

UNIPETROL, a.s.

SEMI-ANNUAL REPORT
2008

Content

Financial Statements	3
Notes to Financial Statements	8
1. Description of the parent company and structure of the consolidated group	9
2. Significant accounting policies	10
3. Revenue	12
4. Business segments	13
5. Geographical segments	15
6. Analysis of expenses according to their nature	16
7. Finance income and finance expenses	18
8. Income tax expense	18
9. Property, plant and equipment	19
10. Investment property	20
11. Intangible assets	21
12. Goodwill	22
13. Derivative financial instruments	22
14. Deferred tax	25
15. Inventories	26
16. Trade and other receivables	26
17. Prepayments and other current assets	28
18. Cash and cash equivalents	28
19. Assets held for sale	29
20. Retained earnings and dividends	30
21. Loans and borrowings	30
22. Provisions	32
23. Finance lease liability	33
24. Other non - current liabilities	33
25. Trade and other payables and accruals	34
26. Short-term bank loans	34
27. Commitments and other contingencies	35
28. Related parties	37
29. Risk management	38
30. Emission rights	45
Descriptive Part	46
31. Equity Interests Held by UNIPETROL, a.s.	47
32. Changes in the Company's Governing Bodies	48
33. Business Activities and Financial Results in the First Half of 2008	49
34. Expected Development of Business Activities in the Remainder of 2008	50

FINANCIAL STATEMENTS

UNIPETROL, a.s.

Consolidated balance sheet
prepared in accordance with International Financial Reporting Standards
As at 30 June 2008 and 31 December 2007
(in thousands of Czech crowns)

	Note	30 June 2008 unaudited	31 December 2007 audited
ASSETS			
Non-current assets			
Property, plant and equipment	9	35,932,547	35,856,892
Investment property	10	162,955	162,955
Intangible assets	11	1,605,040	1,690,412
Goodwill	12	51,595	51,595
Other investments		239,269	73,916
Non-current receivables		166,835	152,220
Derivative financial instruments	13	13,216	--
Deferred tax asset	14	25,185	23,924
Total non-current assets		38,196,642	38,011,914
Current assets			
Inventories	15	10,691,852	10,361,090
Trade receivables	16	14,591,487	13,057,937
Prepayments and other current assets	17	663,031	179,359
Derivative financial instruments	13	1,149	1,315
Income tax receivable		223,027	160,320
Cash and cash equivalents	18	922,662	3,106,496
Assets classified as held for sale	19	78,333	1,261,333
Total current assets		27,171,541	28,127,850
Total assets		65,368,183	66,139,764
EQUITY AND LIABILITIES			
Equity			
Share capital		18,133,476	18,133,476
Statutory reserves		2,175,595	2,042,971
Other reserves		23,528	16,875
Retained earnings	20	19,018,826	21,648,819
Total equity attributable to equity holders of the Company		39,351,425	41,842,141
Minority interests		276,488	295,928
Total equity		39,627,913	42,138,069
Non-current liabilities			
Loans and borrowings	21	2,194,641	2,156,000
Deferred tax liability	14	2,264,972	2,272,437
Provisions	22	380,676	422,044
Finance lease liability	23	78,623	121,531
Other non-current liabilities	24	352,958	219,317
Total non-current liabilities		5,271,870	5,191,329
Current liabilities			
Trade and other payables and accruals	25	15,911,290	16,155,298
Liabilities from dividends	20	3,200,559	--
Current portion of loans and borrowings	21	326,777	1,447,757
Short-term bank loans	26	594,681	804,531
Current portion of finance lease liabilities	23	100,622	116,808
Derivative financial instruments	13	103,911	13,712
Provisions	22	200,639	237,143
Income tax payable		29,921	35,117
Total current liabilities		20,468,400	18,810,366
Total liabilities		25,740,270	24,001,695
Total equity and liabilities		65,368,183	66,139,764

UNIPETROL, a.s.

Consolidated income statement
prepared in accordance with International Financial Reporting Standards
For the 6 month period ended 30 June 2008 and 30 June 2007
(in thousands of Czech crowns)

	Note	30 June 2008 unaudited	30 June 2007 unaudited
Revenue	3	49,229,607	45,473,892
Cost of sales	6	(45,386,873)	(37,667,985)
Gross profit		3,842,734	7,805,907
Other income		487,222	384,960
Distribution expenses	6	(1,425,188)	(1,481,008)
Administrative expenses	6	(1,092,539)	(1,021,129)
Other expenses	6	(320,901)	(1,197,882)
Operating profit before finance costs		1,491,329	4,490,848
Finance income	7	326,226	226,634
Finance expenses	7	(929,994)	(453,248)
Net finance costs		(603,768)	(226,614)
Profit before tax		887,561	4,264,234
Income tax expense	8	(186,966)	(1,156,179)
Profit for the period		700,594	3,108,055
Attributable to:			
Equity holders of the Company		708,452	3,067,112
Minority interest		(7,858)	40,943
Profit for the period		700,594	3,108,055
Basic and diluted earnings per share (in CZK)		3.86	17.13

UNIPETROL, a.s.

Consolidated statement of changes in equity
prepared in accordance with International Financial Reporting Standards
For the 6 month period ended 30 June 2008 and 30 June 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 2007		18,133,476	1,759,163	(11,848)	20,695,309	40,576,100	584,094	41,160,194
Profit for the period	--	--	--	--	786,289	786,289	27,907	814,196
Other	--	--	1,248	9,852	4,212	15,312	(828)	14,484
Balance as at 30 June 2007		18,133,476	1,759,163	(11,848)	20,695,309	40,576,100	584,094	41,160,194
Balance as at 1 January 2008		18,133,476	2,042,971	16,875	21,648,819	41,842,141	295,928	42,138,069
Profit for the period	--	--	--	--	708,452	708,452	(7,858)	700,594
Allocation of profit to reserves	--	--	134,129	--	(134,129)	--	--	--
Dividends	--	--	--	--	(3,200,559)	(3,200,559)	--	(3,200,559)
Foreign exchange gain on inclusion of subordinated entities	--	--	--	1,391	--	1,391	--	1,391
Other	--	--	(1,505)	5 262	(3,757)	--	(11,582)	(11,582)
Balance as at 30 June 2008		18,133,476	2,175,595	23,528	19,018,826	39,351,425	276,488	39,627,913

UNIPETROL, a.s.

