UNIPETROL, a.s.

NON-CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

31 DECEMBER 2010

Translated from the Czech original

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

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

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

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

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

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Prague
14 March 2011

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

Otakar Hora
Partner
Licence number 1197

UNIPETROL, a.s.

Non-consolidated statement of finacial position
prepared in accordance with International Financial Reporting Standards
As at 31 December 2010
(in thousands of Czech crowns)

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

The non-consolidated financial statements are to be read in conjunction with the notes forming part of the non-consolidated financial statements set out on pages 5 to 41.

UNIPETROL, a.s.

Non-consolidated statement of comprehensive income
prepared in accordance with International Financial Reporting Standards
For the year ended 31 December 2010
(in thousands of Czech crowns)

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

The non-consolidated financial statements are to be read in conjunction with the notes forming part of the non-consolidated financial statements set out on pages 5 to 41.

UNIPETROL, a.s.

Non-consolidated statement of changes in equity
prepared in accordance with International Financial Reporting Standards
For the year ended 31 December 2010
(in thousands of Czech crowns)

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

The non-consolidated financial statements are to be read in conjunction with the notes forming part of the non-consolidated financial statements set out on pages 5 to 41.

UNIPETROL, a.s.

Non-consolidated statement of cash flows
prepared in accordance with International Financial Reporting Standards
For the year ended 31 December 2010
(in thousands of Czech crowns)

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

The non-consolidated financial statements are to be read in conjunction with the notes forming part of the non-consolidated financial statements set out on pages 5 to 41.

Index

Year ended 31 December 2010 (in thousands of CZK)

1. DESCRIPTION OF THE COMPANY

Establishment of the parent company

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

Registered office of the Company

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

Principal activities

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

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

Ownership structure

The shareholders as at 31 December 2010 are as follows:

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

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

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

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

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

Changes in the supervisory board during 2010 were as follow:

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

Year ended 31 December 2010 (in thousands of CZK)

2. SIGNIFICANT INVESTMENTS IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

A Statement of compliance and accounting policies

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

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

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

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

B Basis of preparation

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

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In the matters of considerable weight, the Company's management bases its estimates on opinions of independent experts.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in notes 10 - Property, plant and equipment, 11 - Intangibles assets in relation to impairment, 13 - Investments in subsidiaries and joint-ventures in relation to impairment and note 21 - Deferred tax.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C Functional and presentation currency

These non-consolidated financial statements are presented in Czech crown (CZK), which is the Company's functional currency. All financial information presented in CZK has been rounded to the nearest thousand.

D Significant accounting policies

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

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

(2) Loans provided to subsidiaries and associates

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

(3) Foreign currency

Transactions in foreign currency

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items including units of currency held by the Company as well as receivables and liabilities due in defined or definable units of currency are translated using the closing rate, i.e. spot exchange rate as at the end of the reporting period,
- non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized as financial income or expense in the period in which they arise in the net amount, except for monetary items hedging currency risk, that are accounted for in accordance with cash flows hedge accounting.

(4) Revenue recognition

(i)Revenue from sales

Revenues from sales are recognized when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the sale transaction will flow to the Company and can be measured reliably.

Revenues from sale are recognized when the significant risks and rewards of ownership have been transferred to the buyer and amount of revenue and costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenues are measured at fair value of the consideration received or receivable decreased by the amount of any discounts, value added tax (VAT), excise tax and fuel charges.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from services rendered is recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs. When the Company acts as an agent for its customers and buys and sells goods for a fixed margin without controlling purchase and selling prices, it does not report the revenue and cost from the sale of goods on a gross basis. It reports a net margin in the statement of comprehensive income.

(ii) Revenue from licences, royalties and trade mark
Revenue from licences, royalties and trade mark are recognized on an accrual basis in accordance with the substance of the relevant agreements. Prepayments, referring to agreements concluded in the current period by the Company are recognized as deferred income and settled in the periods when economic benefits are realized according to the agreements.

(iii) Rental income
Rental income from investment property is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income to be received.

(5) Costs recognition
The Company recognizes costs in accordance with accrual basis and prudence.

(i) Costs of sales comprise costs of finished goods sold and costs of services sold, including services of support functions and cost of merchandise and raw materials sold.

(ii) Administrative expenses they include expenses relating to management and administration of the Company as a whole.

(6) Other operating income and expenses
Other operating income in particular include income from liquidation and sale of non-financial non-current assets, surplus of assets, return of court fees, penalties earned, grants other than those for construction in progress, acquisition of fixed assets and the execution of development work, property assets received free of charge, reversal of receivable impairment allowances and provisions, compensations earned and revaluation gains.

Other operating expenses include in particular costs of liquidation and sale of non-financial non-current assets, shortages of assets, court fees, contractual penalties and fines, penalties for non-compliance with environmental protection regulations, cash and property assets granted free of charge, impairment allowances (except those that are recognized as financial expenses), compensations paid, write-off of construction in progress which have not produced the desired economic effect, research costs, cost of recovery of receivables and liabilities and revaluation losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(7) Financial income and finance expenses

Financial income includes, in particular, income from the sale of shares and other securities, dividends received, interest earned on cash in bank accounts, term deposits and loans granted, increase in the value of financial assets and foreign exchange gains.
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Financial expenses include, in particular, cost of shares and securities sold and costs associated with such sale, impairment losses relating to financial assets such as shares, securities and interest receivables, foreign exchange losses, interest on bonds and other securities issued, interest on finance lease, commissions on bank loans, borrowings, guarantees, interest costs.

(8) Taxation

Income tax comprises current tax and deferred tax.
Current tax is determined in accordance with the relevant tax law based on the taxable profit for a given period.
Current tax liabilities represent the amounts payable at the reporting date. If the amount of the current income tax paid exceeds the amount due the excess is recognized as a receivable.
Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for deductible temporary differences, unrealized tax losses and unrealized tax relieves to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.
Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.
Deductible temporary differences are temporary differences that will result in reducing taxable amounts of future periods when the carrying amount of the asset or liability is recovered or settled. Deductible temporary differences arise when the carrying amount of an asset is lower than its tax base or when the carrying amount of a liability is higher than its tax base. Deductible temporary differences may also arise in connection with items not recognized in the accounting records as assets or liabilities. Tax base is determined in relation to expected recovery of assets or settlement of liabilities.
The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.
Deferred tax assets and liabilities are recognized regardless of when the timing difference is likely to be realized. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The deferred tax assets and liabilities are measured at the end of each reporting period using enacted tax rates binding for the year in which the tax obligation arises, based on tax rates published in tax law.
Deferred tax assets and liabilities are not discounted.
Deferred tax assets and liabilities are accounted for as non-current assets or long-term liabilities in the statement of financial position.
Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends and is able to settle its current tax assets and liabilities on a net basis.

(9) Earnings per share

Basic earnings per share for each period are calculated by dividing the net profit for a given period by the weighted average number of shares outstanding during that period.

Diluted earnings per share for each period are calculated by dividing the net profit for a given period adjusted by changes of the net profit resulting from conversion of the dilutive potential ordinary shares by the weighted average number of shares.

(10) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.
Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use.

The cost of an item of property, plant and equipment includes also estimated costs of dismantling and removing the item and restoring the site/land on which it is located, the obligation for which is connected with acquisition or construction of an item of property, plant and equipment and capitalized borrowing costs, i.e. costs directly attributable to the acquisition, construction or production of a qualifying asset, e.g. interest, commissions are part of the initial cost.
Depreciation of an item of property, plant and equipment begins when it is available for use that is from the month it is in the location and condition necessary for it to be capable of operating in the manner intended by the management, over the period reflecting their estimated economic useful life, considering the residual value. Appropriateness of the applied depreciation rates is verified periodically (once a year), and respective adjustments are made to the subsequent periods of depreciation. Components of property, plant and equipment which are material for the whole item are depreciated separately in accordance with their economic useful life.
Depreciation is charged so as to write off the cost or valuation of assets to their residual values, other than land, over their estimated useful lives, using the straight-line method.

The following standard economic useful lives are used for property, plant and equipment:

Machinery and equipment	3-25 years
Vehicles and other	4-8 years

The cost of significant repairs and regular maintenance programs is recognized as property, plant and equipment and depreciated in accordance with their economic useful lives. The costs of current maintenance of property, plant and equipment are recognized as an expense during the period when they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major spare parts and stand-by equipment are capitalized as property, plant and equipment when an entity expects to use them during more than one period. Similarly, if the spare parts and servicing agreement can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment. In both cases spare parts are depreciated over the shorter of the useful life of the spare part and the remaining life of the related item of property, plant and equipment.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in income.

