Unipetrol
ORLEN GROUP

08
ANNUAL REPORT

UNIPETROL AROUND US

UNIPETROL AROUND US

Unipetrol Group's products are bound up with our everyday lives. They are the source material for the manufacture of many products that we encounter everywhere, life without which would be hard to imagine.

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Annual Report 2008 closing date: 23 April 2009.


POLYETHYLENE
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MISSION, VISION AND OBJECTIVES OF THE UNIPETROL GROUP

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.

Unipetrol Mission:

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

- crude oil refining and wholesale;
- petrochemical production;
- retail distribution of motor fuels.

The company's main goals in 2009

One of the top priorities will be to increase profitability through strict cash management and working capital reductions. With regard to the current economic crisis, the management of Unipetrol is preparing further operating cost cuts and capital expenditure reductions.

The company is planning to modify its product portfolio, which will feature fewer types of polyethylene and polypropylene, and to enter into product swaps with PKN Orlen. Unipetrol also intends to launch fuels with a higher added value, such as aviation fuel kerosene, and promote a more competitive pricing policy.

Other goals include completion of the expansion of available capacities and production volumes.

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.

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 continuously strives to maintain long-term and transparent relationships with its shareholders and investors as part of its strategic objectives. Unipetrol Group management follows the Corporate Governance Code. The Corporate Governance Code is based on OECD Principles, the provisions of which the Company satisfies in all material respects. The General Meeting held on 26 June 2008 approved modifications to the Company's Articles of Association. The changes were made to improve the efficiency of corporate governance and for the purpose of adopting certain OECD recommendations concerning corporate governance best practice. The changes concern, for example, the rules for the decision-making of the Supervisory Board and the Board of Directors. One of the changes is intended to prevent any possibility of conflicts of interest arising. The number of Supervisory Board members was reduced from twelve to nine.

PROFILE

Introduction of the Group

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.

The Group's major companies in 2008 were the following subsidiaries:

As at 31 December 2008
UNIPETROL RPA, s.r.o.
BENZINA, s.r.o.
PARAMO, a.s.
ČESKÁ RAFINÉRSKÁ, a.s.

Historical milestones

1994

- The formation of Unipetrol, a.s. fulfilled one of the conceptual objectives of the privatisation of the Czech petrochemical industry. Unipetrol was intended to combine selected Czech petrochemical firms in a group capable of competing with strong international groups. With 63% of the shares, the Czech State was the company's majority shareholder, represented by the National Property Fund. Investment funds and minority shareholders owned the rest of the shares. Under the original concept, the State's interest in the company was to be privatised.
- Unipetrol gradually integrated Kaučuk, Chemopetrol, Benzina, Paramo, Koramo, Česká rafinérská, Unipetrol Trade, Spolana and Unipetrol Rafinérie public companies.

1996

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

2003

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

2004

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

2005

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

2006

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

2007

- The Kaučuk subsidiary was sold to Firma Chemiczna Dwory of Poland.
- A new subsidiary, Unipetrol Services, started operations. Unipetrol Doprava, Benzina and Petrotrans changed their legal form from public limited companies to limited liability companies.
- Butadien Kralupy was founded, its shareholders being Unipetrol (51%) and Kaučuk (49%).
- The Chemopetrol and Unipetrol Rafinérie subsidiaries were combined with Unipetrol RPA.
- Unipetrol purchased shares representing a 0.225% interest in the share capital of Česká rafinérská from ConocoPhillips.
- Unipetrol acquired 14.51% of Paramo shares from MEI Group companies.
- The largest maintenance shutdown in the company's history took place.

2008

- Settlement of the sale of Agrobohemie and Synthesia shares based on share purchase agreements between Unipetrol and Deza. Unipetrol owned 50% of Agrobohemie shares and 38.79% of Synthesia shares. The purchase price for 47,000 Agrobohemie shares totalled CZK 503 million. The purchase price for 27,977,162 shares of Synthesia totalled CZK 680 million.
- Unipetrol's ordinary general meeting has decided to pay dividends from retained earnings of previous years.

2009

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


POLYPROPYLENE
POLYPROPYLENE

+11%

GROWTH OF THE GROUP'S REVENUE

The Group's revenue for 2008 grew to CZK 98.144 billion. Thanks to higher sales and higher sales prices in the refining and retail segments, they have grown by 11% compared with the previous year.

KEY FINANCIAL DATA OF THE UNIPETROL GROUP

Structure of assets and liabilities (in CZK thousand)

	2008	2007	2006	2005	2004
Total assets	58,696,075	66,070,865	71,906,988	76,441,640	72,143,595
Non-current assets (Long-term assets)	38,889,978	38,052,157	39,781,307	48,989,591	47,859,137
Current assets	19,806,097	28,018,708	32,125,681	27,452,049	24,284,458
Shareholders' equity	38,912,840	42,112,397	41,160,194	39,695,630	33,421,531
Liabilities	19,783,235	23,958,468	30,746,794	36,746,010	38,722,064

Structure of profit/loss (in CZK thousand)

Revenues	98,143,951	88,462,174	93,698,270	80,946,337	71,097,589
EBITDA (EBIT + depreciation)	4,480,503	8,297,652	7,825,742	9,505,133	11,919,030
Operating profit (EBIT)	1,002,619	4,812,047	3,779,929	5,281,774	5,846,248
Income tax	44,554	(649,821)	(1,496,389)	(893,876)	(1,210,723)
Profit of shareholders of the parent company	64,530	1,210,010	1,599,827	3,409,815	3,639,453

Financial indicators

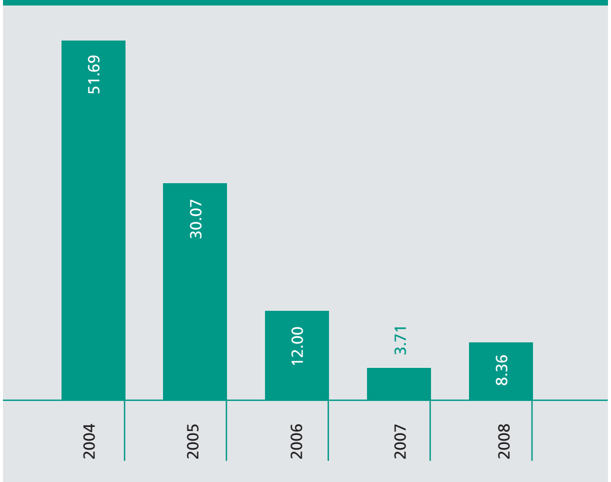
ROACE	1.81%	8.37%	6.23%	7.77%	8.76%
Earnings per share	0.36	6.67	8.82	18.92	20.07
Net debt / shareholders' equity	8.36%	3.71%	12.00%	30.07%	51.69%
CZK / USD – end of period	19.346*	18.078*	20.876	24.588	22.365
CZK / EUR – end of period	26.93*	26.62*	27.495	29.005	30.465

* ex. rate valid as at 31 December 2008 and 31 December 2007 www.cnb.cz

Shareholders' equity (CZK thousand)

Revenues (CZK thousand)

Net debt / shareholders' equity (%)



Liabilities (CZK thousand)

HIGHLIGHTS OF THE YEAR 2008

January

January 18, 2008

- Unipetrol settled its obligations to DEZA arising from an agreement on the out-of-court settlement of a dispute over shares in Agrobohemie and Synhtesia, which was signed in October 2007.

January 29, 2008

- Early in the year, Česká rafinérská launched, as a test run, the addition of bioethanol into automotive gasoline at the Litvínov refinery.

March

March 3, 2008

- Benzina launched its campaign "We Change with the Times", introducing Benzina as a stable brand that has a long history and can keep up with modern times.

March 12, 2008

- The polyethylene production unit of Unipetrol RPA produced its four millionth ton of polyethylene.

March 14, 2008

- In the first half of March, Česká rafinérská carried out a short-term shutdown of a part of its facilities. During the shutdown, the company replaced hydro-refining catalysts and regenerated the catalyst in the catalytic reforming unit.

March 28, 2008

- Mr. Wojciech Andrzej Heydel was appointed as the Chairman of the Supervisory Board.

June

June 26, 2008

- In late June, the general meeting of Unipetrol approved a dividend of CZK 17.65 per share and reduction of the number of Supervisory Board members from twelve to nine.

August

August 29, 2008

- Unipetrol signed an agreement with PKN Orlen on the purchase of a 3.73% stake or 49,660 shares in Paramo. Unipetrol acquired the shares for more than CZK 47 million.

August 29, 2008

- Unipetrol started paying dividends in a total amount of CZK 3.2 billion.

October

October 6, 2008

- On October 6, a three-week technological shutdown of the ethylene unit was started.

October 14, 2008

- Unipetrol unveiled its plan to purchase the remaining shares held by minority shareholders of Paramo. At the time of the announcement, Unipetrol held a 91.77% stake in Paramo.

October 22, 2008

- Benzina completed the main phase of renovation of its filling station chain, i.e. renovation of 147 standard filling stations, construction of premium filling stations branded "Benzina plus" and introduction of new premium fuels. In October, Benzina also celebrated its 50th birthday.

December

December 11, 2008

- The Supervisory Board of Unipetrol elected Mr. Dariusz Jack Krawiec, the current Vice-Chairman of the Supervisory Board, as its new Chairman to replace Mr. Wojciech Andrzej Heydel.

2009

January

January 9, 2009

- In early January, a cross-border merger between Unipetrol Trade and Unipetrol France was completed.

February

February 13, 2009

- At a Supervisory Board meeting held in mid February, Mr. François Vleugels resigned as the CEO of Unipetrol. The supervisory board then elected Mr. Krzysztof Urbanowicz as a new CEO and Chairman of the Board of Directors.

February 13, 2009

- Mr. Arkadiusz Kawecki was elected a member of the Supervisory Board of Unipetrol, replacing Mr. Marek Serafin, who became a new member and Vice-Chairman of the Board of Directors of Unipetrol.

March

March 4, 2009

- Unipetrol became the 100% owner of Paramo. By this date, the ownership rights of Paramo's minority shareholders had been transferred to Unipetrol, as required by the Commercial Code.

LETTER TO SHAREHOLDERS

Dear Shareholders,

The Unipetrol Group was successful in accomplishing a number of pre-set tasks and goals in 2008 despite the difficult external economic situation. These include the completion of the modernisation and re-branding the chain of Benzina fuel filling stations, which is helping us to acquire a continuously increasing share of the retail market, and the successful restructuring of Unipetrol Trade. Unipetrol is also in very good financial shape. The Group's debt is at a low level, while liquidity indicators remain favourable. This, together with synergies with PKN Orlen, gives us a good chance of emerging from the economic recession in good health; in some segments, we could even strengthen our position.

The Unipetrol Group carries on business in a sector that is very sensitive to macroeconomic cycles. The major factors that negatively affected Unipetrol's economic results during the past year included fluctuating and unpredictable oil prices and quickly changing exchange rates between the Czech crown on the one hand, and both the euro and the dollar on the other hand. In addition, slackening demand in the petrochemical segment and in fuel sales only added to these negative factors.

The 95% drop in net profit for 2008, to CZK 66 million, and a 79% decrease in operating profit, to CZK 1.003 billion, underlines the necessity to continue with accelerated implementation of the remedial process that we had already initiated as the crisis started to loom. We ended 2008 ten per cent below the planned overheads, and the effort to downsize continues. Similarly, capital expenditure was cut by 24% y/y, and further reductions are on the way. We intend to maintain only projects with the highest economic value. Looking ahead to 2009, we can see unprecedented challenges, but we are ready for them. Our focus will be on the development of demand for our products, competition in our main segments, and the pricing policy. In contrast to 2008, we can expect a more stable macro environment, i.e., less volatile crude oil prices and exchange rates.

I believe that the key attributes of company management during the current period include balance, consistency, and flexibility. We must proceed in a balanced manner in our efforts with regard to our employees, customers, and shareholders. We will be consistent and persistent in the implementation of key decisions and, at the same time, we will be able to flexibly respond to the changing market conditions. The specific measures that we are currently implementing include, among others, the optimisation of sales volumes. We are monitoring the cash flow and liquidity of our operations more strictly. We are optimising planned capital investments to minimise a negative impact on our operations. We are reducing fixed and administrative expenses and, not least, we are making adjustments to our product portfolios and price policies in petrochemicals and refining wholesale.

I would like to thank our shareholders for their trust and our co-workers for their effort and dedicated service. The immediate future presents a great challenge for all of us, during which our performance must be the very best. Only in this manner will we be able to emerge from this difficult period victoriously.

Krzysztof Urbanowicz
Chairman, Board of Directors, and Chief Executive Officer
UNIPETROL, a.s.

Unipetrol is also in very good financial shape. The Group's debt is at a low level, while liquidity indicators remain favourable. This, together with synergies with PKN Orlen, gives us a good chance of emerging from the economic recession in good health; in some segments, we could even strengthen our position.

Krzysztof Urbanowicz, Chairman, Board of Directors, and Chief Executive Officer UNIPETROL, a.s.

LETTER OF THE CHAIRMAN OF THE SUPERVISORY BOARD

Dear Shareholders,

This Annual Report has been released in the midst of a growing global economic recession. The impact of the deteriorating market and macroeconomic situation began to hit the sectors in which Unipetrol operates around mid-2008. It has influenced the reported results and given the company reasons to anticipate further pressure from the outside environment in the coming year.

At hard times like this, we are even more appreciative of our strategic decision to integrate Unipetrol into the PKN Orlen Group in 2005. This integration has resulted in many synergies such as centralised purchase of feedstock, exchange of know-how in the expansion of the fuel filling station network, interconnection of IT systems, and efficient segment management. In recent years, Unipetrol has undertaken extensive restructuring and consolidation efforts in addition to developing links within the international group. One of the most recent steps has been the acquisition of the remaining 8.23% stake in Paramo, which has made it possible to take full control over Paramo and integrate it into the Unipetrol Group.

As a result of its integration into PKN Orlen, Unipetrol has become a part of a strong Central European group that is able to reap more benefits during economic boom times and at the same time is more resilient in periods of economic downturn. Although the company is well prepared, 2009 is not going to be an easy year and we will have to work to the best of our ability.

Unipetrol enters 2009 with a new leadership vision, one which is tailor-made for the current turbulent period. The company is restructuring its ailing parts and providing further support to promising areas and units. This should provide the company with a good basis for new growth once economy recovers. I am convinced that the new team will be able to navigate Unipetrol safely through the current economic turmoil and provide maximum protection for shareholder value.

Dariusz Jacek Krawiec
Chairman, Supervisory Board
UNIPETROL, a.s.

At hard times like this, we are even more appreciative of our strategic decision to integrate Unipetrol into the PKN Orlen Group in 2005.

Dariusz Jacek Krawiec, Chairman, Supervisory Board UNIPETROL, a.s.

EXPECTED DEVELOPMENT AND STRATEGY FOR 2009

Given the recent global as well as regional economic development, we are set for a challenging year 2009. It could bring new business opportunities in some areas, but there is also a high probability of lower margins and volumes rather not increasing.

Slower economic growth, worse access to credit for our customers, and even recession in some of the segments at the end of the chain, will result in the expected decline in sales volumes. Most at risk are diesel sales volumes, which are strongly correlated to GDP development, where we expect a drop of 5–10%, and petrochemicals, where there is currently much less visibility on the market; but for 2009, we target at flat sales volumes compared with 2008. In this respect it is also important to watch the development in our largest export areas such as Germany.

In 2009 Unipetrol will focus on a substantial reduction in spending. As regards our future strategic plans it is important to stress that these are being further aligned with the strategy pursued by the parent company, PKN Orlen. Some of the measures have already been partially implemented, while we are still working on additional ones. This should ensure the pole position for Unipetrol once the economy recovers. The key lines that are being followed include:

1) Increase profitability through strict cash management and working capital reduction
2) Focus on spending reductions, both capital expenditure and operating expenditure
3) Increase possible throughput and production volumes

Unipetrol also keeps tracking the latest developments in respect of the new capacities in the Middle East, which have been planned for the coming years. Logistics costs will further detract from the economic viability of imports from remote areas. Not least, we will strengthen the relations with our local customers by further increasing the value of our own output through tailor made products and their superior quality, and become the leader in some areas by taking the market first, while exploring further synergies within the Group.

In respect of investment activities, a cut of approximately 40%+ is planned for 2009, compared with the previous year's investment level. Capital expenditure is being addressed in the light of the latest developments. The intensification and debottlenecking projects started during the maintenance shutdown in late 2007, such as the FCC unit upgrade, and ethylene and polyolefin intensification will continue, as well as the rebranding process in our retail network, which is to culminate in 2009. We will also continue the Butadiene joint venture with Synthos, which should go on stream in early 2010.

Regarding our asset structure, continued capital engagement in already owned refinery assets has always been among the key objectives for Unipetrol. The acquisition of the remaining stake in, and gaining full control over, Paramo in early 2009 is now expected to enable a strategic alignment both between Unipetrol refineries and at the level of the entire Group in lubricant, base oil and bitumen production and sales. The almost completed Unipetrol Trade restructuring, the final phase of which is scheduled for 2009/2010, is expected to contribute to the simplification of the Group's structure while capturing some synergies as well. Further plans include the development of coordination of commercial activities within the whole Group in Central Europe.

Efficient and profitable distribution of fuels is one of Unipetrol's main objectives. The successful restructuring of Benzina is the result of the remedial programme launched in 2006 and focused on stimulating fuel margins and on optimising assets. Continued improvements through a comprehensive cost reduction programme and the restructuring of financing; the SWAP optimisation programme for sites that overlap with other market players; development of the DODO (Dealer Owned – Dealer Operated) and DOFO (Dealer Owned – Franchise Operated) concepts; site renting and the introduction of the concept of unmanned sites; and the finalisation of the re-branding process – all of these constitute the underlying assumptions for the upgrade of Benzina operations to be completed by 2010. Focus will continue to centre on organic and inorganic growth, excellence, and promotion to achieve economies of scale in retailing, aimed at a 15–20% market share by 2012–2013.
The non-fuel business is seen as a growth area, both in terms of its volume and the margin potential, as well as in synergies, bringing economies of scale, that can be achieved in co-operation with PKN Orlen.

Production of petrochemicals, especially with a focus on olefin and polyolefin production and sale, is considered to be of key interest to the Group from the point of view of value creation. The plan is to grow organically by expanding current capacities; broad room for additional solutions exists in this area, which should be further defined. Petrochemical intensification in olefins and alignment with refinery production is one of the short-term goals. Over the medium term, the optimum strategy to maximise polyolefin value is being considered, since the petrochemical business remains one of Unipetrol's key business lines. At the same time, units operating obsolete technology, on a low scale, or underperforming, are currently being prepared for either divestment or closure, which should materialise in 2009/2010.

In logistics, such as road and rail transport, either outsourcing or the creation of partnerships with external players is being planned.

The energy segment is considered a potential lever of dynamic growth. Effort in this segment will aim at withstanding certain market challenges such as rising energy prices and environmental constraints. Here, co-operation with third parties may also be a viable option for ensuring self-sufficiency and satisfaction of future needs, as well as for securing raw material supplies over the long term.

Maintaining and enhancing research potential in the refinery and petrochemical areas is also regarded as one of the important factors in providing for Unipetrol's competitiveness and development opportunities.
The remaining parts of the current R & D services and facilities, obsolete and not utilised within the Group, will be divested or closed upon restructuring in the coming years.

BENZINA
plus
0 - 24
91
SPECIAL
30.50
95
30.90
100
verva
33.50
D
DIESEL
30.50
BIO
DIESEL
33.50
CCS
VISA
DKV
UTA
BENZINA
DIESEL

13.8%

BENZINA’S MARKET SHARE FOR 2008

Benzina’s share in fuel retailing grew to 13.8%. In addition, Benzina has the densest fuel filling station network in the Czech Republic. There were 331 of them at the end of the year. The company also significantly expanded its premium fuel offering in 2008.

COMPANY'S GOVERNING BODIES AND MANAGEMENT

Left: Martin Durčák, Wojciech Ostrowski, Krzysztof Urbanowicz, Ivan Ottis, Marek Serafin

BOARD OF DIRECTORS
as at 23 April 2009

KRZYSZTOF URBANOWICZ

born 15 October 1963
Chairman of the Board of Directors (since 13 February 2009; term of office to expire on 13 February 2013)
University education, 15 years of practical experience

Currently the company's Chief Executive Officer. Outside the Unipetrol Group, over the five preceding years he has, inter alia, worked as a private consultant (2007–2009), and held the position of executive director for Central and Eastern Europe at URSA (2003–2007) and executive director for claims adjustment at PZU SA Warsaw (2001–2003).

MAREK SERAFIN

born 10 August 1969
Vice-Chairman of the Board of Directors (since 13 February 2009; term of office to expire on 13 February 2013), Member of the Supervisory Board (from 26 June 2008 to termination by resignation on 13 February 2009)
University education, 15 years of practical experience

Outside the Unipetrol Group, he is currently a Member of the Board of Directors of PKN ORLEN S.A. Over the five preceding years, he has been the Chairman of the Board of Directors of ArcelorMittal (2002–2008).

WOJCIECH OSTROWSKI

born 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., and 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 of Orlen Holding Malta Ltd. and Orlen Insurance Ltd.

IVAN OTTIS

born 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

He has been, over the five preceding years, the Chairman of the Board of Directors of ČESKÁ RAFINÉRSKÁ, a.s. (1995–2003), Chairman of the Supervisory Board of ČESKÁ RAFINÉRSKÁ, a.s. (2005–2006), Member of the Supervisory Board of Rafineria Trzebinia S.A., Trzebinia, Poland (term of office discontinued), Member of the Supervisory Board of Rafineria Jedlicze, S.A., Poland (term of office discontinued), and Member of the Supervisory Board of Orlen Oil Sp. z o.o., Poland (term of office ongoing).

MARTIN DURČÁK

born 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 has held the position of Member of the Board of Directors of ARAL ČR a.s. (term of office discontinued).

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 2008, 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 2008 the members of the Board of Directors were Messrs François Vleugels – Chairman, Wojciech Ostrowski – Vice-Chairman, and Ivan Ottis, Miroslav Krejčí, Martin Durčák, and Arkadiusz Kotlicki – Members.

At its meeting of 26 June 2008, the Supervisory Board took due note of the resignation of Mr Miroslav Krejčí from the position of Member of the Supervisory Board.

Thus, as at 31 December 2008 the Board of Directors had the following composition: François Vleugels – Chairman, Wojciech Ostrowski – Vice-Chairman, and Ivan Ottis, Martin Durčák, and Arkadiusz Kotlicki – Members.

FRANÇOIS VLEUGELS

born 14 September 1948
Member and Chairman of the Board of Directors (from 1 April 2006 to 13 February 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 (CAO). He was dismissed from these positions in March 2006 following his resignation from the position of CAO and joining of UNIPETROL, a.s.

ARKADIUSZ KOTLICKI

born 10 June 1965
Member of the Board of Directors (from 30 August 2007 to 18 March 2009)
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.

MIROSLAV KREJČÍ

born 11 May 1944
Member of the Board of Directors (from 6 October 2006 to 26 June 2008)
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 of HEXION Speciality Chemicals, a.s., Sokolov (term of office discontinued).

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 2008, 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 2008, the Supervisory Board had the following members: Messrs Piotr Kownacki – Chairman, Ivan Kočárník – Vice-Chairman, Dariusz Marek Formela – Vice-Chairman, and Piotr Kearney, Miloslav Suchánek, Zdeněk Černý, Czesław Adam Bugaj, Rafał Zbigniew Kapler, Miroslav Jasiński, Krystian Pater, Robert Bednarski, and Waldemar Maj – Members.

PIOTR KOWNACKI

born 8 October 1954
Member and Chairman of the Supervisory Board (5 March 2007; resigned from his position of Chairman on 28 March 2008 and his office terminated on 26 June 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) and Chairman of the Board of Directors and Chief Executive Officer of PKN Orlen S.A. (from 18 January 2007 to March 2008).

DARIUSZ MAREK FORMELA

born 5 January 1974
Member and Vice-Chairman of the Supervisory Board (from 8 June 2005; term of office expired on 26 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., Poland (June 2001 – December 2004), Member of the Board of Directors of AB Maziekiu Nafta, Juodeikiai, Lithuania (from November 2006 to 2008), Chairman of the Supervisory Board of Orlen Ochrona Sp. z o.o., Poland (September 2004 – December 2006), Chairman of the Supervisory Board of Orlen Laboratorium Sp. z o.o., Poland (September 2004 – December 2006), Chairman of the Supervisory Board of Orlen Prewencja, Poland (July – December 2006), Vice-Chairman of the Supervisory Board of Orlen Księgowość, Poland (July – December 2006), Chairman of the Supervisory Board of Orlen Administracja Sp z o.o., Poland (December 2005 – April 2007), Chairman of the Supervisory Board of Wisła Płock S.A., 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., 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).

IVAN KOČÁRNÍK

born 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 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.

PIOTR KEARNEY

born 4 October 1969
Member of the Supervisory Board (from 8 June 2005; re-elected on 26 June 2008, term of office to expire on 26 June 2012)
University education, 14 years 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., Poland (term of office ongoing), Member of the Supervisory Board of Orlen Deutschland AG, Elmshorn, Germany (2003–2004), Rafineria Trzebinia S.A., Trzebinia, Poland (2003–2004), Inowrocławskie Kopalnie Soli Solino S.A., Inowrocław, Poland (2003–2004), Orlen Upstream Sp. z o.o., Warsaw, 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, Poland, and a minority shareholder of other privately-held or listed companies, but not of UNIPETROL, a.s. or its subsidiaries.

COMPANY'S GOVERNING BODIES AND MANAGEMENT

MILOSLAV SUCHÁNEK

born 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 terminated on 26 June 2008)
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

born 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 2011)
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 Vykáň a.s. (until 30 June 2006) and a Member of the Supervisory Board of Severomoravská energetika a.s., Ostrava (until 28 February 2007).

CZESŁAW ADAM BUGAJ

born 27 January 1950
Member of the Supervisory Board (substitute member from 22 June 2006 to 29 September 2006; Member from 13 December 2006 to 26 June 2008)
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, the Chairman of the Supervisory Board of Rafineria Jedlicze, S.A., Poland, Chairman of the Supervisory Board of Orlen OIL Sp. z o.o., Poland, and Chairman of the Supervisory Board of ANWIL S.A., Poland.

RAFAŁ ZBIGNIEW KAPLER

born 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 been, over the five preceding years, a Member of the Supervisory Board of ANWIL S.A. (7 June 2006 – 1 March 2008).

MIROSŁAV JASIŃSKI

born 12 November 1960
Member of the Supervisory Board (from 5 March 2007; term of office terminated on 26 June 2008)
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).

KRYSTIAN PATER

born 16 December 1964
Substitute member of the Supervisory Board (26 April 2007 – 28 June 2007)
Member of the Supervisory Board (since 28 June 2007; term of office to expire on 28 June 2011)
University education, 20 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 Asfalt Sp. z o.o., and Member of the Supervisory Board of Orlen Eko Sp. z o.o.

ROBERT BEDNARSKI

born 15 December 1973
Substitute member of the Supervisory Board (from 30 August 2007; term of office terminated on 26 June 2008)
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 Asfalt 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).

WALDEMAR MAJ

born 18 February 1956
Substitute member of the Supervisory Board (from 8 November 2007; term of office terminated on 26 June 2008)
University education, 27 years of practical experience

Outside the Unipetrol Group, he has been, over the five preceding years, 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. Term of office discontinued.
At its meeting on 28 March 2008, the Supervisory Board first discussed the resignation of Mr Rafal Kaplan from his position as a Member of the Supervisory Board and co-opted Mr Wojciech Heydel to fill the vacant position until the nearest General Meeting. Wojciech Heydel was elected the Chairman of the Supervisory Board after the dismissal of Mr Piotr Kownacki from the position of the Chairman of the Supervisory Board.

WOJCIECH HEYDEL

born 21 April 1960
Substitute member and Chairman of the Supervisory Board (from 28 March 2008; elected Member of the Supervisory Board on 26 June 2008; resigned on 11 December 2008)
University education, 23 years of practical experience

Outside the Unipetrol Group, he has been, over the five preceding years, the Chairman of the Board of Directors of PKN Orlen (acting chairman from February 2008 to September 2008), and Vice-Chairman of the Board of Directors of PKN Orlen responsible for trade (from 2004 to February 2008). Outside the Unipetrol Group, he has been, over the five preceding years, Chairman of the Board of Directors of British Petroleum in Poland (2003–2004).
The Annual General Meeting of UNIPETROL, a.s. of 26 June 2009 elected four new members to the Supervisory Board and decreased the overall number of its members from twelve to nine.

COMPANY'S GOVERNING BODIES AND MANAGEMENT

DARIUSZ JACEK KRAWIEC

born 23 September 1967
Member and Vice-Chairman of the Supervisory Board (since 26 June 2008)
Chairman of the Supervisory Board (since 11 December 2008; term of office to expire on 26 June 2012)
University education, 17 years of practical experience

Outside the Unipetrol Group, he is currently a Member and Chairman of the Board of Directors of PKN ORLEN S.A.; over the five preceding years, he has been Chairman of the Board of Directors of the company Action (from 2006 to March 2008).

SLAWOMIR ROBERT JEDRZECZYK

born 5 May 1969
Member of the Supervisory Board (since 26 June 2008)
Vice-Chairman of the Supervisory Board (since 11 December 2008; term of office to expire on 26 June 2012)
University education, 15 years of practical experience

Outside the Unipetrol Group, he is currently a Member and 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. Over the five preceding years, he has been the Chairman of the Board of Directors of Telekomunikacja Polska Group (2005–2008) and a Member of the Board of Directors of CEFARM Slaski, a subsidiary of the ORFE Group (2002–2003).

WOJCIECH WRÓBLEWSKI

born 6 September 1957
Member of the Supervisory Board (since 26 June 2008; term of office to expire on 26 June 2012)
University education, 27 years of practical experience

Over the five preceding years, he has been the strategy consultant at PKN Orlen (since 2005) and an advisor to the Government on energy security. Between 2001 and 2005, Polish ambassador to Estonia.

At its meeting on 11 December 2008, the Supervisory Board elected Mr Dariusz Jacek Krawiec as the Chairman of the Supervisory Board and Mr Slawomir Robert Jedrzeczyk as a Vice-Chairman of the Supervisory Board, took due note of the resignation of Mr Wojciech Heydel from his positions of a Member and Chairman of the Supervisory Board, and elected Mr Bogdan Dzudzewicz as a substitute member of the Supervisory Board until the nearest General Meeting.

BOGDAN DZUDZEWICZ

born 9 February 1966
Substitute member of the Supervisory Board (since 11 December 2008)
University education, 18 years of practical experience

He is currently General Counsel of PKN Orlen (since September 2008). In the past, he worked as a senior lawyer at Linklaters and also had a private legal practice.

ARKADIUSZ KAWECKI

born 27 September 1963
Substitute member of the Supervisory Board (since 13 February 2009)
University education, 15 years of practical experience

Currently Executive Director Human Resources at PKN Orlen. Outside the Unipetrol Group, over the five preceding years, he has been, inter alia, head of human resources at the Orbis SA hotel Group (2005–2008), a Member of the Supervisory Board of KGHM (2008), Executive Director responsible for human resources and organisational matters at CIECH SA (2004–2005), and head of the HR division of Telekomunikacja Polska SA (2001–2004).

Thus, as at 31 December 2008 the Supervisory Board had the following composition: Jacek Krawiec – Chairman, Slawomir Jedrzejczyk – Vice-Chairman, Ivan Kočárník – Vice-Chairman, and Marek Serafín, Wojciech Wróblewski, Piotr Kearney, Krystian Pater, Zdeněk Černý and Bogdan Dzudzewicz – 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, Chief Retail Officer, and Chief Refinery Officer are considered to be managers.

Chief Executive Officer	François Vleugels	from 3 April 2006 to office termination on 13 February 2009
	Krzysztof Urbanowicz	since 13 February 2009
Chief Financial Officer	Wojciech Ostrowski	since 1 July 2007
Chief Integration Officer	Arkadiusz Kotlicki	1 September 2007 to office termination on 18 March 2009
Chief Retail Officer	Martin Durčák	since 1 September 2008
Chief Refinery Officer	Ivan Ottis	since 1 September 2008

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, Krzysztof Urbanowicz, Wojciech Ostrowski, Ivan Ottis, Miroslav Krejčí, Martin Durčák, Arkadiusz Kotlicki, Dariusz Jacek Krawiec, Slawomir Jedrzejczyk, Ivan Kočárník, Bohdan Dzudzewicz, Marek Serafín, Wojciech Wróblewski, Piotr Kearney, Krystian Pater, Zdeněk Černý, Miloslav Suchánek, Piotr Kownacki, Wojciech Heydel, Rafal Kapler, Czesław Adam Bugaj, Robert Bednarski, Waldemar Maj, Miroslav Jasiński, Dariusz Formela, and Arkadiusz Kawecki,

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;
(e) Have not been publicly accused or penalised in any manner whatsoever by any governing bodies or regulatory authorities (including designated professional bodies);
(f) Have not been deprived of the capacity to hold the office of a member of any administrative, governing or supervisory body of any issuer, or a position in the management of, or execution of the activities, of any issuer by 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 Board of Directors, Supervisory Board, and Management; in this chapter, these are specified separately for each Person in the wording submitted in that Person's Statement. No exceptions were noted in respect of items (c) to (h). The Persons holding the offices of a CEO, CFO, Chief Integration Officer, Chief Retail Officer and Chief Refinery 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 Emoluments.

Election rules

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

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

Emoluments

PRINCIPLES OF REMUNERATION OF MANAGERS AND MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD

The setting of the emoluments for the Board of Directors and Supervisory Board Members falls within the competencies of the General Meeting. The General Meeting decided on a fixed amount of emoluments for an indefinite period of time, differentiated for the Chairman, Vice-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.

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.

COMPANY'S GOVERNING BODIES AND MANAGEMENT

COMMITTEE MEMBERS

Chairman	Dariusz Formela	position ended on 26 June 2008
Chairman	Kristian Pater	since 26 June 2008; elected Committee Chairman on 28 August 2008
Vice-Chairman	Zdeněk Černý	
Member	Adam Bugaj	position ended on 26 June 2008
Member	Ivan Kočárník	position ended on 26 June 2008
Member	Wojciech Wroblewski	since 26 June 2008

The managers' remuneration consists of a fixed and a variable component related to each particular position and the management level. Remuneration is paid in the form of wages for work performed under management contracts. The level of wages is based on qualified benchmarking studies on managers' remuneration in the Czech Republic, and reflects managerial and professional expertise. The variable component ranges between 55% and 90% of the base monthly wages and is paid in accordance with the MBO objectives.

The rules for management by business objectives (MBO) were unified in co-operation with PKN Orlen in 2008 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 a 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 2008, involving more than 300 employees.

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

In addition to income in money, managers are entitled to income in kind, which includes the following:

- Right to use the business car for private purposes;
- Meal vouchers;
- Insurance of damage caused to the employer;
- Use of mobile telephones subject to certain limit amounts;
- Language training;
- Contributions in the case of incapacity for work;
- Contributions to personal pension schemes and life assurance policies.

Managers from 1 January 2008 to 31 August 2008:

- Chief Executive Officer;
- Chief Financial Officer;
- Chief Integration Officer;
- Chief Investment Officer (the position was vacant).

Amount of payments provided by the issuer in the last accounting period, from 1 January 2008 to 31 August 2008:

	Income in money	Income in kind	Total
Board of Directors	CZK 1,954,667	CZK 20,592	CZK 1,975,259
Supervisory Board	CZK 4,646,831	CZK 41,184	CZK 4,688,015
Managers	CZK 19,060,955	CZK 1,769,056	CZK 20,830,011

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

Amount of payments provided by the issuer in the last accounting period, from 1 September 2008 to 31 December 2008:

	Income in money	Income in kind	Total
Board of Directors	CZK 860,000		CZK 860,000
Supervisory Board	CZK 1,880,000		CZK 1,880,000
Managers	CZK 7,349,690	CZK 1,022,438	CZK 8,372,128

Amount of payments provided by persons controlled by the issuer in the last accounting period:

	Income in money	Income in kind	Total
Board of Directors	CZK 810,000	CZK 12,606	CZK 822,606
Supervisory Board	CZK 216,000	CZK 6,303	CZK 222,303
Managers	CZK 9,333,403	CZK 285,258	CZK 9,618,661

From September 2008, the system of segment-based management was introduced, whereby the group of managers has been extended:

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

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 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.

-10%

REDUCTION OF OVERHEAD COSTS

Unipetrol Group closed the year 2008 with overheads ten percent lower than planned and it will continue in its efforts to further reduce costs. Capital expenditures decreased by 24% year-on-year, and further reductions are in the pipeline in order to only maintain the investment projects with the highest economic value.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MANAGEMENT REPORT

Introduction

The Unipetrol Group, like the whole refinery and petrochemical industry in the EU, experienced unprecedented development in 2008. After relatively good start and healthy, albeit moderate, growth in the first few months, the output of the petrochemical industry started to decline, most notably in the fourth quarter. For the first time since 2003, the EU petrochemical industry's output declined in 2008.

The year 2008 was marked by volatility and unpredictable fluctuations in prices and unstable availability of key raw materials.