Consolidated statements of cash flows
prepared in accordance with International Financial Reporting Standards
For the 6 months period ended 30 June 2008 and 30 June 2007
(in thousands of Czech crowns)

	30 June 2008 (unaudited)	30 June 2007 (unaudited)
Cash flows from operating activities:		
Profit for the period	700,594	3,108,055
Adjustments for:		
Depreciation and amortisation of the property, plant and equipment and intangible assets	1,701,357	1,574,798
Gain on disposals of property, plant and equipment and intangible assets	(89,874)	(67,677)
Interest expense	107,925	156,629
Dividends income	4,851	--
(Reversal of) impairment losses on financial investments, property, inventory, receivables	--	(341,283)
Other non cash transaction	23,666	--
Income tax expense	186,966	1,156,179
Foreign exchange gains	(74,609)	(76,082)
Impairment losses on assets classified as held for sale	--	888,327
Operating profit before working capital changes	2,560,877	6,398,946
Change in trade and other receivables, prepayments and other current assets	(2,400,431)	(1,899,383)
Change in trade and other accounts payable and accruals	484,219	(46,928)
Change in provisions	(77,873)	(20,898)
Interest paid	(35,101)	(92,510)
Income tax paid	(251,589)	(1,043,510)
Net cash provided by operating activities	280,102	3,295,717
Cash flows from investing activities:		
Acquisition of property, plant and equipment and intangible assets	(2,099,610)	(1,503,827)
Proceed from disposals of property, plant and equipment and intangible assets	89,034	130,920
Proceed from disposals of Synthesia, a.s. and AGROBOHEMIE, a.s.	1,183,000	--
Change in loans granted	(284,463)	--
Net cash used in investing activities	(1,112,040)	(1,372,908)
Cash flows from financing activities:		
Change in loans and borrowings	(1,292,802)	(2,259,538)
Repayment of financial leasing	(59,094)	--
Net cash used in financing activities	(1,351,896)	(2,259,538)
Net change in cash	(2,183,834)	(336,728)
Cash at beginning of year	3,106,496	4,970,650
Cash and cash equivalents related to assets classified as held for sale	--	640,798
Cash at beginning of year in balance sheet	3,106,496	4,329,852
Cash at end of year	922,662	4,633,922
Cash and cash equivalents related to Assets held for sale at end of year	--	1,372,226
Cash at end of year in balance sheet	922,662	3,261,696

NOTES TO FINANCIAL STATEMENTS

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 Praha 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 30 June 2008 are as follows:

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

1. DESCRIPTION OF THE PARENT COMPANY AND STRUCTURE OF THE CONSOLIDATED GROUP (CONTINUED)

The condensed consolidated interim financial statements comprise the same subsidiaries and joint ventures as those comprised by the Group in its consolidated financial statements at and for the year ended 31 December 2007 except for the changes described below.

During six month period ended 30 June 2008 the companies UNIPETROL CHEMICALS IBERICA S.A. and UNIPETROL AUSTRIA HmbH were put under liquidation due to restructuralization process of UNIPETROL TRADE Group. Consolidation of POLYMER INSTITUTE BRNO, spol. s r.o. and HC Litvínov, a.s., was ceased as from 1 January 2008 due to immateriality. UNIPETROL CHEMICALS IBERICA S.A., UNIPETROL AUSTRIA HmbH, POLYMER INSTITUTE BRNO, spol. s r.o. and HC Litvínov, a.s., previously consolidated under full method, were excluded from consolidation as from 1 January 2008 and in the consolidated financial statements as at 30 June 2008 are presented under Other financial investments.

The consolidated interim financial statements of the Group as at and for the year ended 31 December 2007 are available upon request from the Company's registered office or at website address.

2. SIGNIFICANT ACCOUNTING POLICIES

A Statement of compliance and accounting policies

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2007.

The Group used the same accounting policies and methods of computation during preparation of these interim financials statements as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2007.

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 for annual periods beginning on or after 1 January 2009

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- IFRIC 12 Service Concession Arrangements (effective for annual periods beginning on or after 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 for annual periods beginning on or after 1 July 2008
- IFRIC 14 Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – effective for annual periods beginning on or after 1 January 2008
- IFRIC 15 Agreements for the Construction of Real Estate– effective for annual periods beginning on or after 1 January 2009
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation is effective for annual periods beginning on or after 1 October 2008

Acceptance of all 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, IFRIC 14, IFRIC 15 and IFRIC 16 will not have a significant impact on the Group's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B Basis of preparation

The consolidated financial statements of the Company for the period ended 30 June 2008 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.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2007.

3. REVENUE

An analysis of the Group’s revenue is as follows:

	30/06/2008	30/06/2007
Gross revenue from sale of own products and merchandise		
Total gross proceeds	58,348,585	54,873,314
Less: Excise tax	11,681,932	11,898,847
Net revenue from sale of own products and merchandise	46,666,653	42,974,467
Revenue from services	2,562,954	2,499,424
Total revenue	49,229,607	45,473,892

4. BUSINESS SEGMENTS

Period ended 30/06/2008	Refinery production	Retail	Petrochemical production	Other	Eliminations	Total
Revenue						
Total external revenues	26,220,872	4,896,075	17,544,434	568,226		49,229,607
Intersegment revenues	10,268,878	158,312	4,129,256	826,625	(15,383,071)	
Total segment revenue	36,489,750	5,054,387	21,673,690	1,394,851	(15,383,071)	49,229,607
Result from operating activities	1,020,030	228,478	130,427	122,033	(9,639)	1,491,329
Net finance costs						(603,768)
Profit before tax						887,561
Income tax expense						(186,966)
Profit for the period						700,594

Period ended 30/06/2007	Refinery production	Retail	Petrochemical production	Other	Eliminations	Total
Revenue						
Total external revenues	20,485,222	3,856,796	20,614,345	517,529		45,473,892
Intersegment revenues	18,135,516	57,652	5,867,725	443,574	(24,504,467)	
Total segment revenue	38,620,738	3,914,448	26,482,070	961,103	(24,504,467)	45,473,892
Result from operating activities	1,100,279	207,541	3,177,050	(184,710)	190,688	4,490,848
Net finance costs						(226,614)
Profit before tax						4,264,234
Income tax expense						(1,156,179)
Profit for the period						3,108,055

4. BUSINESS SEGMENTS (CONTINUED)

Balance sheet	Refinery	Retail	Petrochemical	Other	Eliminations	Total
30/06/2008						
Segment assets	27,801,123	7,052,979	6,359,057	30,625,864	(7,556,225)	64,282,768
Unallocated corporate assets						1,085,415
Total assets						65,368,183
Segment liabilities	2,802,400	13,581,668	5,418,671	4,295,112	(5,768,573)	20,329,278
Unallocated corporate liabilities						5,410,992
Total liabilities						25,740,270

Balance sheet	Refinery	Retail	Petrochemical	Other	Eliminations	Total
31/12/2007						
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	(3,434,046)	19,404,377
Unallocated corporate liabilities						4,597,318
Total liabilities						24,001,695

Other information	Refinery	Retail	Petrochemical	Other	Eliminations	Total
30/06/2008						
Depreciation and amortisation	(514,559)	(156,496)	(944,233)	(86,069)		(1,701,357)

Other information	Refinery	Retail	Petrochemical	Other	Eliminations	Total
30/06/2007						
Depreciation and amortisation	(412,796)	(154,661)	(932,997)	(74,345)		(1,574,798)

5. GEOGRAPHICAL SEGMENTS

Secondary reporting format – geographical segments

	Revenue		Total assets		Additions to non-current assets	
	30/06/2008	30/06/2007	30/06/2008	31/12/2007	30/06/2008	30/06/2007
Czech Republic	33,150,845	28,375,471	63,860,360	64,448,521	1,573,404	1,481,193
Other European countries	15,842,082	16,938,334	1,507,823	1,691,243	72	
Other countries	236,680	160,087				
Total	49,229,607	45,473,892	65,368,183	66,139,764	1,573,476	1,481,193

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 9) and intangible assets (Note 11).

