



We are
ready to
grow



KATEŘINA TYLLEROVÁ

Internal communication specialist, UNIPETROL, a.s.

We invest in the future

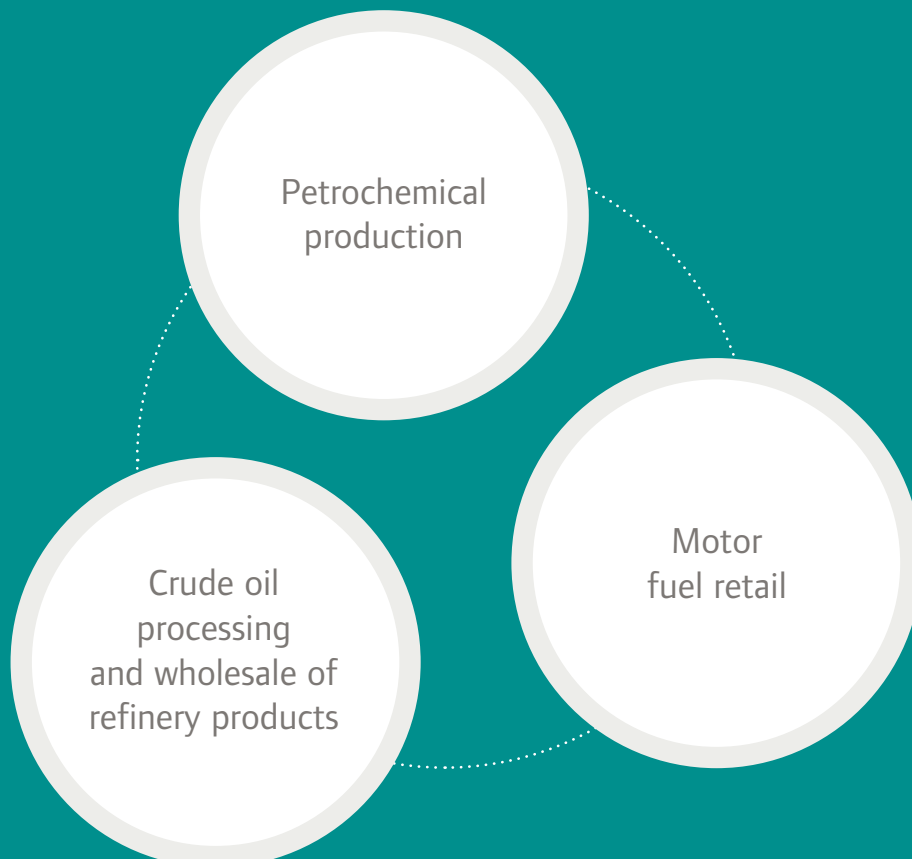
To reach our goal and become a great company
will depend on people and require some time.

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Annual Report 2007 closing date: 29 April 2008

Through our activities we strive for ongoing and long-term growth of value for our shareholders. We aim to achieve this by focusing on three strategic business segments:



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Mission

We will always offer our customers the best quality products and services. All our operations are based on the principles of best available practices of corporate governance and operating excellence, with a focus on care for our employees and environmental protection.

Mission, vision and objectives of the UNIPETROL Group

PRINCIPAL OBJECTIVES

Our company's principal objectives for 2008 are to:

Complete the change of Corporate Governance, primarily in terms of splitting UNIPETROL RPA into a commercial company and a production company; gain full control over PARAMO and integrate it in the current structure; and optimise sales channels (by completing the restructuring of UNIPETROL TRADE);

Complete investments in the intensification of petrochemical production and refinery conversion units (FCC);

Complete the re-branding of the existing retail network and launch the DODO (Dealer Owned – Dealer Operated) fuel filling station project;

Prepare strategies for polyolefins, energies, transport and research and development.

CODE OF CONDUCT

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

The UNIPETROL Group observes laws, directives, internal policies, and ethical values in all business areas.

We respect international, national and local regulations—those that are directly binding as well as those to which we commit voluntarily, such as the principles of corporate governance. These are primarily provisions that set out safety and environmental standards for facilities and their operation, describing the requirements for the quality of products and services, defining conduct in markets, and regulating conduct and practices. The UNIPETROL Group considers it to be its priority to observe such standards and operate exclusively within their limits, although this framework may be changing constantly.

The conduct of UNIPETROL employees is always and under all circumstances legal, ethical, transparent, and compliant with the law and UNIPETROL values. All procedures and activities are based on the best practices of corporate governance and operating excellence and emphasise safety and environmental protection. All customers (external and internal) of the UNIPETROL Group have the right to the best quality products and services respecting ethical principles.

The Code of Conduct is linked to the applicable laws of the Czech Republic and internal policies of the company and defines the basic rules of conduct for UNIPETROL employees.

APPLICATION OF CORPORATE GOVERNANCE RULES

The UNIPETROL Group consistently pursues long-term and transparent relationships with shareholders and investors as part of its strategic objectives and in accordance with its Business Plan. Corporate governance of UNIPETROL is based on the recommendations of the Corporate Governance Code, and the company has carried out its provisions in all material respects. Beyond the scope of the statutory obligations, it is our intention to maintain a meaningful and open dialogue with all capital market players to enable everyone to independently assess UNIPETROL's performance and future strategy.

Profile

The Group's major companies in 2007 were the following subsidiaries:

As at 31 December 2007

UNIPETROL RPA, s.r.o.

BENZINA, s.r.o.

ČESKÁ RAFINÉRSKÁ, a.s.

PARAMO, a.s.

The UNIPETROL Group operates refineries and petrochemical production facilities and sells and distributes fuels in the Czech Republic and the Central European region. The Group companies focus primarily on the production and sale of refinery products, chemical and petrochemical products, polymers, fertilizers, and specialty chemicals. The Group also operates its own transport services and finances in-house research and development. UNIPETROL is the leading refinery and petrochemical group in the Czech Republic and a major player in Central and Eastern Europe; since 2005 it has been part of Central Europe's largest refining and petrochemical group, PKN ORLEN.

HISTORICAL MILESTONES

1994

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

shareholders owned the rest of the shares. Under the original concept, the State's interest in the company was to be privatised.

- UNIPETROL gradually integrated KAUČUK, CHEMOPETROL, BENZINA, PARAMO, KORAMO, ČESKÁ RAFINÉRSKÁ, UNIPETROL TRADE, SPOLANA and UNIPETROL RAFINÉRIE public companies.

1996

- The refineries of CHEMOPETROL in Litvínov and of KAUČUK in Kralupy were demerged and included in ČESKÁ RAFINÉRSKÁ.

2003

- KORAMO and PARAMO merged, with PARAMO becoming the successor company.

From that year on, ČESKÁ RAFINÉRSKÁ has operated as a processing refinery, or cost centre of its processors.

2004

- Agreement on the sale of 63% of UNIPETROL shares was executed between PKN ORLEN and the National Property Fund.

2006

- Majority interest in the SPOLANA subsidiary was sold to Zakłady Azotowe ANWIL of Poland.

2007

- The KAUČUK subsidiary was sold to Firma Chemiczna Dwory of Poland.
- A new subsidiary, UNIPETROL SERVICES, started operations. UNIPETROL DOPRAVA, BENZINA and PETROTRANS changed their legal form from public limited companies to limited liability companies.
- Butadien Kralupy was founded, its shareholders being UNIPETROL (51%) and KAUČUK (49%).
- The CHEMOPETROL and UNIPETROL RAFINÉRIE subsidiaries were combined with UNIPETROL RPA.
- UNIPETROL purchased shares representing a 0.225% interest in the share capital of ČESKÁ RAFINÉRSKÁ from CONOCOPHILLIPS.
- UNIPETROL acquired 14.51% of PARAMO shares from MEI Group companies.
- The largest maintenance shutdown in the company's history took place.
- AGROBOHEMIE and Synthesia shares were sold under a share purchase agreement between UNIPETROL and DEZA. The transaction included an out-of-court settlement of disputes between UNIPETROL and DEZA.



JOSEF DRENČKO

Ethylene unit operator, UNIPETROL RPA, s.r.o.

We have also increased the capacity of the ethylene unit. This is the basis for all forthcoming upscale projects in the petrochemical segment

Key financial data for the Group

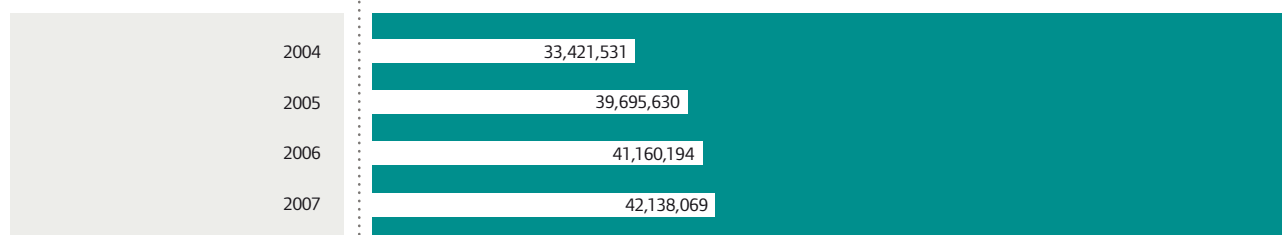
Item	2007	2006	2005	2004
Structure of assets and liabilities (CZK thousand)				
Total assets	66,139,764	71,906,988	76,441,640	72,143,595
Fixed assets	38,011,914	39,781,307	48,989,591	47,859,137
Current assets	28,127,850	32,125,681	27,452,049	24,284,458
Equity	42,138,069	41,160,194	39,695,630	33,421,531
Liabilities	24,001,695	30,746,794	36,746,010	38,722,064
Profit/loss structure (CZK thousand)				
Revenues	88,778,515	93,698,270	80,946,337	71,097,589
EBITDA (EBIT + depreciation)	8,321,361	7,825,742	9,505,133	11,919,030
Operating profit (EBIT)	4,825,552	3,779,929	5,279,069	5,846,248
Income tax	-652,352	-1,496,389	-893,876	-1,210,723
Profit attributable to the parent company's shareholders	1,221,140	1,599,827	3,428,573	3,639,453
Dividend paid out	0	0	0	0
Financial ratios				
ROACE	8.40%	6.23%	7.90%	9.00%
Earning per share (CZK)	6.73	8.82	18.92	20.07
Net debt/equity	3.65%	12.00%	30.10%	51.80%
CZK/USD – end of period	18.08 ¹⁾	20.88	24.59	22.37
CZK/EUR – end of period	26.62 ¹⁾	27.50	29.01	30.47

¹⁾ Exchange rate as at 31 December 2007, www.cnb.cz

Note: EBIT: Earnings before interest and tax = operating profit

EBITDA: Earnings before interest, tax, depreciation and amortisation

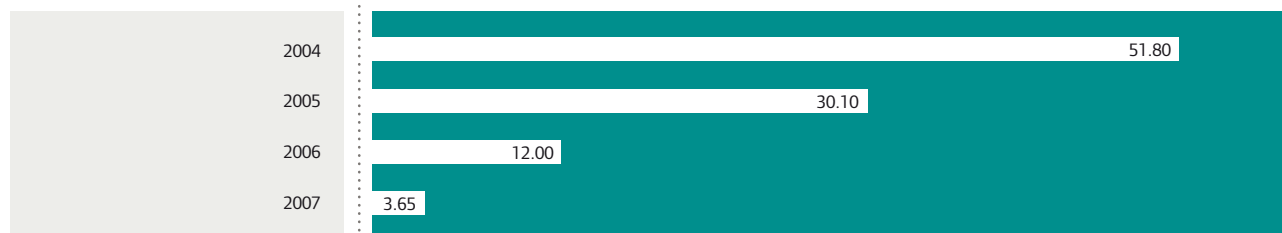
Equity (CZK thousand)



Revenues (CZK thousand)



Net debt/equity (%)



Highlights of the year

JANUARY

1 JANUARY 2007

The Shared Service Centre (SSC), the service organisation for the other Group companies, and the Supply Chain Management (SCM) arm started operation on 1 January.

30 JANUARY 2007

On 30 January 2007 UNIPETROL and Poland's FIRMA CHEMICZNA DWORY S.A. signed an agreement on the sale of 100% of KAUČUK shares owned by UNIPETROL. The purchase price was EUR 195 million (approximately CZK 5.4 billion). The agreement was the result of a tendering process, which took almost a year and in which 11 investors participated. The Supervisory Board had approved the transaction one day earlier.

MAY

1 MAY 2007

The implementation of a new corporate governance model resulted in changes of the legal forms of BENZINA, PETROTRANS and UNIPETROL DOPRAVA from public limited companies to limited liability companies.

JUNE

28 JUNE 2007

The Annual General Meeting took place. UNIPETROL shareholders approved the Management Report for 2006. The General Meeting also approved the regular and consolidated financial statements as at 31 December 2006.

JULY

1 JULY 2007

Wojciech Ostrowski was elected a member of the Board of Directors of UNIPETROL and its Vice-Chairman; he now holds the position of Chief Financial Officer of the company.

10 JULY 2007

UNIPETROL, KAUČUK and FIRMA CHEMICZNA DWORY signed an agreement on a joint venture to build and run a new butadiene unit in the industrial complex in Kralupy nad Vltavou. UNIPETROL owns 51% of shares in the joint venture set up as Butadien Kralupy.

19 JULY 2007

Following UNIPETROL's internal memorandum of 30 January 2007 on the execution of the agreement on the purchase of 100% of KAUČUK, a.s. shares between UNIPETROL as the seller and FIRMA CHEMICZNA DWORY S.A. as the buyer, UNIPETROL informs that the transfer of 100% of KAUČUK shares was settled on 19 July 2007.

AUGUST

1 AUGUST 2007

CHEMOPETROL, UNIPETROL RAFINÉRIE and UNIPETROL RPA merged to form a single company, UNIPETROL RPA. The merger was part of the ongoing transformation of UNIPETROL. As a result, CHEMOPETROL, a.s. and UNIPETROL RAFINÉRIE a.s. were dissolved without liquidation and all their assets, rights and obligations, including liabilities under industrial relations, passed to UNIPETROL RPA, s.r.o. as their successor company.

30 AUGUST 2007

A member of the Supervisory Board, Dariusz Marek Formela, was appointed the new Vice-Chairman of the Supervisory Board; Arkadiusz Kotlicki was appointed a new member of the Board of Directors of UNIPETROL to serve as the Director for the transformation of UNIPETROL.

SEPTEMBER**1 SEPTEMBER 2007**

Pursuant to the legislation in force, the entire fuel filling station network started selling diesel fuel with a low-volume addition of a bio component—rapeseed methyl ester.

SEPTEMBER/OCTOBER

These two months saw the largest ever shutdown, and investment in the upgrading, of operations. The ethylene unit in the industrial complex of UNIPETROL RPA was shut down concurrently with a shutdown at ČESKÁ RAFINÉRSKÁ. The shutdowns enabled the upgrading of process equipment and will help to upscale production capacities.

11 OCTOBER 2007

Dariusz Marzec resigned from his position as a Member of the Board of Directors and Chief Investment Officer of UNIPETROL on 11 October 2007.

15 OCTOBER 2007

The failure of a partial oxidation (POX) unit occurring on 13 October 2007 necessitated the shutdown of units, dependant on hydrogen supply, which had resumed running after the earlier shutdown.

25 OCTOBER 2007

The serious failure of a complex thermal exchange unit (cold box) was detected during preparations for restarting the ethylene unit. The ethylene unit's operation was stabilised successfully in December and the inoperable cold box was sent to the manufacturer for repair.

31 OCTOBER 2007

UNIPETROL and DEZA signed an agreement on an amicable resolution of the disputes concerning the transfer of AGROBOHEMIE and Synthesia shares owned by UNIPETROL, including an agreement on sale of feedstock after 2009.

NOVEMBER**8 NOVEMBER 2007**

UNIPETROL's Supervisory Board appointed Waldemar Maj a new Member of the Supervisory Board of UNIPETROL until the next General Meeting of the company.

9 NOVEMBER 2007

UNIPETROL signed an agreement on the purchase of 14.5% of PARAMO shares with MEI-Tsjechië en Slowakije Fonds N.V., MIDDEN EUROPESE ELEGINGSMAATSCHAPPIJ S.A., and BLUE MOUNTAIN.

14 NOVEMBER 2007

UNIPETROL as the buyer and CONOCOPHILLIPS CENTRAL AND EASTERN EUROPE HOLDINGS B.V. as the seller signed an agreement on the purchase of ČESKÁ RAFINÉRSKÁ, a.s. shares representing a 0.225% interest in its share capital.

Interview with the Chairman

CHAIRMAN OF THE BOARD OF DIRECTORS IN THE HOT SEAT

If you were to name the three major achievements in 2007 in terms of increasing value for your shareholders, which would they be?

The first major achievement is the successful implementation of the Asset Optimisation Programme. We have completed the sale of KAUČUK, the sale of shares in AGROBOHEMIE and Synthesia combined with the resolution of all disputes with their co-owner, DEZA, and we have succeeded in the purchases of shares in PARAMO and a minor, but strategically important, stake in ČESKÁ RAFINERSKÁ.

The second one is the successful restructuring of non-production activities. We have created the Shared Service Centre, the Supply Chain Management unit, and independent Business Units, and we are continuing with the successful transformation of the BENZINA fuel filling station network.

The third major achievement would be the improved results of our petrochemical and retail segments. The petrochemical segment's results was simply fantastic during the first nine months of the year but, unfortunately, at the end of 2007 we ended up with a combination of production problems and a margin

squeeze which had a negative impact on UNIPETROL's results.

You have completed the largest maintenance shutdown in UNIPETROL's history. Are you satisfied with its execution and result?

It is necessary to look at the situation in more depth. We have carried out regular maintenance and we have also made many investments at the same time, and we cannot mix these two up.

The maintenance part was done very well during the regular shutdown, within the budget and the time limit that we had set in advance, particularly on the petrochemical side, as we had to tackle some problems in the refinery. The quality of the whole process also met our expectations and the criteria that we had set in advance. This should result in the improved reliability of our petrochemical plant and the Litvínov refinery in the future.

However, after we completed the maintenance shutdown there was an explosion in the partial oxidation unit in Litvínov, the main source of hydrogen, for both the refinery and petrochemical plant, and we had to cope with this operating accident. We also found that the heat exchanger, known as the cold box, installed in the ethylene unit in UNIPETROL RPA was not functioning properly and we had to send it back to the manufacturer for

repair. Both of these events of course had a significant negative impact on UNIPETROL's fourth quarter financial results.

Are there any investments, innovations, or expansions of production in 2007 which you would like to highlight?

Firstly, we adopted measures to support growth in the years to come. We have expanded the hydrocracking capacity, which will help to increase the production of white products, especially diesel, and make it possible for us to meet the continuously increasing demand for diesel, which constitutes a very profitable part of the refinery segment.

Secondly, we have increased the capacity of the ethylene unit. This has laid the foundations for all other expansions we are undertaking in the petrochemical segment and offers a good springboard for future growth. At the same time we have started investment in the processing of less cyclical petrochemical products such as C₉ fraction, a by-product of the ethylene unit.

In addition, worth mentioning is the way in which we are expanding our retail business in very innovative and creative ways using sound marketing concepts, which has resulted in significant progress—a marked increase in the volume of sales of our retail products.



Basically, I am very happy about the way we are converting from a production company into a market-oriented company.

How would you characterise the environment in which UNIPETROL carried out its business plans in 2007?

During the first nine months of 2007 UNIPETROL was operating in a very favourable environment characterised by good margins in spite of the increasing crude oil prices. Our petrochemical business achieved an absolute record in the first nine months in terms of performance. Also the weather in the first quarter of 2007 was very favourable, mainly for the refinery business.

However, in the last quarter external conditions turned out very unfavourably. We ended up in a situation where the level of crude oil prices, combined with a very weak US dollar, exceeded our ability to pass through the increased costs any further. Thus, the last quarter meant for UNIPETROL a combination of less favourable market conditions in terms of margins and of our internal problems with production after the POX accident and failure of the cold box.

Interview with the Chairman

Last year you said that 2007 would be “the year of restructuring”. Have you finished transforming UNIPETROL into what you would call a “Great Company”?

The changes that we have made on the non-production side of our business, such as the creation of the Shared Service Centre, the separate Business Units with personal responsibility for profits in particular segments, the Supply Chain Management unit to optimise our production resources within UNIPETROL, the successful transformation of BENZINA and, not least, the putting into place of new leadership across the Group, have all been very positive. In this respect we have made a big step towards being a good company.

By implementing a performance-focused culture in UNIPETROL in 2008 and focusing on changes in production we will make another step to attain our vision to become a good company.

To reach our goal and become a great company will depend on people and require some time; and it will be a long journey!

What are UNIPETROL’s current biggest challenges, and opportunities?

There are plenty of them. To name a few: we need to deal with evolving legislation, such as the EU’s climate change initiatives, the post-Kyoto initiatives in CO₂ emissions, REACH, etc. Bringing logic into these EU initiatives and measures is

one of the greatest challenges faced by the European petrochemical industry. The very unpredictable and volatile crude oil prices also bring us a major challenge—how to achieve good profits within the existing environment. We also have to deal with the issue of blending bio-components in fuel.

Our other key challenges are to maintain the security of crude oil supplies and to deal with the huge capacity of low cost petrochemical producers, which is being built up in the Middle East.

As for the opportunities, we are situated in the Central European market, which is growing at a very high rate compared with any Western European country, or even with any other place in the world. This is why demand for petrochemicals is increasing extremely quickly. Just meeting our customers’ demands without increasing our market share will mean significant growth for UNIPETROL. Another opportunity is the rising demand for fuel, diesel in particular. I feel that the market potential for UNIPETROL in Central Europe is tremendous. And I also believe that we have clearly demonstrated in the case of BENZINA that by taking a more professional approach and focusing on our customers’ needs, we have a significant opportunity to increase our market share.

The shareholders and investors appreciate the company’s focus

on core businesses. The question remains, however, how do you plan to spend the funds from recent divestments to further increase the value for your shareholders?

First of all, we are focusing on organic growth. We have divested non-core parts of our Group and it is obvious that now we need to grow in our core parts. One way to do this is to increase the capacity of our existing products and grow with our customers in Central Europe. We have also started to focus on the production of non-cyclical products, because it will make us less dependent on the petrochemical cycle. Going forward, we can also expect substantial expenditure on support for organic growth projects in all our three segments, petrochemicals, crude oil processing, and retail.

Secondly, we have already invested in debt restructuring. We have repaid a considerable portion of our debts, particularly the high-interest ones. Sound financing is very important and we have to ensure that we will also have a financially healthy company in the bad days, should they come.

Thirdly, UNIPETROL monitors acquisition opportunities in all its three core segments.

In any case, UNIPETROL is targeting maintenance of an optimum capital structure.



You have announced completion of the Partnership Programme aimed at synergies and co-operation with your majority shareholder, PKN ORLEN. Will we see an increased efficiency as a result of this in the coming months and years?

The impact of what we have obtained from the Partnership Programme will continue to be felt. In other words, the synergies we have identified are only valid if they are permanent; one-offs do not count. Let me recall that the original commitment of a EUR 138 million sustainable contribution to our EBITDA was identified in 2004 macroeconomic conditions. The world is of course changing, and so are our competitors too, and we therefore cannot and will not stand still. We have a lot of new initiatives with PKN ORLEN to further explore the synergies between the two companies.

We also have our own initiatives aimed at improving our own efficiency and identifying internal growth opportunities. All of that will result in improved results for the company in the years to come.

Are you planning any cost-cutting programmes? How will you cope with the rising crude oil and energy prices, as well as labour costs?

We have no big splash programmes in the pipeline. We plan to greatly improve our

Interview with the Chairman

efficiency, performance and reliability; this is the only way to successfully address the challenges we are facing in today's dynamic world. As an example I will mention our Energy Strategy, which should be completed in 2008; with its help we will cope with the impact of energy costs, be it fixed costs or indirect costs such as the energy tax, CO₂ emissions tax, etc. This long-term programme is very important, because energy costs might potentially have a very negative impact on UNIPETROL in the future, and we need to know how to deal with this reality.

We are aware of rising labour costs. However, we are not planning any massive headcount reductions; rather, we shall maintain an effective and ongoing programme of a 4% headcount reduction per year. But the key objective is, of course, to improve the productivity and quality of our work, because this is where the money is in this business, and not in massive lay-offs.

To deal with the volatility of the crude oil prices, we are also developing strategies on how to become more sophisticated and more effective in reflecting the volatile crude oil prices in the prices of our products, thereby ensuring sustainable profitability for UNIPETROL.

What is UNIPETROL doing to support society and the region in which it

operates? Do you think such activities are important, and why?

We are running many such initiatives and support many social projects in the regions where we operate because, who else but financially strong companies such as UNIPETROL should support culture, sport and science? It is our social responsibility.

Concerning sport, we support the HC Litvinov ice-hockey club; we support the Czech Olympic team and also the Velká Pardubická horse races in the region in which our PARAMO subsidiary operates.

As for cultural projects, we are a partner of the National Theatre in Prague; we are the main sponsor of the Karlovy Vary International Film Festival and support also many smaller events.

We also support Czech science by sponsoring the Czech Head project. We are a partner of VŠCHT (Institute of Chemical Technology) in Prague; we donate to several Czech schools and contribute to their purchases of computers and Internet access.

How would you convince a hesitating investor that putting money in UNIPETROL will pay off in 2008 and onwards?

I would draw his attention to our results. The crucial point for us is to keep

the promises that we give investors. Also transparency and openness are critical, because transparency equals predictability, which is a very important aspect for all investors. I am happy that the changes that UNIPETROL is going through are contributing to that and helping our investors to understand us better; they show them our potential.

I would also draw their attention to our investments, the above plans for further expansion and our growth in market share; all of these offer opportunities and potential for increasing UNIPETROL's value.

What is UNIPETROL's main target for 2008?

It is primarily to deliver on our promises to our investors. This year might be very difficult for us, because the economic environment is not as predictable or positive as we all hoped it would be. The crude oil price is very high and volatile and we have to deliver on our promises to investors and make sure that we achieve the planned results.

To do so, we need to run our plants reliably and safely. In the previous years we have not been able to do so, this year it has to be different.

We also have to carry out our expansion programme that we launched during

the planned maintenance shutdown, and complete it in 2008 to be really able to complete the growth programme in the years to come.

We also need to complete the restructuring of BENZINA and integration of PARAMO.

To conclude, I would like to repeat that living up to our commitments to investors is our key goal in 2008 –despite all the challenges we are facing in the world of today.



François Vleugels
Chairman and CEO



Letter from the Chairman of the Supervisory Board



DEAR SHAREHOLDERS,

Over two years ago, in 2005, UNIPETROL became an important part of the ORLEN Group. Last year, 2007, proved that thanks to careful and forward-looking planning as well as an enormous effort exerted on introducing quality it was possible to turn the inefficient conglomerate into a highly competitive group in a remarkably short period of time.

The joined Unipetrol and PKN ORLEN teams can be proud of the Partnership Programme, which was launched in 2005 to identify the potential synergies between UNIPETROL and PKN ORLEN and to turn them into either revenue increases or cost savings. The goal was to achieve a sustainable financial improvement worth at least EUR 138 million at the level of 2008 EBITDA (under the macroeconomic conditions of 2004). This target was already met before the end of 2007.

The Programme also included an internal restructuring programme geared towards improving efficiency and simplifying decision-making processes. Production and commercial activities were split into separate units. At the beginning of 2007 Business Units were established to operate the respective segments and a Shared Service Centre was created to support the entire Group. This step has helped to, among other things, eliminate duplicated efforts.

Unipetrol was also incorporated into the concept of business line management across the PKN ORLEN Group, with a view to benefiting from the synergies stemming from being a part of the largest international petroleum group in Central Europe.

One of the priorities was to optimise the UNIPETROL Group's assets to enable the Group's companies to focus on their core business (i.e., refineries, petrochemicals and retail).

Last year the company successfully completed the sale of its KAUČUK chemical subsidiary and was also able to settle a long-standing dispute over the shares in its non-core companies AGROBOHEMIE and Synthesia and to sell its stakes in these companies at fair prices. At the same time UNIPETROL was able to increase its shareholding, and thus strengthen its position, in the PARAMO and ČESKÁ RAFINÉRSKÁ refineries.

In everyday life, customers could see the improvements at UNIPETROL mainly through the changes in the retail business. The successful implementation of the two-segment strategy clearly confirmed that it met the market's expectations. The new design, better services, premium fuels and friendly service has attracted more customers to BENZINA fuel filling stations and resulted in above-average growth in both sales and revenues.

The successes last year are all the more remarkable when we consider the challenges that the company had to face: a volatile macroeconomic environment as well as the planned and unplanned shutdowns, which had a negative impact on the operating results.

I would also like to highlight the improving reputation and credibility of the UNIPETROL Group. Open and professional communication with all stakeholders has led to a stabilisation of the corporate image.

To conclude, I would like to thank UNIPETROL's management team and all of its employees for their commitment and hard work. I would also like to thank UNIPETROL's customers and trading partners for their trust.

I wish UNIPETROL a successful 2008.

Wojciech Heydel
Chairman of the Supervisory Board

Expected development, strategy and plans

UNIPETROL is a vertically integrated group and its strategy rests on three pillars: crude oil processing, petrochemical production and fuel retailing. Activities in 2007 have greatly helped to concentrate UNIPETROL's portfolio in these three strategic directions. In 2005 UNIPETROL became an important part of one of the largest refining and petrochemical groups in Central Europe, the ORLEN Group.

The consolidation of the oil and gas industries in Central and Eastern Europe, ever keener competition, stricter legal provisions on environmental protection and soaring energy prices—these are only some examples of why we need to transform the Group to make it more efficient and effective. Otherwise, we could not keep pace with the market development.

In 2006 our efforts concentrated primarily on tapping all potential synergies resulting from the operating and business integration with the majority shareholder and on improving the efficiency of the UNIPETROL Group's economic processes as part of the Partnership Programme, whereas in 2007 the most important tasks were company restructuring, portfolio optimisation and laying the foundations for future growth and development.

In this respect, UNIPETROL's management has planned to focus on achieving the highest European standards in the company's key segments. At the same time it defined the goal to find the best methods for utilising the segments in which various aspects (such as the production scope and range or the production process) prevent the Group from being at least as efficient as its competitors and UNIPETROL's operations have been limited for the time being, or in which the foreseen market conditions cannot ensure the required growth.

Accordingly, progress in the oil refining segment has been achieved through a combination of both: leveraging the business integration and synergies, as well as acquisitions. In addition to the recent increase in UNIPETROL's ownership interests in ČESKÁ RAFINÉRSKÁ and PARAMO, joint crude oil procurement took place within the entire ORLEN Group, and there was co-operation in the area of bitumen and lubricants as well as shutdown optimisation. Greater capital involvement in ČESKÁ RAFINÉRSKÁ on acceptable terms has always been one of UNIPETROL's top priorities. 100% ownership of PARAMO, which is an objective for 2008, is desirable to enable a strategic interconnection between UNIPETROL and PKN ORLEN refineries in the area of production and sale of lubricants and bitumen. The restructuring of UNIPETROL TRADE, to be completed in 2008, and the splitting of UNIPETROL RPA, also slated for 2008, will help to increase the value and facilitate the use of synergies. Further plans include continued coordination of business activities with PKN ORLEN in Central Europe.

An efficient and profitable distribution of fuels is one of UNIPETROL's main objectives. The successful restructuring of BENZINA is the result of a revitalisation programme launched in 2006, which focused on stimulating retail margins and asset optimisation. The essential prerequisite for the completion of the BENZINA project in 2010 is continued improvement through a comprehensive programme of cost reduction and restructuring of financing, the SWAP optimisation programme for overlapping stations, the development of the DODO (Dealer Owned – Dealer Operated) concept, and the completion of the re-branding of fuel filling stations. These factors, together with the potential acquisition of other networks offered for sale in the region, are the expected way to achieving a greater volume in the retail segment.

In terms of value creation, the Group has a great interest in the production of petrochemical products, primarily the production and marketing of olefins and polyolefins. UNIPETROL plans to first grow this production organically by means of extending the current capacities in 2008 and 2009, since there is great room for further development in this field. The company's clear intention is to retain control over the petrochemical segment, and the choice of the optimal strategy for maximising the value of polyolefins is seen as a mid-term objective.

The year 2007 saw the launch of optimisation processes in two areas – logistics and energy – with the aim of developing a long-term organic growth strategy. Co-operation with third parties in both areas can also create opportunities for asset optimisation.

UNIPETROL considers the opportunities in research and development in crude oil processing and petrochemical production to be an important factor for staying competitive in the long run and for creating opportunities for further development.

In the coming years, the external market conditions could be a huge challenge for the UNIPETROL Group. Extremely volatile crude oil prices, the economic situation in the US, and a weak US dollar in respect of the Czech crown may have a major impact on the UNIPETROL Group's results. This is why the critical areas on which UNIPETROL must concentrate include improving its efficiency and rationalising its portfolio.

Performance-focused management, leadership and safety are the basic principles that UNIPETROL will follow to stay competitive and grow further.



RADEK NĚMEČEK

Investor relations manager, UNIPETROL, a.s.

Transparency equals predictability; this is a very important aspect for investors.

Company's governing bodies and management



FRANÇOIS VLEUGELS

Chairman of the Board of Directors

*14 September 1948, Member and Chairman of the Board of Directors (since 1 April 2006, term of office to expire on 31 March 2009), University education, 35 years of practical experience. Outside the UNIPETROL Group, he has been the executive director of many subsidiaries over the five preceding years, during his employment with Hexion Specialty Chemicals B.V. due to his position as the Chief Administrative Officer. He was dismissed from these positions in March 2006 following his resignation from the position of CAO and joining of UNIPETROL, a.s. as from 1 April 2004. He was also the Chairman of the Supervisory Board at Eastman Sokolov, Česká republika (until August 2002).



WOJCIECH OSTROWSKI

Vice-Chairman of the Board of Directors

*22 October 1969, Member and Vice-Chairman of the Board of Directors (since 28 June 2007, term of office to expire on 28 June 2010). University education, 14 years of practical experience. Outside the UNIPETROL Group, he has held the position of Member of the Supervisory Board at Orlen PetroProfit Sp. z o.o., ORLEN PetroTank Sp. z o.o., ORLEN Morena Sp. z o.o., ORLEN PetroCentrum Sp. z o.o., and the position of Vice-Chairman of the Supervisory Board at Wisla Plock S.A. (term of office discontinued for all of those positions) over the five preceding years. Furthermore, he has held the position of the Chairman of the Supervisory Board of Petrowodkan Sp. z o.o. and the position of the Chairman of the Board of Directors at Orlen Holding Malta Ltd. and Orlen Insurance Ltd.



MARTIN DURČÁK

Member of the Board of Directors

*25 November 1966, Member of the Board of Directors (since 6 October 2006, term of office to expire on 5 October 2009). University education, 17 years of practical experience. Outside the UNIPETROL Group, over the five preceding years he held the position of Member of the Board of Directors at ARAL ČR a.s. (term of office discontinued).

Board of Directors



MIROSLAV KREJČÍ

Member of the Board of Directors

*11 May 1944, Member of the Board of Directors (since 6 October 2006, term of office to expire on 5 October 2009). University and post-graduate education, 41 years of practical experience. Outside the UNIPETROL Group, over the five preceding years he has held the position of the Chairman of the Board of Directors and Chief Executive Officer at HEXION Speciality Chemicals, a.s., Sokolov (term of office discontinued).



IVAN OTTIS

Member of the Board of Directors

*21 November 1947, Member of the Board of Directors (since 22 June 2006, term of office to expire on 21 June 2009). University education, 37 years of practical experience. Outside the UNIPETROL Group, he has been, over the five preceding years, the Chairman of the Board of Directors of ČESKÁ RAFINĚRSKÁ, a.s. (1995–2003), Chairman of the Supervisory Board of ČESKÁ RAFINĚRSKÁ, a.s. (2005–2006), Member of the Supervisory Board of Rafineria Trzebinia S.A., Trzebinia, Republic of Poland (term of office discontinued), Member of the Supervisory Board of Rafineria Jedlicze, S.A., Republic of Poland (term of office discontinued), and Member of the Supervisory Board of ORLEN OIL Sp. z o.o., Republic of Poland (term of office ongoing).



ARKADIUSZ KOTLICKI

Member of the Board of Directors

*10 June 1965, Member of the Board of Directors (since 30 August 2007, term of office to expire on 30 August 2010). University education, 16 years of practical experience. Outside the UNIPETROL Group, he has not been member of any administrative, governing or supervisory body or member or partner of any other company or general or limited partnership other than the UNIPETROL Group companies.

Company's governing bodies and management

THE BOARD OF DIRECTORS

The Board of Directors is the company's governing body managing its activity and acting on its behalf. Under the company's Articles of Association as in place as at 1 January 2007, the Board of Directors has seven members elected for a three-year term of office. The Board of Directors elect from their ranks the Chairman and two Vice-Chairmen, each of whom represents the Chairman of the Board of Directors to the full extent of authority in discharging his duties.

As at 1 January 2007 the members of the Board of Directors were Messrs François Vleugels – Chairman, Dariusz Marzec – Vice-Chairman, Ivan Ottis, Miroslav Krejčí, and Martin Durčák – Members.

At its meeting on 28 June 2007, the Supervisory Board elected Mr Wojciech Ostrowski to the Board of Directors and the Board of Directors elected him the second Vice-Chairman of the Board of Directors on 10 July 2007.

At its meeting on 30 August 2007, the Supervisory Board elected Mr Arkadiusz Kotlicki a Member of the Board of Directors.

At its meeting on 11 October 2007, the Supervisory Board took due note

of the resignation of Mr Dariusz Marzec from the positions of Member and Vice-Chairman of the Board of Directors.

Thus, as at 31 December 2007 the Board of Directors had the following composition: François Vleugels – Chairman, Wojciech Ostrowski – Vice-Chairman, Ivan Ottis, Miroslav Krejčí, Martin Durčák, Arkadiusz Kotlicki – Members.

DARIUSZ MARZEC

Member of the Board of Directors until 11 October 2007.

*7 December 1964, Member of the Board of Directors (1 September 2005–6 November 2006), Vice-Chairman of the Board of Directors (7 November 2006–11 October 2007). University education, 13 years of practical experience. Outside the UNIPETROL Group, he has been, over the five preceding years, a Deputy Minister at the Ministry of Finance of the Republic of Poland (July 2004–March 2005) and a Member of the Supervisory Board of Polskie Sieci Elektroenergetyczne S.A. (until 2005). Since July 2007 he has held the position of Member of the Supervisory Board of CP Energia S.A.

SUPERVISORY BOARD

The Supervisory Board is the company's supervisory body. It supervises

the exercise of the powers and responsibilities of the Board of Directors and the conduct of the company's business. In accordance with the Articles of Association as in place as of 1 January 2007, the Supervisory Board had 12 members elected for a three-year term of office. The Supervisory Board elect from their ranks its Chairman and two Vice-Chairmen, each of whom represents the Chairman of the Supervisory Board to the full extent of authority in discharging his duties.

As at 1 January 2007, the Supervisory Board had the following members: Messrs Igor Adam Chalupiec – 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, Rafał Zbigniew Kapler – Members.

IGOR ADAM CHALUPEC

*29 May 1966, Chairman of the Supervisory Board (8 June 2005–26 January 2007). University education, 16 years of practical experience. Outside the UNIPETROL Group, he has been, over the five preceding years, the Chairman of the Board of Directors and Chief Executive Officer at PKN ORLEN, S.A., Republic

of Poland (2004–2007, term of office discontinued), Member of the Board of Directors of AB Maziekiu Nafta, Juodeikiai, Lithuania (2006), Member of the Board of Directors of Bank Pekao S.A., Republic of Poland (1995–2003), Chairman of the Supervisory Board of ORLEN Deutschland AG, Elmshorn, Federal Republic of Germany (2004–2006), Chairman of the Supervisory Board of Rafineria Trzebinia S.A., Trzebinia, Republic of Poland (2006), Chairman of the Supervisory Board of Rafineria Jedlicze, S.A., Republic of Poland (2006), Chairman of the Supervisory Board of Gielda Papierów Wartościowych w Warszawie [Warsaw Stock Exchange], Republic of Poland (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., Republic of Poland (2001–2003), Chairman of the Supervisory Board of Jupiter National Investment Fund S.A., Republic of Poland (2000–2003), Chairman of the Supervisory Board of Pekao Trust Fund Company S.A., Republic of Poland (2000–2002), and Member of the Supervisory Board of Mitteleuropäische Handelsbank AG, Federal Republic of Germany (2000–2001). He has also been a shareholder of Bank Pekao S.A. since 1998.

IVAN KOČÁRNÍK

*29 November 1944, Vice-Chairman of the Supervisory Board (since 22 June 2006, term of office to expire on 21 June 2009). University education, 40 years of practical experience. Outside the UNIPETROL Group, he has been, over the five preceding years, the 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. (until April 2008), Chairman of the Board of Trustees of Nadace VŠE (term of office discontinued), Chairman of the Supervisory Board of Česká pojišťovna a.s. (until January 2007), and has been the Chairman of the Supervisory Board of ČESKÉ AEROLINIE, a.s. since April 2007.

CEZARY KRZYSZTOF SMORSZCZEWSKI

*25 July 1965, Member and Vice-Chairman of the Supervisory Board (8 June 2005–26 April 2007). University education, 15 years of practical experience. Outside the UNIPETROL Group, he has been, over the five preceding years, a Member of the Board of Directors of PKN ORLEN S.A., Republic of Poland (October 2004–2007), Member of the Supervisory Board of Pekao Leasing Sp. z o.o., Republic of Poland (until 2004), Pekao Factoring Sp. z o.o., Republic of Poland (until

2003), Bank Pekao Ukraina Ltd. (until 2003), ANWIL S.A., Republic of Poland (2004–2005), POLKOMTEL S.A., a mobile operator, Republic of Poland (2004–2007), and CDM S.A., a brokerage house, Republic of Poland (until 2003).

PAWEŁ HENRYK SZYMAŃSKI

*14 April 1972, Member of the Supervisory Board (8 June 2005–30 August 2007), Vice-Chairman of the Supervisory Board (23 May 2007–30 August 2007). University education, 14 years of practical experience. Outside the UNIPETROL Group, he has been, over the five preceding years, a Member of the Board of Directors of Dom Maklerski Banku Handlowego S.A., Member of the Board of Directors of PKN ORLEN S.A., Member of the Supervisory Board of Orlen Deutschland AG, Member of the Supervisory Board of ANWIL S.A., Member of the Supervisory Board of RN Jedlicze S.A., Member of the Supervisory Board of AB Maziekiu Nafta, Juodeikiai, Lithuania, and a Member of the Supervisory Board of Polkomtel, S.A. He is currently a Member of the Board of Directors of CTL Logistics S.A. and of ACE.

PIOTR KEARNEY

*4 October 1969, Member of the Supervisory Board (since 8 June 2005, term of office to expire on 7 June 2008). University education, 14 years

Company's governing bodies and management

of practical experience. Outside the UNIPETROL Group, he has been, over the five preceding years, the Strategy and Development Director of PKN ORLEN S.A., Republic of Poland (term of office ongoing), a Member of the Supervisory Board of ORLEN Deutschland AG, Elmshorn, Federal Republic of Germany (2003–2004), Rafineria Trzebinia S.A., Trzebinia, Republic of Poland (2003–2004), Inowrocławskie Kopalnie Soli Solino S.A., Inowrocław, Republic of Poland (2003–2004), ORLEN Upstream Sp. z o.o., Warsaw, Republic of Poland (since 2006), and AB Maziekiu Nafta, Juodeikiai, Lithuania (since 2006). At the same time, he has been a Member of the Supervisory Board of Polkomtel, S.A. (since March 2008). He is also the shareholder of other companies: 20% of KGL Sp. z o.o., Gdynia, Republic of Poland, and a minority shareholder of other privately-held or listed companies, but not of UNIPETROL, a.s. or its subsidiaries.

DARIUSZ MAREK FORMELA

*5 January 1974, Member of the Supervisory Board (from 8 June 2005, term of office to expire on 7 June 2008). University education, 10 years of practical experience. Outside the UNIPETROL Group, he has been, over the five preceding years, the Chairman of the Supervisory Board of ORLEN Transport Kędzierzyn Koźle Sp. z o.o., Republic

of Poland (June 2001–December 2004), Member of the Board of Directors of AB Maziekiu Nafta, Juodeikiai, Lithuania (since November 2006), Chairman of the Supervisory Board of ORLEN Ochrona Sp. z o.o., Republic of Poland (September 2004–December 2006), Chairman of the Supervisory Board of ORLEN Laboratorium sp z o.o., Republic of Poland (September 2004–December 2006), Chairman of the Supervisory Board of ORLEN Prewencja, Republic of Poland (July–December 2006), Vice-Chairman of the Supervisory Board of ORLEN Księgowość, Republic of Poland (July–December 2006), Chairman of the Supervisory Board of ORLEN Administracja Sp z o.o., Republic of Poland (December 2005–April 2007), Chairman of the Supervisory Board of Wisła Płock S.A., Republic of Poland (January 2006–August 2007), Chairman of the Supervisory Board of Płocki Park Przemysłowo-Technologiczny (June 2006–August 2007), member of the Ethics Task Team of PKN ORLEN S.A., Republic of Poland (December 2005–September 2007), Member of the Supervisory Board of Foundation–Fundusz Grantowy dla Płocka, PKN ORLEN S.A., and a representative on the Development Forum of Mazowieckie Voivodeship (March 2006–June 2007).

Outside the UNIPETROL Group, he is currently a Member of the Board of Directors of PKN ORLEN S.A. and

a Member of the Board of Directors of AB Maziekiu Nafta, Juodeikiai, Lithuania.

WOJCIECH LORENC

*19 June 1960, Member of the Supervisory Board (8 June 2005–26 January 2007)

MILOSLAV SUCHÁNEK

*18 October 1942, Member of the Supervisory Board (from 18 August 2000; re-elected by the General Meeting of 13 April 2006, term of office to expire on 13 April 2009). University education, 43 years of practical experience. Over the five preceding years, he has not been, and currently is not, a member of any administrative, governing or supervisory body or a member or partner of any other company or general or limited partnership other than the UNIPETROL Group companies.

