

**UNIPETROL, a.s.**

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

**AS OF 30 SEPTEMBER 2008 AND 2007**

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

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# UNIPETROL, a.s.

Consolidated balance sheet  
prepared in accordance with International Financial Reporting Standards  
As at 30 September 2008 and 31 December 2007  
(in thousands of Czech crowns)

	Note	30 September 2008 unaudited	31 December 2007 audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	36,091,393	35,856,892
Investment property	10	163,245	162,955
Intangible assets	11	1,524,635	1,690,412
Goodwill	12	51,595	51,595
Other investments		221,314	73,916
Non-current receivables		162,134	152,220
Derivative financial instruments	13	84,244	--
Deferred tax asset	14	98,111	23,924
<b>Total non-current assets</b>		<b>38,396,673</b>	<b>38,011,914</b>
<b>Current assets</b>			
Inventories	15	11,328,473	10,361,090
Trade receivables	16	16,177,014	13,057,937
Prepayments and other current assets	17	625,710	179,359
Derivative financial instruments	13	45,263	1,315
Income tax receivable		474,065	160,320
Cash and cash equivalents	18	1,042,219	3,106,496
Assets classified as held for sale	19	78,333	1,261,333
<b>Total current assets</b>		<b>29,771,076</b>	<b>28,127,850</b>
<b>Total assets</b>		<b>68,167,749</b>	<b>66,139,764</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		18,133,476	18,133,476
Statutory reserves		2,173,616	2,042,971
Other reserves		18,067	16,875
Retained earnings	20	19,559,713	21,648,819
<b>Total equity attributable to equity holders of the Company</b>		<b>39,884,873</b>	<b>41,842,141</b>
<b>Minority interests</b>		203,383	295,928
<b>Total equity</b>		<b>40,088,256</b>	<b>42,138,069</b>
<b>Non-current liabilities</b>			
Loans and borrowings	21	2,228,217	2,156,000
Deferred tax liability	14	2,367,289	2,272,437
Provisions	22	349,483	422,044
Finance lease liability	23	53,248	121,531
Other non-current liabilities	24	351,748	219,317
<b>Total non-current liabilities</b>		<b>5,349,985</b>	<b>5,191,329</b>
<b>Current liabilities</b>			
Trade and other payables and accruals	25	17,583,542	16,155,298
Liabilities from dividends	20	81,954	--
Current portion of loans and borrowings	21	326,777	1,447,757
Short-term bank loans	26	4,208,391	804,531
Current portion of finance lease liabilities	23	96,308	116,808
Derivative financial instruments	13	--	13,712
Provisions	22	224,489	237,143
Income tax payable		208,046	35,117
<b>Total current liabilities</b>		<b>22,729,508</b>	<b>18,810,366</b>
<b>Total liabilities</b>		<b>28,079,493</b>	<b>24,001,695</b>
<b>Total equity and liabilities</b>		<b>68,167,749</b>	<b>66,139,764</b>

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 5 to 36.

# UNIPETROL, a.s.

## Consolidated income statement

prepared in accordance with International Financial Reporting Standards

For the 9 month period ended 30 September 2008 and 30 September 2007

(in thousands of Czech crowns)

	Note	30 September 2008	30 September 2007
		unaudited	unaudited
Revenue	3	79,128,530	67,629,418
Cost of sales	6	<u>(73,815,918)</u>	<u>(57,859,355)</u>
<b>Gross profit</b>		<b>5,312,612</b>	<b>9,770,063</b>
Other income		830,832	704,893
Distribution expenses	6	(1,789,101)	(2,016,448)
Administrative expenses	6	(1,230,539)	(1,447,894)
Other expenses	6	<u>(860,474)</u>	<u>(1,506,447)</u>
<b>Operating profit before finance costs</b>		<b>2,263,330</b>	<b>5,504,167</b>
Finance income	7	383,468	385,535
Finance expenses	7	<u>(1,034,362)</u>	<u>(3,162,963)</u>
<b>Net finance costs</b>		<b>(650,894)</b>	<b>(2,777,428)</b>
<b>Profit before tax</b>		<b>1,612,436</b>	<b>2,726,739</b>
Income tax expense	8	(353,140)	(887,483)
<b>Profit for the period</b>		<b><u>1,259,296</u></b>	<b><u>1,839,256</u></b>
<b>Attributable to:</b>			
Equity holders of the Company		1,265,019	1,800,309
Minority interest		<u>(5,723)</u>	<u>38,947</u>
<b>Profit for the period</b>		<b><u>1,259,296</u></b>	<b><u>1,839,256</u></b>
<b>Basic and diluted earnings per share (in CZK)</b>		<b><u>6,94</u></b>	<b><u>10,14</u></b>

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 5 to 36.