6. ANALYSIS OF EXPENSES ACCORDING TO THEIR NATURE

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

30/06/2008	Cost of sales	Distribution costs	Administrative expenses	Other operating income / (expenses)	Total
Materials consumed	(39,681,613)	(98,867)	(27,003)	--	(39,807,484)
Energy	(871,889)	(1,323)	(2,965)	--	(876,176)
Repairs and maintenance	(741,615)	(20,744)	(4,824)	--	(767,183)
Other services	(913,814)	(987,009)	(599,556)	(2,917)	(2,503,297)
Personnel expenses	(840,193)	(105,808)	(263,555)	--	(1,209,556)
Depreciation					
- owned assets	(1,205,005)	(185,580)	(17,047)	--	(1,407,631)
- leased assets	(168,883)	(16,001)	--	--	(184,884)
Amortization					
- software	(12,640)	(1,744)	(11,473)	--	(25,857)
- other intangible assets	(72,998)	(146)	(9,840)	--	(82,985)
Impairment of PPE recognised / (released)	--	--	--	39,827	39,827
Inventory write-down recognised / (released)	--	--	--	(11,454)	(11,454)
Impairment to receivables recognised / (released)	99,183	--	--	53,793	152,976
Research expenditures	(5,388)	(4,220)	(3,904)	10,213	(3,299)
Investment property expense	--	--	--	--	--
Operating lease rentals	(257,586)	(701)	(16,081)	--	(274,368)
Profit / (loss) on disposal of PPE	612	--	--	71,198	71,810
Addition / (utilization, release) to provisions	11,399	--	--	66,473	77,872
Insurance	(58,859)	(1,243)	(21,712)	(20,612)	(102,425)
Impairment of assets qualified as held for sale	--	--	--	--	--
Other expenses	(716,173)	(1,803)	(115,362)	(102,950)	(936,288)
Other income	48,590	--	784	62,748	112,122
Total operating expenses	(45,386,873)	(1,425,188)	(1,092,539)	166,321	(47,738,278)
Revenue					49,229,607
Operating profit before financing costs					1,491,329

6. ANALYSIS OF EXPENSES ACCORDING TO THEIR NATURE (CONTINUED)

30/06/2007	Cost of sales	Distribution costs	Administrative expenses	Other operating income / (expenses)	Total
Materials consumed	(31,211,348)	(92,700)	(23,316)	--	(31,327,364)
Energy	(522,559)	(688)	(2,993)	--	(526,240)
Repairs and maintenance	(757,876)	(12,948)	(9,128)	--	(779,952)
Other services	(2,098,441)	(956,841)	(511,239)	--	(3,566,521)
Personnel expenses	(986,326)	(123,188)	(370,591)	--	(1,480,105)
Depreciation					
- owned assets	(1,125,191)	(174,623)	(35,053)	--	(1,334,867)
- leased assets	(49,138)	(18,240)	--	--	(67,378)
Amortization					
- software	(25,430)	(4,157)	(7,510)	--	(37,097)
- other intangible assets	(55,587)	(75,182)	(4,687)	--	(135,456)
Impairment of PPE recognised / (released)	--	--	--	7,877	7,877
Inventory write-down recognised / (released)	--	--	--	8,376	8,376
Impairment to trade receivables recognised / (released)	--	--	--	74,242	74,242
Research expenditures	(10,211)	--	--	--	(10,211)
Operating lease rentals	(257,172)	(756)	(18,261)	--	(276,189)
Profit / (loss) on disposal of PPE	--	--	--	74,473	74,473
Addition / (utilization, release) to provisions	--	--	--	43,494	43,494
Insurance	(65,374)	(6,680)	(15,851)	(61,880)	(149,785)
Written off receivables	--	--	--	(72,720)	(72,720)
Impairment of assets qualified as held for sale	--	--	--	(888,327)	(888,327)
Other expenses	(516,262)	(15,005)	(23,751)	(31,851)	(586,869)
Other income	12,930		1,252	33,394	47,576
Total operating expenses	(37,667,985)	(1,481,008)	(1,021,129)	(812,922)	(40,983,044)
Revenue					45,473,892
Operating profit before finance costs					4,490,848

7. FINANCE INCOME AND FINANCE EXPENSES

	30/06/2008	30/06/2007
Finance income		
Interest income:		
- bank deposits	68,118	26,506
- other loans and receivables	10,437	53,578
Dividend income	4,851	--
Foreign exchange gains	182,244	110,290
Reversal of impairment on held-to-maturity securities	--	10,858
Gains arising from financial derivatives	20,007	--
Other finance income	40,569	25,402
Total finance income	326,226	226,634
Finance expenses		
Interest expense:		
- bank overdrafts, loans and borrowings	(161,320)	(237,412)
- finance leases	(576)	(6,319)
- other	(3,753)	--
Total borrowings costs	(165,649)	(243,731)
Less: amounts included in the cost of qualifying assets	--	7,018
Borrowing costs recognized in the income statement	(165,649)	(236,713)
Foreign exchange losses	(64,056)	(155,038)
Loss arising on derivatives in a designated fair value hedge accounting relationship	(666,831)	--
Impairment on held-to-maturity securities	(9,966)	--
Other finance expenses	(23,491)	(61,498)
Total finance expenses	(929,994)	(453,248)
Net finance costs	(603,768)	(226,614)

8. INCOME TAX EXPENSE

	30/06/2008	30/06/2007
Current tax – Czech Republic	(170,595)	(1,113,403)
Current tax – other countries	(7,645)	(16,931)
Deferred tax	(8,726)	(25,846)
Income tax expense	(186,966)	(1,156,179)

Domestic income tax is calculated in accordance with Czech tax regulations at the rate of 21 % in 2008 (2007: 24 %) of the estimated taxable income for the year. The deferred tax has been calculated using tax rates approved for years 2009 - 2010 (20 %, 19 %). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

9. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Other	Assets under development	Total
Cost					
Balance as at 01/01/2007	22,611,075	34,475,799	196,058	1,948,979	59,231,911
Additions	990,787	2,282,828	245,99	1,684,483	5,204,088
Disposals	(102,264)	(738,082)	(123,377)	(286,462)	(1,250,186)
Reclassifications	(11,465)	89,57	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 31/12/07	23,231,679	36,147,657	603,638	3,259,911	63,242,885
Additions	206,958	891,307	87,801	1,641,268	2,827,333
Disposals	(8,790)	(79,522)	(123,307)	(1,115,052)	(1,326,671)
Reclassifications	--	--	--	--	--
Disposal of subsidiary	--	--	--	--	--
Other	(56,517)	(185,749)	88,260	(90,275)	(244,281)
Balance as at 30/06/2008	23,373,330	36,773,693	656,392	3,695,852	64,499,266
Depreciation					
Balance as at 01/01/2007	6,851,520	17,536,961	95,267	--	24,483,748
Charge for the period	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 31/12/07	7,251,141	19,231,916	359,429	--	26,842,485
Charge for the period	299,171	1,216,793	76,557	--	1,592,521
Disposals	(2,283)	(82,959)	(123,307)	--	(208,549)
Reclassifications	--	--	--	--	--
Disposal of subsidiary	--	--	--	--	--
Other	(30,234)	(139,490)	6,269	--	(163,455)
Balance as at 30/06/2008	7,517,795	20,226,260	318,948	--	28,063,002
Impairment					
Balance as at 01/01/2007	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
Impairment losses	9,541	526	--	--	10,067
Reversal of impairment losses	(24,696)	(24,160)	--	(1,000)	(49,856)
Balance as at 30/06/2008	309,039	190,194	--	4,481	503,714
Carrying amount as at 31/12/2007	15,656,342	16,701,911	244,209	3,254,430	35,856,892
Carrying amount as at 30/06/2008	15,546,494	16,357,238	337,446	3,691,370	35,932,547

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, plant and equipment include production technologies of CZK 63,370 thousand and vehicles of CZK 37,252 thousand held under finance leases as of 30 June 2008.