The Czech Republic, as a very open economy, and Unipetrol with a significant portion of its business based on exports and imports were significantly affected by the trends in currency exchange rates. The Czech crown's rate to euro and US dollar experienced unprecedented fluctuations in terms of both appreciation and depreciation in 2008.

The financial crisis quickly spread from the US to Europe, including Central and Eastern Europe. The world was affected in the greatest international financial and economic crisis in many decades. The recession is global and the GDP expectations have been repeatedly revised downwards for all major regions.

Tightened access to credit and lack of cash caused a decrease in consumer confidence and spending. The downward trend in production, and the deteriorating business climate in general, experienced during the last quarter of 2008, was worse than expected, both in the Czech Republic and in the most important international markets for the Unipetrol Group's products (the EU as a whole and Germany in particular).

Several key customer segments for Unipetrol Group products such as the automotive, building and engineering industries had already fallen into recession and therefore generated much less demand for petrochemicals. As a result, the areas that were hit the most by the crisis were base petrochemicals, polymers, and partly specialty petrochemicals, facing increased margin pressures and a low utilisation of production assets.

The refining industry has had to cope with unpredictable fluctuations in crude oil prices and, since Q4 2008, declining demand for diesel fuel and petrochemical feedstock as well.

REFINING ENVIRONMENT IN 2008

	1Q 2008	2Q 2008	3Q 2008	4Q 2008	Average 2007	Average 2008
Model refining margin (USD/bbl) [1]	6.84	11.65	10.56	9.10	7.89	9.54
Brent crude price (USD/bbl)	96.72	121.19	115.07	55.45	72.43	97.11
Brent-Ural differential (USD/bbl) [2]	2.89	4.44	2.63	1.81	3.09	2.94

[1] Unipetrol model refining margin = revenues from products sold (95.5% Products = 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%) minus costs (100% input = Brent Dated); products prices according to quotations.

[2] Based on new methodology: spread fwd Brent Dtd vs Ural Rdam = Med Strip - Ural Rdam (Ural CIF Rotterdam). Source: THOMSON REUTERS

KEY OPERATING DATA 2008 (KT)

	1Q 2008	2Q 2008	3Q 2008	4Q 2008	2007	2008
Crude oil throughput	1,027	1,179	1,216	1,111	4,137	4,533
Utilization ratio (%)	74	86	88	79	75	84
External wholesales of motor fuel and other refining products	643	718	865	713	3,123	2,940
External sales of petrochemical products	487	517	486	382	1,660	1,872
Retail sales	114	129	133	124	498	501

Note: Refers to 51.22% of Česká rafinérská, 100% of Paramo.

KEY FINANCIAL DATA IN 2008 (CZK million)

	2007	2008	2008/2007
Revenues	88,462	98,144	11%
EBITDA (Earnings before interests, taxes, depreciation and amortization)	8,298	4,481	-46%
Operating profit	4,812	1,003	-79%
Net profit attributable to shareholders of the parent company	1,210	65	-95%
Earning per share (CZK)	6.67	0.36	-95%
Operating cash flow	4,023	4,213	5%

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

Refining segment

UNIPETROL RPA, BUSINESS UNIT I (BU I)

The year 2008 was marked by unusually volatile development of the prices of crude oil and oil products. The principal pro-growth influences included geopolitical tensions, influencing of the market by OPEC and other oil producing countries, speculations on commodity markets, and a strong hurricane season in the US. Gathering momentum, the financial and economic crisis and its impact on the global demand exerted influence in the opposite direction. The development of the US dollar's exchange rate against the Czech crown was also important mostly for the refining business in the Czech Republic, as it decreased 16% and showed a great degree of volatility throughout the year.

Brent crude strengthened by 34.4% against 2007, and touched its historical maximum in July, exceeding USD 140/bbl. But the negative influences on this market prevailed in the 3rd quarter and continued deepening until the end of the year, which led to an incredible price plunge by more than USD 100/bbl from the above maximum.

The prices of refining products were stronger compared with the previous year, gaining between 17% and almost 54% (compared on the basis of the FOB Rotterdam high prices), and only distillates and fuel oils strengthened against crude oil in absolute terms as well as relative terms.

In general, prices were boosted by crude oil, the weaker US dollar, volatile stocks on either side of the Atlantic, and production issues and shutdowns at refineries. Many products were boosted by export (naphtha, automotive gasoline, and high-sulphur fuel oil) and weak or volatile import (naphtha, jet kerosene, and fuel oils). The principal factors acting against price growth included the weaker demand due to the escalating financial and economic crisis, and in certain periods, high imports (naphtha, diesel fuel, and fuel oils) and/or overall market supply overhang (naphtha, automotive gasoline, and fuel oils).

The average annual profitability measured as the NRU (National Refinery Upgrade) indicator amounted to USD 8.77/bbl, gaining USD 1.58/bbl, or 22%, over 2007.

Based on the information available, 2008 confirmed the continuation of the long-term trends observed in the consumption of refinery products, which mainly include increasing consumption of fuels, primarily diesel fuel.

Market position and trade

Pursuant to Unipetrol's ownership rights and needs, BU I plans and manages crude oil processing at Česká rafinérská, ensures the principal synergies arising objectively from the connection of refining and petrochemical production within the Group, and is the major player on the Czech market in crude oil procurement and wholesale marketing of refining products.

In terms of sourcing, the crude oil markets important for BU I include Russia and certain republics of the former Soviet Union, and the Mediterranean. This choice is based on the existence of the Družba and TAL/IKL (Trieste-Ingolstadt-Kralupy-Litvínov) oil pipelines.

BU I realised almost 75% of the revenues for its own products in the Czech Republic in 2008. This structure is based on supplies to other Unipetrol Group companies and on supplies to entities existing on the Czech market outside of the Group. BU I also supplies fuels directly to fuel filling stations and for public road transport, the energy sector, agriculture, the building industry, the military, and the police.

BU I maintained its stable position on the market in the Czech Republic and on selected export markets in 2008. Thanks to a targeted business policy based on mutually beneficial long-term relationships with trading partners, and fully utilising synergies within the PKN Orlen Group, BU I retained its previously achieved market positions.

For BU I, the year 2008 was marked by the continuing strategic co-operation with Unipetrol's foreign majority owner, PKN Orlen, resulting in crude oil supplies through the Družba and TAL-IKL pipelines under long-term contracts since 2006.

With its overall share of 57%, BU I was the most important entity importing REB crude via Družba from the Russian Federation to the Czech Republic for processing in the Litvínov refinery in 2008. Under a long-term contract, BU I provided 100% of the supplies of this type of crude to its sister company, Paramo, in Pardubice.

In the latter half of 2008, the Czech Republic faced a major crisis in crude supplies via Družba. The planned processing at the Litvínov refinery was secured without any constraints thanks to substitute supplies of REB crude, transported by sea from the Black Sea ports to Trieste and then via TAL-IKL, in a volume of 356,000 tonnes.

For the supplies of low-sulphur crude via TAL-IKL, BU I remained the majority importer of Azeri Light crude from Azerbaijan, which is the key feedstock for processing at the Kralupy nad Vltavou refinery. The Azeri Light crude was supplemented with CPC Blend crude from Kazakhstan at an optimum ratio. In August, BU I was forced to purchase two consignments of low-sulphur crude from the North Sea to make up for a dropout of Azeri Light supplies caused by a force majeure occurrence on the BTC pipeline.

Pipeline and rail supplies from various Moravian deposits to the Kralupy refinery continued in 2008. These accounted for approximately 5% of the overall crude processed by BU I.

Crude purchase in 2008
(total for the Unipetrol Group)

REB-Družba (including Paramo)	2,758 kt	62%
REB-IKL	356 kt	8%
Sweet crude supplied by sea	1,125 kt	25%
Moravian crude	221 kt	5%

Product sales and supplies within Unipetrol RPA
Motor fuels are the principal group of BU I's products, and their sales increased overall in 2008 in comparison with the previous year, including automotive gasoline, diesel fuel, and jet kerosene.

The most important export areas for BU I were Poland, Slovakia, Germany, and Austria. The most important markets were the Czech Republic and Slovakia. Traditionally, the highest percentage of automotive gasoline and diesel fuel sales is attributable to the Unipetrol Group companies – Benzina and Uniraf Slovensko. The total production of jet kerosene was delivered to the Ruzyně Airport.

BU I launched a diesel fuel containing additives under the UltraDiesel trade name, and prepared for the expansion of its product range with the Ultra 95 gasoline containing additives, planned for launch in 2009.

BU I greatly deepened its co-operation with major Czech and international owners of fuel filling stations and continued the development of the Partner Uniraf programme intended for privately-owned, unbranded fuel filling stations.

The legal obligation to add 2% bio-components to automotive gasoline and diesel fuel was observed in co-operation with Česká rafinérská, for whose entire output Unipetrol sourced and supplied alcohol and rapeseed methyl ester. In addition to the grades without and with the 2% bio-component, BU I also supplied a grade with a higher bio-component content for selected export markets in order to meet local legal requirements.

BU I´s supplies of petrochemical feedstock satisfied the needs of downstream production on the Group as well as outside it. All other refinery products based on the company's share in the production of Česká rafinérská were successfully marketed at home and abroad. The consumption of petrochemical feedstock in 2008 was affected by the global economic situation, primarily the decreasing demand.

Co-operation with PKN Orlen in the field of semi-finished products continued and was also a major factor in addressing unexpected situations, especially in the 4th quarter (overall reduction of the supply to the ethylene unit by 120 kt contrary to the business plan).

LPG sales were characterised by increased supplies to consumers in the Czech Republic and expanding export markets. Co-operation with Orlen Gaz continued and enabled synergies within the PKN Orlen Group to materialize.

Heavy refinery products were supplied on an in-house basis (supplies of low-sulphur fuel oil to domestic heat and power plants and export of high-sulphur fuel oil) and as part of the strategic partnership with Paramo (bitumen sales). The volatile demand for liquid sulphur was managed successfully too.

R&D activities in crude processing focused on seeking out potential for savings in catalytic processes and on examining alternative sources of bio-components to add to motor fuels. Research oriented towards developing new grades of road bitumen also continued.

Risk factors

The risk factors that affect the refinery segment include, above all, the strong volatility of oil and oil product prices, which is caused by market factors and also factors outside the market (ranging from geopolitical tensions to the weather), increasingly keen competition on the fuel market, ups and downs in demand for oil products, which is closely correlated to global economic developments, and a broad range of many other factors; some of the most important of them are unpredictable fluctuations in crude supplies and changes in exchange rates and interest rates.

PARAMO

Paramo managed to cope with the difficult business environment and closed 2008 with a profit. Thus it has achieved a profit in three consecutive years, for the first time since 1994.

The drop in profit in comparison with the plan and with the previous year (2007) resulted primarily from the negative development in the first seven months of the year, which saw the price of crude oil climb towards USD 150/bbl. The company is not a standard refinery with a high percentage of sales of fuels, the pricing development of which follows crude prices. About 50% of Paramo's production is not linked directly to crude oil prices. Thanks to a focused business policy and strict fixed cost management, the company succeeded in eliminating the losses in the latter half of the year. Its consolidated profit before tax was CZK 50.1 million (the 2007 profit amounted to CZK 238.7 million).

Market position and trade

Paramo processes crude oil (598,307 tonnes in 2008) into refinery and bitumen products as well as lubricating and process oils, including related and ancillary products. The company also purchases and processes oil hydrogenation and hydrocrack products from Unipetrol RPA. The intermediate products are used for the production of base and lube oils with very low sulphur content. Mass products were priced using price formulas based on quoted European prices in the period under review. Specialty products were marketed on the basis of spot prices.

Paramo places its products primarily on the domestic market. Its revenues in 2008 were affected by the prices of products and the volumes sold. Compared with 2007, the growth of crude prices and of the related commodity product prices helped to increase revenues by 11% to CZK 12.3 billion, especially in the first half of 2008. A large part of the company's revenue as at 31 December 2008 was attributable to ten key accounts purchasing bitumen products and eight key fuel customers. The company confirmed the high and consistent quality of its products on the market in 2008, as demonstrated by the persistently low amount of financial losses caused by complaints.

Refinery products (i.e., diesel fuel, naphtha, light and heavy fuel oil, and propane-butane) find their customers mainly on the domestic market. The offensive business policy included attempts to approach end customers directly, with the aim of shortening the distribution path and achieving higher sales prices. Thanks to flexible pricing, the company retained a high inland premium on diesel fuel during the year, which significantly contributed to the company's profit. The quality of the produced and supplied motor fuels complied with EU Directive 98/70/EC (2003/17/EC) in the period under review. The product portfolio was extended in early 2008 to include mixed diesel ("SMN") with RME content in excess of 31% of weight, which also finds its customers at Benzina's fuel filling stations. In mid-2008 the refinery won a tendering process as the diesel fuel supplier to České dráhy, a.s. for the period from 2008 to 2011. Unipetrol RPA, an affiliated company, remained the company's primary trading partner and received its naphtha and vacuum distillate supplies in the period under review.

The constantly increasing prices of inputs and the euro rate affected the results for lubricants in the period under review. While importers enjoyed increasingly better conditions in the first half of 2008, exports started to stagnate. This showed in the lower sales through the network of authorised dealers and, in turn, to certain end customers. The latter half of the year was more favourable. Competitors had to respond to the record-breaking high prices of inputs too. Paramo made use of this and almost eliminated the loss from the first half-year.

The changes in the market environment made 2008 less successful than the previous year in terms of specialty product sales and purchases. In addition, the onset of the recession affected product sales in the last quarter. But we continued our earlier strategy of expanding the availability of bitumen products in the various regions of the Czech Republic and increasing exports to stable markets. We retained our dominant position, primarily in comparison to the competing international substitutes, which can be viewed as positive. Most of the output of base oils (95%) is exported to developed markets, notably Switzerland, Germany, Poland, and Slovenia. The sales of group I base oils remained stable, which can be considered a success given the global decrease in their consumption. The sales of low viscosity base oils were stable, with almost doubled sales of the promising group III oils. The sales of process oils dropped. This unfavourable development is attributable to the fact that tyre manufacturers switched to other types of extracts (TDAE), which Paramo has not yet started to produce. The higher production and sales of the RAE and MES oils made up for a part of this drop in 2008.

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The overall volume of bitumen sales remained almost on the same level as in the previous years. However, there was a shift in the product structure, with growth in the road bitumen segment outweighing the drop in the waterproofing bitumen products. This applies mainly to modified bitumen, where sales more than doubled. This trend can be expected to continue in the coming years, based on the expected increase of the production and sales of modified road bitumen. 2008 was a record year in terms of pricing. The skyrocketing crude price was not reflected in bitumen prices in the first half-year, which caused the segment a considerable loss. The loss was greatly reduced in the latter half of the year as the price of the feedstock started to drop while product prices remained stable due to the traditionally high autumn demand. Road bitumen accounted for 70% of the total output in 2008, which is 15% more than in the previous period.

The needs of the market and legal requirements necessitated the addition of new products to the range. Their development respected the refinery's capabilities and included innovations, technical service, sales support, and legal service in incorporating the new laws in Paramo's terms and conditions, in line with the approved plan. 2008 was an important year in terms of launching chemicals and preparations on the market, as it was necessary to implement the REACH Regulation and pre-register the refinery's products. Two major government-supported research projects in which Paramo participates continued into their third year. Led by the Ministry of Industry and Trade, the TANDEM programme focuses on developing environmentally safe rubber and rubber mixture softeners in tyre manufacture. The other project, which is part of the MIT's IMPULS programme, was the final phase of the research into the applicability and implementation of new functional rheological methods for road bitumen quality assessment.

MOGUL SLOVAKIA remains the Pardubice-based refinery's only wholly-owned subsidiary. It operates as a sales unit on the Slovak market. Its core business is lubricant sales. The company incurred an SKK 1.1 million loss before tax (2007: profit SKK 5.1 million).

The chief risk factors in Paramo's financial management are:

- Trends in the international refining margin as the determinant for the company's operating profit/loss;
- Trends in crude oil prices, whose level determines the capital required and greatly influences the economics of bitumen and oil production (their prices are not directly linked to the price of crude oil or its derivatives);
- Trends in the USD/CZK exchange rate (the refining margin is set by the market in USD and covers, among other things, fixed costs and energy costs paid in CZK);
- Trends in the bitumen market in the region, which principally determines the utilisation of the refining capacity and greatly influences Paramo's own refining margin.

Petrochemical segment

UNIPETROL RPA, BUSINESS UNIT II (BU II)

The markets for BU II products were hit the hardest by the global economic and financial crisis, which made its full impact felt in the latter half of 2008. In addition to the banking sector, the crisis hit primarily the automotive and building industries, i.e. the sectors that have the greatest influence on the markets of production taking up BU II's main products (polyethylene, polypropylene, and PVC). The ensuing weak overall demand, along with banks' unwillingness to lend, became a major problem, causing a lack of operating capital for many companies. Many large non-integrated polyolefin producers faced financial problems as a result.

The petrochemical market was relatively stable throughout the first half of the year; thereafter, prices started growing due to unplanned production restrictions and record crude oil and naphtha prices. Prices grew until early August when, in response to the slump of the crude market, they started decreasing significantly. The onset of the global economic and financial crisis can be considered to be the chief cause of this development. The situation on the petrochemical market remained bad until the end of the year. It enabled ethylene unit operators to achieve record-breaking margins in Q4, because the quarterly olefin price remained high while the spot prices of feedstock plunged. The lower demand in the related production sectors led however to production restrictions and did not allow ethylene unit operators to make full use of the resulting benefits. At least 12 steam crackers were shut down at the year's end and the total utilisation was just 50–60% of their rated output.

The benzene market was relatively strong until July, supported by strong demand from the related production sectors and growing crude and naphtha prices. This started to change in August. After benzene spot prices hit their historical peak in July, the market started to weaken. This was caused primarily by crude and styrene prices decreasing as a result of limited demand and by a major inflow of imported benzene and styrene onto the European market. Producers tried to reduce the market pressure by exporting benzene to the US, but their attempts were limited by a shortage of transport capacities. This started to change in October when the economic and financial crisis hit the benzene market, resulting in a sharp drop in demand in the related production sectors. At that time, styrene producers were using just 50–60% of their total capacities, and phenol producers roughly 50%. The continued crude and naphtha price slump was thus compounded by another negative factor, resulting in a new contract price of EUR 316/t for November, which marked the deepest ever contract price drop (by EUR 481/t). Prices had not yet hit their bottom, though, and continued weakening until a new contract price of EUR 185/t, FD NWE, was set in December.

The oxoalcohol market remained firm, but tense, until July. 2-EH in particular exhibited lower availability, while the butanol market was deemed to be relatively stable. The oxoalcohol market started to balance out in August, with a major supply overhang occurring later. Imports from Latin America and Russia contributed to this, together with markedly lower demand in the related production sectors. But prices remained stable until early October and only started to weaken after yet another impetus – the drop of the polypropylene contract price for Q4. The prices continued falling thereafter. Buyers expected a major price drop in Q1 2009 and reduced, postponed or even cancelled their purchase orders towards the year's end. Imports from Russia increased the pressure on top of this. Producers responded by reducing or shutting down production. Most producers reduced their production by as much as 30% in response to the very low demand.

Agrochemicals
The situation in the ammonia market changed several times in 2008. The persisting strong demand in the US and Europe allowed ammonia prices to continue in their growth from the end of the previous year in January and February 2008. But high prices lowered the demand, because most buyers kept out of the market, waiting for a price drop. This came about at the end of March, spurred by the buyers' low demand as well as by the Ukrainian government, which kept postponing the announcement of Ukraine's new KIP (Key Indicative Price). The relatively stable market began to change early in June, when shutdowns in Ukraine, Libya, and Trinidad, along with growing demand, caused tension in stocks and later a major price hike, which continued until early September. Prices started to plunge in October, closing at USD 120/t, FOB, in December. The Yuzhny price, which had traditionally been used as reference for most markets, lost its relevance and the global market was at a loss as to which price to replace it with. The Yuzhny market almost ceased to exist and ammonia exports gradually dropped to zero.

Urea prices weakened slightly at the beginning of the year due to lower demand. A turnaround came in March when prices started to grow, mainly due to the expected tendering process for urea sourcing from India and, subsequently, Pakistan. Price growth was also aided by strong demand from South America and Africa, and enjoyed another major boost in this period due to China's announced increase of export duties on all exported fertilizers, effectively reducing availability of urea on the market by 450 kt per month until September. Driven by sufficient demand, the strong urea market situation continued until the end of August when prices started to plunge. The demand from Latin America, Europe, and the US evaporated and India remained the only active player on the market. India tried, however, to reduce the purchased quantity, eventually leaving the market altogether and creating market pressure sufficient to cause a further price drop. The market mood was made even worse by the limited access to credit due to the global economic and financial crisis, which put the markets in Latin America out of business. Many producers in the former Soviet Union and Europe then started to lower production in an effort to stabilise the market. Still, prices would weaken slightly until the end of the year.

Monomers and agrochemicals
BU II's core business is the sale of steam cracker products and agrochemicals. The most important products include ethylene, propylene, benzene, oxoalcohol, ammonia, and urea. These products account for more than 70% of BU II's total revenues and 11% of Unipetrol RPA's total revenues.

In terms of the size of production facilities, BU II is a small player, with the exception of its monomer capacities, which can be regarded as medium-sized in the context of the European market. The customer portfolio structure and the domestic market shares did not change significantly in 2008. BU II succeeded in reducing the influence of seasonality thanks to the continuing growth of urea sales to the industrial sector. When it comes to demand, 2008 needs to be divided into two distinct periods. In the first eight months, demand was very strong and allowed the operation of production units with the maximum possible utilisation. This was enhanced by the continued growth of the prices of all products in BU II's product portfolio. The situation started to change materially at the turn of August and September when the petrochemical and agrochemical markets were hit heavily by the global economic and financial crisis, which resulted in a significant slump in the demand generated by the downstream production sectors and a subsequent steep price plunge. BU II had to address these adverse factors by reducing production capacities in both petrochemical and agrochemical segment.

The domestic market is the key market for the main products of the steam cracker unit while monomers and benzene are either processed at Unipetrol RPA or transported to strategic customers (Spolana, Synthos) via a network of existing pipelines. The steam cracker's side products (RC9-fraction, C10-fraction) go mainly to the Western European markets and the same is expected from any new by-products (e.g. resin feedstock).

Oxoalcohol sales were divided almost evenly between the domestic market and export areas in 2008. Out of a total of 49% of the oxoalcohol that left the Czech Republic, a full 75% went to countries sharing a national border with the Czech Republic. Major importers of oxoalcohol from Unipetrol RPA are companies in Germany, Poland, and Austria.

The long-term contracts for ammonia supply, which are in place between Unipetrol RPA and domestic companies, make the domestic market the chief territory for ammonia sales. Sales to the Central European region are insignificant and decreasing further. Special requirements placed on the transport of ammonia usually make hauling it over long distances uneconomical.

A half of urea sales went to domestic customers and the other half to customers in Central Europe. The Austrian, German, and Polish markets absorbed the greatest quantity of urea.

Unipetrol RPA's R&D focuses on three chief areas – plastics, petrochemicals, and refining. Polymer Institute Brno, spol. s r.o. provides research in the field of plastics for Unipetrol RPA, while petrochemical and refining research is provided in-house through the Technical Department of Unipetrol RPA (a smaller portion) as well as through Výzkumný ústav anorganické chemie, a.s. in Ústí nad Labem (a larger portion). In addition to these institutions, Unipetrol cooperates closely with universities, most notably the Institute of Chemical Technology in Prague.

Research and development results are applied as part of technical support in production, development of strategies, and also directly when introducing new products into the production portfolio.

Examples of the practical application of R&D results include the launch of a new product – the non-hydrogenated C10 fraction – and the approval of the plan for two capital investment projects aimed at adding more types of monomers to the petrochemical product portfolio. Specifically, these are technical dicyclopentadiene and non-hydrogenated C9 aromatic hydrocarbon fraction. All of the products find a broad range of uses, primarily as monomers in many applications, most notably hydrocarbon resins, which rank among very important chemical industry products used in the production of paper, rubber, dyes, adhesives, printing inks, floorings, textiles, toner cartridges, electronics, tyres, concrete, and many other products. The production processes for these products have been designed on the basis of proprietary technologies developed by Unipetrol RPA in co-operation with the Institute of Chemical Technology in Prague and Výzkumný ústav anorganické chemie in Ústí nad Labem.

Risk factors

The global economic and financial crisis can certainly be regarded as the most important risk factor at present. In addition to the banking sector, the crisis has mostly hit the automotive and building industries, i.e., the sectors that have the greatest influence on the markets of downstream production that take BU II's main products (polyethylene, polypropylene, and PVC). The ensuing weak overall demand, along with banks' unwillingness to lend, has become a major problem causing a lack of operating capital for many companies. Many large non-integrated polyolefin producers therefore also face financial problems.

The current crisis will probably outlast 2009. Signs of stronger recovery might perhaps begin to appear towards the end of 2009, or in 2010. However, over the next few years the pressure will also persist due to the construction of new large-capacity production units. Most of these new units are export-oriented, and are being built in countries that have access to cheap raw materials and feedstock. It is precisely the price of the latter, primarily the price of crude oil and oil products on the world markets, which is another key factor that significantly influences BU II's financial results. The prices of these inputs can probably be expected to rise in the foreseeable future, because OPEC is trying to arrest the plunge of oil prices by limiting production.

Another factor that exerts a heavy influence on BU II's results is the development of the Czech currency's exchange rate, particularly its euro and US dollar rates, because most of the basic feedstock for BU II is quoted in US dollars and the key products are mostly sold in euros. Equally important is the availability of production equipment and sufficient supply of the key feedstock. The continuously weakening but still significant seasonal effect, which mainly influences the agrochemicals business, should also be noted in this respect.

UNIPETROL RPA, BUSINESS UNIT III (BU III)

Market position and trade

Unipetrol RPA is the Czech Republic's only producer of polypropylene (PP) and high-density polyethylene (HDPE). As for production capacity, it is a medium-sized player on the European polyolefin market. Its HDPE production capacity accounts for 5% of all European capacities and its polypropylene production capacity accounts for more than 2% of all European capacities.

The company trades on all major European markets, focusing on Central and Western Europe where its competitiveness is enhanced by low logistics costs. The company traded with customers in 36 countries in 2008 and its top sales markets for plastics traditionally included the domestic market as well as Germany, Slovakia, Austria, the Baltic countries, and Ukraine.

A period of volatile prices and the related fluctuations in demand began in the first half of 2008. The highly competitive environment and the global economic crisis started to influence the polymer industry in mid-year and a critical point came at the end of 2008 when both prices and demand fell to a low unprecedented in the company's history. In the latter half of the year, prices dropped below 50% of the prices realised at the beginning of the year. The plastics industry, mainly polyethylene, which is exported for the most part, was also affected by the Czech crown's exchange rate trends, which further reduced polyethylene's profitability.

Given the steep increase in capacity, mainly in the Middle East, the utilisation of European capacities is decreasing, mainly on the part of global players. The cost benefits for plastic makers in areas with integrated crude oil production and low energy costs pose a true challenge for European producers. The company's further polymer focus is responding to the changed macroeconomic environment and shifting towards products with a higher added value, products requiring the observance of stringent European standards confirmed by independent certification, and optimisation of the provision of more comprehensive solutions to customers' needs.

Polyolefin production was affected by a change in polyethylene quality in the latter half of the year due to process restrictions on the ethylene unit; the difficulties eventually resulted in the announcement of force majeure hitting injection-type HDPE, whereas the blow molding and fill grades which are not sensitive to that problem were produced normally. The force majeure situation continued until the end of 2008. The forced shutdown of the steam cracker took place from 6 October to 1 November 2008 (25 days) and all the repairs were completed successfully. The total impact of the shutdown on Unipetrol's operating result (EBIT) for Q4 2008 was assessed at minus CZK 229m. The total impact is in line with the shutdown plan, and includes both lost margin and maintenance costs.

The shutdown also heavily impaired polyolefin product availability. Despite these problems and the one-month planned shutdown, we managed to retain our customer portfolio and expand our business activities to include new customers.

In 2008 our business strategy was based primarily on continuous improvement. The new products delivered the required economic result associated with meeting our customers' needs. A thorough analysis of the market situation and the improved internal processes for using information about market opportunities can be expected to enhance the company's competitiveness over the long haul. A customer satisfaction survey was conducted in 2008, achieving a high rate of participation of the companies approached.

Expected development, intentions, and objectives
In the field of polyolefins, the company continues its focus on products with higher added value. The innovated products are geared towards promising segments, which tend to stay put on the more developed markets despite the general trend of relocating production facilities closer to cheap raw material sources and low-cost labour. The subsidiary company Polymer Institute Brno, spol. s r.o. is also involved in the utilisation of the continuous innovation potential, participating in product portfolio development, and also the optimisation of technological processes with a view to reducing their cost intensity. The unprecedented deterioration of the external market conditions in the latter half of 2008 vindicated the approach taken in 2008 in terms of the focus on product value optimisation with a balanced ratio of cost intensity on the one hand, and effective processing properties of LITEN and MOSTEN polyolefin products on the other hand.

Retail segment

Market position and trade
Unipetrol's retail company, BENZINA, s.r.o., operates the largest fuel filling station network in the Czech Republic. As at 31 December 2008 it operated 331 public fuel filling stations offering fuels treated with additives, the VERVA premium fuels, and a broad range of other goods, refreshments, and services. The network was gradually refurbished and upgraded between 2006 and 2008, and is currently being profiled into two segments. The Benzina plus network, with its 107 fuel filling stations, is a representative of the premium segment of the domestic market. A total of 164 stations were upgraded for Benzina's standard portfolio by the end of 2008.

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The statistics of the Ministry of Industry and Trade show that there were 6,424 fuel filing stations on record in the Czech Republic as at 31 December 2008, including small retailers and non-public dispensers and filling stations situated mainly on the premises of agricultural, transport, and construction companies. The total figure also includes 951 public fuel filling stations specialised in a single product (mainly LPG or diesel fuel). There were a total of 3,578 public fuel filling stations on record in the Czech Republic at the end of 2008, with 2,600 of them offering a broader range of fuels and services. Benzina's share in the network of filling stations is 12.8%.

Benzina fuel filling stations' share in fuel sales continued to develop favourably in 2008. While the market dropped by 2% compared with 2007, the sales in Benzina's network grew 0.4% year-on-year, or 16.1% compared with 2006. The 2008 market share grew to 13.8% compared with 13.2% in 2007 and 11.9% in 2006. Benzina had hit its all-time low of 9.9% in 2005. The total number of fuel filling stations on the market has been growing slightly, but steadily, by 1% year-on-year, and the number and market share of hypermarket fuel filling stations has been growing as well.

Benzina has also greatly expanded its premium fuel offer. The Verva 100 high-octane automotive gasoline with above-standard additives is offered at 102 Benzina plus fuel filling stations and the Verva Diesel premium high-cetane diesel with additives is available from 95 stations. Both premium fuels are rated very highly by experts and enjoy growing demand. The premium fuels account for 5.3% of fuel sales in the premium station segment.

In 2008 Benzina also pursued its long-term strategy formulated in 2006, the key goal of which is to increase Benzina's market share while using funds efficiently and securing its financial stability. The key elements of the strategy include:

- Launch and expansion of the Benzina plus brand to include fuel filling stations carrying a full range of fuels, including the Verva premium products, and offering a broad range of high-quality goods in shops, a broad range of catering services, and a range of other additional services; the strategy envisages the refurbishment and upgrade of approximately one-third of the network to the Benzina plus standard;
- Improved perception of the Benzina brand as a fuel filling station standard offering quality fuels, a broad range of goods in the shop, quick-service refreshments depending on the local conditions, and other additional services;
- Consistent focus on customers' needs;
- Expanding and improving the services provided in all segments;
- Efficient and targeted marketing activities.

The year 2008 saw the continuation of the fuel filling station refurbishment and upgrade programme, and the strategic goal of upgrading 80% of the network to high standards by the end of 2008 was achieved. Sixty-eight stations operate quick-service catering facilities. It is pleasing to see that clients have embraced the implemented business and marketing changes and that, in addition to the growth of the market share from 9.9% to 13.8%, the continued diesel fuel sales growth of 3.7%, and the year-on-year growth of shop revenues by 15.1% and catering revenues by 158%, these changes confirm that Benzina fuel filling stations are attractive for a broad range of customers.

The last three years have been a very successful period for Benzina. The adopted and gradually implemented strategy and day-to-day business policy and attractive promotional events have helped to boost customers' confidence and to renew Benzina's position as a leading and respected company on the Czech fuel filling station market.

Fuel retailing

The sales of fuels and other goods and services at fuel filling stations are Benzina's core business. Unlike the fuel market, which weakened 2% year-on-year, including a 4% decrease for automotive gasoline and a 1% decrease for diesel fuel, the quantity of fuels sold through the Benzina fuel filling station network grew 0.4% year-on-year, including a diesel fuel growth of 3.7%.

Structure of fuel products sold at fuel filling stations in 2008 (%)

Automotive gasoline	Diesel	LPG
45.2	54.7	0.1

The growth trend of diesel fuel's share in the sales of fuels continued also in 2008, gaining 1.7% year-on-year. The total sales of diesel fuel in our network have grown with a 103.7% index in 2008 in comparison with 2007.

In terms of automotive gasoline sales, Natural 95 remains the mainstay product and accounted for 92.1% of automotive gasoline sold in 2008 in terms of the octane structure. Demand for this product has been stagnant for a long time due to the trends and structure of the passenger car fleet. In year-on-year terms, the high-octane gasoline grades had the strongest growth, with a 233% index. Demand for the 91 octane gasoline has been decreasing for a long time.

In line with the applicable legislation, the fuel filling station network started to sell the Natural 95 fuel with a low-volume bio-component addition in February 2008. Its average content was 2% for 2008. The average bio-component content in diesel fuel was 2.1% in 2008.

The results of the Czech Trade Inspectorate's nationwide monitoring of the quality of the fuels sold in public networks showed that all samples tested in our network complied with the applicable technical quality standards.

The unit margin on the sales of fuels was slightly higher than in 2007 and, in connection with the slight overall increase in fuel sales, in particular higher sales of diesel fuel and premium fuels with a higher added value, greatly contributed to the very positive performance of the retail segment.

Risk factors

In the competitive environment of the fuels retail market, with a large number of public and non-public stations, more competitive approach for customers can be expected.

Due to ownership changes the concentration of networks in bigger companies will continue, including franchising and rebranding. Business chains with the low prices marketing policy will expand and continue to fight for the client's preference. The lower price policy will establish higher margins.

On the basis of the economy development, especially the drop in the GDP indicator, which results in decrease of industrial production and lower performance of other branches with high diesel fuel consumption, a drop in the demand for diesel can be expected, especially in the road cargo transport area.

In relation to the economic fall and the development of unemployment, the weaker demand for automotive gasoline from the individual car owners can be influenced by the increasing household costs of energy, rent and services. The lower fuels consumption will also be influenced by the technical and ecological modernisation of the vehicle fleet. Further drop in the demand for low-octane fuels is expected. Also a small rise may be predicted in the demand for the alternative fuels, especially CNG and high-volume fuels, which have tax advantages.

The nervousness on the oil market, related to the geopolitical factors and risks in the countries with significant oil resources, exchange rates and the drop in economic performance in the developed countries, will continue to influence the lower demand and prices development of fuels.

New Corporate Governance model

A new Corporate Governance Model has been introduced in the Unipetrol Group.

This model is based on the principles of:

- Separated responsibilities for production and sales;
- Centralised Shared Service Center and Supply Chain Management;
- Simplified legal structure. The legal transformation of wholly-owned subsidiaries from public limited companies into limited liability companies was an important change.

This has helped to improve administration process, coordination, accelerate the decision-making processes, and enhance competitiveness.

SEGMENT MANAGEMENT AND OWNER'S SUPERVISION

The activities of the Unipetrol Group can be divided in principle into the following segments:

- Petrochemical
- Refining
- Retail

This allocation of responsibility for segment management between the Board of Directors and technical managers was implemented in the Organisational Rules.

Investments

UNIPETROL RPA, s.r.o. implemented projects for increasing the capacity of the steam cracker to the planned 544 kt/y of ethylene and the related increase of polypropylene production to the target 275 kt/y in 2008. In addition, the project for extractive benzene distillation with a target capacity of 250 kt/y was also completed.

PARAMO, a.s. finalised preparations for the production of hydrogenated white spirit for thinning bitumen varnishes. As far as the environment is concerned, storage units were retrofitted and production facilities noise-proofed.

Česká rafinérská's 2008 capital expenditure programme was geared towards investment in maintenance, environmental protection, reliability and availability of the installations, and also increasing output and capacities. Activities focused on improving the reliability of the Visbreaking unit in the Litvínov refinery were successfully completed. In the field of environmental protection and safety, the project of the modification of the fire-prevention system at the Jiřetín loading area was finished. A project of improving the capacity of the unloading facility for incoming petrochemical feedstock was launched. A project for transferring the electricity generation units from the corrosive environment of the Claus units was also launched. Projects aimed at the modernisation of the FCC unit's LPG section and the loading area, were launched in the Kralupy refinery.

BUTADIEN KRALUPY, a.s. continued the construction of a new butadiene production unit with a capacity of 120 kt/y. This project will be finished in early 2010.