The residual value, estimated useful life and depreciation methods are reassessed annually.

(ii) Leased assets

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. In calculating the present value of the minimum lease payments the discount factor is the interest rate implicit in the lease. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(iii) Subsequent expenditure

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

(11) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Gains and losses resulting from changes in fair value of investment property are presented in the statement of comprehensive income in the period which they arise.

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(12) Intangible assets

Intangible assets include identifiable non-monetary assets without physical substance. Intangible assets are recognized if it is probable that the expected future economic benefits that are attributable to the assets will flow to the entity and the cost of the asset can be measured reliably.

Intangible assets are measured at acquisition or construction cost less amortization and impairment allowances. Intangible assets with a finite useful life are amortized when it is available for use that is when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management over their estimated economic useful life. Appropriateness of the applied amortization periods and rates is periodically reviewed, at least at the end of the reporting year, and potential adjustments to amortization allowances are made in the subsequent periods. Intangible assets with an indefinite useful life are not amortized.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, e.g. interest, commissions, are part of the initial cost.

The following standard economic useful lives are used for intangible assets:

Acquired licenses, patents, and similar intangible assets	2–10 years
Acquired computer software	2-5 years

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of comprehensive income as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Company has sufficient resources to complete development.

(ii) Computer software

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company and which will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Direct costs include employee costs of the software development team and an appropriate portion of relevant overheads. Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of five years.

(iii) Other intangible assets

Expenditure to acquire patents, trademarks and licenses is capitalised and amortised using the straight-line method over their useful lives, except for licenses related to the purchase of production technologies, which are amortised over the estimated useful life of the technologies purchased. Expenditure on internally generated goodwill and brands is recognised in the statement of comprehensive income as an expense as incurred.

(iv) Subsequent expenditure

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(13) Government grants

Government grants are recognised in the statement of financial position initially as deferred income when there is reasonable assurance that it will be received and that the Company will comply with the conditions attached to it.

If the grant relates to a given income, it is recognized as income over the period necessary to match it with the related costs which the grant is intended to compensate.

If the grant concerns particular asset, its fair value is recognized as deferred income and on a systematic basis over the estimated useful life of the underlying asset in the Statement of comprehensive income.

(14) Borrowing costs

Borrowing costs consist of interest and other costs that are incurred in connection with the borrowing of funds.

The Company capitalises borrowing costs attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset, starting from commencement date until the time when the assets are substantially ready for their intended use or sale.

Qualifying assets are the assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Borrowing costs which are not connected with qualifying assets are recognized in the statement of comprehensive income in the period in which they are incurred.

The commencement date for capitalization is the date when all of the following conditions are met: expenditures for the asset are incurred; borrowing costs are incurred; activities necessary to prepare the asset for its intended use or sale are undertaken.

(15) Impairment

The carrying amounts of the Company's assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For intangible assets that are not yet available for use and intangible assets with indefinite useful lives, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

(i) Calculation of recoverable amount

Financial instruments, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial instruments are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition the estimated future cash flows of the instrument have been impacted.

For equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial instruments the objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- evidence that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial instruments, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For financial instruments measured at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.
The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment
An impairment loss in respect of a held-to-maturity security or receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.
In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised as income. An impairment loss recognised in respect of goodwill is not reversed in subsequent periods.

(16) Trade and other receivables
Trade and other receivables are recognized initially at the present value of the expected proceeds and are stated in subsequent periods at amortized cost using the effective interest method less any impairment losses.

(17) Cash and cash equivalents
Cash and cash equivalents consist of cash at bank, bank deposits and short-term highly liquid investments with original maturities of three months and less. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(18) Financial instruments

(i) Non-derivative financial instruments
Non-derivative financial instruments are initially recognised at fair value, plus transaction costs, except for instruments at fair value through profit or loss, which are initially measured at fair value. Non-derivative financial instruments are classified into the following categories: financial assets 'at fair value through profit or loss', 'held-to-maturity', 'available-for-sale' and other. The classification depends on the nature and purpose of the financial instrument and is determined at the time of initial recognition.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument.

Financial assets at fair value through profit or loss
Financial instruments are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss upon initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A financial instrument is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial instrument other than a financial instrument held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial instrument forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial instruments at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described below.

Held-to-maturity

Debt securities with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment.

Available-for-sale financial instruments

Equity securities held by the Company that are traded in an active market are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described below. Gains and losses arising from changes in fair value are recognised directly in equity with the exception of impairment losses and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the instrument is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company’s right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Other financial instruments

Other financial instruments include instruments that have fixed or determinable payments that are not quoted in an active market. Other financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial instruments

The Company derecognises a financial instrument when the contractual rights to the cash flows from the asset expire; or it transfers the financial instrument and substantially all the risks and rewards of ownership of the instrument to another entity.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred instrument, the Company recognises its retained interest in the instrument and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial instrument, the Company continues to recognise the financial instrument and also recognises a collateralised borrowing for the proceeds received.

(ii) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative instrument is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Hedge accounting

The Company designates certain hedging instruments, which include derivatives, embedded derivatives and non derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged items.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value hedges
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedge risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the statement of comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are reported in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.
Amounts previously recognised in equity are transferred to profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in equity are transferred from equity and included in the initial measurement of the asset or liability.
Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss recognised in equity remains in equity until the forecast transaction is recorded in profit or loss. When a forecast transaction is no longer expected to occur; the cumulative gain or loss that was recognised in equity is transferred immediately to profit or loss.

Hedges of net investments in foreign operations
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.
Gains and losses presented in the foreign currency translation reserve are recognised in profit or loss on disposal of the foreign operation.

(iii) Fair value of financial instruments
The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial instruments with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial instruments (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and
- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(19) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured reliably. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The Company establishes provisions for environmental damage, legal disputes, penalties and estimated expenditures related to the fulfilment of obligations as a result of warranty claims. No provisions are established in respect of environmental damages which occurred prior to establishment of the Company as the Czech government contractually committed to reimburse the Company for clean-up costs.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. Future operating costs are not provided for.

In accordance with the Company's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised when the land is contaminated.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(20) Social security and pension schemes

Contributions are made to the Czech government's health retirement and unemployment schemes at the statutory rates in force during the year based on gross salary payments. The cost of security payments is charged to the statement of comprehensive income in the same period as the related salary cost. The Company has no pension or post-retirement commitments.

(21) Long-term service benefits

The Company's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield at the balance sheet date on AAA credit rated bonds that have maturity dates approximating to the terms of the Company's obligations.

Retirement benefits and jubilee bonuses

Under the Company's remuneration plans, its employees are entitled to jubilee bonuses and retirement benefits. The jubilee bonuses are paid to employees after elapse of a defined number of years in service. The retirement benefits are paid once at retirement. The amount of retirement benefits and jubilee bonuses depends on the number of years of service and an employee's average remuneration. The Company does not assign assets which would be used for future retirement or jubilee liabilities. The Company creates a provision for future retirement benefits and jubilee bonuses in order to allocate costs to relevant periods. In accordance with IAS 19, jubilee bonuses are long-term employee benefits and retirement benefits are classified as post-employment benefit plans. The present value of those liabilities is estimated at the end of each reporting period and adjusted if there are any material indications impacting the value of the liabilities. The accumulated liabilities equal discounted future payments, considering employee rotation. Demographic data and information on employee rotation are based on historical records. Actuarial gains and losses are recognized in the profit and loss.

Year ended 31 December 2010 (in thousands of CZK)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(22) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale.
Non-current assets are classified as held for sale when the following criteria are met:

- A decision on initiation of the sale was adopted by the Company's management;
- The assets are available for an immediate sale in their present condition;
- An active program to locate a buyer has been initiated;
- The sale transaction is highly probable and can be completed within 12 months following the sale decision.

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, investment property, which continue to be measured in accordance with the Company's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

(23) Share capital

Ordinary shares are classified as share capital.