## UNIPETROL, a.s.

Consolidated statement of changes in equity  
prepared in accordance with International Financial Reporting Standards  
For the 9 month period ended 30 September 2008 and 30 September 2007  
(in thousands of Czech crowns)

Note	Share capital	Statutory reserves	Other reserves	Retained earnings	Equity attributable to equity holders of the Company	Minority interest	Total equity
<b>Balance as at 1 January 2007</b>	<b>18,133,476</b>	<b>1,759,163</b>	<b>(11,848)</b>	<b>20,695,309</b>	<b>40,576,100</b>	<b>584,094</b>	<b>41,160,194</b>
Profit for the period				1,800,309	1,800,309	38,947	1,839,256
Allocation of profit to reserves		317,727		(317,727)			
Changes in fair value of derivatives			7,105		7,105		7,105
Deferred tax charged directly to equity				(2,243)	(2,243)		(2,243)
Foreign exchange gain on consolidation			11,180		11,180		11,180
Transfer of reserves to retained earnings		(90,940)		90,940			
Other		(8)	(127)	(13,406)	(13,541)	(419)	(13,960)
<b>Balance as at 30 September 2007</b>	<b>18,133,476</b>	<b>1,985,942</b>	<b>6,310</b>	<b>22,253,182</b>	<b>42,378,910</b>	<b>622,622</b>	<b>43,001,532</b>
<b>Balance as at 1 January 2008</b>	<b>18,133,476</b>	<b>2,042,971</b>	<b>16,875</b>	<b>21,648,819</b>	<b>41,842,141</b>	<b>295,928</b>	<b>42,138,069</b>
Profit for the period				1,265,019	1,265,019	(5,723)	1259,296
Allocation of profit to reserves		134,129		(134,129)			
Dividends				(3,200,559)	(3,200,559)		(3,200,559)
Foreign exchange gain on inclusion of subordinated entities			1,048		1,048		1,048
Aquisition of 3,75 % shares of Paramo						(86,822)	(86,822)
Other		(3,484)	144	(19,436)	(22,776)		(22,776)
<b>Balance as at 30 September 2008</b>	<b>18,133,476</b>	<b>2,173,616</b>	<b>18,067</b>	<b>19,559,714</b>	<b>39,884,873</b>	<b>203,383</b>	<b>40,088,255</b>

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 5 to 36.

# UNIPETROL, a.s.

Consolidated statements of cash flows  
prepared in accordance with International Financial Reporting Standards  
For the 9 months period ended 30 September 2008 and 30 September 2007  
(in thousands of Czech crowns)

	30 September (unaudited)	30 September 2007 (unaudited)
<b>Cash flows from operating activities:</b>		
Profit for the period	1,259,296	1,839,256
Adjustments for:		
Depreciation and amortisation of the property, plant and equipment and intangible assets	2,567,738	2,313,925
Gain on disposals of property, plant and equipment and intangible assets	(165,581)	(80,210)
(Gain) / loss on disposals of subsidiaries	--	61,672
Group share of profit of equity accounted investees		
Interest expense	136,391	202,015
Dividends income	--	(3,503)
(Reversal of) impairment losses on financial investments, property, inventory, receivables:	(65 858)	(410,171)
Other non cash transaction		
Income tax expense	353,140	887,483
Foreign exchange gains	74,928	(45,291)
Impairment losses on assets classified as held for sale	--	2,470,948
<b>Operating profit before working capital changes</b>	<b>4,160,054</b>	<b>7,236,124</b>
Change in trade and other receivables, inventories, prepayments and other current assets	(4,219,539)	(1,670,980)
Change in trade and other accounts payable and accruals	1,239,815	482,022
Change in provisions	(85,215)	(3,749)
Interest paid	(63,809)	(82,943)
Income tax paid	(451,787)	(1,139,412)
<b>Net cash provided by operating activities</b>	<b>579,519</b>	<b>4,821,062</b>
<b>Cash flows from investing activities:</b>		
Acquisition of property, plant and equipment and intangible assets	(2,782,909)	(3,212,965)
Decrease of cash relating to disposal of subsidiaries		--
Purchase of financial investments	(50,147)	--
Proceed from disposals of property, plant and equipment and intangible assets	138,720	117,072
Proceed from disposals Synthos, a.s.	--	5,513,625
Proceed from disposals Synthesia, a.s. and AGROBOHEMIE a.s.	1,183,000	--
Change in loans granted	(300,000)	--
Cash inflows from financial assets	19,832	--
<b>Net cash used in investing activities</b>	<b>(1,791,505)</b>	<b>2,417,732</b>
<b>Cash flows from financing activities:</b>		
Change in loans and borrowings	2,266,314	(4,237,468)
Dividends	(3,118,605)	--
<b>Net cash used in financing activities</b>	<b>(852,291)</b>	<b>(4,237,468)</b>
<b>Net change in cash and cash equivalents</b>	<b>(2,064,277)</b>	<b>3,001,326</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>3,106,496</b>	<b>4,970,650</b>
Cash and cash equivalents related to assets classified as held for sale	--	640,798
Cash and cash equivalents at beginning of year in balance sheet	3,106,496	4,329,852
<b>Cash and cash equivalents at the end of the period</b>	<b>1,042,219</b>	<b>7,971,976</b>
Cash and cash equivalents related to Assets held for sale at end of the period	--	1,298,725
<b>Cash and cash equivalents in the balance sheet</b>	<b>1,042,219</b>	<b>6,673,250</b>

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 5 to 36.

# UNIPETROL, a.s.

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

Period ended 30 September 2008  
(in thousands of CZK)

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# UNIPETROL, a.s.

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

Period ended 30 September 2008  
(in thousands of CZK)

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

#### *Establishment of the parent company*

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

#### *Registered office of the Company*

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

#### *Principal activities*

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

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

#### *Ownership structure*

The shareholders as at 30 September 2008 are as follows:

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

The consolidated financial statements of the Group as at and for the year ended 31 December 2007 are available upon request from the Company’s registered office or at website address.