ZDENĚK ČERNÝ

*20 October 1953, Member of the Supervisory Board (17 June 2004–17 June 2007, re-elected on 28 June 2007, term of office to expire on 28 June 2010). University education, 34 years of practical experience. Outside the UNIPETROL Group he has been, over the five preceding years, the Chairman of the Supervisory Board of Vykāñ a.s. (until 30 June 2006) and a Member of the Supervisory Board of

Severomoravská energetika a.s., Ostrava (until 28 February 2007).

PAWEŁ JASIŃSKI

*9 January 1974, Member of the Supervisory Board (13 April 2006–5 March 2007). University education, 10 years of practical experience. Outside the UNIPETROL Group he has been, over the five preceding years, a Member of the Board of Directors of PKS NOWY SACZ S.A., Republic of Poland (until June 2006), Member of the Board of Directors and a 78% shareholder of KEP Sp. z o.o., Republic of Poland. He is also a shareholder of two other companies other than UNIPETROL, a.s. and its subsidiaries, with interests lower than 1%.

CZESŁAW ADAM BUGAJ

*27 January 1950, Member of the Supervisory Board (substitute member from 22 June 2006 to 29 September 2006, member since 13 December 2006, term of office to expire on 12 December 2009). University education, 38 years of practical experience. Outside the UNIPETROL Group, he has been, over the five preceding years, a Member of the Supervisory Board of AB Maziekiu Nafta, Juodeikiai, Lithuania, Chairman of the Supervisory Board of Rafineria Jedlicze, S.A., Republic of Poland, Chairman of the Supervisory Board of ORLEN OIL Sp. z o.o., Republic of Poland, and the Chairman of the Supervisory Board of ANWIL S.A., Republic of Poland.

RAFAŁ ZBIGNIEW KAPLER

*14 December 1974, Member of the Supervisory Board (substitute member from 22 June 2006 to 29 September 2006, member from 13 December 2006 to 28 March 2008). University education, 10 years of practical experience. Outside the UNIPETROL Group, he has, over the five preceding years, been a Member of the Supervisory Board of ANWIL S.A. (7 June 2006–1 March 2008).

At its meeting of 26 January 2007, the Supervisory Board took due note of Mr Igor Chalupiec's resignation from his position of Member and Chairman of the Supervisory Board and Mr Wojciech Lorenc's resignation from his position of Member of the Supervisory Board. The Extraordinary General Meeting of 5 March 2006 dismissed Mr Pawel Jasiński from his position of Member of the Supervisory Board and elected Messrs Piotr Kownacki, Miroslav Jasiński and Arkadiusz Kotlicki as the Members of the Supervisory Board. At its meeting of 5 March 2007 the Supervisory Board elected from their ranks, Mr Piotr Kownacki as the Chairman of the Supervisory Board.

PIOTR KOWNACKI

*8 October 1954, Member and Chairman of the Supervisory Board (5 March 2007–28 March 2008). University education, 38 years of practical experience. Over

the five preceding years, he has been the Vice-Chairman of the Board of Directors of PKN ORLEN S.A. (23 October 2006–17 January 2007). On 18 January 2007 he was elected the Chairman of the Board of Directors and Chief Executive Officer of PKN ORLEN S.A. On 28 February 2008 PKN ORLEN S.A.'s Supervisory Board decided to suspend him from these offices for an indefinite period of time.

MIROSLAV JASIŃSKI

*12 November 1960, Member of the Supervisory Board (since 5 March 2007, term of office to expire on 5 March 2010). University education, 20 years of practical experience. Over the past five years he has been the director of the Polish Institute in Prague and an employee of the Ministry of Foreign Affairs of the Republic of Poland (October 2001–November 2006).

ARKADIUSZ KOTLICKI

*10 June 1965, Member of the Supervisory Board (5 March 2007–30 August 2007). University education, 16 years of practical experience. Over the five preceding years, he has not been a member of any administrative, governing or supervisory body or a member or partner of any company or general or limited partnership other than UNIPETROL Group companies.

Company's governing bodies and management

At its meeting of 26 April 2007, the Supervisory Board took due note of Mr Cezary Krzysztof Smorszczewski's resignation from his position of a Member and Vice-Chairman of the Supervisory Board and elected Mr Krystian Pater a substitute member of the Supervisory Board until the next General Meeting.

KRYSTIAN PATER

*16 December 1964, substitute member of the Supervisory Board (26 April 2007–28 June 2007), Member of the Supervisory Board (since 28 June 2007). University education, 19 years of practical experience. Outside the UNIPETROL Group, he has been, over the five preceding years, a Member of the Board of Directors of PKN ORLEN S.A., Member of the Board of Directors of AB Maziekiu Nafta, Juodeikiai, Lithuania, Member of the Supervisory Board of ORLEN Wir Sp. z o.o., Member of the Supervisory Board of ORLEN Mechanika Sp. z o.o., Member of the Supervisory Board of Rafineria Trzebinia, S.A., Member of the Supervisory Board of ORLEN Asphalt Sp. z o.o., and a Member of the Supervisory Board of ORLEN Eko Sp. z o.o.

The company's Annual General Meeting held on 28 June 2007 elected Mr Krystian Pater a Member of the Supervisory Board and re-elected Mr Zdeněk Černý a Member

of the Supervisory Board, since his previous term of office had ended on 18 June 2007.

At its meeting of 30 August the Supervisory Board took due note of Mr Arkadiusz Kotlicki's resignation from his position of a Member of the Supervisory Board and Mr Paweł Henryk Szymański's resignation from his position of a Member and Vice-Chairman of the Supervisory Board, and elected Mr Robert Bednarski a substitute member of the Supervisory Board until the next General Meeting. At the same time, they elected Mr Dariusz Marek Formela the Vice-Chairman of the Supervisory Board from their ranks.

ROBERT BEDNARSKI

*15 December 1973, substitute member of the Supervisory Board (since 30 August 2007, term of office to expire on 30 August 2010). University education, 12 years of practical experience. Outside the UNIPETROL Group, he has been, over the five preceding years, a Member of the Board of Directors of AB Maziekiu Nafta, Juodeikiai, Lithuania (2007), Member of the Board of Directors of Basell ORLEN Polyolefins (2005–2007), Member of the Supervisory Board of ORLEN Oil Sp. z o.o. (2004–2005), Member of the Supervisory Board of ORLEN Asphalt Sp. z o.o. (2004–2005), Member of the Supervisory Board of IKS Solino S.A. (2004–2005), Chairman

of the Supervisory Board of Zakład Budowy Aparatury S.A. (2001–2005), Member of the Supervisory Board of ORLEN Deutschland AG (2003–2004), and a Member of the Supervisory Board of Wisła Płock S.A. (2007).

At its meeting of 8 November 2007, the Supervisory Board elected Mr Waldemar Maj a substitute member of the Supervisory Board until the next General Meeting.

WALDEMAR MAJ

*18 February 1956, substitute member of the Supervisory Board (since 8 November 2007, term of office to expire on 8 November 2010). University education, 27 years of practical experience. Outside the UNIPETROL Group, he currently holds the position of a Vice-Chairman of the Board of Directors of PKN ORLEN S.A. and a Member of the Board of Directors of AB Maziekiu Nafta, Juodeikiai, Lithuania.

Thus, as at 31 December 2007 the Supervisory Board was composed thus: Piotr Kownacki – Chairman, Ivan Kočárník – Vice-Chairman, Dariusz Marek Formela – Vice-Chairman, Piotr Kearney, Miloslav Suchánek, Zdeněk Černý, Czesław Adam Bugaj, Rafał Zbigniew Kapler, Miroslav Jasiński, Krystian Pater, Robert Bednarski, Waldemar Maj – Members.

MANAGEMENT

The term “Managers” is understood to refer to persons holding executive managerial offices, who have a material influence on the company’s conduct. As regards UNIPETROL, a.s., the persons holding the offices of the Chief Executive Officer, Chief Financial Officer, Chief Integration Officer, and Chief Investment Officer are considered to be managers.

Chief Executive Officer	François Vleugels	Since 3 April 2006
Chief Financial Officer	Petr Sosík	7 November 2006 to 30 June 2007
	Wojciech Ostrowski	Since 1 July 2007
Chief Integration Officer	Arkadiusz Kotlicki	Since 1 September 2007
Chief Investment Officer	Dariusz Marzec	1 September 2005–11 October 2007

PETR SOSÍK

*20 November 1974. University education, 10 years of practical experience. Over the five preceding years, he has not been a member of any administrative, governing or supervisory body or a member or partner of any other company or general or limited partnership other than UNIPETROL Group companies.

Piotr Kearney
Dariusz Marek Formela
Krystian Pater
Miloslav Suchánek
Zdeněk Černý
Paweł Jasiński
Czesław Adam Bugaj
Paweł Henryk Szymański
Ivan Kočárník
Robert Bednarski
Miroslav Jasiński
Waldemar Maj

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

- “(a) Have not been a member of any administrative, governing or supervisory body or a member or partner of any other company or general or limited partnership other than UNIPETROL, a.s. or a subsidiary thereof over the five preceding years;
- (b) Are not a member of any administrative, governing or supervisory body or a member or partner of any other company or general or limited partnership other than UNIPETROL, a.s. or a subsidiary thereof;
- (c) Have not been convicted for offences involving fraud over the five preceding years;
- (d) Have not been associated in any bankruptcy/receivership proceedings, administration or liquidation over the five preceding years;

STATEMENT OF COMPLIANCE

The Members of the Board of Directors, Members of the Supervisory Board, and members of the company’s management (the “Persons”) listed below,

François Vleugels
Wojciech Ostrowski
Ivan Ottis
Miroslav Krejčí
Martin Durčák
Arkadiusz Kotlicki
Dariusz Marzec
Petr Sosík
Piotr Kownacki

Company's governing bodies and management

- (e) Have not been publicly accused or penalised in any manner whatsoever by any governing bodies or regulatory authorities (including designated professional authorities);
- (f) Have not been deprived of the capacity to hold the office of a member of any administrative, governing or supervisory body of any issuer, or a position in the management of, or execution of the activities, of any issuer by a court over the five preceding years,
- (g) Do not have any potential conflict of interest between their obligations related to their offices, their private interests, and/or other obligations, and UNIPETROL, a.s.;
- (h) Have not entered into any agreement on the holding of an office/position with UNIPETROL, a.s., or a subsidiary thereof, granting them any benefit in connection with the end of their office/position".

They also noted, if applicable, exceptions from the items of the above Statement in cases where any of the above circumstances exist in respect of their own person.

The exceptions from items (a) and (b) submitted by the Persons are specified in sub-chapters 8.1 Board of Directors, 8.2 Supervisory Board, and 8.3 Management; in this chapter, these are specified separately for each Person

in the wording submitted in that Person's Statement. No exceptions were noted in respect of items (c) to (h).

The Persons holding the offices of a CEO, CFO, Chief Integration Officer and Chief Investment Officer at UNIPETROL, a.s. and the Persons holding the office of Director in [Ltd.] subsidiaries, have employment contracts in place with the respective companies, wherein benefits related to the end of their office are accorded to them in accordance with the rules of remuneration specified in sub-chapter 8.6 Emoluments.

In respect of Messrs Igor Chalupec and Cezary Krzysztof Smorszczewski, the information provided in their Statements attached to the Annual Report 2006 was used, because their 2007 Statements could not be obtained due to their resignations on their Supervisory Board office in early 2007.

UNIPETROL, a.s. did not obtain the statutory Statement of Compliance from Member of the Supervisory Board Mr Wojciech Lorenc, despite applying due diligence.

ELECTION RULES

Under the company's Articles of Association, Members of the Board of Directors are elected and dismissed by the company's Supervisory Board. If

a Member of the Board of Directors dies, resigns, is dismissed or his term of office ends otherwise, the Supervisory Board shall elect a new Member of the Board of Directors within three months of the day when such a circumstance occurred. Any Member of the Supervisory Board is entitled to propose the election or dismissal of Members of the Board of Directors. The election/dismissal of Members of the Board of Directors shall take place by means of a secret vote during a Supervisory Board meeting. Re-election of Members of the Board of Directors is allowed.

The Supervisory Board has twelve Members; under the Articles of Association, the General Meeting shall elect and dismiss eight Members of the Supervisory Board, while the company's employees shall elect four Members of the Supervisory Board, provided that the company has more than fifty employees under employment contracts with working hours exceeding one half of the weekly working hours laid down in a separate legal regulation as at the first day of the accounting period in which a General Meeting electing Members of the Supervisory Board is held. Since this requirement was not met as at 1 January 2007, all Members of the Supervisory Board have been elected by the General Meeting.

If the number of the Members of the Supervisory Board elected by the General Meeting does not decrease below

one half, the Supervisory Board may appoint substitute members until the next General Meeting; otherwise, the new Members of the Supervisory Board shall be elected within three months of the day when the term of office of the current Members of the Supervisory Board ended. Re-election of Members of the Supervisory Board is allowed.

The company's Board of Directors shall appoint and dismiss the company's managers.

EMOLUMENTS

PRINCIPLES OF REMUNERATION OF THE ISSUER'S MANAGERS AND MEMBERS OF THE SUPERVISORY BOARD

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

Furthermore, the General Meeting held on 13 April 2006 approved an amendment to the Articles of Association, whereby Committees of the Supervisory Board were set up, including an HR and Remuneration Committee.

The HR and Remuneration Committee

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

- a) Submission of recommendations concerning the appointment and dismissal of the Supervisory Board and Board of Directors Members;
- b) Regular assessment and submission of recommendations concerning the principles and system of remuneration of the Board of Directors Members and the Chief Executive Officer, including management contracts and a system of incentives, and submission of proposals concerning the creation of such systems with

regard to the implementation of the company's strategic goals;

- c) Submission of opinions on the justification of the part of remuneration which depends on the results achieved, in connection with the evaluation of the degree to which the company's tasks and objectives have been carried out;
- d) Assessment of the HR management system in the company;
- e) Recommendation of candidates for the office of the company's Chief Executive Officer;
- f) Informing the Supervisory Board about all circumstances pertaining to the HR and Remuneration Committee's activities.

The HR and Remuneration Committee's members were Messrs Dariusz Formela, Czeslaw Bugaj, Zdeněk Černý, and Ivan Kočárník in 2007.

The managers of UNIPETROL, a.s. are understood to be the senior management, which includes the following positions: Chief Executive Officer, Chief Financial Officer, Chief Integration Office, and Chief Investment Officer.

The managers' emoluments consist of a fixed and a variable component related to each particular position and the management level. The variable

Company's governing bodies and management

component ranges between 50% and 90% of the base monthly wages.

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

- Entitlement to use a company car for private purposes;
- Meal vouchers;
- D & O liability insurance covering loss caused to the employer;
- Use of cellular telephones with pre-set limit amounts;
- Language tuition;
- Sickness allowances.

The rules for management by business objectives (MBO) were unified in co-operation with PKN ORLEN in 2007 with a view to further increasing the efficiency of managing employees and evaluating their performance. The system was approved by the Boards of Directors [of a PLC], or Directors [of an Ltd.] of the companies controlled directly by UNIPETROL, a.s.

This management by objective and remuneration system (MBO) was implemented all the way to level N-3 in 2007, where N is CEO, involving more than 300 employees. The meeting of the targets will be evaluated, and the remuneration based on the approved methodology will be paid, in 2008 after the approval of the audited financial statements.

For the employees and managers evaluated under the MBO, the variable component of wages is set based on the tier of their position in the company. The variable component consists of two parts and depends on the meeting of specific quantitative and qualitative targets and the Group's planned results.

The quantitative targets include, without limitation, EBIT, Net Profit, SVA (Shareholder Value Added), Total Fixed Costs, and Total Personnel Costs.

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

The specific qualitative and quantitative targets for the employees are set by their direct superiors and approved by an N+1. The direct superiors also evaluate the meeting of the tasks for the relevant period. The evaluation is approved by an N+2, where "N" is the employee. The Supervisory Board sets and evaluates the CEO's targets.

The process unification strategy in HR management necessitated a revision and simplification of the Hay methodology, which is used in the Group for benchmarking and as an employee remuneration tool. This major project will be completed in 2008. The project is being

implemented in co-operation with the ORLEN Group.

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EMOLUMENTS PAID BY THE ISSUER FOR THE LATEST ACCOUNTING PERIOD, IN CZK

(Capital Market Business Act No. 256/2004, Section 118(3c))

	Remuneration	Wages or salary	Bonuses	Share of profit	Refund of expenses	Insurance premiums	Commissions	In-kind payments	Other	Total
Board of Directors	2,943,193					223,458				3,166,651
Supervisory Board	7,184,000					481,798				7,665,798
Managers		18,378,700						866,450	567,654	19,812,804

PAYMENTS PROVIDED BY ENTITIES WITHIN THE SAME GROUP AS THE ISSUER FOR THE LATEST ACCOUNTING PERIOD, IN CZK

(Commission Regulation (EC) No. 809/2004)

	Remuneration	Wages or salary	Bonuses	Share of profit	Refund of expenses	Insurance premiums	Commissions	In-kind payments	Other	Total
Board of Directors	1,797,484	13,301,793				242,353		826,143		16,167,773
Supervisory Board	24,348					100,480				124,828
Managers	620,000	239,130				178,058				1,037,188

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

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

The members of the issuer's governing and supervisory bodies and managers have not been involved in transactions

outside of the issuer's object of business or in other transactions unusual for the issuer in terms of their form, nature, terms and conditions, or subject matter, during the current and latest completed accounting periods or in the previous accounting periods.



PETR HERZMANN

Project manager, UNIPETROL, a.s.

The impact of what we have obtained from the Partnership Programme will continue to be felt.

Management Report

INTRODUCTION

In 2005 UNIPETROL publicised its Equity Story, which was intended to improve the Group's overall efficiency. The plan, Equity Story, can be summed up in three major points:

- 1) 2006–2007: Optimise the Group's assets and achieve synergies with the majority owner;
- 2) 2006–2008: Change corporate governance; and
- 3) 2007–2009: Increase operating efficiency.

We, the Directors of UNIPETROL, are pleased to note that at this moment, we are between the second and third step. In the following report, we will look back at 2007 and how successful we were in meeting the above objectives of the Equity Story.

UNIPETROL'S PERFORMANCE

The conditions for crude refining, petrochemicals and fuel retail were favourable in the first nine months of 2007. The refining and petrochemical segments grew their margins and sales

volumes, and the mild winter also had a positive impact on production. Strong demand compensated for lower unit margins in retail. The continuing restructuring and improvements in operating efficiency improvements greatly contributed to UNIPETROL's excellent results.

Refining environment in 2007

(USD/bbl)	1Q 07	2Q 07	3Q 07	4Q 07	Average 2007	Average 2006
Model refining margin ¹⁾	6.47	10.74	6.86	7.69	7.88	6.70
Brent crude price	57.76	68.76	74.75	88.46	72.4	65.1
Brent-Ural differential	3.41	3.72	2.77	3.04	3.23	3.94

The fourth quarter saw a surge in crude prices with a squeeze on refining and petrochemical margins. Conversely, retail margins improved and the volumes of fuel sales showed a marked

year-on-year increase. The production of motor fuels, monomers, polymers and agrochemicals was reduced towards the end of the year as a result of the planned overall autumn shutdown,

a failure of the ethylene unit and an accident on the partial oxidation unit, but it gradually returned to its full capacity during December.

¹⁾ Calculated as: Products (95.5%) Rotterdam quotations and refinery setting for "cracking refinery" vs. Brent Dtd (100%). Products include Premium Unleaded (23.4%), Regular Unleaded (15.5%), Jet/Kerosene (8.3%), Diesel (33.3%), 1% Sulphur Fuel Oil (12.9%), Propane (1.5%), Butane (0.3%), Sulphur (0.4%); Source: REUTERS

Key operating data for 2007 (kt)

	1Q 07	2Q 07	3Q 07	4Q 07	Full year 2007	Full year 2006
Crude oil throughput ¹⁾	1,070	1,168	991	908	4,137	4,281
Utilisation ratio ¹⁾	78%	85%	71%	65%	75%	81%
Motor fuel wholesale ²⁾	645	743	673	631	2,692	2,558
Petrochemical sales ³⁾	663	673	535	415	2,286	2,456
Retail sales ⁴⁾	109	129	132	128	498	455

1) Refers to 51.22% of ČESKÁ RAFINÉRSKÁ (total crude throughput in 2007 was 6.8 million tonnes), 100% of PARAMO

2) Gasoline, Diesel, JET, Light Heating Oil

3) Including petrochemical production feedstock

4) Gasoline, Diesel, LPG

UNIPETROL's operating profit for 2007 grew 28% year-on-year, or as much as 42% excluding one-offs. Total revenues decreased by 5% year-on-year to

CZK 88.78 billion. The slight decrease in revenues was due to the fact that SPOLANA no longer contributed to the Group's revenues for 2007, and

KAUČUK stopped contributing in July 2007. The Group's operating cash flow decreased by 46% due to reduced production in the year's last quarter.

Key financial ratios for 2007 (CZK million)

	2006	2007	2007/2006
Revenues	93,698	88,779	-5%
Operating profit	3,780	4,826	28%
Operating profit excluding one-offs	5,292 ¹⁾	7,523 ¹⁾	42%
Net profit attributable to the shareholders of the parent company	1,600	1,221	-24%
Net profit excluding one-offs, attributable to the shareholders of the parent company	4,177 ²⁾	6,389 ³⁾	53%
Operating cash flow	7,387	4,029	-46%

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Description of the one-offs excluded from operating profit:

1)
Operating profit of KAUČUK and SPOLANA amounted to CZK 1,184 million in 2006.

Sale of the stake in KAUČUK, a.s.
– The negative impact on the sale of CZK 2,649,915,000 was reduced by the impairment loss of CZK 1,669,916,000 carried in 2006 and by CZK 979,999,000 carried in 2007.

The total impact of unplanned shutdowns on operating profit in 2006 was CZK 785 million. This impact includes the lost (unrealised) gross margin on the sale of products and fixed costs incurred in repairs. For 2006, the shutdowns were as follows (with impact in brackets): hydrocrack unit shutdown in March (CZK 300 million), ethylene unit shutdown associated with the Litvínov hydrocrack unit shutdown in October (CZK 400 million), and the December shutdown of the Kralupy fluid catalytic crack unit (CZK 85 million).

The planned comprehensive maintenance shutdown of the petrochemical operations and the Litvínov part of the refinery took place in the latter half of 2007. Then a partial oxidation (POX) unit broke down during start-up and a defect of the ethylene unit was detected. UNIPETROL estimates the impact (gross margin lost and fixed costs) of all these events on the 2007 operating profit to be CZK 2,800 million, with CZK 1,550 million attributable to the planned shutdown and CZK 1,250 million attributable to the POX accident and ethylene unit defect.

On 7 December 2006 the Group received a decision of the European Commission, which noted that the Group participated in a cartel of the producers of emulsion styrene butadiene rubber / butadiene rubber between 1998 and 2002. The fine imposed amounted to EUR 17.55 million. The Group recognised a liability of CZK 482,536,000. A provision of CZK 150,000,000 was released. The current amount of the fine (EUR 17.55 million) was, in accordance with relevant legal regulations, divided equally between UNIPETROL and KAUČUK with each being obligated to pay 50% of the fine, or EUR 8,775 million (ca CZK 241 million).

On 23 November, 14.51% of PARAMO a.s. shares were acquired. The negative goodwill of CZK 103,380,000 on acquisition was carried as Other Operating Revenues.

Description of one-offs further excluded from net profit:

2)
Due to an uncertainty regarding the conditions for using investment incentives, the Group decided not to post investment incentives in the 2005 tax return filed on 2 October 2006. The more precise amount of the tax carried in 2006 at CZK 324,799,000 represents an additionally returned and paid income tax for 2005. The Group is taking all the steps necessary for recouping this tax.

3)
Impairment of assets for sale: The total cost of the impairment of UNIPETROL's interests in AGROBOHEMIE a.s. and in Synthesia, a.s., as identified by UNIPETROL's Board of Directors as at 30 September 2007, amounted to CZK 2,471 million.

For the sake of clarity, the one-offs are summed up in the following table:

(CZK million)	2006	2007
Operating profit	3,780	4,826
Operating profit excluding one-offs	5,292	7,523
Shutdowns (planned and unplanned)	785	2,800
Negative goodwill on acquisition		-103
Asset impairment – KAUČUK	1,670	
Operating profit of KAUČUK	-974	
Fine imposed by the European Commission	241	
Operating profit of SPOLANA	-210	
Net profit attributable to the shareholders of the parent company	1,600	1,221
Net profit attributable to the shareholders of the parent company excluding one-offs	4,177	6,389
Shutdowns (planned and unplanned)	785	2,800
Impairment of AGROBOHEMIE and Synthesia assets		2,471
Negative goodwill on acquisition		-103
Asset impairment – KAUČUK	1,670	
Operating profit of KAUČUK	-723	
Losses from sale of SPOLANA	404	
Additional tax paid for 2005	324	
Fine imposed by the European Commission	241	
Net profit of SPOLANA	-124	

RESTRUCTURING

A considerable portion of investments went to the restructuring and optimisation of the Group's assets.

The implementation of the new governance model included the creation of separate *Business Units (BU)*, a *Shared Service Centre (SSC)* and *Supply Chain Management (SCM)*. To increase

operating efficiency, BENZINA, PETROTRANS and UNIPETROL DOPRAVA changed their legal form from PLC to Ltd.

The merger of CHEMOPETROL, a.s. and UNIPETROL RAFINÉRIE, a.s. into a single company, UNIPETROL RPA, s.r.o., was completed in August in order to ensure better use of the existing synergies

in wholesale of refinery products and petrochemicals. Planned for the second quarter of 2008, the next step will be the split of UNIPETROL RPA, s.r.o. into a production entity and a commercial entity to make the company's activities simpler and more efficient.

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Both of the resulting companies will have the legal form of Ltd. (s.r.o.) and UNIPETROL, a.s. will remain their sole owner.

In terms of optimising the Group's assets, it was decided earlier to sell KAUČUK, a.s., the core business of which was not of key importance for UNIPETROL in the long run. This is why UNIPETROL executed a share purchase agreement with Firma Chemiczna Dwory S.A. of Poland in January 2007. The transaction was settled in July 2007 at CZK 5.5 billion (EUR 195 million). UNIPETROL also formed a joint venture with Firma Chemiczna Dwory, in which it holds 51% of shares, Butadien Kralupy a.s. (slated for launch of operations in 2009), which will purchase the C4 cut from it and supply rafinate 1, a key material for refinery operation.

Furthermore, UNIPETROL achieved an out-of-court settlement of the dispute with DEZA, which claimed its option for UNIPETROL's interests in AGROBOHEMIE and Synthesia, in 2007. The out-of-court settlement enabled the sale of the interests in AGROBOHEMIE (38.8%) and Synthesia (55.01%) on arm's length market terms. As with KAUČUK, the business of the companies was not

part of UNIPETROL's long-term strategy. DEZA, a.s. purchased the interests for a total of CZK 1,183 million, withdrew all of its actions and promised not to claim from UNIPETROL any contract penalty or compensation payments. In addition, DEZA confirmed future co-operation with UNIPETROL in the sale and purchase of raw materials through companies controlled by it. UNIPETROL used the proceeds from the sale of the shares for a further reduction in the Group's debt.

Last year was also important for UNIPETROL in terms of acquisitions. UNIPETROL bought a 14.51% interest in PARAMO, a.s. from Middle Europe Investments (MEI) in November. It thus increased its ownership interest in the company to 88.03%, effectively strengthening one of the pillars of its long-term strategy—crude oil processing. The transaction was settled at CZK 241 million. UNIPETROL will continue its attempts to gain full control over PARAMO, a.s., to enable the company's restructuring and to integrate it further into the entire Group's production and commercial units.

UNIPETROL also strengthened its position in crude processing with

the acquisition of a 0.225% interest in ČESKÁ RAFINÉRSKÁ from ConocoPhillips. UNIPETROL currently owns 51.22% of ČESKÁ RAFINÉRSKÁ, so that it has a qualified majority at the company's general meetings when acting in concert with either of the two other shareholders*. In the future, UNIPETROL will seek an opportunity to further increase its ownership interest in ČESKÁ RAFINÉRSKÁ in order to solidify its strategic position.

UNIPETROL implemented the Partnership Programme as part of its co-operation with PKN ORLEN from 2005. Its objective was to improve the performance of all UNIPETROL subsidiaries using PKN ORLEN's know-how. The Programme's planned goal was a sustainable contribution to EBITDA of an additional EUR 138 million in 2008 (under macroeconomic conditions of 2004). Thanks to its very successful progress, which surpassed the original expectations, this objective was already met in 2007, and so the Partnership Programme was officially ended in early 2008.

The transformation of BENZINA continued successfully in 2007. At the year's end, 164 of the total 320 fuel filling stations were fully re-branded; of these, 82 were

* Shell Overseas Investment B.V. (16.33%) and ENI INTERNATIONAL, B.V. (32.44%).

upgraded to the BENZINA Plus standard and another 82 to the new BENZINA standard. 82 stations currently offer the Verva 100 premium petrol and 43 stations offer the Verva Diesel premium fuel. The number of bistros and car washes was also increased. The success of the BENZINA upgrade is illustrated by the year-on-year growth of fuel and non-fuel goods sales by more than 16% against the background of an average market growth rate of 3.9%. Customers really appreciate the changes: BENZINA was rated the Fuel Filling Station of the Year 2007 in a GE Money Bank market survey.

INVESTMENTS AND MAINTENANCE

In 2007 the UNIPETROL Group implemented major investment projects. Capital expenditure amounted to CZK 4.846 billion, which is 23% more than in 2006 (CZK 3,937 million). Maintenance costs amounted to CZK 1.8 billion, or 9% more year-on-year. In terms of cash flow, CZK 5,475 million was spent on the acquisition of buildings, plant and machinery and intangible assets in 2007, vs. CZK 3,268 million in the preceding year. The largest project was the planned maintenance shutdown of the main production units in Litvínov, the major part of which took place in the last quarter of 2007.

The results of the shutdown are the following:

The shutdown interval was extended to four years (another comprehensive shutdown is planned for 2011); It will be possible to upscale the petrochemical production capacity in 2008 and 2009; The capacity of the main hydrocrack conversion unit was increased from 0.3 Mt to 1.5 Mt (to increase white product—primarily diesel fuel – yield), The complexity of the Litvínov refinery was increased (Nelson index grew from 7.3 to 7.6); The reliability of all units was improved.

For 2008, the main UNIPETROL companies will continue capital investment projects focused on increasing the capacity and operating reliability of production units. The total capital expenditure planned for 2008 is CZK 6.5 billion, which is 32% more than the actual figures in 2007.

The next three chapters focus in detail on the Group's three core business lines—the refining, petrochemical, and fuel retailing segments.

REFINING SEGMENT

External environment

The external determinants affecting the developments at BU I (refineries) included the development of world oil and oil product prices, characterised by a steep price growth, high degree of price volatility, and a year-on-year increase in refining profitability; global economic developments (strong in Asia, the US slowdown, and high growth in Central Europe); the legislation of the EU and Czech Republic introducing changes in the area of motor fuels; and currency influences, the most important ones being the marked strengthening of the Czech crown and weakening of the US dollar, whose value vis-à-vis the Czech crown decreased by approximately 10% year-on-year.

Brent price grew more than 11% compared with 2006. The principal growth drivers on the market were geopolitical tensions, low global stocks, strong Asian demand, OPEC's unwillingness to increase production, speculative behaviour, the weakening US dollar and a number of other influences (a strong hurricane season, upstream and logistic issues, shutdowns, strikes etc.). Countering the price growth were the slowdown of the global—and mostly US—economy, problems on financial and commodity markets, insufficient refining margins in certain periods, a mild winter

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and other factors (speculators collecting their profits following crude's short-term pricing peaks, passivity typical of the year's end, etc.).

Refinery product prices were stronger compared with the previous year, gaining from 10% to almost 20% year-on-year. The principal factors affecting their prices included, on the plus side: crude oil prices and a weak dollar as well as low stocks, a high degree of shutdowns and problems in production, a strong seasonal increase in demand, strong exports in the first half-year and weak imports in the second; and on the minus side: demand responding to the global economic slowdown, weak exports in the second half-year, and a mild winter overall.

Based on the data available for 2007, the domestic market confirms the long-term trends in refinery product consumption, including primarily the growth of fuel consumption—mostly diesel fuel. The consumption of petrochemical feedstock in 2007 was hit by a major shutdown in the Litvínov part of the UNIPETROL RPA and ČESKÁ RAFINÉRSKÁ, a.s. complex.

UNIPETROL RPA, BU I (REFINERIES)

Market position and business

The year 2007 fully confirmed our stable position on the market of the Czech Republic and selected export markets. Thanks to a good and consistent business policy based on mutually beneficial long-term relationships with trading partners and full use of synergies within the PKN ORLEN Group, BU I's achieved market positions were basically kept, despite the strong influence of the above planned shutdown of refining and petrochemical production in the Litvínov industrial complex of UNIPETROL RPA on the activity of BU I in the second half-year.

Competition in the field of refinery products has been extraordinarily fierce for a long time. All the large refineries in the Central European region have been upgraded and are capable of meeting the EU limits on fuels, which are applicable from 2009. The most serious competitors on the market of the Czech Republic have traditionally been OMV, Slovnaft (MOL), Shell and Eni.

The average annual profitability measured using the NRU (Notional Refinery Upgrade) index was USD 7.88/bbl, which is USD 1.18/bbl more than in 2006, implying an increase of 17.6%.

BU I generated almost 82% of its revenues from its own products in the

Czech Republic. Major export countries include Slovakia, Poland and Austria.

Crude oil purchase

For BU I, 2007 meant the continuation of strategic co-operation with the majority owner, PKN ORLEN, as part of which crude oil has been supplied from both pipeline directions (Družba and TAL-IKL) under long-term contracts since 2006.

In 2007, with its total percentage of 66% BU I was the most important entity importing REBCO (Russian Export Blend Crude Oil) into the Czech Republic through the Družba [Friendship] pipeline. Based on a long-term contract, BU I also provided for 100% of REBCO supplies to the PARAMO affiliate through the Družba line.

In terms of low-sulphur crude supply through TAL-IKL, BU I has remained the major importer of Azerbaijani Azeri Light crude, a key raw material for processing in the Kralupy refinery. As regards other types of crude oil, lower volumes were supplied from Algeria, Kazakhstan and Libya. At the same time, pipeline and railway supplies from various Moravian deposits continued, accounting for approximately 4% of the total crude processing at BU I.

Sale of products and supplies within the Group

Motor fuels are a principal group of BU I products. Given the extensive shutdown of the Litvínov refinery in the autumn of 2007, BU I was forced to reduce its sales to both domestic and export markets and arrange for substitute sources of goods for the most exposed months of October and November. Overall petrol and diesel sales were therefore lower than in 2006 and the sale of purchased goods grew markedly at the expense of sales of its own products.

On the domestic market, successful co-operation with key entities and the expansion of the Partner UNIRAF programme for many fuel filling station operators continued. In terms of exports, supplies within the UNIPETROL/PKN ORLEN Group to Poland and Slovakia predominated.

UNIRAF SLOVENSKO, s.r.o., a subsidiary covering the import, storage and sale of goods on the local market, provided for motor fuel exports to Slovakia for the second year. Given the shutdown period and the varying developments in the legislation on biofuels in the two countries, supplies were optimised during the year using Czech and Polish terminals. Following up on the successful market entry in 2006, business activities were pursued to maintain an

approximately 15% share of the Slovak motor fuel market.

In accordance with the legislative requirements, diesel fuel containing bio-additives started to be distributed in September. For BU I, this only meant an increase of sales, because it had been supplying diesel blended with rapeseed methyl ester (RME) to export markets since December 2006. In accordance with the statutory requirements, ČESKÁ RAFINÉRSKÁ added on average 2.2% vol. of RME to diesel from 1 September 2007 to 31 December 2007.

BU I's supplies of petrochemical feedstock fully satisfied the needs of the downstream processes in the Group and outside (e.g. supplies for SPOLANA) with its own products and purchases from the other processors and the PARAMO affiliate, and by imports.

BU I developed strong co-operation with PKN ORLEN in the area of intermediates and was also a major participant in the addressing of emergencies during the most extensive ever shutdown in the industrial complex of UNIPETROL RPA.

LPG sales were characterised by close co-operation with the other processors and increased supplies to consumers in the Czech Republic and international companies. Co-operation with ORLEN

GAZ was of principal importance for enabling synergies within the PKN ORLEN Group.

The sales of heavy products took place as part of a strategic partnership with PARAMO and also using in-house resources (e.g. exports of high-sulphur heating oil).

PARAMO

Market position and business

A majority of PARAMO's revenues for 2007 was attributable to ten major customers for bitumen products and eight major customers for fuels. The company also proved that its products on the market were of a high and stable standard in 2007. This is borne out by the low financial losses due to complaints over the long term. These losses amounted to just 0.008% of the value of the sales of its own products. The quality management system at PARAMO is being improved on an ongoing basis for the products and services to satisfy the current and expected needs of the customers. Market demand as well as legislative requirements led to an extension of the product range to include new products.

The market allowed only a limited pass-through of the noticeably higher input prices for lubricating oils, and none for bitumen products in 2007. In the area of bitumen, a strong oversupply prevailed

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on the Czech as well as European markets in the period under review. The only exception was the beginning of the year when the high consumption on the part of customers producing bitumen layers caused an unusually high demand for this commodity. The situation only improved in the last quarter of 2007 when, among other things, government funding for road construction was released. Exports concerned only insulation bitumen products.

PARAMO, a.s. processes crude oil into refinery and bitumen products as well as lubrication and process oils, including related and ancillary products. Since 2003 the refinery has purchased and processed oil hydrogenates and hydrowax products from UNIPETROL RPA. The intermediary products obtained are used for the production of base and lubrication oils with very low sulphur content.

Refinery products (diesel, virgin naphtha, light and heavy fuel oil, and propane and butane) found their customers predominantly on the domestic market. The idea was to address mainly end customers to shorten distribution paths. As part of trial operation, the refinery produced a limited quantity of diesel fuel with sulphur content below 10 ppm and, in line with legislative requirements, started blending diesel with 2% of RME in September 2007.

České dráhy, a.s. is one of the key customers and deliveries under a diesel fuel supply contract continued. In fuels, UNIPETROL RPA remained the chief trading partner in the period under review, receiving supplies of virgin naphtha and vacuum distillates.

The overall lubricant sales plan was met. A sober pricing policy and good quality of services made it possible to partly reflect the increasing feedstock prices in oil prices. We succeeded in moving business and technical services closer to the customers in the various regions of the Czech Republic. That this move was the right one is confirmed by the extended or newly executed sales contracts for lubricant supplies.

Bitumen product sales in 2007 built on the previous strategy of expanding their availability in the regions of the Czech Republic and increasing exports to stable markets. We maintained our dominant position, mainly vis-à-vis the competing international companies. Overall sales therefore grew by more than 5% and exports (to Germany, Poland and Slovakia) grew by more than 20%.

PETROCHEMICALS

External environment

As in the previous years, the main product markets were influenced primarily by continuously rising prices of energies and basic feedstock for chemical production. High crude oil and natural gas prices increased the processors' costs primarily in Europe and North America, effectively reducing their competitiveness, while relatively low feedstock and energy prices and other costs in the Middle East, Asia and Latin America allow producers to achieve decent margins in those areas. Many of these producers are also building new plants in these areas, with a view to supplying the global market. Another important factor in 2007 was the strengthening of the Czech crown and the development of the EUR/USD exchange rate.

Monomers

The very large number of ethylene unit shutdowns and the continuous growth of the crude oil and virgin naphtha prices were the main factors affecting the monomer market in 2007. Contract prices of ethylene and propylene grew throughout the year, albeit not at as quick a pace as the feedstock prices. This led to lower margins for the ethylene unit operator, mainly in the third quarter and, in certain cases, to lower production. The spot market recorded no significant pricing leaps in 2007, with the exception

of the third quarter when prices showed a notable growth due to very good demand, lower availability of monomers and record-breaking crude oil and virgin naphtha prices.

The situation on the crude oil market, demand of downstream processes (mainly styrene and phenol production) and the situation on the US benzene market were the main factors that had the heaviest impact on spot prices and, with a slight delay, contract prices of benzene on the European market in 2007. But for the second quarter, benzene prices weakened almost exclusively during the year.

The oxo-alcohol market was extremely strained throughout 2007, with continuously growing spot prices on the European market. Lower availability of products was due to very strong demand on the part of downstream processes and unplanned shutdowns on the part of certain producers. The growth of propylene contract prices also contributed the price increases.

Agrochemicals

The situation on the ammonia market changed several times in 2007. The weak European demand in the second quarter of 2007 drove inventory levels up, pushing down ammonia prices, which had hitherto been relatively stable.

A period of shutdowns in the republics of the former Soviet Union then worsened the availability of the product and helped ammonia prices to grow slightly again. The prices rose steeply only in relation to the strong demand in Europe and the US and the surge in natural gas prices towards the end of 2007.

The same decrease of prices mid-year and the subsequent growth towards the end of 2007 was also apparent for urea. The reasons for these changes of the market conditions were the same as well. The situation was different at the beginning of the year when prices grew continuously, responding to the increasing demand caused by the beginning agricultural season in the south of Europe, Asia and Middle East.

Polyolefins

The ongoing pressure of increasing costs (energies, feedstock) and deepening globalisation of the market are forcing all producers to increase their productivity and optimise product portfolios. This applies to both polymer producers and downstream processors, i.e. our customers.

Most of our markets of interest were under pressure from overseas imports (primarily from the Middle East, Asia Pacific and North and South Americas),

which was supported by the strong euro/dollar rate. This was visible primarily in spot transactions, but the negative influence also hit the prices under long-term contracts.

UNIPETROL RPA, BU II (MONOMERS AND AGROCHEMICALS)

Market position and business

BU II's core business is the sale of the ethylene unit's products and agrochemicals. The most important products include ethylene, propylene, benzene, oxo-alcohols, ammonia and urea. These products generate approximately 80% of all BU II revenues and account for more than 20% of UNIPETROL RPA's total revenues. The structure of the customer portfolio for BU II's main products did not undergo any major changes in 2007, with the exception of urea, where a growth of the sales to the industrial sector was apparent. The size of the domestic market shares did not show any major changes, either. Demand for products exceeds BU II's production capacity in both the petrochemical and agrochemical sectors.

Monomers

The domestic market is the most important market for the main products of the ethylene unit, with monomers and benzene being processed either at UNIPETROL RPA or transported

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via a network of existing pipelines to strategic customers (SPOLANA a.s., and SYNTHOS Kralupy, a.s.).

The largest quantity of oxo-alcohols goes to the domestic market and the markets in neighbouring countries. Sales to other European countries are important as well, primarily to Italy, Switzerland and Belgium.

Agrochemicals

The domestic market is the main market for ammonia. Transporting ammonia over greater distances is usually not financially sustainable. For urea, the market of interest is primarily the domestic and Central European market (Germany and Austria).

UNIPETROL RPA, BU III (POLYOLEFINS)

Market position and business

UNIPETROL RPA, s.r.o. is the exclusive producer of polyolefins in the Czech Republic. Its production capacity makes it a medium-sized player on the European polyolefin market.

The company maintains an important position on the Central and Western European markets. It traded with customers from more than 30 countries in 2007 and its polyolefin activities are concentrated almost exclusively on the

European market. Its main markets of interest, besides the domestic market, are the German, Slovak, Austrian, Baltic, and Ukrainian markets.

The latter half of the year was marked by reduced production due to a planned maintenance shutdown, followed by a monomer supply outage due to a failure of the ethylene unit's cold box. Despite these problems, we delivered the supplies to our clients as required. 2007 was the first year that the unit worked as part of the new organisational structure and we can already see improvements in the efficiency of business processes. The principal changes were in the direct access to end customers and also a gradual integration of the commercial and distribution activities of UNIPETROL TRADE a.s.

The launch of new types of the MOSTEN polypropylene and LITEN polyethylene, which underwent specific changes based on customers' wishes, contributed significantly to the Group's overall result.

The ongoing thorough market analysis and launch of new marketing strategies will generate additional growth opportunities that will give us a long-term competitive advantage.

RETAIL

Market position and business

UNIPETROL's retail company, BENZINA, s.r.o., is the operator of the largest fuel filling station network in the Czech Republic. As at 31 December 2007 it operated 315 public fuel filling stations offering additive-enhanced fuels as well as a broad range of other goods, refreshments and services. The network is undergoing a gradual retrofit and upgrade while being profiled into two segments – a premium one and a standard one.

Based on the published preliminary statistics prepared by the Ministry of Industry and Trade, the total number of fuel filling stations in the Czech Republic is estimated to be 6,360 as at 31 December 2007; this includes, however, small retailers, private dispensing stations and fuel filling stations situated chiefly on the premises of agricultural, transport and construction companies. The total figure also includes 992 public fuel fillings stations specialising in a single product (primarily LPG or diesel). At the end of the year, there were 2,553 public fuel filling stations offering a broader range of fuels and services in the Czech Republic, and the share of BENZINA stations in the network was 12.3%.

Structure of fuel ranges sold at filling stations in 2007 (%)

Automotive petrol	Diesel	LPG
46.8	53.0	0.2

The BENZINA fuel fillings stations' share in fuel sales developed very favourably over 2007. With an overall market growth rate of approximately 4% in comparison with 2006, the sales in the BENZINA network grew 16.1% year-on-year and its market share grew to 13.2%, compared with 11.9% in 2006 and 9.9% in 2005 (when BENZINA's market share hit bottom after years of steady decline). At the same time, the number of fuel filling stations on the market is growing continuously, as is the number and the market share of hypermarket fuel fillings stations. BENZINA also greatly enhanced its premium fuel offering. The high-octane automobile petrol with above-standard additives, Verva 100, is offered at 82 filling stations and 43 stations sell the high-cetane Verva Diesel fuel.