(24) Contingent liabilities and receivables

Contingent liabilities are defined as obligations that arise from past events and which are dependent on occurrence or non-occurrence of some uncertain future events. Contingent liabilities are not recognized in the balance sheet however the information on contingent liabilities is disclosed unless the probability of outflow of resources relating to economic benefits is remote.
Contingent liabilities acquired as the result of a business combination are recognized as provisions in the balance sheet
Contingent receivables are not recognized in the balance sheet; however the respective information on the contingent receivable is disclosed if the inflow of assets relating to economic benefits is probable.

4. REVENUE

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

	2010	2009
Fees for use of land	105,221	102,962
Revenue from services	59,109	140,719
Total revenue	**164,330**	**243,681**

5. BUSINESS SEGMENTS

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

Year ended 31 December 2010 (in thousands of CZK)

6. OPERATING EXPENSES AND INCOMES

The following table shows the most significant types of operating expenses analysed by nature and operating income categories.

2010	Cost of sales	Administrative expenses	Other operating income / (expenses)	Total
Materials consumed and energy	(712)	(1,711)	--	(2,423)
Repairs and maintenance	(525)	(1,261)	--	(1,786)
Services related to administration of investments in subsidiaries	(1,071)	(2,574)	--	(3,645)
Advertising expense	(2,739)	(6,588)	--	(9,327)
Legal services	(1,817)	(4,368)	--	(6,185)
Advisory services	(2,875)	(6,914)	--	(9,789)
Non-cancellable operating lease rentals	(1,410)	(3,390)	--	(4,800)
Travel expense	(1,361)	(3,272)	--	(4,633)
Telecommunication fees	(288)	(694)	--	(982)
Representation cost	(322)	(781)	--	(1,103)
Accounting, HR and other administrative services	(13,730)	(33,017)	--	(46,747)
IT services	(5,742)	(13,809)	--	(19,551)
Other services	(5,572)	(13,400)	--	(18,972)
Staff cost including remuneration of board members	(26,212)	(63,036)	--	(89,248)
Social and health insurance	(5,472)	(13,158)	--	(18,630)
Depreciation	(1,029)	(2,476)	--	(3,505)
Amortization	(350)	(841)	--	(1,191)
Impairment of PPE and intangibles (recognised) / released	--	--	--	--
Impairment to trade receivables (recognised) / released	--	--	(48,231)	(48,231)
Profit / (loss) on disposal of PPE	--	--	1,767	1,767
Insurance	--	(1,532)	--	(1,532)
Other expense	--	(6,455)	(595)	(7,051)
Other income	--	--	1,695	1,695
Operating expenses	**(71,227)**	**(179,277)**	**(45,365)**	**(295,869)**
Revenue				**164,330**
Results from operating activities				**(131,539)**

2009	Cost of sales	Administrative expenses	Other operating income / (expenses)	Total
Materials consumed and energy	(860)	(2,068)	--	(2,928)
Repairs and maintenance	(581)	(1,396)	--	(1,977)
Services related to administration of investments in subsidiaries	(5,422)	(13,040)	--	(18,462)
Advertising expense	(18,156)	(43,661)	--	(61,817)
Legal services	(4,418)	(10,624)	--	(15,042)
Advisory services	(1,624)	(3,905)	--	(5,529)
Non-cancellable operating lease rentals	(1,315)	(3,162)	--	(4,477)
Travel expense	(1,370)	(3,294)	--	(4,664)
Telecommunication fees	(447)	(1,075)	--	(1,522)
Representation cost	(695)	(1,673)	--	(2,368)
Accounting, HR and other administrative services	(17,420)	(41,891)	--	(59,311)
IT services	(7,251)	(17,436)	--	(24,687)
Other services	(7,799)	(18,757)	--	(26,556)
Staff cost including remuneration of board members	(32,538)	(78,247)	--	(110,785)
Social and health insurance	(5,067)	(12,186)	--	(17,253)
Depreciation	(2,021)	(4,862)	--	(6,883)
Amortization	(332)	(799)	--	(1,131)
Impairment of PPE and intangibles (recognised) / released	--	--	471	471
Impairment to trade receivables (recognised) / released	--	--	65	65
Profit / (loss) on disposal of PPE	--	--	(3,460)	(3,460)
Insurance	--	(1,906)	--	(1,906)
Other expense	--	(7,121)	(282)	(7,403)
Other income	--	--	5,939	5,939
Operating expenses	**(107,316)**	**(267,103)**	**2,733**	**(371,686)**
Revenue				**243,681**
Results from operating activities				**(128,005)**

Year ended 31 December 2010 (in thousands of CZK)

7. FINANCE INCOME AND FINANCE EXPENSE

	2010	2009
Finance income		
Interest income:		
- loans and receivables	425,568	522,634
- bank deposits	7,121	20,556
Dividend income*	410,336	151,562
Profit from sale of investments in subsidiaries	15,054	--
Income from receivable to UNIPETROL TRADE a.s.	93,730	54,075
Other finance income	6,383	6,166
Total finance income	**958,192**	**754,993**
Finance costs		
Interest expense:		
- bank overdrafts, loans and borrowings	(261,942)	(303,299)
- finance leases	(2)	(8)
Borrowing costs recognized in the statement of comprehensive income	**(261,944)**	**(303,307)**
Net foreign exchange losses	(386)	(1,770)
Other finance expenses	(8,010)	(8,384)
Total finance costs	**(270,340)**	**(313,461)**
Net finance income	**687,852**	**441,532**

* The information about dividends received is included in Notes 13 and 14.

8. PERSONNEL EXPENSES

The number of employees and managers and their remuneration for 2010 and 2009 are as follows:

2010	**Employees**	**Management**	**Total**
Number of employees average per year FTE*	20	5	**25**
Number of employees as at balance sheet day**	21	5	**26**
Wages and salaries	51,518	28,025	**79,543**
Social and health insurance	11,725	3,764	**15,489**
Social expense	1,563	396	**1,959**
Part of expenses related to benefit plans	391	60	**451**

2009	**Employees**	**Management**	**Total**
Number of employees average per year FTE*	21	4	**25**
Number of employees as at balance sheet day**	20	5	**25**
Wages and salaries	61,084	41,085	**102,169**
Social and health insurance	11,625	3,586	**15,211**
Social expense	1,321	243	**1,564**
Part of expenses related to benefit plans	517	76	**593**

* FTE – full time equivalent
** Number of employees comprises only active employees

In 2010 the remuneration of members of the Board of directors was CZK 3,105 thousand (CZK 2,874 thousand in 2009). The remuneration of members of the Supervisory board was CZK 5,640 thousand (CZK 5,684 thousand in 2009). Cost of social and health insurance connected with members of Board of directors and Supervisory board remuneration amounted to CZK 645 thousand in 2010 (CZK 587 thousand in 2009).

In 2010 the remuneration of members of the audit committee was CZK 960 thousand (CZK 57 thousand in 2009). Cost of social and health insurance connected with members of the audit committee remuneration amounted to CZK 86 thousand in 2010 (CZK 0 thousand in 2009).

Year ended 31 December 2010 (in thousands of CZK)

9. INCOME TAX

	2010	2009
Current tax – Czech Republic	(48,123)	(48,153)
Deferred tax	3,931	(3,510)
Income tax expense	**(44,192)**	**(51,663)**

Domestic income tax is calculated in accordance with Czech tax regulations at the rate of 19 % in 2010 (2009: 20 %) of the estimated taxable income for the year. The deferred tax has been calculated using tax rate approved for years 2010 and forward i.e. 19 %.

