1 Management report

1.1. Introduction

The Group generated revenues of CZK 85,967 million in 2010, i.e. 28% more than in 2009. This was achieved mainly thanks to the higher quotations of refining and petrochemical products and an increase in the volumes of fuels and other refinery products sold.

Strict cost control, an improved pricing policy and favourable macroeconomic conditions in both the refinery and petrochemical segments resulted in an operating profit of CZK 1,678 million in 2010.

Higher refinery margins and a wider Brent-Ural differential positively influenced the refinery segment. The petrochemical business was also positively influenced by higher margins as well as by a higher share of more profitable polyolefins.

All of the above, combined with lower financing costs, caused the Group's net profit of CZK 937 million to be higher than in 2009.

Benzina further strengthened its position as the market leader, increasing its market share to an estimated 14.2%. The Group's financial position further improved with its year-end cash balance exceeding debts by more than CZK 2.5 billion. Fixed costs were cut by more than CZK 130 million and a positive free cash flow of CZK 3.7 billion was achieved.

The Group processed 4,352 kt of crude oil (+ 6% y/y). Benzina added three new fuel filling stations to its portfolio and face-lifted or rebranded 25 other stations. The new butadiene unit, a joint venture with Synthos Kralupy, started its production in the first half of the year. All of the planned maintenance work, both in the refining and petrochemical segments, was successfully completed.

External environment in 2010

	1Q 2010	2Q 2010	3Q 2010	4Q 2010	Average 2010	Average 2009
Model refining margin (USD/bbl) [1)]	3.98	3.28	1.92	4.50	3.42	2.05
Brent crude price (USD/bbl) [2)]	76.7	78.7	76.5	86.7	79.6	61.8
Brent-Ural differential [3)] (USD/bbl)	1.41	1.76	0.92	1.52	1.40	0.81
Model petrochemical olefin margin (EUR/t) [4)]	278	318	302	255	288	210
Model petrochemical polyolefin margin (EUR/t) [5)]	257	279	313	278	282	256

Note.:
1) Unipetrol model refining margin = revenues from products sold (97% Products = Gasolines 17%, Petchem feedstock 20%, JET 2%, Diesel 40%, Sulphur Fuel Oils 9%, LPG 3%, Sulphur 1%, Other feedstock 5%) minus costs (100% input = Brent Dated); products prices according to quotations. Unipetrol model refining margin was updated in 2009 and historical figures were recalculated accordingly.
2) fwd Brent Dated
3) Spread fwd Brent Dtd v Ural Rdam = Med Strip - Ural Rdam (Ural CIF Rotterdam)
4) Unipetrol model petrochemical olefin margin = revenues from products sold (100% Products = 40% Ethylene + 20% Propylene + 20% Benzene + 20% Naphtha) minus costs (100% Naphtha); products prices according to quotations.
5) Unipetrol model petrochemical polyolefin margin = revenues from products sold (100% Products = 60% HDPE + 40% Polypropylene) minus costs (100% input = 60% Ethylene + 40% Propylene); products prices according to quotations.

Key operating data 2010 (kt)

	1Q 2010	2Q 2010	3Q 2010	4Q 2010	2010	2009
Crude oil throughput[1)]	948	1,082	1,182	1,141	4,352	4,110
Utilisation ratio (%)[1)]	69	79	86	83	79	75
External sales of motor fuel and other refinery products [2)]	719	945	986	897	3,548	3,409
External sales of petrochemical products	455	472	421	425	1,772	1,825

1) The data refer to Unipetrol's refineries, i.e. to 51.22% of Česká rafinérská, 100% of Paramo
2) Includes retail distribution - Benzina

Key financial data in 2010 (CZK million)

	2009	2010	2010/2009
Revenues	67,387	85,967	+28%
EBITDA (Earnings before interests, taxes, depreciation and amortization)	2,778	5,174	+86%
Operating profit	-654	1,678	n/a
Net profit attributable to shareholders of the parent company	-840	937	n/a
Earnings per share (CZK)	-4.63	5.17	n/a
Operating cash flow	3,881	4,636	+19%

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

1.2. Refining segment I. (Unipetrol RPA – Business Unit Refinery, Česká rafinérská)

1.2.1. Important events in 2010

- Increase of mandatory bio-component content in fuels;
- "Slurry Oil Filtration" investment project in the Kralupy refinery;
- "Increasing Energy Efficiency of the FCC Unit" investment project in the refinery in Kralupy;
- Shut-down of the hydro crack unit in the Litvínov refinery;
- Testing new types of crude oil.

1.2.2. External environment

The year 2010 was noticeably better in terms of crude oil and oil products. Brent crude (Brent Dated high) was up almost 29% compared with 2009, amounting to an average of USD 79.60/bbl. Despite a number of issues and fluctuations, the global economy grew, as did demand, and the market was influenced by both ordinary factors (such as seasonal developments in demand, production, developments in reserves, weather) and extraordinary factors (such as geopolitical tensions, crises in some of the Euro zone countries, the activity of the Iceland volcano Eyjafjallajökull, the environmental disaster in the Gulf of Mexico, and the autumn strike in France). The dollar exchange rate remained a major factor, changing by just 0.3% on average in year-on-year terms but exhibiting a great degree of volatility throughout the year.

The prices of refinery products were 27 to 33% stronger than in the previous year (compared on the basis of FOB Rotterdam high).Despite various fluctuations, European prices got a boost from the positive development of the global economy, the associated increase in demand, a high number of refinery shutdowns, strikes of refinery staff (all products), export (naphtha, automotive gasoline, high-sulphur fuel oil), weak and/or problematic quality imports (jet kerosene, diesel fuel), and, in certain regions, stricter environmental limits either in effect in 2010 or prepared for 2011 (gas and fuel oils). The principal factors acting against price growth included the relatively weak or fluctuating rate of growth in demand due to economic problems (all products), shutdowns in downstream processes (naphtha), end customer strikes (jet kerosene), imports (fuel oils), and competition from alternative products (naphtha, fuel oils). Seasonal influences, the weather, developments in reserves, and the dollar exchange rate operated in either way.

The average annual profitability measured as the Model Refining Margin indicator exceeded USD 3.4/bbl, increasing by more than 66% as compared to 2009.

The risk factors affecting the refining segment include the high degree of crude and oil price volatility caused by market influences as well as non-market influences, escalating competition on the fuel market, long-term surplus of automotive gasoline on the European market, fluctuations in demand for oil products closely correlated to the global economic development, and a broad range of other influences.

The risks in 2011 will also include the risk of negative development in the Euro zone and its impact on the economy of the Czech Republic.

The specific risk for the Czech market remains in the increased excise tax, increased last year, and the lingering shift of a part of usual demand to neighbouring countries.

1.2.3. Market position

The exceptionally fierce competition in the field of refining products continued in 2010. OMV, Slovnaft, Shell, and ENI remained the most serious competitors on the Czech market.

Pursuant to Unipetrol's ownership rights and its needs, the Business Unit (BU) Refinery plans and manages crude oil processing at Česká rafinérská, ensures the principal synergies arising objectively from the connection of refining and petrochemical production within the group, and is the most important player on the Czech market in crude oil procurement and in refinery product wholesaling.

In terms of sourcing, the crude oil markets important for the BU Refinery include Russia, certain other republics of the former Soviet Union, and the countries of the Mediterranean. This situation is due largely to the existence of the Druzhba and TAL/IKL (Trieste-Ingolstadt-Kralupy-Litvínov) oil pipelines.

More than 72% of the Refining BU's revenues were generated in the Czech Republic in 2010. This structure was based on supplies to other Unipetrol Group companies and on supplies to entities existing on the Czech market outside of the Group. The Refining BU also supplied fuels directly to fuel filling stations and for public road transport, the energy sector, agriculture, the construction industry, the military, and the police.

The most important export areas for the Refining BU were Slovakia, Germany, Austria, Poland and Hungary.

1.2.4. Business policy

Crude oil sourcing

For the Refining BU, the year 2010 was marked by continued strategic co-operation with Unipetrol's majority owner, PKN Orlen S.A., as part of which crude oil has been supplied through the Druzhba and TAL-IKL pipelines under long-term contracts since 2006.

The year 2010 was typified by the stability of crude supply via the Druzhba pipeline from the Russian Federation. With its 63% share, Unipetrol RPA remained the most important entity importing REB crude from this pipeline direction into the Czech Republic for processing in the Litvínov refinery. Under a long-term contract, Unipetrol RPA provided

100% of the supplies of this type of crude to its sister refinery, PARAMO, a.s., Pardubice.

For the supplies of low-sulphur crude via TAL-IKL, Unipetrol RPA continued to be the majority importer of Azeri Light crude from Azerbaijan, which is the key feedstock for processing at the Kralupy refinery. The Azeri Light crude was supplemented with CPC Blend crude from Kazakhstan at an optimum ratio.

Pipeline and rail supplies from various Moravian deposits to the Kralupy refinery continued in 2010 on the basis of long-standing business relationships. Those amounted to less than 4% of the total crude processing for Unipetrol RPA.

Crude purchases in 2010 (total for Unipetrol Group):

REB (incl. Paramo)	2,967 kt	67.8%
Low-sulphur crude supplied to Kralupy	1,255 kt	28.7%
Moravian crude	155 kt	3.5%

Product sales and supplies within Unipetrol RPA

The Czech fuel market encountered a record drop in consumption in 2010, which, according to the data available, was 9.1% for automotive gasoline and 5.2% for diesel fuel. In all probability, figure for the actual decrease would be even higher and in excess of 10% for both products, since the 2009 statistics did not include the illegal imports into the Czech Republic.

Reasons for the decrease in motor fuel consumption:
1. An increase of the excise tax by CZK 1 per litre reflected in a shift of a part of the demand outside of the territory of the Czech Republic;
2. The drivers from the neighbouring countries stopping to refuel diesel fuel in the Czech Republic's border areas;
3. The rise of diesel market share with high concentration of biocomponent B30 (blended diesel) and B100, subsidised by the state, reflected in the reduced consumption of fossil fuels;
4. Savings on the part of both businesses and citizens in response to the economic crisis, high unemployment rate and lower purchasing power;
6. Market pre-stocking towards the end of 2009 prior to the increase of the excise tax and the resulting decrease in demand in January and February 2010;
7. Hazardous weather in December 2010 causing major reductions in transport.