BENZINA, s.r.o. completed the construction of the Osice fuel filling station on the D11 motorway. It also focused on the refurbishment of obsolete fuel filling stations, replacement of car wash units, and retrofitting of wastewater treatment plants. Pursuing Benzina's new retail strategy, the rebranding of a part of the fuel filling station network to the Benzina plus brand was completed, as was the retrofit of 33 Benzina fuel filling stations. The replacement of the cash register system was launched, as were the preparations for the construction of two new fuel filling stations, Mezno and Mitrovice on the D3 motorway.

UNIPETROL DOPRAVA, s.r.o. purchased a class 753 line locomotive, a class 724 industrial locomotive, and two class 121 electric locomotives. In addition, a class 740 industrial locomotive was retrofitted to class 724.6 and thirty ZAES tanks were refurbished.

MANAGEMENT REPORT

OVERVIEW OF THE MAIN INVESTMENTS COMPLETED AND STARTED IN 2008

UNIPETROL RPA, s.r.o.
Capital expenditure in CZK million

Name of investment	Purchasing price	Invested in 2007 and earlier	Invested in 2008	Rate of completion (%)	Location	Financing method
Extractive benzene distillation and C5 fraction residue processing	450	191	234	100	local	own resources
Revamp of the convection section of the BA-106 pyrolysis furnace	130	92	33	100	local	own resources
Revamp of the BA-109 convection furnace	120	14	102	100	local	own resources
Retrofit of the R200 distribution room – POX power supply	74	66	8	100	local	own resources
Retrofit of the DA-251 washing column at the steam cracker	50	0	49	100	local	own resources
Retrofit and upgrade of the control system and field instrumentation of the POX unit	154	137	13	99	local	own resources
Retrofit of the hydrogen compressor control system	104	85	17	98	local	own resources
Burning of sludge from the biological waste water treatment plant	390	372	22	97	local	own resources
Increase of polypropylene production to 275 kt/y	940	114	642	80	local	own resources
Increasing the capacity of the steam cracker	577	355	89	78	local	own resources
Refurbishment of the 235 cooling tower (T 200)	138	0	90	66	local	own resources
Revamp of the BA-102 pyrolysis furnace	135	0	35	26	local	own resources

PARAMO, a.s.
Capital expenditure in CZK million

Name of investment	Purchasing price	Invested in 2007 and earlier	Invested in 2008	Rate of completion (%)	Location	Financing method
Retrifit of VR10 and VR21 storage tanks	37	0	33	100	local	own resources
Noise-proofing of production facilities	29	1	26	100	local	own resources
Production of hydrogenated white spirit	25	0	25	100	local	own resources
Intensification of HOSD-PS41- stage 1 (hydrogen compressor)	50	0	21	48	local	own resources

ČESKÁ RAFINÉRSKÁ, a.s.
Capital expenditure in CZK million

Name of investment	Purchasing price	Invested in 2007 and earlier	Invested in 2008	Rate of completion (%)	Location	Financing method
Modernisation of FCC's LPG section – phase 1	456	7	104	24	local	own resources
VBU recontacting and debottlenecking of the MEA system	291	182	56	100	local	own resources
Modification of the fire prevention system – Jiřetín loading area	218	97	97	100	local	own resources
Steam cracker feedstock unloading	146	3	103	75	local	own resources
Kralupy loading area modernisation	141	2	84	61	local	own resources
Slurry oil filtration	138	0	4	3	local	own resources
Transfer of electricity generators from FAR 7	131	3	60	48	local	own resources
Refurbishment of the cooling water piping system – phase 1	103	62	43	100	local	own resources
Increasing the energy efficiency – phase 1	101	98	5	100	local	own resources

BUTADIEN, a.s.
Capital expenditure in CZK million

Name of investment	Purchasing price	Invested in 2007 and earlier	Invested in 2008	Rate of completion (%)	Location	Financing method
New Butadien 120 kt	1 231	120	413	43	local	own resources

BENZINA, s.r.o.
Capital expenditure in CZK million

Name of investment	Purchasing price	Invested in 2007 and earlier	Invested in 2008	Rate of completion (%)	Location	Financing method
Redesign and retrofit of the BENZINA fuel filling stations	277	0	252	100	local	own resources
Construction of a new filling station – Osice	34	1	32	100	local	own resources
Replacement of the cash registers / card system	169	0	35	23	local	own resources

MANAGEMENT REPORT

UNIPETROL DOPRAVA, s.r.o.
Capital expenditure in CZK million

Name of investment	Purchasing price	Invested in 2007 and earlier	Invested in 2008	Rate of completion (%)	Location	Financing method
Retrofit of the signalling system – interlock 9, Litvínov	126	104	21	100	local	own resources
ZAES rail tanker refurbishment	41	0	40	100	local	own resources
Purchase of a class 753 track locomotive	31	0	31	100	local	own resources
Purchase of a class 724 industrial locomotive	22	4	18	100	local	own resources
Re-motoring and upgrade of a class 740 industrial locomotive to class 724.6	21	0	21	100	local	own resources
Purchase and retrofit of class 121 electric locomotives	15	0	15	100	local	own resources

MAIN CAPITAL INVESTMENT PROJECTS FOR 2009 BY SEGMENTS

• Refineries: upgrade of the loading area, slurry oil filtration and the first phase of the retrofit of the FCC unit's LPG section in the Kralupy refinery; in the Litvínov refinery, transfer of the electrical generator unit from the corrosive environment of the Claus unit, preparations for the desulphurisation of tail gas from the Claus unit, and completion of the unloading facilities for the petrochemical feedstock; in the Pardubice refinery, intensification of the hydrogen desulphurisation of middle distillates will continue along with the retrofit of storage tanks.

• Petrochemicals: continuing capital investment projects focused on increasing the capacity of the steam cracker, retrofit of the pyrolysis furnaces, continued construction of the new butadiene unit, and increase of the polyolefin capacity

• Retail: continued expansion of the fuel filling station network and replacement of the cash registers' card system.

Asset portfolio optimisation

The optimisation of Unipetrol's assets continued in 2008 under its long-term strategy, focusing on three pillars of its core business – crude oil processing, petrochemical production, and fuel retailing.

Unipetrol further strengthened its position in the refining segment by means of the following acquisitions in 2008:

Purchase of a 3.73% stake in PARAMO, a.s.
Unipetrol signed an agreement on the purchase of PKN Orlen's 3.73% stake in Paramo, a small refinery producing fuels, lubricants, and bitumen products, with PKN Orlen on 29 August 2008. The purchase price of this stake in Paramo amounted to CZK 47.4 million. The transaction was closed on 5 September 2008 when the shares were transferred to Unipetrol's account.

The transaction increased Unipetrol's interest in Paramo from 88.04% to 91.77% and enabled Unipetrol to start a squeeze-out process aimed at obtaining full control over Paramo.

SQUEEZE-OUT OF MINORITY SHAREHOLDERS FROM PARAMO

Unipetrol started the process in October 2008 by submitting a squeeze-out application to the Czech National Bank ("CNB"), the authority regulating squeeze-outs and similar procedures.

The CNB approved of Unipetrol's squeeze-out application, including the proposed squeeze-out consideration of CZK 977 per share, on 28 November 2008. Having obtained CNB's consent, Unipetrol requested Paramo's Board of Directors to convene an extraordinary general meeting to approve the squeeze-out process.

The extraordinary general meeting of 6 January 2009 approved the squeeze-out of minority shareholders from Paramo for the consideration proposed by Unipetrol, totalling CZK 107 million. The squeeze-out process was completed on March 4, 2009.

The squeeze-out of minority shareholders from Paramo will allow Unipetrol to gain complete ownership of Paramo, which is necessary for the further optimisation and alignment of Paramo into the refining segment within the PKN Orlen/Unipetrol Group. It is possible to expect positive effects from the alignment of Paramo with Česká rafinérská, a.s., in which Unipetrol currently holds a 51.225% interest and is prepared to increase its stake should one of the other two shareholders decide to exit the company. The optimisation of refining assets and their commercial alignment within the Group constitutes the basis for future growth and development in respect of the creation of value for our shareholders, and is to facilitate the capture of synergies as well.

CLOSING OF THE TRANSACTIONS WITH DEZA, a.s.

The transactions between Unipetrol and Deza related to the sale of Unipetrol's 50% interest in Agrobohemie and 38.79% interest in Synthesia were closed on 18 January 2008. The purchase price amounted to CZK 503 million for Agrobohemie and CZK 680 million for Synthesia. At the same time, Unipetrol and Deza entered into an agreement on the settlement of their previous disputes. Deza subsequently withdrew all of its claims against Unipetrol.

The amicable settlement of disputes has made it possible for Unipetrol to eliminate the potential legal consequences and costs related to these shares and applicable agreements, and to obtain financial resources from the sale of its non-core assets. It also sealed its good partnership relations with the entities controlled by Deza.

RESTRUCTURING OF UNIPETROL TRADE, a.s.

Historically, Unipetrol Trade has been a trading company selling refinery and petrochemical products on selected international markets. Due to the overall restructuring of the Group's business model, a decision was made to centralise commercial activities within Unipetrol RPA, which is to improve the pricing policy and bring administrative cost savings. The decision had major implications for Unipetrol Trade, because most of its subsidiaries have been dissolved, merged or sold over the last few years. In August 2008, DP MOGUL Ukraine was sold to a local investor.

MANAGEMENT REPORT

A merger of Unipetrol Trade's three German subsidiaries was finalised in November 2008, effectively giving rise to Unipetrol Deutschland GmbH. In December 2008, Unipetrol France S.A. merged into Unipetrol Trade. Also in December, the Slovenian subsidiary, MOGUL d.o.o. Slovenia, was sold to its management. As a result of this restructuring, Unipetrol Trade owned shares in Unipetrol Deutschland GmbH and Chemapol (Schweiz) AG at the end of 2008. Unipetrol Trade retains its representation office in Budapest without a legal personality of its own.

Further restructuring of the remaining Unipetrol Trade affiliates is being considered with a view to further administrative cost cuts and simplifying the corporate structure by way of eliminating non-core and unprofitable subsidiaries within the Group.

MONITORING OF RETAIL EXPANSION OPPORTUNITIES

The expansion of Benzina's retail network has always been one of Unipetrol's key goals. Unipetrol continued monitoring developments on the retail market, with emphasis on potential investment opportunities, in 2008.

RESTRUCTURING OF OTHER AREAS OUTSIDE THE STRATEGIC PILLARS

The year 2007 saw the launch of optimisation processes in two business areas, logistics and energy, with a view to determining a long-term organic growth strategy. The logistics and energy optimisation processes within the Unipetrol Group continued in 2008.

The Unipetrol Group currently has two wholly-owned subsidiaries providing logistics services, Unipetrol Doprava, which provides rail transport to the Group companies, and Petrotrans, s.r.o., which is owned by Benzina and provides road haulage services. The future of these two companies will be assessed in the context of the Orlen/Unipetrol Group's logistics strategy and with regard to its objectives, in particular the potential expansion of Benzina's fuel filling station network.

In the energy sector, the principal objectives are to optimise energy consumption in the Unipetrol Group, update its energy strategy in line with the new mid-term plans reflecting the development of energy prices, and secure fuel supply for power plants in operation. To achieve Unipetrol Group's above targets, several options are being considered, mainly the outsourcing of a part of the energy operations, creating a joint venture for operating energy units with a third party, and disposal of energy assets while securing supply under a long-term contract.

Major research and development achievements

The objective of the research and development of petrochemicals was to improve the product portfolio. Two major projects were completed in 2008. The installation of new equipment for the production of a new product, the C10 fraction, was completed. The C10 fraction has been marketed since July 2008 as a feedstock for hydrocarbon resin production. The expected output will be 5,000–7,000 tonnes per year.

The other major project stemming from in-house research and development is the production of technical dicyclopentadiene (DCPD) and the C9 fraction. This project will broaden Unipetrol's product portfolio. Both products find a broad range of uses as monomers in many applications, most notably hydrocarbon resins. Both products will be produced using processes developed on the basis of proprietary technologies developed by Unipetrol RPA in co-operation with the Institute of Chemical Technology in Prague and Výzkumný ústav anorganické chemie in Ústí nad Labem (a member of the Unipetrol Group). The expected production capacity is 20,000–26,000 tonnes per year for the technical dicyclopentadiene and up to 40,000 tonnes for the non-hydrogenated C9 aromatic hydrocarbon fraction.

The work on a feasibility study for further debottlenecking of the steam cracker and development of polyolefins have started.

Two independent development studies on the future of refinery operations have been in progress since 2008.

Unipetrol RPA has, in co-operation with Výzkumný ústav anorganické chemie, started various research activities focused on alternative fuels of the future and the optimisation of catalytic processes in both Litvínov and Kralupy refineries.

POLYOLEFINS

The subsidiary company Polymer Institute Brno, spol. s.r.o. is the chief partner in the research and development of polyolefin products. The development work traditionally focuses on the continuous adjustment of the plastics' physico-mechanical properties to meet clients' changing requirements.

New product launches in 2008 included the new MOSTEN GB 802 and FB 908 random polypropylene copolymers intended for the production of smooth foils. Attention was also paid to technological development, with the continued testing and implementation of advanced catalysts that help to cut the costs of production while improving the attractiveness of the innovation of combination of the processing properties. The new types also include the EH 001 for slab applications and the GH 001 intended for pipes and slabs. The new GH 001 type will be used for the manufacture of binding strips and blow moulding applications. Many products are to be modified during the year to meet the increased requirements of the manufacturers.

As regards the LITEN polyethylene, the new RL 58 UV type for the production of covers and packaging, including that for hazardous materials, was launched. The new ZB 29H powdered product is intended for the production of compounds.

The work on introducing completely new products into the portfolio, such as materials for the production of polymer foams used as thermal and acoustic insulation in the automotive industry, amongst others, also continues. Major development resources are channelled to the application of new generation catalysts, which are very important for the molecular structure of the polymers produced and which will permit applications in the most demanding fields. Not least, attention is paid to streamlining production capacities and reducing energy and material intensity of applications both in the actual production and in the subsequent manufacture into final products.

Information technologies

The year 2008 was a year of changes for the Unipetrol Group's information technologies. We concentrated on the stabilisation and basic functionality of the IT system. The main activities involved the new organisational structure, renegotiation of the most important agreements, and a change of the hardware standard for the basic SAP system. The first SAP upgrade and re-implementation projects were started. We launched our own Helpdesk and made the initial steps towards the establishment of our own Data Centre.

Employees

THE UNIPETROL GROUP

A number of optimisation processes were implemented in follow up to previous periods. The company has put in place rules for remuneration, talent management, and social policy as part of its process unification.

In 2008, the HAY project was launched; it included the preparation of a new catalogue of employment positions and its introduction in companies within the Group. This project includes a review of the qualification requirements for employment positions. The company also started a review of employment position descriptions, which will continue in 2009.

Another project was the reimplementation of SAP HR. This involved the determination of the appropriate approach to employee performance evaluation, the setting of targets for Management by Business Objectives (MBO), and the preparation of an information gateway for managers. This project will be completed in 2009.

During the year, the Unipetrol Group formulated its wage policy, outlining the key remuneration principles for the Group. This included a review of the social benefits and their standardisation within the Group as well.

The Group devoted great attention to employee education and training, with the target group of employees in production teams receiving particular attention. Under the Leadership Programme, training of foremen took place. It was attended by 180 persons. The Group's own training managers also taught classes as part of the training course. Production managers held regular meetings with employees to address topical issues. The Operator, Laboratory Technician, Technologist and Dispatch Controller educational programmes were run during the relevant period.

The needs for development on the level of managerial personnel were defined in 2008. Educational programmes focused on soft skills were run in 2008.

Co-operation with secondary and tertiary education institutions also continued. The Group wants to recruit the best employees. For graduates, the Junior Programme was utilised again. An important part of the employee policy is co-operation with trade unions; collective bargaining was started in late 2008.

Collective bargaining has been concluded and collective agreements have been signed. At RPA, the agreement was signed on 9 April 2009, at Benzina on 19 December 2008, and at Paramo on 7 April 2009.

Unipetrol Services concluded collective bargaining on 23 April 2009, and the agreement will be signed on 28 April 2009. Bargaining is still open at Unipetrol Doprava[1] and Česká rafinérská.

[1] The Unipetrol Doprava Collective Agreement was signed in December 2008. The bargaining has been opened by the company's management.

ANNUAL AVERAGE FTE STAFFING LEVELS IN THE UNIPETROL GROUP

Company	2005	2006	2007	2008
BENZINA, s.r.o.	163	119	101	100
CHEMOPETROL, a.s.	2,462	2,383	0	0
PARAMO, a.s.	879	844	799	771
UNIPETROL DOPRAVA, s.r.o.	514	513	491	488
UNIPETROL, a.s.	44	57	65	32
Unipetrol Trade Group*	38	38	32	28
UNIPETROL RAFINÉRIE, a.s.	54	56	0	0
UNIPETROL RPA, s.r.o.	0	0	2,210	2,161
UNIPETROL SERVICES, s.r.o.	0	0	199	261
PETROTRANS, s.r.o.	188	193	219	230
UNIRAF Slovensko, s.r.o.	3	7	8	6
ČESKÁ RAFINÉRSKÁ, a.s. (51%)	354	352	352	347
KAUČUK **	974	929	480	0
Total	5,673	5,491	4,956	4,424

* Unipetrol Trade Group consisted in 2008 of companies: UNIPETROL TRADE a.s., ALIACHEM VERWALTUNGS, UNIPETROL DEUTSCHLAND, ALIAPHARM, CHEMAPOL SCHWEIZ,UNIPETROL AUSTRIA, UNIPETROL IBERICA

** Part of the Group till 6/2007

UNIPETROL, a.s. (HEADQUARTERS)

The annual average FTE staffing level in 2008 was 32.

The segment management system came into effect in September 2008. Responsibility for specific segments was therefore transferred to members of the Board of Directors. This change was implemented in order to improve the overall management of the company.

The company has been divided into five areas, called segments, as follows: the petrochemical segment, the refining segment, the retail segment, the financial segment and the administration segment.

Financial standing

BALANCE SHEET

Changes in non-current assets
As at 31 December 2008, the Unipetrol Group's non-current assets amounted to CZK 38,890 million. In 2008, the Group acquired tangible assets worth CZK 4,197 million and intangible assets worth CZK 191 million.

Most investments went to the petrochemical segment (CZK 2,575 million), followed by the refining segment (CZK 962 million) and the retail segment (CZK 539 million).

Changes in current assets
Total current assets amounted to CZK 19,806 million as at 31 December 2008 and were lower by approximately CZK 8,213 million compared with the previous year.

The declining prices of crude oil and final products caused a decrease in current assets compared with 2007 (inventories dropped by CZK 3,111 million and trade receivables by CZK 2,822 million).

Changes in equity
Total equity decreased from CZK 42,112 million in 2007 to CZK 38,913 million in 2008. The drop was mainly caused by a decrease in retained earnings. The Annual General Meeting of UNIPETROL, a.s. shareholders, held on 26 June 2008, decided on dividend payout from undistributed profit of preceding years, amounting to CZK 3,200,558,584.60.

Changes in liabilities
Borrowings
Despite dividend payouts being made, the level of short-term bank loans and the short-term parts of loans and other sources of financing decreased by CZK 260 million year-on-year.

The decrease in current assets and the continued cash-pooling project allowed the Group to minimise the need for external financing.

Trade liabilities
Trade liabilities decreased by CZK 3,498 million compared with the previous year. This was mainly due to the falling crude oil price.

Other significant changes in the balance sheet
In 2008 the Group finalised the sale of its shares in AGROBOHEMIE, a.s. and Synthesia a.s. These shares were carried as assets held for sale at the end of 2007.

In 2008 the Group provided a loan to a company outside the Group. The nominal amount of the loan was CZK 300 million.

INCOME STATEMENT

The Group's revenues for 2008 amounted to CZK 98,144 million and were 11% higher than in 2007, mainly thanks to increased sales and higher selling prices achieved in the refining and retail segments.

The Group's operating profit of CZK 1,003 million for 2008 was unfavourably influenced by very low petrochemical margins in the second quarter of the year and a plunge in crude oil prices, low refinery and petrochemical margins, revaluation of inventories, and lower sales due to the macroeconomic situation in the fourth quarter of the year.

The above reasons caused the Group's net profit of CZK 65.681 million to be lower than in 2007.

CASH FLOW

Net cash provided by the Group's operating activities in 2008 was higher by approximately CZK 190 million in comparison with 2007.

The decrease in cash resulted from the acquisition of tangible and intangible assets, repayments of bank loans and payment of dividends. As at 31 December 2008 dividend paid out amounted to CZK 3,152 million.

The Group's cash situation was stable and did not experience any major changes in 2008.

SALES REVENUES

Trends in sales revenues for own products and services

	2008 CZK thousand	2007 CZK thousand	2006 CZK thousand
Sales revenues	98,143,951	88,462,174	93,698,270

In 2008 the Unipetrol Group generated total revenues of CZK 98,144 million. The results in the first half of 2008 were favourably influenced by higher prices of crude oil and refining margins, and also larger sales volume and higher margins in the retail segment. The positive effect was offset by declining petrochemical margins, with the heaviest impact in June 2008.

MANAGEMENT REPORT

The latter half of the year (mainly the fourth quarter) was negatively affected by the macroeconomic situation in conjunction with decreasing of petrochemical margins and the Brent-Ural differential. The crude oil price falling from USD 92/bbl in January to USD 40/bbl in December 2008 was the most important factor influencing the Group's financial situation.

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

Line of business	2008 Sales revenues in %	2007 Sales revenues in %	2006 Sales revenues in %
Crude refining	55	48	48
Retail	10	10	8
Petrochemical production	34	41	43
Other	1	1	1

Revenues in the refinery segment grew by CZK 3,133 million in 2008 compared with the previous year and amounted to CZK 72,590 million. The rise is mainly attributable to larger volumes sold and higher product prices.

In the petrochemical segment, revenues amounted to CZK 34,888 million, which is CZK 5,822 million lower than in 2007. This was largely caused by a decline in sales volumes.

The retail segment grew in terms of sales volumes and revenues in the first three quarters of the year, compared with 2007, thanks to the continued upgrading of the Benzina fuel filling stations.

Revenues for 2008, amounting to CZK 10,004 million, were CZK 1,186,000 higher than in the previous year.

Revenues in the refining segment accounted for 55% of the Unipetrol Group's total sales revenues for 2008. The share of this segment in the total revenues of the Group was larger than in the previous year due to a steeper rise in the prices of refinery products than in those of petrochemical products, and also increased sales of fuels.

Structure of sales revenues by area

Area	2008 Sales revenues in %	2007 Sales revenues in %	2006 Sales revenues in %
Czech Republic	71	65	56
Other European countries	27	33	43
Other countries	2	2	1

Compared with 2007 and 2006, the Group achieved higher revenues from sales in the Czech Republic. Revenues generated in the other European Union countries were lower than in 2007 and 2006. Changes in the geographical structure of revenues were caused by changes in the structure of the Unipetrol Group (i.e. disposal of Spolana in 2006 and Kaučuk in July 2007).

Profit/loss and dividend

CZK thousand	2008	2007	2006	2005
Profit for distribution	4,428,147	(9,121)	2,432,188	1,025,956
Allocation to the social fund	0	0	0	0
Allocation to the reserve fund	0	0	121,609	51,297
Number of yield-bearing shares	181,334,764.00	181,334,764.00	181,334,764.00	181,334,764.00
Profit/loss per share (CZK)	24.42	(0.05)	13.41	5.66
Dividend per share (CZK) paid from retained profit of previous years	17.65*	0	0	0
Total for distribution	4,428,147	(9,121)	2,310,579	974,659
Profit brought forward		(9,121)	2,310,579	974,659

* In 2008 the Annual General Meeting of Unipetrol shareholders decided on dividend payout from undistributed profit of previous years, in an amount of CZK 3,200,558,584.60 (dividend per share, CZK 17.65 before tax).

The decision on the distribution of the profit for 2008 will be taken at the Annual General Meeting.

Property, plant and equipment

UNIPETROL, a.s., as a non-production company, is the owner of most of the land in the production compounds located in the Kralupy nad Vltavou and Litvínov cadastral areas; most of these land parcels are situated under the production installations of its subsidiaries. UNIPETROL, a.s. also owns some land outside these production compounds; some of these land parcels are used by its subsidiaries for their operations, such as storage areas, roads, pipelines, etc. The overall area of the land owned by UNIPETROL, a.s. in the Kralupy nad Vltavou and Litvínov cadastral areas covers approximately 2.423 million square metres and 8.382 million square metres, respectively.

On this land, UNIPETROL, a.s. does not own any buildings or installations; nor does it own any oil or natural gas fields. The buildings, plants and machinery located on the land owned by UNIPETROL, a.s. are mostly owned and operated by its subsidiaries that are active in the industrial areas situated on the land owned by UNIPETROL, a.s. Less frequently, in cases when the subsidiaries have no use for such facilities, the owners or tenants of these buildings, plants and machinery are third-party entities that are not part of the Unipetrol Group. In the chemical production compound in Kralupy nad Vltavou, a major owner of buildings and equipment is SYNTHOS Kralupy a.s. (formerly KAUČUK, a.s.), which is no longer part of the Unipetrol Group.

Under the agreement on the sale of KAUČUK, a.s. to the new owners, FIRMA CHEMICZNA DWORY S.A., based in Poland, an agreement was entered into for the benefit of SYNTHOS Kralupy, a.s. on the first option rights to specific land parcels used for its operations. These first option rights are entered in the Land Register.

As regards the land outside the Kralupy nad Vltavou and Litvínov cadastral areas, on which other subsidiaries of UNIPETROL, a.s. are operating, the ownership rights or other usufruct rights to this land are held directly by the respective subsidiaries.

Tangible assets are described in detail in the Notes to the consolidated financial statements, which can be found at the end of this Annual Report.

The land owned by UNIPETROL, a.s. is not encumbered by any lien. The land is zoned for industrial operations, and the use of the land is provided for in agreements on easements granted for consideration, which have been entered into by the companies operating in both compounds, on the one part, and UNIPETROL, a.s., on the other part.

Capital resources

INFORMATION ON THE CREDIT OBTAINED AND LOANS PROVIDED

Operating financing is provided on the level of the Unipetrol Group from the parent company, UNIPETROL, a.s.'s, own resources, in an amount in excess of CZK 7.5 billion, and from operating loans provided by renowned banks. Unipetrol has executed loan agreements up to CZK 7 billion. Funds are drawn under these agreements in the form of short-term credit transactions and overdraft. All the loan agreements have been executed for the Group's operating financing.

No mid- or long-term credit transactions took place on the level of the parent company.

Thanks to a centralised model of operating financing, it was possible to significantly improve both financial and non-financial terms on which the company receives operating finances. The efficiency of operating financing has improved significantly after the introduction of a real cash pooling system, resulting in considerable financial savings.

Unipetrol uses a real cash pooling system involving three renowned banks.

In 2008, bank guarantees to secure Unipetrol RPA's excise duty were increased to a total of CZK 1 billion.

As at 31 December 2008, Unipetrol issued bonds worth CZK 2 billion and payable on 28 December 2013, while Paramo had a long-term loan of CZK 156 million payable on 30 March 2011.

Risk management

Risk management in the Group is defined by several principal documents. The Group manages its financial risks on the basis of its document Financial Risk Management Policy. The Unipetrol Group's debt management policy covers the securing of new short-term, mid-term and long-term borrowings for the company's needs, including all types of guarantee mechanisms such as guarantees, guarantor's declarations, etc. The liquidity management policy covers primarily the real cash pooling on the level of Unipetrol and other tools for managing short-term financing and the requirements and surpluses on the level of both Unipetrol and the Group companies. The chief objective of the Group's financial risk management policy is to manage the exchange rate and interest risks. The policy of prudent business in the financial area lays down the common rules for due care in the financial area, including the approved institutions and instruments, financial limits, unacceptable operations, etc. The last document covers the basic principles of credit risk management. The purpose of this document is to define the basic rules for specific areas of financial risk management, including the description of related procedures in the Unipetrol Group. The current financial risk management policy is based on the principle that the Group companies act as conservative entities that under no circumstances use their resources or positions for the purposes of speculation.

THE COMPANY AND THE ENVIRONMENT

Unipetrol Group's key environmental activities in 2008

Unipetrol Group's environmental activities focused on three key environmental topics in 2008.

The first key topic was to ensure the conditions for the meeting of the first part of the obligations under the relevant Regulation of the European Parliament and of the Council, the REACH Regulation, i.e., the pre-registration of produced and imported substances.

The second topic was carbon dioxide emissions control pursuant to the European Union's (EU) scheme for trading in carbon dioxide emission allowances (EU ETS) and the start of the second trading period.

The third topic was the application of the strategy for the implementation and certification of integrated management systems pursuant to the ISO 9001, ISO 14001, and OHSAS 18001 standards.

PREPARATIONS FOR THE OBSERVANCE OF REGULATION (EC) NO 1907/2006 (REACH)

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

Unipetrol Group is among the members of the chemical industry producing chemicals in large volumes exceeding 1,000 tonnes per year. At the same time, this concerns a limited number of substances that are subject to the obligations under REACH.

REACH entered the pre-registration phase in June 2008, which meant that producers were obligated to notify the European Chemicals Agency of the basic identification details of the substances and preparations subject to REACH by 1 December 2008.

Extensive pre-registration was conducted at Unipetrol RPA, Česká rafinérská, and Paramo. Česká rafinérská pre-registered 43 substances, Paramo pre-registered 51 substances, and Unipetrol RPA provided for 58 valid substance pre-registrations. In its preparation for the observance of the REACH requirements, Unipetrol closely cooperates with PKN Orlen and, through it, with the CONCAWE association.

The direct financial costs incurred in the registration of substances under REACH have been tentatively estimated at CZK 584 million for Unipetrol RPA, CZK 72 million for Česká rafinérská, and CZK 117 million for Paramo. It is however expected that the actual cost of registration will be significantly lower thanks to the effect of the work of consortia that are already in existence or will be established following the end of the pre-registration phase for the purpose of cost sharing, thereby reducing the price of the registration obligations.

CARBON DIOXIDE EMISSIONS CONTROL UNDER THE EU CARBON DIOXIDE EMISSION ALLOWANCES TRADING SCHEME (EU ETS)

The start of the second trading period on 1 January 2008 involved stricter conditions for the monitoring and reporting of greenhouse gas emissions after the expiry of certain exemptions applicable in the first period. The new allocation plan for the 2008–2012 trading period, issued as Government Order No. 80/2008, also allocates allowances to Unipetrol Group companies.

THE COMPANY AND THE ENVIRONMENT

ALLOCATION OF ALLOWANCES TO UNIPETROL GROUP COMPANIES IN THE NATIONAL ALLOCATION PLAN FOR THE 2005–2007 AND 2008–2012 PERIODS AND THE ACTUAL CO2 EMISSIONS BETWEEN 2005 AND 2008*

Allocation of allowances	(Units/year)			
Actual emissions (kt/year)	Unipetrol RPA	Česká rafinérská	Paramo	Unipetrol Group
NAP allocations 2005–2007	3,495	1,100	270	4,865
2005: actual CO_2 emissions	3,071	803	194	4,068
2006: actual CO_2 emissions	3,092	910	196	4,198
2007: actual CO_2 emissions	2,889	904	191	3,984
NAP allocations NAP 2008–2012	3,121	867	199	4,187
2008: actual CO_2 emissions	2,762	910	176	3,848

* This information is based on data audited as at the end of March 2009. This data shows the share for 100% of Česká rafinérská.

Based on the audit of the annual report for 2008 it can be said that the allocated quantity of allowances covers the needs of the Group companies, with the exception of Česká rafinérská. Any surplus allowances for 2008 have been traded, or will be traded in the future.

STRATEGY FOR THE IMPLEMENTATION AND CERTIFICATION OF INTEGRATED MANAGEMENT SYSTEMS PURSUANT TO THE ISO 9001, ISO 14001, AND OHSAS 18001 STANDARDS

Based on the strategy adopted by the Board of Directors of UNIPETROL, a.s., Unipetrol Group companies adopted an integrated management system covering the requirements for environmental protection under ISO 14001, quality management under ISO 9001, and occupational health and safety under OHSAS 18001, in 2007, and certified or re-certified it in 2008. As from October 2008, all Group companies, including Unipetrol's head office, have in place an integrated management system certified by Lloyd's Register Quality Assurance, a renowned certification organisation. PARAMO, a.s. has been certified by TÜV NORD, for all three systems.

Development of Unipetrol Group's selected environmental performance indicators

DEVELOPMENT OF EMISSIONS AND WASTE PRODUCTION

The release of pollutants into the environment has been stabilised over the last four years, at a level achieved through massive environmental investments made over the previous decade. Unipetrol Group has greatly reduced emissions of sulphur dioxide and pollutants released into surface water in terms of the chemical oxygen demand (COD) and biological oxygen demand (BOD_5).

Sulphur dioxide emissions in Group companies (tonnes/year)

Year	2004	2005	2006	2007	2008
Unipetrol Group	12,581	11,942	13,220	16909	12,030

COD pollutant emissions in Group companies (tonnes/year)

Year	2004	2005	2006	2007	2008
Unipetrol Group	1,600	1,525	1,424	1,498	1,166

BOD_5 pollutant emissions in Group companies (tonnes/year)

Year	2004	2005	2006	2007	2008
Unipetrol Group	489	439	480	511	311

In 2007, Unipetrol RPA and Česká rafinérská's Litvínov refinery recorded year-on-year increases in total sulphur dioxide emissions compared with 2006. This increase in emissions was caused by the substitute incineration of out-gas, containing hydrogen sulphide, from Unipetrol RPA's heavy fuel oil ["mazut"] gasification plant and by the incineration of residual refining out-gases from the Litvínov refinery, which could not be processed in the rich gas desulphurisation units. The completion of capital investment projects entitled "Modification of the Rich Gas Desulphurisation Unit", which helped to increase the capacity of the desulphurisation unit, and "VBU Recontacting", which enables desulphurisation of low-pressure gases from this unit, has resulted in a situation where all gases are processed in their respective process units and not incinerated. In 2008, out-gases were no longer incinerated due to insufficient capacities for their processing.

In 2008, Unipetrol RPA achieved a major year-on-year reduction in the total quantity of sulphur dioxide emissions compared with 2007. This reduction of emissions resulted from the shutdown of one boiler at the T200 plant, to henceforth work as a stand-by, and a lower quantity of hydrogen sulphide out-gas from the mazut gasification unit, incinerated in the emergency flare, compared with 2007.

In 2008, the reduction in the release of pollutants into surface water, measured in terms of the COD and BOD5, in the Unipetrol Group was achieved primarily as a result of the retrofit of the biological wastewater treatment plant at Unipetrol RPA in 2007 and 2008. The retrofit of the BWWTP at Unipetrol RPA between July and October 2008 caused a reduction in the oxygen regime of the River Bílina, which was addressed together with the River Ohře Basin Authority by means of increasing water discharge in the Bílina.

PREVENTION OF SERIOUS ACCIDENTS UNDER ACT NO. 59/2006

In 2008, Unipetrol Group companies experienced no serious accidents, classified, within the meaning of Act No. 59/2006, as accidents of such scope that mitigation would require extraordinary deployment of labour and resources, and/or accidents resulting in an escape of harmful substances via surface or groundwater outside the production facilities or an escape of harmful substances into the atmosphere.

Mitigation of old environmental hazards

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

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

In 2008, proactive reclamation work took place in the Litvínov production area, by way of groundwater clean-up, extraction from underground drains, and sludge disposal in the R 4 Růžodol lagoon. Preparatory work took place at some other sites in the Litvínov area. Only preparatory work took place on the Kralupy premises and in Paramo's Pardubice areas; waste excavation and processing were resumed at the Časy landfill. Work on the Paramo premises in Kolín was interrupted. Maintenance clean-up work continued in Benzina's fuel filling station network with protective clean-up extraction at the Přelouč, Vysoké Mýto, and Králíky stations and the Nový Bohumín, Šumperk, and Točník distribution facilities.

FINANCIAL GUARANTEES FROM THE MINISTRY OF FINANCE OF THE CZECH REPUBLIC (MF) AND DRAW DOWN OF FUNDS AT THE UNIPETROL GROUP (CZK million)

	Unipetrol Litvínov	Unipetrol Kralupy	Paramo Kolín	Paramo Pardubice	Benzina	Group total
Funding guaranteed by MF	6,012	4,244	1,907	1,242	1,349	14,754
Costs covered by MF since the start of the work	1,992	11 [1)]	932	107	330 [2)]	3,372
Expected costs of future work	2,755	1,500	912	2,135	1,000	8,302
Total estimated costs of clean-up	4,747	1,510	1,844	2,242	1 330	11,673
Balance of MF's financial guarantee	1,265	2,733	62	-1,000 [3)]	19	3,080

1) Kralupy: Excluding the costs of the completed clean-up of the network of the former company KPetrol (1995–1999), approximately CZK 40 million

2) Benzina: Excluding Benzina's costs spent on clean-up before 1997, approximately CZK 500 million

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

Financial costs of clean-up in the Unipetrol Group (CZK million)

Year	2004	2005	2006	2007	2008
Unipetrol Group	365	311	202	175	204

Cost of environmental protection

ENVIRONMENTAL INVESTMENTS

Environmental investments are defined as capital investment projects caused directly by legal requirements for environmental protection and closely linked to the practical implementation of integrated pollution prevention. In 2008, Unipetrol Group made the following major environmental investments:

ČESKÁ RAFINÉRSKÁ

The extensive Clean Fuels programme, implemented since 2002, with a focus on turning out products to stricter quality requirements in mainly environmental terms, was completed. The company started to produce the full range of fuels at the quality required by EU regulations in 2009.