# UNIPETROL, a.s.

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

Period ended 30 September 2008  
(in thousands of CZK)

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

#### *Changes in structure of the Group*

The condensed consolidated interim financial statements comprise the same subsidiaries and joint ventures as those comprised by the Group in its consolidated financial statements at and for the year ended 31 December 2007 except for the changes described below.

During nine month period ended 30 September 2008 the companies UNIPETROL CHEMICALS IBERICA S.A. and UNIPETROL AUSTRIA HmbH were put under liquidation due to restructuralization process of UNIPETROL TRADE Group. Consolidation of POLYMER INSTITUTE BRNO, spol. s r.o. and HC Litvínov, a.s., was ceased as from 1 January 2008 due to immateriality. UNIPETROL CHEMICALS IBERICA S.A., UNIPETROL AUSTRIA HmbH, POLYMER INSTITUTE BRNO, spol. s r.o. and HC Litvínov, a.s., previously consolidated under full method, were excluded from consolidation as from 1 January 2008 and in the consolidated financial statements as at 30 September 2008 are presented under Other financial investments.

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

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

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

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

# **UNIPETROL, a.s.**

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

Period ended 30 September 2008  
(in thousands of CZK)

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### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **A Statement of compliance and accounting policies**

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2007.

The Group used the same accounting policies and methods of computation during preparation of these interim financial statements as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2007.

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

- IFRS 8 Operating Segments – effective for annual periods beginning on or after 1 January 2009
- IFRIC 12 Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). The Interpretation provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 is not relevant to the Group's operations as none of the Group entities have entered into any service concession arrangements.
- IFRIC 13 Customer Loyalty Programmes – effective for annual periods beginning on or after 1 July 2008
- IFRIC 14 Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – effective for annual periods beginning on or after 1 January 2008
- IFRIC 15 Agreements for the Construction of Real Estate– effective for annual periods beginning on or after 1 January 2009
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation is effective for annual periods beginning on or after 1 October 2008

Acceptance of all interpretations listed above by the European Union is pending.

The Group assessed the impact of application of the above interpretations and changes and determined that the changes in IFRS 8 may have impact on the presentation of financial statements when applied.

# UNIPETROL, a.s.

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

Period ended 30 September 2008  
(in thousands of CZK)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Starting from 1 January 2009, after acceptance of IFRS 8 by the European Commission, the Group will adopt IFRS 8. According to a preliminary assessment, the application of IFRIC 12, IFRIC 13, IFRIC 14, IFRIC 15 and IFRIC 16 will not have a significant impact on the Group's financial statements.

#### **B Basis of preparation**

The consolidated financial statements of the Company for the period ended 30 September 2008 comprise the Company and its subsidiaries (together referred as the "Group") and the Group's interest in equity accounted investees and jointly controlled entities.

The financial statements are presented in thousands of Czech crowns, rounded to the nearest thousand. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading, financial instruments classified as available-for-sale, financial instruments at fair value through profit or loss and investment property.

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

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

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

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2007.

# UNIPETROL, a.s.

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

Period ended 30 September 2008  
(in thousands of CZK)

### 3. REVENUE

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

	30/09/2008	30/09/2007
<b>Gross revenue from sale of own products and merchandise</b>		
Total gross proceeds	92,644,646	83,031,758
Less: Excise tax	17,808,331	19,158,914
<b>Net revenue from sale of own products and merchandise</b>	<b>74,836,315</b>	<b>63,872,844</b>
Revenue from services	4,292,215	3,756,574
<b>Total revenue</b>	<b>79,128,530</b>	<b>67,629,418</b>

### 4. BUSINESS SEGMENTS

Period ended	Refinery production	Retail	Petrochemical production	Other	Eliminations	Total
<b>30/09/2008</b>						
<b>Revenue</b>						
Total external revenues	43,953,260	7,674,484	26,606,781	894,005	--	79,128,530
Intersegment revenues	15,531,885	241,424	6,064,143	1,211,481	(23,048,933)	--
Total segment revenue	59,485,145	7,915,908	32,670,925	2,105,485	(23,048,933)	79,128,530
<b>Result from operating activities</b>	<b>958,757</b>	<b>365,469</b>	<b>738,236</b>	<b>200,868</b>	<b>--</b>	<b>2,263,330</b>
Net finance costs						(650,894)
<b>Profit before tax</b>						<b>1,612,436</b>
Income tax expense						(353,140)
<b>Profit for the period</b>						<b>1,259,296</b>

Other information	Refinery	Retail	Petrochemical	Other	Eliminations	Total
<b>30/09/2008</b>						
Depreciation and amortisation	(769,212)	(236,843)	(1,429,216)	(132,467)	--	(2,567,738)

# UNIPETROL, a.s.

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

Period ended 30 September 2008  
(in thousands of CZK)

