



UNIPETROL, a.s.

**UNAUDITED CONDENSED
CONSOLIDATED
FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING
STANDARDS**

AS OF 31 DECEMBER 2010

UNIPETROL, a.s.
UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
IN ACCORDANCE WITH IFRS

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UNIPETROL, a.s.

Consolidated statement of financial position
prepared in accordance with International Financial Reporting Standards
As at 31 December 2010 and 31 December 2009
(in thousands of Czech crowns)



| | Note | 31 December 2010 (unaudited) | 31 December 2009 (audited) |
|---|------|---------------------------------|-------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 33,909,010 | 35,811,639 |
| Intangible assets | 9 | 1,908,948 | 1,668,184 |
| Investment property | 10 | 162,190 | 162,627 |
| Other investments | 11 | 192,425 | 198,343 |
| Non-current receivables | 12 | 130,224 | 121,179 |
| Deferred tax asset | 13 | 48,280 | 99,409 |
| Total non-current assets | | 36,351,077 | 38,061,381 |
| Current assets | | | |
| Inventories | 14 | 10,193,515 | 8,598,273 |
| Trade and other receivables | 15 | 9,487,630 | 9,310,024 |
| Short-term financial assets | 16 | 540,342 | 747,042 |
| Prepayments and other current assets | | 141,780 | 230,626 |
| Cash and cash equivalents | 17 | 4,741,831 | 1,185,721 |
| Current tax assets | | 14,623 | 37,730 |
| Assets classified as held for sale | 18 | -- | 78,333 |
| Total current assets | | 25,119,721 | 20,187,749 |
| Total assets | | 61,470,798 | 58,249,130 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 19 | 18,133,476 | 18,133,476 |
| Statutory reserves | 20 | 2,452,698 | 2,425,274 |
| Other reserves | | 25,971 | 33,615 |
| Retained earnings | 21 | 18,187,563 | 17,278,971 |
| Total equity attributable to equity holders of the Company | | 38,799,708 | 37,871,336 |
| Non-current liabilities | | | |
| Loans and borrowings | 22 | 2,013,357 | 2,031,363 |
| Deferred tax liability | 13 | 1,758,773 | 1,714,928 |
| Provisions | 23 | 392,789 | 355,891 |
| Other non-current liabilities | 24 | 146,823 | 165,033 |
| Total non-current liabilities | | 4,311,742 | 4,267,215 |
| Current liabilities | | | |
| Trade and other payables and accruals | 25 | 16,741,801 | 14,595,229 |
| Loans and borrowings | 22 | 212,454 | 366,255 |
| Provisions | 23 | 1,301,691 | 1,106,768 |
| Short-term financial liabilities | 26 | 80,276 | 307 |
| Current tax liabilities | | 23,126 | 42,020 |
| Total current liabilities | | 18,359,348 | 16,110,579 |
| Total liabilities | | 22,671,090 | 20,377,794 |
| Total equity and liabilities | | 61,470,798 | 58,249,130 |

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 5 to 32.

UNIPETROL, a.s.

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 (unaudited) | 2009 (audited) |
|---|------|---------------------|--------------------|
| Revenue | 3 | 85,966,537 | 67,386,500 |
| Cost of sales | | (81,632,954) | (65,229,622) |
| Gross profit | | 4,333,583 | 2,156,878 |
| Other income | | 891,615 | 1,777,088 |
| Distribution expenses | | (1,963,665) | (2,025,040) |
| Administrative expenses | | (1,176,590) | (1,342,875) |
| Other expenses | | (406,887) | (1,219,776) |
| Result from operating activities | 5 | 1,678,056 | (653,725) |
| Finance income | | 96,137 | 97,918 |
| Finance costs | | (588,500) | (661,925) |
| Net finance costs | 6 | (492,363) | (564,007) |
| Profit (loss) before income tax | | 1,185,693 | (1,217,732) |
| Income tax (expense) credit | 7 | (248,960) | 372,458 |
| Profit (loss) for the year | | 936,733 | (845,274) |
| Other comprehensive income: | | | |
| Foreign currency translation differences - foreign operations | | (7,644) | (5,778) |
| Investment property revaluation | | -- | 3,529 |
| Other transactions | | (717) | 11,311 |
| Other comprehensive income for the year, net of tax | | (8,361) | 9,062 |
| Total comprehensive income for the year | | 928,372 | (836,212) |
| Profit (loss) attributable to: | | | |
| Owners of the Company | | 936,733 | (840,295) |
| Non-controlling interests | | -- | (4,979) |
| Profit (loss) for the year | | 936,733 | (845,274) |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 928,372 | (831,233) |
| Non-controlling interests | | -- | (4,979) |
| Total comprehensive income for the year | | 928,372 | (836,212) |
| Basic and diluted earnings per share (in CZK) | | 5.17 | (4.63) |

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 5 to 32.

UNIPETROL, a.s.

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 | Translation reserve | Fair value reserve | Retained earnings | Equity attributable to equity holders of the Company | Non-controlling interests | Total equity |
|---|-------------------|--------------------|---------------------|--------------------|--------------------|--|---------------------------|-------------------|
| Balance as at 1 January 2009 | 18,133,476 | 2,173,616 | 18,645 | 17,219 | 18,359,613 | 38,702,569 | 210,271 | 38,912,840 |
| Total comprehensive income for the year | | | | | | | | |
| Profit or loss | -- | 251,658 | -- | -- | (1,091,953) | (840,295) | (4,979) | (845,274) |
| Other comprehensive income | | | | | | | | |
| Foreign currency translation differences | -- | -- | (5,778) | -- | -- | (5,778) | -- | (5,778) |
| Revaluation of Investment property | -- | -- | -- | 3,529 | -- | 3,529 | -- | 3,529 |
| Other items | -- | -- | -- | -- | 11,311 | 11,311 | -- | 11,311 |
| Total other comprehensive income | -- | -- | (5,778) | 3,529 | 11,311 | 9,062 | -- | 9,062 |
| Total comprehensive income for the year | -- | 251,658 | (5,778) | 3,529 | (1,080,642) | (831,233) | (4,979) | (836,212) |
| Transactions with owners, recorded directly in equity: | | | | | | | | |
| Changes in ownership interests in subsidiaries that do not result in a loss of control | | | | | | | | |
| Acquisition of 8.24 % shares of PARAMO, a.s. | -- | -- | -- | -- | -- | -- | (205,292) | (205,292) |
| Total changes in ownership interests in subsidiaries | -- | -- | -- | -- | -- | -- | (205,292) | (205,292) |
| Total transactions with owners | -- | -- | -- | -- | -- | -- | (205,292) | (205,292) |
| Balance as at 31 December 2009 | 18,133,476 | 2,425,274 | 12,867 | 20,748 | 17,278,971 | 37,871,336 | -- | 37,871,336 |
| Balance as at 1 January 2010 | 18,133,476 | 2,425,274 | 12,867 | 20,748 | 17,278,971 | 37,871,336 | -- | 37,871,336 |
| Total comprehensive income for the year | | | | | | | | |
| Profit or loss | -- | 27,424 | -- | -- | 909,309 | 936,733 | -- | 936,733 |
| Other comprehensive income | | | | | | | | |
| Foreign currency translation differences | -- | -- | (7,644) | -- | -- | (7,644) | -- | (7,644) |
| Other items | -- | -- | -- | -- | (717) | (717) | -- | (717) |
| Total other comprehensive income | -- | -- | (7,644) | -- | (717) | (8,361) | -- | (8,361) |
| Total comprehensive income for the year | -- | 27,424 | (7,644) | -- | 908,592 | 928,372 | -- | 928,372 |
| Balance as at 31 December 2010 | 18,133,476 | 2,452,698 | 5,223 | 20,748 | 18,187,563 | 38,799,708 | -- | 38,799,708 |

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 5 to 32.

UNIPETROL, a.s.

Consolidated statements of cash flows
prepared in accordance with International Financial Reporting Standards
For the year ended 31 December 2010
(in thousands of Czech crowns)



| | 2010 (unaudited) | 2009 (audited) |
|---|---------------------|--------------------|
| Cash flows from operating activities: | | |
| Profit for the year | 936,733 | (845,274) |
| Adjustments for: | | |
| Depreciation of the property, plant and equipment and amortisation of intangible assets | 3,495,539 | 3,432,193 |
| Gain on disposals of property, plant and equipment and intangible assets | (70,274) | (1,330,121) |
| Negative goodwill derecognition | -- | (86,640) |
| Net finance costs | 242,364 | 127,856 |
| Dividends income | (7,759) | (10,183) |
| Impairment losses on financial investments, property, inventory, receivables | (123,323) | (68,512) |
| Other non cash transaction | 178,376 | 47,116 |
| Income tax expense (credit) | 248,960 | (372,458) |
| | <u>4,900,616</u> | <u>893,977</u> |
| Changes in: | | |
| - in trade receivables and other current assets | (202,254) | 51,478 |
| - in inventories | (1,597,349) | (1,389,437) |
| - in trade and other payables and accruals | 1,987,085 | 3,365,889 |
| - in provisions | (16,169) | 899,173 |
| Cash generated from operating activities | <u>5,071,929</u> | <u>3,821,080</u> |
| Interest paid | (285,298) | (341,416) |
| Income tax (paid) returned | (150,192) | 401,568 |
| Net cash from operating activities | 4,636,439 | 3,881,232 |
| Cash flows from investing activities: | | |
| Proceed from disposals of property, plant and equipment and intangible assets | 1,945,748 | 1,769,208 |
| Proceed from disposals of short-term financial assets | 359,405 | -- |
| Proceed from disposals of CELIO, a.s. | 78,323 | -- |
| Interest received | 13,387 | 9,027 |
| Dividends received | 7,759 | 10,183 |
| Acquisition of property, plant and equipment and intangible assets | (3,089,309) | (3,187,494) |
| Change in loans granted | (251,963) | 53,430 |
| Acquisition of additional shareholding in subsidiary | -- | (107,070) |
| Acquisition of short-term financial assets | -- | (359,405) |
| Net cash used in investing activities | (936,650) | (1,812,121) |
| Cash flows from financing activities: | | |
| Change in loans and borrowings | (124,295) | (1,672,045) |
| Payment of finance lease liabilities | (18,016) | (146,769) |
| Dividends paid | (1,368) | (16,783) |
| Net cash used in financing activities | (143,679) | (1,835,597) |
| Net change in cash and cash equivalents | 3,556,110 | 233,514 |
| Cash and cash equivalents at the beginning of the year | 1,185,721 | 952,207 |
| Cash and cash equivalents at the end of the year | 4,741,831 | 1,185,721 |

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 5 to 32.