In renewable sources, the Biofuels programme was implemented with a view to providing for the logistics, reception, storage, and addition of bio-components, and storage and dispensing of biofuels. Both of the Company's refineries currently produce automotive gasoline and diesel fuel with biofuel additives in accordance with the legislative requirements and needs of the processors.

Environmental and occupational health and safety capital investment projects worth a total of CZK 115 million were implemented. They include, in particular, the following:

- Projects to reduce emissions of pollutants into the air: VBU recontacting, modification of rich gas treatment, and oxygen for the combustion air for the Claus units;
- Projects to protect groundwater and soil: Replacement of sewers at the Jiřetín loading area and at Blocks 56 and 57 in Litvínov, and completion of the groundwater pollution monitoring and clean-up systems in Kralupy;
- Waste disposal project: Retrofit of the sludge system in Kralupy;
- Energy project: Improved energy efficiency of the fluid cracking system.

UNIPETROL RPA

Handling areas and intercepting and emergency traps, secured in water management terms, were built or refurbished on several production sites (production of polyethylene, urea, oxygen, and mazut gasification). A new oil storage facility was also built at the mazut gasification unit. Approximately one fifth of the industrial sewers were replaced.

THE COMPANY AND THE ENVIRONMENT

Preparations for incinerating biofuels (phase 1) and replacing the substrate in the biological wastewater treatment plant (BWWTP) continued. Independent metering of the emissions from flue gas desulphurisation was refurbished at the T 700 heat & power plant.

The investments in equipment renovation included a partial retrofit of the first stage of BWWTP II, aimed at replacing the outdated aeration system with a fine-bubble one and adding some more sections as well as modifying the final settlement tank to increase its capacity and enable new sludge collection.

Project preparations included projects focused on ferric sulphate dosage for BWWTP II and III, hypochlorite unloading on stations 0513 and 3333 of water supply, optimisation of wastewater retention capacity of the urea unit, and segregation of sewage from storm sewers on the old site.

PARAMO

Two storage tanks were retrofitted and three capital investment projects for reducing noise in the residential development adjacent to both refineries' premises were implemented.

Subsidies from the Operational Programme Enterprise and Innovation (OPEI) and Operational Programme Environment (OPE) could help to reduce the yearly capital expenditure on environmental protection. In 2008, Paramo therefore applied for an OPE subsidy under the fifth call for proposals as part of Priority Axis 5 – Limiting Industrial Pollution and Reducing Environmental Risks, for its project entitled "Retrofit of the VR 28 Liquid Hydrocarbon Storage Tank". In 2008, Paramo also decided to apply for an OPEI subsidy under the EKO-ENERGIE programme for its project entitled "Increasing Energy Efficiency of the Heat & Power Plant by Installing a Turbine Generator including Accessories".

OPERATING EXPENDITURE ON ENVIRONMENTAL PROTECTION

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

Newly installed state-of-the-art equipment with a high feedstock conversion ratio, reduced amount of waste, and high energy efficiency has resulted in an overall reduction in environmental operating expenditure compared with the previous decade. 2007 saw a major year-on-year increase in environmental operating expenditure at Česká rafinérská in relation to the process modifications of the Claus units in Litvínov (approximately CZK 90 million), which was covered from operating maintenance expenditure. The trend of environmental operating expenditure between 2004 and 2008 is shown in the following table.

TOTAL ENVIRONMENTAL COSTS

The overall environmental costs in the Unipetrol Group include environmental capital expenditure, environmental operating expenditure, costs of eliminating old environmental hazards, and charges for air pollution, wastewater release, waste deposit in landfills, provisioning for landfill reclamation, and compensation for emission-related damage to forests. The following table shows the total environmental costs between 2004 and 2008.

CAPITAL EXPENDITURE ON ENVIRONMENTAL PROTECTION IN THE GROUP (CZK million)

Year	2004	2005	2006	2007	2008
Unipetrol Group	980	390	898	828	282

ENVIRONMENTAL OPERATING EXPENDITURE AT THE GROUP (CZK million)

Year	2004	2005	2006	2007	2008
Unipetrol Group	769	743	748	862	869

TOTAL ENVIRONMENTAL COSTS IN GROUP COMPANIES (CZK million)

(Unipetrol, Unipetrol RPA, Paramo, and Benzina)

Year	2004	2005	2006	2007	2008
Unipetrol Group	2,269	1,606	1,990	1,990	1,509

Responsible Care

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

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

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

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

Sponsorship in 2008

In terms of sponsorship activities, the Unipetrol Group stayed with two brands in 2008 – Unipetrol (in business-to-business communication) and Benzina (business-to-customer communication).

Unipetrol is a strong brand domestically that primarily contributes to the development of Czech culture, science and education.

As far as support of cultural projects is concerned, our **partnership with the National Theatre** continued into its second year, contributing significantly to another successful season of this premier cultural institution. For the eighth time, Unipetrol was a partner of the **Karlovy Vary International Film Festival**, the most important festival of its type in Central and Eastern Europe. In addition to these activities, we should also mention Unipetrol's status as the "founding patron" of the Kampa Museum, which dates back to 2000.

In addition to culture, Unipetrol also focused strongly on science and education. An example of this is its strategic partnership with the Institute of **Chemical Technology in Prague**, the largest educational institution of its kind in Central Europe with a tradition of almost two hundred years. It has been one of the most prestigious public universities in our country for a number of years. The partnership consists in supporting and rewarding the best students and in helping to improve the quality of the school's promotional activities.

For the seventh time, Unipetrol was the general partner of the **Czech Head** project, which encourages scientific and technological intelligentsia. Its objective is to popularise science and enhance the social prestige of local engineers and scientists. Every year, the project culminates with the granting of the Czech Head national awards to the leading personalities in Czech science and technology. As in previous years, Unipetrol awarded the Patria prize for Czech scientists who have succeeded on an international scale as part of this project.

Four years of support for the **Czech Olympic Team** culminated in Czech sportspeople's participation in the Beijing Olympics in August 2008.

Thanks to fifty years of tradition, the **Benzina** retail brand is associated strongly with sports. In 2007 it joined forces with the HC Litvínov ice hockey team, formed in 1945. The team placed an excellent fifth in the Extra League in the 2007–2008 season. Involvement with the club makes it possible to reach a different target group to those targeted by the above projects, one that fits in with Benzina's business focus.

Small-scale **regional sponsorship** is an equally important part of the Group's strategy. Its total amount, comprising both financial and in-kind donations for the area beneath the Krušné Hory mountains near Litvínov, was approximately CZK 9.5 million. CZK 700,000 was expended in the social and cultural sectors in the Pardubický Region.

544 kt

INCREASED CAPACITY OF THE ETHYLENE UNIT

We succeeded in increasing the capacity of the ethylene unit to the planned 544 kt of ethylene per year. This also enabled an increase of polypropylene production to the targeted 275 kt per year.


POLYPROPYLENE
TITAN EXPORT Decoración
TITAN EXPORT Decoration

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.").

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

Controlling person	Interest with voting rights as at 31 December 2008	Controlling agreement
PKN ORLEN S.A. ul. Chemików 7, 09-411 Płock Poland	62.99%[1]	none

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

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

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

ORLEN GROUP

Key companies in the Orlen Group

Company	Based at	Country	PKN Orlen S.A.'s percentage of capital	Area of business
AB Mazeikiu Nafta	Juodeikiai	Lithuania	90.02	refineries
UNIPETROL, a.s.	Prague	Czech Republic	62.99	refineries, petrochemicals, retail
Basell Orlen Polyolefins Sp. z o.o.	Płock	Poland	50.00	petrochemicals
ORLEN Deutschland AG	Elmsholm	Germany	100.00	retail
ANWIL SA	Włocławek	Poland	84.79	chemicals
IKS "SOLINO" S.A. [1]	Inowrocław	Poland	70.54	logistics
ORLEN Oil Sp. z o.o.	Kraków	Poland	51.69	lubricants
Rafineria Trzebinia S.A.	Trzebinia	Poland	77.15	refineries
Rafineria Nafty Jedlicze S.A.	Jedlicze	Poland	75.00	refineries

[1] Inowroclawskie Kopalnie Soli "SOLINO" S.A.

The Orlen Group companies operate in the area of crude oil processing and the production of a broad range of refinery, petrochemical and chemical products, and also in the transportation, wholesaling and retailing of these products. The Orlen Group also includes companies operating in some other related areas. The key companies of the Orlen Group operate in Poland, the Czech Republic, Lithuania, and Germany. The Group has seven refineries: three in Poland (Płock, Trzebinia, and Jedlicze), three in the Czech Republic (Litvínov, Kralupy, and Pardubice) and one in Lithuania (Mazeikiu). PKN Orlen's retail network comprises approximately 2,700 outlets offering services in Poland, Germany, the Czech Republic, and Lithuania. In Poland, fuel filling stations operate under three brands: ORLEN (the premium brand), Petrochemia Plock, and BLISKA (the economy brand). Clients in Germany are served at stations branded ORLEN and STAR, and in the Czech Republic at outlets bearing the standard Benzina and the premium Benzina plus logos. Fuel filling stations in Lithuania operate under the ORLEN Lietuva and Ventus logos. As at the end of 2008, the ORLEN Group employed 23,761 people: 4,724 in PKN ORLEN S.A.; 4,424 in the Unipetrol Group; 3,517 in Lithuania; and 108 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 Płock 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 2008, the company had 58 subsidiary and associated companies.

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, and Estonia). The technologies employed in the refinery and the consistent process improvements enable Mazeikiu Nafta to make high-quality products in compliance with the specific standards of the countries in which PKN operates. As at the end of 2008, it had five subsidiaries, one of which was in liquidation.

UNIPETROL, a.s.

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

BASELL ORLEN POLYOLEFINS SP. Z O.O.

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

Its subsidiary, Polyolefins Sprzedaź Sp. z o.o., is responsible for marketing and sales.

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 four companies, including SPOLANA a.s.

STRUCTURE OF THE GROUP

IKS "SOLINO" S.A.

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

ORLEN OIL SP. Z O.O.

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

RAFINERIA TRZEBINIA S.A.

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

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

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

RAFINERIA NAFTY JEDLICZE S.A.

With its tradition of more than a hundred years, this refinery is a leader in the production of fuels and lubricating oils in terms of volume. It is a majority shareholder in five companies, one of which was in liquidation at the end of 2008.

UNIPETROL GROUP

The Unipetrol Group consists of companies operating in the refinery processing of crude oil, in the petrochemical industry, and in fuel distribution. In 2008, the key companies of the Group included the following subsidiaries:

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

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

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

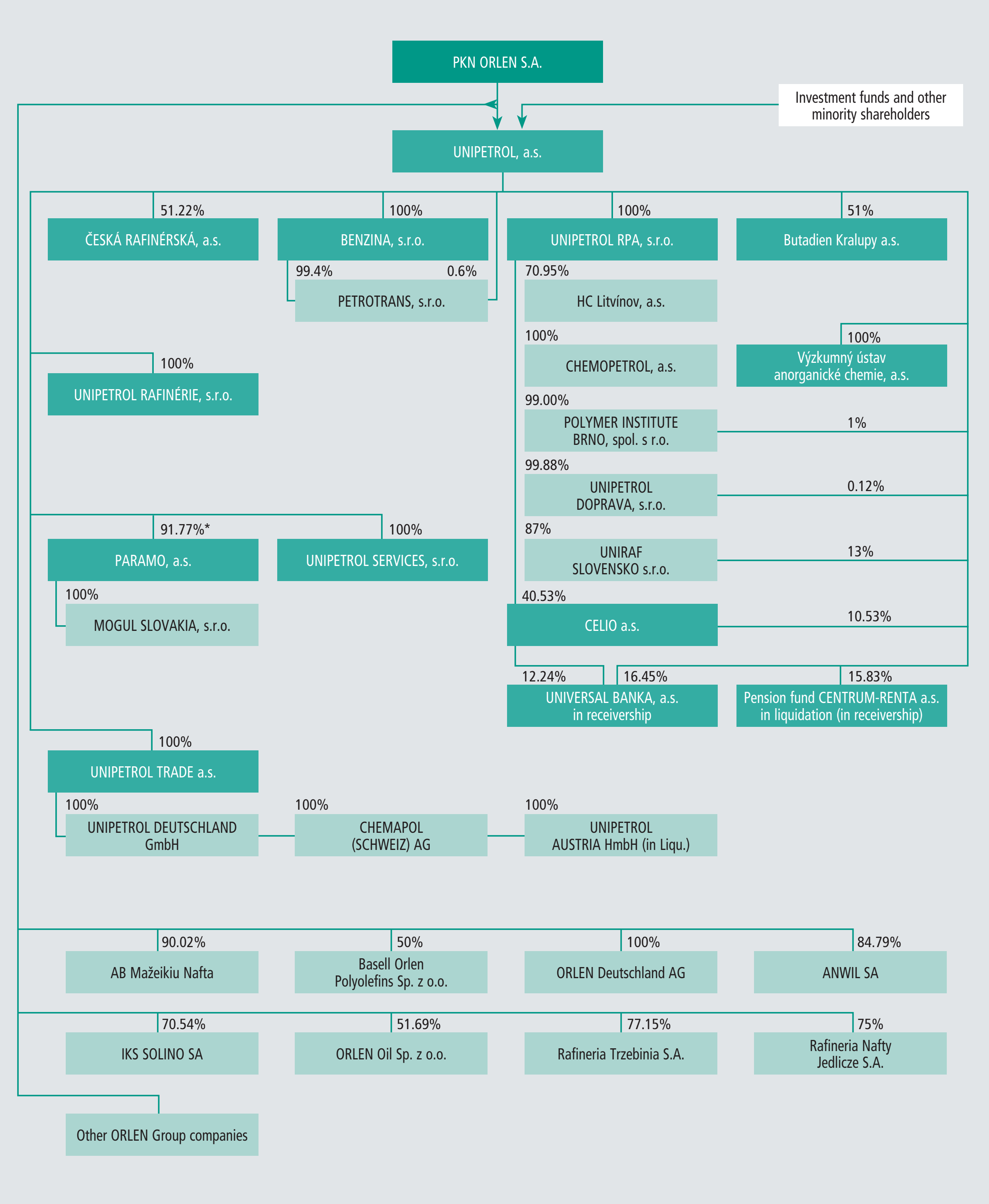
As at 31 December 2008, UNIPETROL, a.s. was the sole member of UNIPETROL RPA, s.r.o., BENZINA, s.r.o., UNIPETROL SERVICES, s.r.o., Výzkumný ústav anorganické chemie, a.s. [Research Institute of Inorganic Chemistry], UNIPETROL TRADE a.s., and UNIPETROL RAFINÉRIE, s.r.o. It was also the majority shareholder of PARAMO, a.s. (91.77%) and ČESKÁ RAFINÉRSKÁ, a.s. (51.22%).

The Group also includes companies in which its subsidiaries were the sole or majority owners. As at 31 December 2008, these were UNIPETROL DOPRAVA, a.s., UNIRAF SLOVENSKO s.r.o., Polymer Institute Brno, spol. s r.o., HC Litvínov, a.s., Chemopetrol, a.s. , BENZINA TRADE a.s. in liquidation (it was deletea from the Companies Register on 5 November 2008), 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 interests held by UNIPETROL, a.s. and UNIPETROL RPA, s.r.o. equal 51%.

UNIPETROL, a.s. has no organisational components in the Czech Republic or other countries.

Structure of the Group as at 31 December 2008



* 100% ownership as of 4 March 2009

+9%

CRUDE PROCESSING

The volume of crude processed at Unipetrol Group grew 9% year-on-year to 4,533 kilo tonnes in 2008.


JET
MOTOR OILS
GEAR OILS
MAN
79 169
236

OWNERSHIP INTERESTS

Changes in the structure of ownership interests held by the Unipetrol Group companies in 2008

Ownership interests held by UNIPETROL, a.s.
In early 2008 (on 4 January 2008), an increase in the registered capital of the Benzina, s.r.o. subsidiary to CZK 1,860,779,000 was entered in the Companies Register (an increase of CZK 960 million). The registered capital was increased by a financial contribution made by the sole member (UNIPETROL, a.s.) by way of a set-off against a financial receivable due from the company.

On 18 January 2008, equity interests in Agrobohemie a.s. (50% of the registered capital) and Synthesia, a.s. (38.79% of the registered capital), the shares of which had been transferred for good consideration to Deza, a.s., ceased to exist. The transfer took place on the basis of agreements entered into with DEZA, a.s. in October 2007.

The equity interest in PARAMO, a.s. has increased to the final 91.77% of the registered capital by way of the purchase of the shares held by PKN ORLEN S.A. and accounting for 3.73% of the registered capital. These shares were credited to the company's account at the Securities Centre on 5 September 2008.

As at 15 October 2008, a change of the registered office of the BENZINA, s.r.o. subsidiary was entered in the Companies Register.

Ownership interests held by subsidiaries
UNIPETROL RPA, s.r.o. – The change of the name of the HC Chemopetrol, a.s. subsidiary to HC Litvínov, a.s. was entered in the Companies Register on 4 January 2008 and the change of the name of the Chemická servisní, a.s. subsidiary to Chemopetrol, a.s. was entered on 25 April 2008. Interests in Unipetrol Doprava, s.r.o. (99.9%), Polymer Institute Brno, spol. s r.o. (99%), Uniraf Slovensko s.r.o. (87%), HC Litvínov, a.s. (70.95%), Chemopetrol, a.s. (100%), and Celio a.s. (40.53%) were not changed.

Benzina, s.r.o. – Its Benzina Trade a.s. in liquidation subsidiary was struck off the Companies Register on 5 November 2008. The company continues to hold an interest of 99.4% in Petrotrans, s.r.o.

Paramo, a.s. – The company continues to be the sole member of Mogul Slovakia, s.r.o.

Unipetrol Trade a.s. – As part of the restructuring of the Unipetrol Trade Group, 2008 saw the voluntary winding-up of the following subsidiaries: Unipetrol Italia S.r.l., Unipetrol Chemicals Iberica S.A., and Unipetrol (UK) Limited. The liquidation of Unipetrol Austria HmbH, started on 4 March 2008, was not completed. Aliachem Verwaltungs GmbH and Aliapharm GmbH Frankfurt have ceased to exist upon merging with Unipetrol Deutschland GmbH. On 9 December 2008, the cross-border vertical merger of Unipetrol France S.A. (the defunct company) with the parent Unipetrol Trade, a.s. (the successor company) was entered in the Companies Register. During 2008, the DP Mogul Ukrajina subsidiary was sold and in late 2008 an agreement was entered into on the sale of the Slovenia-based Mogul, d.o.o. subsidiary.

Ownership interests held by UNIPETROL, a.s. as at 31 December 2008*)

Company	Based at:	Company No.	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.	Prague	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.	Prague	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.	Prague	27885429	CZK 200,000	100.00
PARAMO, a.s.	Pardubice	48173355	CZK 1,330,078,000	91.77
ČESKÁ RAFINÉRSKÁ, a.s.	Litvínov	62741772	CZK 9,348,240,000	51.22
Butadien Kralupy a.s.	Kralupy nad Vltavou	27893995	CZK 150,000,000	51.00
UNIRAF SLOVENSKO s.r.o.	Bratislava	35777087	SKK 230,000	13.04
UNIVERSAL BANKA, a.s. in receivership	Prague	48264865	CZK 1,520,000,000	16.45[1)]
Pension fund CERTUM-RENTA a.s. in liquidation	Prague	60916354	CZK 120,000,000	15.84
CELIO a.s.	Litvínov	48289922	CZK 190,000,000	10.53[2)]

*) For interests of up to 1% of the registered capital please see the notes to the unconsolidated financial statements of UNIPETROL, a.s.

1) The interest held by UNIPETROL RPA, s.r.o. is 12.24%, combined interest is 28.69%

2) The interest held by UNIPETROL RPA, s.r.o. is 40.53%, combined interest is 51.06%

The key subsidiaries

UNIPETROL RPA, s.r.o.

Registered office: Litvínov, Záluží 1, 436 70
Company No.: 27597075

The company is successor in title to the dissolved companies Chemopetrol, a.s. and UNIPETROL Rafinérie a.s., which ceased to exist on 1 August 2007 upon merger with UNIPETROL RPA, s.r.o.

Ownership structure as at 31 December 2008:

UNIPETROL, a.s.	holds 100% of the registered capital

Basic characteristics of the company
The company has one production and three business units (BU, based on product types).
The production unit consists of the Chemical Production section, the Energy section and the Services section.

OWNERSHIP INTERESTS

The Chemical Production section 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, production of hydrogen, production of ammonia and urea, the Chezacarb plant for the production of carbon black, and production and supply of industrial gases for the entire premises. The Energy section supplies the entire premises with energies and water and is responsible for waste water treatment. The Services section is responsible for the 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 a specific focus on the requirements of the downstream production processes in the Unipetrol Group. It is responsible for the purchase of crude oil for the Group's refineries and also for the wholesaling of motor fuels and other refinery products.

BU II – Monomers and agro products; plans and controls the production downstream from crude oil processing. It provides feedstock for the production of polyolefins and sells petrochemical products, urea and ammonia.

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

Key products and services

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

Major ownership interests

Company	Based at	Company No.	Registered capital	Interest in % of registered capital
UNIPETROL DOPRAVA, s.r.o.	Litvínov	64049701	CZK 806,000,000	99.88*)
UNIRAF SLOVENSKO s.r.o.	Bratislava	35777087	SKK 230,000	86.96*)
POLYMER INSTITUTE BRNO, spol. s r.o.	Brno	60711990	CZK 97,000,000	99.00*)

*) UNIPETROL, a.s. is the 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 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 largest importer of fuels into the Slovak market. Its market share in Slovakia is 15%, making it the second largest fuel distributor in terms of sales volumes (next to Slovnaft, a.s.) in Slovakia.

BENZINA, s.r.o.

Registered office: Prague 4, Na Pankráci 127, 140 00
Company No.: 60193328

Core business: Operation of fuel filling stations in the Czech Republic

Ownership structure as at 31 December 2008

UNIPETROL, a.s.	holds 100% of the registered capital

Basic characteristics of the company

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

Ownership interests

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

[1] The interest held by UNIPETROL, a.s. is 0.6%

Key financial and operating ratios (under IFRS)[1]

(in CZK '000)	2008	2007
Total assets	6,712,980	6,897,149
Equity	2,325,579	2,085,422
Registered capital	1,860,779	1,860,779 [2]
Liabilities	4,387,401	4,811,727
Total revenues	9,970,807	8,908,504
Operating profit	454,939	427,010
Profit before tax	240,157	158,055
Profit for the accounting period	240,157	158,055

[1] Unconsolidated under IFRS, source: Transformed financial statements under IFRS
[2] Increased registered capital of CZK 1,860,779,000 was entered in the Companies Register on 4 January 2008

OWNERSHIP INTERESTS

ČESKÁ RAFINÉRSKÁ, a.s.

Registered office: Litvínov, Záluží 2, 436 70
Company No.: 62741772

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

Ownership structure as at 31 December 2008

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 feedstock annually. It is the largest processor of crude oil and manufacturer of petroleum products in the Czech Republic. A processing agreement was entered into 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 processing [cost centre] refinery mode on 1 August 2003. The other parties to the agreement (called processors) purchase crude oil and other feedstock for processing in the refineries and then take, and trade in, the processing products.

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

Key financial and operating ratios (under IFRS)

(in CZK ‘000)	2008	2007
Total assets	25,727,184	25,880,010
Equity	18,665,157	18,644,220
Registered capital	9,348,240	9,348,240
Liabilities	7,062,027	7,235,790
Total revenues	10,417,440	9,366,617
Operating profit	469,620	657,371
Profit before tax	504,060	685,243
Profit for the accounting period	388,454	649,328

PARAMO, a.s.

Registered office: Pardubice, Přerovská 560, 530 06
Company No.: 48173355

Core business:

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

Ownership structure as at 31 December 2008

	31 December 2008	13 March 2009
UNIPETROL, a.s.	91.77%	100%
Other juristic and natural persons	8.24%	0%

Basic characteristics of the company

The company has a tradition of more than a hundred years in crude oil processing and in the production of fuels, lubricants and bitumen. It operates a simple oil refinery with an annual capacity of 800,000 tonnes. At the end of 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 automotive and industrial oils, metalworking fluids, preservatives, bitumen, special bitumen products, fats, greases and waxes.

Ownership interests

Company	Based at	Company No.	Registered capital	Interest in % of registered capital
MOGUL SLOVAKIA, s.r.o.	Hradište pod Vrátnom	36222992	SKK 11,476,000	100.00

Key financial and operating ratios (under IFRS)

(in CZK '000)	2008	2007
Total assets	4,258,395	4,479,454
Equity	2,411,276	2,375,491
Registered capital	1,330,078	1,330,078
Liabilities	1,847,119	2,103,963
Total revenues	12,338,407	11,037,038
Operating profit	93,213	282,969
Profit before tax	49,810	250,523
Profit for the accounting period	35,735	212,597


POLYPROPYLENE
POLYPROPYLENE
UREA

CZK 1.509 billion

ENVIRONMENTAL PROTECTION

The costs of environmental protection at Unipetrol Group companies amounted to CZK 1.509 billion in 2008. Having fulfilled the requirements for a responsible chemistry business, the companies can continue to use the Responsible Care programme logo.

COMPLEMENTARY INFORMATION AS REQUIRED BY THE ACT ON BUSINESS ACTIVITIES ON THE CAPITAL MARKET

Legal regulations governing the issuer's business

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

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

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

Major agreements

The Unipetrol Group is comprised of companies operating in the refinery and petrochemical industries. These companies make use of the synergies within the Group, resulting from a number of agreements made within the Group, in particular agreements on the sale of primary feedstock and basic products and on the supply of motor fuels. The primary and basic products include, for example, the C4 fraction, primary gasoline, the C5 fraction, raffinate 1, and heavy fuel oils. The supplies of motor fuels include, for example, unleaded 95 octane gasoline, unleaded 91 octane gasoline, and diesel oil.

There are also many commercial agreements that support production, such as agreements on the sale and purchase of energy resources, especially coal, electricity, and steam.

In 2008, a number of major agreements were executed. Major agreements of 2008 include the three-year agreement held by PARAMO, a.s. on supply of diesel oil to České dráhy [Czech Railways], worth approximately CZK 8 billion, and the agreement with Polski Koncern Naftowy ORLEN Spolka Akcyjna on the purchase of 3.73% of shares in PARAMO, a.s.

In early February 2009 UNIPETROL RPA, s.r.o. and SYNTHOS Kralupy, a.s. entered into agreements on modifications to purchase contracts for the supply of benzene and ethylene, under which early 2010 will see a change in the structure of these supplies. There will be an increase in the basic quantities supplied by Unipetrol RPA to Synthos. This change will provide both parties with greater certainty and stability in their relations.

Overview of major agreements executed in 2008

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

Major business agreements		
Company	**Sales/Purchase**	**Object of the agreement**
Ahold	sales agreement	motor fuel sales
Globus	sales agreement	motor fuel sales
Tesco	sales agreement	motor fuel sales
KM PRONA	sales agreement	motor fuel sales
G7	sales agreement	motor fuel sales
Robin Oil	sales agreement	motor fuel sales
Čepro	sales agreement	motor fuel sales

Major non-business agreements		
Logica	contract for work	BU I business gateway

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

Company	Sales/Purchase	Object of the agreement
HEXION SPECIALTY CHEMICALS	sales agreement	polypropylene sales and supplies
DEZA, a.s. Valašské Meziříčí	sales agreement	pyrolysis oil sales and supplies
CS CABOT, s.r.o.	sales agreement	pyrolysis oil sales and supplies
Dynea Austria GmbH	sales agreement	urea sales and supplies
Overlack, s.r.o.	sales agreement	urea sales and supplies
HELM AG	sales agreement	oxoalcohol sales and supplies
Solvent Wistol s.a.	sales agreement	oxoalcohol sales and supplies
DEZA, a.s.	sales agreement	oxoalcohol sales and supplies

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

Company	Sales/Purchase	Object of the agreement
Pegas	sales agreement	PP, HDPE sales and supplies
Juta	sales agreement	PP, HDPE sales and supplies
Renolit	sales agreement	PP, HDPE sales and supplies
Dopla PAP	sales agreement	PP, HDPE sales and supplies
Jockey	sales agreement	PP, HDPE sales and supplies
Granitol	sales agreement	PP, HDPE sales and supplies

COMPLEMENTARY INFORMATION AS REQUIRED BY THE ACT ON BUSINESS ACTIVITIES ON THE CAPITAL MARKET

UNIPETROL RPA, s.r.o. (PRODUCTION UNIT)

Company	Sales/Purchase/Other	Object of the agreement
Czech Coal Services a.s.	purchase agreement	coal purchase
Czech Coal Services a.s.	purchase agreement	coal purchase
INTECHA, s.r.o.	contract for work	The Granulation Line capital investment project

PARAMO, a.s.

Company	Sales/Purchase	Object of the agreement
Unipetrol RPA	purchase agreement	hydrowax and hydrogenates
Unipetrol RPA	sales agreement	naphtha
Unipetrol RPA	sales agreement	vacuum distillates
Unipetrol RPA	sales agreement	bitumen – goods for resale
Stavby silnic a železnic	sales agreement	bitumen
Unipetrol RPA, s.r.o.	sales agreement	bitumen – goods for resale – change
BHG CZ s.r.o.	sales agreement	bitumen
České dráhy, a.s.	sales agreement	diesel oil supplies

BENZINA, s.r.o.

Company	Sales/Purchase	Object of the agreement
AGROFERT HOLDING, a.s.	sales agreement	motor fuel sales

PETROTRANS, s.r.o.

Company	Sales/Purchase	Object of the agreement
Volvo Truck Czech s.r.o.	purchase agreement	purchase of automobiles

UNIPETROL TRADE, a.s.

Company	Sales/Purchase	Object of the agreement
UKRDET Kijev	sales agreement	mogul sales
S. URAN, V. URAN, Slovenia	sales agreement	mogul sales

UNIPETROL DEUTSCHLAND GmbH

Company	Sales/Purchase	Object of the agreement
Draslovka, Kolín	sales agreement	exclusive sales in Turkey and the Philippines
DSM/NL	purchase agreement	purchase agreement (for Spolana)
DOMO, Leuna	sales and purchase agreement	sales and purchase agreement

UNIRAF SLOVENSKO, s.r.o.

Company	Sales/Purchase	Object of the agreement
SHELL Slovakia s.r.o.	sales agreement	motor fuel sales
METRO Cash & Carry Slovakia, s.r.o.	sales agreement	motor fuel sales
AGIP Slovensko spol. s r.o.	sales agreement	motor fuel sales
AGIP OIL Slovensko, spol. s r.o.	sales agreement	motor fuel sales
LUKOIL Slovakia s.r.o.	sales agreement	motor fuel sales
AHOLD Retail Slovakia, k.s.	sales agreement	motor fuel sales
W.A.G. mineral fuels SK, s.r.o.	sales agreement	motor fuel sales
REAL - H.M. s.r.o.	sales agreement	motor fuel sales
BATAX, spol. s r.o.	sales agreement	motor fuel sales
HYZA a.s.	sales agreement	motor fuel sales

UNIPETROL DOPRAVA, s.r.o.

Company	Sales/Purchase	Object of the agreement
ČESKÁ RAFINÉRSKÁ, a.s.	service sales agreement	haulage of goods
UNIPETROL RPA, s.r.o.	service sales agreement	haulage of goods

COMPLEMENTARY INFORMATION AS REQUIRED BY THE ACT ON BUSINESS ACTIVITIES ON THE CAPITAL MARKET

Information about the persons responsible for the Annual Report

Krzysztof Urbanowicz, UNIPETROL, a.s. Chairman and Chief Executive Officer, and Wojciech Ostrowski, UNIPETROL, a.s. Vice-Chairman and Chief Financial Officer, hereby represent that the disclosures in this Annual Report are accurate and that no material circumstances that could affect the accurate and correct assessment of the issuer of the securities have been omitted.

Krzysztof Urbanowicz
Chairman and Chief Executive Officer

Wojciech Ostrowski
Vice-Chairman and Chief Financial Officer

Audit

(in CZK '000)	Consolidated	Unconsolidated
Audit fees	19,110	2,917
Fees for advisory services and translation	3,738	1,119

Name and address of the auditor for 2008 and 2007:
KPMG Česká republika Audit, s.r.o.
Partner: Otakar Hora
Licence No.: 1197
Pobřežní 648/1a
186 00 Prague 8
Company No.: 49619187

Securities

SHARES

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

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

Under an agreement, Komerční banka, a.s., registered office at Praha 1, Na Příkopě 33/969, 114 07, Company No. 45317054, was authorised to pay out dividends for 2007.

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

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

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

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

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

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

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

COMPLEMENTARY INFORMATION AS REQUIRED BY THE ACT ON BUSINESS ACTIVITIES ON THE CAPITAL MARKET

BONDS

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

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

Acquisition of own shares and share warrants

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

Information about the issuer’s registered capital

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

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

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

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

PKN ORLEN S.A. is the only shareholder whose share of registered capital, and thereby 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 to the registered capital of UNIPETROL, a.s. over the last three years.

Litigation

As at the Annual Report date, UNIPETROL, a.s. is not involved in any litigation that has or could have a significant adverse impact on its business or its financial position.

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

Petty cases, property restitution disputes, ownership declaration 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.

DISPUTES WHERE UNIPETROL, a.s. IS THE DEFENDANT

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

In the administrative proceeding, commenced by a notification from the Czech National Bank on 1 December 2006, UNIPETROL, a.s. provided the required explanation of each of the alleged shortcomings to the administrative authority. UNIPETROL, a.s. published an explanatory statement concerning its 2005 Annual Report on its website. On the basis of additional investigation and following a hearing, the Czech National Bank, as the administrative authority, decided not to impose sanctions. This marked the conclusion of the administrative proceeding in favour of UNIPETROL, a.s.

COMPLEMENTARY INFORMATION AS REQUIRED BY THE ACT ON BUSINESS ACTIVITIES ON THE CAPITAL MARKET

II Czech National Bank – administrative proceedings on an alleged breach by UNIPETROL, a.s. of obligations under Section 125(1) of Act No. 256/2004, on Business 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 the commencement of administrative proceedings ex officio.

ČNB claimed that Unipetrol had breached its obligations under the above Act by failing to make public certain internal information concerning the sale of its equity interest in SPOLANA, a.s. ("Spolana") in the manner required by the statute, thus committing an administrative offence within the meaning of Section 171(d) of the Act. After talks with ČNB and explanations given to ČNB as the administrative authority, the ČNB decided to discontinue 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 an action before the Court of First Instance (attached to the ECJ) against a decision issued by the European Commission at the end of 2006, under which the two companies together were ordered to pay a fine of EUR 176.5 million for their alleged participation in a cartel in the synthetic rubber industry.

Since the bringing of an action against this decision does not have a suspensive effect, UNIPETROL, a.s. together with KAUČUK, a.s. paid the fine (each of them paid one half of the amount) within the required time limit. Fines for participation in this alleged cartel were also imposed on Dow, Shell and Eni. According to the Commission, the undertakings agreed on prices 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 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 in their actions. The two claimants contended that the evidence adduced against them did not indicate that Kaučuk's sales representative had taken part in any anticompetitive practices.

In addition, in the case of Unipetrol, responsibility for participation in a cartel, if any, is out of the question if only 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 practices.

Subsequently, Unipetrol received a notice of an action for damages, brought on 22 February 2008 by tyre manufacturers against the members of the alleged ESBR cartel. The action was brought in the United Kingdom before the High Court, Queen's Bench Division.

The claimants demand damages, including late charges, for losses caused by the alleged cartel. The amount claimed has not yet been specified.

In the proceeding, Unipetrol has pleaded that the UK courts lack jurisdiction. No decision on the plea has yet been taken.

Further, the Italian group Eni, as one of the entities fined by the European Commission, has initiated court proceedings in Milan, requesting the court to decide that the ESBR has not operated as a cartel and that no damage had been caused by such cartel. Eni's action has also been served on Unipetrol, which is considering its future steps in these proceedings.

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

This is an action based on the alleged guarantee granted by the Chemopetrol state enterprise for a loan provided in 1992 by Agrobanka Praha, a.s. to HUMEC s.r.o., Company No.: 41329317, with its registered office at Most, Žatecká bl. 211. Humec repaid a part of the loan and then, on 13 February 1995, receivership was imposed on it. Agrobanka a.s. assigned its registered receivable to the claimant. In the proceeding, UNIPETROL, a.s. objects, among other things, that the claim has not passed to UNIPETROL, a.s., because when it merged with Chemopetrol Group, UNIPETROL a.s. did not take over any assets to which the obligation could have related. As far as the raised claim is concerned, UNIPETROL, a.s. is not a successor in title to CHEMOPETROL, s.p. (state enterprise), nor to Chemopetrol Group. It has also been pleaded that the guarantee document was signed by a person who clearly was not authorised to do so, which could have been known to the loan provider, Agrobanka, a.s. The court proceedings are still pending.