Other important market factors in 2010:
1. Growth in demand for special fuels with additives (an increase in the sales of the UltraDiesel and Ultra95 products, made by Unipetrol RPA, several times over);

2. Discontinuation of the production and distribution of the 91 octane number gasoline and its replacement by alternative fuels or fuels with commercial additives at fuel filling stations;
3. Positive results from Čepro, a.s. approach to reducing tax evasion in the Čepro system in the middle of 2010;
4. Absence of a legislative solution to VAT fraud in importing fuels - the continued separation between the excise tax and the VAT agendas and the lacking controls for the assessed and collected VAT;
5. Gradual increase of the price of the bio-components due to low supply in the latter half of the year and its impact on the resulting fuel prices.

The domestic fuel sales of the Refinery BU decreased in year-on-year terms. Aside from the aforementioned general factors, the sales were influenced primarily by the shutdowns in the Litvínov plant in the latter half of the year, by the resulting lower availability of diesel fuel, and by the increased rate of export that reached a record of 760 kt. The export was boosted primarily by the competitive position of the fuel filling stations in neighbouring countries.

Slovakia remained a dominant export market and the Refining BU was able to fully respond to the increased demand despite its limited infrastructure, increasing supplies by more than 50% compared with 2009. The optimisation of supplies both from the Czech Republic to the Polish market and in the opposite direction continued in co-operation with the majority owner, PKN Orlen. Sales to Germany also increased significantly. In addition to wholesale deliveries, the end customers in Germany and Austria also newly received direct supplies by tank trucks in 2010.

The Refining BU increased the supplies of both petrochemical and agrochemical feedstock and fully satisfied the needs of downstream production in the Group (Paramo, Spolana, PKN Orlen etc.) as well as outside it in 2010.

LPG sales in the Czech Republic almost doubled and the Southern European market was also important in terms of export.

Low-sulphur fuel oils were sold primarily to the energy system of the Kralupy nad Vltavou plant and of the sister company Paramo Pardubice. The seasonal surpluses of high-sulphur fuel oil from the Litvínov refinery were exported.

The sales of bitumen increased compared with 2009 and, as in the previous period, took place through Paramo.

Success rate of the commercial policy (summary)

The year 2010 confirmed the Refining BU's stable position on the Czech market as well as on selected export markets. Thanks to a business policy based on long-term and correct relationships with trading partners and to the full utilisation of synergies within

the PKN Orlen Group, the Refining BU retained its previously achieved market positions and even strengthened them in certain areas.

Production (Česká rafinérská)

Only motor fuels of a quality compliant with Czech and European standards were produced in 2010. Diesel fuel was produced with an average 6.06% vol. content of bio-components (in particular RME) and automotive gasoline with an average 4.2% vol. content of bio-ethanol.

Česká rafinérská processed 2.7 million tonnes of crude in the Kralupy refinery and 4.7 million tonnes of crude in the Litvínov refinery in 2010, or 7.4 million tonnes of crude in total, with more than 3.8 million tonnes attributable to Unipetrol, which holds a 51.22% interest in Česká rafinérská.

1.2.5. Expected developments in 2011

- Further recovery of the global economy;
- High probability of continued problems in the Euro zone;
- Continued shift of a part of fuel demand to neighbouring countries as a result of high excise taxes in the Czech Republic;
- Compulsory bio-component content in fuels at the 2010 level;
- Scheduled extensive shutdown of the refining/petrochemical plant in Litvínov.

1.3. Refining segment II. (Paramo)

1.3.1. Important events in 2010

- Development of the TDAE process oil and successful verification of its application in tyre manufacture by customers (Barum Continental, Synthos and Mitas). This is a joint output of a TIP project (Ministry of Industry and Trade of the Czech Republic) with Synthos and Mitas.
- Obtaining a subsidy from an EU fund for infrastructure development with environmental implications (storage tanks) and a newly prepared project for increased electricity generation (cogeneration) to cover its own consumption.
- More than quintupled sales of SMN30 (diesel fuel with more than a 31% bio-component content) compared with 2009.
- The largest amount of feedstock from Litvínov processed at Paramo's Kolín centre in the last ten years.

1.3.2. External environment

The refinery registered lower demand year on year for diesel fuel due to higher prices (higher excise tax) in the Czech Republic compared with other countries.

Bitumen sales were affected by the newly elected government's austerity measures, which also influenced the funds invested in infrastructure. This reduced the volume of existing contracts and caused a drastic decrease in new calls for tenders.

The lubricant market was affected in particular by the recession and the resulting oversupply. It was also necessary to cope with the prices of feedstock.

The unfavourable market environment forced Paramo to cooperate much closer with its trading partners, to respond more flexibly to their needs. These activities led to a stronger focus on specialty - i.e. higher-margin - products. The company deepened synergies with affiliated companies in the PKN Orlen/Unipetrol Group and prepared a product range in line with the new legislation and customers' needs.

Chief risk factors in the company's financial management:

Trends in the international refining margin as the determinant for the company's result;

Trends in crude oil prices, whose level determines the capital required and greatly influences the economics of bitumen production (its prices are not directly linked to the price of crude oil or its derivatives);

Development of the USD/CZK exchange rate.

Trends in the bitumen market in the region, which fundamentally determine the utilisation of the refining capacity and influence Paramo's own refining margin.

1.3.3. Market position

Paramo processes crude oil (529,865 tonnes in 2010) into refinery and bitumen products and also lubricating and process oils, including related and ancillary products. The company also purchases and processes hydrocracked oil from Unipetrol RPA to base oils and lubricating oils with very low sulphur content.

The company's results in 2010 were influenced in particular by depressed economic activity. Negative business development during first four month was stabilized and partly compensated during the rest of the year and financial net loss reached CZK -162m. (according to IFRS). As part of stabilisation measures, the company implemented initiatives that involved all areas of the refinery's operations and resulted in savings of more than CZK 200 million.The fixed cost saving measures included the continued headcount reductions and exercising control over the most relevant items (personnel costs, maintenance, and external services).

The company's financing in 2010 was balanced; open short-term credit lines were only drawn partly and the mid-term and long-term loans were being repaid as due.

1.3.4. Business policy

Refinery products (i.e., diesel, blended diesel fuel - SMN 30, automotive gasoline - BA 95, fuel oils, naphtha, LPG, and propane-butane) find their customers primarily on the domestic market.

The obligatory share of the bio-component in fuels increased from the original 4.5% to 6% in June 2010. Paramo uses the opportunity of tax relief for sales of blended diesel containing 31% of RME, which made it possible for the company to reduce the bio-component percentage in standard diesel fuel.

In the period under review, a sister company, UNIPETROL RPA, s.r.o., to which Paramo delivered naphtha and vacuum distillates, remained the key trading partner in respect of refinery products. Another major partner is České dráhy [Czech Railways], where, having won a tendering process, Paramo supplies diesel fuels to 50 operating units of ČD.

A modified bitumen binder with the addition of granulated rubber was developed in response to environmental trends. The product portfolio was extended to include new types of modified bitumen. The broader product range, together with further investment in modified bitumen storage, made it possible to increase sales of these strategic products by another 14% compared with 2009.

The sales of final lubricants grew by approximately 10% compared with 2009, and those of base oils and process oils by more than 12%. New customers and new export markets were won. For example, lubricant deliveries went to Lebanon and Greece.

Paramo took a major step towards solidifying its position on the motor oil market with the new MOGUL Professional range of oils, which meet all the latest requirements for the performance of modern engines.

1.3.5. Expected developments in 2011

In its objectives, Paramo will focus on improving its internal economics and deepening the co-operation within the PKN Orlen/Unipetrol Group in 2011.

For refining products (diesel fuel, bitumen), Paramo will strive to maintain its market share and, for diesel fuel, to strengthen it.

In the oil segment, Paramo will significantly increase base oil exports. The company also plans to increase the sales of high performance motor oils while maintaining the market position in commodity lube oils.

1.4. Petrochemical segment I. (Unipetrol RPA – Business Unit Monomers and Chemicals)

1.4.1. Important events in 2010

- Launch of joint venture Butadien Kralupy with 120 kt/y
- Refurbishment of steam cracker furnaces

1.4.2. External environment

The utilisation rate of Europe's steam crackers ranged (according to the ICIS) between just 80% and 85% at the beginning of the year, but improved petrochemical margins and increased demand for propylene and butadiene later resulted in increased production. The number of units that struggled with technological issues grew concurrently with the growing utilisation rate. As little as an estimated 70% of Europe's total capacity was operational in mid-May. The relatively high petrochemical margins, good demand, and later the approaching shutdown period made it possible for most operators to produce at a high output rate until October. It was only during the summer that some of the units were forced to reduce production due to problems in downstream sectors or high temperatures. Although the economics of production started to deteriorate early in October, strikes in France supported continued operation of the units at high output. The strikes resulted in a full shutdown of most refineries and a vast majority of steam crackers in this area. Strikes directly affected approximately 8% of Europe's ethylene capacity and another 5% was out of operation due to planned shutdowns at the same time. The growing feedstock prices and a weak euro caused a major drop in petrochemical margins and reduced production in many of Europe's units in the last two months of the year. The operators of large steam crackers faced the biggest problems, since they were unable to fully switch to naphtha cracking. Petrochemical margins pegged to LPG were constantly in the negative from mid-November.

