in these legal entities, (i) exercise of voting rights at the general meetings of principal subsidiaries, i.e. companies in the company directly owns at least 50% holding in its share capital, and which have a turnover of at least CZK 15,000,000, during votes on major corporate issues, i.e. when deciding on the election and the appointment of statutory and inspection bodies and their members and on the recall of the inspection bodies and their members in principal subsidiaries, decisions on the amendment of the Statutes, distribution of profit, merger, withdrawal, division, change of legal form, or on the sale, lease or pledge of a principal subsidiary. To make a decisions on the following issues, the Board of Directors must ask for a prior opinion of the Supervisory Board, namely on (a) formulation of the company's strategy and plans; (b) changes in the company's organizational structure and the Corporate Rules at the first and second managerial level below the Board of Directors; (c) recall of statutory bodies and their members of principal subsidiaries; (d) adoption and modifications of the Board of Directors' rules of procedure; (e) documents submitted to the General Meeting by the Board of Directors; (f) drafts managerial contracts of the CEO and members of the Board of Directors (who are employees of the company), including fixing of their contractual salary; (g) use of the part of the reserve fund which must not be decided upon by the General Meeting and (h) the Board of Directors' proposals on the increase of the company's share capital by the Board of Directors under § 210 of the Commercial Code.
- Change in the Supervisory Board's scope of authority**  
 Change in the Supervisory Board's scope of authority involves granting of approvals and opinions on certain Board of Directors' acts and decisions (see "Change in the Board of Directors' scope of authority" above).
- Establishment of Supervisory Board committees**  
 Several Supervisory Board committees were established as consulting bodies of the Supervisory Board, specifically: (a) Personnel and Rewarding Committee, (b) Finance and Audit Committee, (c) Administration and Management Committee and (d) Strategy and Development Committee. Members of Supervisory Board's committees are appointed and recalled by the Supervisory Board; only a Supervisory Board member can become member of the Committee.
- Other changes**  
 Several other current provisions of the Statutes were formulated more precisely –the General Meeting's scope of authority was re-formulated in the following cases (a) instructions to provisions of § 67a of the Commercial Code or discontinuation of the firm and (b) instructions to provisions of § 193(2) of the Commercial Code; in the entire Statutes the original reference to § 31a (5,6) of the Commercial Code was replaced with a reference to § 38 I (5,6) of the Commercial Code as amended. The company's mission was broadened by including securing of financing and development of the financing system for the Group's directly and indirectly controlled companies, and development of human resources and HR systems for the Group's directly and indirectly controlled companies.



## Terms and Abbreviations Used

CEFIC	European Chemical Industry Council
EBITDA	Zisk před odečtením úroků, daní, odpisů a amortizace (Earnings before Interest, Taxes, Depreciation and Amortization).
EK (EC)	European Commission
EMS	Environmental Management System
ESCR	Environmental Stress Crack Resistance (test for high-density PE cartouches)
EU ETS	the EU emissions trading scheme (regulating trading with carbon dioxide emission allowances)
FNCT	Full notch creep test
HDPE	High-density polyethylene with low friction coefficient
ICIS	International Construction Information Society
IFRIC	International Financial Reporting Interpretations Committee
IRZ	Integrated Pollution Registry
LPG	Liquefied petroleum gas
LRQA	Lloyd's Register Quality Assurance
LTO	Light fuel oil
MBO	Management by Objectives
OECD	Organization for economic cooperation and development
PKN	Polski Koncern Naftowy
PE	Polyethylene
PP	Polypropylene
RBI	Risk Based Inspection
ROACE	Return on Average Capital Employed
SAP	"Systems-Applications-Products in data processing"
SSC	Shared Services Centre
SVA	Shareholder Value Added
TAL-IKL	oil pipeline (Terst-Ingolstadt-Kralupy-Litvínov).
VÚAnCh	Výzkumný ústav anorganické chemie, a.s. (Research Institute of Inorganic Chemistry)
THP	Technicko-hospodářský pracovník
VÚAnCh	Výzkumný ústav anorganické chemie, a.s.

## Identification and Contact Data

<b>Name of company:</b>	UNIPETROL, a.s.
<b>Registered office:</b>	Klimentská 10, 110 05 Prague 1
<b>ID No.:</b>	61672190
<b>Tax ID No:</b>	CZ61672190
<b>Banking information:</b>	ABN AMRO Bank N. V., Prague Branch, Prague 1, Account no. 29129/5400
<b>Datum of establishment:</b>	27 December 1994 – the company was established for indefinite period of time
<b>Date of incorporation:</b>	17 February 1995
<b>Registered in the Commercial Register at:</b>	the Municipal Court in Prague, Part B, File 3020
<b>Legal form:</b>	joint-stock company, established under the Czech legal system
<b>Tel.:</b>	225 001 417(IR), 225 001 407(PR)
<b>Fax:</b>	225 001 447
<b>Internet:</b>	www.UNIPETROL.cz
<b>E-mail:</b>	ir@UNIPETROL.cz, pr@UNIPETROL.cz
<b>Auditor:</b>	KPMG Česká republika, s.r.o.

<b>Legal system and legal regulation under which the issuer was founded:</b>	
<b>Legal system:</b>	of the Czech Republic
<b>Legal regulation:</b>	Act No. 104/1990 Coll. on joint-stock companies

The company is part of UNIPETROL consolidation Group.

Names of UNIPETROL Group companies (UNIPETROL, a.s., CHEMOPETROL, a.s., KAUČUK, a.s., BENZINA a.s., ČESKÁ RAFINÉRSKÁ, a.s., PARAMO, a.s., SPOLANA a.s. and UNIPETROL RAFINÉRIE a.s.) are stated in this annual report also in simplified form as UNIPETROL, CHEMOPETROL, KAUČUK, BENZINA, ČESKÁ RAFINÉRSKÁ, PARAMO, SPOLANA and UNIPETROL RAFINÉRIE.