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

	2010		2009	
Profit for the period		512,121		261,864
Total income tax expense		(44,192)		(51,663)
Profit excluding income tax		556,313		313,527
Income tax using domestic income tax rate	(19.0) %	(105,699)	(20.0) %	(62,706)
Non-deductible expenses	(8.5) %	(8,943)	(3.7) %	(11,712)
Tax exempt income	14.6 %	81,032	9.7 %	30,320
Change in unrecognised temporary differences	(1.8) %	(10,240)	(0.9) %	(2,690)
Tax penalties	--	--	(0.0) %	(55)
Under (over) provided in prior periods	(0.0) %	(342)	(1.5) %	(4,820)
Total income tax expense	**(7.9) %**	**(44,192)**	**(16.5) %**	**(51,663)**

10. PROPERTY, PLANT AND EQUIPMENT

	Land	Machinery and equipment	Vehicles and other	Construction in progress	Total
Cost					
Balance as at 01/01/2009	**359,943**	**17,268**	**23,788**	**759**	**401,758**
Additions	5,840	--	1,408	832	8,080
Disposals	(2,448)	(13, 977)	(3,837)	(467)	(20,729)
Additions from investment property	846	--	--	--	846
Transfer to investment property	(643)	--	--	--	(643)
Other	1,560	--	--	--	1,560
Balance as at 31/12/2009	**365,098**	**3,291**	**21,359**	**1,124**	**390,872**
Additions	28,595	--	5,063	--	33,658
Disposals	(3,848)	--	(8,916)	--	(12,764)
Reclassifications	--	--	830	(1,124)	(294)
Balance as at 31/12/2010	**389,845**	**3,291**	**18,336**	**--**	**411,472**
Depreciation					
Balance as at 01/01/2009	**--**	**4,277**	**12,554**	**--**	**16,831**
Charge for the period	--	2,477	4,406	--	6,883
Disposals	--	(4,375)	(18)	--	(4,393)
Balance as at 31/12/2009	**--**	**2,379**	**16,942**	**--**	**19,321**
Charge for the period	--	335	3,170	--	3,505
Disposals	--	--	(8,569)	--	(8,569)
Balance as at 31/12/2010	**--**	**2,714**	**11,543**	**--**	**14,257**
Impairment					
Balance as at 01/01/2009	**--**	**--**	**--**	**466**	**466**
Reversal of impairment losses	--	--	--	(466)	(466)
Balance as at 31/12/2009	**--**	**--**	**--**	**--**	**--**
Balance as at 31/12/2010		**--**	**--**	**--**	**--**
Carrying amount as at 01/01/2009	**359,943**	**12,991**	**11,234**	**293**	**384,461**
Carrying amount as at 31/12/2009	**365,098**	**912**	**4,417**	**1,124**	**371,551**
Carrying amount as at 31/12/2010	**389,845**	**577**	**6,793**	**--**	**397,215**

Year ended 31 December 2010 (in thousands of CZK)

11. INTANGIBLE ASSETS

	Software	Licences, patents and trade marks	Assets under development	Other intangible assets	Total
Cost					
Balance as at 01/01/2009	**13,610**	--	--	**8,882**	**22,492**
Additions	--	4,308	--	--	4,308
Balance as at 31/12/2009	**13,610**	**4,308**	--	**8,882**	**26,800**
Additions	--	--	31	--	31
Disposals	--	(4,308)	--	--	(4,308)
Reclassifications	210	--	294	(210)	294
Other	5,750	--	--	1	5,751
Balance as at 31/12/2010	**19,570**	--	**325**	**8,673**	**28,568**
Amortization					
Balance as at 01/01/2009	**11,628**	--	--	**8,434**	**20,062**
Charge for the year	620	323	--	188	1,131
Balance as at 31/12/2009	**12,248**	**323**	--	**8,622**	**21,193**
Charge for the year	624	431	--	137	1,192
Disposals	--	(754)	--	--	(754)
Reclassifications	181	--	--	(181)	--
Other	5,750	--	--	--	5,750
Balance as at 31/12/2010	**18,803**	--	--	**8,578**	**27,381**
Impairment					
Balance as at 01/01/2009	--	--	--	**5**	**5**
Reversal of impairment losses	--	--	--	(5)	(5)
Balance as at 31/12/2009	--	--	--	--	--
Balance as at 31/12/2010	--	--	--	--	--
Carrying amount as at 01/01/2009	**1,982**	--	--	**443**	**2,425**
Carrying amount as at 31/12/2009	**1,362**	**3,985**	--	**260**	**5,607**
Carrying amount as at 31/12/2010	**767**	--	**325**	**95**	**1,187**

12. INVESTMENT PROPERTY

Investment property as at 31 December 2010 comprised land owned by the Company and leased to third parties. The changes recorded during 2010 are presented in following table:

	31/12/2010	31/12/2009
Investment property at 1 January	**162,627**	**160,057**
Purchases	112	4,214
Disposals	(549)	(1,441)
Transfer to Property, plant and equipment	--	(846)
Transfer from Property, plant and equipment	--	643
Total balance at 31 December	**162,190**	**162,627**

Rental income amounted to CZK 20,698 thousand in 2010 (2009: CZK 20,494 thousand). Operating costs relating to investment property amounted to CZK 1,314 thousand (2009: CZK 1,301 thousand).

Future rental income is as follows:

	Less than one year	Between one and five years
Total future rental income	21,008	90,527

Depending on the characteristics of the investment property, its fair value was assessed by a surveyor based on comparison approach. Comparison approach was applied assuming that the value of assessed property was equal to the market price of a similar property.

Year ended 31 December 2010 (in thousands of CZK)

13. INVESTMENTS IN SUBSIDIARIES AND JOINT – VENTURES

Investments in subsidiaries and joint – ventures as at 31 December 2010 were as follows:

Name of the entity	Registered office	Cost of investment	Ownership percentage	Impairment	Carrying amount	Dividend income for the period
Subsidiaries						--
UNIPETROL RPA, s.r.o.	Litvínov	7,360,335	100.00	--	7,360,335	--
Výzkumný ústav anorganické chemie, a.s.	Ústí nad Labem	59,172	100.00	7,860	51,312	--
UNIPETROL TRADE a.s.	Praha 4	350,000	100.00	350,000	--	--
BENZINA s. r.o.	Praha 4	4,181,070	100.00	1,922,070	2,259,000	--
UNIPETROL SERVICES, s.r.o.	Litvínov	100,280	100.00	--	100,280	--
UNIPETROL RAFINÉRIE, s.r.o.	Praha	408	100.00	--	408	--
PARAMO, a.s.	Pardubice	545,389	100.00	--	545,389	--
UNIPETROL AUSTRIA H.m.b.H.	Vídeň	2,899	100.00	--	2,899	
Joint - ventures						--
ČESKÁ RAFINÉRSKÁ, a.s. *)	Litvínov	3,872,299	51.22	--	3,872,299	409,761
Butadien Kralupy, a. s.	Kralupy	162,194	51.00	--	162,194	--
Total		**16,634,046**	**--**	**2,279,930**	**14,354,116**	**409,761**

*) In line with Articles of Association, adoption of decisions on all important matters in ČESKÁ RAFINÉRSKÁ, a.s. requires 67.5% or greater majority of all votes.

Investments in subsidiaries and joint – ventures as at 31 December 2009 were as follows:

Name of the entity	Registered office	Cost of investment	Ownership percentage	Impairment	Carrying amount	Dividend income for the period
Subsidiaries						
UNIPETROL RPA, s.r.o.	Litvínov	7,360,335	100.00	--	7,360,335	--
Výzkumný ústav anorganické chemie, a.s.	Ústí nad Labem	59,172	100.00	7,860	51,312	--
UNIPETROL TRADE a.s.	Praha 4	350,000	100.00	350,000	--	--
BENZINA s. r.o.	Praha 4	4,181,070	100.00	1,922,070	2,259,000	--
UNIPETROL SERVICES, s.r.o.	Litvínov	100,280	100.00	--	100,280	--
UNIPETROL RAFINÉRIE, s.r.o.	Praha	408	100.00	--	408	--
PARAMO, a.s.	Pardubice	545,389	100.00	--	545,389	--
Joint - ventures						
ČESKÁ RAFINÉRSKÁ, a.s. *)	Litvínov	3,872,299	51.22	--	3,872,299	150,082
Butadien Kralupy, a. s.	Kralupy	85,694	51.00	--	85,694	--
Total		**16,554,647**	**--**	**2,279,930**	**14,274,717**	**150,082**

*) In line with Articles of Association, adoption of decisions on all important matters in ČESKÁ RAFINÉRSKÁ, a.s. requires 67.5% or greater majority of all votes.