UNIPETROL, a.s.

Notes to the condensed consolidated financial statements prepared in accordance with International Financial Reporting Standards

Year ended 31 December 2010

(in thousands of CZK)

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1. DESCRIPTION OF THE PARENT COMPANY AND STRUCTURE OF THE CONSOLIDATED GROUP

Establishment of the parent company

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

Registered office of the Company

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

Principal activities

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

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

Ownership structure

The shareholders as at 31 December 2010 are as follows:

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

Changes in structure of the Group

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

2. SIGNIFICANT ACCOUNTING POLICIES

A Statement of compliance and accounting policies

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2009.

The Group used the same accounting policies and methods of computation during preparation of these interim financial statements as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2009.

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

Certain new standards and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods but which the Group has not early adopted.

The Group will adopt the changes after their acceptance by the European Commission in accordance their effective date. Changes to IFRS that came into force on or after 1 January 2010 have no effect on current and previously presented financial results and equity. The possible impact of the changes on the Group's future consolidated financial statements is being analyzed.

Change in presentation of CO2 emissions allowances

In these condensed consolidated financial statements of the Company for the period ended 31 December 2010 the Group recognized CO2 emission allowances granted free of charge as intangible assets and deferred income at the fair value of CO2 emission allowances at the date of their receipt in the consolidated statement of financial position. The Group recognized provision for estimated CO2 emissions in the reporting period.

In the consolidated statement of comprehensive income the cost of recognized provision is compensated with settlement of deferred income on granted CO2 emission rights.

In the financial statements for the previous reporting periods intangible assets were compensated, and presented net with deferred income.

The change in presentation had no material impact on consolidated statement of comprehensive income for the period ended 31 December 2009, nor on the consolidated statement of financial position as at 31 December 2009 due to the sale of CO2 emissions allowances in 2009.

According to the management the above mentioned changes will ensure better presentation of effects of the activities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B Basis of preparation

The consolidated financial statements of the Company for the period ended 31 December 2010 comprise the Company and its subsidiaries (together referred as the “Group”) and the Group’s interest in jointly controlled entities.

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

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

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2009.

C Functional and presentation currency

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

UNIPETROL, a.s.

Notes to the condensed consolidated financial statements

prepared in accordance with International Financial Reporting Standards

Year ended 31 December 2010

(in thousands of CZK)

3. REVENUE

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

| | 2010 | 2009 |
|--|-------------------|-------------------|
| Gross sales of finished goods | 97,941,881 | 75,896,888 |
| Less: Excise tax | (24,212,030) | (22,867,231) |
| Gross sales of merchandise and materials | 6,950,395 | 10,827,670 |
| Less: Excise tax | (212,446) | (1,549,563) |
| Net revenue from sales of own products, merchandise and materials | 80,467,800 | 62,307,764 |
| Revenue from services | 5,498,737 | 5,078,736 |
| Total revenue | 85,966,537 | 67,386,500 |

4. OPERATING SEGMENTS

Revenues and operating result

| Year ended 2010 | Refinery | Retail | Petrochemical | Other | Eliminations | Consolidated |
|---|--------------------|------------------|--------------------|-----------------|--------------|--------------------|
| Total external revenues | 46,389,674 | 8,498,507 | 30,978,308 | 100,048 | -- | 85,966,537 |
| Inter segment revenues | 18,311,815 | 296,895 | 1,289,311 | 528,405 | (20,426,426) | -- |
| Total segment revenue | 64,701,489 | 8,795,402 | 32,267,619 | 628,453 | (20,426,426) | 85,966,537 |
| Result from operating activities | 465,565 | 547,396 | 714,772 | (49,677) | -- | 1,678,056 |
| Net finance costs | | | | | | (492,363) |
| Profit before income tax | | | | | | 1,185,693 |
| Income tax expense | | | | | | (248,960) |
| Profit for the period | | | | | | 936,733 |
| Depreciation and amortisation | (1,119,435) | (374,552) | (1,916,230) | (85,322) | | (3,495,539) |

| Year ended 2009 | Refinery | Retail | Petrochemical | Other | Eliminations | Consolidated |
|---|--------------------|------------------|--------------------|-----------------|--------------|--------------------|
| Total external revenues | 36,672,796 | 7,261,229 | 23,376,058 | 76,417 | -- | 67,386,500 |
| Inter segment revenues | 13,139,561 | 343,585 | 1,967,168 | 559,986 | (16,010,300) | -- |
| Total segment revenue | 49,812,357 | 7,604,814 | 25,343,226 | 636,403 | (16,010,300) | 67,386,500 |
| Result from operating activities | (1,176,794) | 692,636 | (94,923) | (74,644) | -- | (653,725) |
| Net finance costs | | | | | | (564,007) |
| Loss before income tax | | | | | | (1,217,732) |
| Income tax credit | | | | | | 372,458 |
| Loss for the period | | | | | | (845,274) |
| Depreciation and amortisation | (1,110,486) | (372,490) | (1,867,277) | (81,940) | | (3,432,193) |

Assets and liabilities

| 2010 | Refinery | Retail | Petrochemical | Other | Eliminations | Consolidated |
|--|----------------|----------------|------------------|---------------|--------------|-------------------|
| Segment assets | 26,156,910 | 6,676,068 | 24,132,333 | 4,857,607 | (1,337,018) | 60,485,900 |
| Assets classified as held for sale | -- | -- | -- | -- | -- | -- |
| Unallocated corporate assets | | | | | | 984,898 |
| Total assets | | | | | | 61,470,798 |
| Additions to non-current assets | 310,214 | 265,254 | 1,008,944 | 72,611 | -- | 1,657,023 |
| Segment liabilities | 14,398,414 | 1,460,277 | 3,736,472 | 319,309 | (1,337,018) | 18,577,455 |
| Unallocated corporate liabilities | | | | | | 4,093,635 |
| Total liabilities | | | | | | 22,671,090 |

UNIPETROL, a.s.

Notes to the condensed consolidated financial statements

prepared in accordance with International Financial Reporting Standards

Year ended 31 December 2010

(in thousands of CZK)

4. OPERATING SEGMENTS (CONTINUED)

| 2009 | Refinery | Retail | Petrochemical | Other | Eliminations | Consolidated |
|--|----------------|----------------|------------------|---------------|--------------|-------------------|
| Segment assets | 24,130,332 | 6,827,730 | 26,188,173 | 2,622,148 | (2,840,455) | 56,927,928 |
| Assets classified as held for sale | -- | -- | 77,240 | 1,093 | -- | 78,333 |
| Unallocated corporate assets | -- | -- | -- | -- | -- | 1,242,869 |
| Total assets | | | | | | 58,249,130 |
| Additions to non-current assets | 902,400 | 212,711 | 1,858,191 | 89,189 | -- | 3,062,491 |
| Segment liabilities | 9,840,213 | 1,647,732 | 7,150,263 | 430,568 | (2,840,455) | 16,228,321 |
| Unallocated corporate liabilities | -- | -- | -- | -- | -- | 4,149,473 |
| Total liabilities | | | | | | 20,377,794 |

Additions to non-current assets comprise additions to property, plant and equipment (Note 8) and intangible assets (Note 9).

