



**UNIPETROL, a.s.**

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

**AS OF 31 MARCH 2011**

**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 March 2011  
(in thousands of Czech crowns)



	Note	31 March 2011 (unaudited)	31 December 2010 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	33,466,068	33,909,010
Intangible assets	10	3,934,192	1,908,948
Investment property	11	162,190	162,190
Other investments	12	87,237	192,425
Non-current receivables	13	119,525	130,224
Deferred tax asset	14	50,120	48,280
<b>Total non-current assets</b>		<b>37,819,332</b>	<b>36,351,077</b>
<b>Current assets</b>			
Inventories	15	10,857,149	10,193,515
Trade and other receivables	16	11,573,969	9,487,630
Short-term financial assets	17	864,268	540,342
Prepayments and other current assets		214,933	141,780
Cash and cash equivalents	18	1,994,742	4,741,831
Current tax assets		18,997	14,623
<b>Total current assets</b>		<b>25,524,058</b>	<b>25,119,721</b>
<b>Total assets</b>		<b>63,343,390</b>	<b>61,470,798</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	19	18,133,476	18,133,476
Statutory reserves	20	2,462,398	2,452,698
Other reserves		(43,788)	25,971
Retained earnings	21	18,651,227	18,187,563
<b>Total equity attributable to equity holders of the Company</b>		<b>39,203,313</b>	<b>38,799,708</b>
<b>Non-current liabilities</b>			
Loans and borrowings	22	2,011,383	2,013,357
Deferred tax liability	14	1,853,673	1,758,773
Provisions	23	396,600	392,789
Other non-current liabilities	24	141,969	146,823
<b>Total non-current liabilities</b>		<b>4,403,625</b>	<b>4,311,742</b>
<b>Current liabilities</b>			
Trade and other payables and accruals	25	16,319,767	16,741,801
Loans and borrowings	22	1,607,570	212,454
Provisions	23	1,555,535	1,301,691
Short-term financial liabilities	26	228,215	80,276
Current tax liabilities		25,365	23,126
<b>Total current liabilities</b>		<b>19,736,452</b>	<b>18,359,348</b>
<b>Total liabilities</b>		<b>24,140,077</b>	<b>22,671,090</b>
<b>Total equity and liabilities</b>		<b>63,343,390</b>	<b>61,470,798</b>

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 33.

# UNIPETROL, a.s.

Consolidated statement of comprehensive income  
prepared in accordance with International Financial Reporting Standards  
For the 3 month period ended 31 March 2011  
(in thousands of Czech crowns)



	Note	31 March 2011 (unaudited)	31 March 2010 (unaudited)
Revenue	3	23,087,827	18,038,948
Cost of sales		(21,800,471)	(16,828,447)
<b>Gross profit</b>		<b>1,287,356</b>	<b>1,210,501</b>
Other income		135,418	85,174
Distribution expenses		(506,460)	(431,321)
Administrative expenses		(285,608)	(300,274)
Other expenses		(60,029)	(47,180)
<b>Result from operating activities</b>	5	<b>570,677</b>	<b>516,899</b>
Finance income		320,224	97,344
Finance costs		(290,138)	(244,564)
<b>Net finance costs</b>	6	<b>30,086</b>	<b>(147,220)</b>
<b>Profit (loss) before income tax</b>		<b>600,763</b>	<b>369,679</b>
Income tax (expense) credit	7	(137,099)	(60,617)
<b>Profit (loss) for the period</b>		<b>463,664</b>	<b>309,062</b>
<b>Other comprehensive income:</b>			
Foreign currency translation differences - foreign operations		(6,029)	(7,846)
Effective portion of changes in fair value of cash flow hedges		(78,680)	--
Other transactions		9,700	--
Income tax on other comprehensive income		14,949	--
<b>Other comprehensive income for the period, net of tax</b>		<b>(60,060)</b>	<b>(7,846)</b>
<b>Total comprehensive income for the period</b>		<b>403,604</b>	<b>301,216</b>
<b>Basic and diluted earnings per share (in CZK)</b>		<b>2.56</b>	<b>1.70</b>

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 33.

## UNIPETROL, a.s.

Consolidated statement of changes in equity  
prepared in accordance with International Financial Reporting Standards  
For the 3 month period ended 31 March 2011  
(in thousands of Czech crowns)



	Share capital	Statutory reserves	Translation reserve	Fair value reserve	Hedging reserve	Retained earnings	Total equity
<b>Balance as at 1 January 2010</b>	<b>18,133,476</b>	<b>2,425,274</b>	<b>12,867</b>	<b>20,748</b>	<b>--</b>	<b>17,278,971</b>	<b>37,871,336</b>
<b>Total comprehensive income for the period</b>							
Profit or loss	--	--	--	--	--	309,062	309,062
<b>Other comprehensive income</b>							
Foreign currency translation differences	--	--	(7,846)	--	--	--	(7,846)
Total other comprehensive income	--	--	(7,846)	--	--	--	(7,846)
<b>Total comprehensive income for the period</b>	<b>--</b>	<b>--</b>	<b>(7,846)</b>	<b>--</b>	<b>--</b>	<b>309,062</b>	<b>301,216</b>
<b>Balance as at 31 March 2010</b>	<b>18,133,476</b>	<b>2,425,274</b>	<b>5,021</b>	<b>20,748</b>	<b>--</b>	<b>17,588,033</b>	<b>38,172,552</b>
<b>Balance as at 1 January 2011</b>	<b>18,133,476</b>	<b>2,452,698</b>	<b>5,223</b>	<b>20,748</b>	<b>--</b>	<b>18,187,563</b>	<b>38,799,708</b>
<b>Total comprehensive income for the period</b>							
Profit or loss	--	--	--	--	--	463,664	463,664
<b>Other comprehensive income</b>							
Foreign currency translation differences	--	--	(6,029)	--	--	--	(6,029)
Effective portion of changes in fair value of cash flow hedges, net of tax	--	--	--	--	(63,730)	--	(63,730)
Other items	--	9,700	--	--	--	--	9,700
Total other comprehensive income	--	9,700	(6,029)	--	(63,730)	--	(60,059)
<b>Total comprehensive income for the period</b>	<b>--</b>	<b>9,700</b>	<b>(6,029)</b>	<b>--</b>	<b>(63,730)</b>	<b>463,664</b>	<b>403,605</b>
<b>Balance as at 31 March 2011</b>	<b>18,133,476</b>	<b>2,462,398</b>	<b>(806)</b>	<b>20,748</b>	<b>(63,730)</b>	<b>18,651,227</b>	<b>39,203,313</b>

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 33.