The carrying amounts of property, plant and equipment held under finance leases as of 31 December 2007 was CZK 885,654 thousand.

The Group did not capitalize any borrowing costs in period ended 30 June 2008 (2007: CZK 11,861 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	1,648,184	206,400
BANCO SABADEL	Building	--	--
Total as of 30/06/2008		1,648,184	206,400

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

10. INVESTMENT PROPERTY

Group owns the land which is leased to KAUČUK, a.s. Rental income amounted to CZK 8,277 thousand on the 30 June 2008 (30 June 2007: 9,525 thousand CZK). Operating costs relating to investment property amounted to CZK 306 thousand (30 June 2007: 595 thousand CZK).

11. INTANGIBLE ASSETS

	Software	Other intangible assets	Assets under development	Total
Cost				
Balance as at 1/1/07	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
Transfer to assets held for sale	--	--	--	--
Disposal of subsidiary	(16,694)	(7,92)	--	(24,614)
Other	1,582	739	153	2,474
Balance as at 31/12/07	759,643	2,322,583	--	3,082,226
Additions	4,251	70,286	--	74,537
Disposals	(100)	(55,046)	--	(55,146)
Reclassifications	--	--	--	--
Disposal of subsidiary	--	--	--	--
Other	(7,240)	22,979	--	15,739
Balance as at 30/06/08	756,554	2,360,802	--	3,117,356
Amortization				
Balance as at 1/1/07	663,404	593,965	--	1,257,369
Charge for the period	41,462	110,7	--	152,162
Disposals	(21,729)	--	--	(21,729)
Reclassifications	243	13,426	--	13,669
Transfer to assets held for sale	--	--	--	--
Disposal of subsidiary	(3,797)	(7,892)	--	(11,689)
Other	1,401	558	--	1,959
Balance as at 31/12/07	680,984	710,757	--	1,391,741
Charge for the period	20,344	88,492	--	108,836
Disposals	(97)	(4,490)	--	(4,587)
Reclassifications	--	--	--	--
Disposal of subsidiary	--	--	--	--
Other	(5,449)	21,741	--	16,292
Balance as at 30/06/08	695,782	816,500	--	1,512,282
Impairment				
Balance as at 1/1/07	--	153	3,500	3,653
Impairment losses	--	--	--	--
Reversal of impairment losses	--	(80)	(3,500)	(3,580)
Disposal of subsidiary	--	--	--	--
Balance as at 31/12/07	--	73	--	73
Impairment losses	--	--	--	--
Reversal of impairment losses	--	(38)	--	(38)
Balance as at 30/06/08	--	35	--	35
Carrying amount as at 31/12/07	78,659	1,611,753	--	1,690,412
Carrying amount as at 30/06/08	60,771	1,544,269	--	1,605,040

Other intangible assets primarily include purchased licenses related to production of plastics (high-density polyethylene - HDPE and polypropylene), which account for CZK 1,628,960 thousand of acquisition cost as of 30 June 2008.

12. GOODWILL

The goodwill presented by the Group amounted to CZK 51,595 thousand as at June 2008 (31 December 2007: CZK 51,595 thousand). It results from the acquisition of 0.225 % share in the registered capital of ČESKÁ RAFINÉRSKÁ, a.s. during the year ended 31 December 2007.

13. 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 and commodity put options. 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	
		30/06/2008	31/12/2007	30/06/2008	31/12/2007
Derivatives held for trading					
Commodity swap – Komerční banka	8.1.2008	--	73 T USD	--	1,315
Commodity put options	7.8.2008	4 048 T USD	--	534	--
Commodity put options	7.8.2008	3 969 T USD	--	223	--
Commodity put options	7.8.2008	3 977 T USD	--	13	--
Commodity put options	7.8.2008	3 975 T USD	--	375	--
Commodity put options	7.8.2008	3 890 T USD	--	4	--
Emission Allowances Swaps EUA/CER	1.12.2009	4 079,5 T EUR	--	4,326	--
Emission Allowances Swaps EUA/CER	1.12.2010	4 732,2 T EUR	--	8,890	--
Total financial derivatives – assets				14,365	1,315

13. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments – liabilities

	Settlement date	Contract principal amount		Fair value of derivatives	
		30/06/2008	31/12/2007	30/06/2008	31/12/2007
Derivatives held for trading					
Interest rate swaps	15.8.2008	15 056 T USD	16,938 T USD	(4,160)	(6,258)
Commodity swap - Citibank	7.7.2008	2 626 T USD	--	(6,375)	--
Commodity swap - Citibank	7.7.2008	2 634 T USD	--	(6,246)	--
Commodity swap - Česká spořitelna	7.7.2008	2 641 T USD	--	(6,145)	--
Commodity swap - Česká spořitelna	7.7.2008	2 653 T USD	--	(5,956)	--
Commodity swap – Komerční banka	8.7.2008	2 639 T USD	--	(6,166)	--
Commodity swap – Komerční banka	8.7.2008	19 989 T USD	--	(18,203)	--
Commodity swap - Citibank	7.7.2008	9 864 T USD	--	(11,078)	--
Commodity swap - Česká spořitelna	7.7.2008	9 344 T USD	--	(8,930)	--
Commodity swap - Česká spořitelna	7.8.2008	4 048 T USD	--	(5,961)	--
Commodity swap - Citibank	7.8.2008	3 970 T USD	--	(6,257)	--
Commodity swap - Citibank	7.8.2008	3 978 T USD	--	(6,143)	--
Commodity swap – Komerční banka	7.8.2008	3 976 T USD	--	(6,384)	--
Commodity swap - Česká spořitelna	7.8.2008	3 892 T USD	--	(5,907)	--
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				(103,911)	(13,712)

13. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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 30/06/2008			Fair value as at 31/12/2007		
	Non-current receivables	Current receivables	Total	Non-current receivables	Current receivables	Total
Commodity Swap	--	--	--	--	1,315	1,315
Commodity put options	--	1,149	1,149	--	--	--
Emission Allowances Swaps EUA/CER	13,216	--	13,216	--	--	--
Total	13,216	1,149	14,365	--	1,315	1,315

	Fair value as at 30/06/2008			Fair value as at 31/12/2007		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Commodity Swaps	--	(99,751)	(99,751)	--	(7,454)	(7,454)
Interest Rate Swaps	--	(4,160)	(4,160)	--	(6,258)	(6,258)
Total	--	(103,911)	(103,911)	--	(13,712)	(13,712)

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.