Recognition and reversal of impairment allowances

| 2010 | Refinery | Retail | Petrochemical | Other | Consolidated |
|--------------------------------------|-----------|----------|---------------|-------|--------------|
| Recognition of impairment allowances | (188,619) | (22,199) | (85,850) | (358) | (297,026) |
| Reversal of impairment allowances | 81,863 | 87,630 | 126,626 | 412 | 296,531 |

| 2009 | Refinery | Retail | Petrochemical | Other | Consolidated |
|--------------------------------------|-----------|-----------|---------------|--------|--------------|
| Recognition of impairment allowances | (136,190) | (100,434) | (103,450) | -- | (340,074) |
| Reversal of impairment allowances | 241,463 | 93,201 | 76,361 | 29,564 | 440,589 |

Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

| | Revenues | | Total assets | |
|-----------------|-------------------|-------------------|-------------------|-------------------|
| | 2010 | 2009 | 2010 | 2009 |
| Czech Republic | 59,683,619 | 50,544,074 | 60,146,183 | 57,138,036 |
| Germany | 7,850,820 | 4,676,627 | 167,406 | 175,162 |
| Poland | 2,678,541 | 1,419,266 | -- | -- |
| Slovakia | 6,166,200 | 4,002,213 | 1,134,220 | 860,084 |
| Other countries | 9,587,357 | 6,744,320 | 22,989 | 75,848 |
| Total | 85,966,537 | 67,386,500 | 61,470,798 | 58,249,130 |

With the exception of the Czech Republic no other individual country accounted for more than 10 % of consolidated revenues or assets. Revenues are based on the country in which the customer is located. Total assets are based on location of the assets.

Major customer

Revenues from none of the operating segments' individual customers represented 10% or more of the Group's total revenues.

4. OPERATING SEGMENTS (CONTINUED)

Revenues from major products and services

The following is an analysis on the Group's external revenues from its major products and services:

| External revenues from major products and services | 2010 | 2009 |
|--|-------------------|-------------------|
| Refinery | 46,389,674 | 36,672,796 |
| Diesel | 23,022,205 | 17,147,240 |
| Gasoline | 9,659,408 | 7,797,728 |
| Bitumen | 2,336,904 | 1,966,770 |
| Lubricants | 771,597 | 706,937 |
| Other refinery products | 6,832,365 | 5,447,810 |
| Services | 3,767,195 | 3,606,311 |
| Retail | 8,498,507 | 7,261,229 |
| Refinery products | 8,185,920 | 6,928,759 |
| Services | 312,587 | 332,47 |
| Petrochemical | 30,978,308 | 23,376,058 |
| Ethylene | 3,677,893 | 2,576,475 |
| Benzene | 3,738,697 | 2,162,073 |
| Urea | 976,596 | 868,296 |
| Ammonia | 904,098 | 1,332,043 |
| C4 fraction | 1,581,889 | 1,336,845 |
| Polyethylene (HDPE) | 7,108,208 | 5,946,023 |
| Polypropylene | 6,697,248 | 4,112,521 |
| Other petrochemical products | 4,919,496 | 3,952,291 |
| Services | 1,374,183 | 1,089,491 |
| Other | 100,048 | 76,417 |
| Total | 85,966,537 | 67,386,500 |

5. OPERATING EXPENSES AND INCOMES

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

| 2010 | Cost of sales | Distribution costs | Administrative expenses | Other operating income / (expenses) | Total |
|--|---------------------|--------------------|-------------------------|-------------------------------------|---------------------|
| Materials consumed | (57,852,904) | (200,507) | (22,353) | -- | (58,075,764) |
| Cost of merchandise and materials sold | (10,453,357) | -- | -- | -- | (10,453,357) |
| Energy | (2,070,341) | (1,231) | (5,776) | -- | (2,077,348) |
| Repairs and maintenance | (1,174,012) | (24,832) | (15,926) | -- | (1,214,770) |
| Other services | (5,019,494) | (1,006,291) | (251,393) | -- | (6,277,178) |
| Personnel expenses | (1,731,424) | (231,547) | (614,286) | -- | (2,577,257) |
| Depreciation | | | | | |
| - owned assets | (2,734,218) | (402,277) | (27,272) | -- | (3,163,767) |
| - leased assets | (91,832) | (20,626) | (571) | -- | (113,029) |
| Amortization | (136,889) | (33,319) | (48,535) | -- | (218,743) |
| Impairment losses on intangible assets and PPE recognised / (released) | -- | -- | -- | 67,686 | 67,686 |
| Inventory write-down released / (recognized) | (43,009) | -- | -- | -- | (43,009) |
| Impairment to receivables released / (recognized) | -- | -- | -- | (25,171) | (25,171) |
| Research expenditures | (17,958) | (9,253) | -- | -- | (27,211) |
| Investment property expense | -- | -- | -- | (1,314) | (1,314) |
| Non-cancellable operating lease rentals | (31,109) | -- | (13,532) | -- | (44,641) |
| Profit / (loss) on disposal of PPE and intangible assets | -- | -- | -- | 159,305 | 159,305 |
| Release / (Addition) to provisions | -- | -- | -- | (61,883) | (61,883) |
| Insurance | (145,748) | (6,410) | (109,802) | -- | (261,960) |
| Addition to provisions for CO2 consumption | (1,082,904) | -- | -- | -- | (1,082,904) |
| CO2 rights grant derecognition | 1,066,971 | -- | -- | 254,135 | 1,321,106 |
| Taxes and charges | (26,644) | (2,162) | (25,604) | -- | (54,410) |
| Other expenses | (88,082) | (25,210) | (41,540) | (55,986) | (210,818) |
| Other income | -- | -- | -- | 147,956 | 147,956 |
| Operating expenses | (81,632,954) | (1,963,665) | (1,176,590) | 484,728 | (84,288,481) |
| Revenue | | | | | 85,966,537 |
| Results from operating activities | | | | | 1,678,056 |

UNIPETROL, a.s.

Notes to the condensed consolidated financial statements prepared in accordance with International Financial Reporting Standards

Year ended 31 December 2010

(in thousands of CZK)

5. OPERATING EXPENSES AND INCOMES (CONTINUED)

| 2009 | Cost of sales | Distribution costs | Administrative expenses | Other operating income / (expenses) | Total |
|--|---------------------|--------------------|-------------------------|-------------------------------------|---------------------|
| Materials consumed | (52,877,250) | (300,505) | (62,102) | -- | (53,239,857) |
| Cost of merchandise and materials sold | (6,692,368) | -- | -- | -- | (6,692,368) |
| Energy | (1,690,428) | (1,108) | (6,903) | -- | (1,698,439) |
| Repairs and maintenance | (1,097,408) | (23,103) | (12,798) | -- | (1,133,309) |
| Other services | (4,709,038) | (991,551) | (327,503) | -- | (6,028,092) |
| Personnel expenses | (1,746,731) | (229,572) | (605,300) | -- | (2,581,603) |
| Depreciation | | | | | |
| - owned assets | (2,652,079) | (398,153) | (39,186) | -- | (3,089,418) |
| - leased assets | (103,486) | (28,694) | (534) | -- | (132,714) |
| Amortization | (149,612) | (13,072) | (47,377) | -- | (210,061) |
| Impairment losses on intangible assets and PPE recognised / (released) | -- | -- | -- | 19,406 | 19,406 |
| Inventory write-down released / (recognized) | 132,505 | -- | -- | -- | 132,505 |
| Impairment to receivables released / (recognized) | -- | -- | -- | (51,396) | (51,396) |
| Research expenditures | (14,545) | (9,729) | -- | -- | (24,274) |
| Investment property expense | -- | -- | -- | (1,301) | (1,301) |
| Non-cancellable operating lease rentals | (32,384) | -- | (16,570) | -- | (48,954) |
| Profit / (loss) on disposal of PPE and intangible assets | -- | -- | -- | 1,356,895 | 1,356,895 |
| Release / (Addition) to provisions | -- | -- | -- | (948,701) | (948,701) |
| Insurance | (181,957) | (3,753) | (90,753) | -- | (276,463) |
| Derecognition of negative goodwill | -- | -- | -- | 86,640 | 86,640 |
| Taxes and charges | (24,693) | (1,609) | (23,543) | -- | (49,845) |
| Other expenses | (82,516) | (24,191) | (110,306) | (54,901) | (271,914) |
| Other income | -- | -- | -- | 150,670 | 150,670 |
| Operating expenses | (65,229,622) | (2,025,040) | (1,342,875) | 557,312 | (68,040,225) |
| Revenue | | | | | 67,386,500 |
| Results from operating activities | | | | | (653,725) |

6. FINANCE INCOME AND FINANCE COSTS

| | 2010 | 2009 |
|--|------------------|------------------|
| Finance income | | |
| Interest income: | | |
| - bank deposits | 17,262 | 28,583 |
| - loans and receivables | 63,928 | 44,237 |
| Total Interest income | 81,190 | 72,830 |
| Dividend income | 7,759 | 10,183 |
| Revaluation of investments | -- | 2,200 |
| Other finance income | 7,188 | 12,715 |
| Total finance income | 96,137 | 97,918 |
| Finance costs | | |
| Interest expense: | | |
| - bank overdrafts, loans and borrowings | (265,864) | (310,344) |
| - finance leases | (287) | (2,359) |
| - other | (2,808) | (784) |
| Total Interest expense | (268,957) | (313,487) |
| Less amounts included in qualifying assets | 2,780 | 3,084 |
| Borrowing costs recognized in the statement of comprehensive income | (266,177) | (310,403) |
| Net foreign exchange losses | (117,773) | (120,891) |
| Revaluation of investments | (5,916) | (3,000) |
| Net loss arising on derivatives | (99,660) | (150,826) |
| Other finance expenses | (98,974) | (76,805) |
| Total finance costs | (588,500) | (661,925) |
| Net finance costs | (492,363) | (564,007) |

7. INCOME TAX

| | 2010 | 2009 |
|------------------------------------|------------------|----------------|
| Current tax – Czech Republic | (122,413) | (97,651) |
| Current tax – other countries | (31,544) | (25,082) |
| Deferred tax | (95,003) | 495,191 |
| Income tax (expense) credit | (248,960) | 372,458 |