# UNIPETROL, a.s.

Consolidated statements of cash flows  
prepared in accordance with International Financial Reporting Standards  
For the 3 month period ended 31 March 2011  
(in thousands of Czech crowns)



	31 March 2011 (unaudited)	31 March 2010 (unaudited)
<b>Cash flows from operating activities:</b>		
Profit for the period	<b>463,664</b>	<b>309,062</b>
Adjustments for:		
Depreciation of the property, plant and equipment and amortisation of intangible assets	808,056	834,981
Gain on disposals of property, plant and equipment and intangible asset:	115,858	20,118
Other finance income and cost - net	64,482	18,742
Impairment losses on financial investments, property, inventory, receivables	(59,972)	(109,706)
Other non cash transaction	43,798	49,343
Income tax expense (credit)	137,099	60,617
Changes in:		
- in trade receivables and other current assets	(2,071,789)	(1,104,082)
- in inventories	(626,411)	(68,750)
- in trade and other payables and accruals	(1,451,373)	(2,764,278)
- in provisions	143,440	(47,083)
Interest paid	(9,291)	(35,404)
Income tax paid	(46,159)	(25,838)
<b>Net cash from operating activities</b>	<b>(2,488,598)</b>	<b>(2,862,279)</b>
<b>Cash flows from investing activities:</b>		
Proceed from disposals of property, plant and equipment and intangible assets	162,346	245,941
Interest received	11,846	1,741
Change in loans granted	7,218	(19,271)
Acquisition of property, plant and equipment and intangible assets	(1,492,297)	(648,107)
Acquisition of short-term financial assets	(280,537)	(199,477)
Acquisition of additional shareholding in subsidiary	(460)	--
<b>Net cash used in investing activities</b>	<b>(1,591,884)</b>	<b>(619,173)</b>
<b>Cash flows from financing activities:</b>		
Change in loans and borrowings	1,337,486	3,316,741
Payment of finance lease liabilities	(3,005)	(5,357)
Dividends paid	(1,088)	(519)
<b>Net cash used from financing activities</b>	<b>1,333,393</b>	<b>3,310,865</b>
<b>Net change in cash and cash equivalents</b>	<b>(2,747,089)</b>	<b>(170,587)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>4,741,831</b>	<b>1,185,721</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1,994,742</b>	<b>1,015,134</b>

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 33.

# UNIPETROL, a.s.

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

Period ended 31 March 2011

(in thousands of CZK)

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# UNIPETROL, a.s.

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

Period ended 31 March 2011

(in thousands of CZK)

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

#### *Establishment of the parent company*

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

#### *Registered office of the Company*

UNIPETROL, a.s.  
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 March 2011 are as follows:

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

#### *Statutory and supervisory bodies*

Members of the statutory and supervisory bodies of UNIPETROL, a.s. as at 31 March 2011 were as follows:

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



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

The following table shows subsidiaries and joint-ventures forming the consolidated group of UNIPETROL, a.s., and the Group's interest in the capital of subsidiaries and joint-ventures held either directly by the parent company or indirectly by the consolidated subsidiaries and allocation of subsidiaries into the Operating segments (information as of 31 March 2011).

Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries	Operating segment
<b>Parent company</b>			
UNIPETROL, a.s. Na Pankráci 127, 140 00 Praha 4, Czech Republic			Other
<b>Subsidiaries consolidated by full method</b>			
BENZINA, s.r.o. Na Pankráci 127, 140 00 Praha 4, Czech Republic	100.00 %	--	Retail
PARAMO, a.s. Přerovská 560, 530 06 Pardubice, Czech Republic	100.00 %	--	Refinery
UNIPETROL TRADE a.s. v likvidaci Na Pankráci 127, 140 00 Praha 4, Czech Republic	100.00 %	--	Petrochemical
UNIPETROL RPA, s.r.o. Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00 %	--	Refinery, Petrochemical, Other
UNIPETROL SERVICES, s.r.o. Litvínov - Záluží 1, 436 70 Litvínov, Czech Republic	100.00 %	--	Other
UNIPETROL DOPRAVA s.r.o. Litvínov – Růžodol č.p. 4, 436 70 Litvínov, Czech Republic	0.12 %	99.88 %	Refinery
Chemapol (Schweiz) AG in liquidation Leimenstrasse 21, 4003 Basel, Switzerland	--	100.00 %	Petrochemical
UNIPETROL Deutschland GmbH Paul Ehrlich Str. 1/B , 63225 Langen/Hessen, Germany	0.10 %	99.90 %	Petrochemical
PETROTRANS, s.r.o. Střelničná 2221, 182 00 Praha 8, Czech Republic	0.63%	99.37 %	Retail
UNIPETROL SLOVENSKO s.r.o. Panónská cesta 7, 850 00 Bratislava, Slovak republic	13.04%	86.96 %	Refinery
POLYMER INSTITUTE BRNO, s.r.o. Tkalcovská 36/2, 656 49 Brno, Czech republic	--	100.00 %	Petrochemical
Paramo Oil s.r.o. Přerovská 560, 530 06 Pardubice, Czech Republic	--	100.00 %	Refinery
Paramo Asfalt s.r.o. Přerovská 560, 530 06 Pardubice, Czech Republic	--	100.00 %	Refinery
<b>Joint-ventures consolidated by proportional method</b>			
ČESKÁ RAFINÉRSKÁ, a.s. Záluží 2, 436 70 Litvínov, Czech Republic	51.22 %	--	Refinery
Butadien Kralupy a.s. O. Wichterleho 810, 278 01 Kralupy nad Vltavou, Czech Republic	51.00 %	--	Petrochemical

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

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

### *Changes in structure of the Group*

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

On 17 February 2011 PARAMO a.s. bought 2 legal entities: Paramo Oil s.r.o. and Paramo Asfalt s.r.o. which were included in the consolidation group of UNIPETROL. As at 31 March 2011 the entities were not conducting any operational activity.

Based on the UNIPETROL, a.s. Management decision POLYMER INSTITUTE BRNO, s.r.o. was included into consolidation group starting from 1 January 2011. The 2010 figures presented in the consolidated financial statements were not restated due to low materiality of the impact.

The ownership interests and allocation of subsidiaries into the operating segments as at 31 December 2010 were the same as it is presented in the table above.

## 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 2010.

The Group used the same accounting policies and methods of computation during preparation of these interim financials statements as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2010.

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 2011 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 2011 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.

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Change in presentation of CO<sub>2</sub> emissions allowances

In these condensed consolidated financial statements of the Company for the period ended 31 March 2011 the Group recognized CO<sub>2</sub> emission allowances granted free of charge as intangible assets and deferred income at the fair value of CO<sub>2</sub> emission allowances at the date of their receipt in the consolidated statement of financial position. The Group recognized provision for estimated CO<sub>2</sub> 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 CO<sub>2</sub> emission rights.

The change in presentation had no material impact on consolidated statement of comprehensive income for the period ended 31 March 2010 due to the sale of CO<sub>2</sub> emissions allowances in 2009. According to the management the above mentioned changes will ensure better presentation of effects of the activities.

#### B Basis of preparation

The consolidated financial statements of the Company for the period ended 31 March 2011 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 2010.

# UNIPETROL, a.s.

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

Period ended 31 March 2011

(in thousands of CZK)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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.

### 3. REVENUE

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

	31/03/2011	31/03/2010
Gross sales of finished goods	25,379,530	20,318,357
Less: Excise tax	(5,714,164)	(4,862,169)
Gross sales of merchandise and materials	2,144,095	1,291,440
Less: Excise tax	(21,390)	(19,787)
<b>Net revenue from sales of own products, merchandise and materials</b>	<b>21,788,071</b>	<b>16,727,841</b>
<b>Revenue from services</b>	<b>1,299,756</b>	<b>1,311,107</b>
<b>Total revenue</b>	<b>23,087,827</b>	<b>18,038,948</b>

### 4. OPERATING SEGMENTS

#### Revenues and operating result

Period ended 31/03/2011	Refinery	Retail	Petrochemical	Other	Eliminations	Consolidated
Total external revenues	12,133,295	2,130,652	8,812,120	11,760	--	23,087,827
Inter segment revenues	5,083,726	54,678	324,720	158,730	(5,621,854)	--
Total segment revenue	17,217,021	2,185,330	9,136,840	170,490	(5,621,854)	23,087,827
<b>Result from operating activities</b>	<b>88,813</b>	<b>71,654</b>	<b>384,704</b>	<b>25,506</b>	<b>--</b>	<b>570,677</b>
Net finance income						30,086
<b>Profit before income tax</b>						<b>600,763</b>
Income tax expense						(137,099)
<b>Profit for the period</b>						<b>463,664</b>
<b>Depreciation and amortisation</b>	<b>(257,933)</b>	<b>(93,872)</b>	<b>(434,494)</b>	<b>(21,757)</b>	<b>--</b>	<b>(808,056)</b>