### 4. BUSINESS SEGMENTS (CONTINUED)

Period ended	Refinery production	Retail	Petrochemical production	Other	Eliminations	Total
30/09/2007						
<b>Revenue</b>						
Total external revenues	31,521,674	6,196,912	28,893,723	1,017,109	--	67,629,418
Intersegment revenues	26,280,727	88,687	6,759,733	628,198	(33,757,345)	--
Total segment revenue	57,802,401	6,285,599	35,653,456	1,645,307	(33,757,345)	67,629,418
<b>Result from operating activities</b>	<b>1,181,798</b>	<b>340,620</b>	<b>3,855,475</b>	<b>(137,471)</b>	<b>263,745</b>	<b>5,504,167</b>
Net finance costs						(2,777,428)
<b>Profit before tax</b>						<b>2,726,739</b>
Income tax expense						(887,483)
<b>Profit for the period</b>						<b>1,839,256</b>

Other information	Refinery	Retail	Petrochemical	Other	Eliminations	Total
30/09/2007						
Depreciation and amortisation	(626,203)	(232,905)	(1,340,324)	(114,493)	--	(2,313,925)

### 5. GEOGRAPHICAL SEGMENTS

#### Secondary reporting format – geographical segments

	Revenue		Total assets		Additions to non-current assets	
	30/09/2008	30/09/2007	30/09/2008	31/12/2007	30/09/2008	30/09/2007
Czech Republic	56,990,625	44,029,508	66,665,797	64,448,521	2,630,048	3,212,965
Other European countries	21,480,310	23,414,340	1,501,952	1,691,243	157	--
Other countries	657,595	185,570	--	--	--	--
<b>Total</b>	<b>79,128,530</b>	<b>67,629,418</b>	<b>68,167,749</b>	<b>66,139,764</b>	<b>2,630,205</b>	<b>3,212,965</b>

With the exception of the Czech Republic no other individual country accounted for more than 10 % of consolidated revenues or assets. Revenues are based on the country in which the customer is located. Total assets and additions to non-current assets are based on location of the assets. Additions to non-current assets comprise additions to property, plant and equipment (Note 9) and intangible assets (Note 11).

# UNIPETROL, a.s.

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

Period ended 30 September 2008  
(in thousands of CZK)

### 6. ANALYSIS OF EXPENSES ACCORDING TO THEIR NATURE

The following analysis shows the most significant types operating expenses analysed by nature.

30/09/2008	Cost of sales	Distribution costs	Administrative expenses	Other operating income / (expenses)	Total
Materials consumed	(64,069,814)	(148,427)	(30,710)	--	(64,248,951)
Energy	(1,273,294)	(1,937)	(3,949)	--	(1,279,180)
Repairs and maintenance	(1,134,548)	(27,079)	(7,017)	--	(1,168,644)
Other services	(2,913,685)	(1,136,226)	(610,148)	(4,170)	(4,664,230)
Personnel expenses	(1,274,214)	(155,482)	(352,578)	--	(1,782,274)
Depreciation					
- owned assets	(1,837,190)	(281,448)	(25,010)	--	(2,143,648)
- leased assets	(239,365)	(23,727)	--	--	(263,092)
Amortization					
- software	(19,256)	(2,662)	(6,270)	--	(28,189)
- other intangible assets	(106,252)	(1,528)	(25,030)	--	(132,809)
Impairment of PPE recognised / (released)	--	--	--	62,237	62,237
Inventory write-down recognised / (released)	--	--	--	(265,733)	(265,733)
Impairment to receivables recognised / (released)	108,650	--	--	239,921	348,571
Research expenditures	(7,984)	(6,659)	(3,904)	10,213	(8,334)
Investment property expense	(612)	--	--	--	(612)
Operating lease rentals	(272,013)	(851)	(20,939)	--	(293,804)
Profit / (loss) on disposal of PPE	1,306	--	--	93,421	94,727
Addition / (utilization, release) to provisions	11,649	--	--	73,566	85,215
Insurance	(92,833)	(2,012)	(36,333)	(30,500)	(161,679)
Other expenses	(826,367)	(8,574)	(139,921)	(435,512)	(1,410,375)
Other income	129,905	7,510	31,271	226,304	394,990
<b>Total operating expenses</b>	<b>(73,815,918)</b>	<b>(1,789,101)</b>	<b>(1,230,539)</b>	<b>(29,642)</b>	<b>(76,865,200)</b>
Revenue					79,128,530
<b>Operating profit before financing costs</b>					<b>2,263,330</b>

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Period ended 30 September 2008  
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### 6. ANALYSIS OF EXPENSES ACCORDING TO THEIR NATURE (CONTINUED)

30/09/2007	Cost of sales	Distribution costs	Administrative expenses	Other operating income / (expenses)	Total
Materials consumed	(45,514,242)	(136,139)	(34,645)	--	(45,685,025)
Energy	(910,364)	(1,284)	(4,443)	--	(916,091)
Repairs and maintenance	(1,418,640)	(20,589)	(12,682)	--	(1,451,912)
Other services	(5,726,889)	(1,322,182)	(623,303)	--	(7,672,374)
Personnel expenses	(1,420,070)	(208,354)	(472,816)	--	(2,101,240)
Depreciation				--	
- owned assets	(1,761,791)	(262,187)	(42,307)	--	(2,066,285)
- leased assets	(71,976)	(27,846)	(297)	--	(100,119)
Amortization					
- software	(37,445)	(6,234)	(11,579)	--	(55,258)
- other intangible assets	(83,954)	(76)	(8,233)	--	(92,263)
Impairment of PPE recognised / (released)	--	--	--	(687,028)	(687,028)
Inventory write-down recognised / (released)	--	--	--	33,597	33,597
Impairment to trade receivables recognised / (released)	--	--	--	(3,935)	(3,935)
Research expenditures	(16,097)	--	--	--	(16,097)
Investment property expense	(892)	--	--	--	(892)
Operating lease rentals	(362,618)	(1,234)	(31,925)	--	(395,777)
Profit / (loss) on disposal of PPE	--	--	--	75,729	75,729
Addition / (utilization, release) to provisions	--	--	--	30,036	30,036
Insurance	(97,928)	(2,647)	(45,909)	(258,409)	(404,893)
Other expenses	(455,986)	(27,676)	(162,458)	(36,475)	(682,595)
Other income	19,537		2,704	44,932	67,173
<b>Total operating expenses</b>	<b>(57,859,355)</b>	<b>(2,016,448)</b>	<b>(1,447,894)</b>	<b>(801,554)</b>	<b>(62,125,251)</b>
Revenue					67,629,418
<b>Operating profit before finance costs</b>					<b>5,504,167</b>