The monthly monomer quotations remained in place in 2010. Contract prices of ethylene and propylene grew for almost all of the first six months, but the situation in the markets for the two products differed. Whereas the European propylene market was regarded as extremely tense until the latter half of April, supply and demand on the ethylene market were relatively balanced. The different availability of the two products in that period was also reflected in the different rate of increases in contract prices. The aggregate EUR 100/t increase in the propylene price from the beginning of the year made April 2010 the first month ever to see the contract price of propylene exceeding the contract price of ethylene. Propylene then retained the premium over ethylene until July. By then, though, both products' markets faced partly imports of overseas material. Also, the contract prices decreased for the first time since the beginning of the year. The situation on the two products' markets differed in the subsequent months. Whereas the ethylene market exhibited certain tension due to strong demand and limited product availability, the propylene market had to start to tackle a supply overhang. The main reason was the unplanned outages of production units in downstream sectors. As a result, the contract price premium shifted back to ethylene in September. Beginning in the latter half of October, tension began to be felt on the propylene market as well. The strikes in France and a number of planned shutdowns of European steam crackers caused the supply overhang, apparent on Europe's propylene market in the previous period, to dissipate rapidly. Contract prices were on the rise again from November. The main reason was the permanent strengthening of naphtha prices, which led to a dramatic decrease in petrochemical margins. The demand from the derivative sector was also very good.

The situation on Europe's benzene market changed many times in 2010, with prices increasing and decreasing several times within the space of a single month. Compared

with the previous years, the situation was not exceptional. The benzene market is unique due to the existence of many factors that can affect price development to a great degree within a very short time span. Still, it was possible to identify periods when prices either grew significantly or weakened for a long time. The first time that European benzene prices strengthened significantly was at the beginning of the year. The solidifying market in the US became the main driver of this growth. The 2010 records include both the EUR 189/t contract price increase in January and the more than USD 200/t spot price increase. The comparable price increases occurred again in April due to strong demand and limited product availability, when benzene sold at prices as high as USD 1,350/t, CIF ARA on the spot market. Conversely, the period from May to July was the only one when prices weakened almost continuously for a longer period of time. Benzene availability was good in that period as a result of the cracking of heavier feedstock and of the imports of material to the European market. Contrary to the usual previous practice, the flexible steam crackers were not switched to cracking lighter feedstock during the summer.

The improved demand for fertilizers in 2010 helped to improve the utilisation rate of production units and also supported ammonia and urea sales at higher prices.

Ammonia prices followed up on the trend from late 2009 and, due to lingering low prices in the US, continued their slight decrease in early January. The very good demand combined with limited availability of ammonia then resulted in the prices growing until the last ten days of March, when the prices in Yuzhny hit USD 400/t, FOB. The prices then started to weaken. The seasonal slowdown of demand in Europe and the US and the relatively good availability of ammonia from Ukraine and Russia pushed the prices down until early July. The prices grew constantly for the rest of July and into August and September. The main factors boosting the prices in the period included good demand in the US and North Africa, limited product availability and, last but not least, increasing natural gas prices in Ukraine. The Yuzhny prices hit the USD 400/t, FOB mark again for the year, and then even exceeded it to stay relatively stable until the year's end. The high ammonia prices in the closing months of 2010 were aided by improved demand in Europe and the US, a number of scheduled plus a few unplanned shutdowns in FSU, high prices of other nitrogen products, and bad weather in the Bosporus that delayed the unloading of large vessels in Yuzhny by as long as 12 days.

Limited product availability and relatively good demand in Europe, North Africa and Latin America enabled urea prices to grow until the second week of February. The prices then started weakening and the trend continued until the end of May, interrupted only in the first half of March. The main reason was the low demand across the globe. Demand in Europe and the US was unusually low compared with previous years. Demand was also low in South-East Asia and it also started to slacken in Latin America where, combined with the traders' need to cover short positions, it was the price growth driver in the first half of March. The unfavourable market conditions led to limited operation or complete shutdowns of several units. The price decline stopped in June. This happened despite the minimal European demand and a visible supply overhang on the market. The subsequent price growth continued until December when the Yuzhny prices stabilised at around USD 375/t. The growth of prices in the latter half of the year was primarily due to

several new Indian tendering processes for urea purchase, the increasing prices of cereals in response to the ban on their export from Russia, the low urea stocks in Europe, the improved demand in Europe, the Americas and Africa, and also the imposition of high taxes on urea exports from China.

The list of risk factors that directly affect the performance of the Monomers and Chemicals Unit does not vary extensively in time. What varies is the size of their impact.

The standard risk factors include the price of crude oil and its derivatives on the global markets, and the Czech crown exchange rate trends vis-à-vis international currencies, primarily the euro and the US dollar, are also of importance. Most feedstock is procured for US dollars and the sales of the BU's principal products are tied to the euro. 2010 was marked by major fluctuations in the dollar to euro rate as well as both currencies' exchange rate vis-à-vis the Czech crown.

The availability of production facilities and the supply of the optimum quantities and structure of the main feedstock are equally important for the best operation of the steam cracker and the downstream processes.

The expected inflow of imported olefins and, primarily, polyolefins from the Middle East remains one of the often-mentioned risks. Although that risk has been taken into consideration in previous years, its impact on the global or European markets has not been significant to date. The large-capacity, predominantly export-oriented facilities in that area struggled with a limited feedstock supply and a number of technological problems that were not resolved satisfactorily in previous years. The construction of downstream units was delayed and exports into China and the rest of Asia yielded good profits. But the situation is set to change beginning in 2011 and the European market is to feel the impact of the Middle East imports much more.
Concerning the sales of agrochemicals, seasonality should not be ignored as a factor, and the potential risks can now include also the continued growth in the prices of agricultural commodities and foodstuffs, which might ultimately lead to a recurrence of the 2007 and 2008 food crisis. The global fertilizer market would undoubtedly be strongly impacted by such developments.

The excessive debt of certain eurozone countries might also affect the European market, although Italy, Spain and Portugal also succeeded in selling their government bonds, following Greece. As a result, none of the three countries are facing immediate complications associated with the financing of their debt.

1.4.3. Market position and business policy

The Monomers and Chemicals BU's core business is the sale of steam cracker products and agrochemicals. The most important products include ethylene, propylene, benzene, ammonia and urea. These products generated almost 80% of all of the BU's revenue in 2010. A major sales increase in recent years was also recorded in respect of the Chezacarb sorbents and composites, which are used in environmental protection for

sorption in both liquid and gaseous phases and also for modifying electric conductivity of plastics. Compared with 2009, the quantity sold increased by more than 40%, or almost 3.5 times compared with 2008. This growth was driven predominantly by an increase in sales to the Asian market.

Neither the structure of the customer portfolio nor the size of market shares in the Czech Republic changed substantially. The Czech Republic continued to be the principal market for the steam cracker products, with monomers and benzene processed captively either in Unipetrol RPA plants or carried to strategic customers (Spolana and Synthos) through the existing pipelines. The steam cracker's by-products were supplied primarily to the Czech and Western European markets.

As in previous years, the domestic market was the destination of most of the ammonia produced by Unipetrol RPA. The main reason was a long-term ammonia supply contract with the largest fertilizer producer in the country. Urea sales did not change considerably compared with previous years. Approximately one half of the production was sent to domestic customers and the other half found its clients in Central Europe. As in the previous years, the markets in Austria, Germany and Poland accounted for more than 95% percent of the exported urea.

1.4.4. Expected developments in 2011

Neither production nor demand is expected to be able to return to the levels prior to the economic and financial crisis during 2011. The petrochemical market is set to see more of the products from new, large-capacity units built in the Middle East in recent years. A total of 12 new steam crackers with downstream processes were commissioned in the area between 2008 and 2010. The rising imports to the European markets are expected to increase the pressure for the shutdown of certain European units that will not be able to compete with such Middle East imports. Overall, at least five steam crackers in Europe are expected to be shut down over the next three years. The shutdown of further units is expected in the coming years as a result of tightening environmental legislation (additional costs of the CO_2 emission allowances). The situation on the European market will undoubtedly be also influenced by the recently built terminal for overseas ethylene near Antwerp, Belgium (capacity: 1 million tonnes/year) and the commissioning of the EPS ethylene pipeline in Germany.

The global fertilizer market is launching into 2011 from a relatively strong position and a further strengthening is expected during the year. Predictions expect demand to return to the pre-recession level and prices are also expected to remain high. The prices of urea are expected to remain firm at least in the first half of the year. The imposition of high taxes on urea exports from China, which should be in effect until the end of June, will withdraw a major quantity of the product from the international market, thereby increasing tension on the market. The potential tendering processes for the procurement of larger amounts of urea in India or Pakistan could escalate the tension even further. The start-up of new facilities in China, Algeria, Iran, Qatar, Venezuela, and Trinidad may counteract the above effects. The outlook for the ammonia market is optimistic at least

for the initial months of the year. The demand is expected to remain strong in the US, Europe and North Africa. Solid demand is also expected in India and the Far East. As with urea, the market tension could relax and the prices decrease in the latter half of the year in connection with the start-up of new facilities.

1.5. Petrochemical segment II. (Unipetrol RPA – Business Unit Polyolefins)

1.5.1. Important events in 2010

- Improving of pricing policy
- Launch of initiatives to further penetrate D-A-CH region
- Increase in polymer market share in the Czech Republic

1.5.2. External environment

The business of the unit was influenced in 2010 by the continued growth of demand, which exceeded that of 2009 and almost reached the level of the pre-crisis year 2007. Apart from that, the effect of rising prices of monomers, which supported a major increase in the price of polymers, had its influence especially in the first half of the year. Reductions in the production capacities of large petrochemical players in Europe, again primarily in the first half of the year, in the form of shutdowns due to technological problems or planned maintenance shutdowns, resulted in a major demand overhang in the period under review. The last but not least, a markedly lower influence of low-cost imported products than could have been expected; imports amounted to nowhere near the quantities or prices that would have had a major impact on the European demand; a stronger influence was felt only to a limited degree, in certain applications or certain products, but not in Central Europe, our target area.

1.5.3. Market position and business policy

Unipetrol RPA in Záluží u Litvínova is the exclusive producer of polyolefins in the Czech Republic and a major player in Central Europe. Its production capacity for high-density polyethylene (HDPE) and polypropylene (PP) accounts for more than 5% of Europe's HDPE capacity and almost 3% of Europe's PP production capacity. The HDPE capacity greatly exceeds the domestic market's consumption, and almost three quarters of the HDPE produced are therefore exported to outside the Czech Republic. The total consumption of PP on the domestic market exceeds the PP quantity produced, which is why only about one half of the polypropylene produced is exported to outside the Czech Republic. Given the higher demand on our traditional European markets, the number of areas where Unipetrol RPA sold its polyolefins was reduced slightly. The principal markets, along with the Czech Republic, included Germany and Ukraine, and Slovakia, Austria, and Hungary in 2010. Following the crisis year 2009, initiatives aimed at

improving the margins achieved were launched in the field of polyolefins. With regard to market shares, the initiatives are resulting in increased sales primarily in Germany and Austria through our Unipetrol Deutschland offices.