Period ended 31/03/2010	Refinery	Retail	Petrochemical	Other	Eliminations	Consolidated
Total external revenues	9,027,711	1,698,277	7,254,072	58,888	--	18,038,948
Inter segment revenues	4,295,576	74,231	343,863	137,584	(4,851,254)	--
Total segment revenue	13,323,287	1,772,508	7,597,935	196,472	(4,851,254)	18,038,948
<b>Result from operating activities</b>	<b>279,139</b>	<b>130,830</b>	<b>96,973</b>	<b>9,957</b>	<b>--</b>	<b>516,899</b>
Net finance costs						(147,220)
<b>Profit before income tax</b>						<b>369,679</b>
Income tax expense						(60,617)
<b>Profit for the period</b>						<b>309,062</b>
<b>Depreciation and amortisation</b>	<b>(274,738)</b>	<b>(90,470)</b>	<b>(449,832)</b>	<b>(19,940)</b>	<b>--</b>	<b>(834,980)</b>

#### Assets and liabilities

31/03/2011	Refinery	Retail	Petrochemical	Other	Eliminations	Consolidated
Segment assets	26,575,075	6,766,194	27,672,616	2,061,894	(1,205,745)	61,870,034
Unallocated corporate assets						1,473,356
<b>Total assets</b>						<b>63,343,390</b>
<b>Additions to non-current assets</b>	<b>127,982</b>	<b>22,478</b>	<b>130,236</b>	<b>853</b>	<b>--</b>	<b>281,549</b>
Segment liabilities	12,347,146	1,548,322	5,430,838	283,642	(1,205,745)	18,404,203
Unallocated corporate liabilities						5,735,874
<b>Total liabilities</b>						<b>24,140,077</b>

# UNIPETROL, a.s.

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

Period ended 31 March 2011

(in thousands of CZK)

### 4. OPERATING SEGMENTS (CONTINUED)

31/12/2010	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
Unallocated corporate assets						984,898
<b>Total assets</b>						<b>61,470,798</b>
<b>Additions to non-current assets</b>	<b>310,214</b>	<b>265,254</b>	<b>1,008,944</b>	<b>72,611</b>	<b>--</b>	<b>1,657,023</b>
Segment liabilities	14,398,414	1,460,277	3,736,472	319,310	(1,337,018)	18,577,455
Unallocated corporate liabilities						4,093,635
<b>Total liabilities</b>						<b>22,671,090</b>

Additions to non-current assets comprise additions to property, plant and equipment (Note 9) and intangible assets (Note 10).

#### Recognition and reversal of impairment allowances

31/03/2011	Refinery	Retail	Petrochemical	Other	Consolidated
Recognition of impairment allowances	(19,443)	(520)	(1,631)	(505)	(22,099)
Reversal of impairment allowances	11,132	2,219	9,795	351	23,497

31/03/2010	Refinery	Retail	Petrochemical	Other	Consolidated
Recognition of impairment allowances	(61,988)	(7,000)	(19,362)	(178)	(88,528)
Reversal of impairment allowances	8,706	26,380	3,643	10	38,739

#### Geographical information

	Revenues		Total assets	
	31/03/2011	31/03/2010	31/03/2011	31/12/2010
Czech Republic	16,052,703	12,776,413	61,921,297	60,146,183
Germany	2,412,409	1,842,934	206,323	167,406
Poland	538,490	392,899	--	--
Slovakia	1,553,587	1,103,620	1,194,125	1,134,220
Other countries	2,530,638	1,923,082	21,645	22,989
<b>Total</b>	<b>23,087,827</b>	<b>18,038,948</b>	<b>63,343,390</b>	<b>61,470,798</b>

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.

# UNIPETROL, a.s.

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Period ended 31 March 2011

(in thousands of CZK)

### 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	31/03/2011	31/03/2010
<b>Refinery</b>	<b>12,133,294</b>	<b>9,027,711</b>
Diesel	6,346,227	4,415,880
Gasoline	2,583,633	1,918,554
Bitumen	250,813	220,368
Lubricants	187,870	170,841
Other refinery products	1,872,312	1,427,417
Services	892,439	874,651
<b>Retail</b>	<b>2,130,652</b>	<b>1,698,277</b>
Refinery products	2,054,328	1,626,319
Services	76,324	71,958
<b>Petrochemical</b>	<b>8,812,121</b>	<b>7,254,072</b>
Ethylene	1,150,035	847,512
Benzene	1,280,302	955,200
Urea	340,173	236,605
Ammonia	240,139	226,412
C4 fraction	306,371	533,258
Polyethylene (HDPE)	1,927,838	1,617,518
Polypropylene	1,770,123	1,565,830
Other petrochemical products	1,476,253	919,218
Services	320,887	352,519
<b>Other</b>	<b>11,760</b>	<b>58,888</b>
<b>Total</b>	<b>23,087,827</b>	<b>18,038,948</b>

### 5. OPERATING EXPENSES AND INCOMES

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

31/03/2011	Cost of sales	Distribution costs	Administrative expenses	Other operating income / (expenses)	Total
Materials consumed	(16,570,550)	(75,980)	(4,932)	--	(16,651,462)
Cost of merchandise and materials sold	(1,979,320)	--	--	--	(1,979,320)
Energy	(495,806)	(1,640)	(1,500)	--	(498,946)
Repairs and maintenance	(242,953)	(5,271)	(5,077)	--	(253,301)
Other services	(1,331,785)	(233,827)	(46,670)	--	(1,612,282)
Personnel expenses	(389,241)	(60,618)	(171,024)	--	(620,883)
Depreciation	--	--	--	--	--
- owned assets	(621,847)	(102,299)	(8,225)	--	(732,371)
- leased assets	(18,407)	(3,215)	--	--	(21,622)
Amortization	(30,158)	(13,116)	(10,789)	--	(54,063)
Impairment losses on intangible assets and PPE (recognised) / released	--	--	--	4,334	4,334
Inventory write-down released / (recognized)	(6,872)	--	--	--	(6,872)
Impairment to receivables released / (recognized)	--	--	--	3,936	3,936
Research expenditures	(1,685)	(6)	(241)	--	(1,932)
Investment property expense	--	--	--	(328)	(328)
Non-cancellable operating lease rentals	(7,777)	--	(4,511)	--	(12,288)
Profit / (loss) on disposal of PPE and intangible assets	--	--	--	181	181
Release / (Addition) to provisions	--	--	--	(34,168)	(34,168)
Insurance	(29,720)	(1,610)	(20,948)	--	(52,278)
Addition to provisions for CO2 consumption	(267,095)	--	--	--	(267,095)
CO2 rights grant recognition	257,511	--	--	89,580	347,091
Taxes and charges	(4,338)	(114)	(3,888)	--	(8,340)
Other expenses	(60,428)	(8,764)	(7,803)	(3,558)	(80,553)
Other income	--	--	--	15,412	15,412
<b>Operating expenses</b>	<b>(21,800,471)</b>	<b>(506,460)</b>	<b>(285,608)</b>	<b>75,389</b>	<b>(22,517,150)</b>
<b>Revenue</b>					<b>23,087,827</b>
<b>Results from operating activities</b>					<b>570,677</b>