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### 7. FINANCE INCOME AND FINANCE EXPENSES

	30/09/2008	30/09/2007
<b>Finance income</b>		
Interest income:		
- bank deposits	116,163	128,727
- other loans and receivables	6,338	16,642
Dividend income	13,601	3,503
Foreign exchange gains	106,985	203,289
Reversal of impairment on held-to-maturity securities	9,467	25,858
Gains arising from financial derivatives	110,502	--
Other finance income	20,413	7,516
<b>Total finance income</b>	<b>383,468</b>	<b>385,535</b>
<b>Finance expenses</b>		
Interest expense:		
- bank overdrafts, loans and borrowings	(231,634)	(345,071)
- finance leases	(6,043)	(9,644)
- other	(20,079)	--
Total borrowings costs	(257,755)	(354,715)
Less: amounts included in the cost of qualifying assets	--	7,332
<b>Borrowing costs recognized in the income statement</b>	<b>(257,755)</b>	<b>(347,383)</b>
Foreign exchange losses	(95,743)	(157,998)
Revaluation of investments	(3,440)	(2,472,127)
Loss arising on derivatives in a designated fair value hedge accounting relationship	(636,639)	(60,954)
Loss from sale of investments	--	(61,672)
Other finance expenses	(40,785)	(62,829)
<b>Total finance expenses</b>	<b>(1,034,362)</b>	<b>(3,162,963)</b>
<b>Net finance costs</b>	<b>(650,894)</b>	<b>(2,777,428)</b>

### 8. INCOME TAX EXPENSE

	30/09/2008	30/09/2007
Current tax – Czech Republic	(321,138)	(1,272,544)
Current tax – other countries	(13,096)	(10,146)
Deferred tax	(18,906)	395,207
<b>Income tax expense</b>	<b>(353,140)</b>	<b>(887,483)</b>

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Period ended 30 September 2008  
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### 9. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Other	Assets under development	Total
<b>Cost</b>					
<b>Balance as at 01/01/2007</b>	<b>22,611,075</b>	<b>34,475,799</b>	<b>196,058</b>	<b>1,948,979</b>	<b>59,231,911</b>
Additions	990,787	2,282,828	245,99	1,684,483	5,204,088
Disposals	(102,264)	(738,082)	(123,377)	(286,462)	(1,250,186)
Reclassifications	(11,465)	89,57	280,379	(88,836)	269,649
Disposal of subsidiary	(268,773)	(252)	--	--	(269,025)
Other	12,319	37,794	4,588	1,747	56,448
<b>Balance as at 31/12/07</b>	<b>23,231,679</b>	<b>36,147,657</b>	<b>603,638</b>	<b>3,259,911</b>	<b>63,242,885</b>
Additions	324,973	1,411,441	104,742	2,537,260	4,378,415
Disposals	(68,989)	(252,718)	(125,590)	(1,675,499)	(2,122,797)
Other	(63,792)	(197,260)	91,453	(93,777)	(263,376)
<b>Balance as at 30/09/2008</b>	<b>23,423,871</b>	<b>37,109,120</b>	<b>674,243</b>	<b>4,027,895</b>	<b>65,235,129</b>
<b>Depreciation</b>					
<b>Balance as at 01/01/2007</b>	<b>6,851,520</b>	<b>17,536,961</b>	<b>95,267</b>	--	<b>24,483,748</b>
Charge for the period	605,387	2,332,531	107,611	--	3,045,529
Disposals	(53,622)	(694,862)	(123,339)	--	(871,823)
Reclassifications	(29,211)	42,366	279,217	--	292,372
Disposal of subsidiary	(124,754)	(232)	--	--	(124,986)
Other	1,822	15,151	672	--	17,645
<b>Balance as at 31/12/07</b>	<b>7,251,141</b>	<b>19,231,916</b>	<b>359,429</b>	--	<b>26,842,485</b>
Charge for the period	453,349	1,830,084	123,307	--	2,406,740
Disposals	(27,021)	(234,218)	(125,530)	--	(386,768)
Other	828	(82,083)	(986)	--	(82,241)
<b>Balance as at 30/09/2008</b>	<b>7,678,297</b>	<b>20,745,700</b>	<b>356,221</b>	--	<b>28,780,217</b>
<b>Impairment</b>					
<b>Balance as at 01/01/2007</b>	<b>350,147</b>	<b>276,788</b>	--	<b>24,681</b>	<b>651,616</b>
Impairment losses	86,312	78,549	--	--	164,863
Reversal of impairment losses	(112,265)	(141,506)	--	(19,200)	(272,974)
<b>Balance as at 31/12/2007</b>	<b>324,194</b>	<b>213,828</b>	--	<b>5,481</b>	<b>543,505</b>
Impairment losses	14,541	668	--	--	15,208
Reversal of impairment losses	(80,770)	(113,424)	--	(1,000)	(195,194)
<b>Balance as at 30/09/2008</b>	<b>257,965</b>	<b>101,072</b>	--	<b>4,481</b>	<b>363,518</b>
<b>Carrying amount as at 31/12/2007</b>	<b>15,656,342</b>	<b>16,701,911</b>	<b>244,209</b>	<b>3,254,430</b>	<b>35,856,892</b>
<b>Carrying amount as at 30/09/2008</b>	<b>15,487,609</b>	<b>16,262,348</b>	<b>318,022</b>	<b>4,023,414</b>	<b>36,091,393</b>