In 2007 BENZINA proceeded in line with its long-term strategy formulated in 2006, the basic objective of which is an aggressive increase of BENZINA's market share with efficient fund spending and secured financial stability. Key elements of the strategy include, without limitation:

- Launch of the BENZINA Plus brand for fuel filling stations offering a full range of fuels, including the Verva premium products, an extensive offer

of quality goods in shops, a broad range of catering services, and other additional services; the strategy envisages the retrofit and upgrade of about one-third of the network to the BENZINA Plus standard;

- Improved perception of the BENZINA brand as a filling station standard offering high-quality fuels, a broad range of goods in the shop, quick refreshments depending on the local possibilities, and other additional services;
- Consistent focus on the customers' needs;
- Extension and improvement of the services provided in all segments;
- Efficient and targeted marketing activities.

The year 2007 saw the filling station retrofit and upgrade programme in full swing and the goal of remodelling more than one half of the network to meet the new higher standards was achieved before the end of 2007. It is pleasing that customers have embraced the changes most favourably; the growing sales of fuels as well as turnovers in the shops and catering outlets confirm that BENZINA fuel filling stations are quickly becoming highly sought-after facilities.

The years 2006 and 2007 were a very successful period for BENZINA. The chosen strategy, carried out step by step, and everyday business policy reinforced the customers' confidence and reinstated BENZINA as a leading and respected fuel filling station company in the Czech Republic.

Fuel sales

BENZINA's key activity is the sale of fuel and other goods and services at fuel filling stations. Compared with the previous year, the quantity of fuels sold grew by a substantial 16%.

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The trend of a growing diesel share in fuel sales continued in 2007 in line with market developments. In accordance with the legislation in force, September 2007 saw the start of sales of diesel fuel blended with a low volume of a bio-component, rapeseed methyl ester. The average bio-component content in the diesel fuel was 2.1% for the period under review in 2007. Also, the percentage of BA 95 Natural automobile petrol sales grew to 90.6% in 2007.

The unit margin on the sale of fuels was somewhat lower than in 2006, but thanks to a rapid growth of sales to 498 kt the revenues from the sale of fuels greatly contributed to the very positive results of the retail segment.

NEW CORPORATE GOVERNANCE MODEL

UNIPETROL was a conglomerate of individual refineries and petrochemical and chemical factories in the past, and

its management was complex, inefficient and often also non-transparent. The new model, which includes the various companies gathered in the UNIPETROL Group, introduces the basic elements of segment-based management. The goal of the new model is to simplify processes in all companies and improve their efficiency. It also provides visible communication lines between them, facilitates decision-making processes, and emphasises every manager's greater responsibility.

Corporate structure model as at 31 December 2007

Segments Functions	Refining	Petrochemicals	Retail	Lubricants/bitumen
Corporate HQ	UNIPETROL, a.s.			
Sales (profit generators)	UNIPETROL RPA, s.r.o.			BENZINA, s.r.o.
	Supply Chain Management			
	BU I Refinery	BU II Monomers and agrochemicals	BU III Polyolefins	
Production (cost centres)	ČESKÁ RAFINÉRSKÁ (51.22%)	Production unit		PARAMO, a.s. (88%)
		Agrochemicals	Petrochemical	
		Energy		
Shared services	UNIPETROL SERVICES, s.r.o.			

Features of the new model

Effective from 1 January 2007, a new corporate governance model has been in place the UNIPETROL Group, one for which the Group had been preparing in 2006. The new corporate governance model is based on three basic principles, specifically:

- Separation of production and commercial sides;
- Establishing a specialised Shared Service Centre and Supply Chain Management;
- Simplified legal structure.

Benefits of the new structure

The new corporate governance model has brought:

- Reduced bureaucracy;
- Better coordination;
- Quicker decision-making processes;
- Greater competitiveness of the Group as a whole.

The project's goal was to reduce the excessive administrative burden, markedly simplify and standardise processes, and increase quality on the commercial side.

Assessment of the restructuring process

The restructuring process concerning the change of the company's corporate governance model was started in the third quarter of 2006. January 2007 saw the merger of the sales and sourcing departments of CHEMOPETROL, a.s.

and UNIPETROL RAFINÉRIE, a.s. into a single organisational unit, the Shared Service Centre. In April 2007 the Shared Service Centre was transferred to a new company, UNIPETROL SERVICES, s.r.o., which took over the companies' support processes and services that had hitherto been provided at several places within the Group.

The transition to the new corporate governance model then continued. Among other things, an important part of it was the change of the legal form of the wholly-owned subsidiaries, which changed from PLC to Ltd. This reduced their paperwork burden, accelerated the adoption of the most important business decisions, and helped UNIPETROL to transform into a dynamic, well-performing and efficient business.

This laid solid foundations for the subsequent changes implemented in the project's following phases in 2007. CHEMOPETROL, a.s. and UNIPETROL RAFINÉRIE, a.s. were combined into a single legal entity, UNIPETROL RPA, s.r.o., in August 2007.

Simplifying and standardising processes in most of the wholly-owned subsidiaries supports quicker and more efficient decision-making processes. The use of synergies stemming from the Group's size in procurements, and production

optimisation aimed at maximising the subsidiaries' bottom line and the launch of the Shared Service Centre will lead to a long-term and continuous growth of the shareholder value of the entire UNIPETROL Group.

SUCCESSFUL COMPLETION OF THE PARTNERSHIP PROGRAMME

The Equity Story 2005 included a plan for leveraging synergies with the majority owner, the ORLEN Group. The operation improvement plan of the Partnership Programme anticipated an increase of EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) of the UNIPETROL Group by at least EUR 138 million by 2008 under macroeconomic conditions of 2004. More than twenty workgroups involving Czech and Polish experts prepared almost 140 initiatives. In the very first year, the Partnership Programme yielded EUR 28 million of extra revenues and savings. In 2006 such savings and extra revenues amounted to EUR 109 million under macroeconomic conditions of 2004.

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Based on the successful results in 2006, the Partnership Programme's plan for 2007 was increased to EUR 138 million, which was originally the target set for 2008. Although SPOLANA was sold in 2006 and KAUČUK in the first half of 2007, coordination of the Czech and Polish sides' activities enabled a successful completion of the ambitious plan. The Partnership Programme was therefore completed in 2007 and it was officially ended in early 2008.

The greatest share in the overall positive result is attributable to the Group's key business units: BU I (Refineries), BU II (Monomers and Agrochemicals) and BU III (Polyolefins), which together generated more than 60% of the benefits of the Partnership Programme in 2007.

Synergies involve more than improvements of financial results; they also help to share the best practices. One of the many examples is the sharing of best maintenance practices in shutdown management, which helped us to better manage the shutdown in 2007. Another example is the use of PKN ORLEN's retail experience in brand management for the preparation and implementation of a new strategy for the BENZINA re-branding exercise. We can also point out sharing best practices in central procurement, which focus on negotiating

better terms for material and certain feedstock purchases. We should not omit co-operation in logistics, where logistic activities are coordinated throughout the PKN ORLEN Group.

ASSET PORTFOLIO OPTIMISATION

UNIPETROL continued optimising its asset portfolio in 2007 in line with its long-term strategy of focusing on its core business, primarily crude processing and wholesale, petrochemical production and fuel retailing. In 2007, UNIPETROL was successful in strengthening its position through acquisitions in the refining segment.

ACQUISITION OF A 14.5% INTEREST IN PARAMO, A.S.

On 9 November 2007, UNIPETROL, a.s. and three MIDDLE EUROPEAN INVESTMENTS Group companies ("MEI Companies") executed an agreement on the purchase of 14.51% of PARAMO, a.s. shares. The purchase price of the PARAMO shares was approximately CZK 241.3 million. The purchase price may be subject to a minor adjustment. This mechanism may only be applied if UNIPETROL takes certain steps towards the further restructuring of PARAMO within a stipulated period, which could affect the terms offered to MEI Companies.

Following the closure of the transaction on 23 November 2007, UNIPETROL now owns 88.03% of shares in PARAMO, a company focusing on crude processing and production of fuels, lubricants and bitumen. Crude processing is one of UNIPETROL's core business lines, and the share purchase will therefore help to strengthen UNIPETROL's position in this area and continue the restructuring of PARAMO with a view to introducing more flexible management in it and aligning its strategy with the UNIPETROL Group's interests.

SALE OF INTERESTS IN AGROBOHEMIE, A.S. AND SYNTHESIA, A.S. AND DISPUTE RESOLUTION

On 31 October 2007 UNIPETROL and DEZA executed an agreement on an out-of-court settlement of a dispute concerning the transfer of UNIPETROL's shares in AGROBOHEMIE and Synthesia. Under the agreement on settlement, DEZA was to withdraw all of its legal claims raised against UNIPETROL and refrain from claiming the payment of any contract penalties or damages. It was also agreed that UNIPETROL would sell AGROBOHEMIE and Synthesia shares at a market price determined by a renowned valuation expert chosen jointly by UNIPETROL and DEZA.

On 18 January 2008 a 50% interest in AGROBOHEMIE was sold for CZK 503 million and a 38.79% interest in Synthesia was sold for CZK 680 million. Four independent consultancies confirmed the price. As of the same date, the settlement of the litigation between UNIPETROL and DEZA took effect. DEZA then withdrew the claims it had raised in court.

The amicable dispute resolution enabled UNIPETROL to eliminate the legal defects, if any, in the sale of the shares, to minimise the costs of potential litigations, and gain funds from the sale of non-core assets. In addition, the settlement laid a good basis for good future co-operation with companies controlled by DEZA in the sale and purchase of feedstock (ammonia and urea).

The next paragraph is intended to inform you of the emergence and history of this case.

In 2000 and 2001 UNIPETROL and DEZA, a.s. entered into agreements on the sale of AGROBOHEMIE and Synthesia (formerly ALIACHEM) shares at a point in the future, which provided for the option for UNIPETROL or DEZA to ask the other party to sell its shares

should the other party's shareholder structure change significantly. DEZA exercised its option in 2005 and asked for the execution of a share purchase agreement in the wording contained in the above agreements. Having thoroughly analysed these agreements, UNIPETROL decided not to execute them as, in its opinion, they suffered from certain legal defects. The proposal for a modification of the share purchase agreements, aimed at remedying the legal defects that might have rendered them null, was to no avail. DEZA, a.s. brought two actions against UNIPETROL in January 2006. Among other things, it claimed certain contract penalties and compensation for damage caused by an alleged breach of UNIPETROL's obligation to execute the share purchase agreements.

FINALISATION OF KAUČUK* DIVESTMENT

The sale of 100% of KAUČUK shares held by UNIPETROL to Poland's FIRMA CHEMIZNA DWORY S.A. was completed on 19 July 2007. The agreement on a purchase price of EUR 195 million (approximately CZK 5.5 billion) was executed on 30 January 2007. KAUČUK shares were transferred to DWORY as of the

transaction closing date, following the payment of the purchase price. The process of KAUČUK divestment was started in line with Equity Story 2005 and the main strategic aims and tasks set in UNIPETROL's long-term development plan, which had been presented at the General Meeting of UNIPETROL shareholders in April 2006. In line with the strategy, the company will focus on its core activities, particularly refinery operations, petrochemical production and fuel retailing in the future. From this viewpoint, KAUČUK is not a strategic company for the UNIPETROL Group.

The proceeds from the KAUČUK divestment will enable UNIPETROL to invest in developing its strategic business lines.

Under one provision of the agreement, preparatory steps for ensuring uninterrupted operation of butadiene extraction and preparing the construction of a new butadiene unit were taken before the sale. An agreement between UNIPETROL, KAUČUK and DWORY on a joint venture to develop and operate a new butadiene unit in the industrial zone in Kralupy nad Vltavou came into effect on 10 July 2007. UNIPETROL owns 51% and KAUČUK 49% of the

* Named SYNTHOS Kralupy, a.s. since 2 November 2007

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shares of Butadien Kralupy a.s., the joint venture formed to build the new butadiene unit.

In relation to the joint venture agreement, some other agreements were executed on the supply and purchase of the C4 cut, rafinate 1, 1,3-butadiene, ethylene, benzene and fuel oil between CHEMOPETROL, a.s. and UNIPETROL RAFINÉRIE, a.s. (now UNIPETROL RPA, s.r.o.) of the one part, and KAUČUK of the other part.

The sale of KAUČUK to DWORY and the execution of the joint venture agreement for the purpose of building a new butadiene unit were approved by the antitrust authorities in the Czech Republic, Poland, Germany, Ukraine, Slovakia, Lithuania and Austria.

Future seamless operation of the UNIPETROL Group companies is provided for by the share purchase agreement executed between UNIPETROL and DWORY and the long-term agreements on supply and purchase executed between UNIPETROL companies and KAUČUK (now SYNTHOS Kralupy, a.s.).

RESTRUCTURING OF UNIPETROL TRADE

Historically, UNIPETROL TRADE, a.s. was a marketing company focusing on the sale of petrochemical and refinery products on selected international markets. As a result of a reconsideration of business priorities (in the geographic sense—focus on the fast-growing domestic market) and the continued centralisation of business activities within UNIPETROL RPA, UNIPETROL TRADE underwent a profound restructuring, as part of which all foreign affiliates were closed in 2007, but for three (two in Germany and one in Switzerland). At the same time, the affiliates' business activities were transferred to UNIPETROL RPA. The new way of centralised management of the business activities in selected markets will bring better coordination of margins and savings in administrative costs.

INCREASING THE INTEREST HELD IN ČESKÁ RAFINÉRSKÁ

The interest in ČESKÁ RAFINÉRSKÁ, a.s. is one of the cornerstones of UNIPETROL's long-term strategy.

To maintain its strategic position in the company and to underpin its business interests, UNIPETROL as the buyer and

ConocoPhillips as the seller signed an agreement on the purchase of shares in ČESKÁ RAFINÉRSKÁ, representing a 0.225% interest in the company's share capital.

This acquisition enabled UNIPETROL to achieve a qualified majority at the General Meeting in concert with either of the two other shareholders, and to potentially seek a qualified majority on its own, should an opportunity arise.

RESTRUCTURING IN OTHER AREAS

The assessment of two other areas in the UNIPETROL Group – logistics and energy – started in 2007.

UNIPETROL Doprava (rail transport) and Petrotrans (road haulage) currently provide logistic services to the UNIPETROL Group companies. Petrotrans is a valuable link in the full supply chain in the Czech Republic, enabling BENZINA to guarantee quality fuel supplies, and as such it will be retained. The future of UNIPETROL Doprava is being considered in the context of PKN ORLEN/UNIPETROL Group's logistic strategy and the options for using other external opportunities to strengthen the ties with end customers.

The objective of UNIPETROL Group's energy strategy is to optimise the energy balance in the UNIPETROL Group, update the strategy in line with the new mid-term plan reflecting the developments in energy prices, and secure fuel supplies to power stations. To achieve these goals, several options are currently being considered; these include outsourcing, joint ventures, and divestment of certain energy assets while providing for supplies through a long-term contract.

INVESTMENTS

UNIPETROL RPA, s.r.o. implemented—and continues implementing in 2008—projects conducive to increasing the capacity of the ethylene unit to the planned 544 kt/year, and the related increase of polypropylene production to the target 275 kt/year. In addition, the project of extractive benzene distillation, aimed at a target capacity of 250 kt/year, was commenced, and also a project for improving the utilisation of the ethylene unit's side fractions (C₁₀, C₉).

ČESKÁ RAFINĚRSKÁ's investment programme for 2007 focused on maintenance investments, environmental

protection, equipment reliability and availability, and increasing output and capacities.

In the field of capacity increasing activities, the intensification of the main hydrocrack unit to a capacity of 160 t/h (or 1.5 Mt/yr) was completed successfully at the Litvínov refinery. The purpose of the capacity increase was to make it possible to process the excess vacuum distillates in response to the massive adoption of diesel in the Czech Republic [known as "dieselisation"]. The unit's conversion ratio grew to 71%. The investment makes it possible to increase diesel production by about 200,000 tonnes annually. The project was completed during the shutdown of the Litvínov refinery.

In terms of the environment and safety, the project of installing new burners for process furnaces was completed to provide for compliance with nitrogen oxide emission limits, as was the retrofit of the emergency flare system.

The construction of a unit for selective hydrogenation of petrol from the fluid catalytic crack unit was completed in the Kralupy refinery. In terms of environmental protection, the project

of adding alcohol to automobile petrol was completed.

The implementation of the project for VBU recontacting and MEA debottlenecking was commenced, with the MEA part of the project having been completed during the refinery's shutdown. Furthermore, the modification of the fire fighting system in the Litvínov refinery's tank area was commenced.

BENZINA, s.r.o. purchased an existing fuel filling station on Jižní spojka road in Prague in the direction of Hradec Králové. It also focused on refurbishing obsolete fuel filling stations, replacing car washes, and retrofitting wastewater treatment plants. Based on BENZINA's new retail strategy, 82 filling stations were re-branded to the BENZINA Plus standard and another 82 stations were rebranded to the new BENZINA standard.

Butadien Kralupy a.s. started preparations for the construction of a new butadiene unit with a capacity of 120 kt/year. This project will be completed at the end of 2009.

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Overview of main capital investment projects completed and commenced in 2007

(Capital expenditure in CZK million)

UNIPETROL RPA, s.r.o.

Project name	Acquisition price	Amount invested in 2006 and earlier	Amount invested in 2007	Rate of completion (%)	Location	Method of financing
Revamping of the low-pressure stage of the GB-201 compressor	90	74	16	100	Domestic	Own resources
Replacement of the SY (high pressure) steam line on the ethylene unit	141	112	29	100	Domestic	Own resources
Increasing polypropylene production to 275 kt/yr	845	4	110	13	Domestic	Own resources
Increasing capacity of the ethylene unit	577	161	195	62	Domestic	Own resources
Extractive benzene distillation and excessive C ₃ cut processing	450	0	190	42	Domestic	Own resources
Incineration of sludge from the biological wastewater treatment plant	390	62	310	95	Domestic	Own resources
Retrofit and upgrade of the control system and field instrumentation of the POX unit	154	65	71	89	Domestic	Own resources
Revamp of the BA-106 pyrolysis furnace convection section	130	40	52	71	Domestic	Own resources
Revamp of the BA-109 pyrolysis furnace	107	0	14	13	Domestic	Own resources

ČESKÁ RAFINĚRSKÁ, a.s.

Project name	Acquisition price	Amount invested in 2006 and earlier	Amount invested in 2007	Rate of completion (%)	Location	Method of financing
Hydrocrack unit retrofit in Litvínov (increasing capacity to 160 t/h and conversion ratio to 71%)	667	265	402	100	Domestic	Own resources
Selective hydrogenation of FCC petrol	573	429	144	100	Domestic	Own resources
Retrofit of the field burner system of plant 2 – Litvínov	146	93	53	100	Domestic	Own resources
Installation of low NOX burners on operating unit furnaces in the Litvínov refinery	136	45	91	100	Domestic	Own resources
Addition of bio-ethanol to petrol	102	89	11	100	Domestic	Own resources
VBU recontacting and MEA debottlenecking	291	5	177	61	Domestic	Own resources
Modification of the fire control system at the Jiřetín tank area	218	2	95	44	Domestic	Own resources

BENZINA, s.r.o.

Project name	Acquisition price	Amount invested in 2006 and earlier	Amount invested in 2007	Rate of completion (%)	Location	Method of financing
Re-branding and refurbishment of BENZINA fuel filling stations	412	0	412	100	Domestic	Own resources
Purchase of a fuel filling station in Prague – Jižní spojka	43	0	43	100	Domestic	Own resources

Butadien Kralupy a.s.

Project name	Acquisition price	Amount invested in 2006 and earlier	Amount invested in 2007	Rate of completion (%)	Location	Method of financing
New Butadiene 120 kt	1,231	0	120	10	Domestic	Own resources

UNIPETROL DOPRAVA, s.r.o.

Project name	Acquisition price	Amount invested in 2006 and earlier	Amount invested in 2007	Rate of completion (%)	Location	Method of financing
Purchase of an in-house siding for KAUČUK, Kralupy	143	0	143	100	Domestic	Own resources
Purchase of a series 753 main line locomotive	31	8	23	100	Domestic	Own resources
Retrofit of Interlock 9 equipment in Litvínov	126	31	74	82	Domestic	Own resources
Motor replacement and upgrade of a series 740 industrial locomotive to the 724.6 specs	25	0	4	18	Domestic	Own resources

Main capital investment projects for 2008:

- Refining: Upgrade of the tank area and phase 1 of LPG section upgrade at the FCC unit in the Kralupy refinery. In the Litvínov refinery: modification of the fire control equipment at the Jiřetín tank area,

and increase of the capacity of the filling equipment for accepting petrochemical feedstock;

- Petrochemicals: Continuation of projects for increasing the ethylene unit capacity, pyrolysis furnace retrofit, continued construction of a new butadiene unit, extractive

benzene distillation, processing of excess C₅ cut, and polyolefin capacity increase;

- Retail: Continuation of the overall fuel filling station network upgrade and its categorisation as the BENZINA Plus premium stations and the BENZINA Standard stations.

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RESEARCH AND DEVELOPMENT

REFINING

In 2007 research and development focused on refinery production and process equipment. This includes primarily the following areas:

- Hydrocrack of vacuum distillates, including the catalysts used in the process;
- Fluid catalytic cracking (FCC);
- Use of renewable resources in the production of motor fuels;
- Road bitumen production.

Výzkumný ústav anorganické chemie, a.s. (Inorganic Chemistry Research Institute), the Group's R&D base, was in charge of all R&D projects.

The results of hydrocrack research were used to verify the expected yield and quality of the various products from the revamped hydrocrack unit in Litvínov and to develop a low-cost catalyst (with a lower active metal content) for Chamber 11 in the Litvínov refinery.

For FCC, the research resulted in the introduction of the MicroActivity Test (MAT) to assess the catalysts and feedstock for the process. The possibility for hydrogenating mixtures of vegetable oils and atmospheric gas oil was also

examined. And for road bitumen production, the optimum addition of the vacuum residue from the Visbreaking unit to the feedstock for the Bitumen Oxidation unit was found.

MONOMERS AND AGROCHEMICALS

POLYMER INSTITUTE BRNO (PIB) provides research into plastics for UNIPETROL RPA; petrochemical and refining research is provided, to a lesser extent, using UNIPETROL RPA's in-house capabilities and, to the greater extent, by Výzkumný ústav anorganické chemie in Ústí nad Labem (VÚANCH). In addition to these institutions, UNIPETROL works closely with universities, primarily the Institute of Chemical Technology in Prague.

R&D results are applied in technical support for production, in the development of various strategies or directly for introducing new products in the product portfolio. An example of a real-life application of R&D results is the approved implementation of two capital investment projects aimed at extending the petrochemical product portfolio to include additional monomer types. Specifically, these are technical dicyclopentadiene and non-hydrogenated C₉ cut of aromatic hydrocarbons. Both products find

great use as monomers in a number of applications, dominated by hydrocarbon resins, some of the most important chemical industry products used in the production of paper, rubber, paints, adhesives, printing inks, floor covering, textiles, ink cartridges, electronics, tires, concrete and many other products.

Both products will be turned out using proprietary processes developed by UNIPETROL RPA in co-operation with the Institute of Chemical Technology in Prague and Výzkumný ústav anorganické chemie Ústí nad Labem. New process equipment will be installed on the former site of the dismantled synthetic alcohol plant, making the maximum possible use of the existing facilities such as the tank area, control room and filling station. The projects will require capital expenditure of several hundred million Czech crowns and are slated for completion in 2010. The expected production capacity is 20 to 26 kt per year for technical dicyclopentadiene and up to 40,000 kt per year for the non-hydrogenated aromatic hydrogen C₉ cut.

POLYOLEFINS

Most attention was, in co-operation with the PIB s.r.o. subsidiary, devoted to modifying production process

conditions to improve efficiency, with a principal focus on reducing material and energy intensity of the production of the standard Liten and Mosten. Great attention was paid to product range innovations in 2007. New launches include a new HDPE type, Liten VL29, with improved material properties and intended for pipe manufacture, and a new PP type, Mosten MA 612, with a new formula improving shape stability of the products and intended primarily for injection moulding of tool boxes.

Several existing products were modified to continue to meet customers' changing needs; for example, NB425 for extremely fine fibres; BB29H for the production of large blown products (e.g., toys); RL58 UV for large vessels; TB003 with low water carry-over during processing; and many others. A great deal of attention has long been paid to developing catalytic systems, which have a fundamental influence on the final products' properties.

Research works continued on new, promising materials, such as PP materials with a high strength in molten state, intended for the manufacture of foam applications used as thermal and acoustic insulation with increased temperature

resistance (required, for example, in the automotive industry), and expanded PP shaped pieces usable for safe transport of electronics or white goods. Not least, R&D activities focused on block copolymers suitable for use in the automotive industry.

INFORMATION TECHNOLOGIES

Information system

SAP forms the backbone of UNIPETROL's IT system, functioning also as the Enterprise Resource Planning system (ERP), which supports transaction processes, and provides the foundation for the Group's management and information system.

SAP was further updated in 2007 in relation to the changes in the Group's organisational structure and, mainly, because of the formation of UNIPETROL SERVICES, s.r.o.

Very important steps were taken in the retail segment (BENZINA), focusing on a conceptual update of the retail information system. This project will continue in 2008 and its completion is expected in 2009.

EMPLOYEES

UNIPETROL Group

The changes that are under way in the Group place high demands on all employees, and the management therefore have traditionally paid a great deal of attention to the employment policy. The Group has unified and put in place new human resource management processes and methods based on the latest world trends, for instance in talent management and career and professional development of the employees. A stabilisation programme was prepared for key employees, selected on the basis of pre-defined criteria approved by the company's management.

The process unification strategy pointed out the need for introducing a single sophisticated tool to support all processes and consolidate data. The project of implementing the SAP HR module, initiated jointly by HR and IT specialists in 2007, will be completed in 2008.

Co-operation with secondary schools and universities also continued, primarily with a view to employing their graduates. The Junior Programme was again available for graduates.

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In 2007 twenty employees had the opportunity to participate in the Business Academy, organised by the majority shareholder for the entire ORLEN group. This is a modular training curriculum in the Talent and Manager programmes.

Co-operation with trade unions is an indispensable part of the employment policy. Discussions on the wage policy were started and also completed in the autumn of 2007. All companies reached

a compromise and consensus on the requirements for wage growth and other areas of the wage policy.

The UNIPETROL Group successfully completed the Partnership Programme, which included Human Resource Optimisation as a sub-project, in 2007.

Safety and health at work activities continued at the same time. This area has a very high priority in the companies

and the entire Group. There were 16 registered injuries (which is 12 fewer compared with a total of 28 in 2006) and the average TRIR rate (number of injuries to the total headcount) in the Group companies amounted to 0.30, an excellent result given the national average of 1.83 and the average of 3.15 for the Czech Republic's processing industry (as part of which chemical production is monitored).

Average full-time equivalent (FTE) of the UNIPETROL Group as at 31 December 2007

Company	2004	2005	2006	2007
BENZINA, s.r.o.	191	163	119	100
CHEMOPETROL, a.s.	2,590	2,462	2,382	0
PARAMO, a.s.	901	879	844	781
UNIPETROL DOPRAVA, s.r.o.	520	514	518	495
UNIPETROL, a.s.	43	44	57	33
UNIPETROL TRADE a.s.	38	42	37	30
UNIPETROL RAFINÉRIE, a.s.	37	54	56	0
UNIPETROL RPA, s.r.o.	0	0	0	2,200
UNIPETROL SERVICES, s.r.o.	0	0	0	242
PETROTRANS, s.r.o.	181	189	192	236
UNIRAF SLOVENSKO, s.r.o.	3	3	7	8
ČESKÁ RAFINÉRSKÁ, a.s. (51%)	364	354	351	352
TOTAL	4,868	4,704	4,563	4,478

UNIPETROL, a.s. (Headquarters)

Changes in the staffing of the company's management team, made in 2007, laid foundations for the company's further development.

The headquarters' FTE was 33 as of the end of 2007. The ORLEN Group employees were represented on levels N-1 to N-3. The efficiency of the company's operation was improved for the most part, as a result of natural departures without replacement, as well as re-assignment of work and reorganisation of certain sections.

The setting up of the Corporate Support Centre was a major step forward.

The centre has three sections specialised in administrative, expert technical, and inspection and audit activities, and is part of UNIPETROL SERVICES, s.r.o. All of the above activities were transferred to the Centre, as a result of which the headquarters only retained positions of strategic importance. The more transparent structure has helped to improve communication within the company and laid the foundations for the future matrix management of the Group, which is part of the implementation of the new corporate governance model.

FINANCIAL STANDING**BALANCE SHEET**

As at 31 December 2007, non-current assets of the UNIPETROL Group amounted to CZK 38,012 million. This value was lower than planned, because certain investments were moved to the following year. The postponement of these investments was primarily due to concentrating on activities related to the shutdown and repairing the failures of the ethylene unit and the partial oxidation (POX) unit.

Inventories (CZK 10,361 million), current trade receivables (CZK 13,058 million) and payables (CZK 16,155 million) for 2007 were higher than planned due to faster-than-planned growth of purchase and sales prices.

The soaring crude oil price was the most important factor: from USD 54/bbl in January to USD 91/bbl in December 2007 (whereas the plan assumed USD 62/bbl for December). Similar development took place in monomer prices (ICIS LOR FD NWE): ethylene prices grew from EUR 855/t in January to EUR 945/t in December 2007 (whereas EUR 759 was expected for December), and ethylene price was EUR 820/t in January and grew to EUR 888/t in December (with EUR 660/t expected).

Equity amounted to CZK 42,138 million at year end, which is more than planned, mainly as a result of the increase in retained earnings from previous years (CZK 21,649 million), because the actual net profit posted for 2007 was higher than planned. This development was primarily due to a great difference between the macroeconomic assumptions used in planning and the actual market development in 2007.

Non-current liabilities (CZK 5,191 million) were lower than planned, primarily due to the capitalisation of Benzina's long-term debt and reclassification of Unipetrol RPA's long-term loan as a short-term loan as a result of the decision on an early repayment in January 2008.

Total current liabilities amounted to CZK 18,810 million. The lower-than-planned value of short-term bank loans was the result of repaying most external loans and using uncommitted cash.

INCOME STATEMENT

The Group's revenues for 2007 amounted to CZK 88,779 million, exceeding the planned amount mainly thanks to the good results achieved in the refining and retail segments.

Management Report

The retail segment's revenues were favourably influenced by several factors, the most important being the restructuring and upgrade of Benzina fuel filling stations, which resulted in higher sales of fuels and other goods; the high sales prices of diesel and petrol were another factor. The crude oil processing segment exceeded the plan mainly due to higher prices of refinery products.

UNIPETROL's result was generally very good in the first half-year, but low petrochemical and refining margins, the maintenance shutdown, and the subsequent failures of the partial oxidation (POX) and ethylene units had a negative impact on the result in the latter half of the year.

EBIT of CZK 4,826 million for 2007 was higher than planned despite the unfavourable circumstances due to the maintenance shutdown and failures

in the fourth quarter. Higher-than-planned monomer and polyolefin prices influenced the petrochemical segment's results favourably; and higher-than-planned fuel sales and margins on fuels and other products also had a positive effect on the retail segment.

The Group's net profit of CZK 1,277 million was below the planned figure because of the negative impact of the impairment of the assets earmarked for sale in relation to the divestment of the interests in AGROBOHEMIE and Synthesia (CZK 2.5 billion).

CASH FLOW

All investments in the UNIPETROL Group in 2007 were funded from current cash flows—none of the UNIPETROL subsidiaries was provided a loan. Besides that, some of the long-term and medium-term loans were repaid before maturity.

The Group's cash situation was stable and did not experience any major unexpected changes in 2007.

REVENUES

In 2007 the UNIPETROL Group generated total revenues of CZK 88,779 million. Compared with 2006, this result is 5% lower. The good results in the first half of 2007 were favourably influenced by petrochemical and refining margins and the higher sales volume and margins on products other than fuels in retail. The latter half of the year (and mainly the fourth quarter) felt a negative impact of low petrochemical and refining margins and the overall shutdown of UNIPETROL's main production plants and the subsequent failures of the partial oxidation (POX) and ethylene units.

Revenues from the sale of the company's own products and services, breakdown by segment

Segment	2007 Revenues in %	2006 Revenues in %	2005 Revenues in %
Refining	48	48	44
Retail	10	8	7
Petrochemical production	41	43	41
Other	1	1	8

The situation on the petrochemical market was favourable in the period from 2005 to 2007. Petrochemical product margins grew, in line with the petrochemical cycle. This positive development stopped in the third quarter and margins started to decrease in the fourth quarter. However, the heaviest negative impact on the results compared with 2006 is attributable to the low volume of product sales, caused by the planned shutdown and the subsequent

failure of the partial oxidation (POX) and ethylene units.

The retail segment grew in terms of sales volume and revenues in the period under review thanks to the continued upgrade of the Benzina fuel filling stations.

Revenues in the oil refining segment accounted for 48% of the UNIPETROL Group's total revenues for 2007, which is on a par with the previous year's

level (47%). In absolute terms, revenues decreased in comparison with the previous years. The result was affected to a great degree by two major events—the planned overall shutdown of the Litvínov refinery at the end of the third and in the fourth quarter, and the failures of the partial oxidation and ethylene units, which significantly reduced production in the Group's refining segment in the last quarter of 2007.

Structure of revenues by area

Area	2007 Revenues in %	2006 Revenues in %	2005 Revenues in %
Czech Republic	65	57	58
Other European countries	34	43	42
Other countries	1	0.4	0.6

Revenues generated in other European countries were lower than in 2006 and 2005 mainly due to a different structure

of the UNIPETROL Group companies (in 2006, sales to European countries also included SPOLANA and KAUČUK; in

2007, SPOLANA was no longer part of the Group and KAUČUK was part of it in the first half of the year only).

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REAL PROPERTY, PLANT AND MACHINERY

Overview of land parcels owned by the Issuer and posted under the "Property, plant and equipment" item

Area	Land	
	Area (thousands of sq m)	Value (thousands of CZK)
Dolní Jiřetín	1,082,720	3,476
Dolní Litvínov	277,882	841
Konobříže	169,121	649
Kopisty	8,320	23
Růžodol	2,758,023	8,434
Záluží u Litvínova	4,076,772	203,646
Pařídla	969	64
Lubenec	648	45
Milovice u Hořic	1,038	34
Chvatěruby	213,873	36,867
Kozomín	5,156	16
Kralupy nad Vltavou	17,845	2,863
Lobeček	328,538	48,831
Nelahozeves	1,504	27
Úžice u Kralup nad Vltavou	14,257	71
Veltrusy	694,400	47,608
Zlončice	7,650	1,454
Total	9,658,716	354,949

Overview of land parcels owned by the Issuer and posted under the "Investments property" item

Area	Land	
	Area (thousands of sq m)	Value (thousands of CZK)
Dolní Jiřetín	318	48
Záluží u Litvínova	22,603	3,391
Chvatěruby	114,465	13,714
Kralupy nad Vltavou	13,590	2,038
Lobeček	800,442	118,882
Veltrusy	182,150	24,777
Zlončice	874	105
Total	1,134,442	162,955

UNIPETROL, a.s. owns no buildings.
UNIPETROL, a.s. has no oil or natural gas fields of its own.

CAPITAL SOURCES

Investments included in the 2007 investment programme were financed using the funds generated by operation. The sale of KAUČUK, a.s. was settled in the latter half of the year. This contributed to the ability to repay early certain long-term liabilities, which constituted the heaviest burden in terms of financial costs.

The parent company did not enter into any new long- or medium-term credit transactions.

In terms of operating financing, all short-term credit lines of the subsidiaries were refinanced. Operating financing is therefore provided for at the UNIPETROL, a.s. level, using uncommitted funds or operating loans provided by renowned banks. Thanks to a centralised model of operating financing, we succeeded in greatly improving both financial and non-financial terms on which the Group companies are granted operating financing. In 2007 the Group implemented a system of real cash pooling, which has greatly improved the efficiency of operating financing and resulted in major financial savings.

A stabilised financial position of the entire Group was maintained, and the prerequisites for maintaining this stability in the future were created, in 2007.

RISK MANAGEMENT SYSTEM

Risk management in the Group is provided for in several fundamental documents. The UNIPETROL Group's debt control policy addresses the issuing of new short-, medium- and long-term debt to meet the needs of the Group companies, including all types of securing mechanisms such as guarantees, letters of guarantee etc. The Group's liquidity management policy addresses mainly the cash pooling system and other tools for managing short-term

Management Report

funding, needs and surpluses on the level of UNIPETROL, a.s. as well as each of the UNIPETROL Group companies.

The main objective of the Group's financial risk management policy is to control the currency and interest risks. The policy of prudence in financing sets out common principles that include, among other things, the approved institutions and instruments, including financial limits, inadmissible operations etc. The last document addresses the basic principles of credit risk management. This document's goal is to lay down the basic rules for specific areas of credit risk management, including a description of the related procedures in the UNIPETROL Group.

In accordance with the financial risk management policy, no major hedging transactions were undertaken in 2007. All substantial risks had been addressed in the previous periods and

the applicable financial risk management policy is based on the principle that Group companies behave as conservative entities, which in no event use their funds or positions for speculative purposes.

RISK FACTORS

Risk factors inherent in the UNIPETROL Group's business include unfavourable economic development in the various regions of the world, which affects the demand for both refinery and petrochemical products; geopolitical tensions causing a high price volatility on oil and oil product markets; and the development of crude prices, the level of which determines the need for capital and has a heavy impact on the profitability of both the refining and petrochemical segments.

Other risk factors include:

- European surplus of automobile petrol;
- Increasing competition (the formation and strengthening of large, fully integrated international conglomerates, and increasing competition in petrochemicals due to the development of new capacities in the Middle East);
- The European Union's dependence on Russia for crude oil, natural gas, and refining products;
- Negative phenomena accompanying the introduction of biofuels;
- The European Union's activities in climate protection (CO₂ emission allowances);
- Rising energy prices;
- Weakening US dollar (refinery margins denominated in USD vs. costs denominated in CZK) and strengthening euro (petrochemical exports denominated in EUR).

The Company and its surroundings

KEY ENVIRONMENTAL ACTIVITIES OF THE UNIPETROL GROUP IN 2007

UNIPETROL Group's environmental activities were focused on three major issues in 2007. Firstly, regulation of carbon dioxide emissions under the EU emission trading scheme (EU ETS), secondly, compliance with the requirements of Act No. 76/2002 and the conditions of environmental

protection necessary for the issue of an integrated operation permit. The third key issue was preparation for meeting the obligations of the relevant Regulation of the Parliament and of the Council (REACH).

REGULATION OF CARBON DIOXIDE EMISSIONS UNDER THE EU EMISSION TRADING SCHEME (EU ETS)

In accordance with Act No. 695/2004 on the conditions of carbon dioxide

emission allowance trading and Directive 2003/87/EC of the European Parliament and of the Council, the Czech Government adopted Order No. 315/2005 of 20 July 2005 on the National Allocation Plan for 2005–2007 to issue tradable allowances for carbon dioxide emissions for selected enterprises (Annex No. 2 to the Government Order).

Allocation of allowances to companies of the UNIPETROL Group under the National Allocation Plan (NAP) for 2005–2007 and for 2008–2012, and the actual CO₂ emissions in 2005–2007

Allowances allocated	UNIPETROL RPA	ČESKÁ RAFINÉRSKÁ	PARAMO	UNIPETROL Group total
Actual emissions				
NAP 2005–2007, allowances allocated/year	3,495	1,100	270	4,865
2005: actual CO ₂ emissions (t/year)	3,071	803	194	4,068
2006: actual CO ₂ emissions (t/year)	3,092	910	196	4,198
2007: actual CO ₂ emissions (t/year)	2,889	904	191	3,984
NAP 2008–2012, allowances allocated/year	3,121	867	199	4,187

Emission allowances (including bonuses for taking preliminary measures to reduce carbon dioxide emissions and for the combined generation of heat and

electricity), allocated to companies in the UNIPETROL Group met the production needs of the plants and covered the actual emissions during the first trading

period (2005–2007). The remaining allowances were traded.

The Company and its surroundings

INTEGRATED POLLUTION PREVENTION AND THE INTEGRATED POLLUTION REGISTER (IRZ)

2007 was the last year for industrial companies to obtain the mandatory

integrated permit for the operation of equipment specified in Act No. 76/2002. Companies of the UNIPETROL Group met this statutory obligation for all operations to which Act No. 76/2002 applies and obtained the required

permits. The integrated permits apply to the following operations in the UNIPETROL Group:

ČESKÁ RAFINÉRSKÁ	Operation of the Litvínov and Kralupy Refineries
PARAMO	Pardubice operating centre – heat and power plant, asphalt production plant, fuel plant, oil plant Kolin operating centre – operation of the Kolin centre
UNIPETROL RPA	Polymer-producing operations, ethylene unit (including the ethylene unit's power unit and the naphthalene concentrate production plant), urea plant, ammonia plant, heavy fuel oil gasification plant (POX), OXO plant and the company's power management centre, including water and waste management

PREPARATION FOR MEETING THE OBLIGATIONS OF THE RELEVANT REGULATION (EC) NO. 1907/2006 OF THE PARLIAMENT AND OF THE COUNCIL (REACH)

Regulation (EC) No. 1907/2006 of the Parliament and of the Council concerning the registration, evaluation, authorisation and restriction of chemicals (REACH) came into effect on 1 June 2007, providing a new European legislation base for the chemical industry on the EU Single Market.

The UNIPETROL Group is a large volume (more than 1,000 tonnes a year) chemical manufacturer. These chemicals are within the limited range of products to which the REACH obligations apply.

In 2006, REACH entered the re-registration phase: manufacturers must report to the European Chemical Agency the basic identification data on the chemicals and products subject to REACH.

Intensive preparations for the re-registration are under way at UNIPETROL RPA, ČESKÁ RAFINÉRSKÁ and PARAMO. ČESKÁ RAFINÉRSKÁ has preliminarily identified 33 substances, PARAMO 28 and UNIPETROL RPA 30 substances (details of their specification will be finalised with respect to the amendments to REACH annexes).

In preparing for compliance with the REACH requirements, UNIPETROL is working in close co-operation with PKN ORLEN and (through it) with

the CONCAWE Association*, while ČESKÁ RAFINÉRSKÁ is working on this matter in co-operation with the Czech Association of Petroleum Industry and Trade (ČAPPO).

The direct costs related to the re-registration of substances under REACH are preliminarily estimated at CZK 450 million for UNIPETROL RPA, CZK 75 million for ČESKÁ RAFINÉRSKÁ and CZK 100 million for PARAMO. Nevertheless, the actual costs of the registration are expected to be much lower thanks to the consortia to be established (after the end of the re-registration phase) for the sharing of costs and, thereby, for reducing the costs of compliance with the registration obligation.

* The oil companies' European organisation for environment, health and safety.

CHANGE IN THE SELECTED INDICATORS OF THE ENVIRONMENTAL PERFORMANCE OF THE UNIPETROL GROUP

EMISSION AND WASTE PRODUCTION

Over the last four years, pollutant emissions to the environment have remained stable at the level that had been reached as a result of the large capital expenditures over the previous decade. Emissions of nitrogen oxides in the UNIPETROL Group have stabilised

and a reduction has taken place in the release of pollutants to surface waters (in terms of the chemical oxygen demand [COD] and in terms of the volume of both total waste and hazardous waste).

Change in nitrogen oxide emissions in the Group companies (tonnes/year)

Year	2003	2004	2005	2006	2007
UNIPETROL Group	5,880	6,440	6,766	7,152	6,651

Change in solid emissions in the Group companies (tonnes/year)

Year	2003	2004	2005	2006	2007
UNIPETROL Group	424	298	281	258	334

Change in the COD parameter of pollutants released by the Group companies (tonnes/year)

Year	2003	2004	2005	2006	2007
UNIPETROL Group	1,590	1,600	1,525	1,424	1,498

Production of hazardous waste in the Group companies (tonnes/year)

Year	2003	2004	2005	2006	2007
UNIPETROL Group	13,946	3,874	4,806	3,948	4,356

The Company and its surroundings

However, at UNIPETROL RPA and at ČESKÁ RAFINĚRSKÁ's Litvínov refinery, the total volume of sulphur dioxide emissions increased in comparison with the 2006 level. This emission growth was due to the replacement burning of waste gas containing hydrogen sulphide from the heavy fuel oil gasification plant of UNIPETROL RPA and also due to the replacement burning of excess refinery

waste gases from the Litvínov refinery: they could not be processed through the Claus units because of the large volume of crude oil being processed and the high rate of utilisation of Litvínov refinery's process equipment. The situation was immediately addressed. To increase the capacity of the desulphurisation unit, the project of "Adaptation of the Sulphur-rich Gas Desulphurisation

and Monoethanolamine Regeneration Unit" was commenced and completed during the shut-down period in 2007. Another (related) project, "Construction of the VBU Recontact", (i.e. installation of an entirely new system for the desulphurisation of low-pressure gases from the visbreaking unit) was commenced in 2007 and is to be completed in May 2008.

Change in sulphur dioxide emissions in the Unipetrol Group companies (tonnes/year)

Year	2003	2004	2005	2006	2007
UNIPETROL Group	12,658	12,581	11,942	13,220	16,909

In UNIPETROL RPA's energy supply system, the total solid emissions increased by about 39%, in comparison with the 2006 level (from 202 t to 281 t). This was due to an severe defect of the flap in front of the thrust fan for exhaust gases in the T 700 heat and power plant (between 2 April and 4 April 2007) and the by-pass operation of the desulphurisation line. In July 2007, a coincidence of unfavourable climatic conditions (low flow rate and high water temperature) and the refurbishment of UNIPETROL RPA's biological wastewater treatment plant led to a brief oxygen deficit in the river. This problem was quickly removed by

the combined action of UNIPETROL RPA and the River Ohře Basin Authority (the flow rate in the Bílina was increased).

PREVENTION OF SERIOUS ACCIDENTS UNDER ACT NO. 59/2006

No accident classified as serious under Act No. 59/2006 occurred in UNIPETROL Group companies in 2007. This means that there was no accident the repair of which required extensive effort and resources and no accident causing the leakage of pollutants into surface or underground water outside the plant premises or discharge of pollutants to the air.