The Group has entered in 2008 into two Emission Allowances Swaps EUA/CER with settlement in December 2009 and December 2010. These derivatives are presented as derivatives held for trade.

14. 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:

	30/06/2008
At the beginning of the period	(2,248,513)
Income statement charge	(8,726)
Tax charged to equity	--
At the end of the period	(2,239,787)

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	01/01/2008	Charged/ (credited) to net profit	30/06/2008
Property, plant and equipment	(2,368,554)	13,724	(2,354,830)
Inventory	(54,453)	54,453	--
Finance lease	(117,665)	(2,620)	(120,285)
Other	(73,741)	(29,790)	(103,531)
Total deferred tax liabilities	(2,614,413)	35,767	(2,578,646)

Deferred tax assets	01/01/2008	Charged/ (credited) to net profit	30/06/2008
Property, plant and equipment	25,114	(3,843)	21,271
Provisions	243,318	(99,192)	144,126
Unused tax losses carried forward	10,500	65,581	76,081
10% investment relief	68,478	(10,343)	58,135
Derivative instruments	--	9,577	9,577
Other	18,490	11,180	29,670
Total deferred tax assets	365,900	(27,040)	338,860

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:

	30/06/2008	31/12/2007
Deferred tax asset	25,185	23,924
Deferred tax liability	(2,264,972)	(2,272,437)
Net	(2,239,787)	(2,248,513)

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.

15. INVENTORIES

	30/06/2008	31/12/2007
Raw materials	4,729,931	5,043,160
Net realisable value allowance for raw materials	(348,101)	(323,138)
Work in progress	1,743,286	1,309,626
Net realisable value allowance for work in progress	(6,358)	(593)
Finished goods	4,193,681	3,493,724
Net realisable value allowance for finished goods	(16,554)	(17,256)
Goods for sale	355,472	870,051
Net realisable value allowance for goods for sale	40,495	(14,484)
Total inventory	10,691,852	10,361,090

Changes in the net realizable value allowances for inventories amount to CZK (11,454) thousand and are included in other operating expenses as of June 2008 (June 2007: CZK 3,393 thousand).

16. TRADE AND OTHER RECEIVABLES

	30/06/2008	31/12/2007
Trade accounts receivable	14,302,886	12,530,057
Other receivables	1,418,670	1,815,085
Gross trade and other receivables	15,721,556	14,345,142
Impairment losses	(1,130,069)	(1,287,205)
Net trade and other receivables	14,591,487	13,057,937

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

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

Denominated in	30/06/2008	31/12/2007
CZK	10,821,232	10,755,313
EUR	3,300,264	2,389,927
USD	766,259	471,856
Other currencies	833,802	728,046
Total trade and other receivables	15,721,556	14,345,142

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

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 30 June 2008 there was one customer representing more than 5 % of the total balance of consolidated trade receivables. The receivables to this customer represent CZK 1,188 million.

Movement in the allowance for impairment charges

	30/06/2008	31/12/2007
Balance at beginning of the period	1,287,205	1,115,595
Impairment losses recognized on receivables	9,383	271,446
Amounts written off as uncollectible	(160,473)	(16,291)
Amounts recovered during the year	(2,619)	(23,267)
Impairment losses reversed	(1,821)	(60,278)
Unwind of discount	(1,356)	--
Foreign exchange differences	(250)	--
Balance at end of the period	1,130,069	1,287,205

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.

17. PREPAYMENTS AND OTHER CURRENT ASSETS

	30/06/2008	31/12/2007
Prepayments	143,671	110,081
Other current assets	519,361	69,278
Total prepayments and other assets	663,031	179,359

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	30/06/2008	31/12/2007
CZK	555,648	160,856
EUR	105,463	16,893
USD	215	752
Other currencies	1,705	858
Total prepayments and other assets	663,031	179,359

18. CASH AND CASH EQUIVALENTS

	30/06/2008	31/12/2007
Cash in hand and at bank	515,186	2,108,197
Short-term bank deposits	407,476	998,229
Total cash and cash equivalents	922,662	3,106,426

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 62,273 thousand (31 December 2007 CZK 60,219 thousand).

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

Denominated in	30/06/2008	31/12/2007
CZK	711,570	2,805,936
EUR	110,310	190,934
USD	39,839	50,706
Other currencies	60,942	58,920
Total cash and cash equivalents	922,662	3,106,496

19. ASSETS HELD FOR SALE

Assets classified as held for sale are presented after elimination of intergroup balances in accordance with Group's accounting policy.

As at 30 June 2008 Group held 97 shares in CELIO a.s. in nominal value of 1,000 thousand CZK. The Group's share in CELIO a.s. was classified as a current asset held for sale since its carrying amount 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 CZK (2007: 78,333 thousand).

Based on circumstances described in the consolidated financial statements of the Group as at 31 December 2007 the shares in AGROBOHEMIE a.s. and Synthesia, a.s. were 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 and was equal to carrying amount of the shares.

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.

20. RETAINED EARNINGS AND DIVIDENDS

Dividends

In accordance with appropriate Czech law, dividends can be paid from unconsolidated profit of the parent company.

The Ordinary General Meeting of UNIPETROL, a.s. held on 26 June 2008 decided on settlement of the Company's loss. The loss of the Company stated in the Company's ordinary non-consolidated financial statements as of 31 December 2007 amounting to 9,120,840.63 CZK was covered in accordance with Article 26 (4) of the Company's Articles of Association from unallocated profit from previous years.

The Ordinary General Meeting of UNIPETROL, a.s. held on 26 June 2008 decided on dividend payout from undistributed profit of preceding years. Dividends will be paid out in the following manner:

- The total amount to be paid out as dividends is CZK 3,200,558,584.60. The amount of the dividend per one share amounts to CZK 17.65, before tax.
- The right to the dividend may be exercised by a shareholder owning the Company's shares as of the record date, i.e., as of 26 June 2008.
- The dividend is due and payable on 29 August 2008.
- The dividend shall be paid out at the Company's own cost and risk in accordance with applicable laws and the Company's Articles of Association.

21. LOANS AND BORROWINGS

Interest bearing loans and borrowings as at 30 June 2008 were as follows:

Creditor / Currency	Balance as at 30/06/2008	Fair value at 30/06/2008	Effective interest rate
ČSOB, a.s. / CZK	206,400	206,400	3M PRIBOR*
Long-term bonds – Issue I. – 1998	2,315,018	2,992,364	9.82%
Total	2,521,418		
Current portion of loans and borrowings maturing within next 12 months	(326,777)	(326,777)	
Non-current loans and borrowings	2,194,641		

*) Interest rates are increased by the agreed mark up.

The current portion of non-current interest-bearing loans and borrowings maturing until 30 June 2009 is reported separately under current liabilities.