# **UNIPETROL, a.s.**

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

Period ended 30 September 2008  
(in thousands of CZK)

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### **9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

The carrying amounts of property, plant and equipment include production technologies of CZK 408,841 thousand and vehicles of CZK 278,848 thousand held under finance leases as of 30 September 2008.

The carrying amounts of property, plant and equipment held under finance leases as of 31 December 2007 was CZK 885,654 thousand.

The Group did not capitalize any borrowing costs in period ended 30 September 2008 (2007: CZK 11,861 thousand).

### **10. INVESTMENT PROPERTY**

The Group owns the land which is leased to KAUČUK, a.s. and SARTOMER CZECH s.r.o. Rental income amounted 19,812 thousand on the 30 September 2008 (30 September 2007: 14,287 thousand CZK). Operating costs relating to investment property amounted to CZK 612 thousand (30 September 2007: 892 thousand CZK).

# UNIPETROL, a.s.

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

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### 11. INTANGIBLE ASSETS

	Software	Other intangible assets	Assets under development	Total
<b>Cost</b>				
<b>Balance as at 01/01/07</b>	<b>758,105</b>	<b>2,125,688</b>	<b>33,633</b>	<b>2,917,426</b>
Additions	38,181	180,768	--	218,948
Disposals	(40,197)	(1,261)	(35,011)	(76,469)
Reclassifications	18,666	24,569	1,225	44,461
Disposal of subsidiary	(16,694)	(7,92)	--	(24,614)
Other	1,582	739	153	2,474
<b>Balance as at 31/12/07</b>	<b>759,643</b>	<b>2,322,583</b>	<b>--</b>	<b>3,082,226</b>
Additions	9,893	68,863	1,770	80,525
Disposals	(100)	(46,799)	--	(46,900)
Other	(7,600)	(28,225)	--	(35,825)
<b>Balance as at 30/09/08</b>	<b>761,835</b>	<b>2,316,422</b>	<b>1,770</b>	<b>3,080,028</b>
<b>Amortization</b>				
<b>Balance as at 01/01/07</b>	<b>663,404</b>	<b>593,965</b>	<b>--</b>	<b>1,257,369</b>
Charge for the period	41,462	110,7	--	152,162
Disposals	(21,729)	--	--	(21,729)
Reclassifications	243	13,426	--	13,669
Disposal of subsidiary	(3,797)	(7,892)	--	(11,689)
Other	1,401	558	--	1,959
<b>Balance as at 31/12/07</b>	<b>680,984</b>	<b>710,757</b>	<b>--</b>	<b>1,391,741</b>
Charge for the period	28,189	132,809	--	160,998
Disposals	(97)	(12,582)	--	(12,679)
Other	(5,778)	21,090	--	15,312
<b>Balance as at 30/09/08</b>	<b>703,298</b>	<b>852,075</b>	<b>--</b>	<b>1,555,372</b>
<b>Impairment</b>				
<b>Balance as at 01/01/07</b>	<b>--</b>	<b>153</b>	<b>3,500</b>	<b>3,653</b>
Reversal of impairment losses	--	(80)	(3,500)	(3,580)
<b>Balance as at 31/12/07</b>	<b>--</b>	<b>73</b>	<b>--</b>	<b>73</b>
Reversal of impairment losses	--	(53)	--	(53)
<b>Balance as at 30/09/08</b>	<b>--</b>	<b>20</b>	<b>--</b>	<b>20</b>
<b>Carrying amount as at 31/12/07</b>	<b>78,659</b>	<b>1,611,753</b>	<b>--</b>	<b>1,690,412</b>
<b>Carrying amount as at 30/09/08</b>	<b>58,538</b>	<b>1,464,328</b>	<b>1,770</b>	<b>1,524,635</b>

Other intangible assets primarily include purchased licenses related to production of plastics (high-density polyethylene - HDPE and polypropylene), which account for CZK 1,628,960 thousand of acquisition cost as of 30 September 2008.

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### 12. GOODWILL

The goodwill presented by the Group amounted to CZK 51,595 thousand as at September 2008 (31 December 2007: CZK 51,595 thousand). It results from the acquisition of 0.225 % share in the registered capital of ČESKÁ RAFINÉRSKÁ, a.s. during the year ended 31 December 2007.