Prices continued to grow, primarily for polypropylene, compared with 2009. Starting from approximately EUR 1,000/MT, the prices gradually climbed up to around EUR 1,400/MT by the summer, a slight decline to EUR 1,250 - 1,300/MT occurred in the 3rd quarter, only to grow again up to about EUR 1,320 - 1,350/MT by the end of the year. Price developments were not so pronounced with HDPE, the price level was more stable, and prices grew from EUR 1,000 - 1,030/MT at the beginning of the year to approximately EUR 1,200/MT at the year's end. This situation allowed for a major increase in PP margins as opposed to the previous year, whereas PE margins increased only slightly. The competitive environment, weakened by the aforementioned shortage of product in the first half of the year, did not pose such a problem for margins as it did in 2009. The commercial and product strategy in place made it possible to achieve relatively high utilisation rates of the polyolefin and polypropylene production units; it was also thanks to the possibility of utilising a higher capacity after the completion of the capital investment project commenced in 2009 (increasing the capacity of PP polymerisation and the installation of the second granulation line) that a historical record as to the amount of product made and sold was achieved with 240 kt, i.e., 30 kt more than in the previous year.

As has been said, the expected heavier influence of the low-cost product imports, especially from the Middle East, did not materialise in 2010. There were several factors behind this: capacity reductions, postponement of certain projects and incomplete infrastructure in the wake of the crisis, the USD/EUR exchange rate trends, logistical constraints for a greater deployment of these products in Central Europe, and the lasting, much faster-growing consumption on the markets that are the targets for the relevant plants (China, India, Pakistan etc.); all of this plays a major role and will most likely mean that the negative influence of those products will not increase substantially in 2011. Nevertheless, Unipetrol RPA maintains its product and market philosophy first applied in 2009 and further developed in the initiatives towards improving profitability, conductive to a further minimisation of the negative influence of the low-cost goods imported from plants outside Europe.

1.5.4. Expected developments in 2011

For polyolefin production, the main emphasis is again placed on reducing the energy intensity and the cost of feedstock and additives, and also on constant improvements in the quality of products. In terms of polyolefin sales, the company wants to leverage the outcomes of the aforementioned initiatives aimed at improving profitability, which define the steps and measures in terms of the customer, geographical, and product strategy, and it is also building a new sales structure to optimise the geographical management of sales and customer services. The trend in launching new products with a higher added value and a potential for above-average margins continues in co-operation with the research and development base.

1.6. Retail segment

1.6.1. Important events in 2010

- Implementation of the Retail Information System
- Increase of excise tax on motor fuels as of 1 January 2010
- Increase of Benzina's market share over 14%

1.6.2. External environment

According to the published data from the statistics prepared by the Ministry of Industry and Trade, the total number of fuel filling stations on record in the Czech Republic on 31 December 2010 was **6,591,** including small retailers, non-public dispensing stations and filling stations on the premises of plants for technical services and agricultural, transport and construction companies. The total rating includes **908** public fuel filling stations offering just a single product. Single-product stations are dominated by diesel filling stations (550 stations) and LPG filling stations (341 stations). CNG refuelling stations are being built, and there were 17 of them at the end of 2010.
There are a total of **3,672** public filling stations on record in the Czech Republic, including **2,675** stations offering a broader range of fuels and services as at the end of 2010.
With this group of multi-product public filling stations, the range on offer is extended to include primarily motor fuels such as the E 85 (automotive gasoline with an 85% bio-ethanol content), B 30 (mixed diesel fuel with 30% of a bio-component) and B 100 (pure FAME - fatty acid methyl ester).
The number of public fuel filling stations increased by 1.6% year-on-year. The increase is attributable to the statistical methodology used (based on the filling stations site and its owner) and the annexation of LPG and CNG stations, tightened rules for recording, and re-classification of certain filling stations as public ones. The number of newly commissioned public filling stations was minimal. Public filling stations **account for 55.7%** of the total number of stations on record.
The public filling stations domain includes a specific group of **293** stations with restricted access, where in addition to dispensing for in-house purposes, fuels are also sold (with diesel prevailing) to other entities on the basis of specific contracts. This filling stations category grew by **16%** year-on-year and accounts for 4.4% of the total number of filling stations on record.
The number of non-public filling stations is **2,626,** or 39.8% of the total number of all filling stations on record. A vast majority of them are the single-product filling stations (diesel fuel, 2,533) and stations offering the B 30 and B 100 high-volume bio-fuels.
Throughout the year, fuel consumption was influenced by both macroeconomic (GDP, unemployment) and technological factors (car fleet conversion from gasoline versions to lower-consumption diesel engines).
One specific trait of the Czech market in 2010 is the different (higher) excise tax rate compared with certain neighbouring countries and the resulting shift in international

transit carrier's preferred purchases of fuel, primarily diesel, from the Czech Republic to the adjacent countries. Tax evasions and their implications, constituting a whole portfolio of negative impacts on the income chapters of the national budget, corporate economics and the competitive environment, is yet another special issue. This is why in 2010 measures were gradually adopted to improve the situation, and legislation aimed at tightening the rules for fuel business and numerous controls was drafted for enactment. New phenomena, especially in the latter half of 2010, include the increased demand for alternative fuels with a high bio-component percentage (E 85, B 100), which offer major tax relief motivating consumers to buy various less expensive blends.
The factors listed above were behind the negative influences on the demand for fuels on the domestic market in 2010.
The available statistics and a year-on-year comparison of fuel supplies to the domestic market indicate a **6.2%** decrease. The current CSO data and a comparison with the previous period, taking into consideration the discrepancies between the monitored variables, i.e., volumes and taxes, obtained from various sources, indicate that the decrease was **5.2%** compared with the same period of 2009 for diesel fuel (2010/2009 index: 94.8%) and the consumption of automotive gasoline dropped **by 9.1%** (2010/2009 index: 90.9%).

1.6.3. Market position

Unipetrol Group's retail company, BENZINA, s.r.o., is the operator of the largest fuel filling station network in the Czech Republic. As at 31 December 2010, the company operated **337** fuel filling stations with a broad range of fuels with additives, and a select segment of its fuel filling stations offers a collection of VERVA premium fuels as well as a broad range of other goods, refreshments, and services. The network was gradually refurbished and upgraded between 2006 and 2010 and is currently profiled into two segments, the premium segment, represented by 113 Benzina plus fuel filling stations on the Czech market, and the standard Benzina portfolio. By the end of 2010, a total of 315 stations across both segments had been upgraded.

Benzina number of stations' share of the multiple-product filling stations network, which is the relevant competitive segment, is **12.6%.**

Compared with the development on the Czech fuel market for 2010, characterised by a drop in demand for both automotive gasoline and diesel fuel, Benzina did better in selling diesel, increasing diesel sales **by 1.9%** year-on-year. In terms of volume market share, and taking into consideration the statistics for 2009 and 2008, the company achieved a **14.2%** market share, confirming the growth trend in this indicator compared with both 2009 (13.9%) and 2005 when Benzina hit its lowest at 9.9%. Considering the condition and trend of the Czech economy's macroeconomic factors, the development of the company's market share has been positive. The total number of fuel filling stations on the market slightly grew again, by 1.4% year-on-year.

1.6.4. Business policy

To meet the high demand, Benzina continued to expand its premium fuel offer. The high-octane "Verva 100" automotive gasoline with above-standard additives is on offer at 110 Benzina plus stations and the premium diesel fuel with additives, which has been re-formulated and re-launched in top quality with cetane number 60 in September 2009, is on offer at 177 stations. The VERVA 95 has newly been included in the offer at a small number of stations to augment the premium fuel collection - at only 13 stations at the end of 2010. Premium fuels are rated very highly by experts and enjoy growing demand. Benzina followed its long-term strategy, formulated in 2006, the basis of which is to increase Benzina's market share while using resources efficiently and securing financial stability, in 2010. The key elements of the strategy include in particular the following:

- Launch and expansion of the "Benzina plus" brand for fuel filling stations carrying a full range of fuels, including the Verva premium products, with a broad range of high-quality goods in the shops, a broad range of catering services, and other additional services; the strategy anticipates the reconstruction and upgrading of approximately one-third of the network to the Benzina plus standard;
- Improved perception of the Benzina brand as a standard for fuel filling stations offering high-quality fuels, a broad range of goods in the shop, fast food where appropriate, and other additional services;
- Consistent focus on customers' needs;
- Expanding and improving the services provided in all segments;
- Efficient and targeted marketing activities.

The programme of the reconstructing and upgrade of fuel filling stations continued in 2010 while taking into consideration the macroeconomic factors, the lower demand, the annual plan modified accordingly, and the long-term strategic plan of revamping 94% of the network to a condition meeting high standards between 2006 and 2010 was carried out. The number of the Benzina plus premium stations increased by an additional five in 2010. Out of these, two new Benzina plus stations were commissioned on the new D 47 motorway section, the Klimkovice rest area, and an entirely new liquid fuel collection was introduced at the Benzina plus station Brno – Bystrc, which was rebranded. The expansion and adjustment of catering programmes continued in 2010. A total of 73 stations operate fast food outlets. We are pleased to see that customers receive the business and marketing changes very positively; combined with the long-term growth of the market share, from 9.9% in 2005 to **14.2%** in 2010, the continued increase in diesel fuels, by **1.9%,** and in the entire VERVA premium fuel collection, and the **3%** year-on-year increase in catering revenues, they confirm that Benzina's fuel filling stations are very much sought-after by a broad customer base.