REPAIRING OLD ENVIRONMENTAL DAMAGE

Under the Czech Government decision concerning privatisation in 1994–2004, UNIPETROL Group companies signed the following agreements with the National Property Fund to address the old environmental damage from the pre-privatisation era:

UNIPETROL, a.s. (successor to CHEMOPETROL Group, a.s.): Agreement No. 14/94, as amended by Amendment No. 3 of 25 January 2005; UNIPETROL, a.s. (successor to KAUČUK Group, a.s.): Agreement No. 32/94, as amended by Amendment No. 1 of

4 July 2001; SPOLANA a.s.: Agreement No. 33/94, as amended by Amendment No. 3 of 25 January 2005; PARAMO, a.s.: Agreement No. 39/94, as amended by Amendment No. 2 of 4 July 2001 and Agreement No. 58/94, as amended by Amendment dated 14 November 2002; BENZINA a.s.: Agreement No. 184/97, as amended by Amendment No. 5 of 16 February 2004.

Cleanup work took place on the Litvínov premises during 2007, including ground water cleanup, pumping from underground drains and sludge disposal from the R4 Růžodol lagoon. Preparatory work continued in the remaining parts of the Litvínov premises. Only preparatory work was carried out in Kralupy and on Paramo's premises in Pardubice. Cleanup pumping

took place on the Časy landfill. Work on Paramo's premises in Kolín was suspended. Active cleanup work was carried out in the BENZINA fuel filling station network (the Žatec, Podměstí and Králíky sites). Preparatory or finishing work and cleanup monitoring continued at other sites.

Guarantees based on agreements with the National Property Fund of the Czech Republic and the costs of cleanup work in the UNIPETROL Group – status in 2007

Indicator	UNIPETROL/ Litvínov	UNIPETROL/ Kralupy	PARAMO Kolín	PARAMO Pardubice	BENZINA	UNIPETROL Group, total
Ministry of Finance guarantee (CZK million)	6,012	4,244	941	1,242	1,349	13,788
Cost since commencement of the work ³⁾	1,850	11 ¹⁾	931	98	262 ²⁾	3,152
Of this, costs of the work in 2007 ³⁾	146	2	1	9	17	175
Expected future costs of the work	1,500	2,000	910	1,150	1,080	6,640

1) excl. of the costs of finished cleanup of the fuel filling station network of former KPetro, 1995–1999 (about CZK 40 million)

2) excl. the costs of BENZINA a.s. before 1997

3) Ministry of Finance funds (until 2005: funds provided by the National Property Fund of the Czech Republic)

Financial costs of cleanup work in the UNIPETROL Group (UNIPETROL, UNIPETROL RPA, BENZINA, PARAMO) during 2001–2007

Year	2001	2002	2003	2004	2005	2006	2007
UNIPETROL Group	222	334	405	365	246	202	175

The Company and its surroundings

ENVIRONMENTAL COSTS

ENVIRONMENTAL INVESTMENTS

Environmental capital expenditures (CAPEX) are closely related to the practical implementation of integrated pollution prevention. The direct costs of compliance with the requirements of environmental protection regulations are defined as CAPEX projects. The following major environmental CAPEX projects were implemented in 2007:

At ČESKÁ RAFINĚRSKÁ, new equipment for biofuel transferring, storage, blending and distribution was installed, a new unit for selective hydrogenation of petrol from fluid cracking was built, low-emission NOx burners were installed, a new wastewater line for oil-polluted water was installed at the Litvínov road terminal, a new waste water line for oil-polluted water was installed at the Jiřetín tank site, the ground water clean-up and

monitoring system was extended, a new cleaning area was built in the Litvínov Refinery, and the sound pollution issue was addressed.

At several manufacturing sites of UNIPETROL RPA (polyethylene production, urea production, oxygen production, heavy oil gasification), handling areas (protected against water pollution) and capture and emergency pits were built or rehabilitated, a new oil depot was built and further work was conducted on the biofuel firing project (1st stage) and substrate replacement project in the biological wastewater treatment plant. The independent measurement system for the emissions from the process of desulphurisation of exhaust gases was refurbished in the T 700 heat and power plant.

The equipment retrofitting projects included partial reconstruction of stage

II equipment (BČOV II) of the biological wastewater treatment plant with replacement of the outdated aeration system by a fine-bubble system and also an adaptation of the final settling tank to increase its capacity and adapt it to a new sludge collection system.

A detailed study of the status of the industrial waste water system was completed, including a proposal for improving its effectiveness and refurbishment of it.

Paramo rehabilitated two storage tanks and carried out two noise reduction projects and two odour reducing projects to improve environmental conditions in the residential areas near both refineries. Installation of ammonia leakage detectors improves the safety of operation of the solvent dewaxing operation.

Environmental capital expenditures in the Group (CZK million)

Year	2003	2004	2005	2006	2007
UNIPETROL Group	381	980	392	910	828

ENVIRONMENTAL OPERATING COSTS

Environmental operating costs are closely related to the operation of the environmental projects and equipment. They include the costs of the operation of environmental equipment, wastewater treatment processes, waste treatment and disposal, operation of environmental management systems, monitoring of substances released to waters and air, environmental impact assessment

(EIA), integrated pollution prevention and control (IPPC) and other related environmental activities.

The newly installed state-of-the-art equipment with a high degree of raw material conversion, low production of waste and high energy efficiency have resulted in an all-round reduction of environmental costs, in comparison with the previous decade. ČESKÁ

RAFINÉRSKÁ reported a high year-on-year increase of environmental operating costs due to the technical improvements of the Claus units in Litvínov: these costs (about CZK 90 million) were paid from the operating/maintenance funds. The levels of environmental operating costs in the period of 2003–2007 are shown in the table below:

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

Year	2003	2004	2005	2006	2007
UNIPETROL Group	807	792	760	766	862

TOTAL ENVIRONMENTAL COSTS

The total environmental costs in the UNIPETROL Group include the costs of environmental projects, environmental operating costs, costs of the remediation of environmental damage

from the past, as well as fees for air pollution, waste water discharge, solid waste dumping, additions to provisions for dump reclamation and compensation for the damage caused by pollution in forests.

The Group's environmental costs totalled CZK 1,990 million in 2007.

Total environmental costs in the Group companies (UNIPETROL, UNIPETROL RPA, PARAMO, BENZINA) (CZK million/year)

Year	2003	2004	2005	2006	2007
UNIPETROL Group	1,793	2,287	1,615	2,020	1,990

The Company and its surroundings

ENVIRONMENTAL MANAGEMENT SYSTEM AND THE RESPONSIBLE CARE PROGRAMME

Management systems are an important factor in environmental protection. UNIPETROL Group companies are implementing environmental management systems (EMS), quality management systems (QMS) and occupational health and safety systems (OHSAS, Safe Enterprise Programme), and have them certified to confirm their systematic approach to environmental protection. In addition to these activities, the Group's companies take part in the chemical industry's international programme entitled "Responsible Care" (in the Czech Republic it is called "Responsible Enterprise in Chemistry").

UNIPETROL RPA (CHEMOPETROL), Česká rafinářská and PARAMO are operating an environmental management system based on the ISO 14000 standards and have had it successfully recertified.

The "Responsible Care" Programme is a worldwide chemical industry initiative, setting demanding targets in the areas of environmental protection, occupational health and safety, operational security, product quality and responsibility for the product throughout its useful life. In 2002, at the UN Summit in Johannesburg, this programme was awarded the environmental Grand Prix (by UN Environment Programme, UNEP). Based on successful public examination, all manufacturing plants under UNIPETROL as well as the Group's headquarters – UNIPETROL, a.s. – have been repeatedly granted the right to use the UNEP logo.

For more details of the environmental protection results, see the separate Corporate Environmental Report of the UNIPETROL Group and the Group's web site at www.UNIPETROL.cz.

SPONSORSHIP IN 2007

The UNIPETROL Group continued to support cultural, sports and scientific/educational programmes, thus enhancing its image.

The establishment of a **partnership with the National Theatre** in March 2007 was the most important initiative in this area. By supporting this major cultural institution, the Group continues its long tradition of patronage of the arts, without which many outstanding works of art could not have been created. The **International Film Festival in Karlovy Vary** is another cultural project supported by UNIPETROL. UNIPETROL started supporting this festival in 2000 and – thanks to the positive experience – continued doing so also in 2007.

Support of Czech science is an important traditional area of UNIPETROL's sponsorship. In 2007, for the sixth year in a row, UNIPETROL was the **general partner to the "Czech Head" initiative**, supporting Czech scientific and technical professionals. The objective of the initiative is to popularise science and enhance the social prestige of Czech engineers and scientists. The awarding of the "Czech Head" national prizes to outstanding representatives of science and technology is the top event of this initiative every year. UNIPETROL grants its own prize – the Patria Prize – as part of the initiative. The initiative also included an event entitled **Science in the Streets**, which took place in cities such as Prague and Plzeň. The purpose of the event was to promote science and technology and to present, over several days, the new landmark discoveries and technical novelties to the general public directly in the streets of Czech cities.

UNIPETROL also **supports the Institute of Chemical Technology in Prague**, the largest educational institution of its kind in Central Europe with a tradition going back more than 170 years, offering high-quality education and opportunities to participate in scientific research. With its modern fields of study and its international reputation, it gives its students access to cutting-edge technologies and international fellowships and, subsequently, access to well-paid high prestige jobs both at home and abroad. Co-operation with the Institute of Chemical Technology helps UNIPETROL build relationships with prospective employees and with the academic community.

Sports projects are another area of UNIPETROL's sponsorship. Traditionally, significant funds have been spent to support the **HC Litvínov** extra league hockey club. 2007 was the first year in which the team wore the colours and logo of BENZINA.

UNIPETROL also **supports the Czech Olympic team**, with which it signed a four-year co-operation agreement in 2005, focused on the participation of the Czech Olympic team at the Olympic Games in Beijing in 2008.



JANA ZÍMOVÁ

Laboratory technician in analytical chemistry, UNIPETROL RPA, s.r.o.

We have started focusing on manufacturing non-cyclical products, which makes us less dependent on the petrochemical cycle.

Structure of the Group

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

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

Controlling person	Ownership interest and voting rights as at 31 December 2007	Controlling agreement
PKN ORLEN S.A. ul. Chemików 7, 09-411 Płock, Republic of Poland	62.99% ¹⁾	none

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

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

According to the information obtained by UNIPETROL, a.s. under Section 122 of Act No. 256/2004 on business activities on the capital market, the following changes were made in the proportions of voting rights in the second half of 2007:

- As at 24 September 2007, KKCG Investments B.V. increased its share of voting rights in UNIPETROL, a.s. from 0.06% votes to 6.51% votes and on the same day it reduced its share from 6.51% to 0.00% of votes.
- On 24 September 2007, J&T FINANCIAL SERVICES LIMITED first increased its share of voting rights in UNIPETROL, a.s. from 0.00% votes to 6.07% votes and as at the same date, the J&T finance group

had a 6.66% share of the voting rights of UNIPETROL, a.s. On 24 September 2007, J&T FINANCIAL SERVICES LIMITED then reduced its share of voting rights from 6.07% to 3.65% of votes. As at the same date, the J&T finance group had a 4.24% share of the voting rights of UNIPETROL, a.s.

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

UNIPETROL, a.s. is independent of any other entities within the ORLEN Group. There are no known arrangements that could result in a change in the control over the Company.

ORLEN GROUP

The companies of the ORLEN Group are active in the area of the processing of crude oil and the manufacture of a wide range of refinery, petrochemical and chemical products, and also in the transport, wholesaling and retailing of these products. The ORLEN Group also includes companies active in other related areas. The key companies of the ORLEN Group operate in Poland, Czech Republic, Lithuania and Germany.

The Group has 7 refineries: 3 in Poland (Płock, Trzebinia, Jedlicze), 3 in the Czech Republic (Litvínov, Kralupy, Pardubice) and one in Lithuania (Majeikiu). At the end of the year 2007, the ORLEN Group employed 22,927 people: 4,748 in PKN ORLEN S.A.; 4,478 in the UNIPETROL Group; 3,059 in Lithuania; and 97 in Germany.

PKN ORLEN S.A.

PKN ORLEN S.A. is one of the largest crude oil processors in Central Europe. Its integrated refinery and petrochemical complex at Plock is among the most

advanced European operations of this type. It specialises in the processing of crude oil into products such as unleaded petrol, Diesel oil, fuel oil, jet kerosene, as well as plastics and other petrochemical

products. It also runs a network of fuel filling stations in Poland. At the end of 2007, the company had 69 subsidiaries and associated companies.

The key member companies of the ORLEN Group

Company	Registered office at	Country	Interest of PKN ORLEN S.A. in % of registered capital	Area of business
AB Mazeikiu Nafta	Juodeikiai	Lithuania	90.02	refinery
UNIPETROL, a.s.	Praha	Czech Republic	62.99	refineries, petrochemicals, retail
Basell Orlen Polyolefins Sp. z o.o.	Plock	Poland	50.00	petrochemicals
ORLEN Deutschland AG	Elmsholm	Germany	100.00	retail
ANWIL SA	Wrocławek	Poland	84.79	chemical industry
IKS „SOLINO” S.A. ¹⁾	Inowrocław	Poland	70.54	logistics
ORLEN Oil Sp. z o.o.	Kraków	Poland	51.69	lubricants
Rafineria Trzebinia S.A.	Trzebinia	Poland	77.15	refinery
Rafineria Nafty Jedlicze S.A.	Jedlicze	Poland	75.00	refinery

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

AB Mazeikiu Nafta

This company is the owner of the only oil refinery in the Baltic region and enjoys a dominant position on the markets of the countries in that region (Lithuania, Latvia, Estonia). As at the end of 2007, it had 4 subsidiaries, two of which were in liquidation.

UNIPETROL, a.s.

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

Basell Orlen Polyolefins Sp. z o.o.

This joint venture with Basell Europe Holdings B.V. specialises in the production of polyolefins. Its subsidiary, Polyolefins Sprzedaż Sp. z o.o., is responsible for marketing and sales.

Structure of the Group

ORLEN Deutschland AG

ORLEN Deutschland AG operates 527 fuel filling stations in Germany. The fuel filling stations bear the logos of ORLEN and STAR.

ANWIL S.A.

ANWIL S.A. is the only producer of PVC and one of the largest producers of nitrogen-based fertilisers in Poland. It is a majority shareholder in 5 companies, including SPOLANA a.s.

IKS "SOLINO" S.A.

IKS "SOLINO" S.A. stores crude oil and liquid fuels in salt mines.

ORLEN Oil Sp. z o.o.

The largest lubricant manufacturer and distributor in Poland. It has two subsidiaries, both focused on sales.

Rafineria Trzebinia S.A.

One of the oldest refineries in Poland. In 2005 it started operating in a new segment: the manufacture of biofuels. It is a majority shareholder in 5 companies.

Rafineria Nafty Jedlicze S.A.

This refinery with a tradition of more than a hundred years is a leader in the production volume of fuel and lubricating oils. It is a majority shareholder in 7 companies.

UNIPETROL GROUP

The UNIPETROL Group consists of companies operating in the area of refinery processing of crude oil, in the petrochemical industry and in fuel distribution. In 2007, the key companies of the Group included:

- UNIPETROL RPA, s.r.o.
- BENZINA, s.r.o.
- ČESKÁ RAFINĚRSKÁ, a.s.
- PARAMO, a.s.

In addition to the above-mentioned companies, the Group also includes a number of smaller companies focusing on distribution, services and research. For more details on the key companies of the Group, see Chapter 12, "Ownership Interests".

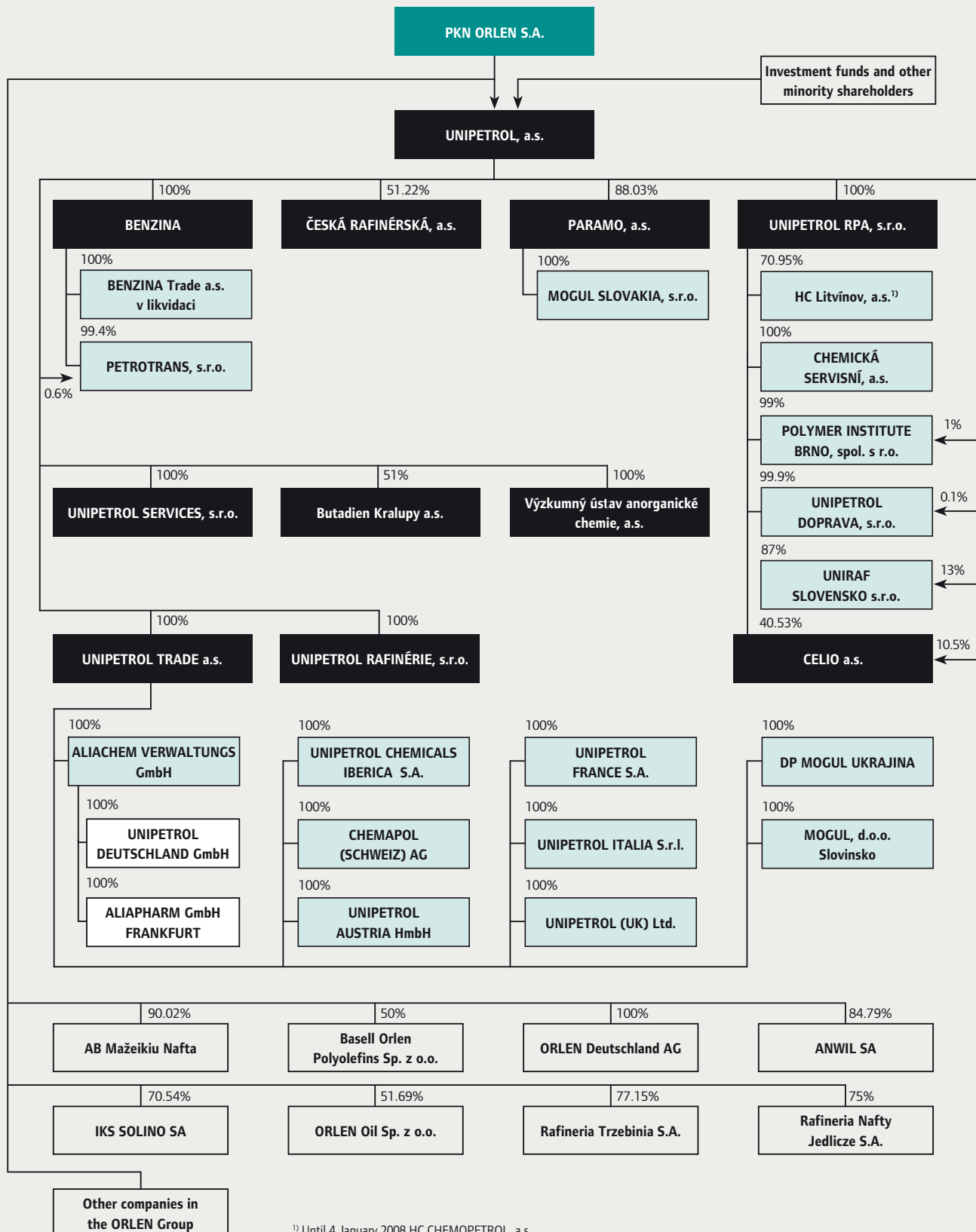
As at 31 December 2007, UNIPETROL, a.s. was a sole member/shareholder in the following companies: UNIPETROL RPA, s.r.o., BENZINA, s.r.o., UNIPETROL SERVICES, s.r.o., Výzkumný ústav anorganické chemie, a.s. [Research Institute of Inorganic Chemistry], UNIPETROL TRADE a.s. and the newly incorporated UNIPETROL RAFINÉRIE, s.r.o. (until 8 August 2007: Garo Estates s.r.o.*). It was also a majority shareholder in PARAMO, a.s. (88.03%) and ČESKÁ RAFINĚRSKÁ, a.s. (51.22%).

The Group also includes companies in which its subsidiaries are the sole or majority owners. As at 31 December 2007, these were UNIPETROL DOPRAVA, s.r.o., UNIRAF SLOVENSKO s.r.o., POLYMER INSTITUTE BRNO, spol. s r.o., HC Litvínov, a.s. (until 4 January 2008: HC CHEMOPETROL, a.s.), CHEMICKÁ SERVISNÍ, a.s.*, BENZINA Trade a.s. in liquidation, PETROTRANS, s.r.o., MOGUL SLOVAKIA, s.r.o., and companies outside the Czech Republic, controlled by UNIPETROL TRADE a.s.

The controlled companies within the Group also include CELIO a.s., in which the combined interest of UNIPETROL, a.s. and UNIPETROL RPA, s.r.o. is 51%.

UNIPETROL, a.s. has no organisation units (units that are not legal entities of their own right) in the Czech Republic or abroad.

* The company performs no business activities.



¹⁾ Until 4 January 2008 HC CHEMOPETROL, a.s.



MARTIN SMĚJA

Polyolefin storage operator, UNIPETROL RPA, s.r.o.

The petrochemical segment's results was simply fantastic during the first nine months of the year

Ownership Interests

CHANGES IN THE STRUCTURE OF OWNERSHIP INTERESTS OF THE UNIPETROL GROUP IN 2007

Ownership interests of UNIPETROL, a.s.

Meliba Estates s.r.o. and Steen Estates s.r.o., acquired at the end of the year 2006, changed their names to UNIPETROL SERVICES, s.r.o. (15 March 2007) and UNIPETROL RPA, s.r.o. (27 April 2007).

During March and April 2007, minority interests in UNIPETROL DOPRAVA, a.s. (0.12%), PETROTRANS, a.s. (0.62%) and POLYMER INSTITUTE BRNO, spol. s r.o. (1%), which had been controlled by the subsidiaries of UNIPETROL, a.s., were transferred to UNIPETROL, a.s.

As at 7 March 2007, UNIPETROL, a.s. contributed SKK 30,000 to the capital of UNIRAF SLOVENSKO s.r.o., thus increasing its registered capital to SKK 230,000. With a 13% share of the registered capital so increased, UNIPETROL, a.s. became the second member (next to UNIPETROL RPA, s.r.o.) in this limited liability company.

As at 27 April 2007, UNIPETROL, a.s. increased the registered capital of UNIPETROL SERVICES, s.r.o. by a contribution of CZK 100 million to the amount of CZK 100,200,000.

As at 27 April 2007, the newly established company, Butadien Kralupy a.s., was incorporated. Its registered capital is CZK 150 million. KAUČUK, a.s., the sole shareholder of the new company, then transferred 51% of the shares to UNIPETROL, a.s. (17 July 2007).

On 1 May 2007, the public limited companies BENZINA, UNIPETROL DOPRAVA and PETROTRANS changed their legal form to limited liability companies.

In June 2007, UNIPETROL, a.s. acquired Garo Estates s.r.o. and renamed it UNIPETROL RAFINÉRIE, s.r.o. The new name was registered in the Companies Register on 8 August 2007.

On 19 July 2007, the shares of KAUČUK, a.s. (100%) were transferred to the Polish public limited company, Firma chemiczna Dwory S.A. (its current name is Synthos S.A.). KAUČUK, a.s. changed its name to SYNTHOS Kralupy a.s. and this change was registered in the Companies Register on 2 November 2007.

The subsidiaries CHEMOPETROL, a.s. and UNIPETROL RAFINÉRIE a.s. ceased to exist as at 1 August 2007 by deletion from the Companies Register, based on merger with UNIPETROL RPA, s.r.o. as the successor company.

At the end of October 2007, UNIPETROL, a.s. and DEZA, a.s. signed an agreement on out-of-court settlement of their dispute on the transfer to DEZA, a.s. of the shares of AGROBOHEMIE, a.s. and Synthesia, a.s., owned by UNIPETROL, a.s. The shares were transferred on 18 January 2008.

During the closing months of the year, UNIPETROL, a.s. purchased the shares of PARAMO, a.s. and ČESKÁ RAFINÉRSKÁ, a.s. from other shareholders, thus increasing UNIPETROL's interest in those companies by 14.5% and 0.22%, respectively.

On 21 December 2007, UNIPETROL, a.s. as the sole owner of BENZINA, s.r.o. decided to offset an amount receivable from BENZINA, s.r.o. (CZK 960 million) and to increase BENZINA's registered capital to CZK 1,860,779,000 on this basis. The new amount of the registered capital was registered in the Companies Register on 4 January 2008.

Ownership interests of subsidiaries

UNIPETROL RPA, s.r.o. – ownership interests that had been held by the defunct companies CHEMOPETROL, a.s. and UNIPETROL RAFINÉRIE a.s. in the following companies were transferred to UNIPETROL RPA, s.r.o. as at 1 August

2007 on the basis of mergers: UNIPETROL DOPRAVA, s.r.o. (99.89%); POLYMER INSTITUTE BRNO, spol. s r.o. (99%); CHEMICKÁ SERVISNÍ, a.s. (100%); HC CHEMOPETROL, a.s. (70.95%); CELIO a.s. (40.53%); and UNIRAF SLOVENSKO s.r.o. (87%). The change of the name of HC CHEMOPETROL, a.s. to HC Litvínov, a.s. was registered in the Companies Register on 4 January 2008.

KAUČUK, a.s. (renamed SYNTHOS Kralupy a.s.) – As at the date of transfer of the shares of the company to the new owner (19 July 2007), the company owned 100% of the shares of K-PROTOS, a.s. and 49% of the shares of Butadien Kralupy a.s.

BENZINA, s.r.o. – Benzina's interest in PETROTRANS, a.s. slightly declined to 99.4 % as a result of the transfer of one share to UNIPETROL, a.s. (0.6%). From 1 May 2007, PETROTRANS, initially a public limited company, became a limited liability company on 1 May 2007.

The process of liquidation of the subsidiary, BENZINA Trade a.s. v likvidaci, continued during 2007.

PARAMO, a.s. – The company remained the sole owner of MOGUL SLOVAKIA, s.r.o.

UNIPETROL TRADE a.s. – Its subsidiary, UNIPETROL Polska Sp. z o.o., was deleted from the Companies Register as at 31 January 2007. During the course of the year, UNIPETROL TRADE a.s. increased its interests in UNIPETROL ITALIA s.r.o. and UNIPETROL FRANCE S.A. to 100 % by purchasing the minority shares from other holders.

Ownership Interests

Ownership interests of UNIPETROL, a.s. as at 31 December 2007¹⁾

Company	Registered office	Company number	Registered capital	Interest in % of registered capital
UNIPETROL RPA, s.r.o.	Litvínov	27597075	CZK 11,147,964,000	100.00
BENZINA, s.r.o.	Praha	60193328	CZK 1,860,779,000	100.00
UNIPETROL SERVICES, s.r.o.	Litvínov	27608051	CZK 100,200,000	100.00
UNIPETROL TRADE a.s.	Praha	25056433	CZK 2,172,000	100.00
Výzkumný ústav anorganické chemie, a.s.	Ústí nad Labem	62243136	CZK 60,000,000	100.00
UNIPETROL RAFINÉRIE, s.r.o. ²⁾	Praha	27885429	CZK 200,000	100.00
PARAMO, a.s.	Pardubice	48173355	CZK 1,330,078,000	88.03
ČESKÁ RAFINÉRSKÁ, a.s.	Litvínov	62741772	CZK 9,348,240,000	51.22
Butadien Kralupy a.s.	Kralupy nad Vlt.	27893995	CZK 150,000,000	51.00
AGROBOHEMIE a.s.	Praha	63078121	CZK 1,015,200,000	50.00
Synthesia, a.s.	Pardubice	60108916	CZK 4,304,599,240	38.79
UNIRAF SLOVENSKO s.r.o.	Bratislava	35777087	SKK 230,000	13.04
UNIVERSAL BANKA, a.s. v konkursu	Praha	48264865	CZK 1,520,000,000	16.45 ³⁾
Penzijní fond CERTUM-RENTA a.s. v likvidaci, v konkursu	Praha	60916354	CZK 120,000,000	15.84
CELIO a.s.	Litvínov	48289922	CZK 190,000,000	10.53 ⁴⁾

¹⁾ For ownership interests up to 1% of registered capital see Notes to Unconsolidated Financial Statements of UNIPETROL, a.s.

²⁾ Until 8 August 2007 its name was Garo Estates s.r.o.

³⁾ The interest of UNIPETROL RPA, s.r.o. is 12.24%, and the combined interest is 28.69%

⁴⁾ The interest of UNIPETROL RPA, s.r.o. is 40.53%, and the combined interest is 51.06%

THE KEY SUBSIDIARIES*

UNIPETROL RPA, S.R.O.

Registered office: Litvínov, Záluží 1,
post code 436 70

Company number: 27597075

This company is the legal successor to the defunct companies CHEMOPETROL, a.s. and UNIPETROL RAFINÉRIE a.s., which ceased to exist on 1 August 2007 due to merger with UNIPETROL RPA, s.r.o.

Ownership structure as at 31 December 2007:

UNIPETROL, a.s.	100% of registered capital
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Basic characteristics of the company

The company has one manufacturing unit and three business units (BUs, based on product types).

The manufacturing unit consists of the Chemical Production Unit, Energy Unit and Services Unit. The Chemical Production

Unit operates manufacturing units according to the plans and requirements of BU II and BU III. It comprises an ethylene plant, a polypropylene and polyethylene plant, an OXO plant, the production of hydrogen, production of ammonia and urea, the Chezacarb plant for the production of carbon black, and the production and supply of gases for the entire premises. The Energy Unit supplies the entire premises with energy and water and is responsible for waste water treatment. The Services Unit is responsible for management of facilities within the premises and for the logistics of plastics, urea and carbon black.

BU I – REFINERIES plans and controls crude oil processing at ČESKÁ RAFINÉRSKÁ in accordance with the ownership rights of UNIPETROL, a.s. with specific focus on the requirements for the subsequent production processes in the UNIPETROL Group. It is responsible for the purchase of crude oil for the Group's refineries and also for

the wholesaling of motor fuels and other refinery products.

BU II – MONOMERS AND AGROPRODUCTS plans and controls the production processes subsequent to crude oil processing. It provides raw materials for the production of polyolefins and sells the petrochemical products, urea and ammonia.

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

Key products and services

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

* The basic financial and operating indicators of the companies, indicated in the tables below, were used in the audited financial statements of UNIPETROL, a.s. for the years 2007 and 2006. In the case of ČESKÁ RAFINÉRSKÁ, a.s., the aliquot part of the values shown below was subject to consolidation, corresponding to the interest (share of registered capital) held by UNIPETROL, a.s. in this company.

Ownership Interests

Major ownership interests

Company	Registered office	Company number	Registered capital	Interest % of reg. capital
UNIPETROL DOPRAVA, s.r.o.	Litvínov	64049701	CZK 806,000,000	99.88 ¹⁾
UNIRAF SLOVENSKO s.r.o.	Bratislava	35777087	SKK 230,000	86.96 ¹⁾
POLYMER INSTITUTE BRNO, spol. s r.o.	Brno	60711990	CZK 97,000,000	99.00 ¹⁾

1) UNIPETROL, a.s. is a minority shareholder

UNIPETROL DOPRAVA, S.R.O.

This company provides rail transport services for the UNIPETROL Group. Its main line of business is rail track and rail transport operation and the lease of tanker wagons. These activities account for 97% of the company's revenue.

UNIRAF SLOVENSKO S.R.O.

This company sells fuels produced by the refineries of PKN ORLEN S.A. and the UNIPETROL Group in Slovakia. It is the greatest importer of fuels into the Slovak market. Its market share in Slovakia is 15%, making it the second largest

fuel distributor (next to Slovnaft, a.s.) in Slovakia.

Basic financial and operating indicators (consolidated data, based on the IFRS)¹⁾

(in CZK '000)	2007
Total assets	40,946,887
Equity	18,953,879
Registered capital	11,147,964
Borrowings	21,993,008
Total sales	72,900,287
Operating profit	2,981,285
Net income before tax	2,980,032
Minority interests	521
Net income for the accounting period	2,697,600

1) Source: Transformed financial statements based on the IFRS.

BENZINA, S.R.O.

Registered Office: Praha 7, Dělnická 12,
Postal Code 170 04

Company number: 60193328

Main line of business

Operation of fuel filling stations in the
Czech Republic.

**Ownership structure
as at 31 December 2007:**

UNIPETROL, a.s.	100% of registered capital
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Basic characteristics of the company

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

Ownership interests

Company	Registered office	Company number	Registered capital	Interest % of reg. capital
PETROTRANS, s.r.o.	Praha	25123041	CZK 16,000,000	99.4 ¹⁾

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

Basic financial and operating indicators (consolidated data, based on the IFRS)¹⁾

(in CZK '000)	2007	2006
Total assets	7,010,359	6,615,199
Equity	2,100,943	977,727
Registered capital	1,860,779 ²⁾	900,778
Borrowings	4,909,416	5,637,472
Total sales	9,013,559	7,810,452
Operating profit	477,416	326,011
Net income before tax	173,969	-142,061
Net income for the accounting period	162,575	-145,702

¹⁾ Source: Transformed financial statements based on the IFRS.

²⁾ The increased registered capital of CZK 1,860,779,000 was registered in the Companies Register on 4 January 2008

Ownership Interests

ČESKÁ RAFINÉRSKÁ, A.S.

Registered Office: Litvínov, Záluží 2,
Postal Code 436 70
Company number: 62741772

Main line of business

Refinery processing of crude oil
(reprocessing refinery mode)

Ownership structure as at 31 December 2007

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

Basic characteristics of the company

The company operates the two largest refineries in the Czech Republic, located in Litvínov and Kralupy nad Vltavou, with a combined capacity of 8 million tonnes of raw material annually. It is the largest processor of crude oil and manufacturer of petroleum products in the Czech Republic. A processing agreement was concluded between ČESKÁ RAFINÉRSKÁ and the subsidiaries of its shareholders in January 2003 and on the basis of this agreement, ČESKÁ RAFINÉRSKÁ commenced its operation in the reprocessing refinery mode from 1 August 2003. The other

parties to the agreement (called processors) purchase crude oil and other raw materials for processing in the refineries. From the refineries they obtain the processing products, in which they deal.

Key products and services

Automobile petrol, aviation turbine fuel, Diesel oil, LPG, fuel oils, propylene (for chemical syntheses), asphalts, sulphur, oil hydrogenates (raw material for the production of lubricating oils) and raw materials for the ethylene unit and for partial oxidation in the CHEMOPETROL manufacturing unit.

Basic financial and operating indicators (data based on the IFRS)

(in CZK '000)	2007	2006
Total assets	25,880,010	26,250,190
Equity	18,644,220	18,128,375
Registered capital	9,348,240	9,348,240
Borrowings	7,235,790	8,121,815
Total sales	9,366,617	9,255,568
Operating profit	657,371	328,836
Net income before tax	685,243	362,661
Net income for the accounting period	649,328	240,771

PARAMO, A.S.

Registered office: Pardubice, Přerovská
560, POSTAL CODE
530 06

Company number: 8173355

Main line of business

Crude oil processing into refinery and asphalt products and further processing into lubricating and process oils, including related and accessory products.

**Ownership structure
as at 31 December 2007**

UNIPETROL, a.s.	88.03 %
PKN ORLEN S.A.	3.73 %
Other legal entities and natural persons	8.24 %

Basic characteristics of the company

The company has a tradition of more than a hundred years in crude oil processing and in the production of fuels, lubricants and asphalts. It operates a simple oil refinery with an annual capacity of 800,000 tonnes. At the end of the year 2003, the former company KORAMO, a.s.

was included in the PARAMO structure. KORAMO was a company with a long history of crude oil processing and the production of motor and gear oils, waxes, fats and plastic lubricants. The products of PARAMO, a.s. are sold primarily on the domestic market.

Key products and services

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

Ownership interests

Company	Registered office	Company number	Registered capital	Interest % of reg. capital
MOGUL SLOVAKIA, s.r.o.	Bratislava	36222992	SKK 11,476,000	100.00

Basic financial and operating indicators (unconsolidated data based on the IFRS)

(in CZK '000)	2007	2006
Total assets	4,480,722	4,296,520
Equity	2,375,491	2,164,423
Registered capital	1,330,078	1,330,078
Borrowings	2,105,231	2,132,097
Total sales	11,085,250	11,814,830
Operating profit	282,969	302,035
Net income before tax	250,523	266,881
Net income for the accounting period	212,597	266,881



RŮŽENA GEBHARTOVÁ

Attendant at BENZINA Plus station in Litvinov, BENZINA, s.r.o.

It's our great success
that the BENZINA
network of fuel
filling stations is
being successfully
transformed.

Complementary information as required by the Act on Business Activities on the Capital Market

LEGAL REGULATIONS

LEGAL REGULATIONS GOVERNING THE ACTIVITIES OF SECURITIES ISSUERS

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

The basic legal regulations governing the activities of UNIPETROL, a.s. are as follows:

- Act No. 513/1991, Commercial Code,
- Act No. 455/1991, the Trades Act,
- Act No. 563/1991, on Accounting,
- Act No. 591/1992, on Securities,
- Act No. 256/2004, on Business Activities on the Capital Market,
- Act No. 40/1964, the Civil Code,
- Articles of Association of UNIPETROL, a.s.

MAJOR AGREEMENTS

The UNIPETROL Group includes companies operating in the refinery and petrochemical industry. These companies make maximum use of the advantages of their being members of the group, including the synergistic effects based on a number of agreements made within the Group, especially the agreements on the sale of primary commodities and basic products and on the supply of motor fuels. The primary and basic products include, for example, the C4 fraction, primary petrol, the C5 fraction, raffinate 1 or heavy fuel oils. The supplies of motor fuels include, for example, unleaded 95 octane petrol, unleaded 91 octane petrol and Diesel oil.

There are also agreements that support production: agreements on the purchase and sale of energy in its various forms, including coal, electricity, steam and others.

Agreements based on the already published strategy of Asset Portfolio Optimisation were also signed in 2007. These include, in particular, agreement on the sale of AGROBOHEMIE, a.s. and Synthesia, a.s. and agreement on the purchase of an interest in PARAMO, a.s. and ČESKÁ RAFINÉRSKÁ, a.s. (See Section 9.7 "Asset Portfolio Optimisation").

The UNIPETROL Group has completed a number of projects leading to change in the areas of corporate governance, asset portfolio optimisation and other strategic projects requiring the involvement of outsourced consultants (particularly in the field of strategic advising and legal and tax advising), as well as information technology project advising and implementation.

OVERVIEW OF MAJOR BUSINESS AGREEMENTS WITH THIRD PARTIES, SIGNED IN 2007

UNIPETROL RPA, s.r.o. (BU I)

Company	Sale/purchase	Subject matter
Ahold	sale agreement	sale of motor fuels
Globus	sale agreement, newly agreed prices for 2007	sale of motor fuels
Makro Cash&Carry	sale agreement	sale of motor fuels
Tesco ČR	sale agreement	sale of motor fuels
KM PRONA	sale agreement	sale of motor fuels
G7	sale agreement	sale of motor fuels
Robin oil	sale agreement; not signed by the other party; based on confirmed orders)	sale of motor fuels
OMV	sale agreement	sale of motor fuels
ČEPRO	purchase agreement	sale of motor fuels
ČEPRO	sale agreement	sale of motor fuels

UNIPETROL RPA, s.r.o. (BU III)

Company	Sale/purchase	Subject matter
Pegas a.s. (now Pegas Nonwovens)	sale agreement	sale of PP Mosten NB 425 and PE Liten LS 87 (moulding plastics)
Juta a.s.	sale agreement	sale of PP Mosten and PE Liten (various types)
Silon s.r.o.	sale agreement	sale of PP Mosten and PE Liten (various types)
Innocomp Bohemia s.r.o.	sale agreement	sale of PP Mosten (various types)

UNIPETROL RPA, s.r.o. (BU II)

Company	Sale/purchase	Subject matter
Butadien, a.s.	sale agreement	sale and supply of C4 fraction for new BTU unit
KAUČUK, a.s.	sale agreement	sale and supply of C4 fraction, benzene and ethylene
SPOLANA a.s.	sale agreement	sale and supply of ethylene
Agrofert holding – Agrobohemia	sale agreement	sale and supply of ammonia and urea

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

Company	Sale/purchase	Subject matter
Czech Coal a.s.	purchase agreement	purchase of coal

PARAMO, a.s.

Company	Sale/purchase	Subject matter
Rafineria Trzebina s.a.	purchase agreement	purchase of kerosene distillate A-3
UNIPETROL RPA	purchase agreement	purchase of heavy fuel oil
UNIPETROL RPA	sale agreement	sale of primary petrol

Complementary information as required by the Act on Business Activities on the Capital Market

STATEMENT BY THE PERSONS RESPONSIBLE FOR THE ANNUAL REPORT

François Vleugels, Chairman of the Board of Directors and Chief Executive Officer of UNIPETROL, a.s. and



François Vleugels,
Chairman of the Board of Directors
and Chief Executive Officer

Wojciech Ostrowski, Vice-Chairman of the Board of Directors and Chief Financial Officer of UNIPETROL, a.s. hereby declare that the information contained in the Annual Report is true and that no substantial circumstances that could affect accurate and correct

assessment of the issuer of the securities have been omitted.



Wojciech Ostrowski,
Vice-Chairman of the Board of Directors
and Chief Financial Officer

AUDIT

(in CZK, thousand)	Consolidated	Unconsolidated
Audit fees	20,344	1,924
Fees for advisory services and translation	95	0

Name and address of the auditor for the years 2007 and 2006:

KPMG Česká republika Audit, s.r.o.

Partner: Otakar Hora

Licence No.: 1197

Pobřežní 648/1a

186 00 Praha 8

SECURITIES

SHARES

Name	UNIPETROL, a.s.
Type	ordinary share
ISIN	CZ0009091500
BIC	BAAUNIFE
Bearer/registered	bearer
Form	dematerialised
Currency	CZK
Nominal value	CZK 100
Number of shares	181,334,764
Total volume of issue	CZK 18,133,476,400
Tradability	quoted security (Prague Stock Exchange [Burza cenných papírů Praha, a.s.] – main market)

Dividends are paid through ADMINISTER spol. s r.o., Husova 109, 284 01 Kutná Hora, Company No. 47551054.

The markets where the shares of UNIPETROL, a.s. are sold include the main market of Burza cenných papírů Praha, a.s. (stock exchange) and RM-SYSTÉM, a.s. (OTC market).

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

AA shareholder is entitled to a share of the company's profit (dividend), which the General Meeting has approved for distribution, depending on the company's income. The dividend is defined as the ratio of the nominal value of the share held by a shareholder to the total nominal value of the shares held by all shareholders as at the relevant date.

In the case of termination and liquidation of the company, a shareholder is entitled to a share of the liquidation balance. The amount of the liquidation balance is defined in the same manner as the amount of the dividend.

A share gives its holder the right to take part in the management of the company. The shareholder may only exercise this right at the General Meeting and must respect the rules governing the organisation of General Meetings. The shareholder is entitled to take part in the General Meeting, vote at the General Meeting, request and obtain explanation of any matters concerning the company if such an explanation is necessary for assessing an issue discussed at the General Meeting, and raise proposals and counter-proposals.

Complementary information as required by the Act on Business Activities on the Capital Market

The dividend due date is the date that follows two months after the date of the General Meeting at which the decision to pay dividends was adopted and its numerical indication should correspond to the date of the General Meeting.

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

DEBENTURE BONDS

Name	UNIPETROL VAR/13
ISIN	CZ0003501041
BIC	BDAUNIP
Bearer/registered	bearer
Form	dematerialised
Currency	CZK
Nominal value	CZK 1,000,000
Number of bonds	2,000
Total volume of issue	CZK 2,000,000,000
Interest rate	no interest income in the first and second year; income of 12.53% for the third and each subsequent year.
Date of issue	28 December 1998
Maturity date	28 December 2013
First interest payment	28 December 2001
Tradability	quoted security (Prague Stock Exchange [Burza cenných papírů Praha] – official free market)
Issue manager	ABN AMRO Bank N.V., Foreign Bank Branch, Lazarská 3, 111 21 Praha 1

The bonds are traded on the official free market of the Prague Stock Exchange and on the OTC market of RM-SYSTÉM, a.s.

ACQUISITION OF OWN SHARES (TREASURY SHARES) AND SHARE WARRANTS

As at 31 December 2006, the Group held no own shares or share warrants.

INFORMATION ON THE ISSUER'S REGISTERED CAPITAL

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

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

Name	UNIPETROL, a.s.
Type	ordinary share
ISIN	CZ0009091500
BIC	BAAUNIP
Bearer/registered	bearer
Form	dematerialised
Nominal value	CZK 100
Number of shares	181,334,764
Total volume of issue	CZK 18,133,476,400
Tradability	quoted security (Prague Stock Exchange – main market)

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

PKN ORLEN S.A. is the only shareholder whose share of registered capital – and of voting rights – is greater than 5%: its ownership interest is 62.99% (114,224,038 shares).

There is no employee benefit programme involving employee shareholding.

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

LITIGATION

As at the Annual Report date, UNIPETROL, a.s. has not been involved in any litigation that has or could have a significant adverse impact on its business or its financial position. The overview below shows certain legal

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

Complementary information as required by the Act on Business Activities on the Capital Market

PASSIVE LITIGATION – UNIPETROL, A.S. IS THE DEFENDANT

I. Czech National Bank – administrative proceedings in respect of faults in the Annual Report for 2005 (Ref. No. 2006/11357/540–re: File No. 51/Se/38/2006)

In the administrative proceeding, the commencement of which was notified by the Czech National Bank (as the administrative body) on 1 December 2006, UNIPETROL, a.s. provided the required explanation in respect of each of the alleged faults. UNIPETROL's explanatory statement in respect of the faults in the 2005 Annual Report was published at its web site. On the basis of additional investigation and upon oral proceedings, the Czech National Bank decided not to impose sanctions.

II. Czech National Bank – administrative proceedings in respect of alleged breach by UNIPETROL, a.s. of obligations under Section 125(1) of Act No. 256/2004, on Business Activities on the Capital Market, as amended (Ref. No. 2006/10145/540–re: File No. 51/Se/35/2006)

On 28 November 2006, UNIPETROL, a.s. ("UNIPETROL") received notification from the Czech National Bank ("ČNB") on commencement of administrative

proceedings ex officio. ČNB claimed that UNIPETROL had breached its obligation under the above-mentioned Act by failing to make public certain internal information concerning the sale of its interest in SPOLANA, a.s. ("SPOLANA") in the legally required manner, thus committing an administrative offence within the meaning of Section 171(d) of the Act. After negotiation with ČNB and explanations given to ČNB as the administrative body, the ČNB decided to terminate the administrative proceedings.