V Adam Černý v. UNIPETROL, a.s., action for the resolutions of the Extraordinary General Meeting held on 29 September 2006, Ref. No. 73 Cm 110/2006 to be declared invalid

The claimant claims that the resolutions of the Extraordinary 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 materially violated through a breach of legal regulations; 4) the resolutions of the General Meeting were not passed in a due and proper manner; 5) the conduct of the Chairman of the General Meeting was contrary to law. UNIPETROL, a.s. has denied all the claims contained in the action, as stated in its comments on the action. In addition, UNIPETROL, a.s. has pleaded that the claimant has no standing to bring the action.

The court of first instance has rejected the action against Unipetrol and the claimant, Mr Černý, did not appeal within statutory period to do so.

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

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

COMPLEMENTARY INFORMATION AS REQUIRED BY THE ACT ON BUSINESS ACTIVITIES ON THE CAPITAL MARKET

VII Telefónica O2 Czech Republic, a.s. (formerly EUROTEL Praha s.r.o.) v. UNIPETROL, a.s. (in respect of CZK 4,323,659, including incidental costs)
Action to enforce the payment of a contractual penalty for the termination of an agreement on the provision of telecommunications services.

The action was rejected by a judgment delivered by the Municipal Court in Prague. The claimant appealed against this judgment to the High Court in Prague. The High Court quashed the judgment and remanded the case for further proceedings to the court of first instance. The legal opinion of the High Court was that the contractual penalty complied with law but that it was necessary to substantiate the amount of the penalty claimed.

The parties discussed the possibility of an amicable settlement of the dispute but these talks did not lead to any agreement. UNIPETROL, a.s. challenged a part of the amount claimed.

The court, which was bound by the legal opinion of the High Court, delivered a judgment awarding the claimant a somewhat decreased amount of CZK 4,188,905 in contractual penalty. The proceedings have been concluded.

VIII GOLDENFRAZIL Limited v. UNIPETROL, a.s.
Goldenfrazil, as a minority shareholder of UNIPETROL, a.s., brought three actions during the period under review.
In the actions, Goldenfrazil challenged the sale of (a) SPOLANA a.s. to the Polish chemical company Zakłady Azotowe ANWIL, and (b) KAUČUK, a.s. to the Polish company FIRMA CHEMICZNA DWORY S.A.
In two of the three actions, Goldenfrazil contested the legality of the sale of Spolana and Kaučuk 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, a derivative action brought on behalf of UNIPETROL, a.s. against the former Directors of UNIPETROL, a.s., Goldenfrazil sought compensation for damage of about CZK 352 million, which had allegedly been suffered by UNIPETROL, a.s. (and, in turn, its shareholders) by the undervalued sale price of the shares.

Unipetrol, as well as the former Directors of UNIPETROL, a.s., argued that all the actions lacked merit.
After bringing the actions, Goldenfrazil sold the majority of its Unipetrol shares to KKCG Group.
The new owner, KKCG, has withdrawn all the three actions in their entirety.

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

After negotiation, the parties reached an agreement under which UNIPETROL RPA, s.r.o., as the successor in title to CHEMOPETROL, a.s., paid the claimant an amount of CZK 54,000,000.

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

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

In relation to the buyout of the shares of PARAMO, a.s., Company No.: 481 73 355, having its registered office at Pardubice, Přerovská čp. 560, 530 06 ("Paramo") by UNIPETROL, a.s. ("Unipetrol"), as the main shareholder, under Section 183i et sequentes of the Commercial Code, certain shareholders of Paramo requested, referring to the above buyout, the Regional Court in Hradec Králové to review the adequacy of the payment for the shares under Section 183k(1) of the Commercial Code.

The amount of the payment for the shares of Paramo, CZK 977 (nine hundred and seventy-seven Czech crowns) per share of Paramo, was determined on the basis of a "Valuation Report – Market Value of the Net Assets and of Each Share of PARAMO, a.s.", which contained a substantiation of the amount of the payment; the report was prepared by American Appraisal s.r.o., registered in the roster of institutions qualified as experts, maintained by the Ministry of Justice of the Czech Republic, in the field of economics. The Czech National Bank granted, under Section 183n(1) of the Commercial Code, its prior consent to this substantiation of the amount of the payment. The above amount of the payment was approved by the Extraordinary General Meeting of Paramo held on 6 January 2009.

In the light of the above, Unipetrol regards the request of certain shareholders for a review of the adequacy of the payment as unsubstantiated.

DISPUTES WHERE UNIPETROL, a.s. IS THE CLAIMANT

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

An appeal against a decision issued by the Czech Telecommunications Office in respect of the payment to Telefónica O2 Czech Republic, a.s. of the above amounts corresponding to the difference between the contract-based call rates and the price of the calls made. The court of first instance rejected Unipetrol's action, noting that although the telephone operator had obviously abused its dominant position on the telecommunications service market, the right to a refund of the difference between the prices of the calls could not be awarded.

An appeal was filed against the judgment. Appellate proceedings are pending.

Memorandum and Articles

In 2008 some changes were made to the Articles of Association of UNIPETROL, a.s. The changes to the Articles of Association were approved at the Company's Annual General Meeting on 26 June 2008. They were the following changes:

1 The current wording of Article 2(2) of the Company's Articles of Association is repealed in full and replaced by the following text: "The Company's registered office shall be in Prague."

2 The current wording of Article 16(5)(c) of the Company's Articles of Association is repealed in full and replaced by the following text: "provision of a loan or any other financial debt by the Company to a third party or acceptance of a loan or any other financial debt by the Company from a third party, which in each individual case exceeds CZK 300,000,000;"

COMPLEMENTARY INFORMATION AS REQUIRED BY THE ACT ON BUSINESS ACTIVITIES ON THE CAPITAL MARKET

3 The current wording of Article 18(10) of the Company's Articles of Association is repealed in full and replaced by the following text: "A Director shall request the Supervisory Board to grant its prior consent to the Director accepting the office of a governing or other body, or the office of a member of a governing or other body, of a third-party juristic person. A Director may only accept election to, and start exercising, the office of a governing or other body, or the office of a member of a governing or other body of a third-party juristic person after receiving the prior consent from the Supervisory Board on his election to, and exercise of, such an office. For the avoidance of all doubt, it is hereby specified that the foregoing shall not be to the prejudice of the provisions of Article 7(d) hereof. A Director shall refrain from voting on matters in respect of which any conflict of interest is imminent or exists on his part, and shall inform the other Directors of the Company about such conflict of interest without any undue delay. The foregoing shall not be to the prejudice of the right of the Director on whose part a conflict of interest is imminent or exists to take part in deliberations on the matter as per the preceding sentence."

4 The current wording of Article 19(9) of the Company's Articles of Association is repealed in full and replaced by the following text: "The Board of Directors may pass decisions outside its meetings by voting in writing or by voting via telecommunications facilities, i.e., via teleconference, videoconference, facsimile transmission or electronic mail (hereinafter "distance voting"). A decision made outside a meeting via distance voting can be accepted provided that all Directors express their prior consent to such method of voting. Directors shall be informed in advance about the draft of the resolution that is to be passed via distance voting. Thereupon, assent of the majority of all Directors shall be required to pass the Board of Directors' resolution via distance voting, unless these Articles or the law require a qualified majority to pass a resolution. Minutes of the distance voting shall be appended to the minutes of the nearest meeting of the Company's Board of Directors. The Rules of Procedure of the Company's Board of Directors shall lay down detailed rules on distance voting."

5 The following provision is added at the end of the existing provision of Article 20(5) of the Company's Articles of Association: "On the basis of the Director's request, the Supervisory Board shall grant its prior consent as per Article 18(10) hereof."

6 The current wording of Article 21(1) of the Company's Articles of Association is repealed in full and replaced by the following text: "The Supervisory Board shall have nine members, who shall be elected and dismissed by the General Meeting. However, if on the first day of the accounting period in which the General Meeting that elects members to the Supervisory Board takes place the Company has more than 50 employees in employment with working hours exceeding one-half of the weekly working time laid down in a separate legal regulation, the General Meeting shall elect/dismiss six members out of the total of nine members of the Supervisory Board while the Company's employees shall elect three members of the Supervisory Board."

7 A new clause 7 with the following content is added after the existing clause 6 of Article 21 of the Company's Articles of Association: "A Supervisory Board member shall refrain from voting on matters in which any conflict of interest is imminent or exists on his part, and shall inform the other members of the Company's Supervisory Board about such conflict of interest without any undue delay. The foregoing shall not be to the prejudice of the right of the Supervisory Board members on whose part a conflict of interest is imminent or exists to take part in deliberations on the matter as per the preceding sentence."

8 The current wording of Article 22(4) of the Company's Articles of Association is repealed in full and replaced by the following text: "The Supervisory Board may pass decisions outside its meetings by voting in writing or by voting via telecommunications facilities, i.e., via teleconference, videoconference, facsimile transmission or electronic mail (hereinafter "distance voting"). A decision made outside a meeting via distance voting can be accepted provided that all Supervisory Board members express their prior consent to such method of voting. Supervisory Board members shall be informed in advance about the draft of the resolution that is to be passed via distance voting. The request for the granting of consent to distance voting shall contain the drafts of all of the Supervisory Board's resolutions that are to be passed via distant voting. Thereupon, assent of the majority of all Supervisory Board members shall be required to pass the Supervisory Board's resolutions via distance voting, unless these Articles or the law require a qualified majority to pass a resolution. Minutes of the distance voting shall be appended to the minutes of the nearest meeting of the Company's Supervisory Board. The Rules of Procedure of the Company's Supervisory Board shall lay down detailed rules on distance voting."

9 The current wording of Article 23(2) of the Company's Articles of Association is repealed in full and replaced by the following text: "Each of the Supervisory Board's Committees shall have three members."

The full wording of the Company's Articles of Association is available at www.unipetrol.cz in the About Us section.

Objects of business

The Company's objects of business and its mission are as follows under Article 4(1) of the Company's currently applicable Articles of Association:

- services of business, financial, organisational and economic advisors
- services of technical advisors in the fields of:
    - research and development
    - chemistry
    - environmental protection
    - logistics

COMPLEMENTARY INFORMATION AS REQUIRED BY THE ACT ON BUSINESS ACTIVITIES ON THE CAPITAL MARKET

- research and development in natural sciences and engineering sciences
- administrative services and services of an organisational and economic nature to natural and juristic persons
- provision of services in the field of health and safety at work
- provision of software and advice on software and hardware
- data processing, databank services, network management
- business facilitation
- service facilitation
- organisation of technical training courses and other educational activities, including lecturing

The Company's basic mission is as follows:

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

EXPLANATORY REPORT OF THE BOARD OF DIRECTORS OF UNIPETROL, a.s.

PREPARED PURSUANT TO SECTION 118(8) OF ACT ON BUSINESS ACTIVITIES ON THE CAPITAL MARKET, FOR YEAR 2008

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 Activities Business on the Capital Market, as amended.

The Board of Directors states that this Explanatory Report for 2008 was approved at the meeting of the Board of Directors held on 17 April 2009.

Content of the report

Information on Breakdown of the Company's Equity

The breakdown of the Company's equity as at December 31, 2008 (in thousands of CZK) is as follows:

Registered capital	18,133,476
Funds created from profit	1,419,568
Retained earnings	4,432,501
Total equity	23,985,545

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

Information on Restrictions on Transferability of Securities
The transferability of the Company's securities is not restricted.

Information on Significant Direct and Indirect Shareholdings in the 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.

Information on Owners of Securities with Special Rights
None of the Company's securities have any special rights attached to them.

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

Information on Agreements between Shareholders which May Result in Restrictions on Transferability of Shares and/or Voting Rights
The Company is not aware of the existence of any agreements between the Company's shareholders which may result in restrictions on the transferability of the Company's shares and/or voting rights attached to the shares.

EXPLANATORY REPORT

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

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

Information on Significant Agreements Connected with Change of Control over Company as Result of Takeover Bid
The Company is not a party to any significant agreement which will enter into effect, change and/or cease to exist in the event of change of control over the Company as result of a takeover bid.

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

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

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

AUDITOR'S REPORT

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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 to the shareholders of UNIPETROL, a.s.

Financial statements

On the basis of our audit, on 20 March 2009 we issued an auditor's report on the Company's statutory non-consolidated financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying financial statements of UNIPETROL, a.s., which comprise the balance sheet as of 31 December 2008, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is stated in Note 1 of the notes to these financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

AUDITOR'S REPORT

Opinion

In our opinion, the financial statements present fairly in all material respects the assets, liabilities and the financial position of UNIPETROL, a.s. as of 31 December 2008, and of its expenses, revenues and financial performance and its cash flows for the year then ended in accordance with the Czech accounting legislation and in accordance with International Financial Reporting Standards as adopted by the E.U."

On the basis of our audit, on 20 March 2009 we issued an auditor's report on the Company's statutory consolidated financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying consolidated financial statements of UNIPETROL, a.s. and its subsidiaries ("the Group"), which comprise the balance sheet as of 31 December 2008, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to these consolidated financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is stated in Note 1 of the notes to these consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly in all material respects the assets, liabilities and the financial position of the Group as of 31 December 2008, and of its expenses, revenues and financial performance and its cash flows for the year then ended in accordance with the Czech accounting legislation and in accordance with International Financial Reporting Standards as adopted by the E.U."

Report on relations between related parties

We have also reviewed the factual accuracy of the information disclosed in the report on relations between related parties of UNIPETROL, a.s. for the year ended 31 December 2008. This report on relations between the related parties is the responsibility of the Company's management. Our responsibility is to express our view on the report on relations based on our review.

We conducted our review in accordance with International Standard on Review Engagements and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the review to obtain moderate assurance that the report on relations is free of material factual misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not conducted an audit of the report on relations and, accordingly, we do not express an audit opinion.

Nothing has come to our attention based on our review that indicates that the information disclosed in the report on relations between related parties of UNIPETROL, a.s. for the year ended 31 December 2008 contains material factual misstatements.

Annual report

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

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

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

Prague 29 April 2009

KPMG Česká republika Audit

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

Otakar Hora
Partner
Licence number 1197

NON-CONSOLIDATED FINANCIAL STATEMENTS

Non-consolidated balance sheet

prepared in accordance with International Financial Reporting Standards as at 31 December 2008 (in thousands of Czech crowns)

	Note	31 December 2008	31 December 2007
ASSETS			
Non-current assets			
Property, plant and equipment	11	384,461	376,253
Intangible assets	12	2,425	42,925
Investment property	13	160,057	162,955
Investments in subsidiaries and joint ventures	14	14,165,271	14,117,868
Other investments	15	4,151	4,151
Loans to subsidiaries	17	3,006,223	3,070,718
Receivables from subsidiaries	18	84,556	95,716
Total non-current assets		**17,807,144**	**17,870,586**
Current assets			
Trade and other receivables	19	552,163	468,652
Loans to subsidiaries	20	9,691,662	4,013,567
Loans (external)	21	300,031	--
Prepaid expenses		5,790	5,586
Cash and cash equivalents		19,658	2,272,023
Assets classified as held for sale	16	1,093	853,129
Total current assets		**10,570,397**	**7,612,957**
Total assets		**28,377,541**	**25,483,543**
EQUITY AND LIABILITIES			
Equity			
Share capital	24	18,133,476	18,133,476
Reserves	25	1,419,568	1,419,355
Retained earnings	26	4,432,501	3,208,145
Total equity		**23,985,545**	**22,760,976**
Non-current liabilities			
Loans and borrowings	27	2,000,000	2,000,000
Finance lease liability		86	207
Total non-current liabilities		**2,000,086**	**2,000,207**
Current liabilities			
Trade and other payables and accruals	28	194,726	226,594
Dividends payable		48,530	--
Loans and borrowings	29	2,148,654	495,766
Total current liabilities		**2,391,910**	**722,360**
Total liabilities		**4,391,996**	**2,722,567**
Total equity and liabilities		**28,377,541**	**25,483,543**

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 111 to 145.

Non-consolidated income statement

prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2008
(in thousands of Czech crowns)

	Note	2008	2007 (restated)
Revenue	5	397,665	282,909
Cost of sales		(200,769)	(183,494)
Gross profit		**196,896**	**99,415**
Other income		1,666	17,493
Administrative expenses		(313,636)	(314,943)
Other expenses		(28,636)	(27 917)
Operating loss before finance income	**7**	**(143,710)**	**(225,952)**
Finance income		4,925,571	745,247
Finance expenses		(330,565)	(516,505)
Net finance income	**9**	**4,595,006**	**228,742**
Profit before tax		**4,451,296**	**2,790**
Income tax expense	10	(23,149)	(11,911)
Profit/(loss) for the period		**4,428,147**	**(9,121)**
Basic and diluted earnings per share (in CZK)		**24.42**	**(0.05)**

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 111 to 145.

Non-consolidated statement of changes in equity

prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2008
(in thousands of Czech crowns)

	Share capital	Reserves	Retained earnings	Total
Balance 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 to investment property	--	20,561	--	20,561
Balance at 31 December 2007	**18,133,476**	**1,419,355**	**3,208,145**	**22,760,976**
Balance at 1 January 2008	**18,133,476**	**1,419,355**	**3,208,145**	**22,760,976**
Dividends	--	--	(3,200,559)	(3,200,559)
Profit for the period	--	--	4,428,147	4,428,147
Other	--	213	(3,232)	(3,019)
Balance at 31 December 2008	**18,133,476**	**1,419,568**	**4,432,501**	**23,985,545**

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 111 to 145.

NON-CONSOLIDATED FINANCIAL STATEMENTS

Non-consolidated statement of cash flows

prepared in accordance with International Financial Reporting Standards
For the year ended 31 December 2008 (in thousands of Czech crowns)

	Note	2008	2007
Cash flows from operating activities:			
Profit/(loss) for the period		4,428,147	(9,121)
Adjustments for:			
Depreciation and amortisation of property, plant and equipment and intangible assets	11, 12	15,537	7,298
Loss (Gain) on disposals of property, plant and equipment and intangible assets		33 992	(2,892)
Profit on disposals of financial investments		(330,964)	(50,799)
Interest income, net		(311,341)	(176,610)
Dividend income		(3,951,209)	(69,077)
Reversal of impairment losses on assets classified as held for sale, property, plant and equipment and receivables	(68)	(151,381)	
Foreign exchange losses/(gains)		(26,354)	33,254
Income tax expense		23,149	11,911
Operating profit before changes in working capital		**(119,111)**	**(407,417)**
Change in trade receivables and prepaid expenses		(47,714)	(301,327)
Change in trade and other payables and accruals		(55,883)	(201,395)
Interest paid		(349,339)	(932,316)
Income tax reimbursed		--	3,064
Net cash used in operating activities		**(572,047)**	**(1,839,391)**
Cash flows from investing activities:			
Increase of capital of subsidiary		--	(1,060,000)
Acquisition of property, plant and equipment and intangible assets		(14,027)	(51,598)
Acquisition of investment property		(1,869)	--
Acquisition of financial investments		(47,403)	(425,133)
Proceed from sales of property, plant and equipment and intangible assets		1,854	5,273
Proceed from sales of financial investments		1,183,000	5,513,625
Interest received		657,335	1,087,025
Providing borrowings to subsidiaries		(5,614,262)	(562,307)
Providing borrowings to other companies		(300,031)	--
Dividends received		3,951,209	69,077
Net cash flow from investing activities		**(184,194)**	**4,575,962**
Cash flows from financing activities:			
Receipt/(repayment) of loans and borrowings		1,655,905	(1,480,734)
Dividends paid		(3,152,029)	--
Net cash used in financing activities		**(1,496,124)**	**(1,480,734)**
Net change in cash and cash equivalents		**(2,252,365)**	**1,255,837**
Cash and cash equivalents at begining of the year		**2,272,023**	**1,016,186**
Cash and cash equivalents at the end of the year		**19,658**	**2,272,023**

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 111 to 145.

Notes to the non-consolidated financial statements

prepared in accordance with International Financial Reporting Standards
Year ended 31 December 2008 (in thousands of CZK)

Contents

NON-CONSOLIDATED FINANCIAL STATEMENTS

1. Description of the company

Establishment of the parent company

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

Registered office of the Company

UNIPETROL, a.s.
Na Pankráci 127
140 00 Prague 4
Czech Republic

Principal activities

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

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

Ownership structure

The shareholders as at 31 December 2008 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 2008 were as follows:

	Position	Name
Board of directors	**Chairman**	**François Vleugels**
	Vice-Chairman	Wojciech Ostrowski
	Member	Ivan Ottis
	Member	Martin Durčák
	Member	Arkadiusz Kotlicki
Supervisory board	**Chairman**	**Jacek Krawiec**
	Vice-Chairman	Sławomir Jędrzejczyk
	Vice-Chairman	Ivan Kočárník
	Member	Bogdan Dzudzewicz
	Member	Marek Serafin
	Member	Wojciech Wróblewski
	Member	Piotr Kearney
	Member	Krystian Pater
	Member	Zdeněk Černý

Changes in the board of directors during 2008 were as follows:

Position	Name	Change	Date of change
Member	Miroslav Krejčí	Resigned as member	26 June 2008

Changes in the supervisory board during 2008 were as follows:

Position	Name	Change	Date of change
Chairman	Piotr Kownacki	Resigned as Chairman	28 March 2008
Member	Wojciech Heydel	Elected as member (replacement)	28 March 2008
Chairman	Wojciech Heydel	Elected as Chairman (replacement)	28 March 2008
Member	Rafał Kapler	Resigned as member	28 March 2008
Member	Piotr Kownacki	Recalled as member	26 June 2008
Member	Czesław Bugaj	Recalled as member	26 June 2008
Member	Robert Bednarski	Term of office expiration date of member (replacement)	26 June 2008
Member	Waldemar Maj	Term of office expiration date of member (replacement)	26 June 2008
Member	Miroslaw Jasiński	Recalled as member	26 June 2008
Member	Miloslav Suchánek	Recalled as member	26 June 2008
Vice-Chairman	Dariusz Formela	Term of office expiration date of member/Vice-Chairman	26 June 2008
Member	Piotr Kearney	Reelected as member	26 June 2008
Member	Wojciech Heydel	Elected as member	26 June 2008
Chairman	Wojciech Heydel	Elected as Chairman	26 June 2008
Member	Jacek Krawiec	Elected as member	26 June 2008
Vice-Chairman	Jacek Krawiec	Elected as Vice-Chairman	26 June 2008
Member	Sławomir Jędrzejczyk	Elected as member	26 June 2008
Member	Marek Serafin	Elected as member	26 June 2008
Member	Wojciech Wróblewski	Elected as member	26 June 2008
Chairman	Wojciech Heydel	Resigned as Chairman	11 December 2008
Chairman	Jacek Krawiec	Elected as Chairman	11 December 2008
Vice-Chairman	Sławomir Jędrzejczyk	Elected as a Vice-Chairman	11 December 2008
Member	Bogdan Dzudzewicz	Elected as a member replacement	11 December 2008

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 parent company or indirectly by the consolidated subsidiaries (information as of 31 December 2008).

Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries
Parent company		
UNIPETROL, a.s. Na Pankráci 127 140 00 Prague 4 Czech Republic		
Consolidated subsidiaries		
BENZINA, s.r.o. Na Pankráci 127 140 00 Prague 4 Czech Republic	100.00%	--
PARAMO, a.s Přerovská 560 530 06 Pardubice Czech Republic	91.77%	--
UNIPETROL TRADE a.s. Na Pankráci 127 140 00 Prague 4 Czech Republic	100.00%	--
UNIPETROL RPA, s.r.o. Litvínov – Záluží 1 436 70 Litvínov Czech Republic	100.00%	--
UNIPETROL SERVICES, s.r.o. Litvínov-Záluží 1 436 70 Litvínov Czech Republic	100.00%	
UNIPETROL DOPRAVA s.r.o. Litvínov-Růžodol č.p. 4 436 70 Litvínov Czech Republic	0.12%	99.88%
CHEMAPOL (SCHWEIZ) AG Leimenstrasse 21 4003 Basel Switzerland	--	100.00%
UNIPETROL DEUTSCHLAND GmbH Paul Ehrlich Str. 1/B 63225 Langen/Hessen Germany	--	100.00%
PETROTRANS, s.r.o. Střelničná 2221 182 00 Prague 8 Czech Republic	0.63%	99.37%
UNIRAF Slovensko s.r.o. Panónská cesta 7 850 00 Bratislava Slovak republic	13.04%	86.96%

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. Záluží 2 436 70 Litvínov Czech Republic	51.225%	--
BUTADIEN KRALUPY a.s. O. Wichterleho 810 278 01 Kralupy nad Vltavou Czech Republic	51.00%	--

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

3. Significant accounting policies

A Statement of compliance and accounting policies

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning after 1 January 2008 or later periods but which the Company has not early adopted. Relevant items are as follows:

- Revised IAS 1 Presentation of Financial Statements (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those resulting from transactions with owners. Revised IAS 1, which becomes mandatory for the Company's 2009 financial statements, is expected to have an impact on the presentation of the non-consolidated financial statements. The Company plans to provide total comprehensive income in a single statement of comprehensive income for its 2009 non-consolidated financial statements.
- Revised IAS 23 Borrowing Costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires the capitalization of borrowing costs that relate to qualifying assets. The Company will apply revised IAS 23 to qualifying assets from which capitalisation of borrowing costs commences on or after 1 January 2009 in relation to all borrowings. There will be no impact on prior periods in the Company's 2009 non-consolidated financial statements.
- IFRIC 13 Customer Loyalty Programmes – effective for annual periods beginning on or after 1 July 2008
- IFRIC 15 Agreements for the Construction of Real Estate – effective for annual periods beginning on or after 1 January 2009
- IFRIC 17 Distributions of Non-cash Assets to Owners – effective for annual periods beginning on or after 1 July 2009
- IFRIC 18 Transfers of Assets from Customers – for annual periods beginning on or after 1 July 2009

Acceptance of IFRIC 15, IFRIC 17 and IFRIC 18 by the European Union is pending.

According to a preliminary assessment, the application of IFRIC 13, IFRIC 15, IFRIC 17 and IFRIC 18 after their acceptance by European Commission 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 11 – property, plant and equipment and 12 – intangible assets in relation to impairment and note 22 – deferred tax.

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

C Significant accounting policies

(1) Investments in subsidiaries, jointly controlled entities and associates

Investments in subsidiaries, jointly controlled entities and associates are carried in the balance sheet at cost less any impairment of the value of individual investments.

(2) Loans provided to subsidiaries and associates

Loans provided to subsidiaries and associates are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loan on an effective interest basis.

(3) Revenue recognition

(i) Goods sold and services rendered
Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer 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:
- vsignificant financial difficulty of the issuer or counterparty, or
- vdefault or delinquency in interest or principal payments, or
- vevidence 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.

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 share capital.

(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 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. Change in accounting policy

The following table summarizes the impact of the change on the income statement for the year ended 31 December 2007 (in CZK thousands):

	2007 as previously stated	Change in presentation of F/X differences	2007 as restated
Revenue	282,909		282,909
Cost of sales	(183,494)		(183,494)
Gross profit	**99,415**		**99,415**
Other income	17,493		17,493
Administrative expenses	(314,943)		(314,943)
Other expenses	(27,917)		(27,917)
Operating loss before finance income	**(225,952)**		**(225,952)**
Finance income	761,723	(16,476)	745,247
Finance expenses	(532,981)	16,476	(516,505)
Net finance income	**228,742**		**228,742**
Profit before tax	**2,790**		**2,790**
Income tax expense	(11,911)		(11,911)
Loss for the period	**(9,121)**		**(9,121)**

The Company has changed the presentation of foreign exchange gains and losses. Foreign exchange gains and losses are now presented as net amount.

5. Revenue

An analysis of the Company's revenue is as follows (in CZK thousands):

	31/12/2008	31/12/2007
Fees for use of land	103,010	90,296
Revenues from services	294,655	192,613
Total revenues	**397,665**	**282,909**

6. Business segments

The Company operates within one segment. It recognises fees for use of land and revenue from providing services to subsidiaries and jointly controlled entity located in the Czech Republic.

7. Analysis of expenses according to their nature

The following analysis shows the most significant types of operating expenses analysed by nature (in CZK thousands).

2008	Cost of sales	Administrative expenses	Other operating income / (expenses)	Total
Materials consumed and energy	(6,189)	(16,204)	--	(22,393)
Repairs and maintenance	(338)	(1,372)	--	(1,710)
Services related to administration of investments in subsidiaries	(1,429)	(9,543)	--	(10,972)
Advertising expense	(81,928)	--	--	(81,928)
Legal services	(6,716)	(9,261)	--	(15,977)
Advisory services	(3,304)	(10,458)	--	(13,762)
Operating leases	(2,440)	(14,284)	--	(16,724)
Travel expense	(1,167)	(3,929)	--	(5,096)
Telecommunication fees	(1,211)	(3,058)	--	(4,269)
Representation cost	(764)	(4,631)	--	(5,395)
Accounting, HR and other administrative services	(25,655)	(65,490)	--	(91,145)
IT services	(2,605)	(17,203)	--	(19,808)
Other services	(15,327)	(17,948)	--	(33,275)
Staff cost including remuneration of board members	(36,656)	(85,092)	--	(121,748)
Social and health insurance	(9,184)	(9,129)	--	(18,313)
Depreciation	(3,019)	(3,920)	--	(6,939))
Amortization	(1,819)	(6,779)	--	(8,598)
Disposal of intangible assets		(34,206)		(34,206)
Impairment of PPE and intangibles (recognised)/released	--	--	68	68
Impairment to trade receivables (recognised)/released	--	--	60	60
Profit/(loss) on disposal of PPE	--	--	214	214
Insurance	(549)	--	(1,687)	(2,236)
Other expense	(469)	(1,129)	(26,949)	(28,547)
Other income	--	--	1,324	1,324
Total operating expense	**(200,769)**	**(313,636)**	**(26,970)**	**(541,375)**
Revenue				397,665
Operating loss before financing income				**(143,710)**

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)
Accounting, HR and other administrative services	--	(10,725)	--	(10,725)
Other services	(22,075)	(18,890)	--	(40,965)
IT services	(5,675)	(7,617)	--	(13,292)
Staff cost including remuneration of board members	(56,500)	(98,058)	--	(154,558)
Social and health insurance	(15,560)	(26,919)		(42,479)
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 income				**(225,952)**

8. Personnel expenses

The number of employees and managers and staff costs for 2008 and 2007 are as follows (in CZK thousands):

2008	Number of employees average per year (average FTE)	Number of employees as at balance sheet day	Wages and salaries	Social and health insurance	Expenses related to benefit plans	Social expense
Employees	29	29	79,826	14,554	356	358
Management	3	5	32,580	2,020	110	853
Total			**112,406**	**16,574**	**466**	**1,211**

In 2008 the remuneration of members of the board of directors was CZK 2,815 thousand (CZK 2,895 thousand in 2007). The remuneration of members of the supervisory board was CZK 6,527 thousand (CZK 7,185 thousand in 2007). Cost of social and health insurance connected with members of Board of directors and Supervisory board amounts to CZK 528 thousand in 2008 and CZK 1,036 thousand in 2007.

2007	Number of employees average per year (average FTE)	Number of employees as at balance sheet day	Wages and salaries	Social and health insurance	Expenses related to benefit plans	Social expense
Employees	61	37	127,088	36,161	75	179
Management	4	4	17,391	4,516	245	587
Total			**144,479**	**40,677**	**320**	**766**

9. Finance income and finance expenses (in CZK thousands)

	2008	2007 restated
Finance income		
Interest income:		
– other loans and receivables	567,463	371,788
– bank deposits	66,581	73,934
Dividend income*	3,951,209	69,077
Net gains from sale of investments in subsidiaries	330,965	50,799
Reversal of impairment on assets classified as held for sale	--	151,742
Other finance income	9,353	27,907
Total finance income	**4,925,571**	**745,247**
Finance expenses		
Interest expense:		
– bank overdrafts, loans and borrowings	(322,689)	(269,100)
– finance leases	(14)	(12)
Borrowing costs recognized in the income statement	**(322,703)**	**(269,112)**
Net foreign exchange losses	(923)	(231,299)
Other finance expenses	(6,939)	(16,094)
Total finance expenses	**(330,565)**	**(516,505)**
Net finance income	**4,595,006**	**228,742**

* The information about dividends received is included in Notes 14 and 15

10. Income tax expense

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%).

The reconciliation between income tax expense and accounting profit is as follows (in CZK thousands):

	2008	2007
Profit for the period	4,428,147	(9,121)
Total income tax expense	(23,149)	(11,911)
Profit excluding income tax	**4,451,296**	**2,790**
Income tax using domestic income tax rate	(934,772)	(670)
Effect of tax rates in foreign jurisdictions	30	--
Non-deductible expenses	(203,649)	(53,729)
Tax exempt income	1,081,405	65,188
Recognition of previously unrecognised tax losses	34,219	--
Current year losses for which no deferred tax asset was recognised	--	(13,559)
Change in unrecognised temporary differences	(382)	(9,141)
Income tax expense	**(23,149)**	**(11,911)**

11. Property, plant and equipment (in CZK thousands)

	Land and buildings	Machinery and equipment	Other	Assets under development	Total
Cost					
Balance as at 01/01/2007	**497,311**	**30,501**	**161**	**669**	**528,642**
Additions	162	6,407	--	2,085	8,654
Disposals	(131)	(6,158)	(10)	--	(6,299)
Transfer to investment property	(142,393)	--	--	--	(142,393)
Balance as at 31/12/2007	**354,949**	**30,750**	**151**	**2,754**	**388,604**
Additions	20	8,223	3,837	12	12,092
Disposals	(6)	(3,971)	--	--	(3,977)
Additions from investment property	5,349	--	--	--	5,349
Transfer to investment property	(369)	--	--	--	(369)
Reclassifications	--	1,707	--	(2,007)	(300)
Other	--	359	--	--	359
Balance as at 31/12/2008	**359,943**	**37,068**	**3,988**	**759**	**401,758**
Depreciation					
Balance as at 01/01/2007	**--**	**8,674**	**--**	**--**	**8,674**
Charge for the year	--	7,061	--	--	7,061
Disposals	--	(3,850)	--	--	(3,850)
Balance as at 31/12/2007	**--**	**11,885**	**--**	**--**	**11,885**
Charge for the year	--	6,934	5	--	6,939
Disposals	--	(2,338)	--	--	(2,338)
Other	--	345	--	--	345
Balance as at 31/12/2008	**--**	**16,826**	**5**	**--**	**16,831**
Impairment losses					
Balance as at 01/01/2007	**--**	**--**	**--**	**466**	**466**
Balance as at 31/12/2007	**--**	**--**	**--**	**466**	**466**
Balance as at 31/12/2008	**--**	**--**	**--**	**466**	**466**
Carrying amount as at 01/01/2007	**497,311**	**21,827**	**161**	**203**	**519,502**
Carrying amount as at 31/12/2007	**354,949**	**18,865**	**151**	**2,288**	**376,253**
Carrying amount as at 31/12/2008	**359,943**	**20,242**	**3,983**	**293**	**384,461**

12. Intangible assets (in CZK thousands)

	Software	Other intangible assets	Total
Cost			
Balance as at 01/01/2007	**11,449**	**8,220**	**19,669**
Additions	392	42,552	42,944
Disposals	(256)	--	(256)
Reclassification	(210)	210	--
Balance as at 31/12/2007	**11,375**	**50,982**	**62,357**
Additions	1,935	--	1,935
Disposals	--	(42,100)	(42,100)
Reclassification	300	--	300
Balance as at 31/12/2008	**13,610**	**8,882**	**22,492**
Amortization			
Balance as at 01/01/2007	**11,311**	**8,067**	**19,378**
Charge for the period	121	116	237
Disposals	(256)	--	(256)
Balance as at 31/12/2007	**11,176**	**8,183**	**19,359**
Charge for the period	452	8,145	8,597
Disposals	--	(7,894)	(7,894)
Balance as at 31/12/2008	**11,628**	**8,434**	**20,062**
Impairment losses			
Balance as at 01/01/2007	**--**	**153**	**153**
Reversal of impairment losses	--	80	80
Balance as at 31/12/2007	**--**	**73**	**73**
Reversal of impairment losses	--	68	68
Balance as at 31/12/2008	**--**	**5**	**5**
Carrying amount as at 01/01/2007	**138**	**--**	**138**
Carrying amount as at 31/12/2007	**199**	**42,726**	**42,925**
Carrying amount as at 31/12/2008	**1,982**	**443**	**2,425**

In year ended 31 December 2008 the Company wrote off unused SAP licences with an acquisition cost of CZK 42,100 thousand.

13. Investment property

Investment property as at 31 December 2008 comprised land owned by the Company and leased to third parties. The changes recorded during 2008 are presented in following table (in CZK thousands):

	Balance as at 31/12/2007	Additions	Transfer to Property, plant and equipment	Transfer from Property, plant and equipment	Balance as at 31/12/2008
Land	162,955	1,869	(5,349)	582	160,057

Rental income amounted to CZK 25,230 thousand in 2008 (2007: CZK 16,685 thousand). Operating costs relating to investment property amounted to CZK 1,224 thousand (2007: CZK 1,190 thousand).