The period from 2006 to 2010 was a very successful period for Benzina in terms of development and business. The chosen and pursued retail strategy and the everyday business policy, successful promotions in support of sales, and attractive advertising campaigns – all of these whetted customers' interest in the Benzina brand and boosted motorists' demand for premium fuels, most notably VERVA Diesel. In a broader marketing context, they have helped to strengthen customers' trust and renew the position of Benzina as a leading and respected company on the fuel filling station market in the Czech Republic.

Fuel retailing

Benzina's core business is the retailing of fuels, and other goods and services at fuel filling stations. Sales structure has confirmed the long-lasting trend of increasing demand for diesel fuel at the expense of gasoline.

Structure of fuel products sold at fuel filling stations in 2010 (%)

Automotive gasoline	Diesel
39.9	**60.1**

The growth trend in diesel fuel's share of fuel sales continued also in 2010, gaining 3.2% year-on-year. Total diesel fuel sales in our network in 2010, when compared with 2009, increased with an index of **101.9%**. The stronger demand for the premium VERVA Diesel, intended for passenger cars and featuring cetane number 60, contributed to this result significantly.

As far as automotive gasoline is concerned, Natural 95 remains the mainstay product, and its share in the octane structure of automotive gasoline retailed in 2010 increased by 2.1% over 2009 **to 95.3%.** Based on the development and structure of old car fleets, the company discontinued the unpromising Special and Normal varieties with octane number 91. Demand was very low and the refinery discontinued their production.
In year-on-year terms, the sales of VERVA 100 high-octane gasoline grew; its share rose to 2.8%, with demand increasing ever since its launch in 2006.
In 2010, the Praha 9 - Hradecká fuel filling station was chosen to test demand for the E 85 alternative gasoline fuel for the quite limited range of vehicles certified for this type of fuel to date.
In accordance with the new legislation on the compulsory bio-component percentage, June 2010 saw the launch of fuels with a higher content of low-volume bio-component additives in the fuel filling station network. The bio-component accounts for 6% of diesel fuel and 4.1% of gasoline. As part of the national monitoring of the quality of motor fuels sold in public networks, which was conducted by the Czech Trade Inspection, and in response to the fact that the results are not published, which elicits an increasingly critical response to this institution in the media, Benzina decided to publish the results of the CTI's inspections at its owns fuel filling stations on an ongoing basis throughout 2010. All major types of fuels and premium fuels inspected in our network complied with the applicable technical quality standards. A single gasoline sample exhibited a minor discrepancy in the vapour pressure indicator, which matched the winter season.

The combined sales and economic parameters achieved in fuel retailing in 2010, in relation to the overall increase in diesel fuel sales and, most notably, the increased sales of premium fuels dominated by VERVA diesel with a higher added value, and also cost savings, contributed significantly to the successful result of the retail segment.

1.6.5. Expected delopments in 2011

The retail market will be subject to many factors and uncertainties in 2011**.**
International energy forecasts indicate an increasing demand for crude oil and fuels, elicited by the recovery of the economy in many developed countries; this entails expectations of crude and fuel price hikes that can predetermine demand in the Czech Republic, given its current environment of economic reforms. It is also possible to expect the continued penetration of alternative fuels, with the associated risk of negative tax implications and a confrontation with subsidised bio-fuels, which, combined with the purchasing power and the aim to buy cheaper blends or grades regardless of the condition of the car fleet or manufacturers' recommendations, may be to the detriment of conventional fuels.
The forthcoming new legislation on fuels and fuel filling stations is to further help eliminate unfair practices and tax fraud from trading with these commodities and continue to oust such traders and their illegal practices from the market.
Maintaining the market share, the high degree of customers' trust, and economic stability remain the company's priorities. As for investment and marketing, the main goal is to give maximum attention to testing the new "Star" and "Orlen" brands on a small sample of fuel filling stations.

1.7. Investments

Unipetrol RPA's main investment activities in 2010 focused primarily on maintaining operating reliability, safety, and meeting the requirements of environmental legislation.

Česká rafinérská's 2010 capital expenditure programme was geared towards investment in maintenance, environmental protection, reliability and availability of the installations, and also increasing output and capacities.

The Litvínov refinery launched a project for the modification of the NRL flare system. The Kralupy refinery completed the upgrade of the electronic fire alarm system (EPS) at lines 2 and 3 and the mechanical assembly of the slurry oil filtration project. Of newly commenced projects, the upgrade of the tank car filling station should be mentioned.

As part of the intensification of middle distillate desulphurisation, Paramo completed the intensification project by installing a new hydrogen compressor. For environmental investments, the retrofit of the VR28 storage tank was completed. Major commenced projects include increasing energy efficiency of the middle distillate hydrogenation desulphurisation unit.

Benzina added three new fuel filling stations to its network. As has become a tradition, it focused on upgrades of the existing Benzina Standard fuel filling stations, replacement of car washes, and refurbishment of wastewater treatment plants. The replacement of the cash register system was completed successfully.

Butadien Kralupy completed the construction and commissioning of a new butadiene production unit with a capacity of 120 kt/year.

Unipetrol Doprava refurbished the rail weigh bridges in the Kralupy and Litvínov plants, retrofitted and upgraded a locomotive, and fitted 100 tank cars for transporting ammonia with a new model of bumpers.

Overview of the main capital investment projects completed and started in 2010

Capital expenditure in CZK million

Unipetrol RPA

Name of investment	Purchasing price	Invested in 2009 and earlier	Invested in 2010	Rate of completion (%)	Location	Financing method
Development investments						
Increase of polypropylene production to 275 kt/y	906	886	21	100	local	Own resources
Increasing the capacity of the steam cracker	577	494	0	100	local	Own resources
Increased cooling capacity of the T700	55	3	20	40	local	Own resources
Environmental investments						
Replacement of the TEA wash solution pumping set	96	47	59	100	local	Own resources
Refurbishment investments						
Refurbishment of the BA-107 pyrolysis furnace	77	20	56	100	local	Own resources
Replacement of the TG11 generator	60	52	2	100	local	Own resources
Refurbishment of the BA-110 pyrolysis furnace	38	0	36	100	local	Own resources
Refurbishment of the BA-104 pyrolysis furnace	115	29	71	86	local	Own resources
Refurbishment	70	29	26	78	local	Own

of the R200 - replacement of the T102 and T101 transformers						resources
Refurbishment of the LDS R 200 distribution station - Stage II	90	0	55	60	local	Own resources
Refurbishment of the BA105 pyrolysis furnace	65	0	36	55	local	Own resources
Replacement of the PA-302 coldbox	40	0	21	50	local	Own resources
Replacement of the GT/GB - 301 turbo charger	125	0	40	30	local	Own resources

Česká rafinérská

Name of investment	Purchasing price	Invested in 2009 and earlier	Invested in 2010	Rate of completion (%)	Location	Financing method
Development investments						
Modernisation of FCC's LPG section – Stage 1	456	349	2	100	local	Own resources
Refurbishment investments						
Kralupy loading area modernisation	141	111	4	98	local	Own resources
Slurry oil filtration	138	61	48	90	local	Own resources
Safety investments						
Upgrade of the electronic fire alarm system	53	23	16	100	local	Own resources
Modification of the NRL flare system in Litvínov	194	0	22	10	local	Own resources

Paramo

Name of investment	Purchasing price	Invested in 2009 and earlier	Invested in 2010	Rate of completion (%)	Location	Financing method
Development investments						
Intensification of the modified bitumen plant - 24 kt	6	0	5	100	local	Own resources
Environmental investments						
Refurbishment of the VR28 storage tank	25	11	5	100	local	Own resources
Refurbishment investments						
Renewal and upgrade of the control and electricity distribution centre (35kV/5kV)	12	0	12	100	local	Own resources

Benzina

Name of investment	Purchasing price	Invested in 2009 and earlier	Invested in 2010	Rate of completion (%)	Location	Financing method
Refurbishment investments						
Redesign and upgrade of the Benzina fuel filling stations	56	0	56	100	local	Own resources
Cash register/card system replacement	187	121	66	100	local	Own resources

Butadien Kralupy

Name of investment	Purchasing price	Invested in 2009 and earlier	Invested in 2010	Rate of completion (%)	Location	Financing method
Refurbishment investments						
New Butadiene 120 kt	1,279	1,041	238	100	local	Own resources

Unipetrol Doprava

Name of investment	Purchasing price	Invested in 2009 and earlier	Invested in 2010	Rate of completion (%)	Location	Financing method
Refurbishment investments						
Retrofit of an electric locomotive (class 121)	16	0	16	100	local	Own resources
Retrofit of a locomotive to class 741.5	6	0	6	100	local	Own resources
Safety investments						
Tank car retrofit with “crash bumpers”.	20	0	14	70	local	Own resources

Main projects for 2011

• Refineries: Upgrade of the tank car filling station in the Kralupy refinery. For the Litvínov refinery, this will be mainly the project for the modification of the NRL flare system. One of the largest projects in the Pardubice refinery will be the upgrade of the process oil production unit.
• Petrochemicals: Investments focus mainly on ensuring the reliable operation of the production units. The primary projects include refurbishment of pyrolysis furnaces and the energy grid. As far as the observance of environmental legislation is concerned, the largest projects include the refurbishment of sewage water separation and projects for groundwater protection against pollution.
• Retail: Continued upgrade and enlargement of the fuel filling station network.