21. LOANS AND BORROWINGS (CONTINUED)

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 loans and borrowings maturing by 30 June 2008 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 30/06/2008	326,777	194,641	--	--	2,000,000	--	2,521,418
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

Analysis of loans and borrowings by currency:

Currency	CZK	EUR	Total
Non-current loans and borrowings as at 30/06/2008	2,194,641	--	2,194,641
Portion maturing in the year ended 31/12/2009	326,777	--	326,777
Total loans as at 30/06/2008	2,521,418		2,521,418
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

Analysis of borrowings by security:

Security	Unsecured	Pledged assets	Total
Non-current loans and borrowings as at 30/06/2008	2,060,241	134,400	2,194,641
Portion maturing in the year ended 31/12/2009	254,777	72,000	326,777
Total loans as at 30/06/2008	2,315,018	206,400	2,521,418
Non-current loans and borrowings as at 31/12/2007	2,000,000	156	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

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.

21. LOANS AND BORROWINGS (CONTINUED)

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.

22. PROVISIONS

	31/12/2007	Additional provision	Utilization/ release of provision	30/06/2008
Provisions				
Provisions for environmental damages and land restoration	296,000	25,947	11,922	310,025
Provisions for legal disputes	184,076	5,757	67,992	121,841
Employee benefits provision	51,630	277	17,806	34,101
Other provisions	127,481	27,127	39,261	115,347
Total	659,187	39,594	117,466	581,315

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 287,556 thousand as of 30 June 2008. (December 2007: CZK 292,336 thousand)

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 was the liability resulting from the litigation with Agrobanka Praha, a.s. v likvidaci, to which the Group had 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. Following agreement between UNIPETROL and MONTEGO BAY FINACIAL LIMITED the provision was fully utilized in the first half of 2008.

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 increased by the interest in amount of CZK 5,029 thousand in the first half of 2008.

Provisions for other probable future liabilities of the Group amount to CZK 115,347 thousand as of 30 June 2008, of which CZK 67,494 thousand is a provision for dismantling costs connected with liquidation of unused assets.(December 2007: CZK 74,549 thousand)

23. FINANCE LEASE LIABILITY

	Minimum lease payments		Present value of minimum lease payments	
	30/6/2008	31/12/2007	30/6/2008	31/12/2007
Amounts payable under finance leases:				
Not later than one year	110,394	124,164	100,622	116,807
Later than one year and not later than five years	87,878	125,390	78,623	121,532
Less: future finance charges	(19,026)	(11,215)	--	--
Present value of lease obligation	179,245	238,339	179,244	238,339

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.

24. OTHER NON - CURRENT LIABILITIES

	30/06/2008	31/12/2007
Deferred income from government grants	75,980	80,496
Amounts payable to business partners	94,178	92,820
Other liabilities	182,800	46,001
Total	352,958	219,317

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.

25. TRADE AND OTHER PAYABLES AND ACCRUALS

	30/06/2008	31/12/2007
Trade payables	8,302,385	7,827,102
Other payables	3,089,251	3,995,938
Accrued expenses	186,817	142,499
Social security and other taxes	4,332,837	4,189,759
Total	15,911,290	16,155,298

The management considers that the carrying amount of trade and other payables and accruals approximate their fair value.

	30/06/2008	31/12/2007
Denominated in		
CZK	10,843,731	12,091,657
EUR	454,004	480,114
USD	3,791,308	3,305,579
Other currencies	822,248	277,948
Total	15,911,290	16,155,298

26. SHORT-TERM BANK LOANS

The short-term borrowings as at 30 June 2008 and 31 December 2007 were as follows:

Creditor / currency	30/06/2008	31/12/2007
ABN AMRO/EUR	47,497	--
B.B.V.A. / EUR	--	4,395
BANCO DE VALENCIA / EUR	--	11,887
BANCO SABADEL / EUR	--	11,203
BANCO SANTANDER / EUR	--	8,542
BANESTO / EUR	--	1,974
CAIXANOVA/EUR	--	2,869
CAIXA SABADEL	--	5,690
CITIBANK /EUR	28,305	179
CITIBANK /USD		354,750
CITIBANK /CZK	143,133	--
Commerzbank AG / CZK	477	--
Česká spořitelna a.s./CZK	190,882	--
ČSOB,a.s./ EUR	--	3,295
ČSOB,a.s./ CZK	--	--
DEUTCHE BANK / EUR	--	5,577
Dresdner Bank AG, Frankfurt / EUR	50,772	53,266
ING Bank N.V. / CZK	80,854	--
ING Bank N.V. / EUR	3	--
HSBC/USD	--	89,311
HSBC/SKK	52,758	100,530
UNIPETROL SERVICES	--	151,063
Total short-term loans	594,681	804,531

26. SHORT TERM BANK LOANS (CONTINUED)

Short-term bank loans are subject to normal credit terms and their carrying amounts approximate fair values. Average effective interest rate as at 30 June 2008 was 4.36 % (31 December 2007: 3.64 %).

Analysis of short-term bank loans by security:

Security	Unsecured	Pledged assets	Total
Short - term loans as at 30/06/2008	543,909	50,772	594,681
Short - term loans as at 31/12/2007	744,876	59,655	804,531

Analysis of borrowings by currency:

Currency	CZK	EUR	USD	SKK	Total
Short - term loans as at 30/06/2008	415,347	126,576	--	52,758	594,681
Short - term loans as at 31/12/2007	151,064	108,874	444,063	100,530	804,531

27. 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.

27. COMMITMENTS AND OTHER CONTINGENCIES (CONTINUED)

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.

Claims related to fines imposed by the European Commission

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

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

27. COMMITMENTS AND OTHER CONTINGENCIES (CONTINUED)

Furthermore, the Italian group Eni, one of the entities fined by the European Commission, initiated a proceeding before a court in Milan in which it seeks a judgment that the ESBR cartel did not exist and no damage occurred as a result thereof. Eni's action has also been served upon Unipetrol, which currently considers its position in the proceeding.

28. RELATED PARTIES

Parent and ultimate controlling party

During six months ended 30. June 2008 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:

	30/06/2008				31/12/2007			
	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	463,962	113,171	475,533	1,537,725	72,971	83,167	206,596	935,848
Non-current receivables,	--	105,328	--	--	--	--	--	--
Current payables including loans	3,651,674	180,137	566,439	3,134	3,779,122	70,968	178,531	26,027
Non-current payables including loans	--	228	42,354	22,196	--	1,290	3,050	23,849
Expenses	25,751,751	77,533	2,831,226	63,995	43,823,017	289,035	2,026,638	111,185
Revenues	2,195,969	87,927	1,127,269	1,193,911	1,470,440	290,918	2,704,769	2,224,188
Sales of financial assets	--	--	--	--	--	--	--	--
Purchases of property, plant and equipment	--	--	--	--	--	1,941	--	--
Sales of property, plant and equipment	--	860	--	--	--	18,023	--	--
Interests income and expense	--	1,282	4,928	608	(2,552)	2,090	17	1,122

29. 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 21, cash and cash equivalents and equity attributable to equity holders of the parent, comprising shared capital, reserves and retained earnings as disclosed in notes 18 and 20 respectively.