Year ended 31 December 2010 (in thousands of CZK)

14. OTHER INVESTMENTS

Other investments as at 31 December 2010 were as follows:

Company	Registered office	Cost of investment	Ownership percentage	Carrying amount	Dividend income for the period
ORLEN MALTA HOLDING	La Valetta	522	--	522	--
Spolek pro chemickou a hutní výrobu, akciová společnost	Ústí nad Labem	0.2	--	0.2	--
UNIPETROL DOPRAVA s.r.o.	Litvínov	1,799	0.12	1,799	150
UNIPETROL SLOVENSKO s.r.o.	Bratislava	95	13.04	95	--
PETROTRANS, s.r.o.	Praha	781	0.63	781	359
POLYMER INSTITUTE BRNO, spol. s r.o.	Brno	954	1.00	954	66
UNIPETROL Deutschland GmbH	Langen/Hessen	100	0.10	100	--
Total		**4,251**		**4,251**	**575**

Other investments as at 31 December 2009 were as follows:

Company	Registered office	Cost of investment	Ownership percentage	Carrying amount	Dividend income for the period
ORLEN MALTA HOLDING	La Valetta	522	--	522	--
Spolek pro chemickou a hutní výrobu, akciová společnost	Ústí nad Labem	0.2	--	0.2	--
UNIPETROL DOPRAVA s.r.o.	Litvínov	1,799	0.12	1,799	205
UNIPETROL SLOVENSKO s.r.o.	Bratislava	95	13.04	95	--
PETROTRANS, s.r.o.	Praha	780.8	0.63	780.8	230
POLYMER INSTITUTE BRNO, spol. s r.o.	Brno	954	1.00	954	45
Total		**4,151**		**4,151**	**480**

15. ASSETS HELD FOR SALE

As at 31 December 2009 Company held 20 shares in CELIO a.s. in nominal value of 1,000 thousand CZK. The Company's share in CELIO a.s. was classified as a current asset held for sale since its carrying amount was to be recovered principally through a sale transaction rather than through continuing use. The management approved a plan to sell its investment in CELIO a.s. The carrying amount of the investment was CZK 1,093 thousand as at 31 December 2009.

On 24 March 2010 UNIPETROL, a.s. as the seller entered into an agreement for the sale and purchase of its shares (10.53 %) in CELIO a.s. with TICATANOR s.r.o., a special purpose vehicle established by two top managers of CELIO a.s., as the buyer.

The closing of the sale of shareholding in CELIO, a.s. under the above agreement took place on 14 April 2010. UNIPETROL, a.s. sold its shareholding of 10.53 % in CELIO a.s for the aggregate selling price of CZK 16,147 thousand.

Dividend income amounted to CZK 1,000 thousand in period ended 31 December 2009.

16. NON-CURRENT LOANS TO SUBSIDIARIES

The Company provided to its subsidiaries UNIPETROL RPA, s.r.o., BENZINA, s.r.o. and BUTADIEN KRALUPY a.s. non-current loans amounting to CZK 2,662,294 thousand as at 31 December 2010. These loans are repayable by regular fixed instalments over next 7 years. The interest rates were based on 3M and 6M PRIBOR and fair value of loans approximates their carrying amount except for the loan provided to BENZINA s.r.o. in 1998. This loan bears effective interest rate 9.97% p.a. and fair value amounted to CZK 2,518,037 thousand as at 31 December 2010. A carrying amount of this loan amounts to CZK 2,104,661 thousand. The portion of non-current loans due within one year is reported as current loans to subsidiaries (note 19).

Year ended 31 December 2010 (in thousands of CZK)

16. NON-CURRENT LOANS TO SUBSIDIARIES (CONTINUED)

Movement table of non-current loans to subsidiaries:

	31/12/2010	31/12/2009
Balance at beginning of the year	**2,963,304**	**3,006,223**
Loans granted	77,361	319,406
Repayments	(51,000)	--
Reclassification to current loans to subsidiaries	(327,371)	(362,325)
Balance at end of the year	**2,662,294**	**2,963,304**

17. NON-CURRENT RECEIVABLES FROM SUBSIDIARIES

Non-current receivables from subsidiaries include advance payment for Benzina´s cards in amount CZK 168 thousand and receivable from UNIPETROL TRADE a.s., acquired by the Company in 2001 from Credit Lyonnais bank Praha, a.s. and Credit Lyonnais bank Slovakia, a.s. The receivable is payable in instalments out of which the last one is due on 31 December 2017. The receivable is denominated in CZK. During year 2010 the extraordinary instalment in amount of CZK 130,000 thousand was repaid. Due to planned liquidation of UNIPETROL TRADE a.s. the receivable was reclassified as short-term receivable and the allowance in amount of CZK 48,286 thousand was created.

18. TRADE AND OTHER RECEIVABLES

	2010	2009
Trade accounts receivable	144,776	243,058
Other receivables	210,629	163,687
Gross trade and other receivables	**355,405**	**406,745**
Impairment losses	(179,750)	(131,520)
Net trade and other receivables	**175,655**	**275,225**

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

The Company exposure to credit and currency risk related to trade and other receivables is disclosed in note 31 and detailed information about receivables from related parties is presented in note 30 – Related parties.

Movement in the impairment loss amount

	2010	2009
Balance at beginning of the year	**131,520**	**131,585**
Increases	48,285	--
Release	(55)	(65)
Balance at end of the year	**179,750**	**131,520**

Recognition and reversal of receivables allowances are presented in other operating activity.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management considers that there is no further credit risk allowance required in excess of the allowance for impairment charges.

Year ended 31 December 2010 (in thousands of CZK)

19. CURRENT LOANS TO SUBSIDIARIES

The Company provided loans to its subsidiaries UNIPETROL RPA, s.r.o., BENZINA s.r.o., PARAMO a.s., UNIPETROL TRADE a.s., UNIPETROL DOPRAVA, s.r.o., Butadien Kralupy a.s. and MOGUL SLOVAKIA, s.r.o.

The following table presents loans granted as at 31 December 2010 and 31 December 2009.

	2010	2009
Cash pooling	1,577,295	1,402,198
Operating loans	4,936,808	6,878,136
Total	**6,514,103**	**8,280,334**

The movements on operating loans were as follows:

	2010	2009
Balance as at 1 January	**6,878,136**	**6,897,109**
Loans granted	6,828,279	3,115,143
Repayment	(9,096,978)	(3,496,441)
Reclassification from non-current loans to subsidiaries	327,371	362,325
Balance as at 31 December	**4,936,808**	**6,878,136**

The interest rates were based on appropriate inter-bank rates and fair value of loans approximates their carrying amount except for the loan provided to BENZINA s.r.o. in 1998 (see note 16). The current loans provided to subsidiaries are not collateralised. The current loans to subsidiaries as at 31 December 2010 include the portion of non-current loans due within one year amounted to CZK 435,215 thousand (31 December 2009 – CZK 425,334 thousand).
The analysis of current loans by currency of denomination is presented in the Note 31.

20. CURRENT LOANS TO RELATED COMPANIES

In 2010 the Company provided a short-term loan to related entity SPOLANA a.s. The carrying amount of the loan amounted CZK 500,035 thousand as at 31 December 2010 (31 December 2009 – CZK 250,214 thousand). The interest rates were based on appropriate inter-bank rates and the fair value of the loan approximated its carrying amount at 31 December 2010. Zakłady Azotowe ANWIL Spółka Akcyjna provided full guarantee for the loan obligation of SPOLANA a.s.

21. DEFERRED TAX

Deferred income taxes result from future tax benefits and costs related to the differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. The deferred income taxes have been calculated using the tax rate expected to apply to periods when the respective asset is realized or liability is settled (i.e. 19 % in 2010 and onward).

The movement for the year 2010 in the Company's net deferred tax position was follows:

	2010	2009
Balance as at 1 January	(3,510)	--
Income statement charge	3,931	(3,510)
Balance as at 31 December	**421**	**(3,510)**

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

Deferred tax liabilities	**01/01/2010**	**Recognised in profit or loss**	**31/12/2010**
Property, plant and equipment	(4,868)	70	(4,798)
Finance lease	(14)	14	--
Total deferred tax liabilities	**(4,882)**	**84**	**(4,798)**

Year ended 31 December 2010 (in thousands of CZK)

21. DEFERRED TAX (CONTINUED)

Deferred tax assets	01/01/2010	Recognised in profit or loss	31/12/2010
Personnel expenses	1,372	3,847	5,219
Total deferred tax assets	**1,372**	**3,847**	**5,219**

Deferred income tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

22. CASH AND CASH EQUIVALENTS

	2010	2009
Cash in hand	63	61
Cash at bank	2,863,029	253,815
Total	**2,863,092**	**253,876**

The carrying amount of these assets approximates their fair value.
The analysis of cash and cash equivalents by currency of denomination is presented in note 31.