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

UNIPETROL, a.s. together with KAUČUK, a.s. (now SYNTHOS Kralupy a.s.), brought this case to the first instance European Court of Justice against the decision issued by the European Commission at the end of the year 2006, under which the two companies together were to pay a fine of EUR 176.5 million for alleged participation in a cartel in the synthetic rubber industry.

As the filing of an action against the decision does not have a suspensive effect, UNIPETROL, a.s. together with KAUČUK, a.s., paid the fine (each of them paid half of the amount) within the prescribed period. Fines for the alleged

cartel were also imposed on Dow, Shell and Eni. According to the Commission, the competitors agreed on price targets and exchanged sensitive information at the meetings of the European Synthetic Rubber Association (ESRA) in 1999–2002. KAUČUK did not directly participate in the meetings but did so through its sales representative. The reason why UNIPETROL was investigated is the fact that it was the parent company of KAUČUK.

UNIPETROL and KAUČUK challenged the Commission's decision as a whole. Both assert, in their complaints, that the evidence brought against them does not indicate that KAUČUK's dealer took part in any anticompetitive behaviour.

In addition, in the case of UNIPETROL, responsibility for participation in a cartel, if any, is out of question because UNIPETROL does not operate on the rubber market and was not a member of the ESRA. The mere fact that UNIPETROL was the parent company of KAUČUK cannot provide sufficient grounds for responsibility for cartel conduct.

IV. AVERSEN ENTERPRISES LIMITED vs. UNIPETROL, a.s. (for CZK 3,953,682.34 and incidental costs)

This is an action based on the alleged guarantee by the state enterprise,

CHEMOPETROL, for the loan granted in 1992 by Agrobanka Praha, a.s. to HUMEC s.r.o., Company No.: 41329317, with registered office at Most, Žatecká ul. 211. HUMEC repaid part of the loan and then, on 13 February 1995, it was declared insolvent. Agrobanka filed its claim and then assigned it to the claimant. In the proceedings, UNIPETROL, a.s. objects, among other things, that the claim did not pass to UNIPETROL, a.s., because when it merged with the CHEMOPETROL GROUP, it did not take over any assets to which the obligation could have related. As far as the claim is concerned, UNIPETROL, a.s., is not a successor in title to CHEMOPETROL, s.p. (state enterprise), nor to the CHEMOPETROL GROUP. It is also objected that the guarantee document was signed by a person who clearly was not authorised to do so, which could have been known when the loan was awarded to Agrobanka Praha, a.s. The proceedings are still in progress.

V. Adam Černý vs. UNIPETROL, a.s., claiming the invalidity of the resolutions of the extraordinary General Meeting held on 29 September 2006, Ref. No. 73 Cm 110/2006

The claimant claims that the resolutions of the General Meeting should be declared invalid on the following grounds: 1) the obligation to discuss Point 5 of the agenda of the extraordinary General

Meeting was breached; 2) the Notification was uncertain; 3) shareholders' rights were infringed through a breach of legal regulations; 4) the resolutions of the General Meeting were not passed appropriately; 5) the conduct of the Chairman of the General Meeting was contrary to law. UNIPETROL, a.s. denies all the assertions contained in the action, as stated in its reply to the action. In addition, UNIPETROL, a.s. objects that the claimant had no standing to bring the action.

The court of the first instance dismissed the action against UNIPETROL and the claimant did not appeal this decision, according to information from his legal counsel. We expect a judgment with a finality clause to be issued.

VI. DEZA, a.s., vs. UNIPETROL, a.s. on the payment of a contractual fine and compensation for damage

On 31 October 2007, UNIPETROL and DEZA signed a settlement agreement. On the basis of this agreement, UNIPETROL agreed to pay to them any damages or contractual fines the payment of which DEZA had earlier requested; DEZA, on the other hand, agreed to withdraw its claims filed against UNIPETROL, and has already done so. The court decision to terminate the proceedings, based on DEZA's withdrawal of its claims, became final on 14 April 2008. Concurrently with the signature of the

settlement agreement, UNIPETROL as seller and DEZA as purchaser entered into (a) an agreement on the purchase of the shares of AGROBOHEMIE and (b) an agreement on the purchase of the shares of Synthesia. In these agreements, UNIPETROL and DEZA agreed that the purchase price for the shares of AGROBOHEMIE and for the shares of Synthesia should be determined on the basis of their market price by a trustworthy asset valuation expert and that UNIPETROL and DEZA would agree on such an expert.

VII. Telefónica O2 Czech Republic, a.s. (formerly EUROTEL Praha s.r.o.) vs. UNIPETROL, a.s. (in respect of CZK 4,323,659, including incidental costs)

Action to enforce the payment of a contractual penalty for termination of an agreement on the provision of telecommunication services. The action was dismissed by the Municipal Court in Prague. The claimant appealed against this decision to the High Court in Prague. The High Court quashed the decision and remanded the case for further proceedings before the court of first instance. The legal opinion of the High Court was that the claim for the contractual fine complied with law but it was necessary to substantiate the amount of the penalty.

Complementary information as required by the Act on Business Activities on the Capital Market

The parties discussed the possibility of a settlement agreement but this discussion did not lead to any agreement. UNIPETROL, a.s. partially challenged the amount claimed.

The court, which had to respect the legal opinion of the High Court, issued a decision by which the claimed amount of contractual penalty was slightly decreased (to CZK 4,188,905).

VIII. GOLDENFRAZIL Limited vs. UNIPETROL, a.s.

GOLDENFRAZIL as a minority shareholder of UNIPETROL, a.s. brought three actions during the relevant period. In the actions, GOLDENFRAZIL challenged the sale of (a) SPOLANA a.s. to the Polish chemical company Zakłady Azotowe ANWIL and (b) KAUCUK, a.s. to the Polish company FIRMA CHEMICZNA DWORY S.A.

In two of the three actions, GOLDENFRAZIL questioned the legality of the sale of SPOLANA and KAUCUK as well as the amount of the purchase price. It claimed that the price was too low and did not correspond to the actual value of the two companies. In its third action, brought on behalf of UNIPETROL, a.s. against the

former members of the Board of Directors of UNIPETROL, a.s., GOLDENFRAZIL sought compensation for damage of about CZK 352 million allegedly suffered by UNIPETROL, a.s. (and thereby its shareholders) by the understatement of the selling price of the shares.

UNIPETROL, as well as the former directors of UNIPETROL, a.s., denied the reasons for all the actions.

After bringing the actions, GOLDENFRAZIL sold the majority of its UNIPETROL shares to KKCG. The new owner, KKCG, withdrew all the three actions in their entirety. The court resolution to terminate the proceedings in respect of the action against the former directors became final on 22 February 2008.

For the remaining two actions, the court resolution to terminate the proceedings has not yet been delivered.

IX. Agrobanka Praha, a.s., in liquidation, vs. CHEMOPETROL, a.s. and UNIPETROL, a.s.

This was a lengthy dispute concerning the former CHEMOPETROL GROUP's guarantee for the loan obligation of KOBEEKO spol. s. r. o. owed to

AGROBANKA Praha, a.s. Together with CHEMOPETROL, a.s., UNIPETROL was involved in the litigation as the successor in title to the initial guarantor for the loan obligation.

On the basis of negotiations, the parties reached a consensus, on the basis of which UNIPETROL RPA, s.r.o., as the successor in title to CHEMOPETROL, a.s., paid the claimant the amount of CZK 54,000,000.

On the above grounds, the claimant withdrew all its other claims.

ACTIVE LITIGATION – UNIPETROL, A.S. IS THE CLAIMANT

I. UNIPETROL, a.s., vs. Telefónica O2 Czech Republic, a.s., (formerly ČESKÝ TELECOM, a.s.) in respect of CZK 765,927 and CZK 1,625,691 and ancillary costs. Ref. No. 12 C 191/2004-39

Action concerning the replacement of the decision issued by the Czech Telecommunication Office in respect of the payment to Telefónica O2 Czech Republic, a.s. of the above-mentioned outstanding amounts, corresponding to the difference between the contractual telephone charges and the price of the calls that were

actually made. The court of first instance dismissed UNIPETROL's claim and stated that although the telephone operator obviously abused its dominant position on the telecommunication services market, it was impossible to grant the claim for the difference in the prices of the calls.

The judgment was appealed.

MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION

The full text of the company's Articles of Association, as amended by the changes approved at the extraordinary General Meeting held on 13 April 2006, is available at www.UNIPETROL.cz (section "About the company").

SCOPE OF BUSINESS

The Company's lines of business are as follows:

- activities of business, finance, organisational and economic advisors;
- activities of technical advisors in the fields of:

- research and development;
- chemical industry;
- environmental protection;
- logistics;
- research and development in technical and natural sciences;
- services in the administrative area and services of an organisational and economic nature to individuals and legal entities;
- provision of services in the field of occupational health and safety;
- provision of software and advising in the areas of software and hardware;
- data processing, databank services, network administration;
- business facilitation;
- service facilitation;
- organisation of professional training and other educational activities, including lecturing.
- provision of funds and development of the financing systems in the Group companies;
- development of human resources and system of human resource management in the Group companies;
- management, acquisition and disposal of equity interests and other assets of the Company, including, but not limited to:
 - establishment of companies and participation in the establishment of companies, and other types of acquisition of equity interests in other entities and participation in their business;
 - exercise of shareholder rights and rights similar to shareholder rights in directly or indirectly controlled companies;
 - lease of real property and provision of basic services necessary for appropriate functioning of the property.

The Company's basic mission is as follows:

- strategic management of the development of the Group of directly or indirectly controlled companies;
- co-ordination and facilitation of matters of common interest of the Group of directly or indirectly controlled companies;

See Articles of Association: *I. General provisions, Article 4 Object of Business of the Company*

ROMANA KOHÚTOVÁ

Chief of financial accounting and taxes,
UNIPETROL SERVICES, s.r.o.



We've repaid
a substantial part of our
debt, particularly the
high-interest debts.



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

Telephone +420 222 123 111
Fax +420 222 123 100
Internet www.kpmg.cz

Auditor's report for the shareholders of UNIPETROL, a.s.

Financial statements

Based on an audit, we issued the following report on the unconsolidated financial statements, which form part of this Annual Report, on 15 April 2008:

"We have audited the attached financial statements of UNIPETROL, a.s., i.e. the Balance Sheet as at 31 December 2007, the Income Statement, the Statement of Equity Changes, and the Statement of Cash Flows for 2007, as well as the notes to such financial statements, including a description of the material accounting methods used and other additional information. The information on UNIPETROL, a.s. is stated in item 1 of the notes to these financial statements.

Responsibility of the accounting unit's governing body for financial statements

UNIPETROL, a.s.' governing body is responsible for the preparation and an accurate presentation of the financial statements in accordance with Czech accounting regulations and International Financial Reporting Standards as adopted in the EU. This responsibility includes to propose, implement and ensure internal controlling measures over the preparation and accurate presentation of the financial statements in order to ensure that they do not contain material misstatements caused by fraud or error; choose and apply suitable accounting methods; and make appropriate accounting estimations.

Responsibility of the auditor

Our responsibility is to express an opinion on the financial statements on the basis of the audit. We carried out the audit in accordance with the Act on Auditors and the International Audit Standards and the relevant application clauses of the Chamber of Auditors of the Czech Republic. The standards require that we observe ethical standards and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The audit includes the application of audit procedures, the purpose of which is to obtain evidential information on the amounts and circumstances stated in the financial statements. The choice of audit procedures depends on the auditor's judgement, including the assessment of risk that the financial statements may contain material misstatements caused by fraud or error. When assessing such risks, the auditor shall take into consideration the internal controlling measures relevant for the preparation and true presentation of the financial statements. The objective of assessment of the company's internal controlling measures is to propose suitable audit procedures, not to express a statement on the efficiency of the internal controls. The audit also includes an assessment of the fitness of the accounting methods used, adequacy of accounting estimates made by management, as well as an evaluation of the overall validity of the financial statements.

We believe that the obtained evidential information forms a sufficient and reasonable basis for our opinion.

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 statement**

In our opinion the financial statements present fairly and accurately, in all material respects, the assets, liabilities and financial position of UNIPETROL, a.s. as of 31 December 2007, as well as the costs, revenues and profit/loss and cash flows for 2007 in accordance with accounting regulations of the Czech Republic and the International Financial Reporting Standards as adopted in the EU."

Based on an audit, we issued the following report on the consolidated financial statements, which form part of this Annual Report, on 15 April 2008:

"We have audited the attached consolidated financial statements of UNIPETROL, a.s., i.e. the Balance Sheet as at 31 December 2007, the Income Statement, the Statement of Equity Changes, and the Statement of Cash Flows for 2007, as well as the notes to such consolidated financial statements, including a description of the material accounting methods used and other additional information. The information on UNIPETROL, a.s. is stated in item 1 of the notes to these consolidated financial statements.

Responsibility of the accounting unit's governing body for consolidated financial statements

UNIPETROL, a.s.' governing body is responsible for the preparation and a true presentation of the consolidated financial statements in accordance with Czech accounting regulations and International Financial Reporting Standards as adopted in the EU. This responsibility includes to propose, implement and ensure internal controlling measures over the preparation and true presentation of the consolidated financial statements in order to ensure that they do not contain material misstatements caused by fraud or error; choose and apply suitable accounting methods; and make appropriate accounting estimations.

Responsibility of the auditor

Our responsibility is to express an opinion on the consolidated financial statements on the basis of the audit. We carried out the audit in accordance with the Act on Auditors and the International Audit Standards and the relevant application clauses of the Chamber of Auditors of the Czech Republic. The standards require that we observe ethical standards and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

The audit includes the application of audit procedures, the purpose of which is to obtain evidential information on the amounts and circumstances stated in the consolidated financial statements. The choice of audit procedures depends on the auditor's judgement, including the assessment of risk that the financial statements may contain material misstatements caused by fraud or error. When assessing such risks, the auditor shall take into consideration the internal controlling measures relevant for the preparation and true presentation of the consolidated financial statements. The objective of assessment of the company's internal controlling measures is to propose suitable audit procedures, not to express a statement on the efficiency of the internal controls. The audit also includes an assessment of the fitness of the accounting methods used, adequacy of accounting estimates made by management, as well as an evaluation of the overall validity of the consolidated financial statements.

We believe that the obtained evidential information forms a sufficient and reasonable basis for our opinion.



Auditor's statement

In our opinion the consolidated financial statements present fairly and truly, in all material respects, the assets, liabilities and financial position of UNIPETROL, a.s. as of 31 December 2007, as well as the costs, revenues and profit/loss and cash flows for 2007 in accordance with accounting regulations of the Czech Republic and the International Financial Reporting Standards as adopted in the EU."

Report on Related Parties

We have also verified the material correctness of the information disclosed in the Report on Related Parties of UNIPETROL, a.s. as at 31 December 2007. The company's governing body is responsible for this Report. Our responsibility is to issue our opinion on such Report on Related Parties on the basis of our review.

We carried out the review in accordance with the International Review Standard and the related application clauses of the Chamber of Auditors of the Czech Republic. The standard requires that we plan and carry out the review with the objective of obtaining a mean amount of assurance that the Report on Related Parties does not contain material misstatements. The review is limited primarily to interviewing the company's employees and to analytic procedures and a verification of material correctness of information on a test basis. This is why the review provides a lower degree of assurance than audit. We did not carry out an audit of the Report on Related Parties, and therefore we are not expressing any auditor's statement.

Our review did not discover any major material misstatements in the information stated in the Report on Related Parties of UNIPETROL, a.s. as at 31 December 2007.

Consolidated Annual Report

We have also verified the compliance of the Annual Report with the aforementioned financial statements. The company's governing body is responsible for the correctness of the Annual Report. Our responsibility is to issue our opinion on the compliance of the Annual Report with the financial statements on the basis of our verification.

We carried out the verification in accordance with the Act on Auditors and the International Audit Standards and the related application clauses of the Chamber of Auditors of the Czech Republic. The standards require that we plan and carry out the verification in such a manner so as to obtain reasonable assurance that the information contained in the Annual Report, which describes the circumstances that are also presented in the financial statements, comply with the relevant financial statements in all material respects. We believe that the verification done provides a reasonable basis for our statement.

In our opinion, the information stated in the Annual Report is in compliance with the aforementioned financial statements in all material respects.

Prague, 29 April 2008

KPMG Česká republika Audit, s.r.o.
Licence no. 71

Ing. Otakar Hora, CSc.
Partner
Licence No. 1197

Non-consolidated balance sheet

prepared in accordance with International Financial Reporting Standards

As at 31 December 2007 (in thousands of Czech crowns)

	Note	31 December 2007	31 December 2006
ASSETS			
Non-current assets			
Property, plant and equipment	10	376,253	519,502
Intangible assets	11	42,925	138
Investment property	12	162,955	--
Investments in subsidiaries and joint ventures	13	14,117,868	12,636,364
Other investments	14	4,151	817,116
Loans to subsidiaries	16	3,070,718	3,349,365
Receivables from subsidiaries	17	95,716	110,602
Deferred tax asset	20	--	11,911
Total non-current assets		17,870,586	17,444,998
Current assets			
Trade and other receivables	18	468,652	166,409
Loans to subsidiaries	19	4,013,567	3,830,918
Prepaid expenses		5,586	6,943
Income tax receivable		--	3,064
Cash and cash equivalents	21	2,272,023	1,016,186
Assets classified as held for sale	15	853,129	5,347,618
Total current assets		7,612,957	10,371,138
Total assets		25,483,543	27,816,136
EQUITY AND LIABILITIES			
Equity			
Share capital	22	18,133,476	18,133,476
Reserves	23	1,419,355	1,277,185
Retained earnings		3,208,145	3,338,875
Total equity		22,760,976	22,749,536
Non-current liabilities			
Loans and borrowings	25	2,000,000	2,000,000
Finance lease liability		207	--
Total non-current liabilities		2,000,207	2,000,000
Current liabilities			
Trade and other payables and accruals	26	226,594	426,489
Loans and borrowings	27	495,766	2,640,111
Total current liabilities		722,360	3,066,600
Total liabilities		2,722,567	5,066,600
Total equity and liabilities		25,483,543	27,816,136

The non-consolidated financial statements are to be read in conjunction with the notes forming part of the non-consolidated financial statements set out on pages 112 to 146.

Non-consolidated income statement

prepared in accordance with International Financial Reporting Standards

For the year ended 31 December 2007 (in thousands of Czech crowns)

	Note	2007	2006
Revenue	4	282,909	177,728
Cost of sales		(183,494)	(84,463)
Gross profit		99,415	93,265
Other income		17,493	5,173
Administrative expenses		(314,943)	(354,993)
Other expenses		(27,917)	(260,901)
Operating loss before finance income	6	(225,952)	(517,456)
Finance income		761,723	3,484,122
Finance expenses		(532,981)	(535,908)
Net finance income	7	228,742	2,948,214
Profit before tax		2,790	2,430,758
Income tax (expense)/credit	9	(11,911)	1,430
Profit/(loss) for the period		(9,121)	2,432,188

The non-consolidated financial statements are to be read in conjunction with the notes forming part of the non-consolidated financial statements set out on pages 112 to 146.

Non-consolidated statement of changes in equity

prepared in accordance with International Financial Reporting Standards

For the year ended 31 December 2007 (in thousands of Czech crowns)

	Share capital	Reserves	Retained earnings	Total
Balance as 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 as at 31 December 2006	18,133,476	1,277,185	3,338,875	22,749,536
Balance as at 1 January 2007	18,133,476	1,277,185	3,338,875	22,749,536
Allocation of profit to reserves	--	121,609	(121,609)	--
Loss for the period	--	--	(9,121)	(9,121)
Other - fair value of investment property	--	20,561	--	20,561
Balance as at 31 December 2007	18,133,476	1,419,355	3,208,145	22,760,976

The non-consolidated financial statements are to be read in conjunction with the notes forming part of the non-consolidated financial statements set out on pages 112 to 146.

Non-consolidated statement of cash flows

prepared in accordance with International Financial Reporting Standards

For the year ended 31 December 2007 (in thousands of Czech crowns)

	Note	2007	2006
Cash flows from operating activities:			
Profit/(loss) for the period		(9,121)	2,432,188
Adjustments for:			
Depreciation and amortisation of property, plant and equipment and intangible assets	11,12	7,298	5,807
Gain on disposals of property, plant and equipment and intangible assets		(2,892)	(1,935)
Profit on disposals of financial investments		(50,799)	(69,961)
Interest income, net		(176,610)	(40,295)
Dividend income		(69,077)	(2,962,755)
Impairment losses (reversal of impairment) on assets classified as held for sale, property, plant and equipment and receivables		(151,381)	115,653
Foreign exchange losses/(gains)		33,254	121
Income tax expense/(credit)		11,911	(1,430)
Operating profit before changes in working capital		(407,417)	(522,607)
Change in trade receivables and prepaid expenses		(301,327)	43,978
Change in trade and other payables and accruals		(201,395)	68,331
Interest paid		(932,316)	(335,822)
Income tax reimbursed		3,064	16,191
Net cash used in operating activities		(1,839,391)	(729,929)
Cash flows from investing activities:			
Increase of capital of subsidiary		(1,060,000)	(1,082)
Acquisition of property, plant and equipment and intangible assets		(51,598)	(12,896)
Acquisition of additional shares in subsidiaries and joint ventures		(425,133)	--
Proceed from sales of property, plant and equipment and intangible assets		5,273	3,166
Proceed from sales of financial investments		5,513,625	640,383
Interest received		1,087,025	375,244
Repayment of/(providing) borrowings by/to subsidiaries		(562,307)	(805,900)
Dividends received		69,077	2,962,755
Net cash provided by investing activities		4,575,962	3,161,670
Cash flows from financing activities:			
Repayment of loans and borrowings		(1,480,734)	(1,428,248)
Net cash used in financing activities		(1,480,734)	(1,428,248)
Net change in cash and cash equivalents		1,255,837	1,003,493
Cash and cash equivalents at beginning of the year		1,016,186	12,693
Cash and cash equivalents at the end of the year		2,272,023	1,016,186

The non-consolidated financial statements are to be read in conjunction with the notes forming part of the non-consolidated financial statements set out on pages 112 to 146.

Notes to the non-consolidated financial statements

prepared in accordance with International Financial Reporting Standards

Year ended 31 December 2007 (in thousands of CZK)

1. Description 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 Prague 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 2007 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 2007 were as follows:

	Position	Name
Board of directors	Chairman	François Vleugels
	Vice-Chairman	Wojciech Ostrowski
	Member	Ivan Ottis
	Member	Miroslav Krejčí
	Member	Martin Durčák
	Member	Arkadiusz Kotlicki
Supervisory board	Chairman	Piotr Kownacki
	Vice-Chairman	Dariusz Formela
	Member	Ivan Kočárník
	Member	Rafał Kapler
	Member	Czesław Bugaj
	Member	Miroslaw Jasiński
	Member	Piotr Kearney
	Member	Robert Bednarski
	Member	Krzysztof Pater
	Member	Zdeněk Černý
	Member	Miloslav Suchánek
	Member	Waldemar Maj

Changes in the board of directors during 2007 were as follows:

Position	Name	Change	Date of change
Member	Wojciech Ostrowski	Elected as member	28 June 2007
Vice-Chairman	Wojciech Ostrowski	Elected as Vice-Chairman	10 July 2007
Member	Arkadiusz Kotlicki	Elected as member	30 August 2007
Vice-Chairman	Dariusz Marzec	Resigned as Vice-Chairman and member	11 October 2007

Changes in the supervisory board during 2007 were as follows:

Position	Name	Change	Date of change
Chairman	Igor Chalupec	Resigned as Chairman and member	26 January 2007
Member	Wojciech Lorenc	Resigned as member	26 January 2007
Chairman	Piotr Kownacki	Elected as Chairman	5 March 2007
Member	Paweł Jasiński	Recalled as member	5 March 2007
Member	Miroslaw Jasiński	Elected as member	5 March 2007
Member	Arkadiusz Kotlicki	Elected as member	5 March 2007
Vice-Chairman	Cezary Smorzewski	Resigned as Vice-Chairman and member	26 April 2007
Member	Krzysztof Pater	Elected as member (replacement)	26 April 2007
Member	Krzysztof Pater	Elected as member	28 June 2007
Vice-Chairman	Dariusz Formela	Elected as Vice-Chairman	30 August 2007
Member	Arkadiusz Kotlicki	Resigned as member	30 August 2007
Member	Robert Bednarski	Elected as member (replacement)	30 August 2007
Member	Waldemar Maj	Elected as member (replacement)	8 November 2007

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

The following table shows subsidiaries and joint-ventures forming the consolidated group of UNIPETROL, a.s., and the Company's interest in the capital of subsidiaries and joint-ventures held either directly by the Company or indirectly by the consolidated subsidiaries (information as of 31 December 2007).

Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries
Parent company		
UNIPETROL, a.s. Klimentská 10 110 05 Prague 1 Czech Republic		
Consolidated subsidiaries		
CHEMOPETROL, a.s. (from 1.8.2007 UNIPETROL RPA, s.r.o.) Litvínov-Záluží 1 436 70 Litvínov Czech Republic	100.00%	--
BENZINA, s.r.o. Dělnická 12 170 04 Prague 7 Czech Republic	100.00%	--
PARAMO, a.s. Prerovská 560 530 06 Pardubice Czech Republic	88.03%	--
UNIPETROL TRADE a.s. Klimentská 10 110 05 Prague 1 Czech Republic	100.00%	--
UNIPETROL RAFINÉRIE a.s. (from 1.8.2007 UNIPETROL RPA, s.r.o.) Litvínov-Záluží 436 70 Litvínov Czech Republic	100.00%	--
KAUČUK, a.s. (until 19.7.2007; since 2.11.2007 renamed to SYNTHOS Kralupy a.s.) O. Wichterleho 810 278 52 Kralupy nad Vltavou Czech Republic	100.00%	--

Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries
UNIPETROL DOPRAVA, s.r.o. Litvínov-Růžodol č.p. 4 436 70 Litvínov Czech Republic	--	100.00%
HC Litvínov, a.s. S. K. Neumannova 1598, zimní stadion 436 01 Litvínov Czech Republic	--	70.95%
POLYMER INSTITUTE BRNO, spol. s r.o. Tkalcovská 36/2 Brno Czech Republic	--	100.00%
UNIRAF SLOVENSKO, s.r.o. Panónska cesta 7 850 00 Bratislava Slovak 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%
UNIPETROL AUSTRIA HmbH 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 Niederbau 49 Postfach 170237 D-60325 FRANKFURT/Main Germany	--	100.00%
BENZINA Trade a.s. in liquidation Dělnická 12 170 04 Prague 7 Czech Republic	--	100.00%
PETROTRANS, s.r.o. Dělnická 12 170 04 Prague 12 Czech Republic	--	100.00%

Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries
Consolidated joint - ventures		
ČESKÁ RAFINĚRSKÁ, a.s. 436 70 Litvínov Czech Republic	51.225%	--

According to the articles of association of ČESKÁ RAFINĚRSKÁ, 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 they were presented as other investments. As of 31 December 2007 these investments are presented as assets classified as held for sale. For further information refer to note 16.

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 Prague 3 Czech Republic	50.00%
Synthesia, a.s. (formerly ALIACHEM, a.s.) Pardubice č.p. 103 532 17 Pardubice, Semtín Czech Republic	38.79%

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. Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 January 2008 or later periods but which the Company has not early adopted. Relevant items are as follows:

- IFRS 8 Operating Segments – effective from 1 January 2009
- 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 the Company has not entered into any service concession arrangements.
- IFRIC 13 Customer Loyalty Programmes – effective from 1 July 2008
- IFRIC 14 – Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – effective from 1 January 2008

Acceptance of all Standards and interpretations listed above by the European Union is pending.

The Company assessed the impact of application of the above interpretations and changes and determined that the changes in IFRS 8 may have impact on the presentation of financial statements when applied. Starting from 1 January 2009, after acceptance of IFRS 8 by the European Commission, the Company will adopt IFRS 8. According to a preliminary assessment, the application of IFRIC 12, IFRIC 13 and IFRIC 14 will not have a significant impact on the Company's financial statements.

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 held for trading, financial instruments classified as available-for-sale, financial instruments at fair value through profit or loss and investment property.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with 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.

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 10 – property, plant and equipment in relation to impairment and note 20 – deferred tax.

The accounting policies set out below have been applied consistently to all periods presented in these 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 and amount of revenue and costs incurred or to be incurred in respect of the transaction can be measured reliably. 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) 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 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

The financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency).

In preparing the financial statements transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Any gains or losses resulting from changes in foreign exchange rates after the transaction date are recognized as financial income or expenses in the income statement. The foreign exchange gains and losses are presented in the profit and loss in the net amount.

(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 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 assets and liabilities are recognized regardless of when the timing difference is likely to be realized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the 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 assets owned 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:

Fixtures and fittings	2–20 years
Vehicles	4–17 years
Other tangible fixed assets	4–30 years

Depreciation of an asset begins when it is available for use that is from the month it is in the location and condition necessary for it to be capable of operating in the manner intended by the management, over the period reflecting their estimated economic useful life, considering the residual value. Appropriateness of the applied depreciation rates is verified periodically (once a year), and respective adjustments are made to the subsequent periods of depreciation. Components of assets which are material for the whole item are depreciated separately in accordance with their economic useful life. Items of assets costing less than CZK 40 thousand are charged to the profit or loss account in the period in which they are ready for their intended use.

Assets under development are stated at cost. This includes cost of construction and other direct costs. Assets under development are not depreciated until the relevant assets 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 income. The residual value, estimated useful life and depreciation methods are reassessed annually.

The costs of current maintenance of property, plant and equipment is recorded in the financial result during the period when they are incurred.

(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 are depreciated over the useful life of the asset.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the 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 assets 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) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Gains and losses resulting from changes in fair value of investment property are presented in the profit and loss in the period when remeasured.

(9) Intangible assets

Intangible assets are measured at acquisition or construction cost less amortization and impairment allowances. Intangible assets with a definite useful life are amortized when it is available for use that is when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management over their estimated economic useful life. Appropriateness of the applied amortization periods and rates is periodically reviewed, at least at the end of the reporting year, and potential adjustments to amortization allowances are made in the subsequent periods. Intangible assets costing less than CZK 60 thousand are charged to the profit and loss account in the period in which they are ready for their intended use. Intangible assets with an indefinite useful life are not amortized.

(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 Company 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.

(ii) Computer software

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company and will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include employee costs of the software development team and an appropriate portion of relevant overheads.

Expenditure, which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of five years.

(iii) Other intangible assets

Expenditure to acquire patents, trademarks and licenses is capitalised and amortised using the straight-line method over their useful lives, except for licenses related to the purchase of production technologies, which are amortised over the estimated useful life of the technologies purchased. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

(iv) Subsequent expenditure

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

(10) 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 and intangible assets with indefinite useful lives, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(i) Calculation of recoverable amount

Financial instruments, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date.

Financial instruments are impaired where there is an objective evidence that, as a result of one or more events that occurred after the initial recognition the estimated future cash flows of the instrument have been impacted.

For equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial instruments the objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- evidence that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial instruments, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial instruments measured at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of a held-to-maturity security or receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised as income. An impairment loss recognised in respect of goodwill is not reversed in subsequent periods.

(11) Trade and other receivables

Trade and other receivables are recognized initially at the present value of the expected proceeds and are stated in subsequent periods at amortized cost using the effective interest method less any impairment losses.

(12) 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.

(13) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments are initially recognised at fair value, plus transaction costs, except for instruments at fair value through profit or loss, which are initially measured at fair value. Non-derivative financial instruments are classified into the following categories: financial assets 'at fair value through profit or loss', 'held-to-maturity', 'available-for-sale' and other. The classification depends on the nature and purpose of the financial instrument and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument.

Financial assets at fair value through profit or loss

Financial instruments are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss upon initial recognition.

A financial instrument is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial instrument other than a financial instrument held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial instrument forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial instruments at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described below.

Held-to-maturity

Debt securities with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment.

Available-for-sale financial instruments

Equity securities held by the Company that are traded in an active market are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described below. Gains and losses arising from changes in fair value are recognised directly in equity with the exception of impairment losses and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the instrument is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Other financial instruments

Other financial instruments include instruments that have fixed or determinable payments that are not quoted in an active market. Other financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Derecognition of financial instruments

The Company derecognises a financial instrument when the contractual rights to the cash flows from the asset expire; or it transfers the financial instrument and substantially all the risks and rewards of ownership of the instrument to another entity.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred instrument, the Group recognises its retained interest in the instrument and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial instrument, the Company continues to recognise the financial instrument and also recognises a collateralised borrowing for the proceeds received.

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative instrument is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Hedge accounting

The Company designates certain hedging instruments, which include derivatives, embedded derivatives and nonderivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged items.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedge risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the income statement relating to the hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are reported in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in equity are transferred to profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in equity are transferred from equity and included in the initial measurement of the asset or liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss recognised in equity remains in equity until the forecast transaction is recorded in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is transferred immediately to profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses presented in the foreign currency translation reserve are recognised in profit or loss on disposal of the foreign operation.

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial instruments with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial instruments (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and
- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

(14) Provisions

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

The Company establishes provisions for environmental damage, legal disputes, penalties and estimated expenditures related to the fulfillment of obligations as a result of warranty claims. No provisions are established in respect of environmental damages which occurred prior to establishment of the Company as the Czech government contractually committed to reimburse the Company for clean-up costs.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. Future operating costs are not provided for.

In accordance with the Company's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised when the land is contaminated.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(15) 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.

(16) Long-term service benefits

The Company's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield at the balance sheet date on AAA credit rated bonds that have maturity dates approximating to the terms of the Company's obligations.

Retirement benefits and jubilee bonuses

Under the Company's remuneration plans, its employees are entitled to jubilee bonuses and retirement benefits. The jubilee bonuses are paid to employees after elapse of a defined number of years in service. The retirement benefits are paid once at retirement. The amount of retirement benefits and jubilee bonuses depends on the number of years of service and an employee's average remuneration. The Company does not assign assets which would be used for future retirement or jubilee liabilities. The Company creates a provision for future retirement benefits and jubilee bonuses in order to allocate costs to relevant periods. In accordance with IAS 19, jubilee bonuses are long-term employee benefits and retirement benefits are classified as post-employment benefit plans. The present value of those liabilities is estimated at the end of each reporting period and adjusted if there are any material indications impacting the value of the liabilities. The accumulated liabilities equal discounted future payments, considering employee rotation. Demographic data and information on employee rotation are based on historical records. Actuarial gains and losses are recognized in the profit and loss.

(17) Non-current assets held for sale

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

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

- A decision on initiation of the sale was adopted by the Company's management;
- The assets are available for an immediate sale in their present condition;
- An active program to locate a buyer has been initiated;
- The sale transaction is highly probable and can be completed within 12 months following the sale decision.

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, investment property, which continue to be measured in accordance with the Company's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

(18) Share capital

Ordinary shares are classified as equity.

(19) Contingent liabilities and receivables

Contingent liabilities are defined as obligations that arise from past events and which are dependent on occurrence or non-occurrence of some uncertain future events. Contingent liabilities are not recognized in the balance sheet however the information on contingent liabilities is disclosed unless the probability of outflow of resources relating to economic benefits is remote.

Contingent liabilities acquired as the result of a business combination are recognized as provisions in the balance sheet.

Contingent receivables are not recognized in the balance sheet however the respective information on the contingent receivable is disclosed if the inflow of assets relating to economic benefits is probable.

4. Revenue

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

	2007	2006
Fees for use of land		
Domestic	90,296	89,047
Revenue from services		
Domestic	192,613	88,681
Total revenue	282,909	177,728

5. Business segments

The Company operates within one segment. It recognises fees for use of land and revenue from providing services to subsidiaries and jointly controlled entity located in the Czech Republic.

6. Analysis of expenses according to their nature

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

2007	Cost of sales	Administrative expenses	Other operating income/ (expenses)	Total
Materials consumed and energy	(4,427)	(7,658)	--	(12,085)
Repairs and maintenance	(740)	(1,283)	--	(2,023)
Services related to administration of investments in subsidiaries	--	(27,307)	--	(27,307)
Advertising expense	(47,559)	--	--	(47,559)
Legal services	(9,599)	(16,647)	--	(26,246)
Advisory services	(7,971)	(11,935)	--	(19,906)
Operating leases	(4,810)	(8,341)	--	(13,151)
Travel expense	(3,207)	(5,405)	--	(8,612)
Telecommunication fees	(1,224)	(2,123)	--	(3,347)
Representation cost	(1,469)	(2,548)	--	(4,017)
Other services	(27,750)	(37,232)	--	(64,982)
Staff cost including remuneration of board members	(72,060)	(124,977)	--	(197,037)
Depreciation	(2,591)	(4,470)	--	(7,061)
Amortization	(87)	(150)	--	(237)
Impairment of PPE (recognised)/ released	--	--	80	80
Impairment to trade receivables (recognised) /released	--	--	(441)	(441)
Profit/(loss) on disposal of PPE	--	--	2,892	2,892
Insurance	--	--	(2,821)	(2,821)
Other expense	--	(64,867)	(24,573)	(89,440)
Other income	--	--	14,439	14,439
Total operating expense	(183,494)	(314,943)	(10,424)	(508,861)
Revenue				282,909
Operating loss before financing costs				(225,952)

2006	Cost of sales	Administrative expenses	Other operating income/ (expenses)	Total
Materials consumed and energy	(1,907)	(8,017)	--	(9,924)
Repairs and maintenance	(496)	(2,085)	--	(2,581)
Services related to administration of investments in subsidiaries	--	(45,418)	--	(45,418)
Advertising expense	(44,459)	--	--	(44,459)
Legal services	(5,077)	(21,339)	--	(26,416)
Advisory services	(8,186)	(34,404)	--	(42,590)
Operating leases	(3,298)	(13,862)	--	(17,160)
Travel expense	(1,173)	(4,931)	--	(6,104)
Telecommunication fees	(512)	(2,152)	--	(2,664)
Representation cost	(499)	(2,096)	--	(2,595)
Other services	--	(50,259)	--	(50,259)
Staff cost including remuneration of board members	(17,740)	(164,621)	--	(182,361)
Depreciation	(1,043)	(4,385)	--	(5,428)
Amortization	(73)	(306)	--	(379)
Impairment of PPE (recognised)/released	--	--	648	648
Profit/(loss) on disposal of PPE	--	--	1,935	1,935
Fine imposed by European Commission	--	--	(241,507)	(241,507)
Other expense	--	(1,118)	(19,396)	(20,514)
Other income	--	--	2,592	2,592
Total operating expense	(84,463)	(354,993)	(255,728)	(695,184)
Revenue				177,728
Operating loss before financing costs				(517,456)

7. Finance income and finance expenses

	2007	2006
Finance income		
Interest income:		
– other loans and receivables	371,788	437,058
– bank deposits	73,934	10,319
Dividend income	69,077	2,962,755
Foreign exchange gains	16,476	--
Net income from sale of investments in subsidiaries	50,799	69,961
Reversal of impairment on assets classified as held for sale	151,742	--
Other finance income	27,907	4,029
Total finance income	761,723	3,484,122
Finance expenses		
Interest expense:		
– bank overdrafts, loans and borrowings	(269,100)	(407,082)
– finance leases	(12)	--
Borrowing costs recognized in the income statement	(269,112)	(407,082)
Foreign exchange losses	(247,775)	(8,939)
Impairment of assets classified as held for sale	--	(116,301)
Other finance expenses	(16,094)	(3,586)
Total finance expenses	(532,981)	(535,908)
Net finance income	228,742	2,948,214

8. Personnel expenses

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

	Supervisory board members		Boards of directors members	
	2007	2006	2007	2006
Cash benefits	7,184	6,618	2,943	2,872
Non-cash benefits	482	42	588	259
Total	7,666	6,660	3,531	3,131

The number of employees and managers and staff costs for 2007 and 2006 are as follows:

2007	Number of employees*	Wages and salaries	Social and health insurance	Expenses related to benefit plans	Social expense
Employees	62**	127,088	36,161	75	179
Management – Boards of directors	3**	17,391	5,184	245	587
Total	65	144,479	41,345	320	766

* average FTE

** headcount as at year end: employees – 39, Management – Board of directors – 4

2006	Number of employees*	Wages and salaries	Social and health insurance	Expenses related to benefit plans	Social expense
Employees	53**	113,012	39,606	--	617
Management – Boards of directors	4**	14,326	5,014	--	296
Total	57	127,338	44,620	--	913

* average FTE

** headcount as at year end: employees – 69, Management – Board of directors – 4

9. Income tax expense

In 2007 and 2006 the Company incurred tax losses thus there was not any current income tax charge. The income tax expense (2006 – credit) represents solely a deferred tax charge.

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

	2007	2006
Profit/(loss) for the period	(9,121)	2,432,188
Income tax (expense)/credit	(11,911)	1,430
Profit excluding income tax	2,790	2,430,758
Income tax using domestic income tax rate	(670)	(583,382)
Non-deductible expenses	(53,729)	(124,582)
Tax exempt income	65,188	711,452
Current year losses for which no deferred tax asset was recognised	(13,559)	(2,058)
Derecognition of deferred tax assets relating to tax losses of prior years	(9,141)	--
Income tax (expense)/credit	(11,911)	1,430

10. Property, plant and equipment

	Land and buildings	Machinery and equipment	Other	Assets under development	Total
Cost					
Balance as at 1/1/2006	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 31/12/2006	497,311	30,501	161	669	528,642
Additions	162	6,407	--	2,085	8,654
Disposals	(131)	(6,158)	(10)	--	(6,299)
Reclassifications	--	--	--	--	--
Transfer to investment property	(142,393)	--	--	--	(142,393)
Balance as at 31/12/2007	354,949	30,750	151	2,754	388,604
Depreciation					
Balance as at 1/1/2006	--	8,744	--	--	8,744
Charge for the year	--	5,428	--	--	5,428
Disposals	--	(5,498)	--	--	(5,498)
Reclassifications	--	--	--	--	--
Balance as at 31/12/2006	--	8,674	--	--	8,674
Charge for the year	--	7,061	--	--	7,061
Disposals	--	(3,850)	--	--	(3,850)
Reclassifications	--	--	--	--	--
Balance as at 31/12/2007	--	11,885	--	--	11,885
Impairment losses					
Balance as at 1/1/2006	--	--	--	466	466
Impairment losses	--	--	--	--	--
Reversal of impairment losses	--	--	--	--	--
Balance as at 31/12/2006	--	--	--	466	466
Impairment losses	--	--	--	--	--
Reversal of impairment losses	--	--	--	--	--
Balance as at 31/12/2007	--	--	--	466	466
Carrying amount as at 1/1/2006	496,885	14,015	726	1,639	513,265
Carrying amount as at 31/12/2006	497,311	21,827	161	203	519,502
Carrying amount as at 31/12/2007	354,949	18,865	151	2,288	376,253

Major additions to property, plant and equipment in 2007 relate to personnel cars with acquisition cost of CZK 4,900 thousand (2006 – CZK 12,504 thousand).

11. Intangible assets

	Software	Other intangible assets	Total
Cost			
Balance as at 1/1/2006	11,449	8,220	19,669
Additions	--	--	--
Disposals	--	--	--
Reclassifications	--	--	--
Balance as at 31/12/2006	11,449	8,220	19,669
Additions	392	42,552	42,944
Disposals	(256)	--	(256)
Reclassifications	(210)	210	--
Balance as at 31/12/2007	11,375	50,982	62,357
Amortization			
Balance as at 1/1/2006	11,165	7,834	18,999
Charge for the year	146	233	379
Disposals	--	--	--
Reclassifications	--	--	--
Balance as at 31/12/2006	11,311	8,067	19,378
Charge for the year	121	116	237
Disposals	(256)	--	(256)
Reclassifications	--	--	--
Balance as at 31/12/2007	11,176	8,183	19,359
Impairment losses			
Balance as at 1/1/2006	--	386	386
Impairment losses	--	--	--
Reversal of impairment losses	--	(233)	(233)
Balance as at 31/12/2006	--	153	153
Impairment losses	--	--	--
Reversal of impairment losses	--	(80)	(80)
Balance as at 31/12/2007	--	73	73
Carrying amount as at 1/1/2006	284	--	284
Carrying amount as at 31/12/2006	138	--	138
Carrying amount as at 31/12/2007	199	42,726	42,925

Major additions to other intangible assets in 2007 relate to license SAP R3 with acquisition cost of CZK 42,100 thousand.

12. Investment property

Investment property as at 31 December 2007 was as follows:

In connection with the sale of the Company's share in KAUČUK, a.s. the lands leased to KAUČUK, a.s., were transferred from Property, plant and equipment to Investment property. The carrying amount of lands amounted to CZK 142,393 thousand and fair value amounted to CZK 162,955 thousand. The difference was recognised in Equity. Operating costs relating to investment property amounted to CZK 1,190 thousand and rental income to CZK 16,685 thousand in the year 2007.

Future rental income is as follows:

	Less than one year	Between one and five years
Total future rental income	16,068	58,553

13. Investments in subsidiaries and joint – ventures

Investments in subsidiaries and joint – ventures as at 31 December 2007 were as follows:

Name of the entity	Registered office	Cost of investment	Ownership percentage	Impairment	Carrying amount	Dividend income for the period
Subsidiaries						
UNIPETROL RPA, s.r.o.	Litvínov	7,360,335	100.00	--	7,360,335	108
Výzkumný ústav anorganické chemie, a.s.	Ústí nad Labem	59,172	100.00	7,860	51,312	--
UNIPETROL TRADE a.s.	Prague 1	350,000	100.00	350,000	--	--
BENZINA, s.r.o.	Prague 7	4,181,070	100.00	1,922,070	2,259,000	--
UNIPETROL SERVICES, s.r.o.	Litvínov	100,280	100.00	--	100,280	--
UNIPETROL RAFINÉRIE, s.r.o.	Prague	408	100.00	--	408	--
PARAMO, a.s.	Pardubice	388,540	88.03	--	388,540	--
Joint - ventures						
ČESKÁ RAFINÉRSKÁ, a.s. *)	Litvínov	3,872,299	51.225	--	3,872,299	68,161
Butadien Kralupy a.s.	Kralupy	85,694	51.00	--	85,694	--
Total		16,397,798	--	2,279,930	14,117,868	68,269

*) 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 2007 amounts to CZK 69,077 thousand. It includes dividend income of CZK 68 269 thousand per the table above, dividends received from CELIO a.s. of CZK 700 thousand, UNIPETROL DOPRAVA, s.r.o. CZK 28 thousand and POLYMER INSTITUTE BRNO, spol. s r.o. CZK 80 thousand.