### 5. OPERATING EXPENSES AND INCOMES (CONTINUED)

31/03/2010	Cost of sales	Distribution costs	Administrative expenses	Other operating income / (expenses)	Total
Materials consumed	(12,652,293)	(38,346)	(3,066)	--	(12,693,705)
Cost of merchandise and materials sold	(1,124,533)	--	--	--	(1,124,533)
Energy	(424,379)	(501)	(1,733)	--	(426,613)
Repairs and maintenance	(239,559)	(6,311)	(2,363)	--	(248,233)
Other services	(1,157,379)	(214,754)	(56,020)	--	(1,428,153)
Personnel expenses	(400,806)	(52,849)	(177,077)	--	(630,732)
Depreciation					
- owned assets	(648,958)	(98,701)	(6,674)	--	(754,333)
- leased assets	(23,787)	(5,778)	(134)	--	(29,699)
Amortization	(35,819)	(3,414)	(11,716)	--	(50,949)
Impairment losses on intangible assets and PPE (recognised)/ released	--	--	--	22,905	22,905
Inventory write-down released / (recognized)	(44,684)	--	--	--	(44,684)
Impairment to receivables released / (recognized)	--	--	--	(28,010)	(28,010)
Research expenditures	(4,145)	(1,569)	--	--	(5,714)
Investment property expense	--	--	--	(325)	(325)
Non-cancellable operating lease rentals	(8,096)	--	(4,360)	--	(12,456)
Profit / (loss) on disposal of PPE and intangible assets	--	--	--	3,141	3,141
Release / (Addition) to provisions	--	--	--	27,350	27,350
Insurance	(37,141)	(1,480)	(24,717)	--	(63,338)
Taxes and charges	(3,379)	(110)	(2,484)	--	(5,973)
Other expenses	(23,490)	(7,508)	(9,930)	(4,677)	(45,605)
Other income	--	--	--	17,610	17,610
<b>Operating expenses</b>	<b>(16,828,447)</b>	<b>(431,321)</b>	<b>(300,274)</b>	<b>37,994</b>	<b>(17,522,049)</b>
<b>Revenue</b>					<b>18,038,948</b>
<b>Results from operating activities</b>					<b>516,899</b>

### 6. FINANCE INCOME AND FINANCE COSTS

	31/03/2011	31/03/2010
<b>Finance income</b>		
Interest income:		
- bank deposits	3,714	2,699
- loans and receivables	15,410	11,138
<b>Total Interest income</b>	<b>19,124</b>	<b>13,837</b>
Net foreign exchange gain	300,055	--
Net gain arising on derivatives	--	80,451
Other finance income	1,045	3,056
<b>Total finance income</b>	<b>320,224</b>	<b>97,344</b>
<b>Finance costs</b>		
Interest expense:		
- bank overdrafts, loans and borrowings	(63,933)	(72,358)
- finance leases	(139)	(64)
- other	(175)	(110)
<b>Total Interest expense</b>	<b>(64,247)</b>	<b>(72,531)</b>
Net foreign exchange losses	--	(152,251)
Net loss arising on derivatives	(220,855)	--
Other finance expenses	(5,036)	(19,782)
<b>Total finance costs</b>	<b>(290,138)</b>	<b>(244,564)</b>
<b>Net finance income (costs)</b>	<b>30,086</b>	<b>(147,220)</b>

# UNIPETROL, a.s.

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Period ended 31 March 2011

(in thousands of CZK)

### 7. INCOME TAX

	31/03/2011	31/03/2010
Current tax – Czech Republic	(23,046)	(22,207)
Current tax – other countries	(7,653)	(5,225)
Deferred tax	(106,400)	(33,185)
<b>Income tax recognised in profit and loss</b>	<b>(137,099)</b>	<b>(60,617)</b>
Deferred tax recognised in other comprehensive income	14,949	--
<b>Income tax - total</b>	<b>(122,150)</b>	<b>(60,617)</b>

Domestic income tax is calculated in accordance with Czech tax regulations at the rate of 19 % in 2011 and 2010 of the estimated taxable income for the year. The deferred tax has been calculated using tax rate approved for years 2011 and forward i.e. 19 %. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

### 8. EARNINGS PER SHARE

#### *Basic earnings per share*

	31/03/2011	31/03/2010
Profit / (loss) for the period attributable to equity holders (in CZK '000)	463,664	309,062
Weighted average number of shares	181,334,764	181,334,764
<b>Earnings per share (in CZK)</b>	<b>2.56</b>	<b>1.70</b>

#### *Diluted earnings per share*

Diluted earnings per share are the same as basic earnings per share.



### 9. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and constructions	Machinery and equipment	Vehicles and other	Construction in progress	Total
<b>Cost</b>						
<b>Balance at 01/01/2010</b>	<b>1,237,995</b>	<b>23,286,612</b>	<b>36,779,867</b>	<b>3,128,745</b>	<b>3,207,419</b>	<b>67,640,638</b>
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	(3,276,477)	(83,606)
Other	--	(181)	(24,062)	956	(17)	(23,304)
FX differences	--	2,184	(46)	(392)	--	1,746
<b>Balance at 31/12/2010</b>	<b>1,265,317</b>	<b>24,053,308</b>	<b>38,642,084</b>	<b>3,063,539</b>	<b>1,300,271</b>	<b>68,324,519</b>
Additions	--	--	4,706	43,241	219,111	267,058
Disposals	(893)	(6,523)	(19,547)	(42,681)	--	(69,644)
Reclassifications	1,472	173,507	430,264	131	(605,374)	--
Turn entity into consolidation	11,829	48,605	189,471	7,116	--	257,021
Other	--	--	(4,058)	--	(943)	(5,001)
FX differences	--	(980)	(8)	(222)	--	(1,210)
<b>Balance at 31/03/2011</b>	<b>1,277,725</b>	<b>24,267,917</b>	<b>39,242,912</b>	<b>3,071,124</b>	<b>913,065</b>	<b>68,772,743</b>
<b>Depreciation</b>						
<b>Balance at 01/01/2010</b>	<b>--</b>	<b>8,276,125</b>	<b>21,428,125</b>	<b>1,799,725</b>	<b>--</b>	<b>31,503,975</b>
Charge for the period	--	594,226	2,375,966	306,604	--	3,276,796
Disposals	--	(66,508)	(372,649)	(183,841)	--	(622,998)
Other	--	65	(99)	820	--	786
FX differences	--	--	(45)	(343)	--	(388)
<b>Balance at 31/12/2010</b>	<b>--</b>	<b>8,803,908</b>	<b>23,431,298</b>	<b>1,922,965</b>	<b>--</b>	<b>34,158,171</b>
Charge for the period	--	152,337	532,543	69,113	--	753,993
Disposals	--	(169)	(19,548)	(42,212)	--	(61,929)
Turn entity into consolidation	--	32,898	165,816	4,902	--	203,616
FX differences	--	--	(8)	(172)	--	(180)
<b>Balance at 31/03/2011</b>	<b>--</b>	<b>8,988,974</b>	<b>24,110,101</b>	<b>1,954,596</b>	<b>--</b>	<b>35,053,671</b>
<b>Impairment</b>						
<b>Balance at 01/01/2010</b>	<b>40,724</b>	<b>186,289</b>	<b>90,104</b>	<b>6,873</b>	<b>1,034</b>	<b>325,024</b>
Impairment losses	--	22,637	42,634	116	20,552	85,939
Reversal of impairment losses	(2,100)	(61,150)	(84,022)	(6,353)	--	(153,625)
<b>Balance at 31/12/2010</b>	<b>38,624</b>	<b>147,776</b>	<b>48,716</b>	<b>636</b>	<b>21,586</b>	<b>257,338</b>
Impairment losses	--	--	--	266	--	266
Reversal of impairment losses	--	(3,247)	(1,296)	(57)	--	(4,600)
<b>Balance at 31/03/2011</b>	<b>38,624</b>	<b>144,529</b>	<b>47,420</b>	<b>845</b>	<b>21,586</b>	<b>253,004</b>
<b>Carrying amount at 01/01/2010</b>	<b>1,197,271</b>	<b>14,824,198</b>	<b>15,261,638</b>	<b>1,322,147</b>	<b>3,206,385</b>	<b>35,811,639</b>
<b>Carrying amount at 31/12/2010</b>	<b>1,226,693</b>	<b>15,101,624</b>	<b>15,162,070</b>	<b>1,139,938</b>	<b>1,278,685</b>	<b>33,909,010</b>
<b>Carrying amount at 31/03/2011</b>	<b>1,239,101</b>	<b>15,134,414</b>	<b>15,085,391</b>	<b>1,115,683</b>	<b>891,479</b>	<b>33,466,068</b>

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. There were no borrowing costs capitalized in the period ended 31 March 2011 (31 December 2010 CZK 2,780 thousand).