The net debt to equity ratio at the year end was as follows:

	30/06/2008	31/12/2007
Debt (i)	(3,295,344)	(4,646,627)
Cash and cash equivalents	922,662	3,106,496
Net debt	(2,372,682)	(1,540,131)
Equity	39,627,913	42,138,069
Net debt to equity ratio	5.99%	3.65 %

(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.

The Group has entered into two Emission Allowances Swaps EUA/CER with settlement in December 2009 and December 2010. These derivatives are held and reported as derivatives for trading.

29. RISK MANAGEMENT (CONTINUED)

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 changing of 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	810,639	3,407,763
Liabilities	3,891,059	474,359
Net exposure	(3,080,420)	2,933,405

Detailed analysis of monetary assets and liabilities denominated in foreign currencies are presented in following notes:

- Note 16 Trade and other receivables
- Note 17 Prepayments and other current assets
- Note 18 Cash and cash equivalents
- Note 21 Loans and borrowings
- Note 25 Trade and other payables and accruals
- Note 26 Short-term bank loans

29. RISK MANAGEMENT (CONTINUED)

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	
	30/06/2008	31/12/2007	30/06/2008	31/12/2007
Profit or loss / equity	193,282	261,075	143,424	2,429

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 21 and 26.

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 21 and 26.

29. RISK MANAGEMENT (CONTINUED)

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 period ended 30 June 2008 would decrease/increase by CZK 13,824 thousand (the same period 2007: decrease/increase by CZK 10,138 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 increased during the current period mainly due to increasing of interest rates. For further information see Notes 21 and 26.

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.

29. RISK MANAGEMENT (CONTINUED)

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	
	30/06/2008	31/12/2007	30/06/2008	31/12/2007
Net trade and other receivables	14,348,085	12,535,962	243,402	521,975

Please refer to note 16 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.

29. RISK MANAGEMENT (CONTINUED)

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
30/06/2008					
Non Current assets					
Non-current receivables	166,835				166,835
Current assets					
Trade and other receivables	14,591,487	14,460,232	100,228	30,779	247
Income tax receivables	223,027			223,027	
Cash and cash equivalents	922,662	922,662			
Total	15,904,011	15,382,894	100,228	253,806	167,082
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

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.

29. RISK MANAGEMENT (CONTINUED)

Contractual maturity of non-derivative financial liabilities

	Total	Less than 1 month	1 months – 1 year	1-5 years	5+ years
30/06/2008					
Non-current liabilities					
Loans and borrowings	2,194,641			194,641	2,000,000
Finance lease liability	78,623			78,623	
Other non-current liabilities	352,958				352,958
Current liabilities					
Trade and other liabilities	15,911,290	15,911,290			
Liabilities from dividends	3,200,559		3,200,559		
Current portion of finance lease liabilities	100,622		100,622		
Current portion of loans and borrowings	326,777		326,777		
Short-term bank loans	594,681	594,681			
Income tax payable	29,922		29,922		
Total	22,790,073	19,706,530	457,321	273,264	2,352,958
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

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.

29. RISK MANAGEMENT (CONTINUED)

Liquidity analysis of derivative financial instruments

	1-3 months	3 months – 1 year	1-5 years
30/06/2008			
<i>Net settled:</i>			
Commodity swap	(98,602)		
<i>Gross settled:</i>			
Emission Allowances Swaps EUA/CER			13,216
Interest rate swaps	(4,160)		
31/12/2007			
<i>Net settled:</i>			
Interest rate swaps	(3,317)	(2,941)	--
<i>Gross settled:</i>			
Currency swaps	(6,139)	--	--

Assumptions used in determining fair values of financial instruments

The interest rate used to discount cash flows was 4.46 % based on the 1 year PRIBOR inter-bank interest rate. Please refer to individual notes for information on fair values of financial instruments.

30. EMISSION RIGHTS

In 2008 the Group obtained allowances for carbon dioxide emissions according to the Czech National Allocation Scheme for years 2008-2012.

Information on granted emission allowances	Amount	Value in CZK thousands
The total number of the emission allowances allocated to the Group for the period 2008-2012	18,820,096	10,170,367
Estimated utilization in 2008	3,550,459	1,942,264
Estimated/actual utilization in the first half of 2008	1,671,112	905,396
Revenues from sales of emissions allowances in the first half of 2008	100,000	53,206

The number of emission rights that were obtained by the Group in 2005 under National Allocation Scheme for years 2005 - 2007 and remained unused amounted to 586,679 units. Out of this number 556,543 units were sold and 30,136 units were written off by the Group in the first half of 2008.

DESCRIPTIVE PART

31. EQUITY INTERESTS HELD BY UNIPETROL, A.S.

In the first half of 2008 the following changes took place in the equity interests held by UNIPETROL, a.s.:

- As of 4 January 2008, an increase of the registered capital of BENZINA, s.r.o. to CZK 1,860,779,000 (the original amount was CZK 900,779,000, and the capital increase by CZK 960,000,000) was entered in the Companies Register. The registered capital was increased by a contribution in cash, which was effected by the sole member (UNIPETROL, a.s.) by way of a set-off against a monetary claim on the company.
- On 18 January 2008 certificated shares of AGROBOHEMIE a.s. (51% of the registered capital) and Synthesia a.s. (38.79% of the registered capital) held by UNIPETROL, a.s. were transferred to DEZA a.s. for consideration. The transfer took place under agreements entered into with DEZA, a.s. on 31 October 2007.

Financial investments held by UNIPETROL, a.s.

As at 30 June 2008

Name	Registered office	Share of registered capital, in %	Registered capital, in CZK '000	Share of registered capital, in CZK '000
UNIPETROL RPA, s.r.o.	Litvínov	100.00	11,147,964	11,147,964
UNIPETROL SERVICES, s.r.o.	Litvínov	100.00	100,200	100,200
BENZINA, s.r.o.	Prague	100.00	1,860,779	1,860,779
UNIPETROL TRADE a.s.	Prague	100.00	2,172	2,172
UNIPETROL RAFINÉRIE, s.r.o.	Litvínov	100.00	200	200
Výzkumný ústav anorganické chemie, a.s.	Ústí nad Labem	100.00	60,000	60,000
PARAMO, a.s.	Pardubice	88.03	1,330,078	1,170,934
ČESKÁ RAFINÉRSKÁ, a.s.	Litvínov	51.22	9,348,240	4,788,220
Butadien Kralupy a.s.	Kralupy n. Vltavou	51.00	150,000	76,500
UNIVERSAL BANKA, a.s. <i>in receivership</i>	Prague	16.45	1,520,000	250,000
Penzijní fond CERTUM-RENTA a.s., in liquidation (<i>in receivership</i>)	Prague	15.83	120,000	19,000
CELIO a.s.	Litvínov 7	10.53	190,000	20,000
POLYMER INSTITUTE BRNO, spol. s r.o.	Brno	1.00	97,000	970
PETROTRANS, s.r.o.	Prague	0.625	16,000	100
UNIPETROL DOPRAVA, s.r.o.	Litvínov 7	0.12	806,000	1,000
CHEMAPOL GROUP, a.s. (<i>in receivership</i>)	Prague	0.004	2,506,404	100
Spolek pro chemickou a hutní výrobu, a.s.	Ústí nad Labem	0.000	1,939,408	0.5