Main projects for 2011 (CAPEX in CZK million)

Name and type of investment	Company	Purchasing price(*)	Location	Financing method
Refurbishment of the BA-104, BA-105 and BA-108 pyrolysis furnaces (refurbishment)	Unipetrol RPA	290.3	local	Own resources
Replacement of the GT/GB-301 turbo charger (refurbishment)	Unipetrol RPA	125.0	local	Own resources
Refurbishment of the LDS R 200 distribution station - Stage II (refurbishment)	Unipetrol RPA	89.9	local	Own resources
Replacement of K300 A, B, C cooling reciprocating compressors (refurbishment and environmental)	Unipetrol RPA	43.5	local	Own resources
Modification of the NRL Litvínov flare system (safety)	Česká rafinérská	99.5	local	Own resources
Upgrade of the Kralupy tank car filling station (environmental)	Česká rafinérská	97.3	local	Own resources
TDAE production and the upgrade of the process oil production unit (development)	Paramo	145.0	local	Own resources
HOSD - thermal exchangers – execution (development)	Paramo	14.0	local	Own resources
Construction of a new unmanned fuel filling station (development)	Benzina	10.0	local	Own resources
Construction of new fuel filling stations in Chotěbuz and Mezno (development)	Benzina	86.5	local	Own resources
Fuel filling station refurbishment (refurbishment)	Benzina	94.7	local	Own resources

(*) - Capital expenditure corresponds to Unipetrol's interest of 51.22% in Česká rafinérská

1.8. Asset portfolio optimisation

Asset portfolio optimisation

The optimisation of Unipetrol's asset portfolio continued in 2010 in line with its long-term strategy, with a focus on its core segments: crude oil processing, petrochemical production and fuel retailing.

Unipetrol strengthened its focus on the core segments via the following investments, divestments and restructuring processes.

Monitoring of expansion opportunities for refining assets

Unipetrol is continuously monitoring investment opportunities and developments on the Czech and Slovak market in the area of refining assets, with an emphasis on the meeting of strategic goals and realising of economic benefits.

Restructuring of Unipetrol Trade a.s.

Unipetrol Trade, a trading company selling refinery and petrochemical products, was historically comprised of several trading affiliates in selected (15) geographical markets.

Since 2007, Unipetrol Trade has been undergoing a restructuring process due to a shift in Unipetrol RPA's strategy toward direct product sales, which has made Unipetrol Trade and some of its subsidiaries redundant. The underlying rationale of the restructuring process is to improve the management of margins and make administrative cost savings. The restructuring of the Group's business model has resulted in the closedown, merger or disposal of most of Unipetrol Trade's affiliates in recent years.

As a result of several restructuring processes, in early 2010 Unipetrol Trade held shares in two subsidiaries, Unipetrol Deutschland GmbH and Chemapol (Schweiz) AG.

Upon obtaining 100% of the shares of Unipetrol Deutschland GmbH in 2009, Unipetrol Trade transferred this ownership interest to Unipetrol RPA in December 2010 as planned.

In June 2010, Chemapol (Schweiz) AG entered into liquidation, involving disposal of its valuable assets; it was transferred from Unipetrol Trade to Unipetrol RPA in December 2010.

Following the above restructuring steps and the transfer of other Unipetrol Trade assets, Unipetrol Trade entered into liquidation on 1 January 2011.

Upon completion of the liquidation of the two remaining entities, Unipetrol Trade and Chemapol (Schweiz) AG, which is expected by mid-2011, Unipetrol's corporate structure will be streamlined.

An increase in the share capital of Butadien Kralupy a.s.

Following the sale of Kaučuk (currently Synthos Kralupy) in 2007 by Unipetrol to Firma Chemiczna Dwory (currently Synthos), a joint venture, Butadien Kralupy, co-owned by Synthos Kralupy and Unipetrol (with Unipetrol holding a 51% stake) was created to operate the new butadiene unit and secure off-takes of C4 volumes from Unipetrol RPA and sales of Raffinate 1 to Unipetrol RPA.

In March 2010, the shareholders decided on a share capital increase of CZK 150 million, in proportion to their respective stakes in the company, in order to provide the funds for the financing of the completion of the construction of the butadiene unit as agreed in the Joint Venture Agreement between Unipetrol and Firma Chemiczna Dwory in 2007. Unipetrol provided for 51% of the capital increase, i.e., CZK 76.5 million. The new butadiene unit was put into operation in June 2010.

Monitoring of retail expansion opportunities

Expansion of Benzina's retail network has always been among Unipetrol's key objectives.

In 2010, Unipetrol monitored investment opportunities in this area, and it continues to analyse and monitor the development of the retail market in order to be in a position to grasp any opportunities that may arise.

Disposal of a 51.06% stake in CELIO a.s.

On 24 March 2010, Unipetrol and Unipetrol RPA sold a 50% stake in CELIO, a waste management company operating landfills for hazardous and other waste, to TICATANOR, a special purpose vehicle owned by two senior managers of CELIO, for CZK 76.6 million.

On 14 April 2010, Unipetrol RPA sold the remaining 1.06% stake in CELIO to B.E. FIN S.A. for CZK 1.5 million, which resulted in Unipetrol's divestment of its entire 51.06% shareholding in CELIO.

CELIO was considered to be a non-core business for Unipetrol, and slated for disposal in line with the Group's long-term strategy. The continuation of business relations between CELIO and Unipetrol has been provided for for the years to come.

Restructuring of other areas outside the strategic pillars

In 2010, Unipetrol continued to focus on the logistics and energy segments, where optimisation processes were launched with a view to developing a strategy for long-term organic growth.

Under the optimisation scheme related to logistics assets, Unipetrol Doprava, the provider of rail transport services to Unipetrol Group companies, continued restructuring in order to maintain its efficiency and competitiveness for growth, while Petrotrans, the supplier of road haulage services within the Unipetrol Group, focused on enhancing its business excellence. The future of the above two entities will be considered with regard to the PKN Orlen/Unipetrol Group's objectives, in particular the expected expansion of Benzina's network of filling stations.

In energy, considerations in respect of the update of the energy strategy continued in 2010, the principal objectives being energy efficiency and security of supply. The optimisation of energy consumption within the Group and the security of fuel supply for its power plants in operation have been evaluated as the major requirements that are to be met by the energy strategy, which is currently being updated. Unipetrol's development towards the achievement of these goals, hand-in-hand with a strategic partner, could be one of the possible outcomes of this energy strategy.

1.9. Major research and development achievements

Unipetrol RPA's R&D is focused on three key areas – plastics, petrochemicals, and refining. Polymer Institute Brno, spol. s r.o. provides research into plastics for Unipetrol RPA, and the Research Institute of Inorganic Chemistry (Výzkumný ústav anorganické

chemie, a.s.) in Ústí nad Labem provides petrochemical and refining research. In addition to these institutions, Unipetrol cooperates very closely with universities, most notably the Institute of Chemical Technology in Prague. Research and development results are applied as part of technical support in production, development of strategies, and also directly when introducing new products into the production portfolio.

Unipetrol is currently building a new research and education center in Chempark Záluží. Total costs of the project, which was supported by the grant of the EU in amount of CZK 600m, are estimated for roughly CZK 800m. The center will be finished within two years.

1.9.1. Business Unit Refinery, Česká rafinérská and Paramo

In cooperation with the Research Institute of Inorganic Chemistry, Unipetrol RPA implemented a number of research projects in 2010 with a focus on improving the properties of road bitumen through modification additives, determination of the impact of the feedstock composition on the FCC product yields, and impact of additives on increasing the yields of gaseous fraction. Another project focused on the use of alternative vegetable oil as a bio-component in the production of middle distillates. A basic study into the possibilities of utilisation of the C4 fraction from the FCC, aimed at improving the economy of its use, was conducted. Attention was also paid to determining the yield vectors for LPG with variable contents of olefin and isoparaffin constituents. The yield, balance and economic assessment was conducted for other injection feedstock for the steam cracker pyrolysis. The assessments took place largely on the basis of simulation calculations.

In the company Paramo, the market's needs, as well as legislative requirements, resulted in additions of new products to the company's range.

As for process oils, development and service work on the trial operation of the Triumf TDAE production continued in 2010. European tyre manufacturers show the greatest interest in treated aromatic extracts such as TDAE. The softeners offer better feedstock utilisation and major market potential for both Paramo and the PKN Orlen/Unipetrol Group.
The demand for a diesel anti-freeze additive was satisfied by the new WINTER DIESEL ADDITIVE multi-purpose product, which improves fuel properties at low temperatures and increases its cetane number. Research also focused on new formulations of the Arctic and premium grade diesels. In response to current needs, an introductory study on the issues of bio-fuels was prepared and the outlook for the refinery in introducing bio-refining processes assessed.
We obtained the ETA European technical certificate for the Gumoasfalt roof waterproofing systems, and a great deal of attention was focused on trends in road construction. A proprietary formulation and production method for the new MOFALT SMA RMB bitumen product meets the requirements placed on modern technologies. The development of a binder modified by granulated used tyres has major environmental implications. The modified asphalt MOFALT SMA 45 Extra, produced by the Pardubice

refinery received the Gold Award 2010 from the Czech Academy of Construction for Building Material – Technology of the Year.

1.9.2. Business Unit Monomers and Chemicals

The Research Institute of Inorganic Chemistry, based in Ústí nad Labem, provides petrochemical research and development for Unipetrol RPA, and its refining and petrochemical research arm is located at Chempark Záluží. The objective of research and development in petrochemicals is to improve the product portfolio and increase efficiency of production in the long run. The main R&D topics in 2010 were research into the impact of the quality of pyrolysis feedstock on the yields of the steam cracker's most valuable products, the possibilities for increasing propylene production capacity, and the utilisation of the available benzene production capacity by processing the available feedstock from the refinery.

The other major project stemming from in-house research and development is the production process for technical dicyclopentadiene (DCPD). This capital investment project is part of the long-term plan for the expansion of Unipetrol's product portfolio. The product finds use primarily as a monomer for the production of hydrocarbon resins.

1.9.3. Business Unit Polyolefins

In the field of polyolefins, the company continues to innovate regarding its product portfolio and modify certain existing grades as required by the key customers or customer segments. The Liten VB 85 HDPE, developed in 2009, has been modified, and another grade, the Liten FB 85 F HDPE for the production of thick foils was launched; for the Mosten EH 801 PP, whose development also started in 2009, the company received a preliminary certificate under which the grade can be marketed as a standard commercial product. In addition, the development of several new grades of injection block copolymers has been completed.

The subsidiary Polymer Institute Brno remains the key partner for research and development activities. The obtained know-how is used for the development of new grades and for the provision of qualified technical support to customers and both sales and technological sections of the Polyolefins BU, and also as part of the sophisticated services for the HDPE and PP production plants, especially in reducing their energy intensity and material consumption.