Future rental income is as follows (in CZK thousands):

	Less than one year	Between one and five years
Total future rental income	19,368	77,472

14. Investments in subsidiaries and joint-ventures

Investments in subsidiaries and joint-ventures as at 31 December 2008 were as follows (in CZK thousands):

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	3,750,000
Výzkumný ústav anorganické chemie, a.s.	Ústí nad Labem	59,172	100.00	7,860	51,312	--
UNIPETROL TRADE a.s.	Prague 4	350,000	100.00	350,000	--	--
BENZINA, s. r.o.	Prague 4	4,181,070	100.00	1,922,070	2,259,000	--
UNIPETROL SERVICES, s.r.o.	Litvínov	100,280	100.00	--	100,280	--
UNIPETROL RAFINÉRIE, s.r.o.	Prague	408	100.00	--	408	--
PARAMO, a.s.	Pardubice	435,943	91.77	--	435,943	--
Joint-ventures						
ČESKÁ RAFINÉRSKÁ, a.s. *)	Litvínov	3,872,299	51.225	--	3,872,299	188,244
Butadien Kralupy a. s.	Kralupy	85,694	51.00	--	85,694	--
Total		**16,445,201**	**--**	**2,279,930**	**14,165,271**	**3,938,244**

*) 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 2008 included dividend received from UNIPETROL RPA, s.r.o in amount of CZK 3,750,000 thousand, PETROTRANS, s.r.o CZK 228 thousand, ČESKÁ RAFINÉRSKÁ, a.s. CZK 188,244 thousand, Celio, a.s. CZK 1,000 thousand, Polymer Institute Brno s.r.o. CZK 74 thousand, UNIPETROL DOPRAVA, s.r.o. CZK 149 thousand, UNIRAF SLOVENSKO s.r.o. CZK 11,514 thousand.

Investments in subsidiaries and joint-ventures as at 31 December 2007 were as follows (in CZK thousands):

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.

Purchase of shares of PARAMO, a.s.

On 29 August 2008 UNIPETROL, a.s. and Polski Koncern Naftowy ORLEN Spółka Akcyjna executed the Share Purchase Agreement, pursuant to which the Company, as purchaser, acquired from PKN ORLEN, as seller, 49,660 shares of PARAMO, a.s., which represent in aggregate 3.73 per cent of the registered share capital and voting rights. The aggregate purchase price amounted to CZK 47,400,470. The transfer of the shares from PKN ORLEN was effected on 5 September 2008.

The Company as the owner of shares in PARAMO, a.s. representing 91.77% share in the registered capital and voting rights, intends to squeeze out the other shares within the meaning of Sections 183i et seq. of the Commercial Code and become the sole shareholder, under condition that the Company will provide to the other shareholders, upon fulfillment of all conditions prescribed by applicable law, the monetary consideration in the amount of CZK 977 per one (1) share, being equal in aggregate for all squeezed out shares to CZK 106,965,868.

The amount of the consideration was determined on the basis of an appraisal report prepared by American Appraisal s.r.o. The intention to implement the squeeze-out under the above specified conditions has been approved by the Supervisory Board and the Board of Directors of the Company. The implementation was subject, in particular, to granting a prior approval by the Czech National Bank with evidence of consideration amount and adoption of a resolution by the Extraordinary General Meeting of PARAMO, a.s. on transmission of all other shares of PARAMO, a.s. to the Company.

On 28 November 2008 a decision of the Czech National Bank granting approval with the evidence of the monetary consideration became effective.

On 6 January 2009 the Extraordinary General Meeting of PARAMO, a.s. decided on the transfer of all other shares to the Company, provided that upon fulfillment of all conditions prescribed by applicable law the Company will provide to the other shareholders of PARAMO, a.s. and/or pledges, the monetary consideration in the amount of CZK 977 per one share of PARAMO, a.s. On 4 February 2009 the registration of the above resolution of the Extraordinary General Meeting was registered in the Czech Commercial Registry. Pursuant to the Czech Commercial Code, the ownership title to shares of the other shareholders passed to the Company on 4 March 2009 upon expiration of one month from the above publication. In connection with the squeeze-out, some of the shareholders of PARAMO, a.s. filed a petition with the Regional Court in Hradec Králové for review of reasonableness of consideration within the meaning of the Czech Commercial Code. With respect to the above described facts regarding determination of consideration value, Czech National Bank decision and approval of the Extraordinary General Meeting of PARAMO, a.s., UNIPETROL, a.s. considers the petition for review of reasonableness of consideration unfounded.

15. Other investments

Other investments as at 31 December 2008 were as follows (in CZK thousands):

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	149	1,799
UNIRAF SLOVENSKO s.r.o.	Bratislava	95	13.04	11,514	95
PETROTRANS, s.r.o.	Prague 8	780.8	0.63	228	780.8
POLYMER INSTITUTE BRNO, spol. s r.o.	Brno	954	1	74	954
Total		**4,151**		**11,965**	**4,151**

Other investments as at 31 December 2007 were as follows (in CZK thousands):

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 8	780.8	0.63	--	780.8
POLYMER INSTITUTE BRNO, spol. s r.o.	Brno	954	1	80	954
Total		**4,151**		**108**	**4,151**

16. Assets held for sale

Non-current assets held for sale as at 31 December 2008 were as follows (in CZK thousands):

	31/12/2008	31/12/2007
50% shares in AGROBOHEMIE a.s.	--	507,600
38.79% shares in Synthesia, a.s.	--	344,436
10.5% of shares in CELIO a.s.	1,093	1,093
Total	**1,093**	**853,129**

As at 31 December 2008 Company held 20 shares in CELIO a.s. in nominal value of 1,000 thousand CZK. The Company's share in CELIO a.s. was classified as a current asset held for sale since its carrying amount 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 CZK (2007: CZK 1,093 thousand).

As at 31 December 2007 the shares in AGROBOHEMIE a.s. and Synthesia, a.s. were presented as assets held for sale. On 18 January 2008, the transfer of 50% of shares in AGROBOHEMIE a.s and 38.79% of shares in Synthesia, a.s. was completed. The sales 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. 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 14 April 2008.

17. Non-current loans to subsidiaries

The Company provided to its subsidiaries UNIPETROL RPA, s.r.o., BENZINA, s.r.o. and Butadien Kralupy a.s. non-current loans amounting to CZK 3,006,223 thousand as at 31 December 2008. The interest rates were based on 3M and 6M PRIBOR and fair value of loans approximates their carrying amount except for the loan provided to BENZINA, s.r.o. in 1998. This loan bears effective interest rate 9.97% p.a. and fair value amounted to CZK 2,765,730 thousand as at 31 December 2008. Carrying amount of this loans amounts to CZK 2,173,067 thousand. The current loans provided to subsidiaries are not collateralised. The portion of non-current loans due within one year is reported as current loans to subsidiaries (note 19).

Movement table of non-current loans to subsidiaries (in CZK thousands):

	31/12/2008	31/12/2007
Balance at beginning of the period	**3,070,718**	**3,349,365**
Loans provided	215,069	--
Reclassification to current loans to subsidiaries	(279,564)	(278,647)
Balance at end of the period	**3,006,223**	**3,070,718**

18. Non-current receivables from subsidiaries

Non-current receivables from subsidiaries include a receivable from UNIPETROL TRADE a.s., acquired by the Company in 2001 from Credit Lyonnais bank Praha, a.s. and Credit Lyonnais bank Slovakia, a.s. The receivable is payable in instalments out of which the last one is due on 31 December 2017. It is denominated in CZK. The carrying amount of the receivable as of 31 December 2008 is CZK 84,556 thousand (2007: CZK 95,716 thousand). The nominal value of the non-current receivable is CZK 303,000 thousand as of 31 December 2008 (2007: CZK 343,000 thousand) and the current part is CZK 75,000 thousand as of 31 December 2008 (2007: CZK 35,000 thousand).

19. Trade and other receivables (in CZK thousands)

	31/12/2008	31/12/2007
Trade accounts receivable	503,633	468,652
Other receivables	180,115	131,645
Allowances for other receivables	(131,585)	(131,645)
Total accounts receivable	**552,163**	**468,652**

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	31/12/2008	31/12/2007
CZK	534,033	349,594
EUR	15,726	23,255
USD	679	94,687
Other currencies	1,725	1,116
Total accounts receivable	**552,163**	**468,652**

Ageing of past due but not impaired trade receivables:

Not impaired trade receivables	31/12/2008	31/12/2007
60–90 days	15	--
90–180 days	178	1,981
180+ days	40	190
Total	**233**	**2,171**

Movement in the allowance for doubtful debts (in CZK thousands):

Allowance for doubtful debts	31/12/2008	31/12/2007
Balance at beginning of the period	131,645	131,204
Impairment losses recognized on receivables	--	523
Reversal of impairment losses	(60)	(82)
Balance at end of the period	**131,585**	**131,645**

20. Current loans to subsidiaries

The Company provided loans to its subsidiaries UNIPETROL RPA, s.r.o., BENZINA, s.r.o., PARAMO, a.s., UNIPETROL TRADE a.s. and Butadien Kralupy a.s. The following table presents loans granted as at 31 December 2008 and 31 December 2007 (in CZK thousands).

	31/12/2008	31/12/2007
Cash pooling	2,794,553	2,363,667
Operating loans	6,897,109	1,649,900
Total	**9,691,662**	**4,013,567**

The movements on operating loans were as follows (in CZK thousands):

Balance as at 1 January 2008	**1,649,900**
Loans granted	6,602,812
Repayment	(1,635,167)
Reclassification from non-current loans to subsidiaries	279,564
Total	**6,897,109**

The interest rates were based on appropriate inter-bank rates and fair value of loans approximates their carrying amount except for the loan provided to BENZINA, s.r.o. in 1998 (see note 17). The current loans provided to subsidiaries are not collateralised. The current loans to subsidiaries as at 31 December 2008 include the portion of non-current loans due within one year amounted to CZK 467,364 (31 December 2007 – CZK 513,068 thousand).

The analysis of current loans by currency of denomination is as follows (in CZK thousands):

Denominated in	31/12/2008	31/12/2007
CZK	9,592,949	3,894,959
EUR	94,221	118,608
USD	4,492	--
Total cash and cash equivalents	**9,691,662**	**4,013,567**

21. Current loans to other companies

In 2008 the Company provided a short-term loan to related entity. The carrying amount of the loan amounted CZK 300,031 thousand as at 31 December 2008. The interest rates were based on appropriate inter-bank rates and the fair value of the loan approximated its carrying amount as at 31 December 2008.

22. 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. 20% in 2009 and 19% in 2010 and onwards).

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

Deferred tax liabilities	1/1/2008	(Charged) / credited to profit / (loss) for the period	(Charged) / credited to equity	31/12/2008
Property, plant and equipment	(670)	(485)	--	(1,155)
Finance lease	(5)	--	--	(5)
Total deferred tax liabilities	**(675)**	**(485)**	**--**	**(1,160)**

Deferred tax assets	1/1/2008	(Charged) / credited to profit / (loss) for the period	(Charged) / credited to equity	31/12/2008
Unused tax losses carried forward	--	--	--	--
Other	675	485	--	1,160
Total deferred tax assets	**675**	**485**	**--**	**1,160**

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 (in CZK thousands):

	31/12/2008	31/12/2007
Deferred tax asset	1,155	675
Deferred tax liability	(1,155)	(675)
Net	**--**	**--**

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 (in CZK thousands):

	31/12/2008	31/12/2007
Unused tax losses	--	19,807
Deductible temporary differences	--	2,477
Deferred tax asset	**--**	**22,254**

23. Cash and cash equivalents (in CZK thousands)

	31/12/2008	31/12/2007
Cash in hand	66	49
Cash at bank	19,592	1,507,362
Short-term bank deposits	--	764,612
Total	**19,658**	**2,272,023**

Short-term bank deposits comprised deposits with maturity of three months or less.

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	31/12/2008	31/12/2007
CZK	7,178	2,187,350
EUR	10,085	51,732
USD	2,395	32,941
Total cash and cash equivalents	**19,658**	**2,272,023**

24. Share capital

The issued capital of the Company as at 31 December 2008 was CZK 18,133,476 thousand (2007: CZK 18,133,476 thousand). This represents 181,334,764 (2007: 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.

25. 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.

(in CZK thousands)	31/12/2008	31/12/2007
Reserve fund	1,391,365	1,391,365
Other funds	28,203	27,990
Total	**1,419,568**	**1,419,355**

26. Retained earnings and dividends

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 for the year ended 31 December 2007 amounting to 9,120,840 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 in amount of CZK 3,200,558,584 (dividend per one share of CZK 17.65, before tax). The right to the dividend was granted to a shareholder owning the Company's shares as of the effective date, i.e., 26 June 2008. The dividend became due and payable on 29 August 2008.

As at 31 December 2008 dividends in amount of CZK 48,530 thousand are unpaid.

The decision regarding allocation of 2008 profit will be made on Annual General Meeting of Shareholders, which will be held in May/June 2009.

27. Non-current loans and borrowings

Non-current interest-bearing borrowings as at 31 December 2008 were as follows (in CZK thousands):

Creditor	Currency	Balance at 31/12/2008	Fair value at 31/12/2008	Effective interest rate	Form of collateral
Long-term bonds	CZK	2,000,000	2,776,760	9.82%	Unsecured
Total		**2,000,000**			

Non-current interest-bearing borrowings as at 31 December 2007 were as follows (in CZK thousands):

Creditor	Currency	Balance at 31/12/2007	Fair value at 31/12/2007	Effective interest rate	Form of collateral
Long-term bonds	CZK	2,000,000	2,560,665	9.82%	Unsecured
Total		**2,000,000**			

In 1998 the Company issued 2,000 bonds at a total nominal value of CZK 2,000,000 thousand. The bonds mature in 15 years from the issue date at their nominal value of CZK 2,000,000 thousand. The interest rate is 0% p.a. for the first two years and 12.53% p.a. in subsequent years. The effective interest rate is 9.82%. Interest is payable on an annual basis. Interest expense is accrued using the effective interest rate method.

The aggregate carrying amount of the bonds is CZK 2,170,593 thousand. Part of the liability due within 12 months is presented in current liabilities. Using the actual market interest rate, based on the analysis of the current market conditions, the fair value of the aggregate liability arising from the bonds is currently estimated at CZK 2,776,760 thousand. Accrued interest, which will be repaid before 31 December 2009, is presented within current loans and borrowings in note 29 amounts to CZK 170,593 thousand.

28. Trade and other payables and accruals (in CZK thousands)

	31/12/2008	31/12/2007
Trade payables	76,437	122,133
Other payables	52,396	55,860
Social security and other taxes	65,893	48,601
Total accounts payable	**194,726**	**226,594**

The average credit period for trade purchases is 30 days.

Denominated in	31/12/2008	31/12/2007
CZK	191,610	223,360
EUR	1,189	2,328
USD	194	181
Other currencies	1,733	725
Total accounts payable	**194,726**	**226,594**

As of 31 December 2008 and 31 December 2007, the Company did not have any trade payables after their due dates. Management of the Company is of the opinion that the carrying amount of trade payables approximates their fair values.

29. Current loans and borrowings

Current loans and borrowings as at 31 December 2008 were as follows (in CZK thousands):

	31/12/2008	31/12/2007
Bank loans	1,725,404	--
Current loans from subsidiaries	252,657	291,100
Current portion of non-current loans and borrowings	170,593	204,666
Total cash and cash equivalents	**2,148,654**	**495,766**

As at 31 December 2008 the Company had loans in banks amounting to CZK 1,725,404 thousand. The interest rates were based on appropriate inter-bank rates and fair value of loans approximates their carrying amount.

Currency analyses of bank loans (in CZK thousands)

	CZK	EUR	USD	Total
Balance at beginning of the period	--	--	--	--
Loans taken	1,714,274	2,087	1,915	1,718,276
Accrued interest	7,125	3	--	7,128
Repayments	--	--	--	--
Balance at end of the period	**1,721,399**	**2,090**	**1,915**	**1,725,404**

The current loans from subsidiaries are connected with a cash-pool structure. During the year 2008 the Company had cash-pooling agreements with following banks and subsidiaries:

- Banks: CITIBANK a.s., ING Bank N.V., organizační složka and Česká spořitelna, a.s.
- Subsidiaries: UNIPETROL RPA, s.r.o., BENZINA, s.r.o., PARAMO, a.s., UNIPETROL DOPRAVA, s.r.o., UNIPETROL TRADE a.s., PETROTRANS, s.r.o. and UNIPETROL SERVICES, s.r.o.

Cash on bank accounts with the above mentioned banks is pooled between the Company and subsidiaries listed above. The agreements enable the Company and the subsidiaries to take bank overdrafts at the maximum amount of CZK 1,000,000 thousand at each bank. Interest income/expense is calculated from pooled balances and subsequently divided between the participants. The liabilities from cash-pooling bank loans amounted CZK 1,725,404 thousand and cash-pooling liabilities to subsidiaries in amount of CZK 252,657 thousand as at 31 December 2008 (as at 31 December 2007 CZK 0 and CZK 291,100 thousand).

30. Operating leases

The Company as a lessee

Operating lease arrangements

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

Non-cancelable operating lease commitments (in CZK thousands)

	Minimum lease payments	
	31/12/2008	31/12/2007
Not later than one year	17,237	10,300
Later than one year and not later than five years inclusive	73,924	34,000
Later than five years	92,334	--
Total	**183,495**	**44,300**

The Company leases offices under operating leases. Payments recognised as an expense amounted to CZK 16,724 thousand in 2008 and to CZK 13,151 thousand in 2007.

31. Commitments and contingencies

Contingent liabilities and commitments 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 the purpose of determining the liability of contractual parties arising from existing or future impacts of KAUČUK, a.s. operation on the environment. The share purchase agreement provides that liability for the environmental conditions originating prior to the closing of the transaction lies with the Company and liability for the environmental conditions originating after the closing of the transaction lies with Dwory. Liability of the contractual parties for the environmental conditions is limited up to 10% of the purchase price for the shares (and by 5 years).

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 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.

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.

Claims related to fines imposed by the European Commission

In November 2006, the European Commission imposed fines, among others, upon Shell, Dow, Eni, UNIPETROL, a.s. and KAUCUK, a.s. for an alleged cartel in the area of Emulsion Syrene Butadiene Rubber ("ESBR"). UNIPETROL, a.s. and KAUCUK, a.s., its subsidiary at that time, were jointly imposed a fine of EUR 17.5 million, which they paid 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, a.s. has been served with a claim for damages, which tire producers brought against the members of the ESBR cartel.

The claim for damages was filed with the High Court of Justice, Queen's Bench Division, Commercial Court in the United Kingdom. The claimants ask for damages, together with interest, to compensate for their loss suffered as a result of an alleged cartel. The amount claimed is to be assessed. The Company challenged the jurisdiction of the UK courts to deal with the claim. The Company's challenge is pending.

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, a.s., which decided to take part in the proceeding.

32. Related parties

Ultimate controlling party

During 2008 a majority of the Company's shares were in possession of POLSKI KONCERN NAFTOWY ORLEN S.A.

Transaction with non-consolidated subsidiaries, associates and other related parties during 2008 (in CZK thousands):

	31/12/2008				31/12/2007			
	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	182	10,094,601	300,047	--	--	4,288,217	270	--
Non-current assets	--	3,090,779	--	--	--	3,166,434	--	--
Current liabilities	1,228	262,530	7	--	335	306,771	370	--
Non-current liabilities	--	--	--	--	--	--	--	--
Revenues	383	371,177	160	--	8,194	271,387	230	--
Expenses	3,660	121,821	65	--	3,766	27,307	359	--
Purchases of financial assets	47,403	--	--	--	--	--	--	--
Purchases of property, plant and equipment	--	1,276	--	--	--	--	--	--
Dividend income	--	3,950,209	--	1,000	--	69,077	--	--
Interest income	--	549,728	11,354	--	--	369,977	1,860	--
Other financial income	--	3,029	--	--	--	1,475	--	--
Dividends paid	2,016,098	--	--	--	--	--	--	--

Information about key management personnel remuneration is presented in Note 8.

33. 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 2007.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in notes 27 and 29, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 23, 24 and 25 respectively.

The net debt to equity ratio at the year end was as follows (in CZK thousands):

	31/12/2008	31/12/2007
Debt (i)	4,148,740	2,495,973
Cash and cash equivalents	19,658	2,272,023
Net debt	4,129,082	223,950
Equity (ii)	23,985,545	22,760,976
Net debt to equity ratio (in %)	**17.21**	**0,98**

(i) Debt is defined as long-term and short-term borrowings, as detailed in note 27 and 29 and finance lease
(ii) Equity includes all capital and reserves of the Company

Currency risk management

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

(Data in CZK thousand)	USD	EUR
Assets	7,566	120,032
Liabilities	2,109	3,279
Gross exposure	5,457	116,753
Derivatives	--	--
Net exposure	5,457	116,753

Detailed analysis of monetary assets and liabilities are presented in following notes:
Note 17 Non-current loans to subsidiaries
Note 18 Non-current receivables from subsidiaries
Note 19 Trade and other receivables
Note 20 Current loans to subsidiaries
Note 23 Cash and cash equivalents
Note 27 Non-current loans and borrowings
Note 28 Trade and other payables and accruals
Note 29 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.

(Data in CZK thousand)	CZK/USD Impact		CZK/EUR Impact	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Profit/Equity	545	10,644	11,667	15,863

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 notes 27 and 29). 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 17 and 20) and receivables (notes 18 and 19) principally consist of amounts due from Group companies. The Company does not require collateral in respect of these financial assets. At the balance sheet date there was a significant concentrations of credit risk that is shown in notes 16 and 20. The Company's management monitors the most significant debtors and assesses their creditworthiness. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

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 (in CZK thousands)

	Total	Less then 3 months	3-12 months	More then 1 year
31/12/2008				
Non-current assets				
Loans to subsidiaries	3,006,223			3,006,223
Receivables from subsidiaries	84,556			84,556
Current assets				
Trade and other receivables	552,163	552,163		
Loans to subsidiaries	9,691,662	9,518,595	173,067	
Loans to other entities	300,031	300,031		
Cash and cash equivalents	19,658	19,658		
Total	**13,654,293**	**10,390,447**	**173,067**	**3,090,779**
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**

Contractual maturity of non-derivative financial liabilities (in CZK thousands)

	Total	Less then 3 months	3–12 months	More then 1 year
31/12/2008				
Non-current liabilities				
Loans and borrowings	2,000,000	--	--	2,000,000
Finance lease liability	86	--	--	86
Current liabilities				
Trade and other payables	194,726	194,726	--	--
Loans and borrowings	2,148,654	1,978,061	170,593	--
Total	**4,343,466**	**2,172,787**	**170,593**	**2,000,086**
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**

34. Past environmental liabilities

The Company is the recipient of funds provided by the Ministry of Finance (previously the National Property Fund) of the Czech Republic for settling environmental liabilities relating to the historic environmental damage.

An overview of funds provided for the environmental contracts (in CZK thousands):

In CZK thousand	Total amount of funds to be provided	Used funds as at 31/12/2008	Unused funds as at 31/12/2008
UNIPETROL, a.s./premises of UNIPETROL RPA, s.r.o.	6,012,000	1,992,000	4,020,000
UNIPETROL, a.s./premises of SYNTHOS, a.s.	4,244,000	11,000	4,233,000
Total	**10,256,000**	**2,003,000**	**8,253,000**

In CZK thousand	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.	6,012,000	1,850,000	4,162,000
UNIPETROL, a.s./premises of SYNTHOS, a.s.	4,244,000	11,000	4,233,000
Total	**10,256,000**	**1,861,000**	**8,395,000**

35. Significant post balance sheet events

On 13 February 2009 Mr. François Vleugels resigned from the position of Chairman of the Board and CEO of UNIPETROL a.s. The Supervisory Board of UNIPETROL, a.s. during the meeting held on 13 February 2009 subsequently elected Mr. Krzysztof Urbanowicz as a new Chairman of the Board of Directors and CEO of UNIPETROL, a.s.

During the Supervisory Board meeting on 13 February 2009 Mr. Marek Serafin resigned from the position of the Supervisory Board member and was afterwards elected a new member and vice-chairman of the Board of Directors of UNIPETROL, a.s.
Mr. Arkadiusz Kawecki was appointed a new member of the Supervisory Board.

On the Board of Directors meeting held on 18 March 2009 Mr. Arkadiusz Kotlicki resigned from the position of Member of the Board.

Signature of statutory representatives

20 March, 2009

Krzysztof Urbanowicz
Chairman of the Board of Directors

Wojciech Ostrowski
Vice-chairman of the Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

prepared in accordance with International Financial Reporting Standards as at 31 December 2008 (in thousands of Czech crowns)

	Note	31 December 2008	31 December 2007 restated
ASSETS			
Non-current assets			
Property, plant and equipment	12	36,667,494	35,802,089
Investment property	13	160,057	162,955
Intangible assets	14	1,567,691	1,689,870
Goodwill	15	51,595	51,595
Other investments	16	203,640	205,904
Non-current receivables	17	145,111	115,820
Derivative financial instruments	18	76,991	--
Deferred tax asset	19	17,399	23,924
Total non-current assets		**38,889,978**	**38,052,157**
Current assets			
Inventories	20	7,211,638	10,322,528
Trade receivables	21	10,188,530	13,010,664
Prepayments and other current assets	22	435,464	178,178
Loans granted	23	300,031	--
Derivative financial instruments	18	72,172	1,315
Income tax receivable		567,722	160,405
Cash and cash equivalents	24	952,207	3,084,285
Assets classified as held for sale	25	78,333	1,261,333
Total current assets		**19,806,097**	**28,018,708**
Total assets		**58,696,075**	**66,070,865**
EQUITY AND LIABILITIES			
Equity			
Share capital	26	18,133,476	18,133,476
Statutory reserves	27	2,173,616	2,042,971
Other reserves		35,864	16,875
Retained earnings	28	18,359,613	21,623,146
Total equity attributable to equity holders of the Company		**38,702,569**	**41,816,468**
Minority interests		**210,271**	**295,928**
Total equity		**38,912,840**	**42,112,396**
Non-current liabilities			
Loans and borrowings	29	2,084,000	2,156,000
Deferred tax liability	19	2,131,330	2,271,998
Provisions	30	357,756	422,044
Finance lease liability	31	36,356	121,531
Other non-current liabilities	32	220,089	219,317
Total non-current liabilities		**4,829,531**	**5,190,890**
Current liabilities			
Trade and other payables and accruals	33	12,614,119	16,112,509
Current portion of loans and borrowings	29	243,176	1,447,757
Short-term bank loans	34	1,749,553	804,531
Current portion of finance lease liabilities	31	92,596	116,808
Derivative financial instruments	18	--	13,712
Provisions	30	205,905	237,143
Income tax payable		48,355	35,119
Total current liabilities		**14,953,704**	**18,767,579**
Total liabilities		**19,783,235**	**23,958,469**
Total equity and liabilities		**58,696,075**	**66,070,865**

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 150 to 199.

Consolidated income statement

prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2008
(in thousands of Czech crowns)

	Note	2008	2007 restated
Revenue	4	98,143,951	88,462,174
Cost of sales	7	(93,470,658)	(78,121,286)
Gross profit		**4,673,293**	**10,340,888**
Other income		938,472	908,644
Distribution expenses	7	(2,274,478)	(2,914,419)
Administrative expenses	7	(1,662,195)	(1,926,301)
Other expenses	7	(672,473)	(1,596,765)
Operating profit before finance costs	**7**	**1,002,619**	**4,812,047**
Finance income	8	222,823	261,023
Finance expenses	8	(1,204,305)	(3,156,943)
Net finance costs		**(981,482)**	**(2,895,920)**
Profit before tax		**21,137**	**1,916,127**
Income tax credit/(expense)	10	44,554	(649,821)
Profit for the period		**65,691**	**1,266,306**
Attributable to:			
Equity holders of the Company		64,530	1,210,010
Minority interest		1,161	56,296
Profit for the period		**65,691**	**1,266,306**
Basic and diluted earnings per share (in CZK)	**11**	**0.36**	**6.67**

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 150 to 199.

Consolidated statement of changes in equity

prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2008
(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	5				1,221,140	1,221,140	56,296	1,277,436
Allocation of profit to reserves	27		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	15						(344,684)	(344,684)
Foreign operations translation gain	39			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**
Effect of restatements	3				(25,673)	(25,673)		(25,673)
Balance as at 1 January 2008		**18,133,476**	**2,042,971**	**16,875**	**21,623,146**	**41,816,468**	**295,928**	**42,112,396**
Profit for the period	5				64,530	64,530	1,161	65,691
Allocation of profit to reserves	27		133,377		(133,377)			
Dividends	28				(3,200,559)	(3,200,559)		(3,200,559)
Foreign operations translation gain	39			18,989		18,989		18,989
Aquisition of 3.75% shares of PARAMO, a.s.	15						(86,822)	(86,822)
Other			(2,732)		5,873	3,141	4	3,145
Balance as at 31 December 2008		**18,133,476**	**2,173,616**	**35,864**	**18,359,613**	**38,702,569**	**210,271**	**38,912,840**

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 150 to 199.

Consolidated statements of cash flows

prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2008
(in thousands of Czech crowns)

	2008	2007 restated
Cash flows from operating activities:		
Profit for the period	65,691	1,266,306
Adjustments for:		
Depreciation and amortisation of the property, plant and equipment and intangible assets	3,477,884	3,485,605
Gain on disposals of property, plant and equipment and intangible assets	(194,403)	(225,185)
(Gain)/loss on disposals of subsidiaries	(252)	61,511
Interest expense	195,214	253,269
Dividends income	(13 587)	(11,395)
(Reversal of) impairment losses on financial investments, property, inventory, receivables	312,084	9,476
Other non cash transaction	(147,954)	(42,387)
Income tax expense (gain)	(44,554)	960,448
Foreign exchange gains	(5,757)	(49,097)
Impairment losses on assets classified as held for sale	--	2,470,948
Operating profit before working capital changes	**3,644,366**	**8,179,499**
Change in trade and other receivables, prepayments and other current assets	5,745,409	(2,911,660)
Change in trade and other accounts payable and accruals	(4,242,542)	792,892
Change in provisions	(98,685)	(15,502)
Interest paid	(366,954)	(633,849)
Income tax paid	(468,531)	(1,388,242)
Net cash provided by operating activities	**4,213,063**	**4,023,138**
Cash flows from investing activities:		
Acquisition of property, plant and equipment and intangible assets	(4,170,338)	(5,463,835)
Acquisition of additional shareholding in subsidiary	(47,403)	(334,848)
Decrease of cash relating to disposal of subsidiaries	--	(1,298,725)
Change of loans provided	(290,876)	--
Proceed from disposals of property, plant and equipment and intangible assets	164,104	278,646
Proceed from disposals of subsidiaries	252	5,513,625
Proceed from disposals Aliachem and Agrobohemie	1,183,000	--
Dividends received	13,587	--
Net cash used in investing activities	**(3,147,674)**	**(1,305,137)**
Cash flows from financing activities:		
Change in short-term bank loans	(1,186,622)	(2,221,503)
Change in non-current loans and borrowings	1,141,184	(2,357,829)
Dividends paid	(3,152,029)	--
Net cash used in financing activities	**(3,197,467)**	**(4,579,332)**
Net change in cash and cash equivalents	**(2,132,078)**	**(1,861,331)**
Cash and cash equivalents at the beginning of the year	**3,084,285**	**4,945,616**
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	**3 084 285**	**4,329,852**
Cash and cash equivalents at the end of the year in the balance sheet	**952,207**	**3,084,285**

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 150 to 199.

Notes to the consolidated financial statements

prepared in accordance with International Financial Reporting Standards
Year ended 31 December 2008 (in thousands of CZK)

Contents

1. Description of the parent company and structure of the consolidated group

Establishment of the parent company

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

Registered office of the Company

UNIPETROL, a.s.
Na Pankráci 127
140 00 Prague 4
Czech Republic

Principal activities

The Company operates as a holding company covering and administering a group of companies (hereinafter the “Group”). The principal businesses of the Group include oil and petroleum products processing, production of commodity chemicals, semi-finished industrial fertilizers and polymer materials, mineral lubricants, plastic lubricants, paraffins, oils and petroleum jellies. Furthermore, the Group is engaged in the distribution of fuels and operation of gas stations.

In addition to these principal activities, the Group is engaged in other activities that are necessary to support the principal activities, such as production, distribution and sale of heat and electricity, operation of railway tracks and railway transportation, leasing services, advisory services relating to research and development, environmental protection, software and hardware advisory services, databank and network administration services, apartment rental services and other services.

Ownership structure

The shareholders as at 31 December 2008 are as follows:

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

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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 2008).

Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries
Parent company		
UNIPETROL, a.s. Na Pankráci 127 140 00 Prague 4 Czech Republic		
Consolidated subsidiaries		
BENZINA s.r.o. Na Pankráci 127 140 00 Prague 4 Czech Republic	100.00%	--
PARAMO, a.s. Přerovská 560 530 06 Pardubice Czech Republic	91.77%	--
UNIPETROL TRADE a.s. Na Pankráci 127 140 00 Prague 4 Czech Republic	100.00%	--
UNIPETROL RPA, s.r.o. Litvínov-Záluží 436 70 Litvínov Czech Republic	100.00%	--
UNIPETROL SERVICES, s.r.o. Záluží 1 436 70 Litvínov Czech Republic	100.00%	--
UNIPETROL DOPRAVA s.r.o. Litvínov-Růžodol č.p. 4 436 70 Litvínov Czech Republic	0.12%	99,88%
CHEMAPOL (SCHWEIZ) AG Leimenstrasse 21 4003 Basel Switzerland	--	100,00%
UNIPETROL DEUTSCHLAND GmbH Paul Ehrlich Str. 1/B 63225 Langen/Hessen Germany	--	100.00%*
PETROTRANS, s.r.o. Střelničná 2221 182 00 Prague 8 Czech Republic	0.63%	99.37%
UNIRAF Slovensko s.r.o. Panónská cesta 7 850 00 Bratislava Slovak republic	13.04%	86.96%

* Note Section Merger between companies in UNIPETROL TRADE Group

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. Záluží 2 436 70 Litvínov Czech Republic	51.225%	--
BUTADIEN KRALUPY a.s. O. Wichterleho 810 278 01 Kralupy nad Vltavou Czech Republic	51.00%	--

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

Changes in structure of the Group

During 2008 the companies UNIPETROL CHEMICALS IBERICA S.A. and UNIPETROL AUSTRIA HmbH were put under liquidation due to restructuring process of UNIPETROL TRADE Group. The liquidation of UNIPETROL CHEMICALS IBERICA S.A. was finished as at 31 December 2008.

POLYMER INSTITUTE BRNO, spol. s r.o. and HC Litvínov, a.s. which do not constitute significant component of the Group were excluded from the structure of consolidation group starting from 1 January 2008. The opening balances were restated (see Note 3) and the Group shares in these companies are presented under Other financial investments.

Purchase of shares of PARAMO, a.s.

On 29 August 2008 UNIPETROL, a.s. and Polski Koncern Naftowy ORLEN Spółka Akcyjna (PKN ORLEN) executed the Share Purchase Agreement, pursuant to which UNIPETROL, a.s., as purchaser, acquired from PKN ORLEN, as seller, 49,660 shares of PARAMO, a.s., which represent in aggregate 3.73 per cent of the registered share capital and voting rights in PARAMO, a.s. The aggregate purchase price amounted to CZK 47,400,470. The transfer of the shares from PKN ORLEN was effected on 5 September 2008.

UNIPETROL, a.s. as the owner of shares in PARAMO, a.s. representing 91.77% share in the registered capital and voting rights of PARAMO, a.s., intends to squeeze out the other shares of PARAMO, a.s. within the meaning of Sections 183i et seq. of the Commercial Code and become the sole shareholder of PARAMO, a.s., under condition that UNIPETROL, a.s. will provide to the other shareholders of PARAMO, a.s., upon fulfilment of all conditions prescribed by applicable law, the monetary consideration in the amount of CZK 977 per one share of PARAMO, a.s., being equal in aggregate for all squeezed out shares to CZK 106,965,868.

The amount of the consideration was determined on the basis of an appraisal report prepared by American Appraisal s.r.o. The intention to implement the squeeze-out under the above specified conditions has been approved by the Supervisory Board and the Board of Directors of UNIPETROL, a.s. The implementation was subject, in particular, to granting a prior approval by the Czech National Bank with evidence of consideration amount and adoption of a resolution by the Extraordinary General Meeting of PARAMO, a.s. on transfer of all other shares of PARAMO, a.s. to UNIPETROL, a.s.

On 28 November 2008 a decision of the Czech National Bank granting approval with the evidence of the monetary consideration became effective.

On 6 January 2009 the Extraordinary General Meeting of PARAMO, a.s., decided on the transfer of all other shares of PARAMO, a.s. to UNIPETROL, a.s., provided that upon fulfilment of all conditions prescribed by applicable law UNIPETROL, a.s. will provide to the other shareholders of PARAMO, a.s. and/or pledges, the monetary consideration in the amount of CZK 977 per one share of PARAMO, a.s.

Following the resolution of the Extraordinary General Meeting of PARAMO, a.s., of 6 January 2009 regarding the transfer of all other shares of PARAMO, a.s. to UNIPETROL, a.s. on 4 February 2009 the registration of the above resolution of the Extraordinary General Meeting of PARAMO, a.s. in the Czech Commercial Registry was published. Pursuant to the Czech Commercial Code, the ownership title to shares of the other shareholders of PARAMO, a.s. passed to UNIPETROL, a.s. on 4 March 2009 upon expiration of one month from the publication. In connection with the above squeeze-out of shares in PARAMO, a.s., some of the shareholders of PARAMO, a.s. filed a petition with the Regional Court in Hradec Králové for review of reasonableness of consideration within the meaning of the Czech Commercial Code. With respect to the above described facts regarding determination of consideration value, Czech National Bank decision and approval of the Extraordinary General Meeting of PARAMO, a.s., UNIPETROL, a.s. considers the petition for review of reasonableness of consideration unfounded.