The carrying amount of property, plant and equipment includes production technologies of CZK 339,995 thousand (CZK 361,513 thousand as of 31 December 2010) and vehicles of CZK 148,906 thousand (CZK 155,845 thousand as of 31 December 2010) held under finance leases as of 31 March 2011.

Impairment allowances disclosed in the property, plant and equipment movement table are equal to the amount by which the carrying amount of assets exceeds their recoverable amount. Recognition and reversal of impairment allowances for property, plant and equipment are recognized in other operating activities. In the period ended 31 March 2011 there were no significant items created. In 2010 the major part of impairment was created by the Group in connection with shutdown of heating plant T200 (CZK 28,400 thousand) and in connections with suspension of investment projects (CZK 20,552 thousand).

### 9. 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	--	--
<b>Total at 31/03/2011</b>		--	--

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

### 10. INTANGIBLE ASSETS

	Software	Licences, patents and trade	Goodwill	Assets under development	CO2 emission allowances	Other intangible assets	Total
<b>Cost</b>							
<b>Balance at 01/01/2010</b>	<b>827,446</b>	<b>1,959,461</b>	<b>51,595</b>	<b>207,991</b>	--	<b>444,253</b>	<b>3,490,746</b>
Additions	10,046	289	--	157,714	1,521,675	1,793	1,691,517
Disposals	(96,642)	(17,472)	--	--	(1,711,559)	(620)	(1,826,293)
Reclassifications	158,347	108,012	--	(265,247)	--	82,382	83,494
Other	32,247	(16)	--	(3,180)	403,723	(27,445)	405,329
FX differences	(40)	--	--	--	--	--	(40)
<b>Balance at 31/12/2010</b>	<b>931,404</b>	<b>2,050,274</b>	<b>51,595</b>	<b>97,278</b>	<b>213,839</b>	<b>500,363</b>	<b>3,844,753</b>
Additions	--	--	--	14,491	897,365	--	911,856
Disposals	(46)	--	--	--	(144,736)	(537)	(145,319)
Reclassifications	465	22,277	--	(43,960)	--	21,218	--
Turn entity into consolidation on	7,409	--	--	--	--	--	7,409
Other	--	--	--	(319)	1,311,026	--	1,310,707
FX differences	(16)	(1)	--	--	--	--	(17)
<b>Balance at 31/03/2011</b>	<b>939,216</b>	<b>2,072,550</b>	<b>51,595</b>	<b>67,490</b>	<b>2,277,494</b>	<b>521,044</b>	<b>5,929,389</b>
<b>Amortization</b>							
<b>Balance at 01/01/2010</b>	<b>758,528</b>	<b>771,705</b>	--	--	--	<b>292,329</b>	<b>1,822,562</b>
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)
<b>Balance at 31/12/2010</b>	<b>739,405</b>	<b>862,931</b>	--	--	--	<b>333,469</b>	<b>1,935,805</b>
Charge for the year	13,943	23,015	--	--	--	17,105	54,063
Disposals	(46)	--	--	--	--	(537)	(583)
Turn entity into consolidation on	5,923	--	--	--	--	--	5,923
FX differences	(11)	--	--	--	--	--	(11)
<b>Balance at 31/03/2011</b>	<b>759,214</b>	<b>885,946</b>	--	--	--	<b>350,037</b>	<b>1,995,197</b>
<b>Impairment</b>							
<b>Balance at 01/01/2010</b>	--	--	--	--	--	--	--
<b>Balance at 31/03/2011</b>	--	--	--	--	--	--	--
<b>Balance at 31/03/2011</b>	--	--	--	--	--	--	--
<b>Carrying amount at 01/01/2010</b>	<b>68,918</b>	<b>1,187,756</b>	<b>51,595</b>	<b>207,991</b>	--	<b>151,924</b>	<b>1,668,184</b>
<b>Carrying amount at 31/12/2010</b>	<b>191,999</b>	<b>1,187,343</b>	<b>51,595</b>	<b>97,278</b>	<b>213,839</b>	<b>166,894</b>	<b>1,908,948</b>
<b>Carrying amount at 31/03/2011</b>	<b>180,002</b>	<b>1,186,604</b>	<b>51,595</b>	<b>67,490</b>	<b>2,277,494</b>	<b>171,007</b>	<b>3,934,192</b>

**10. INTANGIBLE ASSETS (CONTINUED)**

Recognition and reversal of impairment allowances for intangible assets are recognized in other operating activities.

Licences, patents and trade marks include licenses related to production of plastics (high-density polyethylene - HDPE and polypropylene), which account for CZK 1,057,774 thousand of carrying amount as of 31 March 2011 (CZK 1,076,871 thousand as of 31 December 2010) and Unicracking process licence in carrying amount of CZK 5,297 thousand as of 31 March 2011 (CZK 5,778 thousand as of 31 December 2010). Other intangible assets include development costs in carrying amount of CZK 151,822 thousand as of 31 March 2011 (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:**

	value	In tons
<b>Emission allowances at 31 December 2010</b>	<b>213,839</b>	<b>656,071</b>
Emission allowances granted in 2011	1,366,108	3,775,436
Settled emission allowances for previous periods	(55,082)	(170,490)
Emission allowances acquired in 2011	897,365	2,670,878
Sales of emissions allowances in 2010	(144,736)	(400,000)
<b>Estimated emission allowances at 31 March 2011</b>	<b>2,277,494</b>	<b>6,531,895</b>

On 28 February 2011 the Group received CO2 allowances in amount of 3,775,436 tons. On that day the market value of one CO2 allowance was EUR 14.86.

The emission allowances acquired and sold by the Group during the year 2011 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 amounted to CZK 51,595 thousand as at 31 March 2011 (31 December 2010 CZK 51,595 thousand). It results from the acquisition of 0.221 % share in the registered capital of ČESKÁ RAFINĚRSKÁ, a.s. during the year ended 31 December 2007.

As at 31 March 2011, the Group reviewed the economic value of goodwill in accordance with the requirements of IAS 36 and concluded that there is no impairment.

**11. INVESTMENT PROPERTY**

Investment property at 31 March 2011 comprised the land owned by the Group and leased to third parties. The changes recorded during the period ended 31 March 2011 are presented in the following table:

	31/03/2011	31/12/2010
Investment property at beginning of the period	162,190	162,627
Purchase	--	112
Disposals	--	(549)
<b>Total balance at the end of the period</b>	<b>162,190</b>	<b>162,190</b>

Rental income amounted to CZK 5,252 thousand in three month period ended 31 March 2011 (three month period ended 31 March 2010: CZK 5,174 thousand). Operating costs relating to investment property amounted to CZK 328 thousand in three month period ended 31 March 2011 (three month period ended 31 March 2010: CZK 325 thousand).