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

On 5 September 2008 the purchase of 3.73 % share of PARAMO a.s. was completed. The negative goodwill amounting to CZK 39,422 thousand was recognised in other operating income.

The share of 3.73 % in the fair value of the identifiable assets and liabilities of PARAMO a.s. as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Carrying value	Fair value recognized on acquisition
Non-current assets	74,378	74,378
Current assets	130,687	130,687
<b>Total assets</b>	<b>205,065</b>	<b>205,065</b>
Non-current liabilities	5,930	5,930
Current liabilities	112,313	112,313
<b>Total liabilities</b>	<b>118,243</b>	<b>118,243</b>
<b>Net assets</b>	<b>86,822</b>	<b>86,822</b>
Consideration, covered by cash		47,400
<b>Negative goodwill on acquisition</b>		<b>39,422</b>

  

<b>Cash outflow on acquisition:</b>	
Net cash acquired	973
Cash paid	47,400
<b>Net cash outflow</b>	<b>46,427</b>

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### 13. DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments primarily to hedge currency and interest rate positions, and thereby minimise currency risks and financing costs caused by exchange rate or interest rate fluctuations. The instruments used are foreign currency swap contracts and interest rate swaps. Transactions with derivative financial instruments are subject to risk management procedures.

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

#### Derivative financial instruments – assets

	Settlement date	Contract principal amount		Fair value of derivatives	
		30/09/2008	31/12/2007	30/09/2008	31/12/2007
<b>Derivatives held for trading</b>					
Commodity swap – Komerční banka	8.1.2008	--	73 T USD	--	1,315
Emission Allowances Swaps EUA/CER	1.12.2009	4 079,5 T EUR	--	49,246	--
Emission Allowances Swaps EUA/CER	1.12.2010	4 732,2 T EUR	--	34,997	--
Foreign exchange Forward (ČS, a.s.)	17.10.2008	10 000,0 T USD	--	9,995	--
Foreign exchange Forward (ING Bank)	17.10.2008	20 000,0 T USD	--	15,450	--
Foreign exchange Forward (ABN AMRO Bank)	17.10.2008	20 000,0 T USD	--	19,819	--
<b>Total financial derivatives – assets</b>				<b>129,507</b>	<b>1,315</b>

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### 13. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

#### Derivative financial instruments – liabilities

	Settlement date	Contract principal amount		Fair value of derivatives	
		30/09/2008	31/12/2007	30/09/2008	31/12/2007
<b>Derivatives held for trading</b>					
Interest rate swaps	15.8.2008	--	16,938 T USD	--	(6,258)
Commodity swap - Citibank	8.1.2008	--	231 T USD	--	(4,174)
Commodity swap - Citibank	8.1.2008	--	14 T USD	--	(247)
Commodity swap - Česká spořitelna	8.1.2008	--	63 T USD	--	(1,137)
Commodity swap - Česká spořitelna	8.1.2008	--	105 T USD	--	(1,896)
<b>Total financial derivatives – liabilities</b>				--	<b>(13,712)</b>

Changes in the fair value of derivatives that do not meet the hedge accounting criteria are included in derivatives held for trading and are reported in the income statement.

Following tables summarize fair values of derivative instruments presented in the balance sheet as non-current and current receivables and liabilities on the basis of expected realization.

	Fair value as at 30/09/2008			Fair value as at 31/12/2007		
	Non-current receivables	Current receivables	Total	Non-current receivables	Current receivables	Total
Commodity Swap	--	--	--	--	1,315	1,315
Emission Allowances Swaps EUA/CER	84,244	--	84,244	--	--	--
Foreign exchange						
Forward	--	45,263	45,263	--	--	--
<b>Total</b>	<b>80,244</b>	<b>45,263</b>	<b>129,507</b>	<b>--</b>	<b>1,315</b>	<b>1,315</b>

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### 13. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	Fair value as at 30/09/2008			Fair value as at 31/12/2007		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Commodity Swaps	--	--	--	--	(7,454)	(7,454)
Interest Rate Swaps	--	--	--	--	(6,258)	(6,258)
<b>Total</b>	--	--	--	--	<b>(13,712)</b>	<b>(13,712)</b>

The Group has entered in 2008 into two Emission Allowances Swaps EUA/CER with settlement in December 2009 and December 2010. These derivatives are presented as derivatives held for trading.

### 14. DEFERRED TAX

Deferred income taxes result from future tax benefits and expenses related to the differences between the tax basis of assets and liabilities and the amounts reported in the financial statements. The deferred income taxes have been calculated using the tax rate expected to apply to periods when the respective asset is realized or liability is settled (i.e. 21 % in 2008, 20 % in 2009 and 19 % in 2010 and onward).

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

	30/09/2008
<b>At the beginning of the period</b>	<b>(2,248,513)</b>
Income statement charge	(18,906)
F/X differences	(1,759)
Tax charged to equity	--
<b>At the end of the period</b>	<b>(2,269,178)</b>

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### 15. INVENTORIES

	30/09/2008	31/12/2007
Raw materials	4,558,452	4,117,685
Net realisable value allowance for raw materials	(377,550)	(223,252)
Work in progress	1,655,167	1,309,626
Net realisable value allowance for work in progress	(2,912)	(593)
Finished goods	4,024,975	3,493,724
Net realisable value allowance for finished goods	(18,085)	(17,256)
Goods for sale	473,960	870,051
Net realisable value allowance for goods for sale	(12,898)	(14,484)
Spare parts	1,142,212	925,475
Net realisable value allowance for goods for spare parts	(114,848)	(99,886)
<b>Total inventory</b>	<b>11,328,473</b>	<b>10,361,090</b>

Changes in the net realizable value allowances for inventories amount to CZK 265,733 thousand and are included in other operating expenses as of September 2008 (September 2007: CZK 33,597 thousand).