1.10. Information technologies

An upgrade of the SAP system from Version 4.6 to Version ECC 6.0 took place and was completed in 2010. The successful completion of the project, which was necessary due to the discontinuation of support for the old version, enabled us to plan and launch many other development activities that had been suspended due to the system upgrades. As a

result, in 2011 we expect to complete the implementation of EDI (Electronic Data Interchange) functionalities and an analysis of authorisations with settings of control mechanisms for compliance with the principle of SoD (Segregation of Duties) as far as the SAP is concerned. Other projects aimed at improving business process efficiency and automation are also planned for 2011.

In terms of the user environment, we succeeded in migrating e-mail from the Lotus Notes platform to MS Exchange. The migration to the widely used platform eliminates the incompatibility of certain types of events transferred between various mail systems and will reduce the mail system's operating costs. We also succeeded in partially implementing a new intranet solution, which, armed with a single corporate design, will unify all shared information sources and small applications and provide a single platform for small applications with a standardised method for generating any type of web forms, workflows, highly available and secure data storage (DMS), and a single interface for data exchanges between small applications and the SAP system at the corporate level. This new comprehensive intranet platform will be completed in August 2011 and it offers huge potential for the automation of routine office processes such as the generation and approvals of requests for holiday leave.

Benzina successfully completed the implementation of its RIS system for comprehensive retail management at fuel filling stations. Its last component – the card system – was put into operation during the night of 31 May 2010 and the process was smooth, entirely in keeping with the "optimistic" scenario and without any adverse impact on Benzina's financial objectives or the perception of the brand's high quality on the Czech market. The project earned a major accolade at the Petrol Awards 2010, winning the "Technology and Equipment" category, and at the time this report is being prepared, it is competing in the finals of the IT Project of the Year 2010 competition organised by CACIO (Czech Association of Chief Information Officers).

1.11. Employees

The Unipetrol Group

A number of optimisation processes were carried on from the previous periods.

In connection with the ongoing reductions in staffing levels, the outplacement project continues. It includes support for dismissed employees in the form of free advice and assistance in looking for employment on the labour market through Operational Programmes for human resources and employment as part of drawdown on the EU's Social Funds.

In 2010, the review of job descriptions, related to the Unipetrol Group's uniform wage policy, and the new job position catalogue were completed.

In 2010, all companies in the Unipetrol Group carried out certain organisational changes with a view to improving efficiency and productivity. Most of the important changes in

the organisational structure took place at Unipetrol RPA. The process of migrating support services from each of the companies to Unipetrol Services as the shared service centre continued in 2010.

Attention was paid to employees' development in 2010. The Group continued to provide extensive support for the education of employees in production and for specialists' professional development. Paramo, Unipetrol, Unipetrol Services and Unipetrol Doprava joined two educational schemes that will be run from 2011 to 2013 with the help of EU funds. Paramo and Svaz chemického průmyslu ČR are the beneficiaries and main organisers of these activities, while the other companies are involved as partners in the projects. The Unipetrol Group cooperated with secondary and tertiary education institutions.

In 2010, UNIPETROL, a.s. continued its Junior Programme, which is geared towards support for university graduates. Within the limits of our need to fill job positions, we offer fresh graduates work experience in the Unipetrol Group's companies. During their one-year employment in a company they become acquainted with practical activities and acquire the required work experience.

Co-operation with trade unions is an important part of the personnel management policy. Collective bargaining was completed and collective agreements have been signed at Unipetrol RPA, execution on 19 January 2010; Benzina, on 28 January 2010; Unipetrol Doprava, on 29 January 2010; and Paramo, on 11 March 2010. Unipetrol Services completed the negotiations in February 2010 and the agreement was executed with effect from 1 March 2010. Česká rafinérská completed the collective bargaining on 1 March 2010 and the agreement was executed on 3 March 2010.

In 2011, the negotiation with trade unions in Unipetrol Group companies was not completed before
the annual report closing date.

Average annual full-time equivalent number of employees at Unipetrol Group

Company	2010	2009	2008	2007	2006
BENZINA, s.r.o.	92	93	100	101	119
CHEMOPETROL, a.s.	0	0	0	0	2,383
PARAMO, a.s.	676	717	771	799	844
UNIPETROL DOPRAVA, s.r.o.	433	459	488	491	513
UNIPETROL, a.s.	26	25	32	65	57
UNIPETROL TRADE a.s.	14	19	28	32	38
UNIPETROL RAFINÉRIE, a.s.	0	0	0	0	56
UNIPETROL RPA, s.r.o.	1,937	2,058	2,161	2,210	0
UNIPETROL SERVICES, s.r.o.	227	248	261	199	0
PETROTRANS, s.r.o.	225	224	230	219	193
UNIPETROL SLOVENSKO, s.r.o.	7	6	6	8	7
ČESKÁ RAFINÉRSKÁ, a.s. (51.22%)	331	340	347	352	352
KAUČUK, a.s.	0	0	0	480	929
Butadien Kralupy a.s. 51 %	8	2	0	0	0
TOTAL	**3,976**	**4,191**	**4,424**	**4,956**	**5,491**

Number of employees at the end of the accounting period [1)]

Company	31/12/2010
BENZINA, s.r.o.	91
PARAMO, a.s.	666
UNIPETROL DOPRAVA, s.r.o.	419
UNIPETROL, a.s.	26
UNIPETROL TRADE a.s.	14
UNIPETROL RPA, s.r.o.	1,860
UNIPETROL SERVICES, s.r.o.	225
PETROTRANS, s.r.o.	215
UNIPETROL SLOVENSKO, s.r.o.	7
ČESKÁ RAFINÉRSKÁ, a.s. (51.22%)[2)]	324
Butadien Kralupy a.s. (51%)[2)]	10
TOTAL	**3,857**

[1)] Active employees only

[2)] Number of employees at the end of the accounting period in ČESKÁ RAFINÉRSKÁ, a.s. (100%) was 633 and in Butadien Kralupy, a.s. (100%) was 20.

1.12. Financial standing

STATEMENT OF FINANCIAL POSITION

Changes in non-current assets

As at 31 December 2010, non-current assets of the Unipetrol Group amounted to CZK 36,351 million. In 2010 the Group acquired tangible assets worth CZK 1,487 million and intangible assets worth CZK 170 million.

Most investments went into the petrochemical segment (CZK 1,009 million), followed by investments in the refining segment (CZK 310 million) and the retail segment (CZK 265 million).

Changes in current assets

Total current assets amounted to CZK 25,120 million as at 31 December 2010 and were higher by approximately CZK 4,932 million compared with the previous year with the biggest increase in cash and cash equivalents (CZK 3,556 million) as the cash flow was optimised.

The higher prices of crude oil and final products were the main cause of the increase in inventories compared with 2009 (inventories increased by CZK 1,595 million).

Changes in equity

Total equity increased from CZK 37,871 million in 2009 to CZK 38,800 million in 2010 as a result of the profit generated in 2010.

Changes in liabilities

Borrowings
Loans and borrowings decreased by CZK 172 million compared with 2009. As a result of positive free cash flow and the continuing cash-pooling project, the Group was able to minimise its external financing requirements.

Trade liabilities
The main reason for an increase of CZK 2,147 million in trade liabilities compared with the previous year were higher crude oil price and changes in contract terms.

Provisions
Compared with 2009, provisions increased by CZK 232 million, which was mainly caused by provision recognised for estimated CO2 emissions and planned shutdown of heat and power plant T200.

STATEMENT OF COMPREHENSIVE INCOME

The Group's revenues for 2010 amounted to CZK 85,967 million and were 28% higher than in 2009, mainly due to the higher quotations of refining and petrochemical products and an increase in the sold volumens of fuels and other refinery products.

The Group's operating profit of CZK 1,678 million for 2010 resulted from strict cost control, improved pricing policy and favourable macroeconomic conditions in both refinery and petrochemical segment. Refining was influenced by higher refinery margins and wider Brent-Ural differential. Petrochemical margins were higher than in the previous year and higher share of more profitable polyolefins influenced the segment positively.

The above reasons together with lower finance costs caused the Group's net profit of CZK 937 million to be higher than in 2009.

CASH FLOW

Net cash provided by the Group's operating activities in 2010 was higher by approximately CZK 755 million in comparison with 2009. At the same time, net cash used in investing and financing activities was lower by CZK 875 million and CZK 1,692 million, respectively, than in the previous year.

The increase in cash compared with the 2009 level resulted primarily from higher proceeds from disposals of tangible, intangible and financial assets. Positive free cash flow was used for repaying loans and borrowings during 2010 and strengthening cash position.

The Group's cash and debt position was very good, with net debt of CZK -2,516 million and gearing
-6.5%.

SALES REVENUES

Trends in revenues for own products and services

	2010	2009	2008	2007
	CZK thousand	CZK thousand	CZK thousand	CZK thousand
Revenues	85,966,537	67,386,500	98,143,951	88,462,174

In 2010 the Unipetrol Group generated total revenues of CZK 85,967 million. Compared with 2009, the refinery segment achieved external revenues higher by CZK 9,717 million, petrochemical segment by CZK 7,602 million, and retail segment by CZK 1,237 million.

The results in 2010 were favourably influenced by higher refinery and petrochemicals margins and the increase of Brent-Ural differential (USD 1.40/bbl in 2010 v. USD 0.81/bbl in 2009).

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

Line of business	2010 Sales revenues in %	2009 Sales revenues in %	2008 Sales revenues in %	2007 Sales revenues in %
Refining	54%	54%	55%	48%
Retail	9%	11%	10%	10%
Petrochemical	36%	34%	34%	41%
Other	1%	1%	1%	1%

External revenues in the refinery segment went up by CZK 9,717 million in 2010 compared with the previous year and amounted to CZK 46,390 million. The increase is mainly attributable to higher product prices and higher volumes sold.

In the petrochemical segment, external revenues amounted to CZK 30,978 million, which is CZK 7,602 million more than in 2009, mainly due to better sales volume mix with a higher share of more profitable polyolefins and higher product prices.

External revenues in the retail segment, amounting to CZK 8,499 million in 2010, were CZK 1,237 million higher than in the previous year as a result of the increase in fuel prices and better sales of premium fuels.