Future rental income is as follows:

	Less than one year	Between one and five years
Total future rental income	21,008	84,032

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.

**12. OTHER INVESTMENTS**

The Group has equity investments amounting to CZK 87,237 thousand as at 31 March 2011 (CZK 192,425 thousand as at 31 December 2010), 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.

**13. NON-CURRENT RECEIVABLES**

The Group has provided a loan to ČESKÁ RAFINÉRSKÁ, a.s. in the amount of CZK 167,118 thousand (31 December 2010: CZK 174,952 thousand) for reconstruction of production unit. Part of this receivable in amount of CZK 85,600 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 15,286 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 16,566 thousand and prepayments for investments in amount of CZK 36,733 thousand. The management considers that carrying amount of receivables approximates their fair value.

**14. 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:

	<b>2011</b>
<b>At 1 January</b>	<b>(1,710,493)</b>
Deferred tax recognised in the profit and loss	(106,400)
FX difference	(1,609)
Tax charged to other comprehensive income	14,949
<b>At 31 March</b>	<b>(1,803,553)</b>

**15. INVENTORIES**

	<b>31/03/2011</b>	<b>31/12/2010</b>
Raw materials	3,855,746	3,422,109
Net realisable value allowance for raw materials	(53,119)	(57,957)
Work in progress	1,597,874	1,444,554
Net realisable value allowance for work in progress	(2,203)	(2,570)
Finished goods	3,349,125	3,571,204
Net realisable value allowance for finished goods	(11,926)	(16,815)
Goods for sale	738,435	464,998
Net realisable value allowance for goods for sale	(16,962)	(4,347)
Spare parts	1,665,819	1,638,240
Net realisable value allowance for spare parts	(265,640)	(265,901)
<b>Total inventory</b>	<b>10,857,149</b>	<b>10,193,515</b>

Changes in the net realisable value allowances for inventories amount to CZK 6,872 thousand and are included in cost of sales (CZK 43,009 thousand in 2010) see Note 5.

**16. TRADE AND OTHER RECEIVABLES**

	<b>31/03/2011</b>	<b>31/12/2010</b>
Trade receivable	12,164,533	9,945,746
Excise tax receivable	153,743	347,537
Taxation, duty, and social security receivable	5,171	17,603
Other receivables	159,469	101,839
<b>Gross trade and other receivables</b>	<b>12,482,916</b>	<b>10,412,725</b>
Impairment losses	(908,947)	(925,095)
<b>Net trade and other receivables</b>	<b>11,573,969</b>	<b>9,487,630</b>

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 37 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.

**16. TRADE AND OTHER RECEIVABLES (CONTINUED)**

The Group exposure to currency risk related to trade and other receivables is disclosed in note 27 and detailed information about receivables from related parties is presented in note 30.

**Movement in the impairment loss allowance**

	31/03/2011	31/12/2010
<b>Balance at beginning of the period</b>	<b>925,095</b>	<b>916,972</b>
Increases	5,017	124,970
Including entity into consolidation	628	--
Utilization	(9,703)	(7,987)
Release	(8,953)	(99,799)
F/X differences	(3,137)	(9,061)
<b>Balance at end of the period</b>	<b>908,947</b>	<b>925,095</b>

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.

**17. SHORT-TERM FINANCIAL ASSETS**

	31/03/2011	31/12/2010
Loans	506,535	533,435
Derivative financial instruments	77,196	6,907
Financial assets held to maturity	280,537	--
<b>Total</b>	<b>864,268</b>	<b>540,342</b>

**Loans and receivables**

The Group provided short-term loans to related entities. The carrying amount of the loan amounted CZK 506,535 thousand as at 31 March 2011 (31 December 2010 CZK 533,435 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 March 2011. The loan in amount of CZK 500,035 thousand provided to related entity belonging to 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 hedging arrangements.

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.

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 CO<sub>2</sub> emissions planned. The Group enters into transactions on emission allowances market in order to cover shortages or utilize the excess of obtained emission allowances over the required amount.

### 17. SHORT-TERM FINANCIAL ASSETS (CONTINUED)

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	
	31/03/2011	31/12/2010	31/03/2011	31/12/2010
Non-delivery Forwards / sale of EUR	80,600 T EUR	36,640 T USD	38,725	3,441
Non-delivery Forwards / sale of USD	30,000 T USD	17,760 T USD	38,471	3,260
Forwards USD/EUR	--	17,000 T USD	--	206
<b>Total financial derivative – assets</b>			<b>77,196</b>	<b>6,907</b>

The settlement date of above presented financial instruments is no later than 15 December 2011, all related balances 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 meet the hedge accounting criteria are included in the other comprehensive income. Change in the fair value of derivatives that do not meet the criteria are presented as derivatives held for trading and their fair value changes are reported in the profit and loss.

#### Derivative financial instruments- finance result

	31/03/2011				31/12/2010		
	Financial income	Financial cost	Recognised in other comprehensive income	Net gain / (loss)	Financial income	Financial cost	Net gain / (loss)
Emission Allowances	--	--	--	--	--	95,527	(95,527)
Currency Swaps	--	17,422	--	(17,422)	3,624	--	3,624
Commodity Swap	--	--	--	--	--	15,487	(15,487)
Non-delivery forwards	--	--	(78,679)	(78,679)	--	--	--
Forwards	--	203,433	--	(203,433)	7,730	--	7,730
<b>Total</b>		<b>220,855</b>	<b>(78,679)</b>	<b>(299,534)</b>	<b>11,354</b>	<b>111,014</b>	<b>(99,660)</b>

#### Financial assets held to maturity

Following table presents detailed information regarding promissory notes bought in 2011 and 2010:

Counterparty	Currency	Maturity date	31/03/2011	31/12/2010
ČEZ, a.s.	CZK	26/04/2011	153,081	--
ČEZ, a.s.	CZK	20/05/2011	127,457	--
<b>Total</b>			<b>280,538</b>	<b>--</b>

### 18. CASH AND CASH EQUIVALENTS

	31/03/2011	31/12/2010
Cash in hand and at bank	1,559,247	4,598,611
Short-term bank deposits	435,495	143,220
<b>Total cash and cash equivalents</b>	<b>1,994,742</b>	<b>4,741,831</b>

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 51,843 thousand (31 December 2010 CZK 51,743 thousand).

### 19. SHARE CAPITAL

The issued capital of the parent company as at 31 March 2011 was CZK 18,133,476 thousand (2010 - CZK 18,133,476 thousand). This represents 181,334,764 (2010 - 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 March 2011 to CZK 2,462,398 thousand (31 December 2010 – CZK 2,452,698 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 appropriation 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 appropriation of 2010 profit will be made on the annual general meeting of shareholders, which will be held in 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.

	31/03/2011	31/12/2010
<b>Non – current loans and borrowings</b>		
Unsecured bonds issued	2,000,000	2,000,000
Finance lease liability	11,383	13,357
<b>Total non – current loans and borrowings</b>	<b>2,011,383</b>	<b>2,013,357</b>
<b>Current loans and borrowings</b>		
Current portion of unsecured bonds issued	157,660	102,634
Unsecured bank loans	1,438,919	86,748
Current portion of secured bank loans	--	12,017
Current portion of financial leasing	10,991	11,055
<b>Total current loans and borrowings</b>	<b>1,607,570</b>	<b>212,454</b>

**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 2,157,660 thousand (CZK 2,102,634 thousand at 31 December 2010). 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 2,531,114 thousand (CZK 2,518,730 thousand at 31 December 2010). Accrued interest, which will be repaid before 31 December 2011, is presented within current loans and borrowings amounts to CZK 157,660 thousand (CZK 102,634 thousand at 31 December 2010).