23. SHARE CAPITAL

The issued capital of the Company as at 31 December 2010 was CZK 18,133,476 thousand (2009: CZK 18,133,476 thousand). This represents 181,334,764 (2009: 181,334,764) bearer ordinary shares, each with a nominal value of CZK 100. All issued shares have been fully paid and bear equal voting rights. The Company's shares are listed on the Prague stock exchange.

24. RESERVES

In accordance with the Czech Commercial Code, joint stock companies are required to establish a reserve fund for possible future losses and other events. Contributions must be a minimum of 20% of the profit for the period in the first year in which profits are generated and 5% of profit each year thereafter until the fund reaches at least 20% of the issued capital. The balance of Statutory reserve fund amounted as at 31 December 2010 to CZK 1,625,865 thousand (31 December 2009 – CZK 1,612,772 thousand). In addition as reserves fair value changes related to investment property amounting to CZK 20,748 thousand and other reserves amounting to CZK 7,452 thousand are recorded.

25. RETAINED EARNINGS AND DIVIDENDS

The Ordinary General Meeting of UNIPETROL, a.s. held on 28 June 2010 decided on appropriation of the profit for 2009 amounting to CZK 261,864 thousand. In accordance with Article 26 (1) of the Company's Articles of Association CZK 13,093 thousand was allocated to the reserve fund and CZK 248,771 thousand to retained earnings.
The decision regarding appropriation of 2010 profit will be made on the annual general meeting of shareholders, which will be held in May / June 2011.

26. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Company's interest – bearing loans and borrowings, which are measured at amortised cost.
Information about the Company's exposure to interest rate, foreign currency a liquidity risk is included in the Note 31.

Year ended 31 December 2010 (in thousands of CZK)

26. LOANS AND BORROWINGS (CONTINUED)

	2010	2009
Non – current loans and borrowings		
Unsecured bonds issued	2,000,000	2,000,000
Total non – current loans and borrowings	**2,000,000**	**2,000,000**
Current loans and borrowings		
Current portion of unsecured bonds issued	102,634	136,614
Unsecured bank loans	15,967	18,141
Unsecured loans from subsidiaries	616,289	294,017
Total current loans and borrowings	**734,890**	**448,772**

Unsecured bonds issued

In 1998 the Company issued 2,000 bonds at a total nominal value of CZK 2,000,000 thousand. The bonds mature in 15 years from the issue date at their nominal value of CZK 2,000,000 thousand. The interest rate is 0 % p.a. for the first two years and 12.53 % p.a. in subsequent years. The effective interest rate is 9.82 %. Interest is payable on an annual basis. Interest expense is accrued using the effective interest rate method. The aggregate carrying amount of the bonds is CZK 2,102,634 thousand (CZK 2,136,614 thousand at 31 December 2009). Part of the liability due within 12 months is presented in current liabilities. Using the actual market interest rate, based on the analysis of the current market conditions, the fair value of the aggregate liability arising from the bonds is currently estimated at CZK 2,518,730 thousand (CZK 2,634,838 thousand at 31 December 2009). Accrued interest, which will be repaid before 31 December 2011, is presented under current loans and borrowings in amount of CZK 102,634 thousand (CZK 136,614 thousand at 31 December 2009).

Unsecured bank loans

As at 31 December 2010 the Company had bank loans amounting to CZK 15,967 thousand. The interest rates were based on appropriate inter-bank rates and fair value of loans approximates their carrying amount. The analyses of bank loans (in CZK thousands) as at 31 December 2010:

	CZK	EUR	USD	Total
Balance at beginning of the year	**6,674**	**1,788**	**9,679**	**18,141**
Loans taken	3,655,571	657,089	3,607	4,316,267
Accrued interest	7	63	--	70
Repayments	(3,657,586)	(647,640)	(13,285)	(4,318,511)
Balance at end of the year	**4,666**	**11,300**	**1**	**15,967**

Loans from subsidiaries

The current loans from subsidiaries are connected with a cash-pool structure. During the year 2010 the Company had cash-pooling agreements with following banks and subsidiaries:
Banks: CITIBANK a.s., ING Bank N.V., organizační složka and Česká spořitelna, a.s., Commerzbank AG, HSBC Bank Plc, Credit Agricole, S.A.., RBS, N.V.
Subsidiaries: UNIPETROL RPA, s.r.o., BENZINA s.r.o., PARAMO,a.s., UNIPETROL DOPRAVA, s.r.o., UNIPETROL TRADE a.s., PETROTRANS, s.r.o., UNIPETROL SERVICES, s.r.o., UNIPETROL SLOVENSKO, s.r.o., BUTADIEN KRALUPY a.s. and MOGUL SLOVAKIA, s.r.o..
Cash on bank accounts with the above mentioned banks is pooled among the Company and subsidiaries listed above. The agreements enable the Company and the subsidiaries to take bank overdrafts at the total amount within the range from CZK 1,000,000 thousand to CZK 1,500,000 thousand at each bank. Interest income / expense is calculated from pooled balances and subsequently divided between the participants. The liabilities from cash-pooling bank loans amounted CZK 10,695 thousand and cash-pooling liabilities to subsidiaries in amount of CZK 616,289 thousand as at 31 December 2010 (as at 31 December 2009 CZK 18,141 thousand and CZK 294,017 thousand).

Year ended 31 December 2010 (in thousands of CZK)

27. TRADE AND OTHER PAYABLES AND ACCRUALS

	2010	2009
Trade payables	45,132	97,569
Wages and salaries	33,531	42,114
Other payables	19,305	20,254
Social security and other taxes	9,207	3,315
Total accounts payable	**107,175**	**163,252**

The average credit period for trade payables is 30 days. The analysis of the trade and other payables is presented in note 31. As of 31 December 2010 and 31 December 2009, the Company did not have any trade payables after their due dates. Management of the Company is of the opinion that the carrying amount of trade payables approximates their fair values.

28. OPERATING LEASES

The Company as a lessee

Operating lease arrangements

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

Non-cancellable operating lease commitments

	Minimum lease payments	
	2010	2009
Not later than one year	4,888	4,776
Later than one year and not later than five years inclusive	19,555	19,104
Later than five years	14,667	19,104
Total	**39,110**	**42,984**

Payments recognised as an expense were as follows:

	2010	2009
Non-cancellable operating lease	4,800	4,477
Cancellable operating lease	728	648
Total	**5,528**	**5,125**

29. COMMITMENTS AND CONTINGENCIES

Contingent liabilities and commitments related to the sale of shares in KAUČUK, a.s. (currently SYNTHOS Kralupy a.s.)

On 30 January 2007, UNIPETROL, a.s., as seller, and FIRMA CHEMICZNA DWORY S.A., with its registered office at ul. Chemików 1, 32-600 Oświęcim, Poland, KRS No.: 38981 (“Dwory”), as purchaser, executed the Share Purchase Agreement (the “Share Purchase Agreement”) on sale of 100% shares of KAUČUK, a.s., with its registered office at Kralupy nad Vltavou, O. Wichterleho 810, District Mělník, Postal Code: 278 52, Czech Republic, Id. No: 25053272.

Determination of Liability for Impacts of Operation of SYNTHOS Kralupy a.s. on Environment

The environmental audit of plots of land owned by the Company and used by SYNTHOS Kralupy a.s. was performed for the purpose of determining the liability of contractual parties arising from existing or future impacts of SYNTHOS Kralupy a.s. operation on the environment. The share purchase agreement provides that liability for the environmental conditions originating prior to the closing of the transaction lies with the Company and liability for the environmental conditions

29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

originating after the closing of the transaction lies with Dwory. Liability of the contractual parties for the environmental conditions is limited up to 10 % of the purchase price for the shares (and by 5 years).
The Company's management, based on the available information and current knowledge of the situation, does not expect any additional expense / payment related to described issue.

Execution of Agreement on Pre-emptive Right to Plots of Land Owned by UNIPETROL, a.s. and Used by SYNTHOS Kralupy a.s. for Its Operations
On 10 July 2007 the Company and SYNTHOS Kralupy a.s. executed the agreement pursuant to which UNIPETROL, a.s. undertook to create in favor of SYNTHOS Kralupy a.s. the pre-emptive right and other rights to certain plots of land owned by the Company in industrial area in Kralupy nad Vltavou which are used by SYNTHOS Kralupy a.s. for its operations.