The share of segments' revenues in the Unipetrol Group's overall structure of revenues was stable compared with the previous year.

Structure of sales revenues by area

Area	2010 Sales revenues in %	2009 Sales revenues in %	2008 Sales revenues in %	2007 Sales revenues in %
Czech Republic	69	75	71	65
Other European countries	28	22	27	33
Other countries	3	3	2	2

Compared with 2009, the Group achieved lower share of revenues from sales in the Czech Republic. Share of revenues generated in the other European Union countries were higher than in 2009 as both petrochemical as well as refinery segment were trying to benefit from the demand abroad and redirect part of the available volume there.

Non-consolidated profit/loss and dividends of UNIPETROL, a.s.

	2010	2009	2008	2007
Profit for distribution	512,121	261,864	4,428,147	(9,121)
Allocation to the social fund	--[1)]	0	0	0
Allocation to the reserve fund	--[1)]	13,093	221,407	0
Number of yield-bearing shares	181,334,764	181,334,764	181,334,764	181,334,764
Profit / loss per share	2,82	1.44	24.42	(0.05)
Dividend per share (CZK) paid from retained profit of previous years	--[1)]	0	17.65	0.00
Total for distribution	512,121	248,771	4,206,740	(9,121)
Profit brought forward as of 31. December	4,971,986	4,472,958	4,432,501	3,208,145

[1)] The decision on the distribution of the profit 2010 will be taken at the Annual General Meeting.

1.13. Property, plant and equipment

UNIPETROL, a.s. (Unipetrol), as a non-production company, owns most of the land within the production plants situated in the cadastral areas of Kralupy nad Vltavou and Litvínov. A major part of the land is situated underneath its subsidiaries' production facilities. Unipetrol also owns several plots of land outside of such production plants, part of which its subsidiaries use for their business as e.g. deposits, roads, pipeline sites etc.

The total area of land owned by Unipetrol within the cadastral area of Kralupy nad Vltavou is approximately 2.431 million sq m and in the cadastral area of Litvínov approximately 8.866 million sq m.

Unipetrol does not own any buildings or equipment on its land, nor has it any oil fields or natural gas production sources of its own. The properties, plant and equipment on Unipetrol's land are owned and operated predominantly by its subsidiaries. To a lesser extent, other entities not belonging to Unipetrol Group are the owners or tenants of such properties, plant or equipment where the subsidiaries have no use for such assets. Synthos Kralupy (previously Kaučuk), which is a former subsidiary of Unipetrol Group, is a major owner of buildings and equipment on the premises of the chemical production plants in Kralupy nad Vltavou.

An agreement benefiting Synthos Kralupy on the pre-emptive rights to specific land used for its activities was executed on the basis of the agreement on the sale of Kaučuk to the new owner, FIRMA CHEMICZNA DWORY S.A., Republic of Poland. The pre-emptive rights are registered in the real property register.

Tangible assets are described in detail in the Notes to the Consolidated Financial Statements. The land owned by Unipetrol is not encumbered by any liens.

The land is zoned for industrial activities and its use is governed by easement agreements executed between the owner of the land, Unipetrol, and the companies operating on both cadastral areas. The easements are provided for a consideration.

The most important items in the property, plant and equipment category based on book value at the major subsidiaries as at 31 December 2010:

UNIPETROL RPA, s.r.o.

Land
The land described below includes land on which control and operating equipment for long-distance pipelines is located, and land encumbered by easement – pipeline protection zone easements. Other cases include land earmarked for future use, which is still to be determined.

Name / description of equipment / property	Net book value (thousands CZK)	Area (thousands m^2)	Cadastre
Plot no. 1651/6 Komořany u Mostu	70	0.81	Most
Plot no. 245/2 Horní Jiřetín	48	15.82	Most
Plot under RS 4 - Volevčice	44	0.34	Volevčice
Plot no. 1245 - Horní Jiřetín	43	4.93	Most
Plot no. 1170/1 Třebušice	40	13.38	Most

Buildings

Full use for the long term, modernisation not planned for the medium term

Name / description of equipment / property	Net book value (thousands CZK)	Use	Total useful life, or need for upgrade	Remaining life
Silo building, structure 7814	88,634	Large-capacity storage for petrochemical production - plastics	60 years	56 years
Pelletisation building	73,575	Production equipment located there - granulation lines and cooling and process water treatment equipment	60 years	52 years
Water treatment building	66,900		25 years	14 years
Granulation building	65,078	Location for production equipment	60 years	60 years
"Cechovní budova" building, petrochemicals	43,925	Office building with support facilities	50 years	20 years

Plant and equipment

Full use for the long term, modernisation not planned for the medium term

Name / description of equipment / property	Net book value (thousands CZK)	Total useful life, or need for upgrade	Remaining life
Pyrolysis furnace - set of movables	1,084,405	14 years	8 years
DEETANIZER, DEPROPANIZER - set of movables	301,956	10 years	4 years
Vessels - polymeration	236,487	14 years	6 years
Schell compressor - set of movables	197,130	20 years	13 years
Granulation unit	160,670	14	14

PARAMO, a.s.

Land

Name / description of equipment / property	Net book value (thousands CZK)	Area (thousands m^2)	Cadastre	Use
Handling area no. 1172/1	24,000	33.50	SVITKOV	production
ADR, no. 823/1 – 19,775 m2 Svítkov	17,464	20.00	SVITKOV	production
Fire protection, Operation 03, no. 801 – 19,276 m2	16,863	19.27	SVITKOV	production
Main storage facility, no. 826 – 18,494 m2 S	16,360	18.49	SVITKOV	production
Tanks, no. 828 – 17,631 m2 Svítkov	15,499	17.63	SVITKOV	production

Buildings

Name / description of equipment / property	Net book value (thousands CZK)	Total useful life, or need for upgrade	Remaining useful life	Use
Blending plant building	57,103	30 years	18 years	production
Office building – the new main building	31,595	77 years	62 years	offices
Multi-use building (cafeteria)	25,670	50 years	36 years	offices, dressing rooms
Operating building, SO-60	15,263	30 years	16 years	production
Production hall of metal sheet	12,917	50 years	10 years	production

Machines and equipment

Name / description of equipment / property	Net book value (thousands CZK)	Useful life, or need for upgrade	Remaining useful life	Use
Bitumen oxidation: control system switchboard	35,953	10 years	5 years	production
Reactor with a stirrer, 36RA-301 – OA	34,330	15 years	12 years	production
Hydrogen compressor, 41K-01C	21,755	10 years	9 years	production
Tank VR 21	20,516	17 years	8 years	production
Piping tie-in of vacuum distillation machinery	16,810	20 years	8 years	production

BENZINA, s.r.o.

Property, plant and equipment

Name/description of equipment, property	Book value (thousands CZK)	Purpose
Kladruby filling station	103,040	Trade and services facility
Nepomuk filling station	60,054	Trade and services facility
Holešovice, Argentinská 2 filling station	58,865	Trade and services facility
Plzeň Šlovice filling station, left side	55,126	Trade and services facility
Plzeň Šlovice filling station, right side	52,912	Trade and services facility

ČESKÁ RAFINÉRSKÁ, a.s.

Plant and equipment

Name / description of equipment / property	Net book value (thousands CZK)	Use	Cadastre
Catalytic crack	1,295,003	production	Kralupy refinery
Splitting unit	724,638	production	Litvínov refinery
Visbreaker	742,099	production	Litvínov refinery
Reforming CCR	261,600	production	Litvínov refinery
Vacuum distillation unit	246,601	production	Litvínov refinery

1.14. Capital resources

No new mid- or long-term credit transactions were made on the parent company level.

As of 31 December 2010, Unipetrol had CZK 2 billion in issued bonds, which will fall due on 28 December 2013. The company does not have any longterm loans.

Operating financing is mainly provided on the level of the parent company, Unipetrol, using available resources and, if necessary using operating loans provided by reputable banks.

Unipetrol's credit lines increased from the initial CZK 8,485,000,000 to CZK 8,585,000,000 in 2010. In addition, as of 31 December 2010, Unipetrol RPA had a separate open credit line of CZK 300,000,000.

Thanks to a centralised operating financing model, both financial and non-financial terms on which the Group companies receive operating finances were improved substantially. The efficiency of operating financing has improved significantly after the introduction of a real cash pooling system, resulting in major financial savings.

Unipetrol uses a real cash pooling system involving four reputable banks.

As part of the operating financing of the parent company, Unipetrol, bank guarantees for all liabilities of Unipetrol RPA were provided at CZK 812 million, of Unipetrol

Slovensko at CZK 100 million, of Butadien Kralupy at CZK 45 million, of Unipetrol Services at CZK 6 million, of Benzina at CZK 5 million, and of Paramo at CZK 4 million. As at 31 December 2010 the balance of the guarantees stood at CZK 972 million.

1.15. Risk management

Risk management in the Group is provided for by the document "Financial Risk Management Policy". This document defines the rules and recommendations governing Financial Management activities in the Unipetrol Group companies.

The document creates a module of rules and recommendations for risk management and its purpose is to provide a formal framework for treasury operations. Appendices to this document set out the credit limits for counterparties, dealers' authority, permitted transactions and the tools for which a special permission is required.

The document defines the activities, which each of the Treasury departments and, as the case may be, the authorised financial management department of UNIPETROL SERVICES, s.r.o., is authorised to carry out, as activities relating to associated (underlying) risks and reducing financial and commodity risks for the Group companies while meeting the conditions for the definition of hedging operations from the IFRS perspective.

In accordance with the financial risk management policy, a one-off commodity swap was carried out in 2010 for 207,500 bbls in order to hedge the oil price because of the unplanned shutdown of the processing unit. The applicable financial risk management policy is based on the principle that the Group companies act as conservative entities which in no event use their funds or positions for speculative purposes.

During 2010, one of the Group's companies made several major cost effective financial transactions (sale/purchase) of emission allowances (EUA, CER and ERU) to strengthen its natural hedge and liquidity position. All these transactions are periodically re-measured at fair value and will be definitively settled in 2011.

Closing date of the report: 23 March 2011