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 %. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

8. PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings and constructions | Machinery and equipment | Vehicles and other | Construction in progress | Total |
|--------------------------------------|------------------|-----------------------------|-------------------------|--------------------|--------------------------|-------------------|
| Cost | | | | | | |
| Balance at 01/01/2009 | 1,239,845 | 22,515,951 | 35,430,441 | 2,945,703 | 4,177,310 | 66,309,250 |
| Additions | 5,089 | 86,037 | 399,734 | 155,203 | 1,877,244 | 2,523,307 |
| Disposals | (18,171) | (36,649) | (480,264) | (179,303) | -- | (714,387) |
| Reclassifications | 17,692 | 820,610 | 1,674,587 | 209,130 | (2,733,208) | (11,189) |
| Other | (6,459) | (98,982) | (244,619) | (1,784) | (113,927) | (465,774) |
| FX differences | -- | (356) | (14) | (200) | -- | (570) |
| Balance at 31/12/2009 | 1,237,995 | 23,286,611 | 36,779,865 | 3,128,747 | 3,207,419 | 67,640,637 |
| Additions | -- | 19,378 | 64,385 | 28,405 | 1,375,014 | 1,487,182 |
| Disposals | (5,312) | (93,976) | (379,318) | (213,863) | (5,668) | (698,137) |
| Reclassifications | 32,634 | 839,291 | 2,201,258 | 119,688 | (3,276,476) | (83,605) |
| Other | -- | (181) | (24,059) | 953 | (18) | (23,305) |
| FX differences | -- | 2,184 | (45) | (392) | -- | 1,747 |
| Balance at 31/12/2010 | 1,265,317 | 24,053,307 | 38,642,086 | 3,063,538 | 1,300,271 | 68,324,519 |
| Depreciation | | | | | | |
| Balance at 01/01/2009 | -- | 7,767,862 | 19,870,796 | 1,659,274 | -- | 29,297,932 |
| Charge for the period | -- | 622,602 | 2,298,872 | 300,658 | -- | 3,222,132 |
| Disposals | -- | (123,548) | (994,705) | (163,144) | -- | (1,281,397) |
| Other | -- | 9,209 | 253,174 | 3,088 | -- | 265,471 |
| FX differences | -- | -- | (13) | (149) | -- | (162) |
| Balance at 31/12/2009 | -- | 8,276,125 | 21,428,124 | 1,799,726 | -- | 31,503,974 |
| Charge for the period | -- | 594,226 | 2,375,966 | 306,604 | -- | 3,276,796 |
| Disposals | -- | (66,508) | (372,649) | (183,841) | -- | (622,998) |
| Other | -- | 64 | (99) | 819 | -- | 784 |
| FX differences | -- | -- | (44) | (341) | -- | (385) |
| Balance at 31/12/2010 | -- | 8,803,907 | 23,431,298 | 1,922,966 | -- | 34,158,171 |
| Impairment | | | | | | |
| Balance at 01/01/2009 | 50,724 | 188,319 | 97,745 | 5,175 | 1,861 | 343,824 |
| Impairment losses | 3,000 | 60,923 | 21,068 | 3,551 | -- | 88,542 |
| Reversal of impairment losses | (13,000) | (62,954) | (28,709) | (1,852) | (827) | (107,342) |
| Balance at 31/12/2009 | 40,724 | 186,288 | 90,104 | 6,874 | 1,034 | 325,024 |
| Impairment losses | -- | 22,637 | 42,636 | 116 | 20,552 | 85,941 |
| Reversal of impairment losses | (2,100) | (61,149) | (84,022) | (6,356) | -- | (153,627) |
| Balance at 31/12/2010 | 38,624 | 147,776 | 48,718 | 634 | 21,586 | 257,338 |
| Carrying amount at 01/01/2009 | 1,189,121 | 14,559,770 | 15,461,900 | 1,281,254 | 4,175,449 | 36,667,494 |
| Carrying amount at 31/12/2009 | 1,197,271 | 14,824,198 | 15,261,637 | 1,322,146 | 3,206,385 | 35,811,639 |
| Carrying amount at 31/12/2010 | 1,226,693 | 15,101,624 | 15,162,070 | 1,139,938 | 1,278,685 | 33,909,010 |

According to IAS 23 the Group capitalizes those borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, as part of the cost of that asset. Borrowing costs capitalized in the year ended 31 December 2010 amounted to CZK 2,780 thousand (31 December 2009 CZK 3,084 thousand).

8. PROPERTY PLANT AND EQUIPMENT (CONTINUED)

Pledged assets

The Group's gas stations, buildings, machinery and land are pledged to secure the Groups' liabilities.

| Bank – lender | Asset pledged | Acquisition cost of pledged assets | Outstanding amount of loan secured |
|----------------------------|---------------|------------------------------------|------------------------------------|
| ČSOB | Buildings | 1,709,900 | 12,017 |
| Total at 31/12/2010 | | 1,709,900 | 12,017 |

| Bank – lender | Asset pledged | Acquisition cost of pledged assets | Outstanding amount of loan secured |
|----------------------------|---------------|------------------------------------|------------------------------------|
| ČSOB | Buildings | 1,690,562 | 84,155 |
| Total at 31/12/2009 | | 1,690,562 | 84,155 |

9. INTANGIBLE ASSETS

| | Software | Licences, patents and trade | Goodwill | Assets under development | CO2 emission allowances | Other intangible assets | Total |
|--------------------------------------|----------------|-----------------------------|---------------|--------------------------|-------------------------|-------------------------|------------------|
| Cost | | | | | | | |
| Balance at 01/01/2009 | 797,080 | 1,948,651 | 51,595 | 35,861 | -- | 399,857 | 3,233,044 |
| Additions | 31,024 | 466 | -- | 499,556 | -- | 3,281 | 534,327 |
| Disposals | (428) | -- | -- | (5,712) | -- | (362,875) | (369,015) |
| Other | 18,592 | 10,344 | -- | (424,781) | -- | 407,034 | 11,189 |
| Reclassifications | (18,804) | -- | -- | 103,067 | -- | (3,044) | 81,219 |
| FX differences | (18) | -- | -- | -- | -- | -- | (18) |
| Balance at 31/12/2009 | 827,446 | 1,959,461 | 51,595 | 207,991 | -- | 444,253 | 3,490,746 |
| Additions | 10,046 | 289 | -- | 157,714 | 1,540,745 | 1,793 | 1,710,587 |
| Disposals | (96,642) | (17,472) | -- | -- | (1,711,559) | (620) | (1,826,293) |
| Reclassifications | 158,347 | 108,012 | -- | (265,247) | -- | 82,382 | 83,494 |
| Other | 32,248 | (16) | -- | (3,180) | 384,653 | (27,445) | 386,260 |
| FX differences | (41) | -- | -- | -- | -- | -- | (41) |
| Balance at 31/12/2010 | 931,404 | 2,050,274 | 51,595 | 97,278 | 213,839 | 500,363 | 3,844,753 |
| Amortization | | | | | | | |
| Balance at 01/01/2009 | 717,296 | 670,934 | -- | -- | -- | 224,922 | 1,613,152 |
| Charge for the year | 42,056 | 100,771 | -- | -- | -- | 67,234 | 210,061 |
| Disposals | (813) | -- | -- | -- | -- | (12,179) | (12,992) |
| Other | -- | -- | -- | -- | -- | 12,352 | 12,352 |
| FX differences | (11) | -- | -- | -- | -- | -- | (11) |
| Balance at 31/12/2009 | 758,528 | 771,705 | -- | -- | -- | 292,329 | 1,822,562 |
| Charge for the year | 50,582 | 105,156 | -- | -- | -- | 63,005 | 218,743 |
| Disposals | (96,642) | (13,918) | -- | -- | -- | (365) | (110,925) |
| Other | 26,963 | (12) | -- | -- | -- | (21,500) | 5,451 |
| FX differences | (26) | -- | -- | -- | -- | -- | (26) |
| Balance at 31/12/2010 | 739,405 | 862,931 | -- | -- | -- | 333,469 | 1,935,805 |
| Impairment | | | | | | | |
| Balance at 01/01/2009 | -- | -- | -- | -- | -- | 606 | 606 |
| Reversal of impairment losses | -- | -- | -- | -- | -- | (606) | (606) |
| Balance at 31/12/2009 | -- | -- | -- | -- | -- | -- | -- |
| Reversal of impairment losses | -- | -- | -- | -- | -- | -- | -- |
| Balance at 31/12/2010 | -- | -- | -- | -- | -- | -- | -- |
| Carrying amount at 01/01/2009 | 79,785 | 1,277,717 | 51,595 | 35,861 | -- | 174,328 | 1,619,286 |
| Carrying amount at 31/12/2009 | 68,919 | 1,187,756 | 51,595 | 207,991 | -- | 151,923 | 1,668,184 |
| Carrying amount at 31/12/2010 | 191,999 | 1,187,343 | 51,595 | 97,278 | 213,839 | 166,893 | 1,908,948 |

9. INTANGIBLE ASSETS (CONTINUED)

Recognition and reversal of impairment allowances for intangible assets are recognized in other operating activities. Software increased due to RIS system purchase in acquisition price of CZK 136,040 thousand. Licences, patents and trade marks include licenses related to production of plastics (high-density polyethylene- HDPE and polypropylene), which account for CZK 1,076,871 thousand of carrying amount as of 31 December 2010 (CZK 1,134,739 thousand as of 31 December 2009) and Unicracking process licence in carrying amount of CZK 5,778 thousand as of 31 December 2010 (CZK 7,705 thousand as of 31 December 2009). Other intangible assets include development costs in carrying amount of CZK 145,105 thousand as of 31 December 2010.