The share purchase agreement anticipates that the sale of the subject plots of land will be realized after satisfaction of all administrative, operational and legal conditions necessary for a split of parts of industrial area in Kralupy nad Vltavou.

Apart from the foregoing, the sale of shares of SYNTHOS Kralupy a.s. owned by the Company to Dwory was based on the following major principles, among others:

- uninterrupted operation of the present butadiene unit;
- contractual satisfaction of supplies of energies, steam, water and other services within the industrial area in Kralupy nad Vltavou which are at present provided by SYNTHOS Kralupy a.s. to ČESKÁ RAFINÉRSKÁ, a.s.; and
- continuation of all important agreements with the companies of Unipetrol Group and further operation of the energy unit.

The Company's management, based on the available information and current knowledge of the situation, does not expect any additional expense / payment related to described issue.

Contingent liabilities related to the sale of shares in SPOLANA a.s.
The purchase price in accordance with the share purchase agreement entered into in 2006 between the Company and Zakłady Azotowe ANWIL Spółka Akcyjna, may be subject to price adjustments which would result mainly on the occurrence of any of the following events:
(i) Environmental guarantees provided by the National Property Fund of the Czech Republic will not be sufficient for compensation of costs for the environmental damage remediation of the Old Amalgam Electrolysis project.
In this case the Company will be obligated to financially indemnify ANWIL up to 40 % of the purchase price provided that all necessary steps will have been taken by ANWIL and SPOLANA a.s. without success for obtaining additional funds for this purpose.

(ii) Other potential obstacles in future operation of SPOLANA a.s.
In this case, the Company will be obligated to financially indemnify ANWIL up to 1-3 % of the purchase price.

The Company's management, based on the available information and current knowledge of the situation, does not expect any additional expense / payment related to described issue.

Claims related to fines imposed by the European Commission
In November 2006, the European Commission imposed fines, among others, upon Shell, Dow, Eni, UNIPETROL, a.s. and SYNTHOS Kralupy a.s. for an alleged cartel in the area of Emulsion Syrene Butadiene Rubber ("ESBR"). UNIPETROL, a.s. and SYNTHOS Kralupy a.s., its subsidiary at that time, were jointly imposed a fine of EUR 17.5 million, which they reimbursed to

29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

the Commission. At the same time, both companies appealed to the Court of First Instance in Luxembourg and this action is pending.
First hearing regarding the appeal of UNIPETROL, a.s. against the European Commission decision was held on 20 October 2009 at the Court of First Instance of the European Union. The Judgement has not been delivered yet.

Following the above decision of the European Commission, UNIPETROL, a.s. has been served with a claim for damages, which tire producers brought against the members of the ESBR cartel. The claim for damages was filed with the High Court of Justice, Queen's Bench Division, Commercial Court. The claimants ask for damages, together with interest, to compensate for their loss suffered as a result of an alleged cartel. The amount claimed is to be assessed. The next hearing should take place in June 2011.

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

Purchase of shares of PARAMO, a.s.
In January 2009 UNIPETROL, a.s. effected a squeeze out of PARAMO, a.s. shares within the meaning of Sections 183i et seq. of the Commercial Code and became sole shareholder of PARAMO, a.s.
In accordance with the resolutions of the Extraordinary General Meeting of PARAMO, a.s. of 6 January 2009, all other shares in PARAMO, a.s were transferred to the Company and the Company provided to the other shareholders of PARAMO, a.s. and/or pledges, the monetary consideration in the amount of CZK 977 per one share of PARAMO, a.s. On 4 February 2009 the registration of the above resolution of the Extraordinary General Meeting was published in the Czech Commercial Register. Pursuant to the Czech Commercial Code, the ownership title to shares of the other shareholders passed to the Company on 4 March 2009 upon expiration of one month from the above publication and UNIPETROL, a.s. became the sole shareholder of PARAMO, a.s.
In connection with the squeeze-out, certain minority shareholders of PARAMO, a.s. filed a petition with the Regional Court in Hradec Králové for review of adequacy of compensation within the meaning of the Czech Commercial Code. The case has been consolidated and removed to Municipal Court of Prague. The claimants have appealed the procedural decision and filed a constitutional complaint with the Constitutional Court of the Czech Republic in this respect, asserting violation of their right to judge. The Czech Constitutional Court returned the matter to the High Court in Prague for a new decision on the removal of the case.
Furthermore some of former minority shareholders of PARAMO, a.s. requested the Regional Court in Hradec Králové to declare the invalidity of PARAMO, a.s. general meeting resolution dated 6 January 2009 and the District Court in Prague 4 to review the decision of 28 November 2008 by which the Czech National Bank granted in accordance with Section 183n(1) of the Czech Commercial Code its previous approval with the monetary consideration provided under the above squeeze-out. In case of invalidity of the General Meeting resolution, the Regional Court of Hradec Králové (Pardubice branch) on 2 March 2010 decided in favor of PARAMO, a.s. and dismissed the Action of minority shareholders. The minority shareholders filed an appeal against the Decision of the Regional Court in Hradec Králové of 2 March 2010 and the appellate proceedings are pending before the High Court in Prague. In case of the proceedings concerning the previous approval of the Czech National Bank, the action was dismissed by the District Court for Prague 4 in favor of the Czech National Bank and UNIPETROL, a.s. The claimants filed an appeal and the proceedings are pending before the Municipal Court in Prague.

Year ended 31 December 2010 (in thousands of CZK)

29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

30. RELATED PARTIES

Ultimate controlling party
During 2010 and 2009 a majority of the Company's shares were in possession of PKN Orlen (62.99%).

			2010	
	PKN Orlen	Parties under control of the Company	Entities under control or significant influence of PKN Orlen	Other related parties
Current receivables and loans	108	6,539,449	500,178	--
Current payables and loans	1,812	627,776	--	--
Non-current receivables and loans	--	2,710,053	--	--
Expenses	11,005	58,049	126	--
Revenues	119	141,496	100	--
Purchases of fixed assets	--	204	--	--
Sales of intangible assets	--	3,590	--	--
Dividends income	--	410,336	--	--
Financial income and expense	--	412,237	11,067	--

			2009	
	PKN Orlen	Parties under control of the Company	Entities under control or significant influence of PKN Orlen	Other related parties
Current receivables	4	8,424,262	250,213	--
Current payables including loans	2,148	308,564	--	--
Non-current receivables	--	2,963,304	--	--
Expenses	13,682	111,901	18	--
Revenues	10	220,164	90	--
Purchases of fixed assets	4,308	446	--	--
Sales of property, plant and equipment	--	8,086	--	--
Dividends income	--	150,562	--	1,000
Financial income and expense	--	509,137	7,703	--

Year ended 31 December 2010 (in thousands of CZK)

31. FINANCIAL INSTRUMENTS

Accounting classification and fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

2010	Note	Available for sale	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Investments in subsidiaries and joint ventures, other investments	13,14	14,358,367	--	--	14,358,367	14,358,367
Loans granted	16,19,20	--	9,676,432	--	9,676,432	10,089,808
Cash and cash equivalents	22	--	2,863,092	--	2,863,092	2,863,092
Trade and other receivables	18	--	175,655	--	175,655	175,655
Receivables from subsidiaries	17	--	168	--	168	168
Total of financial assets		**14,358,367**	**12,715,347**	**--**	**27,073,714**	**27,487,090**
Loans and borrowings	26	--	--	2,734,890	2,734,890	3,151,016
Trade and other payables and accruals	27	--	--	149,161	149,161	149,161
Total of financial liabilities		**--**	**--**	**2,884,051**	**2,884,051**	**3,300,177**

2009	Note	Available for sale	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
Investments in subsidiaries and joint ventures, other investments	13,14	14,278,868	--	--	14,278,868	14,278,868
Loans granted	16,19,20	--	11,493,852	--	11,493,852	11,980,759
Trade and other receivables	18	--	275,225	--	275,225	275,225
Cash and cash equivalents	22	--	253,876	--	253,876	253,876
Receivables from subsidiaries	17	--	73,564	--	73,564	73,564
Financial assets held to maturity		1,093	--	--	1,093	1,093
Total of financial assets		**14,279,961**	**12,096,517**	**--**	**26,376,478**	**26, 863,385**
Loans and borrowings	26	--	--	2,448,772	2,448,772	3,083,610
Trade and other payables and accruals	27	--	--	225,739	225,739	225,739
Total of financial liabilities		**--**	**--**	**2,674,511**	**2,674,511**	**3,309,349**

Capital structure management

The Company manages its capital to ensure that entities in UNIPETROL Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 26, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 23, 24 and 25 respectively.