Increase of share capital in UNIPETROL SERVICES, s.r.o.

The share capital in subsidiary UNIPETROL SERVICES, s.r.o. (previously Meliba Estates, s.r.o.) was increased in amount of CZK 100,000 thousand.

Sale of shares in KAUČUK, a.s. (SYNTHOS Kralupy 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. On 19 July 2007 the shares were transferred to the purchaser and subsequently the purchase price was settled. The negative sale impact of CZK 116,301 thousand was reflected in impairment recognized in 2006.

Share in Butadien Kralupy a.s.

On 10 July 2007 UNIPETROL, a.s., KAUČUK, a.s. and FIRMA CHEMICZNA DWORY S.A. executed the joint venture agreement for purposes of the development and operation of the new butadiene unit in the industrial area in Kralupy nad Vltavou. Pursuant to the agreement of the contractual parties, the construction of the new butadiene unit will be realized through the company Butadien Kralupy a.s., in which 51% of shares is owned by UNIPETROL, a.s. and 49% of shares is owned by SYNTHOS Kralupy a.s. (previously KAUČUK, a.s.). The acquisition cost for 51% share in Butadien Kralupy a.s. amounted to CZK 85,694 thousand.

Merger between CHEMOPETROL, a.s., UNIPETROL RAFINÉRIE a.s. and UNIPETROL RPA, s.r.o.

On 1 August 2007 CHEMOPETROL, a.s. and UNIPETROL RAFINÉRIE, a.s. as dissolving companies merged by acquisition into UNIPETROL RPA, s.r.o. (previously Steen Estates s.r.o.) with its registered office at Litvínov - Záluží 1, as succeeding company.

As a result of the subject merger by acquisition:

- CHEMOPETROL, a.s. and UNIPETROL RAFINÉRIE, a.s. were wound up without liquidation and dissolved; and
- Assets and liabilities of these companies including the rights and obligations from labor law relationships, passed to UNIPETROL RPA, s.r.o.

UNIPETROL RPA, s.r.o. as a successor of wound up CHEMOPETROL, a.s. and UNIPETROL RAFINÉRIE, a.s. is a limited liability company with UNIPETROL, a.s. as its sole member.

Purchase of shares of PARAMO, a.s.

On 9 November 2007 UNIPETROL, a.s., as a purchaser and MEI-Tsjechië en Slowakije Fonds N.V., MIDDEN EUROPESE BELEGGINGSMAATSCHAPPIJ S.A. and BLUE MOUNTAIN, s.r.o., as sellers, executed the Share Purchase Agreements on purchase by UNIPETROL, a.s. from companies of the MEI Group of 14.51% shares of PARAMO, a.s. The aggregate purchase price amounts to CZK 241,303,750. The transfer of the shares of PARAMO, a.s. from companies of the MEI Group to UNIPETROL, a.s. was effective on 23 November 2007.

Purchase of shares of ČESKÁ RAFINÉRSKÁ, a.s.

On 14 November 2007, UNIPETROL, a.s. as a purchaser and CONOCOPHILLIPS CENTRAL AND EASTERN EUROPE HOLDINGS B.V. as a seller executed the Share Purchase Agreement on purchase of shares of ČESKÁ RAFINÉRSKÁ, a.s., representing the 0.225% share in the registered capital of ČESKÁ RAFINÉRSKÁ, a.s.. The transaction was settled on 30 November 2007.

Increase of share capital in BENZINA, s.r.o.

The share capital in subsidiary BENZINA, s.r.o. was increased in amount of CZK 960,000 thousand.

Investments in subsidiaries and joint – ventures 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
Subsidiaries						
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.	Prague 1	350,000	100.00	350,000	--	--
BENZINA a.s.	Prague 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	--
Steen Estates s.r.o.	Prague	280	100.00	--	280	--
Meliba Estates s.r.o.	Prague	280	100.00	--	280	--
Joint - ventures						
ČESKÁ RAFINÉRSKÁ, a.s. *)	Litvínov	3,778,754	51.00	--	3,778,754	124,505
Total		14,916,294	--	2,279,930	12,636,364	2,474,240

*) 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 amounted to CZK 2,962,755 thousand. It includes dividend income of CZK 2,474,240 thousand per the table above, dividends received from KAUCUK, a.s. of CZK 486,595 thousand and dividend received from CELIO a.s. of CZK 1,920 thousand.

14. Other investments

Other investments as at 31 December 2007 were as follows:

Company	Registered office	Cost of investment	Ownership percentage	Dividend income for the period	Carrying amount
ORLEN MALTA HOLDING	La Valetta	522	--	--	522
Spolek pro chemickou a hutní výrobu, akciová společnost	Ústí nad Labem	0.2	--	--	0.2
UNIPETROL DOPRAVA, s.r.o.	Litvínov	1,799	0.12	28	1,799
UNIRAF SLOVENSKO, s.r.o.	Bratislava	95	13.04	--	95
PETROTRANS, s.r.o.	Prague 12	780.8	0.625	--	780.8
POLYMER INSTITUTE BRNO, spol. s r.o.	Brno	954	1	80	954
Total		4,151		108	4,151

Other investments as at 31 December 2006 were as follows:

Company	Registered office	Cost of investment	Ownership percentage	Dividend income for the period	Carrying amount
AGROBOHEMIE a.s.	Prague 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
Total		852,558	--	35,442	817,116

15. Assets classified as held for sale

Non-current assets held for sale as at 31 December 2007 were as follows:

	31/12/2007	31/12/2006
50% shares in AGROBOHEMIE a.s.	507,600	--
38.79% shares in Synthesia, a.s.	344,436	--
100% of shares in KAUCUK, a.s.	--	5,346,525
10.5% of shares in CELIO a.s.	1,093	1,093
Total	853,129	5,347,618

The sale of shares in 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 million 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 above mentioned claim for contractual penalties, namely that UNIPETROL, a.s. breached its obligation to sign the share transfer agreements.

Further to a receipt of legal actions, UNIPETROL, a.s. adopted appropriate measures in order to protect the interests of UNIPETROL, a.s. At the same time UNIPETROL, a.s. continued in negotiations with DEZA, a.s. in order to achieve the out-of-court settlement of the mutual disputes. In July 2007, UNIPETROL, a.s. and DEZA, a.s. agreed on a temporary suspension of the pending court proceedings initiated by DEZA, a.s.

Following their mutual negotiations over the course of the past two years UNIPETROL, a.s. and DEZA, a.s. signed on 31 October 2007 an agreement on the out-of-court settlement of the above mentioned disputes. Under this settlement agreement DEZA, a.s. has undertaken (i) to withdraw its above mentioned legal actions filed against UNIPETROL, a.s. and (ii) not seek payment of any contractual penalties and/or damages by UNIPETROL, a.s. At the same time UNIPETROL, a.s. has agreed to sell to DEZA, a.s. its shares in AGROBOHEMIE a.s. and Synthesia, a.s., respectively, for the purchase price the amount of which will be determined on the basis of a valuation issued by a reputable expert agreed by both UNIPETROL, a.s. and DEZA, a.s.

Over a long-time period UNIPETROL, a.s. has had none or very limited information about business and economic situation of both AGROBOHEMIE a.s. and Synthesia, a.s. Further UNIPETROL, a.s. has not had any information about the plans of future business development of both AGROBOHEMIE a.s. and Synthesia, a.s. and influence on the management of both AGROBOHEMIE a.s. and Synthesia, a.s. Both AGROBOHEMIE a.s. and Synthesia, a.s. do not constitute, from the perspective of the strategy of UNIPETROL, a.s. its core business or a core business of UNIPETROL, a.s. subsidiaries. As of today UNIPETROL, a.s. has not received any dividends from AGROBOHEMIE a.s. and Synthesia, a.s.

In the context of negotiations with DEZA, a.s., UNIPETROL, a.s. has obtained several external expert valuations of its shares in AGROBOHEMIE a.s. and Synthesia, a.s. Although these valuations are based on limited and incomplete information concerning AGROBOHEMIE a.s., Synthesia, a.s. and their respective subsidiaries due to a limited access to such information, the Board of Directors of UNIPETROL, a.s. has been able to use these valuations so as to assess reasonableness of carrying amounts of UNIPETROL, a.s. shareholding in AGROBOHEMIE a.s. and in Synthesia, a.s., respectively.

Based on above stated circumstances the shares in AGROBOHEMIE a.s. and Synthesia, a.s. are presented as assets held for sale as at 31 December 2007.

On 18 January 2008 the transfer of 50% of shares in AGROBOHEMIE a.s. and 38.79% of shares in Synthesia, a.s. was closed. The purchase price for the AGROBOHEMIE a.s. shares amounted in total to CZK 503,000 thousand and for the Synthesia, a.s. shares – to CZK 680,000 thousand.

Following the closing of the transfer of the shares of AGROBOHEMIE a.s. and Synthesia, a.s. by UNIPETROL, a.s. to DEZA, a.s., the settlement agreement became final. As a result, all outstanding disputed claims between UNIPETROL, a.s. and DEZA, a.s., were settled i.e. the risk on a part of UNIPETROL, a.s. relating to a payment to DEZA, a.s. of a high contractual penalty and to potential legal defects of the sale of shares of AGROBOHEMIE a.s. and Synthesia, a.s. was eliminated. On 22 January DEZA, a.s. withdrew the two legal actions from the Prague court. The respective court resolutions by which the court proceeding has been terminated, become effective as of April 14, 2008.

The sale of shares in CELIO a.s.

The Company's investment in CELIO a.s. is classified as a current asset held for sale since its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The Company approved a plan to sell its investment in CELIO a.s. The carrying amount of the investment totals CZK 1,093 thousand.

16. Non-current loans to subsidiaries

Non-current loans provided to subsidiaries as at 31 December 2007 were as follows:

Company	Effective interest rate	Maturity date	Currency	Carrying amount 31/12/2007	Fair value 31/12/2007
UNIPETROL RPA, s.r.o.	6M PRIBOR*	29.6.2012	CZK	332,756	332,756
UNIPETROL RPA, s.r.o.	6M PRIBOR*	16.7.2012	CZK	450,263	450,263
UNIPETROL RPA, s.r.o.	6M PRIBOR*	15.8.2012	CZK	287,699	287,699
BENZINA, s.r.o.	9.97%	28.12.2013	CZK	2,000,000	2,535,754
Total				3,070,718	

* 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 (see Note 19).

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 31/12/2006
CHEMOPETROL, a.s.	6M EURIBOR*	29.6.2012	EUR	427,829	427,829
CHEMOPETROL, a.s.	6M EURIBOR*	16.7.2012	EUR	559,554	559,554
CHEMOPETROL, a.s.	6M LIBOR*	15.8.2012	USD	361,982	361,982
BENZINA a.s.	9.97%	28.12.2013	CZK	2,000,000	2,671,883
Total				3,349,365	

* Interest rate increases by the agreed margin.

17. Non-current receivables

Non-current receivables from subsidiaries include a receivable from UNIPETROL TRADE a.s., acquired by the Company in 2001 from Credit Lyonnais bank Prague, a.s. and Credit Lyonnais bank Slovakia, a.s. The receivable is payable in installments out of which the last one is due on 31 December 2017. It is denominated in CZK. The carrying amount of the receivable as of 31 December 2007 is CZK 95,716 thousand (2006: CZK 110,602 thousand). The nominal value of the receivable is CZK 378,000 thousand as of 31 December 2007 (2006: CZK 396,354 thousand).

18. Trade and other receivables

	31/12/2007	31/12/2006
Trade accounts receivable	468,652	166,409
Other receivables	131,645	131,204
Impairment losses – other receivables	(131,645)	(131,204)
Total accounts receivable	468,652	166,409

The management considers 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	31/12/2007	31/12/2006
CZK	349,594	160,490
EUR	23,255	5,691
USD	94,687	228
Other currencies	1,116	--
Total accounts receivable	468,652	166,409

Ageing of past due but not impaired

Not impaired trade receivables	31/12/2007	31/12/2006
60-90 days	--	14
90-180 days	1,981	809
180+ days	190	818
Total	2,171	1,641

Movement in the allowance for doubtful debts

	31/12/2007	31/12/2006
Balance at beginning of the year	131,204	131,620
Impairment losses recognized on receivables	523	--
Reversal of impairment losses	(82)	(416)
Balance at end of the year	131,645	131,204

19. Current loans to subsidiaries

Current loans provided to subsidiaries as at 31 December 2007 and 31 December 2006 are as follows:

Company name	Effective interest rate	Currency	Carrying amount 31/12/2007	Fair value 2007	Carrying amount 31/12/2006	Fair value 2006
Current portion of non-current loans						
UNIPETROL RPA, s.r.o.	6M EURIBOR*	EUR	--	--	220,065	220,065
UNIPETROL RPA, s.r.o.	6M LIBOR*	USD	--	--	82,162	82,162
UNIPETROL RPA, s.r.o.	6M PRIBOR*	CZK	95,300	95,300	--	--
UNIPETROL RPA, s.r.o.	6M PRIBOR*	CZK	122,633	122,633	--	--
UNIPETROL RPA, s.r.o.	6M PRIBOR*	CZK	76,993	76,993	--	--
BENZINA, s.r.o.	9.97%	CZK	208,427	242,870	242,985	324,614
BENZINA, s.r.o.	6M PRIBOR*	CZK	9,715	9,715	--	--
BENZINA, s.r.o.	8.92%	CZK	--	--	1,275,726	1,289,269
Current loans						
UNIPETROL RPA, s.r.o.	1M PRIBOR*	CZK	--	--	850,000	850,000
UNIPETROL RPA, s.r.o.	PRIBOR*	CZK	1,545,165	1,545,165	--	--
UNIPETROL RPA, s.r.o.	PRIBOR*	CZK	565,861	565,861	--	--
BENZINA, s.r.o.	PRIBOR*	CZK	4,215	4,215	--	--
BENZINA, s.r.o.	PRIBOR*	CZK	30,458	30,458	--	--
BENZINA, s.r.o.	PRIBOR*	CZK	61,400	61,400	--	--
PARAMO, a.s.	PRIBOR*	CZK	156,568	156,568	--	--
SPOLANA a.s.	1M PRIBOR*	CZK	--	--	600,000	600,000
BENZINA, s.r.o.	PRIBOR*	CZK	990,105	990,105	450,000	450,000
UNIPETROL TRADE a.s.	PRIBOR*	CZK	18,354	18,354	--	--
UNIPETROL TRADE a.s.	PRIBOR*	CZK	9,765	9,765	--	--
UNIPETROL TRADE a.s.	EURIBOR*	EUR	118,608	118,608	--	--
UNIPETROL TRADE a.s.	3M EURIBOR*	EUR	--	--	109,980	109,980
Total			4,013,567		3,830,918	

*) Interest rate is increased by the agreed margin.

20. 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. 21% in 2008, 20% in 2009 and 19% in 2010 and onwards).

The movement for the year 2007 in the Company's net deferred tax position was follows:

	2007
At 1 January	11,911
Income tax expense	(11,911)
Tax charged to equity	--
At 31 December	--

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

Deferred tax liabilities	1/1/2007	(Charged)/credited to profit/(loss) for the period	(Charged)/credited to equity	31/12/2007
Property, plant and equipment	(930)	260	--	(670)
Finance lease	--	(5)	--	(5)
Total deferred tax liabilities	(930)	255	--	(675)

Deferred tax assets	1/1/2007	(Charged)/credited to profit / (loss) for the period	(Charged)/credited to equity	31/12/2007
Unused tax losses carried forward	10,336	(10,336)	--	--
Other	2,505	(1,830)	--	675
Total deferred tax assets	12,841	(12,166)	--	675

Deferred income tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	31/12/2007	31/12/2006
Deferred tax asset	675	12,841
Deferred tax liability	(675)	(930)
Net	--	11,911

Deferred income tax assets are recognised for tax loss and deductible temporary differences carried forward to the extent that realisation of the related tax benefit through the future taxable profit is probable.

Details of the tax assets not recognised are summarised in the following table:

	31/12/2007
Unused tax losses	19,807
Deductible temporary differences	2,447
Deferred tax asset	22,254

21. Cash and cash equivalents

	31/12/2007	31/12/2006
Cash in hand	49	34
Cash at bank	1,507,362	40,278
Short-term bank deposits	764,612	975,874
Total	2,272,023	1,016,186

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.

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

Denominated in	31/12/2007	31/12/2006
CZK	2,187,350	992,417
EUR	51,732	14,445
USD	32,941	9,324
Total cash and cash equivalents	2,272,023	1,016,186

22. Share capital

The issued capital of the Company as at 31 December 2007 was CZK 18,133,476 thousand (2006: CZK 18,133,476 thousand). This represents 181,334,764 (2006: 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. 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.

	31/12/2007	31/12/2006
Reserve fund	1,391,365	1,269,756
Other funds	27,990	7,429
Total	1,419,355	1,277,185

24. Retained earnings and dividends

Dividends

In accordance with appropriate Czech law, dividends can be paid from non-consolidated profit of the Company. Annual General Meeting of Shareholders, held on 28 June 2007 decided about distribution of the non-consolidated profit of UNIPETROL, a.s. for the year ended 31 December 2006 to the reserve fund and retained earnings.

The decision regarding dividends and compensation of 2007 loss will be made on Annual General Meeting of Shareholders, which will be held in May/June 2008.

25. Non-current loans and borrowings

Non-current interest-bearing borrowings as at 31 December 2007 were as follows:

Creditor	Currency	Balance at 31/12/2007	Fair value at 31/12/2007	Effective interest rate	Form of collateral
Long-term bonds – Issue I.	CZK	2,000,000	2,560,665	9.82%	Unsecured
Total		2,000,000			

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

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
Total		2,000,000			

*) 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.

Carrying amount of bonds as at 31 December 2007 totals CZK 2,204,666 thousand out of which short term part described in the section 28 amounts to CZK 204,666 thousand.

Debt repayment schedule:

Due date	Due over 5 years
Non-current loans and borrowings as at 31. December 2007	2,000,000
Non-current loans and borrowings as at 31. December 2006	2,000,000

26. Trade and other payables and accruals

	31/12/2007	31/12/2006
Trade payables	122,133	159,716
Other payables	55,860	241,928
Social security and other taxes	48,601	24,845
Total accounts payable	226,594	426,489

The average credit period for trade purchases is 21 days.

The management consider that the carrying amount of trade payables approximate their fair value.

Denominated in	31/12/2007	31/12/2006
CZK	223,360	373,195
EUR	2,328	32,286
USD	181	21,008
Other currencies	725	--
Total accounts receivable	226,594	426,489

As of 31 December 2007 and 2006, 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.

27. Current loans and borrowings

Current loans and borrowings as at 31 December 2007 were as follows:

Creditor	Currency	Balance at 31/12/2007	Fair value at 31/12/2007	Effective interest rate	Form of collateral
Current portion of non-current loans and borrowings					
Long-term bonds – Issue I.	CZK	204,666	243,332	9.82%	Unsecured
Current loans from subsidiaries - Cash-pool					
UNIPETROL RPA, s.r.o.	CZK, EUR, USD	270 037	270 037	o/n PRIBOR*, EURIBOR*, LIBOR*	Unsecured
UNIPETROL TRADE a.s.	CZK, EUR, USD	15 841	15 841	o/n PRIBOR*, EURIBOR*, LIBOR*	Unsecured
UNIPETROL DOPRAVA, s.r.o.	CZK, EUR	3 096	3 096	o/n PRIBOR*, EURIBOR*	Unsecured
UNIPETROL SERVICES, s.r.o.	CZK, EUR	2 031	2 031	o/n PRIBOR*, EURIBOR*	Unsecured
BENZINA, s.r.o.	CZK, EUR	95	95		
Total		495,766			

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

During the year the Company concluded Cash-pooling agreements with following banks and subsidiaries:

Banks: Citibank a.s., ING, a.s. and Česká spořitelna, a.s.

Subsidiaries: UNIPETROL RPA, s.r.o., BENZINA, s.r.o., PARAMO, s.r.o., UNIPETROL DOPRAVA, s.r.o., UNIPETROL TRADE a.s., PETROTRANS, s.r.o. and UNIPETROL SERVICES, s.r.o.

Cash on bank accounts with above mentioned banks is pooled between the Company and subsidiaries listed above. The agreements enable to take bank overdrafts at the maximum amount of CZK 1,000,000 thousand at each bank. Interest income/expense is calculated from pooled balance and subsequently divided between the participants. Total liabilities from Cash-pooling amount to CZK 291,100 thousand as at 31. December 2007.

During the year ended 31 December 2007 the Company repaid part of loans at the amount of CZK 2,640,111 thousands presented as Current portion of non-current loans and borrowings as at 31 December 2006.

Current loans 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
Current portion of non-current loans and borrowings					
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	238,644	319,791	9.82%	Unsecured
Long-term bonds – Issue II.	CZK	1,273,933	1,289,269	8.70%	Unsecured
Total		2,640,111			

*) 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 matured 8 years from the issue date at their nominal value of CZK 1,300,000 thousand and were repaid in April 2007.

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.

The analysis of current loans and borrowings by currency of denomination is as follows (in CZK thousands):

Denominated in	31/12/2007	31/12/2006
CZK	442,122	1,512,577
EUR	32,636	683,725
USD	21,008	443,809
Total current loans and borrowings	495,766	2,640,111

28. Operating leases

The Company as a lessee

Operating lease arrangements

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

Non-cancellable operating lease commitments

	Minimum lease payments	
	31/12/2007	31/12/2006
Not later than one year	10,300	9,075
Later than one year and not later than five years inclusive	34,000	7,092
Total	44,300	16,167

The Company leases offices and information technology under operating leases. Payments recognised as an expense amounted to CZK 13,151 thousand in 2007 and to CZK 17,160 thousand in 2006.

29. Commitments and contingencies

(a) Contingent liabilities related to the sale of shares in KAUČUK, a.s.

Determination of Liability for Impacts of Operation of KAUČUK, a.s. on Environment

The environmental audit of plots of land owned by the Company and used by KAUČUK, a.s. was performed for purposes of determination of liability of contractual parties arising from existing or future impacts of KAUČUK, a.s. operation on the environment. Simplifying somewhat, the share purchase agreement provides that liability for the environmental conditions originating prior to the closing of the transaction lies with the Company and liability for the environmental conditions originating after the closing of the transaction lies with Dwory. Liability of the contractual parties for the environmental conditions is limited up to 10% of the purchase price for the shares (and by 5 years).

Execution of Agreement on Pre-emptive Right to Plots of Land Owned by UNIPETROL and Used by KAUČUK, a.s. for Its Operations

On 10 July 2007 the Company and KAUČUK, a.s. executed the agreement pursuant to which UNIPETROL undertook to create in favor of KAUČUK, a.s. the pre-emptive right in rem and other rights to certain plots of land owned by the Company in industrial area in Kralupy nad Vltavou which are used by KAUČUK, a.s. for its operations. The share purchase agreement anticipates that the sale of the subject plots of land will be realized after satisfaction of all administrative, operational and legal conditions necessary for a split of parts of industrial area in Kralupy nad Vltavou.

Apart from the foregoing, the sale of shares of KAUČUK, a.s. owned by the Company to Dwory was based on the following major principles, among others:

- uninterrupted operation of the present butadiene unit;
- contractual satisfaction of supplies of energies, steam, water and other services within the industrial area in Kralupy nad Vltavou which are at present provided by KAUČUK, a.s. to ČESKÁ RAFINÉRSKÁ, a.s.; and
- continuation of all important agreements with the companies of Unipetrol Group and further operation of the energy unit.

(b) Contingent liabilities related to the sale of shares in SPOLANA a.s.

The purchase price in accordance with the share purchase agreement entered into in 2006 between the Company and Zakłady Azotowe ANWIL Spółka Akcyjna, may be subject to price adjustments which would result mainly on the occurrence of any of the following events:

(i) Environmental guarantees provided by the National Property Fund of the Czech Republic will not be sufficient for compensation of costs for the environmental damage remediation of the Old Amalgam Electrolysis project.

In this case the Company will be obligated to financially indemnify Anwil up to 40% of the purchase price provided that all necessary steps will have been taken by Anwil and SPOLANA a.s. without success for obtaining additional funds for this purpose.

(ii) Other potential obstacles in future operation of SPOLANA a.s.

In this case, the Company will be obligated to financially indemnify Anwil up to 1–3% of the purchase price.

30. Related parties

Ultimate controlling party

During 2007 a majority (62,99%) of the Company's shares were in possession of POLSKI KONCERN NAFTOWY ORLEN S.A.

Transaction with subsidiaries, joint - ventures and other related parties:

	31/12/2007				31/12/2006			
	PKN ORLEN	Entities under control or significant influence of the Company	Entities under control or significant influence of PKN ORLEN	Other related parties	PKN ORLEN	Entities under control or significant influence of the Company	Entities under control or significant influence of PKN ORLEN	Other related parties
Current assets	--	4,288,217	270	--	659	3,352,229	601,871	--
Non-current assets	--	3,166,434	--	--	--	3,459,967	--	--
Current liabilities	335	306,771	370	--	659	3,208	--	--
Revenues	8,194	271,387	230	--	659	166,958	769	363
Expenses	3,766	27,307	359	--	8,834	26,673	238	629
Sales of financial assets	--	--	--	--	--	--	640,383	--
Purchases of PPE	--	--	--	--	--	--	--	185
Dividend income	--	69,077	--	--	--	2,960,946	--	--
Interest income	--	369,977	1,860	--	--	434,784	1,958	--
Other financial income	--	1,475	--	--	--	3,885	--	1

31. Risk management

Capital risk management

The Company manages its capital to ensure that entities in Unipetrol Group will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2006.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 25 and 27, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 21, 22 and 23 respectively.

The net debt to equity ratio at the year end was as follows:

	31/12/2007	31/12/2006
Debt (i)	2,204,873	4,640,111
Cash and cash equivalents	2,272,023	1,016,186
Net debt	(67,150)	3,623,925
Equity (ii)	22,760,976	22,749,536
Net debt to equity ratio (in %)	(0.30)	15.93

(i) Debt is defined as long- and short-term borrowings, as detailed in note 26 and 28 and financial leasing

(ii) Equity includes all capital and reserves of the Company

Currency risk management

The currency risk arises most significantly from the exposure of loans to subsidiaries denominated in foreign currencies (see notes 16 and 19). Currency risk is mostly covered by natural hedging with bank loans and borrowings (see notes 25 and 27) denominated in the same currencies.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	USD	EUR
Assets	127,628	193,595
Liabilities	21,189	34,964
Net exposure	106,439	158,631

Detailed analysis of monetary assets and liabilities denominated in foreign currencies are presented in following notes:

- Note 16 Non-current loans to subsidiaries
- Note 17 Non-current receivables from subsidiaries
- Note 18 Trade and other receivables
- Note 19 Current loans to subsidiaries
- Note 21 Cash and cash equivalents
- Note 25 Non-current loans and borrowings
- Note 26 Trade and other payables and accruals
- Note 27 Current loans and borrowings

Currency sensitivity analysis

The following table details the Company's sensitivity to a 10% increase and decrease in the CZK against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes external loans as well as loans to foreign operations where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit where the CZK strengthens 10% against the relevant currency. For a 10% weakening of the CZK against the relevant currency, there would be an equal and opposite impact on the profit.

	CZK/USD Impact		CZK/EUR Impact	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Profit or loss/equity	10,644	(15,670)	15,863	(13,170)

Interest rate risk management

The Company has adopted a Debt Policy, which fully covers interest rate risk as well as transferring of external financial sources to subsidiaries. These external financial sources are transferred with similar conditions and interest rates including a mark up (see note 25). There are no loans and borrowings used for Company's own purposes.

Credit risk management

The Company has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Loans to subsidiaries (notes 16 and 19) and receivables (notes 17 and 18) principally consist of amounts due from Group companies. The Company does not require collateral in respect of these financial assets. At the balance sheet date there was a significant concentrations of credit risk that is shown in notes 15 and 19. The Company's management monitors the most significant debtors and assesses their creditworthiness. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate liquid funds, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk tables

The following table details the Company's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

Expected maturity of non-derivative financial assets:

	Total	Less than 3 months	3–12 months	More than 1 year
31/12/2007				
Non-current assets				
Loans to subsidiaries	3,070,718			3,070,718
Receivables from subsidiaries	95,716			95,716
Current assets				
Trade and other receivables	468,652	468,652		
Loans to subsidiaries	4,013,567	3,826,248	187,409	
Cash and cash equivalents	2,272,023	2,272,023		
Total	9,920,676	6,566,923	187,409	3,166,434
31/12/2006				
Non-current assets				
Loans to subsidiaries	3,349,365			3,349,365
Receivables from subsidiaries	110,602			110,602
Current assets				
Trade and other receivables	166,409	166,409		
Loans to subsidiaries	3,830,918	2,161,093	1,669,825	
Income tax receivables	3,064		3,064	
Cash and cash equivalents	1,016,186	1,016,186		
Total	8,476,544	3,343,688	1,672,889	3,459,967

Contractual maturity of non-derivative financial liabilities:

	Total	Less than 3 months	3–12 months	More than 1 year
31/12/2007				
Non-current liabilities				
Loans and borrowings	2,000,000	--	--	2,000,000
Finance lease liability	207	--	--	207
Current liabilities				
Trade and other payables	226,594	226,594	--	--
Loans and borrowings	495,766	291,100	204,666	--
Total	2,722,567	517,694	204,666	2,000,207
31/12/2006				
Non-current liabilities				
Loans and borrowings	2,000,000	--	--	2,000,000
Current liabilities				
Trade and other payables	426,489	426,489	--	--
Loans and borrowings	2,640,111	1,127,534	1,512,577	--
Total	5,066,600	1,554,023	1,512,577	2,000,000

32. Past environmental liabilities

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 contracts:

In CZK million	Total amount of funds to be provided	Used funds as at 31/12/2007	Unused funds as at 31/12/2007
UNIPETROL, a.s./premises of UNIPETROL RPA, s.r.o.	6,012	1,850	4,162
UNIPETROL, a.s./premises of KAUČUK, a.s.	4,244	11	4,200
Total	10,256	1,861	8,362

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
Total	10,256	1,737	8,499

33. Significant post balance sheet events

Agreement with DEZA, a.s.

On 18 January 2008 the transfer of 50% of shares of AGROBOHEMIE a.s and 38.79% of shares of Synthesia a.s. was completed. For further information see note 15.

Changes in Supervisory Board

On 28 March 2008, the UNIPETROL Supervisory Board appointed Wojciech Heydel substitute Supervisory Board Member until the nearest UNIPETROL General Meeting. Supervisory Board recalled Piotr Kownacki, the Chairman of the Supervisory Board, from his office, he still remains the Supervisory Board member. Wojciech Heydel was subsequently elected the Chairman of the Supervisory Board. The Unipetrol Supervisory Board acknowledged Rafał Kapler's resignation from his office of Member of the UNIPETROL Supervisory Board.

Signature of statutory representatives

15 April 2008



François Vleugels
Chairman of the Board of Directors



Wojciech Ostrowski
Vice-Chairman of the Board of Directors

Consolidated balance sheet

prepared in accordance with International Financial Reporting Standards

As at 31 December 2007 (in thousands of Czech crowns)

	Note	31 December 2007	31 December 2006 restated
ASSETS			
Non-current assets			
Property, plant and equipment	12	35,856,892	34,096,547
Investment property	13	162,955	—
Intangible assets	14	1,690,412	1,656,404
Goodwill	15	51,595	—
Other investments	16	73,916	3,710,018
Non-current receivables	17	152,220	202,398
Derivative financial instruments	18	—	45,045
Deferred tax asset	19	23,924	70,895
Total non-current assets		38,011,914	39,781,307
Current assets			
Inventories	20	10,361,090	7,872,513
Trade and other receivables	21	13,057,937	11,589,306
Prepayments and other current assets	22	179,359	825,551
Derivative financial instruments	18	1,315	6,847
Income tax receivable		160,320	173,850
Cash and cash equivalents	23	3,106,496	4,329,852
Assets classified as held for sale	24	1,261,333	7,327,762
Total current assets		28,127,850	32,125,681
Total assets		66,139,764	71,906,988
EQUITY AND LIABILITIES			
Equity			
Share capital	25	18,133,476	18,133,476
Statutory reserves	26	2,042,971	1,759,163
Other reserves		16,875	(11,848)
Retained earnings	27	21,648,819	20,695,309
Total equity attributable to equity holders of the Company		41,842,141	40,576,100
Minority interests		295,928	584,094
Total equity		42,138,069	41,160,194
Non-current liabilities			
Loans and borrowings	28	2,156,000	4,472,547
Deferred tax liability	19	2,272,437	2,627,520
Provisions	29	422,044	531,228
Finance lease liability	30	121,531	203,892
Derivative financial instruments	18	—	4,583
Other non-current liabilities	31	219,317	220,163
Total non-current liabilities		5,191,329	8,059,933
Current liabilities			
Trade and other payables and accruals	32	16,155,298	15,817,944
Current portion of loans and borrowings	28	1,447,757	4,093,907
Short-term bank loans	33	804,531	374,686
Current portion of finance lease liabilities	30	116,808	122,006
Derivative financial instruments	18	13,712	4,766
Provisions	29	237,143	149,705
Income tax payable		35,117	706,131
Liabilities classified as held for sale	24	—	1,417,716
Total current liabilities		18,810,366	22,686,861
Total liabilities		24,001,695	30,746,794
Total equity and liabilities		66,139,764	71,906,988

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 151 to 200.

Consolidated income statement

prepared in accordance with International Financial Reporting Standards

For the year ended 31 December 2007 (in thousands of Czech crowns)

	Note	2007	2006 restated
Revenue	4	88,778,515	93,698,270
Cost of sales	7	(78,434,199)	(82,974,055)
Gross profit		10,344,316	10,724,215
Other income		1,178,572	1,430,411
Distribution expenses	7	(2,914,419)	(3,234,455)
Administrative expenses	7	(1,994,885)	(2,130,579)
Other expenses	7	(1,788,032)	(3,009,663)
Operating profit before finance costs		4,825,552	3,779,929
Finance income	8	564,942	523,983
Finance expenses	8	(3,460,706)	(1,114,248)
Net finance costs		(2,895,764)	(590,265)
Profit before tax		1,929,788	3,189,664
Income tax expense	10	(652,352)	(1,496,389)
Profit for the period		1,277,436	1,693,275
Attributable to:			
Equity holders of the Company		1,221,140	1,599,827
Minority interest		56,296	93,448
Profit for the period		1,277,436	1,693,275
Basic and diluted earnings per share (in CZK)	11	6.73	8.82

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 151 to 200.

Consolidated statement of changes in equity

prepared in accordance with International Financial Reporting Standards

For the year ended 31 December 2007 (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 2006		18,133,476	1,554,972	(23,620)	19,323,215	38,988,043	707,587	39,695,630
Profit for the period	5				1,599,827	1,599,827	93,448	1,693,275
Allocation of profit to reserves	25		214,078		(214,078)			
Changes in fair value of derivatives	18			16,903		16,903		16,903
Deferred tax charged directly to equity	19			(4,057)		(4,057)		(4,057)
Disposal of subsidiary	1						(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
Balance as at 1 January 2007		18,133,476	1,759,163	(11,848)	20,695,309	40,576,100	584,094	41,160,194
Profit for the period	5				1,221,140	1,221,140	56,296	1,277,436
Allocation of profit to reserves	25		283,940		(283,940)			
Changes in fair value of derivatives	18			7,105		7,105		7,105
Deferred tax charged directly to equity	19				(3,907)	(3,907)		(3,907)
Acquisition of 14.35 % of share in Paramo	1						(344,684)	(344,684)
Foreign operations translation gain	38			23,275		23,275		23,275
Revaluation of investment property	13				20,561	20,561		20,561
Other			(132)	(1,657)	(344)	(2,133)	222	(1,911)
Balance as at 31 December 2007		18,133,476	2,042,971	16,875	21,648,819	41,842,141	295,928	42,138,069

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 151 to 200.

Consolidated statements of cash flows

prepared in accordance with International Financial Reporting Standards

For the year ended 31 December 2007 (in thousands of Czech crowns)

	2007	2006
Cash flows from operating activities:		
Profit for the period	1,277,436	1,693,275
Adjustments for:		
Depreciation and amortisation of the property, plant and equipment and intangible assets	3,495,809	4,045,813
Gain on disposals of property, plant and equipment and intangible assets	(225,642)	(490,995)
(Gain)/loss on disposals of subsidiaries	61,672	253,977
Interest expense	253,269	566,821
Dividends income	(11,395)	(10,846)
(Reversal of) impairment losses on financial investments, property, inventory, receivables	8,963	(138,051)
Other non cash transaction	(42,387)	11,071
Income tax expense	962,979	1,496,387
Foreign exchange gains	(49,097)	(273,236)
Impairment losses on assets classified as held for sale	2,470,948	1,669,916
Operating profit before working capital changes	8,202,555	8,824,132
Change in trade and other receivables, prepayments and other current assets	(2,927,932)	(545,836)
Change in trade and other accounts payable and accruals	795,769	532,897
Change in provisions	(15,502)	(76,788)
Interest paid	(634,010)	(505,851)
Income tax paid	(1,391,507)	(841,486)
Net cash provided by operating activities	4,029,373	7,387,068
Cash flows from investing activities:		
Acquisition of property, plant and equipment and intangible assets	(5,474,631)	(3,267,600)
Acquisition of additional shareholding in subsidiary	(334,848)	--
Decrease of cash relating to disposal of subsidiaries	(1,298,725)	(70,612)
Purchase of financial investments	--	(3,603)
Proceed from disposals of property, plant and equipment and intangible assets	280,384	641,004
Proceed from disposals of subsidiaries	5,513,625	971,544
Net cash used in investing activities	(1,314,195)	(1,729,267)
Cash flows from financing activities:		
Change in short-term bank loans	(2,221,503)	(121,730)
Change in loans and borrowings	(2,357,829)	(4,078,234)
Dividends received	--	10,846
Net cash used in financing activities	(4,579,332)	(4,189,118)
Net change in cash and cash equivalents	(1,864,154)	1,468,683
Cash and cash equivalents at the beginning of the year	4,970,650	3,501,967
Cash and cash equivalents related to assets classified as held for sale	640,798	--
Cash and cash equivalents at the beginning of the year in the balance sheet	4,329,852	3,501,967
Cash and cash equivalents at the end of the year	3,106,496	4,970,650
Cash and cash equivalents related to assets held for sale at the end of the year	--	640,798
Cash and cash equivalents at the end of the year in the balance sheet	3,106,496	4,329,852

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 151 to 200.

Notes to the consolidated financial statements

prepared in accordance with International Financial Reporting Standards

Year ended 31 December 2007 (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. The Company is listed and registered on the Prague Stock Exchange.

Registered office of the Company

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

Principal activities

The Company operates as a holding company covering and administering a group of companies (hereinafter the "Group"). The principal businesses of the Group include oil and petroleum products processing, production of commodity chemicals, semi-finished industrial fertilizers and polymer materials, 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, leasing services, advisory services relating to research and development, environmental protection, software and hardware advisory services, databank and network administration services, apartment rental services and other services.

Ownership structure

The shareholders as at 31 December 2007 are as follows:

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

On 28 April 2004, the Government of the Czech Republic decided to sell its equity investment in UNIPETROL, a.s. administered by the National Property Fund of the Czech Republic, to POLSKI KONCERN NAFTOWY ORLEN S.A. ("PKN ORLEN"). The Company's board of directors was informed that 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 issued capital of the Company.

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 (information as of 31 December 2007).

Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries
Parent company		
UNIPETROL, a.s. Klimentská 10 110 05 Prague 1 Czech Republic		
Consolidated subsidiaries		
CHEMOPETROL, a.s. (from 1.8.2007 UNIPETROL RPA, s.r.o.) Litvínov-Záluží 1 436 70 Litvínov Czech Republic	100.00%	--
BENZINA, s.r.o. Dělnická 12 170 04 Prague 7 Czech Republic	100.00%	--
PARAMO, a.s. Přerovská 560 530 06 Pardubice Czech Republic	88.03%	--
UNIPETROL TRADE a.s. Klimentská 10 110 05 Prague 1 Czech Republic	100.00%	--
UNIPETROL RAFINÉRIE a.s. (from 1.8.2007 UNIPETROL RPA, s.r.o.) Litvínov-Záluží 436 70 Litvínov Czech Republic	100.00%	--
KAUČUK, a.s. (until 19.7.2007) O. Wichterleho 810 278 52 Kralupy nad Vltavou Czech Republic	100.00%	--

Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries
UNIPETROL DOPRAVA, s.r.o. Litvínov-Růžodol č.p. 4 436 70 Litvínov Czech Republic	--	100.00%
HC Litvínov, a.s. S. K. Neumannova 1598, zimní stadion 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 Switzerland	--	100.00%
UNIPETROL AUSTRIA HmbH 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 Niedenau 49, Postfach 170237 D-60325 Frankfurt/Main Germany	--	100.00%
BENZINA Trade a.s. (in liquidation) Dělnická 12 170 04 Prague 7 Czech Republic	--	100.00%
PETROTRANS, a.s. Dělnická 12 170 04 Prague 12 Czech Republic	--	100.00%
UNIRAF SLOVENSKO, s.r.o. Panónská cesta 7 850 00 Bratislava Slovak republic	--	100.00%

Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries
Consolidated joint-ventures		
ČESKÁ RAFINÉRSKÁ, a.s. 436 70 Litvínov Czech Republic	51.225%	--

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 they were presented as other investments. As of 31 December 2007 these investments are presented as assets classified as held for sale. For further information refer to note 24.

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 Prague 3 Czech Republic	50.00%
Synthesis, a.s. (formerly ALIACHEM, a.s.) Pardubice č.p. 103 532 17 Pardubice, Semtín Czech Republic	38.79%

Changes in structure of the Group

Sale of shares of 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. On 19 July 2007 the shares were transferred to the purchaser and subsequently the purchase price was settled. The negative sale impact of CZK 2,649,915 thousand was reduced by impairment amounting to CZK 1,669,916 thousand recognized in 2006 and CZK 979,999 thousand recognized in current period. The increase of net assets of KAUČUK, a.s. from January 2007 up to the selling date was compensated by impairment of the same amount.

Purchase of shares of PARAMO, a.s.

On 9 November 2007 UNIPETROL, a.s., as a purchaser, and MEI-Tsjechië en Slowakije Fonds N.V., MIDDEN EUROPESE BELEGGINGSMAATSCHAPPIJ S.A. and BLUE MOUNTAIN, s.r.o., as sellers, executed the Share Purchase Agreements on purchase by UNIPETROL, a.s. from companies of the MEI Group of 14.51% shares of PARAMO, a.s. The aggregate purchase price amounts to CZK 241,303,750. The transfer of the shares of PARAMO, a.s. from companies of the MEI Group to UNIPETROL, a.s. was effected on 23 November 2007.

Purchase of shares of ČESKÁ RAFINÉRSKÁ, a.s.

On 14 November 2007, UNIPETROL, a.s. as a purchaser, and CONOCOPHILLIPS CENTRAL AND EASTERN EUROPE HOLDINGS B.V. as a seller, executed the Share Purchase Agreement on purchase of shares of ČESKÁ RAFINÉRSKÁ, a.s., representing the 0.225% share in the registered capital of ČESKÁ RAFINÉRSKÁ, a.s. The transaction was settled on 30 November 2007.

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.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but which the Group has not early adopted. Relevant items are as follows:

- IFRS 8 Operating Segments – effective from 1 January 2009
- 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.
- IFRIC 13 Customer Loyalty Programmes – effective from 1 July 2008
- IFRIC 14 – Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – effective from 1 January 2008

Acceptance of all Standards and interpretations listed above by the European Union is pending.

The Group assessed the impact of application of the above interpretations and changes and determined that the changes in IFRS 8 may have impact on the presentation of financial statements when applied. Starting from 1 January 2009, after acceptance of IFRS 8 by the European Commission, the Group will adopt IFRS 8. According to a preliminary assessment, the application of IFRIC 12, IFRIC 13 and IFRIC 14 will not have a significant impact on the Group's financial statements.

B Basis of preparation

The consolidated financial statements of the Company for the year ended 31 December 2007 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, financial instruments at fair value through profit or loss and investment property.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with 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.

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 12 – property, plant and equipment in relation to impairment and note 19 – deferred tax.

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.

The minority interest is presented in equity. Net profit attributable to minority shareholders is presented in the profit and loss.

(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, revenues and expenses with items of a similar nature on a line by line basis, from the date that joint control commences until the date that joint control ceases.

(iv) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with Equity accounted investees and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(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. Goodwill is not amortised.

(vi) Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost

If the acquirer's share resulting from a business combination in the net fair value of identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination the acquirer:

- Reassesses the identification and measurement of the identifiable assets, liabilities and contingent liabilities and the cost of the business combination;
- Recognizes immediately in the profit and loss any excess remaining after the reassessment in the period in which the business combination was carried out.

*(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 and amount of revenue and costs incurred or to be incurred in respect of the transaction can be measured reliably. 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*

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Czech Crowns, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Any gains or losses resulting from changes in foreign exchange rates after the transaction date are recognized as financial income or expenses in the income statement. The foreign exchange gains and losses are presented in the profit and loss in the net amount.

(ii) Financial statements of foreign operations

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Czech Crowns using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are presented in equity and recognised in the Group's foreign currency translation reserve. These differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the balance sheet date.