CO2 emission rights

In 2008 the Group obtained allowances for carbon dioxide emissions according to the Czech National Allocation Scheme for years 2008-2012. The total number of the emission allowances allocated to the Group for the period 2008-2012 was 18,819,992 tons.

Information about emission allowances in the reporting period:

| | In tons |
|--|----------------|
| Emission allowances at 31 December 2009 | 609,321 |
| Emission allowances granted in 2010 | 3,775,436 |
| Settled emission allowances for 2009 | (3,144,669) |
| Emission allowances acquired in 2010 | 4,275,302 |
| Sales of emissions allowances in 2010 | (4,859,319) |
| Estimated emission allowances at 31 December 2010 | 656,071 |
| Estimated utilization of allowances in 2010 | (3,090,467) |
| Planned way to cover the deficit, including: | 2,434,396 |
| The use of following tranche | 416,597 |
| Purchase transactions concluded on 31 December 2010 | 2,017,799 |

On 18 February 2010 the Group received CO2 allowances in amount of 3,775,436 tons. On that day the market value of one CO2 allowance was EUR 12.67.

The emission allowances acquired and sold by the Group during the year 2010 are included in the statement of consolidated cash flows respectively under investing activities in Acquisition of property, plant and equipment and intangible assets and Proceeds from disposals of property, plant and equipment and intangible assets respectively.

Goodwill

The goodwill presented by the Group amounted to CZK 51,595 thousand as at 31 December 2010 (31 December 2009 CZK 51,595 thousand). It results from the acquisition of 0.221 % share in the registered capital of ČESKÁ RAFINÉRSKÁ, a.s. during the year ended 31 December 2007.

As at 31 December 2010, the Group reviewed the economic value of goodwill in accordance with the requirements of IAS 36 and declared the lack of necessity to recognize or reverse impairment allowances.

9. INTANGIBLE ASSETS (CONTINUED)

Purchase of shares of PARAMO, a.s.

On 4 March 2009 the purchase of 8.24 % share of PARAMO a.s. was completed. The negative goodwill amounting to CZK 86,640 thousand was recognised in other operating income.

The share of 8.24 % in the fair value of the identifiable assets and liabilities of PARAMO a.s. as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

| | Carrying value | Fair value recognized on acquisition |
|---|----------------|--------------------------------------|
| Non-current assets | 163,188 | 163,188 |
| Current assets | 173,927 | 173,927 |
| Total assets | 337,115 | 337,115 |
| Non-current liabilities | 8,233 | 8,233 |
| Current liabilities | 135,172 | 135,172 |
| Total liabilities | 143,405 | 143,405 |
| Net assets | 193,710 | 193,710 |
| Consideration, covered by cash | | 107,070 |
| Negative goodwill on acquisition | | 86,640 |

| Cash outflow on acquisition: | |
|-------------------------------------|----------------|
| Net cash acquired | 871 |
| Cash paid | 107,070 |
| Net cash outflow | 106,199 |

10. INVESTMENT PROPERTY

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

| | 2010 | 2009 |
|---|----------------|----------------|
| Investment property at 1 January | 162,627 | 160,057 |
| Purchase | 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 that in reporting period generated rental income from Investment property amounted 1,314 CZK thousand in 2010 (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 an independent 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.

11. OTHER INVESTMENTS

The Group has equity investments amounting to CZK 192,425 thousand as at 31 December 2010 (CZK 198,343 thousand as at 31 December 2009), which represent ownership interests in companies that do not have quoted market price and whose fair value cannot be reliably measured and therefore are carried at acquisition cost, less any impairment losses.

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12. NON-CURRENT RECEIVABLES

The Group has provided a loan to ČESKÁ RAFINÉRSKÁ, a.s. in the amount of CZK 174,952 thousand (31 December 2009: CZK 206,287 thousand) for reconstruction of production unit. Part of this receivable in amount of CZK 89,619 thousand was eliminated as an intergroup transaction. The loan is due in 2016 and bears interest of 1M PRIBOR increased by mark up. Short term part of the loan in amount of CZK 15,284 thousand is presented in other receivables. The Group also presents non-current receivables from cash deposits to operators of fuel stations in amount of CZK 21,356 thousand and prepayments for investments in amount of CZK 37,110 thousand.

| Due date | Due within 1-3 year | Due 3-5 years | Due within more than 5 years | Total |
|------------|---------------------|---------------|------------------------------|---------|
| 31/12/2010 | 70,585 | 48,982 | 10,657 | 130,224 |
| 31/12/2009 | 49,890 | 32,600 | 38,689 | 121,179 |

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

13. DEFERRED TAX ASSETS AND LIABILITIES

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 2011 and onward).

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

| | 2010 | 2009 |
|---|-------------|-------------|
| At 1 January | (1,615,519) | (2,113,931) |
| Deferred tax recognised in the Statements of comprehensive income | (95,003) | 495,191 |
| FX difference | 29 | 2,712 |
| Tax charged to other comprehensive income | -- | 509 |
| At 31 December | (1,710,493) | (1,615,519) |

14. INVENTORIES

| | 2010 | 2009 |
|---|-------------------|------------------|
| Raw materials | 3,422,109 | 2,564,312 |
| Net realisable value allowance for raw materials | (57,957) | (176,683) |
| Work in progress | 1,444,554 | 1,361,751 |
| Net realisable value allowance for work in progress | (2,570) | (4) |
| Finished goods | 3,571,204 | 3,087,124 |
| Net realisable value allowance for finished goods | (16,815) | (20,095) |
| Goods for sale | 464,998 | 435,327 |
| Net realisable value allowance for goods for sale | (4,347) | (8,521) |
| Spare parts | 1,638,240 | 1,615,302 |
| Net realisable value allowance for spare parts | (265,901) | (260,240) |
| Total inventory | 10,193,515 | 8,598,273 |

Changes in the net realisable value allowances for inventories amount to CZK 43,009 thousand and are included in cost of sales (CZK 132,505 thousand in 2009) see Note 5.

15. TRADE AND OTHER RECEIVABLES

| | 2010 | 2009 |
|--|-------------------|-------------------|
| Trade receivable | 9,945,746 | 9,900,832 |
| Excise tax receivable | 165,822 | 149,587 |
| Taxation, duty, and social security receivable | 17,603 | 29,967 |
| Other receivables | 283,554 | 149,610 |
| Gross trade and other receivables | 10,412,725 | 10,226,996 |
| Impairment losses | (925,095) | (916,972) |
| Net trade and other receivables | 9,487,630 | 9,310,024 |

Trade receivables result primarily from sales of finished goods and sales of merchandise. The management considers that the carrying amount of trade receivables approximates their fair value. The average credit period on sales of goods is 35 days. No interest is charged on the trade receivables for the first 3 days after the due date. Thereafter, interest is charged using 2W REPO actual rate or 6M EURIBOR actual rate.

Movement in the impairment loss amount

| | 2010 | 2009 |
|---|----------------|----------------|
| Balance at beginning of the year | 916,972 | 923,926 |
| Increases | 124,970 | 106,029 |
| Utilization | (7,987) | (56,947) |
| Release | (99,799) | (54,633) |
| F/X differences | (9,061) | (1,403) |
| Balance at end of the year | 925,095 | 916,972 |

The Group sets impairment charges based on analysis of customers' creditworthiness and ageing of receivables. 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.

16. SHORT-TERM FINANCIAL ASSETS

| | 2010 | 2009 |
|-----------------------------------|----------------|----------------|
| Loans | 533,435 | 250,214 |
| Derivative financial instruments | 6,907 | 137,423 |
| Financial assets held to maturity | -- | 359,405 |
| Total | 540,342 | 747,042 |

Loans and receivables

The Group provided short-term loans to related entities. The carrying amount of the loan amounted CZK 533,435 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 as at 31 December 2010. The loan in amount of CZK 500,035 thousand provided to related entity from PKN ORLEN Group is fully guaranteed.

Financial instruments at fair value through profit and loss

Transactions with derivative financial instruments are subject to risk management procedures.

The Group is exposed to foreign currency risk resulting mainly from purchase of crude oil in USD and selling of products in EUR. It is the Group policy to mitigate this risk by entering into the various financial instruments.

The Group analyses the risk arising from discrepancies in the pricing formulas in purchases of crude oil and sales of products and reduces it by entering into commodity swaps.

16. SHORT-TERM FINANCIAL ASSETS (CONTINUED)

The Group is exposed to commodity price risk resulting from the adverse changes in raw material, mainly crude oil prices. Management addresses these procurement risks by means of a commodity and supplier risk management.

The Group monitors the emission allowances granted to the Group under National Allocation Plan and CO₂ emissions planned. The Group enters into transactions on emission allowances market in order to cover for shortages or utilize the excess of obtained emission allowances over the required amount.