**Secured bank loans**

The Group repaid the bank loan secured over property plant and equipment.



### 22. LOANS AND BORROWINGS (CONTINUED)

#### Analyses of bank loans

	USD	EUR	CZK	Total
<b>Balance as at 1 January 2011</b>	<b>36,327</b>	<b>31,366</b>	<b>31,072</b>	<b>98,765</b>
Loans taken	386,161	105,541	1,427,480	1,919,182
Accrued interest as balance sheet date	--	17	--	17
Repayment	(36,323)	(11,238)	(531,065)	(578,626)
Repayment of accrued interest	--	(61)	(25)	(86)
FX differences	--	(333)	--	(333)
<b>Balance as at 31 March 2011</b>	<b>386,165</b>	<b>125,292</b>	<b>927,462</b>	<b>1,438,919</b>

Short-term bank loans are subject to normal credit terms and their carrying amounts approximate fair values. Average effective interest rate as at 31 March 2011 was 1.80 % (31 December 2010: 1.79 %).

#### Financial leases

	Minimum lease payments		Present value of minimum lease payments	
	31/03/2011	31/12/2010	31/03/2011	31/12/2010
Amounts payable under finance leases:				
Not later than one year	11,599	12,093	10,991	11,055
Later than one year and not later than five years	12,244	14,191	11,383	13,357
Less: future finance charges	(1,469)	(1,872)	--	--
<b>Present value of lease obligation</b>	<b>22,374</b>	<b>24,412</b>	<b>22,374</b>	<b>24,412</b>
Less: Amount due for settlement within 12 months			(10,991)	(11,055)
<b>Amount due for settlement after 12 months</b>			<b>11,383</b>	<b>13,357</b>

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 period ended 31 March 2011, the average effective borrowing rate was 2.86 %. 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	31/12/2010	Turn entity into consolidation on	Additional provision	Utilization of provision	Release of provision	F/X differences	31/03/2011
Provisions for environmental damages and land restoration	315,995	--	3,097	(18)	--	--	319,074
Provisions for legal disputes	24,769	--	--	--	--	--	24,769
Employee benefits provision	30,049	--	1,466	--	(734)	--	30,781
Other provisions	21,976	--	--	--	--	--	21,976
<b>Total</b>	<b>392,789</b>	<b>--</b>	<b>4,563</b>	<b>(18)</b>	<b>(734)</b>	<b>--</b>	<b>396,600</b>

Short – term provision	31/12/2010	Turn entity into consolidation on	Additional provision	Utilization of provision	Release of provision	F/X differences	31/03/2011
Provisions for legal disputes	135,036	--	1,450	--	(1,024)	--	135,462
Provision on CO2 allowances	1,082,904	--	280,121	(55,082)	--	--	1,307,943
Other provisions	83,751	5,000	34,000	(10,350)	(259)	(12)	112,130
<b>Total</b>	<b>1,301,691</b>	<b>5,000</b>	<b>315,571</b>	<b>(65,432)</b>	<b>(1,283)</b>	<b>(12)</b>	<b>1,555,535</b>

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 308,763 thousand as at 31 March 2011 (CZK 305,684 thousand as at 31 December 2010).

**23. PROVISIONS (CONTINUED)**

Provision for compensation of damage to Lesy Česká republika amounted to CZK 8,500 thousand as at 31 March 2011 (CZK 8,500 thousand as at 31 December 2010).

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 Group ceased to increase provision for the penalty starting from 2011. The nominal value of provision for penalty amounted CZK 33,021 thousand as of 31 December 2010. Provision for potential legal disputes - Aversen Enterprises Limited amounted to CZK 6,000 thousand as at 31 March 2011 (CZK 6,000 thousand as at 31 December 2010) and Air Products amounted to 9,871 CZK as at 31 March 2011 (CZK 9,871 thousand as at 31 December 2010).

Provisions for other future liabilities of the Group amounted to CZK 134,106 thousand as at 31 March 2011, out of which CZK 56,472 thousand was a provision for dismantling costs connected with liquidation of unused assets. The provisions in connection with planned shutdown of heating plant T200 amounted to CZK 26,799 as at 31 March 2011 (CZK 37,110 thousand as at 31 December 2010). The Group created provision for business risks connected with contractual ČEZ fine in amount of 32,000 thousand CZK as at 31 March 2011.

Provision on CO2 allowances is created for estimated CO2 emissions in the reporting period.

**24. OTHER NON-CURRENT LIABILITIES**

	31/03/2011	31/12/2010
Deferred income from government grants	37,794	41,237
Amounts payable to business partners	89,091	91,191
Other liabilities	15,084	14,395
<b>Total</b>	<b>141,969</b>	<b>146,823</b>

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**

	31/03/2011	31/12/2010
Trade payables	9,617,320	10,544,655
Excise tax liabilities	3,786,446	4,152,280
Value added tax liability	1,014,072	892,918
Deferred income related to CO2 rights granted	1,005,992	--
Other taxation, duty and social security liabilities	77,963	115,458
Liabilities due to acquisition of property, plant and equipment	105,900	428,476
Wages and salaries liabilities	350,022	346,540
Accrued expenses	136,094	105,105
Prepayments	86,241	79,340
Dividends liabilities	28,923	30,012
Other payables	110,794	47,017
<b>Total</b>	<b>16,319,767</b>	<b>16,741,801</b>

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 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	
	31/03/2011	31/12/2010	31/03/2011	31/12/2010
Non-delivery Forwards / purchase of USD	98,075 T USD	49,490 T USD	95,246	11,325
Forwards USD/EUR	166,000 T USD	104,000 T USD	73,804	16,031
Forwards USD/CZK	98,000 T USD	116,900 T USD	23,621	29,092
Non-delivery Forwards / sale of EUR	121,200 T EUR	72,800 T USD	22,159	23,828
Forwards USD/EUR	60,000 T USD	--	13,385	--
<b>Total financial derivatives – liabilities</b>			<b>228,215</b>	<b>80,276</b>

The settlement date of above presented financial instruments is no later than 15 December 2011.

All transactions are presented as current liabilities.

The detailed information including the impact of Derivative financial instruments on the statement of comprehensive income of the Group is disclosed in Note 17.

### 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 share capital and retained earnings as disclosed in notes 19 and 21 respectively.

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

	31/03/2011	31/12/2010
Debt (i)	(3,618,953)	(2,225,811)
Cash and cash equivalents	1,994,742	4,741,831
<b>Net debt</b>	<b>(1,624,211)</b>	<b>2,516,020</b>
Total Equity	(39,203,313)	(38,799,708)
Less: amounts accumulated in equity related to hedging	63,730	--
Adjusted equity (ii)	(39,139,583)	(38,799,708)
<b>Net debt to adjusted equity ratio (in %)</b>	<b>4.15</b>	<b>(6.48)</b>

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

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

#### Risk management objectives

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 2010. 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

### 27. FINANCIAL INSTRUMENTS (CONTINUED)

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.