(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 assets and liabilities are recognized regardless of when the timing difference is likely to be realized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the 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

Depreciation of property, plant and equipment begins when it is available for use, that is from the month it is in the location and condition necessary for it to be capable of operating in the manner intended by the management, over the period reflecting their estimated economic useful life, considering the residual value. Appropriateness of the applied depreciation rates is verified periodically (once a year), and respective adjustments are made to the subsequent periods of depreciation. Components of property, plant and equipment which are material for the whole item are depreciated separately in accordance with their economic useful life. Items of property, plant and equipment costing less than CZK 40 thousand are charged to the profit or loss account in the period in which they are ready for their intended use.

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.

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.

The costs of current maintenance of property, plant and equipment is recorded in the financial result during the period when they are incurred.

(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 are depreciated over the useful life of the asset.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the 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.

Gains and losses resulting from changes in fair value of investment property are presented in the profit and loss in the period when remeasured.

(8) Intangible assets

Intangible assets are measured at acquisition or construction cost less amortization and impairment allowances. Intangible assets with a definite useful life are amortized when it is available for use that is when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management over their estimated economic useful life. Appropriateness of the applied amortization periods and rates is periodically reviewed, at least at the end of the reporting year, and potential adjustments to amortization allowances are made in the subsequent periods. Intangible assets costing less than CZK 60 thousand are charged to the profit and loss account in the period in which they are ready for their intended use. Intangible assets with an indefinite useful life are not amortized.

(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.

(ii) Computer software

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and which will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include employee costs of the software development team and an appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of five years.

(iii) Other intangible assets

Expenditure to acquire patents, trademarks and licenses is capitalised and amortised using the straight-line method over their useful lives, except for licenses related to the purchase of production technologies, which are amortised over the estimated useful life of the technologies purchased. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

(iv) Subsequent expenditure

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

(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 the 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 and intangible assets with indefinite useful lives, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(i) Calculation of recoverable amount

Financial instruments, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial instruments are impaired where there is an objective evidence that, as a result of one or more events that occurred after the initial recognition the estimated future cash flows of the instrument have been impacted.

For equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial instruments the objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- evidence that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial instruments, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial instruments measured at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of a held-to-maturity security or receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised as income. An impairment loss recognised in respect of goodwill is not reversed in subsequent periods.

(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. For finished goods, costs comprise of related fixed and variable indirect costs for ordinary production levels, excluding external financing costs.

The Group uses commodity derivative contracts to hedge crude oil purchases. Gains or losses on commodity derivative contracts are included in cost of sales.

(12) Trade and other receivables

Trade and other receivables are recognized initially at the present value of the expected proceeds and are stated in subsequent periods at amortized cost using the effective interest method less any impairment losses.

(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) Financial instruments***Non-derivative financial instruments**

Non-derivative financial instruments are initially recognised at fair value, plus transaction costs, except for instruments at fair value through profit or loss, which are initially measured at fair value. Non-derivative financial instruments are classified into the following categories: financial assets 'at fair value through profit or loss', 'held-to-maturity', 'available-for-sale' and other. The classification depends on the nature and purpose of the financial instrument and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument.

Financial assets at fair value through profit or loss

Financial instruments are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss upon initial recognition.

A financial instrument is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial instrument other than a financial instrument held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial instrument forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial instruments at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described below.

Held-to-maturity

Debt securities with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment.

Available-for-sale financial instruments

Equity securities held by the Group that are traded in an active market are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described below. Gains and losses arising from changes in fair value are recognised directly in equity with the exception of impairment losses and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the instrument is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Other financial instruments

Other financial instruments include instruments that have fixed or determinable payments that are not quoted in an active market. Other financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Derecognition of financial instruments

The Group derecognises a financial instrument when the contractual rights to the cash flows from the asset expire; or it transfers the financial instrument and substantially all the risks and rewards of ownership of the instrument to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred instrument, the Group recognises its retained interest in the instrument and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial instrument, the Group continues to recognise the financial instrument and also recognises a collateralised borrowing for the proceeds received.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative instrument is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and nonderivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged items.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedge risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the income statement relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are reported in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in equity are transferred to profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in equity are transferred from equity and included in the initial measurement of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss recognised in equity remains in equity until the forecast transaction is recorded in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is transferred immediately to profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses presented in the foreign currency translation reserve are recognised in profit or loss on disposal of the foreign operation.

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial instruments with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial instruments (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and
- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

(18) Provisions

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

The Group establishes provisions for environmental damage, legal disputes, penalties and estimated expenditures related to the fulfilment of obligations as a result of warranty claims. No provisions are established in respect of environmental damages which occurred prior to establishment of the Company as the Czech government contractually committed to reimburse the Group for clean-up costs.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. Future operating costs are not provided for.

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised when the land is contaminated.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(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.

Retirement benefits and jubilee bonuses

Under the Group's remuneration plans, its employees are entitled to jubilee bonuses and retirement benefits. The jubilee bonuses are paid to employees after elapse of a defined number of years in service. The retirement benefits are paid once at retirement. The amount of retirement benefits and jubilee bonuses depends on the number of years of service and an employee's average remuneration. The Group does not assign assets which would be used for future retirement or jubilee liabilities. The Group creates a provision for future retirement benefits and jubilee bonuses in order to allocate costs to relevant periods. In accordance with IAS 19, jubilee bonuses are long-term employee benefits and retirement benefits are classified as post-employment benefit plans. The present value of those liabilities is estimated at the end of each reporting period and adjusted if there are any material indications impacting the value of the liabilities. The accumulated liabilities equal discounted future payments, considering employee rotation. Demographic data and information on employee rotation are based on historical records. Actuarial gains and losses are recognized in the profit and loss.

(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.

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

- A decision on initiation of the sale was adopted by the Company's management;
- The assets are available for an immediate sale in their present condition;
- An active program to locate a buyer has been initiated;
- The sale transaction is highly probable and can be completed within 12 months following the sale decision.

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

(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.

(23) Share capital

Ordinary shares are classified as equity.

(24) Earnings per share

Basic earnings per share for each period are calculated by dividing the net profit for a given period by the weighted average number of shares outstanding during that period.

Diluted earnings per share for each period are calculated by dividing the net profit for a given period adjusted by changes of the net profit resulting from conversion of the dilutive potential ordinary shares by the weighted average number of shares.

(25) Contingent liabilities and receivables

Contingent liabilities are defined as obligations that arise from past events and which are dependent on occurrence or non-occurrence of some uncertain future events. Contingent liabilities are not recognized in the balance sheet however the information on contingent liabilities is disclosed unless the probability of outflow of resources relating to economic benefits is remote.

Contingent liabilities acquired as the result of a business combination are recognized as provisions in the balance sheet.

Contingent receivables are not recognized in the balance sheet; however the respective information on the contingent receivable is disclosed if the inflow of assets relating to economic benefits is probable.

(26) Operating segments

The operations of the Group are divided into the following segments: Refinery, Retail, Petrochemical and Other.

- The Refinery Segment comprises crude oil processing as well as wholesale,
- The Retail Segment comprises trade in refinery products,
- The Petrochemical Segment encompasses production and sales of petrochemicals,
- Other operations include mainly support functions, transportation, service and maintenance activities and construction conducted by other subsidiaries.

The Group adopted business segments as the primary reporting format i.e. reflecting the dominant source of risks and benefits related to sale of goods and services. A secondary reporting format is geographical segments that are associated with activity conducted in different geographical areas.

Segment results and assets are defined before inter-segment adjustments. Sales prices in inter-segment transactions are similar to market prices. Segment operating costs are allocated as appropriate. Other costs which cannot be reliably determined are included as unallocated expenses of the Group, reconciling total segment results to profit from operations.

Segment revenue is the revenue earned from sales to external customers or from inter-segment transactions that is directly attributable or reasonably allocable to a segment.

Segment expenses include expenses relating to sales to external customers and inter-segment transactions that result from operating activities and are directly attributable or reasonably allocable to a segment.

Segment assets (liabilities) are those operating assets (liabilities) that are employed by that segment in operating activity (result from operating activity) and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

The segment result is determined at the level of profit from operations. The revenues, result, assets and liabilities of a given segment are defined before inter-segment adjustments are made.

3. Change in accounting policy and correction of prior period errors

New 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 2006 figures presented in the consolidated financial statements were restated to comply with the new classifications.

The following table summarizes changes in accounting policies and their impact on the balance sheet as at 31 December 2006:

	31/12/2006 as previously stated	Reclassification of intangible assets under construction	Reclassification of prepayments	Reclassification of accruals	31/12/2006 as restated
Property, plant and equipment	34,366,580	82,420	(352,453)		34,096,547
Intangible assets	1,738,824	(82,420)			1,656,404
Inventories	7,884,539		(12,026)		7,872,513
Trade receivables	11,176,135		364,479	48,692	11,589,306
Prepayments and other current assets	874,243			(48,692)	825,551

The Group has changed the presentation of acquisition of intangible assets under construction and prepayments for acquisition of tangible assets as presented above and presentation of prepayments for inventories.

	31/12/2006 as previously stated	Reclassification of liabilities	31/12/2006 as restated
Non current provisions	570,741	(39,513)	531,228
Trade and other payables and accruals	15,860,434	(42,490)	15,817,944
Current portion of loans and borrowings	4,048,568	45,339	4,093,907
Current provisions	113,041	36,664	149,705

The Group has changed the presentation of provisions (between current and non current liabilities) and reclassified accrual of interest from Trade and other liabilities to Current portion of loans and borrowings.

The following table summarizes changes in accounting policies and correction of prior period error and their impact on the income statement for the year ended 31 December 2006:

	2006 as previously stated	Reclassification	2006 as restated
Revenue	94,642,132	(943,862)	93,698,270
Cost of sales	(83,956,754)	982,699	(82,974,055)
Gross profit	10,685,378	38,837	10,724,215
Other income	932,005	498,406	1,430,411
Distribution expenses	(3,234,221)	(234)	(3,234,455)
Administrative expenses	(2,123,477)	(7,102)	(2,130,579)
Other expenses	(2,478,034)	(531,629)	(3,009,663)
Operating profit before finance costs	3,781,651	(1,722)	3,779,929
Finance income	521,880	2,104	523,984
Finance expenses	(1,113,869)	(379)	(1,114,248)
Net finance costs	(591,989)	1,724	(590,265)
Profit before tax	3,189,662	2	3,189,664
Income tax expense	(1,496,387)	(2)	(1,496,389)

The Group has changed the presentation of revenue from sale of materials from Other operating income to Revenue. In 2006 the excise tax was wrongly included in Revenue.

	Revenue from sale of materials	Cost of sale of materials	Provision	Elimination of excise tax in Revenues and Costs of sales	Other	Total
Revenue	92,347			(1,036,209)		(943,862)
Cost of sales		(53,510)		1,036,209		982,699
Gross profit	92,347	(53,510)				38,837
Other income	(92,347)	53,510	537,243			498,406
Distribution expenses					(234)	(234)
Administrative expenses					(7,102)	(7,102)
Other expenses			(537,243)		5,614	(531,629)
Operating profit before finance costs					(1,722)	(1,722)
Finance income					2,104	2,104
Finance expenses					(379)	(379)
Net finance costs					1,724	1,724
Profit before tax					2	2
Income tax expense					(2)	(2)

4. Revenue

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

	2007	2006
Gross proceeds from sale of own products and merchandise		
Domestic	81,825,843	66,569,918
Export	28,434,806	46,701,510
Total gross proceeds	110,260,649	113,271,428
Less: Excise tax	26,319,452	24,256,810
Total net revenue	83,941,197	89,014,618
Revenue from services		
Domestic	4,435,873	4,209,337
Export	401,445	474,315
Total revenue from services	4,837,318	4,683,652
Total revenue	88,778,515	93,698,270

5. Business segments

Year ended 31/12/2007	Refinery production	Retail	Petrochemical production	Other	Eliminations	Total
Revenues						
Total external revenues	42,344,938	8,624,430	36,763,323	1,045,824		88,778,515
Intersegment revenues	33,921,060	193,244	7,765,502	924,801	(42,804,607)	
Total segment revenue	76,265,998	8,817,674	44,528,825	1,970,625	(42,804,607)	88,778,515
Result from operating activities	946,722	523,965	3,347,529	(441,657)	448,993	4,825,552
Net finance costs						(2,895,764)
Profit before tax						1,929,788
Income tax expense						(652,352)
Profit for the period						1,277,436

Year ended 31/12/2006	Refinery production	Retail	Petrochemical production	Other	Eliminations	Total
Revenues						
Total external revenues	44,188,160	7,545,273	41,195,140	769,697		93,698,270
Intersegment revenues	33,250,923	112,824	14,692,824	1,140,240	(49,196,811)	
Total segment revenue	77,439,083	7,658,097	55,887,964	1,909,937	(49,196,811)	93,698,270
Result from operating activities	1,025,233	373,271	3,089,145	(705,764)	(1,956)	3,779,929
Net finance costs						(590,265)
Profit before tax						3,189,664
Income tax expense						(1,496,389)
Profit for the period						1,693,275

Balance sheet 31/12/2007	Refinery	Retail	Petrochemical	Other	Eliminations	Total
Segment assets	28,122,499	6,863,793	27,332,925	10,728,526	(11,612,967)	61,434,776
Unallocated corporate assets						4,704,988
Total assets						66,139,764
Segment liabilities	14,637,849	1,492,052	3,610,770	3,097,752	(3,434,044)	19,404,379
Unallocated corporate liabilities						4,597,318
Total liabilities						24,001,697

Balance sheet 31/12/2006	Refinery	Retail	Petrochemical	Other	Eliminations	Total
Segment assets	29,676,241	6,461,691	36,704,197	12,356,419	(13,291,560)	71,906,988
Total	29,676,241	6,461,691	36,704,197	12,356,419	(13,291,560)	71,906,988
Segment liabilities	16,553,375	5,536,178	16,725,629	5,223,172	(13,291,560)	30,746,794
Total	16,553,375	5,536,178	16,725,629	5,223,172	(13,291,560)	30,746,794

Other information 2007	Refinery	Retail	Petrochemical	Other	Eliminations	Total
Depreciation and amortisation	(868,615)	(321,539)	(2,137,824)	(167,831)		(3,495,809)
Impairment losses on intangible assets and PPE	15,588	39,452	(885,943)	955		(829,948)

Other information 2006	Refinery	Retail	Petrochemical	Other	Eliminations	Total
Depreciation and amortisation	(835,848)	(334,021)	(2,731,261)	(144,683)		(4,045,813)
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		Additions to non-current assets	
	2007	2006	2007	2006	2007	2006
Czech Republic	59,942,266	52,627,745	64,448,521	70,493,512	6,193,574	3,267,600
Other European countries	28,366,277	40,742,193	1,691,243	1,413,476	548	
Other countries	469,972	328,332				
Total	88,778,515	93,698,270	66,139,764	71,906,988	6,194,122	3,267,600

With the exception of the Czech Republic no other individual country accounted for more than 10% of consolidated revenues or assets. Revenues are based on the country in which the customer is located. Total assets and additions to non-current assets are based on location of the assets. Additions to non-current assets comprise additions to property, plant and equipment (Note 12) and intangible assets (Note 14).

7. Analysis of expenses according to their nature

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

2007	Cost of sales	Distribution costs	Administrative expenses	Other operating income/(expenses)	Total
Materials consumed	(67,356,947)	(174,846)	(47,730)	--	(67,579,523)
Energy	(1,086,167)	(1,073)	(7,558)	--	(1,094,798)
Repairs and maintenance	(1,654,995)	(38,751)	(16,339)	--	(1,710,085)
Other services	(2,673,250)	(1,911,420)	(983,608)	--	(5,568,278)
Personnel expenses	(1,892,069)	(344,362)	(655,794)	--	(2,892,225)
Depreciation					
– owned assets	(2,534,935)	(373,481)	(51,955)	--	(2,960,371)
– leased assets	(345,189)	(37,147)	--	--	(382,336)
Amortization					
– software	(46,362)	(8,324)	(14,878)	--	(69,564)
– other intangible assets	(67,838)	(2,906)	(12,794)	--	(83,538)
Impairment of PPE recognised/released	--	--	--	(782,449)	(782,449)
Inventory write-down recognised/released	--	--	--	70,044	70,044
Impairment to trade receivables recognised/released	--	--	--	171,610	171,610
Research expenditures	(23,631)	--	--	--	(23,631)
Investment property expense	(5,273)	--	--	--	(5,273)
Operating lease rentals	(469,926)	(2,030)	(43,614)	--	(515,570)
Profit/Loss on disposal of PPE	--	--	--	83,845	83,845
Addition/(utilization, release) to provisions	--	--	--	(4,897)	(4,897)
Insurance	(129,781)	(3,496)	(61,798)	(76,700)	(271,775)
Written off receivables	--	--	--	(174,742)	(174,742)
Other expenses	(164,261)	(16,583)	(100,069)	(77,421)	(358,334)
Other income	16,425	--	1,252	181,250	198,927
Total operating expenses	(78,434,199)	(2,914,419)	(1,994,885)	(609,460)	(83,952,963)
Revenue					88,778,515
Operating profit before financing costs					4,825,552

2006	Cost of sales	Distribution costs	Administrative expenses	Other operating income/(expenses)	Total
Materials consumed	(70,439,977)	(336,148)	(56,448)	(6,276)	(70,838,849)
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	(3,270,813)	(345,010)	(119,755)	--	(3,735,578)
– leased assets	(114,194)	(34,306)	(2,935)	--	(151,435)
Amortization					
– software	(51,903)	(20,653)	(13,551)	--	(86,107)
– 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)	138,652	120,475
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)	(26,237)	(81,394)	(518,528)	(788,952)
Other income	50,607	--	--	50,960	101,567
Total operating expenses	(82,974,055)	(3,234,455)	(2,130,579)	(1,579,252)	(89,918,341)
Revenue					93,698,270
Operating profit before finance costs					3,779,929

8. Finance income and finance expenses

	2007	2006
Finance income		
Interest income:		
– bank deposits	185,343	145,523
– other loans and receivables	24,101	--
Dividend income	3,475	10,846
Foreign exchange gains	302,936	273,236
Reversal of impairment on held-to-maturity securities	608	47,551
Fair value gains on derivatives	--	37,157
Other finance income	48,479	9,670
Total finance income	564,942	523,983
Finance expenses		
Interest expense:		
– bank overdrafts, loans and borrowings	(416,971)	(710,996)
– finance leases	(12,733)	(16,148)
– other	(13,513)	(3,590)
Total borrowings costs	(443,217)	(730,734)
Less: amounts included in the cost of qualifying assets	11,861	18,390
Borrowing costs recognized in the income statement	(431,356)	(712,344)
Foreign exchange losses	(316,268)	--
Loss arising on derivatives in a designated fair value hedge accounting relationship	(65,055)	--
Net loss from sale of subsidiary	(76,672)	(253,977)
Impairment on held-to-maturity securities	(2,470,951)	--
Other finance expenses	(100,404)	(147,927)
Total finance expenses	(3,460,706)	(1,114,248)
Net finance costs	(2,895,764)	(590,265)

9. Personnel expenses

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

	Supervisory board members		Boards of directors members	
	2007	2006	2007	2006
Cash benefits	11,671	15,965	10,198	28,147
Non-cash benefits	537	1,162	918	1,102
Total	12,208	17,127	11,116	29,249

The number of employees and managers and staff costs for 2007 and 2006 are as follows:

2007	Number of employees	Wages and salaries	Social and health insurance	Expenses related to benefit plans	Social expense
Employees	5,618	2,068,334	682,193	21,978	29,521
Management - Boards of directors	38	64,910	20,695	131	788
Total	5,656	2,133,244	702,888	22,109	30,309

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
Total	6,918	2,445,802	821,485	5,116	66,528

10. Income tax expense

	2007	2006
Current tax – domestic	918,635	1,329,027
Current tax – foreign	44,344	3,928
Deferred tax	(310,627)	163,434
Income tax expense	652,352	1,496,389

Domestic income tax is calculated in accordance with Czech tax regulations at the rate of 24% in 2007 (2006: 24%) of the estimated taxable income for the year. The deferred tax has been calculated using tax rates approved for years 2008–2010 (21%, 20%, 19%). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	2007	2007	2006	2006
Profit for the period	--	1,277,436	--	1,693,275
Total income tax expense	--	652,352	--	1,496,389
Profit excluding income tax	--	1,929,788	--	3,189,664
Income tax using domestic income tax rate	24.00%	463,149	24.00%	765,519
Effect of tax rates in foreign jurisdictions	(2.02%)	(38,982)	0.43%	13,816
Non-deductible expenses	22.59%	435,857	23.67%	754,897
Tax exempt income	(6.97%)	(134,441)	(1.86%)	(59,386)
Tax incentives	(1.26%)	(24,298)	(3.71%)	(118,475)
Recognition of previously unrecognised tax losses	(3.56%)	(68,612)	(6.60%)	(210,613)
Current year losses for which no deferred tax asset was recognised	(0.70%)	(13,559)	0.06%	2,058
Change in unrecognised temporary differences	(1.29%)	24,911	0.75%	23,774
Under (over) provided in prior periods	0.43%	8,327	10.18%	324,799
Total income tax expense	33.80%	652,352	46.91%	1,496,389

11. Earnings per share

Basic earnings per share

	2007	2006
Profit for the period attributable to equity holders (in CZK '000)	1,221,140	1,599,827
Weighted average number of shares	181,334,764	181,334,764
Earnings per share (in CZK)	6.73	8.82

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
Cost					
Balance as at 1/1/2006	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 31/12/2006 as previously stated	22,611,075	34,475,799	196,058	2,219,012	59,501,944
Effect of restatements				(270,033)	(270,033)
Balance as at 31/12/2006 as restated	22,611,075	34,475,799	196,058	1,948,979	59,231,911
Additions	990,787	2,282,828	245,990	1,684,483	5,204,088
Disposals	(102,264)	(738,082)	(123,377)	(286,462)	(1,250,186)
Reclassifications	(11,465)	89,570	280,379	(88,836)	269,649
Disposal of subsidiary	(268,773)	(252)	--	--	(269,025)
Other	12,319	37,794	4,588	1,747	56,448
Balance as at 31/12/2007	23,231,679	36,147,657	603,638	3,259,911	63,242,885
Depreciation					
Balance as at 1/1/2006	9,448,264	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 31/12/2006	6,851,520	17,536,961	95,267	--	24,483,748
Charge for the year	605,387	2,332,531	107,611	--	3,045,529
Disposals	(53,622)	(694,862)	(123,339)	--	(871,823)
Reclassifications	(29,211)	42,366	279,217	--	292,372
Disposal of subsidiary	(124,754)	(232)	--	--	(124,986)
Other	1,822	15,151	672	--	17,645
Balance as at 31/12/2007	7,251,141	19,231,916	359,429	--	26,842,485
Impairment					
Balance as at 1/1/2006	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 31/12/2006	350,147	276,788	--	24,681	651,616
Impairment losses	86,312	78,549	--	--	164,863
Reversal of impairment losses	(112,265)	(141,506)	--	(19,200)	(272,974)
Balance as at 31/12/2007	324,194	213,828	--	5,481	543,505
Carrying amount as at 31/12/2006	15,409,408	16,662,050	100,791	1,924,298	34,096,547
Carrying amount as at 31/12/2007	15,656,342	16,701,911	244,209	3,254,430	35,856,892

Property, plant and equipment include production technologies of CZK 564,768 thousand and vehicles of CZK 320,886 thousand held under finance leases as of 31 December 2007. The carrying amounts of property, plant and equipment held under finance leases as of 31 December 2006 was CZK 1,011,437 thousand.

The total capitalised borrowing costs in 2007 amounted to CZK 11,861 thousand (2006: CZK 18,390 thousand).

Pledged assets

The Group's gas stations, buildings, machinery and land are pledged to secure bank borrowings and obligations under finance leases of the Group.

Bank – lender	Asset pledged	Acquisition cost of pledged assets	Outstanding amount of loan secured
ČSOB	Buildings, land	1,642,122	244,674
BANCO SABADEL	Building	5,271	6,389
UBS AG Basel	Buildings, land	21,854	--
Total as of 31/12/2007		1,669,247	251,063

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	--
Total as of 31/12/2006		2,061,342	659,399

13. Investment property

Investment property as at 31 December 2007 was as follows:

In connection with the sale of the Group's share in KAUČUK, a.s. the land leased to KAUČUK, a.s., were transferred from Property, plant and equipment to Investment property. The carrying amount of lands amounted to CZK 142,394 thousand and fair value amounted to CZK 162,955 thousand. The difference was recognised in Equity. Operating costs relating to investment property amounted to CZK 1,190 thousand and rental income to CZK 16,685 thousand in the year 2007.

Future rental income is as follows:

	Less than one year	Between one and five years
Total future rental income	16,068	58,553

14. Intangible assets

	Software	Other intangible assets	Assets under development	Total
Cost				
Balance as at 1/1/2006	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 31/12/2006 as previously stated	758,105	2,125,688	116,053	2,999,846
Effect of restatements	--	--	(82,420)	(82,420)
Balance as at 31/12/2006 as restated	758,105	2,125,688	33,633	2,917,426
Additions	38,181	180,768	--	218,948
Disposals	(40,197)	(1,261)	(35,011)	(76,469)
Reclassifications	18,666	24,569	1,225	44,461
Disposal of subsidiary	(16,694)	(7,920)	--	(24,614)
Other	1,582	739	153	2,474
Balance as at 31/12/2007	759,643	2,322,583	--	3,082,226
Amortization				
Balance as at 1/1/2006	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 31/12/2006	663,404	593,965	--	1,257,369
Charge for the year	41,462	110,700	--	152,162
Disposals	(21,729)	--	--	(21,729)
Reclassifications	243	13,426	--	13,669
Disposal of subsidiary	(3,797)	(7,892)	--	(11,689)
Other	1,401	558	--	1,959
Balance as at 31/12/2007	680,984	710,757	--	1,391,741
Impairment				
Balance as at 1/1/2006	--	947	--	947
Impairment losses	--	--	3,500	3,500
Reversal of impairment losses	--	(546)	--	(546)
Disposal of subsidiary	--	(248)	--	(248)
Balance as at 31/12/2006	--	153	3,500	3,653
Impairment losses	--	--	--	--
Reversal of impairment losses	--	(80)	(3,500)	(3,580)
Balance as at 31/12/2007	--	73	--	73
Carrying amount as at 31/12/2006	94,701	1,531,570	30,133	1,656,404
Carrying amount as at 31/12/2007	78,659	1,611,753	--	1,690,412

Other intangible assets primarily include purchased licenses related to production of plastics (high-density polyethylene - HDPE and polypropylene), which account for CZK 1,610,476 thousand of acquisition cost as of 31 December 2007.

15. Goodwill

Purchase of shares of ČESKÁ RAFINĚRSKÁ, a.s.

During the year ended 31 December 2007 the Group acquired 0.225% share in the registered capital of ČESKÁ RAFINĚRSKÁ, a.s. The Goodwill in amount of CZK 51,595 thousand from this operation is presented in the balance sheet as at 31 December 2007.

The share of 0.225% in the fair value of the identifiable assets and liabilities of ČESKÁ RAFINĚRSKÁ, a.s. as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

Share on	Carrying value	Fair value recognized on acquisition
Non-current assets	40,453	40,453
Current assets	17,777	17,777
Total assets	58,230	58,230
Non-current liabilities	1,994	1,994
Current liabilities	14,286	14,286
Total liabilities	16,280	16,280
Net assets	41,950	41,950
Consideration, covered by cash		93,545
Goodwill on acquisition		51,595

Cash outflow on acquisition:	
Net cash acquired proportionate to the acquired shares	50
Cash paid	93,545
Net cash outflow	93,495

Purchase of shares of PARAMO, a.s.

On 23 November the purchase of 14.51% share of PARAMO, a.s. was completed. The negative goodwill amounting to CZK 103,380 thousand was recognised in other operating income.

The share of 14.51% in the fair value of the identifiable assets and liabilities of PARAMO, a.s. as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Carrying value	Fair value recognized on acquisition
Non-current assets	292,199	292,199
Current assets	357,954	357,954
Total assets	650,153	650,153
Non-current liabilities	25,789	25,789
Current liabilities	279,680	279,680
Total liabilities	305,469	305,469
Net assets	344,684	344,684
Consideration, covered by cash		241,304
Negative goodwill on acquisition		(103,380)

Cash outflow on acquisition:	
Net cash acquired	9,701
Cash paid	241,304
Net cash outflow	231,603

16. Other investments

	31/12/2007	31/12/2006
Investments in AGROBOHEMIE a.s. and Synthesia, a.s.	–	3,653,948
Other equity investments	73,916	56,070
Total other investments	73,916	3,710,018

Other equity investments represent ownership interests in companies that do not have quoted market price and whose fair value cannot be reliably measured and therefore are carried at acquisition cost. Investments in AGROBOHEMIE a.s. and Synthesia, a.s. are presented as assets held for sale at 31 December 2007. For further information see note 24.

17. 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 2007 (31 December 2006: CZK 36,400 thousand). In 2005 the instalments planned for 2006 and 2007 were repaid. The remaining balance is due between 2008 and 2015. The outstanding balance bears interest of 1.4% p.a.

The Group has provided a loan to ČESKÁ RAFINĚRSKÁ, a.s. in the amount of CZK 237,457 thousand (31 December 2006: CZK 338,158 thousand) for reconstruction of production unit. Part of this receivable in amount of CZK 121,638 thousand was eliminated as an intergroup transaction. The loan is due in 2016 and bears interest of 1M PRIBOR increased by mark up.

Receivables due in	31/12/2007	31/12/2006
2008	–	20,039
2009	19,832	19,739
2010	19,832	19,739
2011	19,832	19,739
2012	19,832	19,739
2013	19,832	19,739
2014	19,832	19,739
2015	19,832	19,739
2016 and later	13,396	44,186
Total	152,220	202,398

The management considers that carrying amount of receivables approximates their fair value.

18. 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. The Group reduces the risk arising from discrepancies in the pricing formulas in purchases of crude oil and sales of products by entering into commodity swaps. Transactions with derivative financial instruments are subject to risk management procedures.

The following table shows the contract 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

	Settlement date	Contract principal amount		Fair value of derivatives	
		31/12/2007	31/12/2006	31/12/2007	31/12/2006
Derivatives held for trading					
Commodity Swap	8/1/2008	73 T USD	--	1,315	--
Cross Currency Swap	23/8/2007	--	21,333 T EUR	--	51,892
Total financial derivatives – assets				1,315	51,892

Derivative financial instruments – liabilities

	Settlement date	Contract principal amount		Fair value of derivatives	
		31/12/2007	31/12/2006	31/12/2007	31/12/2006
Derivatives financial instruments effective for hedge accounting purposes					
Interest rate swaps	15/8/2008	--	20,701 T USD	--	(9,349)
Derivatives held for trading					
Interest rate swaps	15/8/2008	16,938 T USD	--	(6,258)	--
Commodity swap – Citibank	8/1/2008	231 T USD	--	(4,174)	--
Commodity swap – Citibank	8/1/2008	14 T USD	--	(247)	--
Commodity swap – Česká spořitelna	8/1/2008	63 T USD	--	(1,137)	--
Commodity swap – Česká spořitelna	8/1/2008	105 T USD	--	(1,896)	--
Total financial derivatives – liabilities				(13,712)	(9,349)

The Group has derivative financial instruments, which serve as a hedging instrument pursuant to the Group's risk management strategy.

Changes in the fair value of derivatives that do not meet the hedge accounting criteria are included in derivatives held for trading and are reported in the income statement.

Following tables summarize fair values of derivative instruments presented in the balance sheet as non-current and current receivables and liabilities on the basis of expected realization.

	Fair value as at 31/12/2007			Fair value as at 31/12/2006		
	Non-current receivables	Current receivables	Total	Non-current receivables	Current receivables	Total
Commodity Swap	--	1,315	1,315	--	--	--
Cross Currency Swap	--	--	--	45,045	6,847	51,892
Total	--	1,315	1,315	45,045	6,847	51,892

	Fair value as at 31/12/2007			Fair value as at 31/12/2006		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Commodity Swaps	--	(7,454)	(7,454)	--	--	--
Interest Rate Swaps	--	(6,258)	(6,258)	(4,583)	(4,766)	(9,349)
Total	--	(13,712)	(13,712)	(4,583)	(4,766)	(9,349)

As at 31 December 2006 the Group had entered into the Interest Rate Swap, which was treated as effective for hedging purposes. As at 31 December 2007 this financial instrument did not meet the limit for effectiveness of hedging and is presented as held for trade in liabilities.

Other reserves include fair value gains and losses recognized on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognized in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

19. 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. 21% in 2008, 20% in 2009 and 19% in 2010 and onward).

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

	2007
At 1 January	(2,556,625)
Income statement charge	310,627
Tax charged to equity	(2,515)
At 31 December	(2,248,513)

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) recognised by the Group during the period is as follows:

Deferred tax liabilities	1/1/2007	Charged/(credited) to net profit	Charged to equity	31/12/2007
Property, plant and equipment	(2,688,191)	319,637	--	(2,368,554)
Inventory	(54,386)	(67)	--	(54,453)
Finance lease	(144,418)	26,753	--	(117,665)
Other	(68,775)	(4,966)	--	(73,741)
Total deferred tax liabilities	(2,955,770)	341,357	--	(2,614,413)

Deferred tax assets	1/1/2007	Charged/(credited) to net profit	Charged to equity	31/12/2007
Property, plant and equipment	32,714	(7,600)	--	25,114
Provisions	208,212	35,106	--	243,318
Unused tax losses carried forward	52,575	(42,075)	--	10,500
10% investment relief	84,270	(15,792)	--	68,478
Derivative instruments	2,243	--	(2,243)	--
Other	19,131	(641)	--	18,490
Total deferred tax assets	399,145	(31,002)	(2,243)	365,900

Deferred income tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	31/12/2007	31/12/2006
Deferred tax asset	23,924	70,895
Deferred tax liability	(2,272,437)	(2,627,520)
Net	(2,248,513)	(2,556,625)

Deferred income tax assets are recognised for tax loss and deductible temporary differences carried forward to the extent that realisation of the related tax benefit through the future taxable profit is probable.

The Group has tax assets relating primarily to tax deductible temporary differences as shown below in the amount of CZK 231,972 thousand which have not been recognised due to unpredictability of future taxable income (2006: CZK 248,842 thousand). Tax losses of CZK 14,674 thousand (2006: CZK 50,099 thousand) will expire in 2008.

Details of the tax assets not recognised are summarised in the following table:

	31/12/2007	31/12/2006
Unused tax losses	14,674	50,099
Deductible temporary differences	231,972	248,842
Deferred tax asset	246,646	298,941

20. Inventories

	31/12/2007	31/12/2006
Raw materials	5,043,160	4,231,592
Net realisable value allowance for raw materials	(323,138)	(294,918)
Work in progress	1,309,626	1,296,692
Net realisable value allowance for work in progress	(593)	(8,190)
Finished goods	3,493,724	1,911,267
Net realisable value allowance for finished goods	(17,256)	(14,800)
Goods for sale	870,051	760,286
Net realisable value allowance for goods for sale	(14,484)	(9,416)
Total inventory	10,361,090	7,872,513

Changes in the net realisable value allowances for inventories amount to CZK 70,044 thousand and are included in other operating expenses in 2007, CZK 47,646 thousand in 2006.

21. Trade and other receivables

	31/12/2007	31/12/2006
Trade accounts receivable	12,530,057	9,864,910
Other receivables	1,815,085	2,839,991
Impairment losses	(1,287,205)	(1,115,595)
Total accounts receivable	13,057,937	11,589,306

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

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

Denominated in	31/12/2007	31/12/2006
CZK	9,468,108	5,667,322
EUR	2,389,927	2,965,935
USD	471,856	2,384,140
Other currencies	728,046	571,909
Total accounts receivable	13,057,937	11,589,306

The average credit period on sales of goods is 35 days. No interest is charged on the trade receivables for the first 3 days after the due date. Thereafter, interest is charged using 2W REPO actual rate or 6M EURIBOR actual rate.

The Group sets impairment charges based on analysis of customers' creditworthiness and ageing of receivables.

Before accepting any new customer, the Group uses own or an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. As at 31 December 2007 there were 2 customers representing more than 5% of the total balance of consolidated trade receivables. The receivables to these customers represent together CZK 1,469 million.

Ageing of past due receivables but not impaired

Not impaired trade receivables	31/12/2007	31/12/2006
60–90 days	607,901	296,061
90–180 days	7,376	17,859
180+ days	243,837	205,178
Total	859,114	519,098

Movement in the allowance for impairment charges

	31/12/2007	31/12/2006
Balance at beginning of the year	1,115,595	995,120
Impairment losses recognized on receivables	271,446	236,286
Amounts written off as uncollectible	(16,291)	(10,452)
Amounts recovered during the year	(23,267)	(54,235)
Impairment losses reversed	(60,278)	(55,424)
Unwind of discount	--	4,300
Balance at end of the year	1,287,205	1,115,595

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management considers that there is no further credit risk allowance required in excess of the allowance for impairment charges.

22. Prepayments and other current assets

	31/12/2007	31/12/2006
Prepayments	110,081	121,844
Other current assets	69,278	703,707
Total	179,359	825,551

The management considers 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	31/12/2007	31/12/2006
CZK	160,856	722,905
EUR	16,893	2,044
USD	752	100,214
Other currencies	858	388
Total accounts receivable	179,359	825,551

23. Cash and cash equivalents

	31/12/2007	31/12/2006
Cash in hand	3,540	2,723
Cash at bank	2,104,657	2,663,744
Short-term bank deposits	998,299	1,663,385
Total	3,106,496	4,329,852

Short-term bank deposits comprise deposits with maturity of three months or less and obligatory deposits relating to the bank loans. The carrying amount of these assets approximates their fair value.

Withdrawals from the Group's bank account with Komerční banka, a.s. must be approved by the Environmental Department of the District Authority in Ústí nad Labem. The account had balance of CZK 60,218 thousand (31 December 2006 CZK 59,707 thousand).

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

Denominated in	31/12/2007	31/12/2006
CZK	2,805,936	3,774,816
EUR	190,934	198,411
USD	50,706	261,159
Other currencies	58,920	95,466
Total cash and cash equivalents	3,106,496	4,329,852

24. Assets held for sale

Assets and liabilities classified as held for sale are presented after elimination of inter group balances in accordance with Group's accounting policy.

Assets classified as held for sale

	31/12/2007	31/12/2006
Property, plant and equipment	--	5,175,496
Intangible assets	--	7,590
Other investments	1,261,333	117,272
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)
Assets held for sale	1,261,333	7,327,762

Liabilities classified as held for sale

	31/12/2007	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
Liabilities related to assets held for sale	--	1,417,716

Assets classified as held as at 31 December 2007 for sale comprised Group's shares in entities described below.

Description	Number of shares	Nominal value	Net realisable value as at 31/12/2007
Celio a.s.	97	1,000	78,333
AGROBOHEMIE a.s.	47,000	10.8	503,000
Synthesis, a.s.	1,529,591 26,447,571	0.4 0.04	680,000
Total			1,261,333

CELIO a.s.

The Group's share in CELIO a.s. was classified as a current asset held for sale since its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The management agreed a plan to sell the asset. The Group approved a plan to sell its investment in CELIO a.s. The carrying amount of the investment totals CZK 78,333 thousand.

AGROBOHEMIE a.s., Synthesia, a.s.

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 from 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 proactively 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 million 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.

Further to a receipt of legal actions, UNIPETROL, a.s. adopted appropriate measures in order to protect the interests of UNIPETROL, a.s. at the same time UNIPETROL, a.s. continued in negotiations with DEZA, a.s. in order to achieve the out-of-court settlement of the mutual disputes. In July 2007 UNIPETROL, a.s. and DEZA, a.s. agreed on a temporary suspension of the pending court proceedings initiated by DEZA, a.s. Following their mutual negotiations over the course of the past two years, UNIPETROL, a.s. and DEZA, a.s. signed on 31 October 2007 an agreement on the out-of-court settlement of the above mentioned disputes. Under this settlement agreement DEZA, a.s. has undertaken (i) to withdraw its above mentioned legal actions filed against UNIPETROL, a.s. and (ii) not seek payment of any contractual penalties and/or damages by UNIPETROL, a.s. at the same time UNIPETROL, a.s. has agreed to sell to DEZA, a.s. its shares in AGROBOHEMIE a.s. and Synthesia, a.s., respectively, for the purchase price the amount of which will be determined on the basis of a valuation issued by a reputable expert agreed by both UNIPETROL, a.s. and DEZA, a.s.

Over a long-time period UNIPETROL, a.s. has had none or very limited information about business and economic situation of both AGROBOHEMIE a.s. and Synthesia, a.s. Further UNIPETROL, a.s. has not had any information about the plans of future business development of both AGROBOHEMIE a.s. and Synthesia, a.s. and influence on the management of both AGROBOHEMIE a.s. and Synthesia, a.s. AGROBOHEMIE a.s. and Synthesia, a.s. do not constitute, from the perspective of the strategy of UNIPETROL, a.s., its core business or a core business of UNIPETROL, a.s. subsidiaries. As of today, UNIPETROL, a.s. has not received any dividends from AGROBOHEMIE a.s. and Synthesia, a.s.

The above stated circumstances have had a significant negative impact on the value of UNIPETROL, a.s.' shares in AGROBOHEMIE a.s. and Synthesia, a.s. In the context of negotiations with DEZA a.s., UNIPETROL, a.s. has obtained several external expert valuations of its shares in AGROBOHEMIE a.s. and Synthesia, a.s. Although these valuations were based on limited and incomplete information concerning AGROBOHEMIE a.s., Synthesia, a.s. and their respective subsidiaries, due to a limited access to such information, the Board of Directors of UNIPETROL, a.s. had been able to use these valuations so as to assess an impairment of UNIPETROL, a.s. shareholding in AGROBOHEMIE a.s. and in Synthesia, a.s., respectively. On this basis the total impairment charge established by the Board of Directors of UNIPETROL, a.s. as at 30 September 2007 was CZK 2,471 million.

Based on above stated circumstances the shares in AGROBOHEMIE a.s. and Synthesia, a.s. are presented as assets held for sale as at 31 December 2007.

On 18 January 2008, the transfer of 50% of shares in AGROBOHEMIE a.s and 38.79% of shares in Synthesia, a.s. was closed. The purchase price for the AGROBOHEMIE a.s shares amounted in total to CZK 503 million and for the Synthesia, a.s. shares – to CZK 680 million.

Following the closing of the transfer of the shares of AGROBOHEMIE a.s and Synthesia, a.s. by UNIPETROL, a.s. to DEZA, a.s., the settlement agreement became final. As a result all outstanding disputed claims between UNIPETROL, a.s and DEZA, a.s., were settled, i.e., the risk on a part of UNIPETROL, a.s. relating to a payment to DEZA, a.s. of a high contractual penalty and to potential legal defects of the sale of shares of AGROBOHEMIE a.s. and Synthesia, a.s. was eliminated. On 22 January 2008 DEZA, a.s. withdrew the two legal actions from the Prague court. The respective court resolutions by which the court proceeding has been terminated, become effective as of April 14, 2008.

25. Share capital

The issued capital of the parent company as at 31 December 2007 was CZK 18,133,476 thousand (2006: CZK 18,133,476 thousand). This represents 181,334,764 (2006: 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.

26. 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.

	31/12/2007	31/12/2006
Reserve fund	1,916,557	1,673,451
Other funds	126,414	85,712
Total	2,042,971	1,759,163

27. Retained earnings and dividends

Dividends

In accordance with appropriate Czech law, dividends can be paid from unconsolidated profit of the parent company. Annual General Meeting of Shareholders, held on 28 June 2007 decided about distribution of the non-consolidated profit of UNIPETROL, a.s. for the year ended 31 December 2006 to the reserve fund and to the retained earnings.

The decision regarding dividends and compensation of the 2007 loss (as reported in the 2007 non-consolidated financial statements) will be made on Annual General Meeting of Shareholders, which will be held in May/June 2008.

28. Loans and borrowings

Interest bearing loans and borrowings as at 31 December 2007 were as follows:

Creditor/Currency	Balance as at 31/12/2007	Fair value at 31/12/2007	Effective interest rate in 2007
Česká spořitelna, a.s./CZK and EUR	1,154,417	1,154,417	6M PRIBOR*
ČSOB, a.s./CZK	244,674	244,674	3M PRIBOR*
Long-term bonds – Issue I. – 1998	2,204,666	2,803,997	9.82%
Total	3,603,757		
Portion of the long-term loans and bonds maturing within next 12 months	(1,447,757)	(1,447,757)	
Interest bearing borrowings	2,156,000		

*) Interest rates are increased by the agreed mark up.

The current portion of non-current interest-bearing loans and borrowings maturing until 31 December 2008 is reported separately under current liabilities.

Interest bearing loans and borrowings as at 31 December 2006 were as follows:

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	2,142,274	2,096,935	6M PRIBOR* 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%
Total	8,566,454		
Current portion of loans and borrowings maturing within next 12 months	(4,093,907)		
Non-current loans and borrowings	4,472,547		

*) 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.

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
Non-current loans and borrowings as at 31/12/2007	1,447,757	72,000	72,000	12,000	--	2,000,000	3,603,757
Non-current loans and borrowings as at 31/12/2006	4,093,907	722,637	817,595	548,092	384,223	2,000,000	8,566,454

Analysis of loans and borrowings by currency:

Currency	CZK	EUR	USD	Total
Non-current loans and borrowings as at 31/12/2007	2,156,000	--	--	2,156,000
Portion maturing in the year ended 31/12/2008	293,340	1,154,417	--	1,447,757
Total loans as at 31/12/2007	2,449,340	1,154,417	--	3,603,757
Non-current loans and borrowings as at 31/12/2006	2,664,173	1,808,374	--	4,472,547
Portion maturing in the year ended 31/12/2007	2,445,677	1,204,421	443,809	4,093,907
Total loans as at 31/12/2006	5,109,850	3,012,795	443,809	8,566,454

Analysis of borrowings by security:

Security	Unsecured	Pledged assets	Secured by third party	Total
Non-current loans and borrowings as at 31/12/2007	2,000,000	156,000	--	2,156,000
Portion maturing in the year ended 31/12/2008	1,359,083	88,674	--	1,447,757
Total loans as at 31/12/2007	3,359,083	244,674	--	3,603,757
Non-current loans and borrowings as at 31/12/2006	4,008,241	464,306	--	4,472,547
Portion maturing in the year ended 31/12/2007	3,461,604	188,494	443,809	4,093,907
Total loans as at 31/12/2006	7,424,505	652,800	443,809	8,566,454

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 matured 8 years from the issue date at their nominal value of CZK 1,300,000 thousand and were repaid in April 2007.