The following table shows the contract principal amounts, fair values of derivative financial instruments analysed by type of contracts. The contract or underlying principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The markets and standard pricing models of financial instruments determine the fair values.

| | Contract principal amount | | Fair value of derivatives | |
|--|---------------------------|--------------|---------------------------|----------------|
| | 2010 | 2009 | 2010 | 2009 |
| Non-delivery Forwards / sale of EUR | 36,640 T USD | | 3,441 | |
| Non-delivery Forwards / sale of USD | 17,760 T USD | | 3,260 | |
| Forwards USD/EUR | 17,000 T USD | 5,000 T USD | 206 | 16 |
| Emission Allowances Swap EUA/CER | -- | 4,732 T EUR | -- | 95,527 |
| Forwards USD/CZK | -- | 33,000 T USD | -- | 41,472 |
| SWAP EUR/CZK | -- | 10,100 T EUR | -- | 408 |
| Total financial derivative – assets | | | 6,907 | 137,423 |

The settlement date of above presented financial instruments is no later than 15 December 2011, all transactions are presented as current assets.

The Group has derivative financial instruments, which serve as a hedging instrument pursuant to the Group's risk management strategy. Changes in the fair value of derivatives that do not meet the hedge accounting criteria are included in derivatives held for trading and are reported in the statement of comprehensive income.

Derivative financial instruments- finance result

| | 2010 | | | 2009 | | |
|-----------------------------------|------------------|----------------|-------------------|------------------|----------------|-------------------|
| | Financial income | Financial cost | Net gain / (loss) | Financial income | Financial cost | Net gain / (loss) |
| Emission Allowances Swaps EUA/CER | -- | 95,527 | (95,527) | -- | 59,867 | (59,867) |
| Currency Swaps | 3,624 | -- | 3,624 | -- | 726 | (726) |
| Commodity Swap | -- | 15,487 | (15,487) | -- | -- | -- |
| Forwards | 7,730 | -- | 7,730 | -- | 90,233 | (90,233) |
| Total | 11,354 | 111,014 | (99,660) | -- | 150,826 | (150,826) |

Financial assets held to maturity

Following table presents detailed information regarding promissory notes bought in 2009:

| Counterparty | Currency | Maturity date | 2010 | 2009 |
|--------------|----------|---------------|-----------|----------------|
| ČEZ, a.s. | CZK | 03/03/2010 | -- | 101,004 |
| ČEZ, a.s. | CZK | 22/04/2010 | -- | 76,008 |
| ČEZ, a.s. | CZK | 24/05/2010 | -- | 50,703 |
| ČEZ, a.s. | CZK | 03/02/2010 | -- | 75,937 |
| ČEZ, a.s. | CZK | 22/03/2010 | -- | 55,753 |
| Total | | | -- | 359,405 |

17. CASH AND CASH EQUIVALENTS

| | 2010 | 2009 |
|--|------------------|------------------|
| Cash in hand and at bank | 4,598,611 | 1,085,223 |
| Short-term bank deposits | 143,220 | 100,498 |
| Total cash and cash equivalents | 4,741,831 | 1,185,721 |

Short-term bank deposits comprise deposits with maturity of three months or less and obligatory deposits relating to the bank loans. The carrying amount of these assets approximates their fair value. Withdrawals from the Group's bank account with Komerční banka, a.s. must be approved by the Environmental Department of the District Authority in Ústí nad Labem. The account had balance of CZK 51,743 thousand (31 December 2009 CZK 51,343 thousand).

18. ASSETS HELD FOR SALE

As at 31 December 2009 Group held 97 shares in CELIO a.s. in nominal value of 1,000 thousand CZK. The Group's share in CELIO a.s. was classified as a current asset held for sale since its carrying amount 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 78,333 thousand as at 31 December 2009.

On 24 March 2010 UNIPETROL, a.s. and UNIPETROL RPA, s.r.o. as the sellers entered into an agreement for the sale and purchase of 50 % of shares 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.

Under the agreement 10.53 % of the shares owned by UNIPETROL, a.s. and 39.47 % owned by UNIPETROL RPA, s.r.o. were sold on 14 April 2010. On the same date the remaining 1.06 % of the shares in CELIO a.s. owned by UNIPETROL RPA, s.r.o. was sold to B.E. Fin S.A. As a consequence of transactions, CELIO has currently two shareholders B.E. Fin S.A and TICATANOR s.r.o. each of them holding a 50% stake.

The closing of both transactions resulted in exit of UNIPETROL, a.s. and UNIPETROL RPA, s.r.o. from CELIO a.s. as of 14 April 2010. The Group under above mentioned transactions sold in total a shareholding of 51.06% in CELIO for the aggregate purchase price of CZK 78,333 thousand.

19. SHARE CAPITAL

The issued capital of the parent 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.

20. STATUTORY RESERVES

In accordance with the Czech Commercial Code, joint stock companies are required to establish a reserve fund for possible future losses and other events. Contributions must be a minimum of 20 % of the profit for the period in the first year in which profits are generated and 5 % of profit each year thereafter until the fund reaches at least 20 % of the issued capital. The balance of Statutory reserve fund amounted as at 31 December 2010 to CZK 2,452,698 thousand (31 December 2009 – CZK 2,425,274 thousand).

21. RETAINED EARNINGS AND DIVIDENDS**Dividends**

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

The Ordinary General Meeting of UNIPETROL, a.s. held on 28 June 2010 decided on distribution of the unconsolidated 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 allocation of 2010 profit will be made on the annual general meeting of shareholders, which will be held in May / June 2011.

22. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest – bearing loans and borrowings, which are measured at amortised cost.

| | 2010 | 2009 |
|---|------------------|------------------|
| Non – current loans and borrowings | | |
| Unsecured bonds issued | 2,000,000 | 2,000,000 |
| Financial leasing | 13,357 | 19,363 |
| Secured bank loans | -- | 12,000 |
| Total non – current loans and borrowings | 2,013,357 | 2,031,363 |
| Current loans and borrowings | | |
| Current portion of unsecured bonds issued | 102,634 | 136,614 |
| Unsecured bank loans | 86,748 | 140,069 |
| Current portion of secured bank loans | 12,017 | 72,155 |
| Current portion of financial leasing | 11,055 | 17,417 |
| Total current loans and borrowings | 212,454 | 366,255 |

Unsecured bonds issued

In 1998 the Company issued 2,000 bonds at a total nominal value of CZK 2,000,000 thousand. The nominal value of bonds matures in 15 years from the issue date at their nominal value of CZK 2,000,000 thousand. The interest rate is 0 % p.a. for the first two years and 12.53 % p.a. in subsequent years. The effective interest rate is 9.82 %. Interest is payable on an annual basis. Interest expense is accrued using the effective interest rate method. The aggregate carrying amount of bonds issued is CZK 2,102,634 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 2010, is presented within current loans and borrowings amounts to CZK 102,634 thousand (CZK 136,614 thousand at 31 December 2009). The remaining current portion of bank loans is CZK 12,017 thousand (CZK 72,155 thousand as at 31 December 2009).

Secured bank loans

The bank loan is secured over property plant and equipment with carrying amount of CZK 1,709,900 thousand (2009: CZK 1,690,562 thousand). The loan is due in 2011 and the interest rate is based on PRIBOR inter-bank rate.

22. LOANS AND BORROWINGS (CONTINUED)

Analyses of bank loans

| | USD | EUR | CZK | Total |
|---|---------------|----------------|---------------|----------------|
| Balance as at 1 January 2010 | 11,737 | 113,021 | 87,466 | 212,224 |
| Loans taken | 36,327 | 673,455 | 3,669,047 | 4,378,829 |
| Accrued interest as balance sheet date | -- | 67 | 24 | 91 |
| Conversion from/to short term – long term | -- | -- | 12,000 | 12,000 |
| Repayment | (11,736) | (755,126) | (3,736,263) | (4,503,125) |
| Repayment of accrued interest | (1) | (4) | (1,202) | (1,207) |
| FX differences | -- | (49) | -- | (49) |
| Balance as at 31 December 2010 | 36,327 | 31,366 | 31,072 | 98,765 |

Short-term bank loans are subject to normal credit terms and their carrying amounts approximate fair values. Average effective interest rate as at 31 December 2010 was 1.79 % (31 December 2009: 2.23 %).

Financial leasing

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|------------------------|---------------|---|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| Amounts payable under finance leases: | | | | |
| Not later than one year | 12,093 | 18,152 | 11,055 | 17,417 |
| Later than one year and not later than five years | 14,191 | 20,221 | 13,357 | 19,363 |
| Less: future finance charges | (1,872) | (1,593) | -- | -- |
| Present value of lease obligation | 24,412 | 36,780 | 24,412 | 36,780 |
| Less: Amount due for settlement within 12 months | | | (11,055) | (17,417) |
| Amount due for settlement after 12 months | | | 13,357 | 19,363 |

It is the Group's policy to lease certain fixtures and equipment under finance leases. The average lease term is 3-4 years. For the year ended 31 December 2010, the average effective borrowing rate was 2.85%. Interest rates are fixed at the inception of the lease. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The fair value of the Group's lease obligations approximates their carrying amount. All lease obligations are denominated in Czech crowns.