#### **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.

#### **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.

### 27. FINANCIAL INSTRUMENTS (CONTINUED)

#### Currency risk management

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

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

31/03/2011	CZK	EUR	USD	Other currencies	Total
Non-current receivables	119,525	--	--	--	119,525
Trade and other receivables	7,074,230	4,193,324	305,894	521	11,573,969
Financial assets held to maturity	280,537	--	--	--	280,537
Other short-term financial assets	583,731	--	--	--	583,731
Cash and cash equivalents	1,276,325	352,393	360,497	5,527	1,994,742
Non-current loans and borrowings	(2,011,383)	--	--	--	(2,011,383)
Trade and other payables and accruals	(10,038,874)	(1,114,475)	(5,164,786)	(1,632)	(16,319,767)
Other non-current liabilities	(141,969)	--	--	--	(141,969)
Current portion of non-current loans and borrowings	(157,660)	--	--	--	(157,660)
Current loans and borrowings	(927,462)	(125,291)	(386,166)	--	(1,438,919)
Financial lease liability	(10,992)	--	--	--	(10,992)
<b>Gross exposure</b>	<b>(3,953,991)</b>	<b>3,305,951</b>	<b>(4,884,561)</b>	<b>4,416</b>	<b>(5,528,185)</b>
Derivatives	--	(3,903,924)	5,596,776	--	--
<b>Net exposure</b>	--	<b>(597,973)</b>	<b>712,215</b>	<b>4,416</b>	--

31/12/2010	CZK	EUR	USD	Other currencies	Total
Non-current receivables	130,224	--	--	--	130,224
Trade and other receivables	6,025,402	3,132,769	328,800	659	9,487,630
Loans granted	540,342	--	--	--	540,342
Cash and cash equivalents	4,330,428	384,948	18,424	8,030	4,741,831
Non-current loans and borrowings	(2,000,000)	--	--	--	(2,000,000)
Trade and other payables and accruals	(9,692,515)	(1,173,411)	(5,870,397)	(5,478)	(16,741,801)
Other non-current liabilities	(146,823)	--	--	--	(146,823)
Current portion of non-current loans and borrowings	(102,634)	--	--	--	(102,634)
Current loans and borrowings	(31,072)	(31,366)	(36,327)	--	(98,765)
Financial lease liability	(24,412)	--	--	--	(24,412)
<b>Gross exposure</b>	--	<b>2,312,940</b>	<b>(5,559,500)</b>	<b>3,211</b>	<b>(3,243,349)</b>
Derivatives	--	(2,268,871)	4,460,863	--	--
<b>Net exposure</b>	--	<b>44,069</b>	<b>(1,098,637)</b>	<b>3,211</b>	--

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	31/03/2011	31/03/2010	31/03/2011	31/12/2010
CZK/EUR	24.375	25.868	24.540	25.060
CZK/USD	17.827	18.711	17.274	18.751

**27. FINANCIAL INSTRUMENTS (CONTINUED)****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.

**Emission allowances risk**

The Group monitors the emission allowances granted to the Group under National Allocation Plan and CO<sub>2</sub> 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.

**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	
	31/03/2011	31/12/2010
Not later than one year	43,299	42,070
Later than one year and not later than five years inclusive	73,789	83,405
Later than five years	184,544	188,332
<b>Total</b>	<b>301,632</b>	<b>313,807</b>

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:

	31/03/2011	31/03/2010
Non-cancellable operating lease	12,288	12,456
Cancellable operating lease	28,056	32,242
<b>Total</b>	<b>40,344</b>	<b>44,698</b>

## 29. COMMITMENTS AND CONTINGENCIES

### *Purchase of shares of PARAMO, a.s.*

In January 2009 UNIPETROL, a.s. effected a squeeze out of PARAMO, a.s. shares within the meaning of Sections 183i et seq. of the Commercial Code and became sole shareholder of PARAMO, a.s.

In accordance with the resolutions of the Extraordinary General Meeting of PARAMO, a.s. of 6 January 2009, all other shares in PARAMO, a.s. were transferred to the Company and the Company provided to the other shareholders of PARAMO, a.s. and/or pledges, the monetary consideration in the amount of CZK 977 per one share of PARAMO, a.s. On 4 February 2009 the registration of the above resolution of the Extraordinary General Meeting was published in the Czech Commercial Register. Pursuant to the Czech Commercial Code, the ownership title to shares of the other shareholders passed to the Company on 4 March 2009 upon expiration of one month from the above publication and UNIPETROL, a.s. became the sole shareholder of PARAMO, a.s.

In connection with the squeeze-out, certain minority shareholders of PARAMO, a.s. filed a petition with the Regional Court in Hradec Králové for review of adequacy of compensation within the meaning of the Czech Commercial Code. The case has been consolidated and removed to Municipal Court of Prague. The claimants have appealed the procedural decision and filed a constitutional complaint with the Constitutional Court of the Czech Republic in this respect, asserting violation of their right to judge. The Czech Constitutional Court returned the matter to the High Court in Prague for a new decision on the removal of the case.

Furthermore some of former minority shareholders of PARAMO, a.s. requested the Regional Court in Hradec Králové to declare the invalidity of PARAMO, a.s. general meeting resolution dated 6 January 2009 and the District Court in Prague 4 to review the decision of 28 November 2008 by which the Czech National Bank granted in accordance with Section 183n(1) of the Czech Commercial Code its previous approval with the monetary consideration provided under the above squeeze-out. In case of invalidity of the General Meeting resolution, the Regional Court of Hradec Králové (Pardubice branch) on 2 March 2010 decided in favor of PARAMO, a.s. and dismissed the Action of minority shareholders. The minority shareholders filed an appeal against the Decision of the Regional Court in Hradec Králové of 2 March 2010 and the appellate proceedings are pending before the High Court in Prague. In case of the proceedings concerning the previous approval of the Czech National Bank, the action was dismissed by the District Court for Prague 4 in favor of the Czech National Bank and UNIPETROL, a.s. The claimants filed an appeal and the proceedings are pending before the Municipal Court in Prague.

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.

### 29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

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 RAFINÉRSKÁ, a.s.; and
- continuation of all important agreements with the companies of Unipetrol Group and further operation of the energy unit.

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

#### **Contingent liabilities related to the sale of shares in SPOLANA a.s.**

The purchase price, in accordance with the share purchase agreement entered into in 2006 between 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:

- 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.
- 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.



## 29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

### 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. 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. As announced by the Court the fixed date of the judgment delivery is 13 July 2011.

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.

### 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 873 million as at 31 March 2011 (31 December 2010 CZK 955 million).

**30. RELATED PARTIES*****Parent and ultimate controlling party***

During 2011 and 2010 a majority (62.99%) of the Company's shares were in possession of PKN Orlen.

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

31/03/2011	PKN Orlen	Parties under significant influence of the Group	Entities under control or significant influence of PKN Orlen	Other related parties
Current receivables	--	60,149	331,028	--
Current payables including loans	4,898,272	7,597	157,718	--
Non-current payables including loans	--	1,990	--	--
Expenses	11,639,300	28,359	531,507	--
Revenues	25,957	55,992	510,764	--
Interests income and expense	(155)	--	2,944	--

31/12/2010	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
Interests income and expense	(1,533)	--	19,527	--

***Material transactions concluded by the Group Companies with related parties***

In 3 month period ended 31 March 2011 and in 2010 there were no transactions concluded by the Group with related parties on other than market terms.

***Transactions with key management personnel***

In 3 month period ended 31 March 2011 and in 2010 the Group companies did not grant to key management personnel and their relatives any advances, loans, guarantees and commitments, or other agreements obliging, to render services to the Company and related parties. In 3 month period ended 31 March 2011 and in 2010 there were no significant transactions concluded with members of the Board of Directors, 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 3 month period ended 31 March 2011 and in 2010 members of the key management personnel of the Parent Company and the Group companies submitted statements that they have not concluded 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 March 2011.

Signature of statutory representatives	27 April 2011
Piotr Chelminski	Mariusz Kedra
Chairman of the Board of Directors	Member of the Board of Directors