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.

The aggregate carrying amount of bonds issued is CZK 2,204,666 thousand. Using the actual market interest rate, based on the analysis of the current market conditions, the fair value of the aggregate liability arising from the bonds is currently estimated at CZK 2,803,997 thousand.

29. Provisions

	31/12/2006 as previously stated	Effect of restatements	31/12/2006 restated	Additional provision	Utilisation of provision	31/12/2007
Provisions						
Provisions for environmental damages and land restoration	314,972		314,972	11,240	30,212	296,000
Provisions for legal disputes	240,833		240,833	28,699	85,456	184,076
Employee benefits provision	34,852		34,852	18,096	1,318	51,630
Other provisions	93,126	2,849	95,975	90,339	58,833	127,481
Total	683,783	2,849	686,632	148,374	175,819	659,187

The provision for land restoration is created as a result of the legal obligation to restore the fly-ash dump after it is discontinued. This is expected to be after 2043. The provision amounts to CZK 292,336 thousand as of 31 December 2007. Reflecting the nature of the increase of this provision, part of it i.e. CZK 11,240 thousand (2006: CZK 11,072 thousand) is presented in Finance expenses.

The provision for legal disputes is created for expected future outflows arising from legal disputes with third parties under whom the Group is the defendant. The most significant component is the liability resulting from the litigation with Agrobanka Prague, a.s. v likvidaci, to which the Group provided a guarantee in respect of a medium-term loan of CZK 60,000 thousand provided by Agrobanka to KOBECO spol. s r.o. At 31 December 2007 provision was adjusted according to legal status and decreased by the amount of CZK 43,156 thousand. The balance of provision amounted to CZK 53,156 thousand as at 31 December 2007.

The Group created a provision for the penalty of CZK 98,000 thousand imposed by the Antimonopoly Office for a breach of the Economic Competition Protection Act. This provision was not changed during 2007.

Provisions for other probable future liabilities of the Group amount to CZK 127,481 thousand as of 31 December 2007, of which CZK 74,549 thousand is a provision for dismantling costs connected with liquidation of unused assets.

30. Finance lease liability

	Minimum lease payments		Present value of minimum lease payments	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Amounts payable under finance leases:				
Not later than one year	124,164	133,467	116,807	122,006
Later than one year and not later than five years inclusive	125,390	211,053	121,532	203,892
Later than five years	249,554	344,520	238,339	325,898
Less: future finance charges	(11,215)	(18,622)	N/A	N/A
Present value of lease obligation	238,339	325,898	238,339	325,898
Less: Amount due for settlement within 12 months			116,808	122,006
Amount due for settlement after 12 months			121,531	203,892

It is the Group's policy to lease certain fixtures and equipment under finance leases. The average lease term is 3-4 years. For the year ended 31 December 2007, the average effective borrowing rate was 5.34%. Interest rates are fixed at the inception of the lease. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's lease obligations approximates their carrying amount.
All lease obligations are denominated in Czech crowns.

31. Other non - current liabilities

	31/12/2007	31/12/2006
Deferred income from government grants	80,496	96,818
Amounts payable to business partners	92,820	86,398
Other liabilities	46,001	36,947
Total	219,317	220,163

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.

32. Trade and other payables and accruals

	31/12/2007	31/12/2006
Trade payables	7,827,102	9,996,639
Other payables	3,995,938	1,960,453
Accrued expenses	142,499	365,504
Social security and other taxes	4,189,759	3,504,348
Total	16,155,298	15,817,944

The management consider that the carrying amount of trade and other payables and accruals approximate their fair value.

Denominated in	2007	2006
CZK	12,091,657	11,351,143
EUR	480,114	925,729
USD	3,305,579	3,456,603
Other currencies	277,948	84,469
Total	16,155,298	15,817,944

33. Short-term bank loans

The short-term borrowings as at 31 December 2007 and 2006 were as follows:

Creditor/currency	31/12/2007	31/12/2006
B.B.V.A./EUR	4,395	9,106
BANCO DE VALENCIA/EUR	11,887	9,488
BANCO SABADEL/EUR	11,203	24,153
BANCO SANTANDER/EUR	8,542	9,284
BANESTO/EUR	1,974	12,800
CAIXA DE CATALUNYA/EUR	--	3,278
CAIXA DE GALICIA/EUR	--	1,871
CAIXANOVA/EUR	2,869	7,735
CAIXA SABADEL	5,690	--
CITIBANK/EUR	179	--
CITIBANK/USD	354,750	--
Commerzbank AG/CZK	--	110
ČSOB,a.s./EUR	3,295	54,990
DEUTSCHE BANK/EUR	5,577	12,214
Dresdner Bank AG, Frankfurt/EUR	53,266	--
HVB Bank Czech Republic a.s./CZK	--	100,000
HSBC/USD	89,311	--
HSBC/SKK	100,530	--
UNIPETROL SERVICES	151,063	--
ING Bank N.V./CZK	--	2,020
Overdraft balances on bank accounts	--	127,637
Total short-term loans	804,531	374,686

Short-term bank loans are subject to normal credit terms and their carrying amounts approximate fair values. Average effective interest rate as at 31 December 2007 was 3.64% (31 December 2006: 3.12%).

Analysis of short-term bank loans by security:

Security	Unsecured	Pledged assets	Total
Short - term loans as at 31/12/2007	744,876	59,655	804,531
Short - term loans as at 31/12/2006	368,087	6,599	374,686

Analysis of borrowings by currency:

Currency	CZK	EUR	USD	SKK	Total
Short - term loans as at 31/12/2007	151,064	108,874	444,063	100,530	804,531
Short - term loans as at 31/12/2006	229,767	144,919	--	--	374,686

34. Operating leases

The Group as lessee

Leasing arrangements

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

Non-cancellable operating lease commitments

	Minimum lease payments	
	31/12/2007	31/12/2006
Not later than one year	142,571	49,435
Later than one year and not later than five years inclusive	374,861	37,787
Later than five years	4,113	5,484
Total	521,545	92,706

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 2008 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.

Payments recognised as an expense were as follows:

	31/12/2007	31/12/2006
Minimum lease payments	515,570	464,600
Total	515,570	464,600

35. Capital commitments

At the balance sheet date, the Group has commitments for the acquisition of property, plant and equipment in the amount of CZK 2,286,636 thousand of which the contractual commitment is CZK 1,149,167 thousand (as at 31 December 2006 CZK 2,459,810 thousand, of which the contractual commitment is CZK 1,716,710 thousand).

36. Commitments and other contingencies

Contingent liabilities related to the sale of shares in KAUČUK, a.s.

Determination of Liability for the Impacts of Operation of KAUČUK, a.s. on Environment

The environmental audit of plots of land owned by UNIPETROL, a.s. and used by KAUČUK, a.s. was performed for purposes of determination of liability of contractual parties arising from existing or future impacts of KAUČUK, a.s.'s operation on the environment. Simplifying somewhat the share purchase agreement provides that liability for the environmental conditions originating prior to the closing of the transaction lies with UNIPETROL, a.s. and liability for the environmental conditions originating after the closing of the transaction lies with Dwory. Liability of the contractual parties for the environmental conditions is limited up to 10% of the purchase price for the shares (and by 5 years).

Execution of Agreement on Pre-emptive Right to Plots of Land Owned by Unipetrol and Used by KAUČUK, a.s. for Its Operations

On 10 July 2007, UNIPETROL, a.s. and KAUČUK, a.s. executed the agreement pursuant to which UNIPETROL, a.s. undertook to create in favour of KAUČUK, a.s. the pre-emptive right in rem and other rights to certain plots of land owned by UNIPETROL, a.s. in industrial area in Kralupy nad Vltavou which are used by KAUČUK, a.s. for its operations. The share purchase agreement anticipates that the sale of the subject plots of land will be realized after solution of all administrative, operational and legal issues necessary for a split of parts of industrial area in Kralupy nad Vltavou.

Apart from the foregoing, the sale of shares of KAUČUK, a.s. owned by UNIPETROL, a.s. to Dwory was based on the following major principles, among others:

- uninterrupted operation of the present butadiene unit;
- contractual satisfaction of supplies of energies, steam, water and other services within the industrial area in Kralupy nad Vltavou which are at present provided by KAUČUK, a.s. to ČESKÁ RAFINÉRSKÁ, a.s.; and
- continuation of all important agreements with the companies of the Group and further operation of the energy unit.

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

The purchase price, in accordance with the share purchase agreement entered into in 2006 between UNIPETROL, a.s., as and Zakłady Azotowe ANWIL Spółka Akcyjna (further Anwil), may be subject to price adjustments which would result mainly on the occurrence of any of the following events:

- (i) Environmental guarantees provided by the National Property Fund of the Czech Republic will not be sufficient for compensation of costs for the environmental damage remediation of the Old Amalgam Electrolysis project.

In this case UNIPETROL, a.s. will be obligated to financially indemnify Anwil up to 40% of the purchase price provided that all necessary steps will have been taken by Anwil and SPOLANA a.s. without success for obtaining additional funds for this purpose.

- (ii) Other potential obstacles in future operation of SPOLANA a.s.

In this case UNIPETROL, a.s. will be obligated to financially indemnify Anwil up to 1–3% of the purchase price.

37. Related parties

Parent and ultimate controlling party

During twelve months ended 31 December 2007 a majority (62.99%) of the Company's shares were in possession of PKN Orlen.

Transaction with non-consolidated subsidiaries, associates and other related parties:

	31/12/2007				31/12/2006			
	PKN ORLEN	Parties held as equity investments	Entities under control or significant influence of PKN ORLEN	Other related parties	PKN ORLEN	Parties held as equity investments	Entities under control or significant influence of PKN ORLEN	Other related parties
Current receivables	72,971	83,167	206,596	935,848	128,112	28,492	767,604	1,544,068
Non-current receivables	--	--	--	--	--	--	15,959	--
Current payables including loans	3,779,122	70,968	178,531	26,027	3,493,130	2,849	38,950	18,871
Non-current payables including loans	--	1,290	3,050	23,849	219,632	--	--	26,665
Expenses	43,823,017	289,035	2,026,638	111,185	41,691,518	15,602	761,291	265,329
Revenues	1,470,440	290,918	2,704,769	2,224,188	430,710	106,836	315,855	3,193,608
Sales of financial assets	--	--	--	--	--	--	640,383	--
Purchases of property, plant and equipment	--	1,941	--	--	--	--	--	185
Sales of property, plant and equipment	--	18,023	--	--	--	--	--	8
Interests income and expense	(2,552)	2,090	17	1,122	(11,774)	--	1,958	432

Information about key management personnel remuneration is presented in Note 9.

38. Risk management

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 28, cash and cash equivalents and equity attributable to equity holders of the parent, comprising shared capital, reserves and retained earnings as disclosed in notes 25, 26 and 27 respectively.

The net debt to equity ratio at the year end was as follows:

	31/12/2007	31/12/2006
Debt (i)	(4,646,627)	(9,267,038)
Cash and cash equivalents	3,106,496	4,329,852
Net debt	(1,540,131)	(4,937,186)
Equity	42,138,069	41,160,194
Net debt to equity ratio	3.65%	12.00%

(i) Debt is defined as long- and short-term borrowings and financial leasing

Risk management objectives

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the risks outlined below relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other market price risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess funds. Compliance with policies and exposure limits is reviewed by the internal auditors on a regular basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Group's activities are exposed primarily to the risks of changes in foreign currency exchange rates, commodity prices and interest rates. The Group enters into financial derivative contracts to manage its exposure to interest rate and currency risk, including:

- interest rate swaps to mitigate the risk of rising interest rates,
- cross currency swap to hedge the currency risk,
- commodity swap to mitigate the risk of rising commodity prices.

Currency risk management

The currency risk arises most significantly from the exposure of trade payables and receivables denominated in foreign currencies, and the foreign currency denominated loans and borrowings. Foreign exchange risk regarding trade payables and receivables is mostly covered by natural hedging of trade payables and receivables denominated in the same currencies. Hedging instruments (forwards, currency swaps) are also used, to cover significant foreign exchange risk exposure of trade payables and receivables not covered by natural hedging.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	USD	EUR
Assets	523,314	2,597,754
Liabilities	3,794,642	1,743,405
Gross exposure	(3,226,328)	854,349
Derivatives	--	(567,884)
Net exposure	(3,226,328)	286,465

Detailed analysis of monetary assets and liabilities denominated in foreign currencies are presented in following notes:

- Note 17 Non-current receivables
- Note 21 Trade and other receivables
- Note 22 Prepayments and other current assets
- Note 23 Cash and cash equivalents
- Note 28 Loans and borrowings
- Note 32 Trade and other payables and accruals
- Note 33 Short-term bank loans

Foreign currency sensitivity analysis

The Group is mainly exposed to the fluctuation of exchange rates of CZK/USD and CZK/EUR.

The following table details the Group's sensitivity to percentage increase and decrease in the CZK against the relevant foreign currencies.

The following sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates were as follows:

USD +/-4.20%

EUR +/-3.60%

The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and equity where the CZK appreciates by 4.20% and 3.60% against the relevant currency. For a depreciation of the CZK against the relevant currency by the same parameters, there would be an equal and opposite impact on the profit and equity.

	CZK/USD Impact		CZK/EUR Impact	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Profit or loss/ equity	261,075	(131,775)	2,429	(49,030)

The Group's sensitivity to foreign currency has decreased during the current period mainly due to the repayments of loans denominated in EUR. For further information see Notes 28 and 33.

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite. Optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

The Group's exposures to interest rate risk on financial liabilities are detailed in Notes 28 and 33.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- profit for the year ended 31 December 2007 would decrease/increase by CZK 20,276 thousand (2006: decrease/increase by CZK 59,967 thousand).

This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group's sensitivity to interest rates has decreased during the current period mainly due to repayments of loans. For further information see Notes 28 and 33.

Other market price risks

The Group is exposed to commodity price risk resulting from the adverse changes in raw material, mainly crude oil prices. Management addresses these procurement risks by means of a commodity and supplier risk management. To minor extent the Group enters into derivative commodity instruments to mitigate the risk associated with the purchase of crude oil.

Credit risk management

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

The 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.

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

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of debtors and, where appropriate, credit guarantee insurance cover is purchased.

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

The following table presents trade receivables divided into two groups taking into account the credit quality. In the Group A receivables from counterparties that have not had negative credit history (delayed payments, exceeded credit limits within a given year), and B receivables from counterparties that have had negative events history (delays in payments, exceeded credit limits).

	Category A		Category B	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Trade and other receivables	11,794,225	10,554,126	1,263,712	1,035,180

Please refer to note 21 in respect of actual credit risk covered by allowances for impairment losses.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate liquid funds, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk tables

The following table details the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

Expected maturity of non-derivative financial assets

	Total	1-3 months	3-6 months	6 months-1 year	1-5 years
31/12/2007					
Non Current assets					
Non-current receivables	152,220				152,220
Current assets					
Trade and other receivables	13,057,937	11,527,213	1,452,640	77,824	260
Income tax receivables	160,320			160,320	
Cash and cash equivalents	3,106,496	3,106,496			
Total	16,476,973	14,633,709	1,452,640	238,144	152,480
31/12/2006					
Non Current assets					
Non-current receivables	202,398				202,398
Current assets					
Trade and other receivables	11,589,306	9,799,744	1,587,460	202,102	
Income tax receivables	173,850			173,850	
Cash and cash equivalents	4,329,852	4,329,852			
Total	16,295,406	14,129,596	1,587,460	375,952	202,398

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

Contractual maturity of non-derivative financial liabilities

	Total	Less than 1 month	1 month-1 year	1-5 years	More than 5 years
31/12/2007					
Non-current liabilities					
Loans and borrowings	2,156,000			156,000	2,000,000
Finance lease liability	121,531		121,531		
Other non-current liabilities	219,317				219,317
Current liabilities					
Trade and other liabilities	16,155,298	16,155,298			
Current portion of finance lease liabilities	116,808		116,808		
Current portion of loans and borrowings	1,447,757		1,447,757		
Short-term bank loans	804,531	695,835	108,696		
Income tax payable	35,119		35,119		
Total	21,056,361	16,851,133	1,829,911	156,000	2,219,317
31/12/2006					
Non-current liabilities					
Loans and borrowings	4,472,547			2,472,547	2,000,000
Finance lease liability	203,892			203,892	
Other non-current liabilities	220,163			220,163	
Current liabilities					
Trade and other liabilities	15,817,944	15,817,944			
Current portion of finance lease liabilities	122,006		122,006		
Current portion of loans and borrowings	4,093,907	683,725	3,410,182		
Short-term bank loans	374,686		374,686		
Income tax payable	706,131		706,131		
Total	26,011,276	16,501,669	4,613,005	2,896,602	2,000,000

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows (outflows) on the derivative instrument that are settled on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

Liquidity analysis of derivative financial instruments

	1-3 months	3 months-1 year	1-5 years
31/12/2007			
Net settled:			
Interest rate swaps	(3,317)	(2,941)	--
Gross settled:			
Commodity swap	(6,139)	--	--
31/12/2006			
Net settled:			
Interest rate swaps	--	(4,765)	(4,584)
Gross settled:			
Currency swaps	--	51,892	--

Assumptions used in determining fair values of financial instruments

The interest rate used to discount cash flows was 4.16% based on the 1 year PRIBOR inter-bank interest rate. Please refer to individual notes for information on fair values of financial instruments.

39. 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 31/12/2007	Unused funds as at 31/12/2007
UNIPETROL, a.s./premises of UNIPETROL RPA, s.r.o.	6,012	1,850	4,162
UNIPETROL, a.s./premises of KAUČUK, a.s.	4,244	11	4,200
BENZINA a.s.	1,349	262*	1,066
PARAMO, a.s./premises in Pardubice	1,242	98	1,144
PARAMO, a.s./premises in Kolin	941	931	10
THE GROUP	13,788	3,152	10,582

*Without the costs of the already completed rehabilitation of the petrol stations network of the former KPetro 1995-1999 of CZK 40 mil.

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
THE GROUP	13,791	2,965	10,826

40. Interest in a joint venture

The Group has a 51.225% interest in a joint venture ČESKÁ RAFINĚRSKÁ, 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 51.225% share of the assets and liabilities and sales and results of the joint venture and are included in the consolidated balance sheet and income statement:

	2007	2006
Non-current assets	9,209,824	8,748,351
Current assets	4,047,211	4,639,246
Non-current liabilities	453,996	451,431
Current liabilities	3,252,537	3,690,695
Net assets	9,550,502	9,245,471
Revenues	4,798,050	4,720,340
Profit before tax	351,015	184,957
Income taxes	(18,397)	(62,164)
Profit for the period	332,618	122,793

41. Emission rights

In 2005 the Group obtained allowances for carbon dioxide emissions according to the Czech National Allocation Scheme. In 2007 the Group received the third part (1/3) of the total quota.

Information on granted emission rights and its balance sheet presentation	Amount	Value in CZK thousands
The total number of the emission rights allocated to the Group for the period 2005-2007	14,631,848	8,707,253
Actual utilization in 2005 of the acquired rights	4,117,297	2,564,710
Actual utilization in 2006 of the acquired rights	4,164,728	2,589,631
Estimated utilization in 2007	4,172,252	2,347,343
Decrease of the emission rights – Kaučuk's sale	(482,002)	(292,482)
Revenues from sales of emissions allowances in the period of 2007	464,074	15,379

42. Disposal of business

During 2007, the Group disposed its shares in KAUČUK, a.s. In 2006 the shares in SPOLANA a.s. were sold. Details of the disposal are as follows:

Book value of net assets sold

	KAUČUK, a.s.	SPOLANA a.s.
ASSETS		
Property, plant and equipment	5,136,697	2,395,074
Investment property	--	126,497
Intangible assets	6,732	1,409
Other investments	112,439	4,378
Non-current receivables	75,260	22,151
Non-current assets	5,331,128	2,549,509
Inventories	1,360,590	413,684
Trade receivables	2,400,901	643,120
Prepayments and other current assets	61,776	117,108
Cash and cash equivalents	1,298,725	70,612
Assets held for sale	--	--
Current assets	5,121,992	1,244,524
Total assets	10,453,120	3,794,033
EQUITY AND LIABILITIES		
Issued capital	6,236,000	885,229
Statutory reserves	90,940	87,152
Accumulated profits	1,821,600	219,027
Capital and reserves	8,148,540	1,191,408
Interest bearing loans and borrowings	75,000	--
Deferred tax liability	409,881	--
Provisions	22,332	140,037
Finance lease liability	--	385
Other non-current liabilities	--	17,331
Non-current liabilities	507,213	157,753
Trade payables and accruals	1,444,461	740,518
Current portion of interest bearing loans and borrowings	50,000	1,044,659
Short-term bank loans	--	627,020
Current portion of finance lease liability	--	1,060
Provisions	90,308	31,615
Income tax payable	212,598	--
Current liabilities	1,797,367	2,444,872
Total equity and liabilities	10,453,120	3,794,033
Net assets at the date of disposal	8,148,540	974,333
Minority interest	--	217,075
Selling price	5,513,625	640,383
– less cost to sale	(15,000)	--
Loss from the sale	(2,649,915)	(333,950)

Net cash inflow on disposal

	2007	2006
Consideration received in cash and cash equivalents	5,513,625	640,383
Less: cash and cash equivalent balances disposed of	1,298,725	70,612
Net cash inflow on disposal	4,214,900	569,771

43. Investment incentives

The Group does not have any outstanding investment incentive as at 31 December 2007.

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. CZK 325,097 thousand of income tax paid for 2005 represents the amount that the Group is claiming back due to not utilizing the tax incentive in 2005 tax return. The Group performs all steps necessary to claim income tax back.

44. Significant post balance sheet events

Agreement with DEZA, a.s.

On 18 January 2008, the transfer of 50% of shares in AGROBOHEMIE a.s and 38.79% of shares in Synthesia, a.s. by UNIPETROL, a.s. to DEZA, a.s. was completed. The information about sale of shares in AGROBOHEMIE a.s. and Synthesia, a.s. is presented in note 24.

Changes in Supervisory Board

On 28 March 2008, the UNIPETROL, a.s.'s Supervisory Board appointed Wojciech Heydel as a substitute Supervisory Board Member until the nearest UNIPETROL, a.s.'s General Meeting. Supervisory Board recalled Piotr Kownacki, the Chairman of the Supervisory Board, from his office, he still remains the Supervisory Board member. Wojciech Heydel was subsequently elected the Chairman of the Supervisory Board. The UNIPETROL, a.s.'s Supervisory Board acknowledged Rafał Kapler's resignation from his office of Member of the UNIPETROL, a.s.'s Supervisory Board.

Signature of statutory representatives

15 April 2008

François Vleugels
Chairman of the Board of Directors

Wojciech Ostrowski
Vice-Chairman of the Board of Directors

Report on Relations between controlling and controlled parties and relations between the controlled party and other companies controlled by the same controlling party

Controlled party

UNIPETROL, a.s. with registered offices at Klimentská 10, 110 05 Praha 1, identification no. 61672190 (hereinafter the „company“) is the controlling company in the UNIPETROL Holding. Business group charts are presented in Appendix no. 1

Controlling parties

POLSKI KONCERN NAFTOWY ORLEN S.A. with registered offices at Chemików 7, 09 - 411 Płock

Other affiliated parties

Other affiliated parties included companies controlled by POLSKI KONCERN NAFTOWY ORLEN S.A. Detailed overview of other affiliated parties is presented in Appendix no. 2 (POLSKI KONCERN NAFTOWY ORLEN S.A. Business Group Chart).

The following relations were established between the company and affiliated companies in the 2007 accounting period.

Part I.

Contracts concluded between the company and affiliated parties in 2007 and Payment (counter-payment) provided (received) in 2007 on the basis of contracts concluded in the previous period

Note:

- a) contract classification is based on accounting methodology,
- b) foreign currency is converted to CZK at the Czech National Bank exchange rate valid on the day of payment (counter-payment).

Controlling parties

POLSKI KONCERN NAFTOWY ORLEN S.A.

Relation to the company: controlling party

Relations in the given period took place on the basis of standard terms and conditions in business relations. The company suffered no loss as a result of concluded contracts.

The following relations were established in the given accounting period:

The company concluded 2 contracts with POLSKI KONCERN NAFTOWY ORLEN S.A. in 2007 and 3 contracts in the previous period, on the basis of which it undertook to pay the corresponding portion of costs for joint projects whose aim is to achieve synergy and improve the efficiency of certain processes, together with travel expenses for members of company bodies. The company provided payment of CZK 3,766 thousand in the given accounting period. The price of services was contractually agreed as the standard price.

In accordance with these contracts the Company re-invoiced a part of the costs for which the Company received payment in amount CZK 8,194 thousand.

The company concluded 2 contracts in previous accounting period on the basis of which it re-invoiced costs connected to the audit of interim financial statements to ČESKÁ RAFINÉRSKÁ, a.s. No payment was received under these contracts. The price of services was contractually agreed as the standard price.

The company concluded a cooperation agreement in previous accounting period. No payment was received or made under this agreement.

The company concluded a nondisclosure agreement in previous accounting periods. No payment was received or made under this agreement.

Other affiliated parties

SPOLANA a.s.

Relation to the company: indirectly controlled by Zakłady Azotowe ANWIL Spółka Akcyjna.

Relations in the given period took place on the basis of standard terms and conditions in business relations. The company suffered no loss as a result of concluded contracts.

The following relations were established in 2007:

The company concluded 1 contract in the previous period on the basis of which the company was invoiced rental costs, for which the company provided payment of CZK 242 thousand in 2007. The price of services was contractually agreed as the standard price.

The company concluded 1 contract in the previous period on the basis of which the company re-invoiced fees for database access. The company received payment of CZK 230 thousand for these services in 2007. The price of services was contractually agreed as the standard price.

The company concluded 1 loan contract in the previous period on the basis of which the company charges interest and fees, for which it received payment in the amount of CZK 1,877 thousand in 2007. The interest rate was contractually agreed as the standard interest rate.

On the basis of Agreement about payment of directors and officers insurance and third parties insurance, the Company covered for SPOLANA proportional part of insurance in accordance with insurance agreements concluded with third parties. This amount was consequently paid by SPOLANA to the Company.

Centrum Edukacji Sp. z o.o.

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

Relations in 2007 took place on the basis of standard terms and conditions in business relations. The company suffered no loss as a result of concluded contracts.

The following relations were established in the given accounting period:

The company concluded 1 contract in the previous period on the basis of which the company is charged training expenses, for which the company provided payment of CZK 12 thousand in 2007. The price of services was contractually agreed as the standard price.

ORLEN Transport Plock Sp. z o.o.

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

Relations in the given period took place on the basis of standard terms and conditions in business relations. The company suffered no loss as a result of concluded contracts.

The following relations were established in 2007:

The company concluded 1 contract in previous period on the basis of which the company is re-invoiced travel expenses, for which the company provided payment of CZK 117 thousand in 2007. The price of services was contractually agreed as the standard price.

ORLEN Insurance Ltd.

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

The Company concluded 4 contracts in previous period. The additions to these contracts were concluded in 2007. On the basis of these contracts the Company paid insurance for its subsidiary UNIPETROL RPA, s.r.o. to ORLEN Insurance Ltd. Consequently this amount was paid by the subsidiary UNIPETROL RPA, s.r.o. to the Company.

Part II.

Other legal action taken in the interests of affiliated parties

No other legal action was taken in the interests of affiliated parties in 2007.

Part III.

Other measures adopted or realised in the interests of, or at the initiative of affiliated parties

No measures were adopted or realised by the company in the interests of, or at the initiative of affiliated parties in 2007.

In Prague, 28 March 2008

On behalf of the company:

Francois Vleugels
Chairman of the Board of Directors

Wojciech Ostrowski
Vice-Chairman of the Board of Directors

Appendix No. 1

UNIPETROL GROUP – CONTROLLED COMPANIES

1 January – 31 December 2007

Directly and indirectly controlled companies of UNIPETROL, a.s.	Registered office	ID No.	Controlling company in the framework of UNIPETROL Group	%age of the share capital		Changes in the course of 2007
				1 January 2007	31 December 2007	
BENZINA, s.r.o.	Prague	60193328	UNIPETROL, a.s.	100.00	100.00	1 May 2007 legal form changed from a joint-stock co. to a limited liability company
ČESKÁ RAFINÉRSKÁ, a.s.	Litvínov	62741772	UNIPETROL, a.s.	51.00	51.22	
PARAMO, a.s.	Pardubice	48173355	UNIPETROL, a.s.	73.52	88.03	
CHEMOPETROL, a.s. (the company was wound up on 1 August 2007)	Litvínov	25003887	UNIPETROL, a.s.	100.00	0.00	UNIPETROL RPA, s.r.o. has been the successor company since 1 August 2007
UNIPETROL RAFINÉRIE a.s. (the company was wound up on 1 August 2007)	Litvínov	25025139	UNIPETROL, a.s.	100.00	0.00	UNIPETROL RPA, s.r.o. has been the successor company since 1 August 2007
UNIPETROL RPA, s.r.o. (until 27 April 2007 Steen Estates s.r.o.)	Litvínov	27597075	UNIPETROL, a.s.	100.00	100.00	
UNIPETROL SERVICES, s.r.o. (until 15 March 2007 Meliba Estates s.r.o.)	Litvínov	27608051	UNIPETROL, a.s.	100.00	100.00	
KAUČUK, a.s. (from 2 November 2007 SYNTHOS Kralupy a.s.)	Kralupy nad Vltavou	25053272	UNIPETROL, a.s.	100.00	0.00	on 19 July 2007 the company was sold outside the UNIPETROL Group
Butadien Kralupy a.s. (incorporated on 27 April 2007)	Kralupy nad Vltavou	27893995	UNIPETROL, a.s.	00.00	51.00	Between 27 April and 17 July 2007 KAUČUK, a.s. controlling person (100%)
Výzkumný ústav anorganické chemie, a.s.	Ústí nad Labem	62243136	UNIPETROL, a.s.	100.00	100.00	
UNIPETROL TRADE a.s.	Prague	25056433	UNIPETROL, a.s.	100.00	100.00	
UNIPETROL RAFINÉRIE, s.r.o. (until 8 August 2007 Garo Estates s.r.o.)	Litvínov	27885429	UNIPETROL, a.s.	00.00	100.00	controlled from 7 June 2007
BENZINA Trade a.s. v likvidaci	Prague	26135710	BENZINA, s.r.o.	100.00	100.00	
PETROTRANS, s.r.o.	Prague	25123041	BENZINA, s.r.o.	100.00	99.40	on 1 May 2007 its legal form changed from a joint-stock co. into a limited liability company
			UNIPETROL, a.s.	0.00	0.60	
MOGUL SLOVAKIA, s.r.o.	Bratislava	36222992	PARAMO, a.s.	100.00	100.00	
HC CHEMOPETROL, a.s.	Litvínov	64048098	UNIPETROL RPA, s.r.o.	70.95	70.95	
CHEMICKÁ SERVISNÍ, a.s.	Litvínov	25492110	UNIPETROL RPA, s.r.o.	100.00	100.00	
POLYMER INSTITUTE BRNO, spol. s r.o.	Brno	60711990	UNIPETROL RPA, s.r.o.	100.00	99.00	
			UNIPETROL, a.s.	0.00	1.00	
UNIPETROL DOPRAVA, s.r.o.	Litvínov	64049701	UNIPETROL RPA, s.r.o.	100.00	99.88	on 1 May 2007 its legal form changed from a joint-stock co. into a limited liability company
			UNIPETROL, a.s.	0.00	0.2	
CELIO a.s.	Litvínov 7	48289922	UNIPETROL RPA, s.r.o.	40.53	40.53	
			UNIPETROL, a.s.	10.53	10.53	
UNIRAF SLOVENSKO s.r.o.	Bratislava	35777087	UNIPETROL RPA, s.r.o.	100.00	86.96	
			UNIPETROL, a.s.	0.00	13.04	
K-PROTOS, a.s.	Kralupy nad Vltavou	25617214	KAUČUK, a.s.	100.00	0.00	controlled until 19 July 2007, after outside the UNIPETROL Group
ALIACHEM VERWALTUNGS GmbH	Langen/ Hessen, Germany		UNIPETROL TRADE a.s.	100.00	100.00	
UNIPETROL DEUTSCHLAND GmbH	Langen/ Hessen, Germany		ALIACHEM VERWALTUNGS	100.00	100.00	
ALIAPHARM GmbH FRANKFURT	Frankfurt/Main, Germany		ALIACHEM VERWALTUNGS	100.00	100.00	
UNIPETROL CHEMICALS IBERICA S.A.	Barcelona, Španělsko		UNIPETROL TRADE a.s.	100.00	100.00	
CHEMAPOL (SCHWEIZ) AG	Basel, Switzerland		UNIPETROL TRADE a.s.	100.00	100.00	
UNIPETROL AUSTRIA HmbH	Vienna, Austria		UNIPETROL TRADE a.s.	100.00	100.00	
UNIPETROL FRANCE S.A.	Paris, France		UNIPETROL TRADE a.s.	96.72	100.00	
UNIPETROL ITALIA S.r.l.	Milano, Italy		UNIPETROL TRADE a.s.	90.00	100.00	
UNIPETROL (UK) LIMITED	Kingston upon Thames, Great Britain		UNIPETROL TRADE a.s.	100.00	100.00	
DP MOGUL UKRAJINA	Kiev, Ukraine		UNIPETROL TRADE a.s.	100.00	100.00	
MOGUL, d.o.o.	Velenje, Slovinsko		UNIPETROL TRADE a.s.	100.00	100.00	
UNIPETROL POLSKA Sp. z o.o.	Lódź, Poland		UNIPETROL TRADE a.s.	100.00	0.00	the company was wound up and deleted from the Commercial Register as at 30 January 2007

Appendix No. 2

PKN ORLEN GROUP – CONTROLLED COMPANIES

1 January 2007–31 December 2007

Companies controlled by PKN ORLEN S.A. Companies with a direct holding of PKN ORLEN S.A. Companies with an indirect holding of PKN ORLEN S.A.	Registered office	Holding of PKN ORLEN S.A. in directly or indirectly controlled companies %age of the share capital		Note
		1 January 2007	31 December 2007	
UNIPETROL, a.s.	Prague	62.99	62.99	See a separate list of companies controlled by UNIPETROL, a.s. (UNIPETROL Group)
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% owned by 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	00.00	in bankruptcy until 30 June 2007
ORLEN Gaz Sp. z o.o.	Płock	100.00	100.00	
ORLEN Petrogaz Wrocław Sp. z o.o. w likwidacji	Wrocław	100.00	100.00	in liquidation from 10 December 2007
ORLEN KolTrans Sp. z o.o.	Płock	99.85	99.85	
ORLEN Laboratorium Sp. z o.o.	Płock	94.94	94.94	
ORLEN Medica Sp. z o.o.	Płock	100.00	100.00	
Sanatorium 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% owned by Rafineria Trzebinia S.A. and 4.47% by Rafineria nafty Jedlicze
Petro-Oil Pomorskie Centrum Sprzedaży Sp. z o.o.	Gdańsk	100.00	100.00	
Platinum Oil Sp. z o.o. (until 19 December 2007 named Petro-Oil Lubelskie Centrum Sprzedaży)	Lublin	00.00	100.00	
Petro-Oil Lubelskie Centrum Sprzedaży Sp. z o.o. (change of name from 19 December 2007)	Lublin	24.00	00.00	merger with Platinum Oil Mazowsze Sp. z o.o. (succession)
Platinum Oil Mazowsze Sp. z o.o. (wound up as at 19 December 2007)	Jozefów	100.00	00.00	merger with Petro-Oil Lubelskie Centrum Sprzedaży Sp. z o.o.
ORLEN OIL ČESKO, s.r.o.	Brno	100.00	100.00	
ORLEN PetroCentrum Sp. z o.o.	Płock	100.00	100.00	
ORLEN PetroProfit Sp. z o.o.	Niemce	100.00	100.00	
Petro-Ukraina LTD Lwów w likwidacji	Lwów	80.00	80.00	
ORLEN PetroTank Sp. z o.o.	Widelka	90.00	90.00	
ORLEN PetroZachód Sp. z o.o.	Poznań	100.00	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. w upadłości	Kraków	98.41	98.41	
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.	Warsaw	51.00	51.00	
Petromor Sp. z o.o.	Gdańsk	51.31	0.00	the company was controlled until 2 October 2007
Petrotel Sp. z o.o.	Płock	75.00	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	100.00	100.00	
„RAF-KOLTRANS” Sp. z o.o.	Jedlicze	100.00	100.00	
„RAF-Służba Ratownicza” Sp. z o.o.	Jedlicze	100.00	100.00	
„RAF-REMAT” Sp. z o.o.	Jedlicze	96.12	0.00	the company was controlled until 12 December 2007
„RAF-EKOLOGIA” Sp. z o.o.	Jedlicze	92.74	92.75	

Companies controlled by PKN ORLEN S.A. Companies with a direct holding of PKN ORLEN S.A. Companies with an indirect holding of PKN ORLEN S.A.	Registered office	Holding of PKN ORLEN S.A. in directly or indirectly controlled companies %age of the share capital		Note
		1 January 2007	31 December 2007	
Konsorcjum Olejów Przepracowanych "ORGANIZACJA ODZYSKU" S.A.	Jedlicze	81.00	81.00	8% owned by Rafineria Trzebinia S.A.
"RAN-PETROMEX" Sp. z o.o.	Opole	51.00	0.00	the company was controlled until 17 May 2007
"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	100.00	100.00	
Energomedia Sp. z o.o.	Trzebinia	100.00	100.00	
Euronaft Trzebinia Sp. z o.o.	Trzebinia	99.99	99.99	
Zakładowa Straż Pożarna Sp. z o.o.	Trzebinia	99.98	100.00	
EkoNaft Sp. z o.o.	Trzebinia	99.00	99.00	
ORLEN OIL Sp. z o.o.	Kraków	43.84	43.84	51.69% owned by PKN ORLEN S.A. a 4.47% Rafin. Nafty Jedlicze
ORLEN Asfalt Sp. z o.o.	Płock	17.54	17.54	82.46% owned by PKN ORLEN S.A.
Konsorcjum Olejów Przepracowanych "ORGANIZACJA ODZYSKU" S.A.	Jedlicze	8.00	8.00	81% owned by Rafineria Nafty Jedlicze
Ship - Service S.A.	Warsaw	60.86	60.86	
Ship Service Agro Sp. z o.o.	Szczecin	100.00	100.00	
WISLA Płock S.A.	Płock	100.00	0.00	transferred to the town of Płock on 20 December 2007
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-Uslugowe PRO-LAB Sp. z o.o.	Włocławek	99.20	99.20	
SPOLANA a.s.	Neratovice	81.78	82.30	13.4% owned by PKN ORLEN S.A.
Przedsiębiorstwo Usług Specjalistycznych i Projektowych CHEMEKO Sp. z o.o.	Włocławek	55.93	55.93	
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.	Warsaw	100.00	100.00	
ORLEN Prewencja Sp. z o.o.	Płock	100.00	100.00	
ORLEN Księgowość Sp. z o.o.	Płock	100.00	100.00	
Etylobenzen Płock Sp. z o.o. w likwidacji	Płock	51.00	100.00	in liquidation from 4 July 2007
ORLEN HOLDING MALTA Limited	Sliema, Malta	99.50	99.50	
ORLEN Insurance Ltd	Sliema, Malta	100.00	100.00	
AB MAZEIKIU NAFTA	Juodeikiai	84.20	90.019	
UAB Juodeikiu Nafta w likwidacji	Juodeikiai	100.00	100.00	
UAB Uotas w likwidacji	Mazeikiai	100.00	100.00	
AB Ventus Nafta	Vilnius	98.59	98.59	
UAB Mazeikiu Nafta Trading House	Vilnius	100.00	100.00	
ORLEN Finance AB	Sztokholm	00.00	100.00	The company has been controlled from 15 June 2007.
SPOLANA a.s.	Neratovice	13.40	13.40	82.30% owned by ANWIL S.A.
Basell Orlen Polyolefins Sp. z o.o.	Płock	50.00	50.00	50% owned by Basell Europe Holding B.V.
Basell Orlen Polyolefins Sp. z o.o. Sprzedaż Sp. z o.o.	Płock	100.00	100.00	
Płocki Park Przemysłowo-Technologiczny S.A.	Płock	50.00	50.00	50% owned by the town of Płock.
Centrum Koncepcyjacji Technologii Sp. z o.o.	Płock	100.00	100.00	
Centrum Edukacji Sp. z o.o.	Płock	69.43	69.43	

Explanatory Report

EXPLANATORY REPORT OF BOARD OF DIRECTORS OF UNIPETROL, A.S. PREPARED PURSUANT TO SECTION 118(8) OF ACT ON CONDUCTING BUSINESS ON CAPITAL MARKET FOR YEAR 2007

1. INTRODUCTION

The Board of Directors of UNIPETROL, a.s. (the "Company") hereby submits to the Ordinary General Meeting of the Company its Explanatory Report, prepared in accordance with the provisions of Section 118(8), in conjunction with Sections 118(3)(g) through (q), of Act No. 256/2004 Coll., Act on Conducting Business on Capital Market, as amended.

The Board of Directors states that this Explanatory Report for 2007 was approved at the meeting of the Board of Directors held on 13 May 2008.

2. CONTENT OF REPORT

2.1 Information on Breakdown of Company's Equity

The breakdown of the Company's equity as at December 31, 2007 (in thousands of CZK) is as follows:

Registered capital	18,133,476
Funds created from profit	1,419,355
Retained earnings	3,208,145
Total equity	22,760,976

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

2.2 Information on Restrictions on Transferability of Securities

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

2.3 Information on Significant Direct and Indirect Shareholdings in Company

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

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

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

2.4 Information on Owners of Securities with Special Rights

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

2.5 Information on Restriction on Voting Rights

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

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

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

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

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

2.8 Information on Special Powers of Board of Directors

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

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

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

2.10 Information on Agreements Binding Company in Connection with Takeover Bid

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

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

2.11 Information on Option Schemes for Shares

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

Glossary of Terms and abbreviations

a.s.	Public limited company (Czech Republic)
B.V.	Limited liability company (Netherlands)
BA	Automotive gasoline
BCPP	Praque Stock Exchange
BĚOV	Biological wastewater treatment
BU I-III	Business units
CAPEX	Capital expenditure
ČAPPO	Czech Association of Petroleum Industry and Trade
ČNB	Czech National Bank
DODO	Dealer Owned - Dealer Operated
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization
EC	European Commission
EIA	Environmental impact assessment
EMS	Environmental management system
ERP	Enterprise resource planning system
ESRA	European Synthetic Rubber Association
EU	European Union
EU ETS	EU emissions trading scheme (regulating trading with carbon dioxide emission allowances)
FCC	Fluid Catalytic Cracker
FNM	National Property Fund
FTE	Full time equivalent
GmbH	Limited liability company (Germany)
HDPE	High-density polyethylene
HR	Human resources
IČ	Identification number
IFRS	International Financial Reporting Standards
IPPC	Integrated pollution prevention and control
IR	Investor relations
IRZ	Integrated Pollution Registry
IT	Information technology

LPG	Liquefied petroleum gas
Ltd.	Limited liability company
MAT	MicroActivity Test
MBO	Management by Objectives
MEĚO	Colseed oil methyl ester
N.V.	Public limited liability corporation (Netherlands)
NRU	National Refinery Upgrade
OHSAS	Occupational health and safety system
OPEC	Organization of the Petroleum Exporting Countries
PIB	POLYMER INSTITUTE BRNO, spol. s r.o.
POX	Partial oxidation
PP	Polypropylene
PR	Public relations
QMS	Quality management systems
REACH	Registration, evaluation, authorisation and restriction of chemicals
REBCO	Russian export blend crude oil
S.A.	Limited liability company (Polska)
s.r.o.	Ltd (Czech Republic)
SCM	Supply chain management
Sp. z o.o.	Ltd (Polska)
SSC	Shared Services Centre
SVA	Shareholder value added
IKL	Ingolstadt – Kralupy nad Vltavou – Litvinov
TAL	Transalpine Olleitung
UNEP	United Nations Environmental Programme
VÚANCH	Výzkumný ústav anorganické chemie, a.s.

Identification and contact information

Name:	UNIPETROL, a.s.
Registered office:	Klimentská 10, 110 05 Praha 1
Company number:	61672190
Tax ID:	CZ61672190
Bank:	ABN AMRO Bank N. V., Foreign Bank Branch, Praha 1, Account No. 29129/5400
Date of establishment:	27 December 1994 – established for an indeterminate period of time
Date of incorporation:	Incorporated on 17 February 1995
Incorporation registration:	Municipal Court in Prague, Section B, File 3020
Legal form:	Public limited company, organised under Czech law
Tel.:	225 001 417 (IR), 225 001 407 (PR)
Fax:	225 001 447
Internet:	www.unipetrol.cz
E-mail:	ir@unipetrol.cz, pr@unipetrol.cz, info@unipetrol.cz
Auditor:	KPMG Česká republika, s.r.o.

Since February 2008, the company has had a new postal address: Na Pankráci 127, 140 00 Praha 4.

Law under which the issuer was established	
Law:	Law of the Czech Republic
Legal regulation:	Act No. 104/1990 on Public Limited Companies

The company is a member of the UNIPETROL consolidation group.

The names of UNIPETROL Group companies (UNIPETROL, a.s., BENZINA s.r.o., ČESKÁ RAFINÉRSKÁ, a.s., PARAMO, a.s., UNIPETROL RPA, s.r.o. and others) appear in the text of this report also in their simplified form (UNIPETROL, BENZINA, ČESKÁ RAFINÉRSKÁ, PARAMO, UNIPETROL RPA etc.).

Notes