23. PROVISIONS

| Long – term provision | 2009 | Reclassification btw. accounts | Additional provision | Utilization of provision | Release of provision | F/X differences | 2010 |
|---|----------------|-----------------------------------|-------------------------|-----------------------------|-------------------------|--------------------|----------------|
| Provisions for environmental damages and land restoration | 301,246 | -- | 17,184 | (1,620) | (815) | -- | 315,995 |
| Provisions for legal disputes | 22,499 | -- | 2,270 | -- | -- | -- | 24,769 |
| Employee benefits provision | 32,146 | -- | 2,572 | -- | (4,669) | -- | 30,049 |
| Other provisions | -- | -- | 39,292 | -- | (17,316) | -- | 21,976 |
| Total | 355,891 | -- | 61,318 | (1,620) | (22,800) | -- | 392,789 |

| Short – term provision | 2009 | Reclassification btw. accounts | Additional provision | Utilization of provision | Release of provision | F/X differences | 2010 |
|---|------------------|-----------------------------------|-------------------------|-----------------------------|-------------------------|--------------------|------------------|
| Provisions for environmental damages and land restoration | 5,000 | -- | -- | (1,750) | (3,250) | -- | -- |
| Provisions for legal disputes | 123,511 | -- | 11,911 | -- | (386) | -- | 135,036 |
| Provision on CO2 allowances | -- | 917,860 | 1,082,904 | (845,263) | (72,597) | -- | 1,082,904 |
| Other provisions | 978,257 | (917,860) | 59,648 | (2,470) | (33,786) | (38) | 83,751 |
| Total | 1,106,768 | -- | 1,154,463 | (849,483) | (110,019) | (38) | 1,301,691 |

23. PROVISIONS (CONTINUED)

The provision for land restoration is created as a result of the legal obligation to restore the fly-ash dump after it is discontinued. This is expected to be after 2043. The provision amounted to CZK 305,684 thousand as of 31 December 2010 (CZK 293,746 thousand as of 31 December 2009).

The provision for Bílina's river pollution (leakage of pyrolytic gas) was fully utilized during 2010 (provision amounted to CZK 5,000 thousand as at 31 December 2009).

Provision for compensation of damage to Lesy Česká republika amounted to CZK 8,500 thousand as at 31 December 2010 (CZK 5,000 thousand as at 31 December 2009).

The provision for legal disputes is created for expected future outflows arising from legal disputes with third parties where the Group is the defendant. The Group has a provision for a penalty imposed by the Antimonopoly Office for a breach of the Economic Competition Protection Act in the amount of CZK 98,000 thousand. The provision as at 31 December 2010 included the nominal amount of penalty increased by CZK 33,021 thousand interest (CZK 25,511 thousand as at 31 December 2009). As at 31 December 2010 the Group had provisions for potential legal disputes with Air Products in amount of CZK 9,871 thousand (CZK 9,871 thousand as at 31 December 2009) and Aversen Enterprises Limited in amount 6,000 CZK as at 31 December 2010 (CZK 6,000 thousand as at 31 December 2009)

Provisions for other future liabilities of the Group amounted to CZK 105,727 thousand as at 31 December 2010, out of which CZK 56,504 thousand was a provision for dismantling costs connected with liquidation of unused assets. The provision in connection with shutdown of Oxalcohols plant was fully utilized. In 2010 the Group created provisions in connection with planned shutdown of heating plant T200 in amount of CZK 37,110 thousand as at 31 December 2010.

Provision on CO2 allowances is created for estimated CO2 emissions in the reporting period. Employment benefits provisions are created for retirement and anniversary benefits received by employees, discount rate used is 3.75 % p.a., used assumptions are based on Collective agreement.

24. OTHER NON-CURRENT LIABILITIES

| | 2010 | 2009 |
|--|----------------|----------------|
| Deferred income from government grants | 41,237 | 55,016 |
| Amounts payable to business partners | 91,191 | 92,388 |
| Other liabilities | 14,395 | 17,629 |
| Total | 146,823 | 165,033 |

The Group booked deferred income from government grants, which has been obtained from the German Ministry for Environmental Protection and Safety of Reactors in order to execute a pilot environmental project targeted at limiting cross-border pollution, in connection with the reconstruction of the T 700 power station and its desulphurization. The amount of the grant is amortized over the useful economic life of the respective assets financed by the grant.

All other non-current liabilities are denominated in Czech crowns.

25. TRADE AND OTHER PAYABLES AND ACCRUALS

| | 2010 | 2009 |
|---|-------------------|-------------------|
| Trade payables | 10,544,655 | 8,597,884 |
| Excise tax liabilities | 4,152,280 | 3,973,537 |
| Value added tax liability | 892,918 | 887,134 |
| Other taxation, duty and social security liabilities | 115,458 | 102,154 |
| Liabilities due to acquisition of property, plant and equipment | 428,476 | 397,287 |
| Wages and salaries liabilities | 346,540 | 353,911 |
| Accrued expenses | 105,105 | 76,093 |
| Prepayments | 79,340 | 145,091 |
| Dividends liabilities | 30,012 | 31,380 |
| Other payables | 47,017 | 30,758 |
| Total | 16,741,801 | 14,595,229 |

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

26. SHORT TERM FINANCIAL LIABILITIES

Derivative financial instruments – liabilities

The transactions with derivative financial instruments are detailed described in Note 18. The following table presents the contract principal amounts, fair values of derivative financial instruments analysed by type of contracts. The contract or underlying principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The markets and standard pricing models of financial instruments determine the fair values.

| | Contract principal amount | | Fair value of derivatives | |
|--|---------------------------|--------------|---------------------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| Forwards USD/EUR | 72,800 T USD | 18,000 T USD | 29,092 | 193 |
| Non-delivery Forwards / sale of EUR | 104,000 T USD | -- | 23,828 | -- |
| Forwards USD/CZK | 49,490 T USD | 12,000 T USD | 16,031 | 114 |
| Non-delivery Forwards / purchase of USD | 116,900 T USD | -- | 11,325 | -- |
| Total financial derivatives – liabilities | | | 80,276 | 307 |

The settlement date of above presented financial instruments is no later than 15 December 2011, all transactions are presented as current liabilities.

The impact of Derivative financial instruments on Comprehensive Income Statement of the Group is disclosed in Note 16.

27. FINANCIAL INSTRUMENTS

Capital structure management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 22, cash and cash equivalents and equity attributable to equity holders of the parent, comprising shared capital and retained earnings as disclosed in notes 19 and 21 respectively.

27. FINANCIAL INSTRUMENTS (CONTINUED)

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

| | 2010 | 2009 |
|---------------------------------|------------------|--------------------|
| Debt (i) | (2,225,811) | (2,397,617) |
| Cash and cash equivalents | 4,741,831 | 1,185,721 |
| Net debt | 2,516,020 | (1,211,896) |
| Equity (ii) | 38,799,708 | 37,871,336 |
| Net debt to equity ratio | (6.48) | 3.20 |

(i) Debt is defined as long- and short-term borrowings and finance lease

(ii) Equity included all capital and reserves of the Group

Risk management objectives

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the risks outlined below relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other market price risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks by using natural hedging and derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess funds. Compliance with policies and exposure limits is reviewed by the internal auditors on a regular basis.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Group's activities are exposed primarily to the risks of changes in foreign currency exchange rates, commodity prices and interest rates. The Group enters into financial derivative contracts to manage its exposure to interest rate and currency risk.

Currency risk management

The currency risk arises most significantly from the exposure of trade payables and receivables denominated in foreign currencies, and the foreign currency denominated loans and borrowings. Foreign exchange risk regarding trade payables and receivables is mostly covered by natural hedging of trade payables and receivables denominated in the same currencies. Hedging instruments (forwards, currency swaps) are also used, to cover significant foreign exchange risk exposure of trade payables and receivables not covered by natural hedging.

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite. Optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

Market price risks

The Group is exposed to commodity price risk resulting from the adverse changes in raw material, mainly crude oil prices. Management addresses these risks by means of a commodity, supplier and client risk management. The Group analyses the exposure and enters to a minor extent into derivative commodity instruments to minimise the risk associated with the purchase of crude oil.

27. FINANCIAL INSTRUMENTS (CONTINUED)

Emission allowances risk

The Group monitors the emission allowances granted to the Group under National Allocation Plan and CO₂ emissions planned. The Group enters into transactions on emission allowances market in order to cover for shortages or utilize the excess of obtained emission allowances over the required amount.

The Group had Emission Allowances Swap EUA/CER with settlement in December 2010. This derivative was held and reported as derivatives for trading.

Credit risk management

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of impairment losses, estimated by the Group's management based on prior experience and their assessment of the credit status of its customers.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of dealing only with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers.

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management. Before accepting any new customer, the Group uses own or an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of debtors and, where appropriate, credit guarantee insurance cover is purchased or sufficient collateral on debtor's assets obtained.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk management

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

Information about Group's risk exposure, other detailed aspects of the Group's financial risk management objectives and policies, and the Group's management of capital are described in the consolidated financial statements as at and for the year ended 31 December 2009.

The Group's risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2009.