Financial investments in foreign companies:

Name	Registered office	Share of registered capital, in %	Registered capital, in CZK '000	Share of registered capital
UNIRAF SLOVENSKO s.r.o.	Bratislava, SR	13.00	SKK 230,000	SKK 30,000
Orlen Holding Malta Limited	Sliema, Malta	0.50	USD 5,050,000	USD 25,000

32. CHANGES IN THE COMPANY'S GOVERNING BODIES

Changes in the Supervisory Board between 1 January and 30 June 2008

- On 28 March 2008 Piotr Kownacki resigned his Chairmanship of the company's Supervisory Board; he has held the office of a Supervisory Board member henceforth. At the same time Wojciech Andrzej Heydel was co-opted as a substitute member of the Supervisory Board, and elected as the Supervisory Board Chairman. Rafał Kapler resigned his membership of the Supervisory Board.
- On 8 June 2008 Piotr Kearney's and Dariusz Mark Formela's terms in office expired. These Supervisory Board members continued to hold their offices until the General Meeting held on 26 June 2008, which elected Piotr Kearney to the Supervisory Board for the next term in office.
- The company's General Meeting held on 26 June 2008, (a) dismissed the following persons from the Supervisory Board: Czesław Adam Bugaj, Mirosław Stanisław Jasiński, Piotr Włodzimierz Kownacki, and Miloslav Suchánek, and (b) elected the following persons to the Supervisory Board: Wojciech Andrzej Heydel, Dariusz Jacek Krawiec, Sławomir Robert Jędrzejczyk, Marek Serafin, Piotr Kearney, and Wojciech Wróblewski.
- The date of the General Meeting held on 26 June 2008 marked the end of the office of the substitute members of the Supervisory Board, Robert Bednarski (co-opted on 30 August 2007) and Waldemar Maj (co-opted on 8 November 2007).
- On 26 June 2008 Wojciech Andrzej Heydel was elected as the Chairman of the company's Supervisory Board and Dariusz Jacek Krawiec was elected as the Second Vice-Chairman of the Supervisory Board.
- The company's General Meeting held on 26 June 2008 approved an amendment to the Articles of Association of UNIPETROL, a.s., including, *inter alia*, a reduction in the number of Supervisory Board members from twelve to nine.

Supervisory Board as at 30 June 2008:

Chairman:	Wojciech Andrzej Heydel
Vice-Chairmen:	Ivan Kočárník Dariusz Jacek Krawiec
Members:	Zdeněk Černý Krystian Pater Piotr Kearney Marek Serafin Wojciech Wróblewski Sławomir Robert Jędrzejczyk

Changes in the Board of Directors between 1 January and 30 June 2008

- On 26 June 2008 UNIPETROL, a.s. Supervisory Board discussed the resignation of Miroslav Krejčí from his office of a Director. His directorship ended on 26 June 2008.

Board of Directors as at 30 June 2008:

Chairman:	Francois Vleugels
Vice-Chairman:	Wojciech Ostrowski
Members:	Ivan Ottis Martin Durčák Arkadiusz Kotlicki

33. BUSINESS ACTIVITIES AND FINANCIAL RESULTS IN THE FIRST HALF OF 2008

The Unipetrol Group reported net profit attributable to shareholders of the parent company of CZK 708 million for the first half of this year. In both first and second quarters of this year, UNIPETROL suffered from high crude oil prices, very low petrochemical margins, and strengthening Czech currency. These external factors were mostly responsible for pushing the net profit for second quarter down to CZK 302 million, significantly less than in the same period of the previous year, when the market conditions were extremely good and allowed UNIPETROL to report record quarterly earnings. The revenues in the first six months of this year amounted to CZK 49.230 billion, which means an 8% y/y increase.

Consolidated, non-audited financial results (million CZK)

	H1 2007	H1 2008	y/y
Revenues	45,474	49,230	+8%
EBITDA	6,066	3,193	-47%
EBIT	4,491	1,491	-67%
Net profit attributable to shareholders of the parent company	3,067	708	-77%
Net profit attributable to shareholders of the parent company per share	CZK 16.91	CZK 3.91	

Profitability of the petrochemical segment, which was the main driver of UNIPETROL's good financial results last year, was affected the most by the unfavorable macroeconomic trends. The growth trend for prices of virgin naphtha, the main feedstock for petrochemical production, governed the first half of the year. This together with stagnating prices for petrochemical products lead to petrochemical margins decrease. This negative trend culminated in June. The model olefin margin was 280 EUR/t in the second quarter 2008, compared to 376 EUR/t the year before. The model polyolefin margin was 242 EUR/t in the second quarter 2008, whereas it reached 355 EUR/t the year before. The strengthening of CZK against EUR (an average rate in the second quarter of 2008 was 24,8 CZK/EUR compared to 28,3 CZK/EUR a year before) ate up an additional part of potential earnings.

On the other hand the refining segment showed good recovery in second quarter, significantly improving both margins (particularly q/q) and sale volumes (both q/q and y/y). This allowed the refining segment to record solid results and become the strongest contributor to the total EBIT in the first half of 2008.

Retail sales of motor fuels continued performing well and brought y/y growth in the first six months of this year (EBIT grew by 10%).

EBIT Segment Breakdown (million CZK)

	H1 2007	H1 2008	y/y
EBIT, of which	4,491	1,491	-67%
• Refining	1,100	1,020	-7%
• Petrochemicals	3,177	130	-96%
• Retail	208	228	+10%
• Others, Non-attributable, Eliminations	6	113	

34. EXPECTED DEVELOPMENT OF BUSINESS ACTIVITIES IN THE REMAINDER OF 2008

The Company went through a very difficult period in the first half of this year. It had to face historical growth of crude oil prices together with record speed of strengthening of the local currency. During third quarter 2008, the external conditions started to improve, crude oil prices going down and exchange rates stabilizing. However, the macroeconomic development, and the financial results are still hard to forecast.

The management decided to respond to the macroeconomic situation with several initiatives aimed at further operating expenditure savings. Additionally, the management is also analyzing company's capital expenditures from the effectiveness point of view under the new macroeconomic conditions.

At the beginning of October 2008, the Litvínov ethylene unit will be shut down for approximately 21 days. The reason for the shutdown is repair of the turbine that drives the ethylene cooling compressor. The company is addressing the new situation with each of its customers individually, and strives to accumulate sufficient stocks, particularly for October contracted deliveries, to minimise the financial impact.

Regarding the corporate structure, UNIPETROL has consistently repeated that strengthening its ownership in PARAMO, which is an objective for 2008, is desirable to enable a strategic cooperation between UNIPETROL and PKN ORLEN refineries in the area of production and sale of lubricants and bitumen. The restructuring of UNIPETROL TRADE, that is to be completed in 2008 as well, is aimed to leverage the effectiveness of Group's sales channels.

In the field of retail distribution of fuels, the plan is to finish the rebranding of all BENZINA *Plus* sites by year-end 2008.