Mergers between companies in UNIPETROL TRADE Group

During 2008 UNIPETROL DEUTSCHLAND GmbH, ALIACHEM VERWALTUNGS GmbH and ALIAPHARM GmbH were merged. UNIPETROL DEUTSCHLAND GmbH is a successor of wound up ALIACHEM VERWALTUNGS GmbH and ALIAPHARM GmbH.

During 2008 UNIPETROL TRADE a.s. and UNIPETROL France S.A. were merged. The UNIPETROL TRADE a.s. is the legal successor.

Liquidation of BENZINA Trade a.s. (in liquidation)

During 2008 the liquidation of BENZINA Trade a.s. was completed.

2. Significant accounting policies

A Statement of compliance

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but which the Group has not early adopted. Relevant items are as follows:

- Revised IAS 1 Presentation of Financial Statements (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those resulting from transactions with owners. Revised IAS 1, which becomes mandatory for the Group's 2009 financial statements, is expected to have an impact on the presentation of the consolidated financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2009 consolidated financial statements.
- Revised IAS 23 Borrowing Costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires the capitalization of borrowing costs that relate to qualifying assets. The Group will apply revised IAS 23 to qualifying assets from which capitalisation of borrowing costs commences on or after 1 January 2009 in relation to all borrowings. Therefore, there will be no impact on prior periods in the Group's 2009 consolidated financial statements.
- Revised IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 July 2009). As the revised Standard should not be applied to business combinations prior to the date of adoption, it is expected to have no impact on the financial statements with respect to business combinations that occur before the date of its adoption.
- IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009) introduces the "management approach" to segment reporting and requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. The Standard will have no effect on the profit or loss or equity. The Group expects the new Standard will not significantly alter the presentation and disclosure of its operating segments in the consolidated financial statements.
- IFRIC 13 Customer Loyalty Programmes – effective for annual periods beginning on or after 1 July 2008
- IFRIC 15 Agreements for the Construction of Real Estate – effective for annual periods beginning on or after 1 January 2009
- IFRIC 17 Distributions of Non-cash Assets to Owners – effective for annual periods beginning on or after 1 July 2009
- IFRIC 18 Transfers of Assets from Customers – for annual periods beginning on or after 1 July 2009

Acceptance of IFRIC 15, IFRIC 17 and IFRIC 18 by the European Union is pending.

According to a preliminary assessment, the application of IFRIC 13, IFRIC 15, IFRIC 17 and IFRIC 18 after their acceptance by European Commission 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 2008 comprise the Company and its subsidiaries (together referred as the "Group") and the Group's interest in equity accounted investments 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 and 14 - intangibles assets 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 policies

(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.

(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.

Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. However, when a decline in the price of materials indicates that the cost of the finished products exceeds net realisable value, the materials are written down to net realisable value.

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 share capital.

(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

Changes in structure of the Group

POLYMER INSTITUTE BRNO, spol. s r.o. and HC Litvínov, a.s. which do not constitute significant component of the Group were excluded from the consolidation starting from 1 January 2008. The 2007 figures presented in the consolidated financial statements were restated to reflect the change.

The following table summarizes the impact of the change on the balance sheet as at 31 December 2007 (in CZK thousands):

	31/12/2007 s previously stated	Change of the Group	31/12/2007 restated
Property, plant and equipment	35,856,892	(54,803)	35,802,089
Investment property	162,955		162,955
Intangible assets	1,690,412	(542)	1,689,870
Goodwill	51,595		51,595
Other investments	73,916	131,988	205,904
Non-current receivables	152,220	(36,400)	115,820
Deferred tax asset	23,924		23,924
Inventories	10,361,090	(38,562)	10,322,528
Trade and other receivables	13,057,937	(47,273)	13,010,664
Prepayments and other current assets	179,359	(1,181)	178,178
Derivative financial instruments	1,315		1,315
Income tax receivable	160,320	85	160,405
Cash and cash equivalents	3,106,496	(22,211)	3,084,285
Assets classified as held for sale	1,261,333		1,261,333
Total assets	**66,139,764**	**(68,899)**	**66,070,865**
Share capital	18,133,476		18,133,476
Statutory reserves	2,042,971		2,042,971
Other reserves	16,875		16,875
Retained earnings	21,648,819	(25,673)	21,623,146
Minority interests	295,928		295,928
Loans and borrowings	2,156,000		2,156,000
Deferred tax liability	2,272,437	(439)	2,271,998
Provisions	422,044		422,044
Finance lease liability	121,531		121,531
Other non-current liabilities	219,317		219,317
Trade and other payables and accruals	16,155,298	(42,789)	16,112,509
Current portion of loans and borrowings	1,447,757		1,447,757
Short-term bank loans	804,531		804,531
Current portion of finance lease liabilities	116,808		116,808
Derivative financial instruments	13,712		13,712
Provisions	237,143		237,143
Income tax payable	35,117	2	35,119
Total equity and liabilities	**66,139,764**	**(68,899)**	**66,070,865**

The following table summarizes the impact of the change on the income statement for the year ended 31 December 2007 (in CZK thousands):

	2007 as previously stated	Change of the Group	Change in presentation of impairment of inventory	Change in presentation of F/X differences	2007 as restated
Revenue	88,778,515	(316,341)			88,462,174
Cost of sales	(78,434,199)	245,952	66,961		(78,121,286)
Gross profit	10,344,316	(70,389)	66,961		10,340,888
Other income	1,178,572	(15,918)	(254,010)		908,644
Distribution expenses	(2,914,419)				(2,914,419)
Administrative expenses	(1,994,885)	68,584			(1,926,301)
Other expenses	(1,788,032)	4,218	187,049		(1,596,765)
Operating profit before finance costs	**4,825,552**	**(13,505)**			**4,812,047**
Finance income	564,942	(586)		(303,333)	261,023
Finance expenses	(3,460,706)	430		303,333	(3,156,943)
Net finance costs	**(2,895,764)**	**(156)**			**(2,895,920)**
Profit before tax	**1,929,788**	**(13,661)**			**1,916,127**
Income tax expense	(652,352)	2,531			(649,821)
Profit for the period	**1,277,436**	**(11,130)**			**1,266,306**

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 2007 figures presented in the consolidated financial statements were restated to comply with the new classifications. The Group has changed the presentation of write down of materials and reversal of write down of materials from Other operating expense and Other operating income respectively to Cost of sales. The Group also changed the presentation of foreign exchange gains and losses. Foreign exchange gains and losses are now presented in net amount.

4. Revenue

An analysis of the Group's revenue is as follows (in CZK thousands):

	31/12/2008	31/12/2007
Gross revenue from sale of own products and merchandise		
Total gross proceeds	122,960,378	110,037,194
Less: Excise tax	(30,553,495)	(26,319,451)
Net revenue from sale of own products and merchandise	**92,406,883**	**83,717,743**
Revenue from services	5,737,068	4,744,431
Total revenue	**98,143,951**	**88,462,174**

5. Business segments (in CZK thousands)

Year ended 31/12/2008	Refinery production	Retail	Petrochemical production	Other	Eliminations	Consolidated
Revenues						
Total external revenues	53,678,530	9,692,564	33,494,926	1,277,930	--	98,143,951
Inter segment revenues	18,911,586	311,345	1,392,672	1,216,883	(21,832,486)	--
Total segment revenue	72,590,116	10,003,909	34,887,598	2,494,813	(21,832,485)	98,143,951
Result from operating activities	**13,250**	**454,939**	**358,760**	**175,670**	**--**	**1,002,619**
Net finance costs						(981,482)
Profit before tax						**21,137**
Income tax expense						44,554
Profit for the period						**65,691**

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Year ended 31/12/2007 (in CZK thousands)	Refinery production	Retail	Petrochemical production	Other	Eliminations	Consolidated
Revenues						
Total external revenues	42,344,938	8,624,430	36,763,323	729,483	--	88,462,174
Inter segment revenues	27,112,183	193,244	3,946,491	921,322	(32,173,240)	--
Total segment revenue	69,457,121	8,817,674	40,709,814	1,650,805	(32,173,240)	88,462,174
Result from operating activities	**946,722**	**523,965**	**3,347,529**	**(441,657)**	**448,993**	**4,812,047**
Net finance costs						(2,895,920)
Profit before tax						**1,916,127**
Income tax expense						(649,821)
Profit for the period						**1,266,306**

Balance sheet 31/12/2008 (in CZK thousands)	Refinery production	Retail	Petrochemical production	Other	Consolidated
Segment assets	22,374,347	6,561,003	26,120,635	2,435,864	57,491,849
Unallocated corporate assets					1,204,226
Total assets					**58,696,075**
Segment liabilities	4,249,898	584,094	8,074,908	617,920	13,526,820
Unallocated corporate liabilities					6,256,415
Total liabilities					**19,783,235**

Balance sheet 31/12/2007 (in CZK thousands)	Refinery production	Retail	Petrochemical production	Other	Consolidated
Segment assets	25,497,664	6,714,204	24,815,044	4,338,965	61,365,877
Unallocated corporate assets					4,704,988
Total assets					**66,070,865**
Segment liabilities	13,180,079	530,189	2,615,898	3,034,984	19,361,150
Unallocated corporate liabilities					4,597,319
Total liabilities					**23,958,469**

Other information 2008 (in CZK thousands)	Refinery production	Retail	Petrochemical production	Other	Consolidated
Depreciation and amortisation	(1,044,653)	(319,120)	(1,903,641)	(210,470)	(3,477,884)
Impairment losses on intangible assets and PPE	11,318	53,214	20,094	(3,282)	81,344

Other information 2007 (in CZK thousands)	Refinery production	Retail	Petrochemical production	Other	Consolidated
Depreciation and amortisation	(868,615)	(321,539)	(2,137,824)	(157,627)	(3,485,605)
Impairment losses on intangible assets and PPE	15,588	39,452	(885,943)	955	(829,948)

6. Geographical segments

Secondary reporting format – geographical segments (in CZK thousands)

	Revenues		Total assets		Additions to non-current assets	
	2008	2007	2008	2007	2008	2007
Czech Republic	70,346,880	57,536,339	57,686,787	64,379,621	4,369,931	5,422,489
Other European Union countries	26,194,821	29,520,011	1,009,288	1,590,998	--	386
Other countries	1,602,250	1,405,824	--	100,246	32	162
Total	**98,143,951**	**88,462,174**	**58,696,075**	**66,070,865**	**4,369,963**	**5,423,037**

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 (in CZK thousands).

2008	Cost of sales	Distribution costs	Administrative expenses	Other operating income / (expenses)	Total
Materials and energy consumed	(81,820,408)	(189,252)	(55,113)	--	(82,064,773)
Repairs and maintenance	(1,661,755)	(35,830)	(12,402)	--	(1,709,987)
Other services	(4,119,186)	(1,408,254)	(575,346)	--	(6,102,786)
Personnel expenses	(1,764,342)	(208,799)	(733,605)	--	(2,706,746)
Depreciation					
– owned assets	(2,692,634)	(379,995)	(67,788)	--	(3,140,417)
– leased assets	(89,897)	(31,409)	--	--	(121,306)
Amortization					
– software	(23,901)	(3,693)	(11,208)	--	(38,802)
– other intangible assets	(145,560)	(2,031)	(29,768)	--	(177,359)
Impairment of long term assets	--	--	--	81,344	81,344
Inventory write-down recognised/(released)	(352,630)	--	--	--	(352,630)
Impairment to receivables recognised/(released)	108,650	--	--	254,629	363,279
Research expenditures	(11,649)	(9,900)	--	--	(21,549)
Investment property expense	--	--	--	(1,224)	(1,224)
Operating lease rentals	(454,929)	(1,409)	(20,745)	--	(477,083)
Profit/(loss) on disposal of PPE	--	--	--	99,925	99,925
Net release of provisions	11,649	--	--	78,613	90,262
Insurance	(110,418)	(2,959)	(73,887)	(40,298)	(227,562)
Other expenses	(343,648)	(947)	(82,333)	(353,999)	(780,927)
Other income	--	--	--	147,009	147,009
Total operating expenses	**(93,470,658)**	**(2,274,478)**	**(1,662,195)**	**265,999**	**(97,141,332)**
Revenue					**98,143,951**
Operating profit before financing costs					**1,002,619**

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2007	Cost of sales	Distribution costs	Administrative expenses	Other operating income / (expenses)	Total
Materials and energy consumed	(68,262,741)	(175,919)	(55,288)	--	(68,493,948)
Repairs and maintenance	(1,654,995)	(38,751)	(16,339)	--	(1,710,085)
Other services	(2,688,260)	(1,911,420)	(915,024)	--	(5,514,704)
Personnel expenses	(1,904,277)	(344,362)	(652,120)	--	(2,900,759)
Depreciation					
– owned assets	(2,524,731)	(373,481)	(51,955)	--	(2,950,167)
– 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 long term assets	--	--	--	(782,449)	(782,449)
Inventory write-down recognised/released	66,961	--	--	--	66,961
Impairment to receivables recognised/released	--	--	--	170,647	170,647
Research expenditures	(23,631)	--	--	--	(23,631)
Investment property expense	(1,190)	--	--	--	(1,190)
Operating lease rentals	(469,926)	(2,030)	(43,614)	--	(515,570)
Profit/Loss on disposal of PPE	--	--	--	83,387	83,387
Net addition to provisions	--	--	--	(4,897)	(4,897)
Insurance	(129,781)	(3,496)	(61,798)	(76,700)	(271,775)
Other expenses	(85,751)	(16,583)	(103,743)	(251,383)	(457,460)
Other income	16,425	--	1,252	173,274	190,951
Total operating expenses	**(78,121,286)**	**(2,914,419)**	**(1,926,301)**	**(688,121)**	**(83,650,127)**
Revenue					**88,462,174**
Operating profit before financing costs					**4,812,047**

8. Finance income and finance expenses (in CZK thousands)

	2008	2007
Finance income		
Interest income:		
– bank deposits	137,183	190,102
– other loans and receivables	22,377	1,784
Dividend income	13,587	3,475
Revaluation of investments	13,697	6,389
Profit from sale of investments	--	441
Other finance income	35,979	58,832
Total finance income	**222,823**	**261,023**
Finance expenses		
Interest expense:		
– bank overdrafts, loans and borrowings	(336,176)	(431,667)
– finance leases	(4,704)	(12,734)
– other	(28,429)	(13,513)
Total borrowing costs	(369,309)	(457,914)
Less: amounts included in the cost of qualifying assets	--	11,861
Borrowing costs recognized in the income statement	**(369,309)**	**(446,053)**
Foreign exchange losses	(385,627)	(12,961)
Revaluation of investments	--	(2,472,130)
Loss arising on derivatives in a designated fair value hedge accounting relationship	(366,396)	--
Loss from sale of investments	(6,022)	(76,672)
Other finance expenses	(76,951)	(149,127)
Total finance expenses	**(1,204,305)**	**(3,156,943)**
Net finance costs	**(981,482)**	**(2,895,920)**

9. Personnel expenses

The number of employees and managers and their remuneration for 2008 and 2007 are as follows (in CZK thousands):

2008	Number of employees average per year FTE*	Number of employees as at balance sheet day	Wages and salaries	Social and health insurance	Social expense	Part of expenses related to benefit plans included in Wales and salaries
Employees	4,332	4,228	1,794,973	597,099	45,159	35,346
Management	92	97	218,502	30,196	3,036	1,176
Total	**4,424**	**4,325**	**2,013,475**	**627,295**	**48,195**	**36,522**

2007	Number of employees average per year FTE*	Number of employees as at balance sheet day	Wages and salaries	Social and health insurance	Social expense	Part of expenses related to benefit plans included in Wales and salaries
Employees	4,847	4,389	1,895,249	636,942	42,602	26,353
Management	109	100	239,405	65,125	2,268	1,481
Total	**4,956****	**4,489**	**2,134,654**	**702,067**	**44,870**	**27,834**

* FTE – full time equivalent
** including 480 employees of SYNTHOS, a.s.

In 2008 the remuneration of members of the board of directors was CZK 9,826 thousand (CZK 10,563 thousand in 2007). The remuneration of members of the supervisory board was CZK 7,955 thousand (CZK 8,605 thousand in 2007).

10. Income tax expense (in CZK thousands)

	2008	2007
Current tax – Czech Republic	(77,425)	(915,820)
Current tax – other countries	(12,143)	(44,344)
Deferred tax	134,122	310,343
Income tax expense	**44,554**	**(649,821)**

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 and forward (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 (in CZK thousands):

	2008	2007
Profit for the period	65,691	1,266,306
Total income tax expense	(44,554)	649,821
Profit excluding income tax	21,137	1,916,127
Income tax using domestic income tax rate	4,439	459,870
Effect of tax rates in foreign jurisdictions	10,087	(38,982)
Non-deductible expenses	57,068	435,937
Tax exempt income	(52,930)	(120,262)
Tax incentives	--	(24,298)
Recognition of previously unrecognised tax losses	(33,486)	(68,612)
Current year losses for which no deferred tax asset was recognised	--	(13,559)
Change in unrecognised temporary differences	(36,066)	24,911
Tax penalties	(7,229)	--
Under (over) provided in prior periods	15,070	8,327
Other differences	(1,507)	(13,511)
Total income tax expense	**(44,554)**	**649,821**

11. Earnings per share

Basic earnings per share (in CZK thousands)

	2008	2007
Profit for the period attributable to equity holders (in CZK '000)	64,530	1,210,010
Weighted average number of shares	181,334,764	181,334,764
Earnings per share (in CZK)	**0.36**	**6.67**

Diluted earnings per share

Diluted earnings per share are the same as basic earnings per share.

12. Property, plant and equipment (in CZK thousands)

	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	245,990	1,684,483	5,204,088
Disposals	(102,264)	(738,082)	(123,377)	(286,462)	(1,250,185)
Reclassifications	(11,465)	89,570	280,379	(88,836)	269,648
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**
Effect of restatement	(56,441)	(186,694)	(1,155)	(84)	(244,374)
Balance as at 31/12/2007 after restatement	**23,175,238**	**35,960,963**	**602,483**	**3,259,827**	**62,998,511**
Additions	76,892	223,860	108,323	3,770,019	4,179,094
Disposals	(198,122)	(484,757)	(131,278)	--	(814,157)
Transfer	705,346	2,053,497	--	(2,758,843)	--
Other	(3,558)	(50,288)	93,341	(93,693)	(54,198)
Balance as at 31/12/2008	**23,755,796**	**37,703,275**	**672,869**	**4,177,310**	**66,309,250**
Depreciation					
Balance as at 01/01/2007	**6,851,520**	**17,536,961**	**95,267**	**--**	**24,483,748**
Charge for the year	605,387	2,332,531	107,613	--	3,045,531
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	1,823	15,151	671	--	17,645
Balance as at 31/12/2007	**7,251,143**	**19,231,915**	**359,429**	**--**	**26,842,487**
Effect of restatement	(30,140)	(159,431)	--	--	(189,571)
Balance as at 31/12/2007 after restatement	**7,221,003**	**19,072,484**	**359,429**	**--**	**26,652,916**
Charge for the year	607,450	2,488,248	166,024	--	3,261,722
Disposals	(91,557)	(453,320)	(124,466)	--	(669,343)
Other	30,966	26,995	(5,324)	--	52,637
Balance as at 31/12/2008	**7,767,862**	**21,134,407**	**395,663**	**--**	**29,297,932**
Impairment					
Balance as at 01/01/2007	**350,147**	**276,788**	**--**	**24,681**	**651,616**
Impairment losses	86,312	78,549	--	--	164,861
Reversal of impairment losses	(112,265)	(141,506)	--	(19,200)	(272,971)
Balance as at 31/12/2007	**324,194**	**213,831**	**--**	**5,481**	**543,506**
Balance as at 31/12/2007 after restatement	**324,194**	**213,831**	**--**	**5,481**	**543,503**
Impairment losses	17,904	5,566	(662)	--	22,809
Reversal of impairment losses	(103,055)	(116,477)	662	(3,620)	(222,489)
Balance as at 31/12/2008	**239,043**	**102,920**	**--**	**1,861**	**343,823**
Carrying amount as at 31/12/2007	**15,656,343**	**16,701,911**	**244,209**	**3,254,430**	**35,856,892**
Effect of restatement	(26,301)	(27,263)	(1,155)	(84)	(54,803)
Balance as at 31/12/2007 after restatement	**15,630,041**	**16,674,648**	**243,054**	**3,254,346**	**35,802,089**
Carrying amount as at 31/12/2008	**15,748,891**	**16,465,948**	**277,206**	**4,175,449**	**36,667,494**

The carrying amount of property, plant and equipment includes production technologies of CZK 435,306 thousand (CZK 564,768 thousand as of 31 December 2007) and vehicles of CZK 264,393 thousand (CZK 320,886 thousand as of 31 December 2007) held under finance leases as of 31 December 2008.

The Group did not capitalize any borrowing costs in the year ended 31 December 2008. The total capitalised borrowing costs in 2007 amounted to CZK 11,861 thousand.

As at 31 December 2008 there were performed analysis in the Group to verify whether any indications of impairment of tangible and intangible assets existed. On the basis of the analysis performed the management believes that as at 31 December 2008 there were no such indications. Impairments disclosed in Note 12 and Note 14 were recognised for particular assets with carrying amounts exceeding their recoverable amounts.

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 (in CZK thousands).

Bank – lender	Asset pledged	Acquisition cost of pledged assets	Outstanding amount of loan secured
ČSOB	Buildings	546,602	156,583
Total as of 31/12/2008		**546,602**	**156,583**

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**

13. Investment property

Investment property as at 31 December 2008 comprised the land owned by the Group and leased to third parties. The changes recorded during the year ended 31 December 2008 are presented in the following table (in CZK thousands):

	Balance as at 31/12/2007	Additions	Transfer to Property, plant and equipment	Transfer from Property, plant and equipment	Balance as at 31/12/.2008
Land	162,955	1,869	(5,349)	582	160,057

Rental income amounted to CZK 25,230 thousand in 2008 (in 2007: CZK 16,685 thousand). Operating costs relating to investment property amounted to CZK 1,224 thousand (2007: CZK 1,190 thousand). Future rental income is as follows (in CZK thousands):

	Less than one year	Between one and five years
Total future rental income	19,368	77,472

14. Intangible assets (in CZK thousands)

	Software	Other intangible assets	Assets under development	Total
Cost				
Balance as at 01/01/2007	**758,105**	**2,125,688**	**33,633**	**2,917,426**
Additions	38,181	180,768	--	218,949
Disposals	(40,197)	(1,261)	(35,011)	(76,469)
Reclassifications	18,666	24,569	1,225	44,460
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**
Effect of restatement	(5,947)	(10,390)	--	(16,337)
Balance as at 31/12/2007 after restatement	**753,696**	**2,312,193**	**--**	**3,065,889**
Additions	46,099	108,909	35,861	190,869
Disposals	(951)	(53,980)	--	(54,931)
Other	(1,763)	(18,614)	--	(20,377)
Balance as at 31/12/2008	**797,080**	**2,348,508**	**35,861**	**3,181,449**
Amortization				
Balance as at 01/01/2007	**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**
Effect of restatement	(5,405)	(10,390)	--	(15,795)
Balance as at 31/12/2007 after restatement	**675,579**	**700,367**	**--**	**1,375,946**
Charge for the year	38,803	177,359	--	216,162
Disposals	(1,176)	(47,805)	--	(48,981)
Other	4,090	65,935	--	70,025
Balance as at 31/12/2008	**717,296**	**895,856**	**--**	**1,613,152**
Impairment				
Balance as at 01/01/2007	**--**	**153**	**3,500**	**3,653**
Reversal of impairment losses	--	(80)	(3,500)	(3,580)
Balance as at 31/12/2007	**--**	**73**	**--**	**73**
Balance as at 31/12/2007 after restatement	**--**	**73**	**--**	**73**
Impairment losses	--	544	--	544
Reversal of impairment losses	--	(11)	--	(11)
Balance as at 31/12/2008	**--**	**606**	**--**	**606**
Carrying amount as at 31/12/2007	**78,659**	**1,611,753**	**--**	**1,690,412**
Effect of restatement	(542)	--	--	(542)
Balance as at 31/12/2007 after restatement	**78,117**	**1,611,753**	**--**	**1,689,870**
Carrying amount as at 31/12/2008	**79,784**	**1,452,046**	**35,861**	**1,567,691**

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 31 December 2008 (CZK 1,610,477 thousand as of 31 December 2007) and Unicracking process licence in acquisition cost of CZK 11,558 thousand as of 31 December 2008.

15. Goodwill

The goodwill presented by the Group amounted to CZK 51,595 thousand as at 31 December 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.

Purchase of shares of PARAMO, a.s.

On 5 September 2008 the purchase of 3.73% shares of PARAMO a.s. was completed. The negative goodwill amounting to CZK 39,422 thousand was recognised in other operating income.

The share of 3.73% 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 (in CZK thousands):

	Carrying value	Fair value recognized on acquisition
Non-current assets	74,378	74,378
Current assets	130,687	130,687
Total assets	**205,065**	**205,065**
Non-current liabilities	5,930	5,930
Current liabilities	112,313	112,313
Total liabilities	**118,243**	**118,243**
Net assets	**86,822**	**86,822**
Consideration, covered by cash		47,400
Negative goodwill on acquisition		**39,422**
Cash outflow on acquisition:		
Net cash acquired	973	
Cash paid	47,400	
Net cash outflow	**46,427**	

16. Other investments

The Group has equity investments amounting to CZK 203,640 thousand as at 31 December 2008 (CZK 205,904 thousand as at 31 December 2007), which represent ownership interests in companies that do not have quoted market price and whose fair value cannot be reliably measured and therefore are carried at acquisition cost.

17. Non-current receivables

The Group has provided a loan to ČESKÁ RAFINÉRSKÁ, a.s. in the amount of CZK 237,429 thousand (31 December 2007: CZK 237,457 thousand) for reconstruction of production unit. Part of this receivable in amount of CZK 121,623 thousand was eliminated as an intergroup transaction. The loan is due in 2016 and bears interest of 1M PRIBOR increased by mark up. The Group also presents non-current receivables from cash guarantees from operators of fuel stations in amount of CZK 29,305 thousand.

Due date	Due within 1-3 year	Due 3-5 years	Due within more than 5 years	Total
31/12/2008	49,347	41,950	53,814	145,111
31/12/2007	30,567	30,567	54,686	115,820

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

18. Derivative financial instruments

Transactions with derivative financial instruments are subject to risk management procedures. 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.

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.

The Group monitors the emission allowances granted to the Group under National Allocation Plan and CO2 emissions planned. The Group enters into transactions on emission allowances market in order to cover for shortages or utilize the excess of obtained emission allowances over the required amount.

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

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 (in CZK thousands)

	Settlement date	Contract principal amount		Fair value of derivatives	
		31/12/2008	31/12/2007	31/12/2008	31/12/2007
Derivatives held for trading					
Emission Allowances Swaps EUA/CER	1.12.2009	4,386 T EUR	--	67,378	--
Emission Allowances Swaps EUA/CER	1.12.2010	4,732 T EUR	--	76,991	--
Emission Allowances Swaps EUA/CER	14.12.2009	180 T EUR	--	1,441	--
Emission Allowances Swaps EUA/CER	14.12.2009	187 T EUR	--	1,643	--
Emission Allowances Swaps EUA/CER	14.12.2009	190 T EUR	--	1,710	--
Commodity Swap	8.1.2008	--	73 T USD	--	1,315
Total financial derivatives – assets			**149,163**	**1,315**	**1,315**

Derivative financial instruments – liabilities (in CZK thousands)

	Settlement date	Contract principal amount		Fair value of derivatives	
		31/12/2008	31/12/2007	31/12/2008	31/12/2007
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)**

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 (in CZK thousands).

	Fair value as at 31/12/2008			Fair value as at 31/12/2007		
	Non-current receivables	Current receivables	Total	Non-current receivables	Current receivables	Total
Emission Allowances Swaps EUA/CER	76,991	72,172	149,163	--	--	--
Commodity Swap	--	--	--	--	1,315	1,315
Total	**76,991**	**72,172**	**149,163**	**--**	**1,315**	**1,315**

	Fair value as at 31/12/2008			Fair value as at 31/12/2007		
	Non-current receivables	Current receivables	Total	Non-current receivables	Current receivables	Total
Commodity Swaps	--	--	--	--	(7,454)	(7,454)
Interest Rate Swaps	--	--	--	--	(6,258)	(6,258)
Total	**--**	**--**	**--**	**--**	**(13,712)**	**(13,712)**

19. Deferred tax

Deferred income taxes result from future tax benefits and costs related to the differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. The deferred income taxes have been calculated using the tax rate expected to apply to periods when the respective asset is realized or liability is settled (i.e. 20% in 2009 and 19% in 2010 and onward).

The movement for the year in the Group's net deferred tax position was follows (in CZK thousands):

	2008
At 1 January	**(2,248,074)**
Income statement charge	134,122
FX difference	21
Tax charged to equity	--
At 31 December	**(2,113,931)**

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 (in CZK thousands):

Deferred tax liabilities	1/1/2008	Charged/ (credited) to net profit	31/12/2008
Property, plant and equipment	(2,368,115)	7,494	(2,360,621)
Inventory	(54,453)	28,887	(25,566)
Provisions	--	(8,484)	(8,484)
Finance lease	(117,665)	(1,479)	(119,144)
Other	(73,741)	(1,443)	(75,184)
Total deferred tax liabilities	**(2,613,974)**	**24,975**	**(2,588,999)**

Deferred tax assets	01/01/2008	Charged/ (credited) to net profit	31/12/2008
Property, plant and equipment	25,114	(10,135)	14,979
Provisions	243,318	14,020	257,338
Unused tax losses carried forward	10,500	173,923	184,423
10% investment relief	68,478	(68,478)	--
Other	18,490	(162)	18,328
Total deferred tax assets	**365,900**	**109,168**	**475,068**

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 (in CZK thousands):

	31/12/2008	31/12/2007
Deferred tax asset	17,399	23,924
Deferred tax liability	(2,131,330)	(2,271,998)
Net	**(2,113,931)**	**(2,248,074)**

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 60,710 thousand which have not been recognised due to unpredictability of future taxable income (2007: CZK 231,972 thousand). Tax losses of CZK 34,012 thousand (2007: CZK 14,674 thousand) will expire in 2009.

Details of the tax assets not recognised are summarised in the following table (in CZK thousands):

	31/12/2008	31/12/2007
Unused tax losses	34,012	14,674
Deductible temporary differences	60,710	231,972
Deferred tax asset	**94,722**	**246,646**

20. Inventories (in CZK thousands)

	31/12/2008	31/12/2007
Raw materials	2,749,557	3,967,494
Net realisable value allowance for raw materials	(354,858)	(123,002)
Work in progress	1,092,295	1,309,395
Net realisable value allowance for work in progress	--	(593)
Finished goods	2,535,135	3,886,928
Net realisable value allowance for finished goods	(106,269)	(17,256)
Goods for sale	398,889	471,877
Net realisable value allowance for goods for sale	(41,288)	(14,440)
Spare parts	1,047,218	945,660
Net realisable value allowance for goods for spare parts	(109,041)	(103,535)
Total inventory	**7,211,638**	**10,322,528**

Changes in the net realisable value allowances for inventories amount to CZK 352,630 thousand and are included in cost of sales (CZK 66,961 thousand in 2007) see Note 7.

21. Trade and other receivables

	31/12/2008	31/12/2007
Trade accounts receivable	9,663,245	12,488,146
Other receivables	1,449,211	1,809,724
Gross trade and other receivables	**11,112,456**	**14,297,870**
Impairment losses	(923,926)	(1,287,206)
Net trade and other receivables	**10,188,530**	**13,010,664**

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	31/12/2008	31/12/2007
CZK	7,230,722	9,420,813
EUR	1,875,173	2,389,927
USD	346,484	471,879
Other currencies	736,151	728,045
Total trade and other receivables	**10,188,530**	**13,010,664**

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 2008 there were 2 customers representing more than 5% of the total balance of consolidated trade receivables. The receivables to these customers represent together CZK 1,055 million.

Ageing of past due receivables but not impaired (in CZK thousands)

Not impaired trade receivables	31/12/2008	31/12/2007
60–90 days	107,640	607,901
90–180 days	80,507	7,376
180+ days	456,452	243,837
Total	**644,599**	**859,114**

Movement in the impairment loss amount (in CZK thousands)

	31/12/2008	31/12/2007
Balance at beginning of the year	**1,287,205**	**1,115,595**
Impairment losses recognized on receivables	44,572	271,446
Amounts written off as uncollectible	(316,017)	(16,291)
Amounts recovered during the year	(76,817)	(23,267)
Impairment losses reversed	(22,662)	(60,278)
Unwind of discount	(313)	--
F/X differences	7,958	--
Balance at end of the year	**923,926**	**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.

22. Prepayments and other current assets (in CZK thousands)

	31/12/2008	31/12/2007
Deferred cost	285,254	108,900
Other current assets	150,210	69,278
Total	**435,464**	**178,178**

The management considers that the carrying amount of other current assets approximates their fair value.

23. Loans granted

In 2008 the Group provided a short-term loan to a related entity. The carrying amount of the loan amounted CZK 300,031 thousand as at 31 December 2008. The interest rates were based on appropriate inter-bank rates and the fair value of the loan approximated its carrying amount as at 31 December 2008.

24. Cash and cash equivalent (in CZK thousands)

	31/12/2008	31/12/2007
Cash in hand and at bank	414,065	2,370,386
Short-term bank deposits	538,142	713,899
Total cash and cash equivalents	**952,207**	**3,084,285**

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 62,842 thousand (31 December 2007 CZK 60,218 thousand).

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

Denominated in	31/12/2008	31/12/2007
CZK	774,779	2,836,753
EUR	76,148	190,934
USD	8,070	50,706
Other currencies	93,210	5,892
Total cash and cash equivalents	**952,207**	**3,084,285**

25. Assets held for sale

As at 31 December 2008 Group held 97 shares in 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 Group approved a plan to sell its investment in CELIO a.s. The carrying amount of the investment amounted CZK 78,333 thousand (2007: CZK 78,333 thousand).

Assets classified as held as at 31 December 2007 for sale comprised Group's shares in entities described bellow (in CZK thousands).

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
Synthesia, a.s.	1,529,591 26,447,571	0.4 0.04	680,000
Total			**1,261,333**

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 selling 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. 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 14 April 2008.

26. Share capital

The issued capital of the parent company as at 31 December 2008 was CZK 18,133,476 thousand (2007: CZK 18,133,476 thousand). This represents 181,334,764 (2007: 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.

27. 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.

(in CZK thousands)	31/12/2008	31/12/2007
Reserve fund	2,046,703	1,916,557
Other funds	126,913	126,414
Total	**2,173,616**	**2,042,971**

28. 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 non-consolidated financial statements for the year ended 31 December 2007 amounting to CZK 9,120,840 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 a dividend payment from undistributed profit of preceding years in amount of CZK 3,200,558,584 (dividend per one share CZK 17.65, before tax). The right to the dividend was granted to a shareholder owning the Company's shares as of the record date, i.e. 26 June 2008. The dividend became due and payable on 29 August 2008.

As at 31 December 2008 the amount of unpaid dividends was CZK 48,530 thousand.

The decision regarding allocation of 2008 profit will be made on the annual general meeting of shareholders, which will be held in May / June 2009.

29. Non-current loans and borrowings

Interest bearing loans and borrowings as at 31 December 2008 were as follows (in CZK thousands):

Creditor	Currency	Balance at 31/12/2008	Fair value at 31/12/2008	Balance at 31/12/2007	Fair value at 31/12/2007	Effective interest rate	Form of collateral
Long-term bonds – Issue I. – 1998	CZK	2,000,000	2,776,760	2,000,000	2,599,331	9.82%	Unsecured
Bank loans	CZK	84,000	84,000	156,000	156,000	PRIBOR*	Pledge assets
Total		**2,084,000**		**2,156,000**			

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

Debt repayment schedule (in CZK thousands):

Due date	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 31/12/2008	**72,000**	**12,000**	**--**	**2,000,000**	**--**	**2,084,000**
Non-current loans and borrowings as at 31/12/2007	**72,000**	**72,000**	**12,000**	**--**	**2,000,000**	**2,156,000**

In 1998 the Company issued 2,000 bonds at a total nominal value of CZK 2,000,000 thousand. The nominal value of bonds mature in 15 years from the issue date at their nominal value of CZK 2,000,000 thousand. The interest rate is 0% p.a. for the first two years and 12.53% p.a. in subsequent years. The effective interest rate is 9.82%. Interest is payable on an annual basis. Interest expense is accrued using the effective interest rate method.

The aggregate carrying amount of bonds issued is CZK 2,170,593 thousand (CZK 2,204,666 thousand at 31 December 2007). Part of the liability due within 12 months is presented in current liabilities. Using the actual market interest rate, based on the analysis of the current market conditions, the fair value of the aggregate liability arising from the bonds is currently estimated at CZK 2,776,760 thousand. Accrued interest, which will be repaid before 31 December 2009, is presented within current loans and borrowings in the section 34 amounts to CZK 170,593 thousand (CZK 204,666 thousand at 31 December 2007).