28. OPERATING LEASES*The Group as lessee***Leasing arrangements**

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

Non-cancellable operating lease commitments

| | Minimum lease payments | |
|---|------------------------|----------------|
| | 2010 | 2009 |
| Not later than one year | 42,070 | 53,063 |
| Later than one year and not later than five years inclusive | 83,405 | 115,519 |
| Later than five years | 188,332 | 199,987 |
| Total | 313,807 | 368,569 |

The Group leases vehicles and offices under operating leases. The vehicle leases typically run for a two year period. Lease payments are increased annually to reflect market conditions. None of the leases includes contingent rentals.

Payments recognised as an expense were as follows:

| | 2010 | 2009 |
|---------------------------------|----------------|----------------|
| Non-cancellable operating lease | 44,641 | 48,954 |
| Cancellable operating lease | 143,542 | 145,646 |
| Total | 188,183 | 194,600 |

29. COMMITMENTS AND CONTINGENCIES*Purchase of shares of PARAMO, a.s.*

As described in the consolidated financial statements of the Group as at 31 December 2010 UNIPETROL, a.s. squeezed out the other shareholders of PARAMO, a.s. 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

29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

the Action of minority shareholders. The minority shareholders filed an appeal against the said 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.

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.

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 SYNTHOS Kralupy 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 the Impacts of Operation of SYNTHOS Kralupy a.s. on Environment

The environmental audit of plots of land owned by UNIPETROL, a.s. 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.’s operation on the environment. The Share Purchase Agreement provides that liability for the environmental conditions originating prior to the closing of the transaction lies with UNIPETROL, a.s. and liability for the environmental conditions originating after the closing of the transaction lies with Dwory. Liability of the contractual parties for the environmental conditions is limited up to 10 % of the purchase price for the shares (and by 5 years).

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, UNIPETROL, a.s. and SYNTHOS Kralupy a.s. executed the agreement pursuant to which UNIPETROL, a.s. undertook to create in favour of SYNTHOS Kralupy a.s. the pre-emptive right and other rights to certain plots of land owned by UNIPETROL, a.s. in industrial area in Kralupy nad Vltavou which are used by 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.

29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

- uninterrupted operation of the present butadiene unit;
- contractual satisfaction of supplies of energies, steam, water and other services within the industrial area in Kralupy nad Vltavou which are at present provided by SYNTHOS Kralupy a.s. to ČESKÁ RAFINĚRSKÁ, 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 UNIPETROL, a.s., and Zakłady Azotowe ANWIL Spółka Akcyjna (further Anwil), may be subject to price adjustments which would result mainly on the occurrence of any of the following events:

- (i) Environmental guarantees provided by the National Property Fund of the Czech Republic will not be sufficient for compensation of costs for the environmental damage remediation of the Old Amalgam Electrolysis project.
In this case UNIPETROL, a.s. will be obligated to financially indemnify Anwil up to 40 % of the purchase price provided that all necessary steps will have been taken by Anwil and SPOLANA a.s. without success for obtaining additional funds for this purpose.
- (ii) Other potential obstacles in future operation of SPOLANA a.s.
In this case UNIPETROL, a.s. will be obligated to financially indemnify Anwil up to 1-3 % of the purchase price.

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 the Commission. At the same time, both companies appealed to the Court of First Instance in Luxembourg and this action is pending.

Following the above decision of the European Commission, UNIPETROL, a.s. has been served with a claim for damages, which tire producers brought against the members of the ESBR cartel. The claim for damages was filed with the High Court of Justice, Queen's Bench Division, Commercial Court. 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.

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.

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.

29. COMMITMENTS AND CONTINGENCIES (CONTINUED)**Litigation between the Group and Tax Directorate Ústí nad Labem about the validity of the investment incentive utilization for the year 2005**

The Group obtained investment incentives for acquisition of production equipment in the form of income tax relief that could have been claimed from 2001 till 2005. However in 2006 the Group received an updated interpretation of the respective tax legislation based on which it is not certain whether or not the conditions for the application of tax incentives would be considered as being met and whether the Group would be allowed to apply tax incentives. Subsequently the Group decided not to apply the incentives in the 2005 tax return filed on 2 October 2006. CZK 325,097 thousand of income tax paid for 2005 represents the amount that the Group is claiming back due to not applying the tax incentive in 2005 tax return.

The Group performs all steps necessary to claim income tax back and on 4 February 2009 the Regional Court in Usti nad Labem abrogated the unfavourable decisions of Tax Authorities and commanded the case to the relevant Tax Directorate for the new administrative proceedings. The Tax Directorate when taking decision is bound by the opinion of the Regional Court. The Tax Directorate used its right and filed a Cassation Complaint to the Supreme Administration Court.

The Supreme Administrative Court by its Judgement dated 26 August 2009 dismissed the cassation filed by the Tax Directorate against the decision of the Regional Court in Usti nad Labem. As a result of the Judgement, the Tax Directorate remains to be bound by the decision of the Regional Court in Usti nad Labem, according to which Group asserted the corporate income tax deduction resulting from the investment incentives for the fiscal year 2005.

In the newly reinstated tax proceedings, another decision rejecting the application of the tax incentive was issued on 27 May 2010 by the Local Tax Authority in Litvinov. The decision was issued regardless of the previous favourable opinion of the Regional Court in Usti nad Labem.

The Group filed an appeal against this new decision of the Local Tax Authority. The appeal was dismissed by the decision of the Tax Directorate dated 27 October 2010.

Additionally, on 11 June 2010 the Group initially filed a petition with the Regional Court in Usti nad Labem against the unlawful intervention of the Tax Authorities claiming that the tax proceedings should be discontinued and paid tax returned to the Group. As of today, no decision on the merit of the case has been issued. Furthermore on 30 December 2010, the Group filed a court action for judicial review and against the new decision of the Tax Directorate dated 27 October 2010 and the new decision of the Local Tax Authority dated 27 May 2010, requesting the decisions of the tax authorities denying the Group the right to the corporate income tax relief be annulled/declared null and void. The proceedings are currently pending before the Regional Court in Usti nad Labem.

Claims regarding reward for employees' invention

In the year 2001 the court case commenced on reward for the employees' intellectual work between UNIPETROL RPA, s.r.o. and its two employees. Employees demanded the reward in the amount of approx. CZK 1.8 million. UNIPETROL RPA, s.r.o. as a defendant did not agree and offered the reward amounting to approx. CZK 1.4 million, based on the experts' valuations. In 2005 Employees plaintiffs filed next petition to the court to extend the action to the amount of approx. CZK 82 million. The first instance hearing has not been settled by the court yet.

Guarantees

The Group issued the guaranty on behalf of HC Litvínov in favour of Association of ice hockey clubs in amount of CZK 7,000 thousand. Based on the Group's request, Commerzbank AG, Komerční banka, a.s. and HSBC, a.s. issued bank guarantees relating to the security of customs debt and excise tax at customs offices in Most and Domažlice. Total balance of guarantees related to excise tax is CZK 955 million as at 31 December 2010 (31 December 2009 CZK 1,205 million).

30. RELATED PARTIES

Parent and ultimate controlling party

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

Transaction with non-consolidated subsidiaries, associates and other related parties:

| 2010 | PKN Orlen | Parties under significant influence of the Group | Entities under control or significant influence of PKN Orlen | Other related parties |
|--|------------|--|--|-----------------------|
| Current receivables | 24,725 | 38,183 | 185,200 | -- |
| Current payables including loans | 5,680,150 | 13,356 | 162,806 | -- |
| Non-current payables including loans | -- | 4 | -- | -- |
| Expenses | 45,952,434 | 103,608 | 1,411,211 | 3,385 |
| Revenues | 1,190,751 | 186,900 | 1,699,031 | 340 |
| Purchases of property, plant and equipment | -- | -- | -- | -- |
| Interests income and expense | (1,533) | -- | 19,527 | -- |
| Dividends received | -- | -- | -- | -- |

| 2009 | PKN Orlen | Parties under significant influence of the Group | Entities under control or significant influence of PKN Orlen | Other related parties |
|--|------------|--|--|-----------------------|
| Current receivables | 26 | 46,940 | 741,299 | 104 |
| Current payables including loans | 4,321,146 | 8,570 | 34,469 | 1,846 |
| Non-current payables including loans | -- | 4 | -- | -- |
| Expenses | 32,894,819 | 86,342 | 900,960 | 13,412 |
| Revenues | 699,541 | 149,794 | 1,741,767 | 868 |
| Purchases of property, plant and equipment | 1,535 | 918 | -- | 176 |
| Interests income and expense | -- | -- | 7,703 | -- |
| Dividends received | -- | 5,287 | -- | 3,851 |

Material transactions concluded by the Group Companies with related parties

In 2010 there were no transactions concluded by the Group with related parties on other than market terms.

Transactions with key management personnel

In 2010 the Group companies did not grant to managing and supervising persons and their relatives any advances, loans, guarantees and commitments, or other agreements obliging, to render services to the Company and related parties. In 2010 there were no significant transactions concluded with members of the Management Board, Supervisory Board, their spouses, siblings, descendants, ascendants or their other relatives.

Transaction with related parties concluded through the key management personnel of the Capital Group companies.

In 2010 members of the key executive personnel of the Parent Company and the Capital Group companies basing on the submitted statements on transactions did not conclude any transaction with related parties.

31. SIGNIFICANT POST BALANCE SHEET EVENTS

The Group'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 | 9 February 2011 |
| Piotr Chelminski | Mariusz Kedra |
| Chairman of the Board of Directors | Member of the Board of Directors |