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

	2010	2009
Debt (i)	2,734,890	2,448,772
Cash and cash equivalents	(2,863,092)	(253,876)
Net debt	**(128,202)**	**2,194,896**
Equity (ii)	24,759,527	24,247,409
Net debt to equity ratio (in %)	**(0.52)**	**9.05**

(i) Debt is defined as long-term and short-term borrowings, as detailed in note 26
(ii) Equity includes all capital and reserves of the Company

Year ended 31 December 2010 (in thousands of CZK)

31. FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk management

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

2010	CZK	EUR	USD	Other currencies	Total
Non-current receivables	168	--	--	--	168
Loans granted	9,649,362	27,070	--	--	9,676,432
Trade and other receivables	174,380	1,167	--	108	175,655
Prepaid expenses	2,624	694	150	5,783	9,251
Cash and cash equivalents	2,792,503	57,770	12,819	--	2,863,092
Non-current loans and borrowings	(2,000,000)	--	--	--	(2,000,000)
Trade and other payables and accruals	(109,214)	(8,394)	(350)	(1,191)	(119,149)
Loans and borrowings	641,272	81,625	11,993	--	734,890
Dividends payables	(30,012)	--	--	--	(30,012)
Net exposure	**9,838,539**	**(3,318)**	**626**	**4,700**	**9,840,547**

2009	CZK	EUR	USD	Other currencies	Total
Non-current receivables	73,564	--	--	--	73,564
Loans granted	11,471,668	12,311	9,873	--	11,493,852
Trade and other receivables	274,412	811	2	--	275,225
Prepaid expenses	7,898	224	805	240	9,167
Cash and cash equivalents	211,791	36,161	5,924	--	253,876
Non-current loans and borrowings	(2,000,000)	--	--	--	(2,000,000)
Trade and other payables and accruals	(188,745)	(3,889)	(184)	(1,541)	(194,359)
Loans and borrowings	437,305	(1,788)	(9,679)	--	448,772
Dividends payables	(31,380)	--	--	--	(31,380)
Net exposure	**9,381,903**	**43,830**	**6,741**	**(1,301)**	**9,431,173**

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2010	**2009**	**2010**	**2009**
CZK/EUR	25.290	26.445	25.060	26.465
CZK/USD	19.111	19.057	18.751	18.368

Foreign Currency sensitivity analysis

The following table details the Company's sensitivity to a 10% increase and decrease in the CZK against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes external loans as well as loans to foreign operations where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit where the CZK strengthens 10% against the relevant currency. For a 10% weakening of the CZK against the relevant currency, there would be an equal and opposite impact on the profit.

Year ended 31 December 2010 (in thousands of CZK)

31. FINANCIAL INSTRUMENTS (CONTINUED)

(data in CZK thousand)	CZK / USD Impact		CZK / EUR Impact	
	2010	2009	2010	2009
Profit/Equity	63	674	332	4,383

Interest rate risk management

The Company has adopted a Debt Policy, which covers transferring of external financial sources to subsidiaries. These external financial sources are transferred with similar conditions and interest rates including a mark up (see notes 16, 19, and 26). There are no loans and borrowings used for Company's own purposes.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended 31 December 2010 would decrease/increase by CZK 34,831 thousand (2009: decrease/increase by CZK 42,849 thousand). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

The Company's sensitivity to interest rates has decreased during the current period mainly due to repayments of loans. For further information see Note 26.

Interest rate risk profile

The interest rate profile of the Group's interest bearing financial instrument at the reporting date was as follows:

	2010	2009
Fixed rate instruments		
Financial assets	2,280,484	2,488,007
Financial liabilities	2,251,795	2,361,353
Variable rate instruments		
Financial assets	7,571,771	9,354,634
Financial liabilities	632,256	313,158

Credit risk management

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

Year ended 31 December 2010 (in thousands of CZK)

31. FINANCIAL INSTRUMENTS (CONTINUED)

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Note	Carrying amount 2010	2009
Available for sale financial assets	15	--	1,093
Loans and receivables	16,17,18,19,20	9,852,255	11,842,641
Cash and cash equivalents	22	2,863,092	253,876
Total		**12,715,347**	**12,097,610**

The maximum exposure to credit risk for loans and receivables at the reporting date by geographic region was as follows:

	2010		2009	
	Secured	Unsecured	Secured	Unsecured
Czech Republic	500,035	9,324,755	456,694	11,385,883
European Union	--	27,465	--	64
Total	**500,035**	**9,352,220**	**456,694**	**11,385,947**

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Aging of loans and receivables at the reporting date was:

	2010		2009	
	Gross	Impairment	Gross	Impairment
Not past due	9,900,432	48,285	11,842,626	--
Past due 0-30 days	108	--	15	--
Past due 30-180 days	--	--	--	--
More than 180 days	131,465	131,465	131,520	131,520
Total	**10,032,005**	**179,750**	**11,974,161**	**131,520**

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate liquid funds, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk tables

The following table details the Company's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

Expected maturity of non-derivative financial assets

2010	Total	Less then 3 months	3-12 months	More then 1 year
Non-current assets				
Loans to subsidiaries	2,662,294	--	--	2,662,294
Receivables from subsidiaries	168	--	--	168
Current assets				
Trade and other receivables	175,655	127,349	48,306	--
Loans to subsidiaries	6,514,103	6,198,219	315,884	--
Loans to related companies	500,035	500,035	--	--
Cash and cash equivalents	2,863,092	2,863,092	--	--
Total	**12,715,347**	**9,688,695**	**364,190**	**2,662,462**

Year ended 31 December 2010 (in thousands of CZK)

31. FINANCIAL INSTRUMENTS (CONTINUED)

2009	Total	Less then 3 months	3-12 months	More then 1 year
Non-current assets				
Loans to subsidiaries	2,963,304	--	--	2,963,304
Receivables from subsidiaries	73,564	--	--	73,564
Current assets				
Trade and other receivables	275,225	275,225	--	--
Loans to subsidiaries	8,280,334	8,129,956	150,378	--
Loans to related companies	250,214	250,214	--	--
Cash and cash equivalents	253,876	253,876	--	--
Total	**12,096,517**	**8,909,271**	**150,378**	**3,036,868**

Contractual maturity of non-derivative financial liabilities

2010	Total	Less then 3 months	3-12 months	More then 1 year
Non-current liabilities				
Loans and borrowings	2,000,000	--	--	2,000,000
Current liabilities				
Trade and other payables and accruals	119,149	119,149	--	--
Loans and borrowings	734,890	632,256	102,634	--
Total	**2,854,039**	**751,405**	**102,634**	**2,000,000**

2009	Total	Less then 3 months	3-12 months	More then 1 year
Non-current liabilities				
Loans and borrowings	2,000,000	--	--	2,000,000
Current liabilities				
Trade and other payables and accruals	194,359	194,359	--	--
Loans and borrowings	448,772	312,158	136,614	--
Total	**2,643,131**	**506,517**	**136,614**	**2,000,000**

32. PAST ENVIRONMENTAL LIABILITIES

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

An overview of funds provided for the environmental contracts:

In CZK million	Total amount of funds to be provided	Used funds as at 31/12/2010	Unused funds as at 31/12/2010
UNIPETROL, a.s./ premises of UNIPETROL RPA, s.r.o.	6,012	2,572	3,440
UNIPETROL, a.s./ premises of SYNTHOS, a.s.	4,244	18	4,226
Total	**10,256**	**2,590**	**7,666**

In CZK million	Total amount of funds to be provided	Used funds as at 31/12/2009	Unused funds as at 31/12/2009
UNIPETROL, a.s./ premises of UNIPETROL RPA, s.r.o.	6,012	2,161	3,851
UNIPETROL, a.s./ premises of SYNTHOS, a.s.	4,244	12	4,232
Total	**10,256**	**2,173**	**8,083**

33. SIGNIFICANT POST BALANCE SHEET EVENTS

The Company's management is not aware of any events that have occurred since the balance sheet date that would have any material impact on the financial statements as at 31 December 2010.

Signature of statutory representatives	14 March 2011
Piotr Chelminski	Mariusz Kedra
Chairman of the Board of Directors	Member of the Board of Directors