30. Provisions

	31/12/2007	Additional provision	Release / Utilisation of provision	31/12/2008
Provisions				
Provisions for environmental damages and land restoration	296,000	39,337	(21,594)	313,743
Provisions for legal disputes	184,076	16,610	(71,960)	128,726
Employee benefits provision	51,630	2,949	(22,165)	32,414
Other provisions	**127,481**	**54,254**	**(99,315)**	**88,778**
Total	659,187	113,150	(215,034)	563,661

The provision for land restoration is created as a result of the legal obligation to restore the fly-ash dump after it is discontinued. This is expected to be after 2043. The provision amounted to CZK 274,235 thousand as of 31 December 2008 (CZK 292,336 thousand as of 31 December 2007).

The provision for legal disputes is created for expected future outflows arising from legal disputes with third parties where the Group is the defendant. The most significant component was the liability resulting from the litigation with Agrobanka Praha, a.s. v likvidaci, to which the Group provided a guarantee in respect of a medium-term loan of CZK 60,000 thousand given by Agrobanka to KOBECO spol. s r.o. The balance of provision amounted to CZK 53,156 thousand as at 31 December 2007. The settlement was reached and the provision released during 2008.

The Group has 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 interest in amount of CZK 16,610 thousand during 2008.

Provisions for other future liabilities of the Group amounted to CZK 88,778 thousand as at 31 December 2008, out of which CZK 54,751 thousand was a provision for dismantling costs connected with liquidation of unused assets.

31. Finance lease liability (in CZK thousands)

	Minimum lease payments		Present value of minimum lease payments	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Amounts payable under finance leases:				
Not later than one year	94,762	124,164	92,596	116,807
Later than one year and not later than five years	38,338	125,390	36,356	121,532
Less: future finance charges	(4,148)	(11,215)	--	--
Present value of lease obligation	**128,952**	**238,339**	**128,952**	**238,339**
Less: Amount due for settlement within 12 months			92,596	116,808
Amount due for settlement after 12 months			**36,356**	**121,531**

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 2008, the average effective borrowing rate was 4.32%. 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.

32. Other non – current liabilities (in CZK thousands)

	31/12/2008	31/12/2007
Deferred income from government grants	69,035	80,496
Amounts payable to business partners	129,204	92,820
Other liabilities	21,850	46,001
Total	**220,089**	**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.

33. Trade and other payables and accruals (in CZK thousands)

	31/12/2008	31/12/2007
Trade payables	5,542,121	7,798,523
Other payables	3,309,632	3,990,596
Accrued expenses	83,796	142,124
Social security and other taxes	3,678,570	4,181,266
Total	**12,614,119**	**16,112,509**

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

Denominated in	31/12/2008	31/12/2007
CZK	9,734,947	12,048,867
EUR	632,403	480,114
USD	1,735,711	3,305,579
Other currencies	511,058	277,949
Total	**12,614,119**	**16,112,509**

34. Current bank loans

The short-term borrowings as at 31 December 2008 and 2007 were as follows (in CZK thousands):

	USD	EUR	CZK	Other currencies	Total
Balance as at 1 January 2008	**444,062**	**108,874**	**151,064**	**100,531**	**804,531**
Loans taken	1,915	22,409	1,713,901	53,241	1,791,467
Accrued interest as balance sheet date	--	3	7,995	--	7,998
Repayment	(444,062)	(104,968)	(125,917)	(154,587)	(829,534)
Repayment of accrued interest	--	--	(25,730)	--	(25,730)
FX differences	--	--	--	822	821
Balance as at 31 December 2008	**1,915**	**26,318**	**1,721,313**	**7**	**1,749,553**

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 2008 was 3.89% (31 December 2007: 3.64%).

Analysis of short-term bank loans by security (in CZK thousands):

Security	Unsecured	Pledged assets	Total
Current bank – loans as at 31/12/2008	**1,745,648**	**3,905**	**1,749,553**
Current bank – term loans as at 31/12/2007	**744,876**	**59,655**	**804,531**

35. 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 (in CZK thousands):

Non-cancellable operating lease commitments	Minimum lease payments	
	31/12/2008	31/12/2007
Not later than one year	44,157	142,571
Later than one year and not later than five years inclusive	123,777	374,861
Later than five years	110,886	4,113
Total	**278,820**	**521,545**

The Group leases vehicles and offices under operating leases. The vehicle leases typically run for a two year period. Lease payments are increased annually to reflect market conditions. None of the leases includes contingent rentals.

Payments recognised as an expense were as follows (in CZK thousands):

	31/12/2008	31/12/2007
Non-cancellable operating lease	42,981	38,690
Cancellable operating lease	434,102	476,880
Total	**477,083**	**515,570**

36. Capital commitments

At the balance sheet date, the Group has commitments for the acquisition of property, plant and equipment in the amount of CZK 2,177,027 thousand of which the contractual commitment is CZK 621,683 thousand (as at 31 December 2007 CZK 2,286,636 thousand, of which the contractual commitment is CZK 1,149,167 thousand).

37. Commitments and other contingencies

Contingent liabilities and commitments 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 the purpose of determining the liability of contractual parties arising from existing or future impacts of KAUČUK, a.s.´s operation on the environment. The share purchase agreement provides that liability for the environmental conditions originating prior to the closing of the transaction lies with UNIPETROL, a.s. and liability for the environmental conditions originating after the closing of the transaction lies with Dwory. Liability of the contractual parties for the environmental conditions is limited up to 10% of the purchase price for the shares (and by 5 years).

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 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 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 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 Unipetrol 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, a.s. and KAUČUK, a.s. for an alleged cartel in the area of Emulsion Syrene Butadiene Rubber ("ESBR"). UNIPETROL, a.s. and KAUČUK, a.s., its subsidiary at that time, were jointly imposed a fine of EUR 17.5 million, which they paid 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, a.s. has been served with a claim for damages, which tire producers brought against the members of the ESBR cartel. The claim for damages was filed with the High Court of Justice, Queen's Bench Division, Commercial Court in the United Kingdom. The claimants ask for damages, together with interest, to compensate for their loss suffered as a result of an alleged cartel. The amount claimed is to be assessed. The Company challenged the jurisdiction of the UK courts to deal with the claim. The Company's challenge is pending.

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, a.s., which decided to take part in the proceeding.

Litigation between the Group and Tax Office Ústí nad Labem about the validity of the investment incentive utilization for the year 2005

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 and on 4 February 2009 the Regional Court in Usti nad Labem canceled the unfavourable decisions of Tax Authorities and referred the case to the relevant tax office for the new administrative proceedings. The tax office when taking decision will be bound by the opinion of the Regional Court.

38. Related parties

Parent and ultimate controlling party

During 2008 and 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 (in CZK thousands)*:*

	31/12/2008				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	4,607	127,801	639,816	814,643	72,971	83,167	206,596	935,848
Non-current receivables	--	215,069	--	--	--	--	--	--
Current payables including loans	1,348,872	238,188	103,472	1,818	3,779,122	70,968	178,531	26,027
Non-current payables including loans	--	48	--	--	--	1,290	3,050	23,849
Expenses	48,958,269	477,702	1,799,726	83,664	43,823,017	289,035	2,026,638	111,185
Revenues	4,135,481	310,795	2,555,439	2,449,037	1,470,440	290,918	2,704,769	2,224,188
Sales of financial assets	47,403	--	--	--	--	--	--	--
Purchases of property, plant and equipment	--	11,673	--	--	--	1,941	--	--
Sales of property, plant and equipment	--	860	--	--	--	18,023	--	--
Interests income and expense	--	4,635	11,565	1,177	(2,552)	2,090	17	1,122
Dividends	2,016,352	--	--	--	--	--	--	--

Information about key management personnel remuneration is presented in Note 9.

39. 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 notes 29 and 34, cash and cash equivalents and equity attributable to equity holders of the parent, comprising shared capital, reserves and retained earnings as disclosed in notes 24, 26, 27 and 28 respectively.

The net debt to equity ratio at the year end was as follows (in CZK thousands):

	31/12/2008	31/12/2007
Debt (i)	(4,205,681)	(4,646,627)
Cash and cash equivalents	952,207	3,084,285
Net debt	(3,253,474)	(1,562,342)
Equity	38,912,840	42,112,396
Net debt to equity ratio	**8.36%**	**3.71%**

(i) Debt is defined as long- and short-term borrowings and finance 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.

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 (in CZK thousands):

	USD		EUR	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Assets	354,554	523,314	2,100,484	2,597,754
Liabilities	1,737,626	3,763,353	658,721	1,743,405
Gross exposure	(1,383,072)	(3,240,039)	1,441,763	854,349
Derivatives	--	--	--	(567,884)
Net exposure	**(1,383,072)**	**(3,240,039)**	**1,441,763**	**286,465**

Detailed analysis of monetary assets and liabilities are presented in following notes:
- Note 17 Non-current receivables
- Note 18 Derivative financial instruments
- Note 21 Trade and other receivables
- Note 22 Prepayments and other current assets
- Note 24 Cash and cash equivalents
- Note 29 Non-current loans and borrowings
- Note 33 Trade and other payables and accruals
- Note 34 Current 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.

(in CZK thousands)	CZK/USD Impact		CZK/EUR Impact	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Profit or loss / equity	**58,089**	**261,075**	**51,903**	**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 29 and 34.

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite. Optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

The Group's exposures to interest rate risk on financial liabilities are detailed in Notes 29 and 34.

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 2008 would decrease/increase by CZK 8,748 thousand (2007: decrease/increase by CZK 20,276 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 29 and 34.

Market price risks

The Group is exposed to commodity price risk resulting from the adverse changes in raw material, mainly crude oil prices. Management addresses these risks by means of a commodity, supplier and client risk management. To a minor extent the Group enters into derivative commodity instruments to mitigate the risk associated with the purchase of crude oil.

Emission allowances risk

The Group monitors the emission allowances granted to the Group under National Allocation Plan and CO2 emissions planned. The Group enters into transactions on emission allowances market in order to cover for shortages or utilize the excess of obtained emission allowances over the required amount.

The Group 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.

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 or sufficient collateral on debtor's assets obtained.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The 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).

(in CZK thousands)	Category A		Category B	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Trade and other receivables	**9,338,085**	**11,746,952**	**850,445**	**1,263,712**

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 (in CZK thousands)

	Total	1–3 months	3–6 months	6 months–1 year	1–5 years
31/12/2008					
Non Current assets					
Non-current receivables	145,111	--	--	--	145,111
Current assets					
Trade, and other receivables	10,188,530	10,071,050	85,828	31,652	--
Loans granted	300,031	300,031	--	--	--
Income tax receivables	567,722	--	--	567,722	--
Cash and cash equivalents	952,207	952,207	--	--	--
Total	**12,153,601**	**11,323,288**	**85,828**	**599,374**	**145,111**
31/12/2007					
Non Current assets					
Non-current receivables	115,820	--	--	--	115,820
Current assets					
Trade and other receivables	13,010,664	11,479,940	1,452,640	77,824	260
Income tax receivables	160,405	--	--	160,405	--
Cash and cash equivalents	3,084,285	3,084,285	--	--	--
Total	**16,371,174**	**14,564,225**	**1,452,640**	**238,229**	**116,080**

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 (in CZK thousands)

	Total	Less than 1 month	1 months–1 year	1–5 years	5+ years
31/12/2008					
Non-current liabilities					
Loans and borrowings	2,084,000	--	--	2,084,000	--
Finance lease liability	36,356	--	--	36,356	--
Other non-current liabilities	220,089	--	--	220,089	--
Current liabilities					
Trade and other liabilities	12,614,119	12,614,119	--	--	--
Current portion of finance lease liabilities	92,596	--	92,596	--	--
Current portion of loans and borrowings	243,176	--	243,176	--	--
Short-term bank loans	1,749,553	1,749,553	--	--	--
Income tax payable	48,355		48,355	--	--
Total	**17,088,244**	**14,363,672**	**384,127**	**2,340,445**	**--**
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	16,112,509	16,112,509	--	--	--
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	**21,013,572**	**16,808,344**	**1,708,380**	**277,531**	**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.

Liquidity analysis of derivative financial instruments (in CZK thousands)

	1–3 months	3 months–1 year	1–5 years
31/12/2008			
Net settled:			
Emission Allowances Swaps EUA/CER	--	72,172	76,991
31/12/2007			
Net settled:			
Interest rate swaps	(3,317)	(2,941)	--
Gross settled:			
Commodity swaps	(7,454)	--	--

Assumptions used in determining fair values of financial instruments

The interest rate used to discount cash flows was 4.2% based on the 1 year PRIBOR inter-bank interest rate. Please refer to individual notes for information on fair values of financial instruments.

40. 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 31/12/2008	Unused funds as at 31/12/2008
UNIPETROL, a.s./premises of UNIPETROL RPA, s.r.o.	6,012	1,992	4,020
UNIPETROL, a.s./premises of SYNTHOS, a.s.	4,244	11	4,233
BENZINA a.s.	1,349	330*	1,019
PARAMO, a.s./premises in Pardubice	1,242	107	1,135
PARAMO, a.s./premises in Kolín	1,907	932	975
Total	**14,754**	**3,372**	**11,382**

* Without the costs of the already completed rehabilitation of the petrol stations network of the former KPetrol 1995–1999 of CZK 40 mil.

(In CZK million)	Total amount of funds to be provided	Used funds as at 31/12/2007	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	4,233
BENZINA a.s.	1,349	262*	1,087
PARAMO, a.s./premises in Pardubice	1,242	98	1,144
PARAMO, a.s./premises in Kolín	941	931	10
Total	**13,788**	**3,152**	**10,636**

* Without the costs of the already completed rehabilitation of the petrol stations network of the former KPetrol 1995–1999 of CZK 40 mil.

41. Interest in a joint venture

The Group has a 51,225% interest in a joint venture ČESKÁ RAFINÉRSKÁ, a.s., which is involved in the refining of crude oil and the production and distribution of petroleum based products. The following amounts represent the Group's 51,225% 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 (in CZK thousands):

	2008	2007
Non-current assets	9,095,477	9,209,824
Current assets	4,083,273	4,047,211
Non-current liabilities	494,031	453,996
Current liabilities	3,123,492	3,252,537
Net assets	**9,561,227**	**9,550,502**
Revenues	**5,336,334**	**4,798,050**
Profit before tax	258,205	351,015
Income taxes	59,219	18,397
Profit for the period	**198,986**	**332,618**

42. 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 rights and its balance sheet presentation	Value in CZK thousands	Amount (thousand tons)
The total number of the emission rights allocated to the Group for the period 2008–2012	10,170,367	18,820
Emission allowances acquired in current period	2,034,073	3,764
Actual utilization in 2008 of the acquired rights	1,843,953	3,409
Emission allowances to cover deficit in amount of allowances	8,005	13
Additional allowances received in exchange for different type	4,395	13
Revenues from sale of emissions allowances in the period of 2008	98,239	157

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 572,622 units. Out of this number 542,486 units were sold and 30,136 units were written off by the Group in 2008.

Information on granted emission rights and its balance sheet presentation	Value in CZK thousands	Amount (thousand tons)
The total number of the emission rights allocated to the Group for the period 2005–2007	8,707,253	14,632
Actual utilization in 2005 of the acquired rights	2,564,710	4,117
Actual utilization in 2006 of the acquired rights	2,589,631	4,165
Actual utilization in 2007 of the acquired rights	1,936,945	3,541
Decrease of the emission rights – Kaučuk's sale	(292,482)	(482)
Revenues from sales of emissions allowances in the period of 2007	15,379	464

43. Disposal of business

During 2007, the Group disposed its shares in KAUČUK, a.s. Details of the disposal are as follows (in CZK thousands):

Book value of net assets sold	KAUČUK, a.s.
ASSETS	
Property, plant and equipment	5,136,697
Investment property	--
Intangible assets	6,732
Other investments	112,439
Non-current receivables	75,260
Non-current assets	**5,331,128**
Inventories	1,360,590
Trade receivables	2,400,901
Prepayments and other current assets	61,776
Cash and cash equivalents	1,298,725
Assets held for sale	--
Current assets	**5,121,992**
Total assets	**10,453,120**
EQUITY AND LIABILITIES	
Issued capital	6,236,000
Statutory reserves	90,940
Accumulated profits	1,821,600
Capital and reserves	**8,148,540**
Interest bearing loans and borrowings	75,000
Deferred tax liability	409,881
Provisions	22,332
Finance lease liability	--
Other non-current liabilities	--
Non-current liabilities	**507,213**
Trade payables and accruals	1,444,461
Current portion of interest bearing loans and borrowings	50,000
Short-term bank loans	--
Current portion of finance lease liability	--
Provisions	90,308
Income tax payable	212,598
Current liabilities	**1,797,367**
Total equity and liabilities	**10,453,120**
Net assets at the date of disposal	8,148,540
Minority interest	--
Selling price	5,513,625
– less cost to sale	(15,000)
Loss from the sale	**(2,649,915)**

Net cash inflow on disposal	2007
Consideration received in cash and cash equivalents	5,513,625
Less: cash and cash equivalent balances disposed of	1,298,725
Net cash inflow on disposal	**4,214,900**

44. Investment incentives

The Group does not have any outstanding investment incentive as at 31 December 2008.
Information about investment incentives obtained in previous reporting period is included in Note 37.

45. Significant post balance sheet events

Changes in the statutory bodies of UNIPETROL, a.s.

On the Supervisory Board of meeting held on 13 February 2009 Mr. François Vleugels resigned from the position of Chairman of the Board and CEO of UNIPETROL a.s. Mr. Krzysztof Urbanowicz was subsequently elected as a new Chairman of the Board of Directors and CEO of UNIPETROL, a.s.

During the Supervisory Board of UNIPETROL, a.s. meeting Mr. Marek Serafin resigned from the position of the Supervisory Board member and was afterwards elected a new member and vice-chairman of the Board of Directors of UNIPETROL, a.s.

Mr. Arkadiusz Kawecki was appointed a new member of the Supervisory Board of UNIPETROL, a.s.

On the Board of Directors meeting held on 18 March 2009 Mr. Arkadiusz Kotlicki resigned from the position of Member of the Board.

Signature of statutory representatives

20 March 2009

Krzysztof Urbanowicz
Chairman of the Board of Directors

Wojciech Ostrowski
Vice-chairman of the Board of Directors

REPORT ON RELATIONS BETWEEN THE CONTROLLING AND THE CONTROLLED PARTIES AND RELATIONS BETWEEN THE CONTROLLED PARTY AND OTHER COMPANIES CONTROLLED BY THE SAME CONTROLLING PARTY FOR THE YEAR 2008

Controlled party

UNIPETROL, a.s. with registered offices at Na Pankráci 127, 140 00 Prague 4, IČ 61672190 (the "Company")
UNIPETROL, a.s. is the controlling company in the UNIPETROL Group. Business Group Chart is 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 include 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 year 2008.

Part I.

Contracts concluded between the company and affiliated parties in 2008
and
Payments (counter-payments) provided (received) in 2008 based on 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 at the day of payment (counter-payment).

1. Controlling party

1.1. POLSKI KONCERN NAFTOWY Orlen S.A.

Relation to the Company: controlling party

Relations in the year 2008 were based on the standard terms and conditions of business relations. The Company suffered no loss as a result of concluded contracts.
The following relations were established in the year 2008:

The company concluded 4 cooperation contracts in the current period and 5 cooperation contracts in the previous periods with POLSKI KONCERN NAFTOWY Orlen S.A. Based on them it has to pay the appropriate portion of the costs for the joint projects for achieving synergy and improving the efficiency of certain processes. The Company has to pay travel expenses for members of company bodies as well. The Company provided payments of CZK 8,843 thousand in the year 2008. The price of services was contractually agreed at arm length's basis.

In accordance with those contracts the Company re-invoiced a part of the costs for which the payment was received amounting to CZK 383 thousand.

The Company concluded 2 contracts in the current period based on which it re-invoiced costs related to the audit of interim financial statements of ČESKÁ RAFINÉRSKÁ, a.s. The payment amounting to CZK 1,469 thousand was received under these contracts in 2008. The price of services was contractually agreed at arm length's basis.

The Company concluded a confidentiality agreement in the previous period. No payment was received or made under this agreement.

Other affiliated parties

1.2. SPOLANA a.s.

Relation to the Company: directly controlled by Zakłady Azotowe ANWIL Spółka Akcyjna.

Relations in the year 2008 were at arm length's basis. The Company suffered no loss as a result of the concluded contracts.

The following relations were established in the year 2008:

The Company concluded 1 contract in the previous period based on which it re-invoiced fees for the database access. The Company received payment of CZK 160 thousand for those services in the year 2008. The price of services was contractually agreed at arm length's basis.

The Company concluded 1 loan contract in the previous period based on which it charges interests and fees which amounted to CZK 11,354 thousand in 2008. The interest rate was contractually agreed at arm length's basis.

Based on Agreement about payments of responsibility insurance fees of members of the Boards of Directors and Supervisory Board, responsibility insurance fees for damage and responsibility insurance fees for damage caused by product, the Company covered for SPOLANA proportional part of insurance in accordance with appropriate insurance agreements concluded with third parties. This amount (CZK 759 thousand) was consequently paid by SPOLANA, a.s. to the Company.

1.3. ORLEN Transport S.A.

Relation to the Company: company directly controlled by the POLSKI KONCERN NAFTOWY Orlen S.A.

Relations in the year 2008 were at arm length's basis. The Company suffered no loss as a result of concluded contracts.

The following relations were established in 2008:

The Company concluded 1 contract in the previous period based on which travel expenses amounting to CZK 65 thousand were re-invoiced in 2008. The price of services was contractually agreed at arm length's basis.

Part II.

Other legal actions made in favour of affiliated parties

There were no other legal actions made in favour of affiliated parties in 2008.

Part III.

Other measures adopted or realised in favour of or after initiative of affiliated parties

There were no measures adopted or realised by the Company in favour of or after initiative of affiliated parties in 2008.

In Prague, 20 March 2009

On behalf of the Company:

Krzysztof Urbanowicz

Krzysztof Urbanowicz
Chairman of the Board of Directors

Wojciech Ostrowski
Vice-chairman of the Board of Directors

Appendix No. 1

UNIPETROL Group – controlled companies

Directy and indirectly controlled companies UNIPETROL, a.s.	Registrated office	ID No.	Controlling copany in the framework of UNIPETROL group	%age of share capital		Changes during the year 2008
				1 January 2008	31 December 2008	
BENZINA s.r.o.	Prague	60193328	UNIPETROL, a.s.	100.00	100.00	
ČESKÁ RAFINÉRSKÁ, a.s.	Litvínov	62741772	UNIPETROL, a.s.	51.00	51.22	
PARAMO, a.s.	Pardubice	48173355	UNIPETROL, a.s.	88.03	91.77	
UNIPETROL RPA, s.r.o.	Litvínov	27597075	UNIPETROL, a.s.	100.00	100.00	
UNIPETROL SERVICES, s.r.o.	Litvínov	27608051	UNIPETROL, a.s.	100.00	100.00	
Butadien Kralupy a.s.	Kralupy nad Vltavou	27893995	UNIPETROL, a.s.	51.00	51.00	
Výzkumný ústav anorganické chemie, a.s.	Ústí nad Labem	62243136	UNIPETROL, a.s.	100.00	100.00	
UNIPETROL TRADE a.s.	Prague	25056433	UNIPETROL, a.s.	100.00	100.00	
UNIPETROL RAFINÉRIE, s.r.o.	Litvínov	27885429	UNIPETROL, a.s.	100.00	100.00	
BENZINA Trade a.s. in liquidation	Prague	26135710	BENZINA, s.r.o.	100.00	0.00	The Company was deleted from the Commercial Register as at 5 November 2008.
PETROTRANS, s.r.o.	Prague	25123041	BENZINA, s.r.o. UNIPETROL, a.s.	99.40 0.60	99.40 0.60	
MOGUL SLOVAKIA, s.r.o.	Hradište pod Vrátnom	36222992	PARAMO, a.s.	.,00	100.00	
HC Litvínov, a.s. (to 4 january 2008 HC Chemopetrol, a.s.)	Litvínov	64048098	UNIPETROL RPA, s.r.o.	70.95	70.95	
CHEMOPETROL, a.s. (to 25 April 2008 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. UNIPETROL, a.s.	99.00 1.00	99.00 1.00	
UNIPETROL DOPRAVA, s.r.o.	Litvínov	64049701	UNIPETROl RPA, s.r.o. UNIPETROL, a.s.	99.88 0.12	99.88 0.12	
CELIO a.s.	Litvínov 7	48289922	UNIPETROL RPA, s.r.o. UNIPETROL, a.s.	40.53 10.53	40.53 10.53	
UNIRAF SLOVENSKO s.r.o.	Bratislava	35777087	UNIPETROL RPA, s.ro. UNIPETROL, a.s.	86.96 13.04	86.96 13.04	
ALIACHEM VERWALTUNGS GmbH	Langen/Hesle, Germany		UNIPETROL TRADE a.s.	100.00	0.00	Successor company of: UNIPETROL DEUTSCHLAND GmbH since 1 January 2008
UNIPETROL DEUTSCHLAND GmbH	Langen/Hessen, Germany		ALIACHEM VERWALTUNGS UNIPETROL TRADE a.s.	100.00 0.00	0.00 100.00	
ALIAPHARM GmbH FRANKFURT	Frankfurt/Main, Germany		ALIACHEM VERWALTUNGS	100.00	0.00	Successor company of: UNIPETROL DEUTSCHLAND GmbH since 1 January 2008
UNIPETROL CHEMICALS IBERICA S.A.	Barcelona, Espania		UNIPETROL TRADE a.s.	100.00	0.00	
CHEMAPOL (SCHWEIZ) AG	Basel, Switzerland		UNIPETROL TRADE a.s.	100.00	0.00	Liquidation finished as at 10 December 2008
UNIPETROL AUSTRIA HmbH in Liqu.	Vienna, Austria		UNIPETROL TRADE a.s.	100.00	100.00	In liquidation since 4 March 2008
UNIPETROL FRANCE S.A.	Paris, France		UNIPETROL TRADE a.s.	100.00	0.00	Successor company of: UNIPETROL TRADE a.s. since 1 July 2008
UNIPETROL ITALIA S.r.l.	Milan, Italia		UNIPETROL TRADE a.s.	100.00	0.00	Deleted as at 17 December 2008
UNIPETROL (UK) LIMITED	Kingston upon Thames, Great Britain		UNIPETROL TRADE a.s.	100.00	0.00	Liquidation finished as at 15 December 2008
DP MOGUL UKRAJINA	Kijev, Ukraine		UNIPETROL TRADE a.s.	100.00	0.00	Share sold as at 19 November 2008
MOGUL, d.o.o.	Velenje, Slovenia		UNIPETROL TRADE a.s.	100.00	0.00	Share sold as at 23 December 2008

Apendix No. 2

PKN ORLEN S.A. Group – Controlled companies

1 January 2008 – 31 December 2008

Companies controlled by PKN ORLEN S.A. Companies with direct holding of PKN ORLEN S.A. Companies with direct holding of PKN ORLEN S.A.	Registrated office	Shares in directly and indirectly controlled companies % age of the share capital		Note
		1 January 2008	31 December 2008	
UNIPETROL, a.s.	Prague	62.99	62.99	See saparate chart of 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% Rafineria Trzebinia S.A.
Inowrocławskie Kopalnie Soli "SOLINO" S.A.	Inowrocław	70.54	70.54	
ORLEN Gaz Sp. z o.o.	Płock	100.00	100.00	
ORLEN Petrogaz Wrocław Sp. z o.o. w likvidacji	Wrocław	100.00	100.00	In liquidation since 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 Uzdrowiskowe "Krystynka" Sp. z o.o.	Ciechocinek	98.54	98.54	
ORLEN Ochrona Sp. z o.o.	Płock	100.00	100.00	
ORLEN OIL Sp. z o.o.	Kraków	51.69	51.69	43.84% Rafineria Trzebinia S.A. and 4.47% Rafineria nafty Jedlicze
Petro-Oil Pomorskie Centrum Sprzedaży Sp. z o.o.	Gdańsk	100.00	100.00	
Platinum Oil Sp. z o.o.	Lublin	100.00	100.00	
ORLEN OIL ČESKO , s. r. o.	Brno	100.00	100.00	
ORLEN PetroCentrum Sp. z o.o.	Plock	100.00	100.00	Consolidation 31 December 2008 – ORLEN PetroCentrum (Orlen MORENA, ORLEN PetroProfit Sp. z.o.o.,ORLEN petroZachód Sp. z o.o., ORLEN PetroCentrum Sp. z o.o.)
Petro-Ukraina LTD Lwów w likwidacji	Lwów	80.00	80.00	
ORLEN Powiernik Sp. z o.o.	Płock	100.00	100.00	
ORLEN Projekt S.A.	Płock	51.00	51.00	
ORLEN Transport Kraków Sp. z o.o. w upadlosci	Kraków	99.41	99.41	
ORLEN Transport Sp. z o.o.	Plock	100.00	100.00	Consolidation 2 January 2008 (ORLEN Transport Kedzierzyn-Kozle Sp. z o.o. ORLEN Transport Nowa Sól Sp.z o.o., ORLEN transport Olsztyn Sp.z o.o., ORLEN Transport Plock Sp.z o.o., ORLEN Transport Slupek Sp.z o.o., ORLEN Transport Szczecin Sp.z o.o.)
ORLEN Wir Sp. z o.o.	Płock	51.00	51.00	
Petrolot Sp. z o.o.	Warszawa	51.00	51.00	
Petrotel Sp. z o.o.	Płock	75.00	0.00	Sold as at 22 September 2008
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	0.00	31 December 2008 successor of the Rafineria Nafty Jedlice S.A.
"RAF-KOLTRANS" Sp. z o.o.	Jedlicze	100.00	100.00	
"RAF-Służba Ratownicza" Sp. z o.o.	Jedlicze	100.00	100.00	
"RAF-EKOLOGIA" Sp. z o.o.	Jedlicze	92.74	0.00	Sold as at 29 December 2008
Konsorcjum Olejów Przepracowanych "ORGANIZACJA ODZYSKU" S.A.	Jedlicze	81.00	81.00	8% Rafineria Trzebinia S.A.
"RAN-WATT" Sp. z o.o. w likwidacji	Toruń	51.00	51.00	
Rafineria Trzebinia S.A.	Trzebinia	77.15	77.15	
Fabryka Parafin NaftoWax sp. z o.o. - Trzebinia	Trzebinia	100.00	100.00	
Energomedia Sp. z o.o.	Trzebinia	100.00	100.00	
Euronaft Trzebinia Sp. z o.o.	Trzebinia	99.99	99.99	

Companies controlled by PKN ORLEN S.A. Companies with direct holding of PKN ORLEN S.A. Companies with direct holding of PKN ORLEN S.A.	Registrated office	Shares in directly and indirectly controlled companies % age of the share capital		Note
		1 January 2008	31 December 2008	
EkoNaft Sp. zo.o.	Trzebinia	99.00	99.00	
ORLEN OIL Sp. z o.o.	Kraków	43.84	43.84	51.69% PKN ORLEN S.A.and 4.47% Rafin.Nafty Jedlicze
ORLEN Asfalt Sp. z o.o.	Plock	17.54	17.54	82.46% PKN ORLEN S.A.
Konsorcjum Olejów Przepracowanych "ORGANIZACJA ODZYSKU" S.A.	Jedlicze	8.00	8.00	81.00% Rafineria Nafty Jedlicze S.A.
Ship - Service S.A.	Warszawa	60.86	60.86	
Ship Service Agro Sp. z o.o.	Szczecin	100.00	100.00	
ORLEN Centrum Serwisowe Sp. z o.o.	Opole	99.01	99.01	
Anwil S.A.	Włocławek	84.49	84.79	
Przedsiębiorstwo Rolne AGRO-AZOTY II Włocławek Sp. z o.o. w Łące	Czaplinek	100.00	0.00	On 8 January.2008 sold to AGRO-AZOTY II Wloclawek
Przedsiębiorstwo Inwestycyjno - Remontowe REMWIL Sp. z o.o.	Włocławek	99.98	99.98	
Przedsiębiorstwo Produkcyjno-Handlowo-Usługowe PRO-LAB Sp. z o.o.	Włocławek	99.20	99.32	Acquisition of new shares from increased equity of PRO-LAB Sp. z o.o.
SPOLANA a.s.	Neratovice	81.78	95.70	Since 31 July 2008 owned by ANWIL S.A.
Przedsiębiorstwo Usług Specjalistycznych i Projektowych CHEMEKO Sp. z o.o.	Włocławek	55.93	55.93	
ORLEN EKO Sp. z o.o.	Plock	100.00	100.00	
ORLEN Administracja Sp. z o.o.	Plock	100.00	100.00	
ORLEN Upstream Sp. z o.o.	Warszawa	100.00	100.00	
ORLEN Prewencja Sp. z o.o.	Plock	100.00	100.00	
ORLEN Księgowość Sp. z o.o.	Plock	100.00	100.00	
Etylobenzen Płock Sp. z o.o. w likwidacji	Plock	51.00	0.00	In liquidation since August 2008
ORLEN HOLDING MALTA Limited	Sliema, Malta	99.50	99.50	
ORLEN Insurance Ltd	Sliema, Malta	100.00	100.00	
B Mazeikiu Nafta	Juodeikiai	90.02	90.02	
UAB Uotas w likvidacji	Mazeikiai	100.00	100.00	
AB Ventus Nafta	Vilnius	99.74	99.74	
UAB Mazeikiu Nafta Trading House	Vilnius	100.00	100.00	
UAB Mazeikiu Nafta Health Care Center	Juodeikiai	100.00	100.00	
UAB Mazeikiu Nafta Paslaugos Tau	Juodeikiai	0.00	100	Registrated as at 19 May 2008
ORLEN Finance AB	Sztokholm	100.00	100.00	
SPOLANA a.s.	Neratovice	13.4	0.00	Until 31 August 2008 owns 13.4% PKN ORLEN S.A.
Basell Orlen Polyolefins Sp. z o.o.	Plock	50.00	50.00	50% owned by Basell Europe Holding B. V.
Basell Orlen Polyolefins Sp. z o.o. Sprzedaž Sp. z o.o.	Plock	100.00	100.00	
Plocki Park Przemyslowo-Technologiczny S.A.	Plock	50.00	50.00	50% owned by city Plock
Centrum Komecjalizacji Technologii Sp. z o. o.	Plock	100.00	100.00	
Centrum Edukacji Sp. z o. o.	Plock	69.43	69.43	
ORLEN International Exploration – Production Company BV	Amsterdam	0.00	100.00	Registrated as at 14. March 2008
SIA Balin Energy Grupa OIE-PC BV	Lotwa	0.00	50.00	Since 9 April 2008 50% owned by KEC Netherlands Cooperatief U.A.

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
BČOV	Biological wastewater treatment
BU I-III	Business units
CAPEX	Capital expenditure
ČAPPO	Czech Association of Petroleum Industry and Trade
ČNB	Czech National Bank
DODO	Dealer Owned – Dealer Operated
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization
EC	European Commission
EIA	Environmental impact assessment
EMS	Environmental management system
ERP	Enterprise resource planning system
ESRA	European Synthetic Rubber Association
EU	European Union
EU ETS	EU emissions trading scheme (regulating trading with carbon dioxide emission allowances)
FCC	Fluid Catalytic Cracker
FNM	National Property Fund
FTE	Full time equivalent
GmbH	Limited liability company (Germany)
HDPE	High-density polyethylene
HR	Human resources
IČ	Identification number
IFRS	International Financial Reporting Standards
IPPC	Integrated pollution prevention and control
IR	Investor relations
IRZ	Integrated Pollution Registry
IT	Information technology
LPG	Liquefied petroleum gas
Ltd.	Limited liability company
MAT	MicroActivity Test
MBO	Management by objectives
MEŘO	Coleseed oil methyl ester

N.V.	Public limited liability corporation (Netherlands)
NRU	National Refinery Upgrade
OHSAS	Occupational health and safety system
OPEC	Organization of the Petroleum Exporting Countries
PIB	POLYMER INSTITUTE BRNO, spol. s r.o.
POX	Partial oxidation
PP	Polypropylene
PR	Public relations
QMS	Quality management systems
REACH	Registration, evaluation, authorisation and restriction of chemicals
REBCO	Russian export blend crude oil
S.A.	Limited liability company (Poland)
s.r.o.	Ltd (Czech Republic)
SCM	Supply chain management
Sp. z o.o.	Ltd (Polska)
SSC	Shared Services Centre
SVA	Shareholder value added
IKL	Ingolstadt – Kralupy nad Vltavou – Litvinov
TAL	Transalpine Olleitung
UNEP	United Nations Enviromental Programme
VÚANCH	Výzkumný ústav anorganické chemie, a.s.

IDENTIFICATION AND CONTACT INFORMATION

Name:	UNIPETROL, a.s.
Registered office:	Na Pankráci 127, 140 00 Prague 4
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:	225 001 445
Internet:	www.unipetrol.cz
E-mail:	robert.keller@unipetrol.cz, info@unipetrol.cz
Auditor:	KPMG Česká republika, s.r.o.
Law inder which the issuer was established	
Law:	Law of the Czech republic
Legal regulation:	Act No. 104/1990 on Public Limited Companies

The company is a member of the Unipetrol consolidation Group.

The 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.).

Consultancy, design and production: ENTRE s.r.o.