### 16. TRADE AND OTHER RECEIVABLES

	30/09/2008	31/12/2007
Trade accounts receivable	15,586,096	12,530,057
Other receivables	1,529,552	1,815,085
<b>Gross trade and other receivables</b>	<b>17,115,648</b>	<b>14,345,142</b>
Impairment losses	(938,634)	(1,287,205)
<b>Net trade and other receivables</b>	<b>16,177,014</b>	<b>13,057,937</b>

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

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

The analysis of gross trade receivables by currency of denomination is as follows (in CZK thousands):

Denominated in	30/09/2008	31/12/2007
CZK	11,874,716	10,755,313
EUR	3,360,968	2,389,927
USD	1,063,957	471,856
Other currencies	816,007	728,046
<b>Total trade and other receivables</b>	<b>17,115,648</b>	<b>14,345,142</b>

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

Before accepting any new customer, the Group uses own or an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer.

#### Movement in the allowance for impairment charges

	30/09/2008	31/12/2007
<b>Balance at beginning of the period</b>	<b>1,287,205</b>	<b>1,115,595</b>
Impairment losses recognized on receivables	27,283	271,446
Amounts written off as uncollectible	--	(16,291)
Amounts recovered during the year	--	(23,267)
Impairment losses reversed	(377,594)	(60,278)
Foreign exchange differences	1,740	--
<b>Balance at end of the period</b>	<b>938,634</b>	<b>1,287,205</b>

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

# UNIPETROL, a.s.

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### 17. CASH AND CASH EQUIVALENTS

	30/09/2008	31/12/2007
Cash in hand and at bank	600,297	2,108,197
Short-term bank deposits	441,921	998,299
<b>Total cash and cash equivalents</b>	<b>1,042,219</b>	<b>3,106,496</b>

Short-term bank deposits comprise deposits with maturity of three months or less. The carrying amount of these assets approximates their fair value.

Withdrawals from the Group's bank account with Komerční banka, a.s. must be approved by the Environmental Department of the District Authority in Ústí nad Labem. The account had balance of CZK 62,619 thousand (31 December 2007 CZK 60,219 thousand).

The analysis of cash and cash equivalents by currency of denomination is as follows (in CZK thousands):

Denominated in	30/09/2008	31/12/2007
CZK	736,415	2,805,936
EUR	113,398	190,934
USD	14,594	50,706
Other currencies	177,811	58,920
<b>Total cash and cash equivalents</b>	<b>1,042,219</b>	<b>3,106,496</b>

### 18. ASSETS HELD FOR SALE

As at 30 September 2008 Group held 97 shares in CELIO a.s. in nominal value of 1,000 thousand CZK. The Group's share in CELIO a.s. was classified as a current asset held for sale since its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The management agreed a plan to sell the asset. The Group approved a plan to sell its investment in CELIO a.s. The carrying amount of the investment totals CZK 78,333 thousand (2007: 78,333 thousand).

Based on circumstances described in the consolidated financial statements of the Group as at 31 December 2007 the shares in AGROBOHEMIE a.s. and Synthesia, a.s. were presented as assets held for sale as at 31 December 2007.

On 18 January 2008, the transfer of 50 % of shares in AGROBOHEMIE a.s and 38.79 % of shares in Synthesia, a.s. was closed. The purchase price for the AGROBOHEMIE a.s shares amounted in total to CZK 503 million and for the Synthesia, a.s. shares – to CZK 680 million and was equal to carrying amount of the shares.

# UNIPETROL, a.s.

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### 18. ASSETS HELD FOR SALE (CONTINUED)

Following the closing of the transfer of the shares of AGROBOHEMIE a.s and Synthesia, a.s. by UNIPETROL, a.s. to DEZA, a.s., the settlement agreement became final. As a result all outstanding disputed claims between UNIPETROL, a.s and DEZA, a.s., were settled, *i.e.*, the risk on a part of UNIPETROL, a.s. relating to a payment to DEZA, a.s. of a high contractual penalty and to potential legal defects of the sale of shares of AGROBOHEMIE a.s. and Synthesia, a.s. was eliminated. On 22 January 2008 DEZA, a.s. withdrew the two legal actions from the Prague court. The respective court resolutions by which the court proceeding has been terminated, become effective as of April 14, 2008.

### 19. RETAINED EARNINGS AND DIVIDENDS

#### Dividends

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

The Ordinary General Meeting of UNIPETROL, a.s. held on 26 June 2008 decided on settlement of the Company's loss. The loss of the Company stated in the Company's ordinary non-consolidated financial statements as of 31 December 2007 amounting to CZK 9,120,840.63 was covered in accordance with Article 26 (4) of the Company's Articles of Association from unallocated profit from previous years.

The Ordinary General Meeting of UNIPETROL, a.s. held on 26 June 2008 decided on dividend payout from undistributed profit of preceding years in amount of CZK 3,200,558,584.60 (dividend per one share CZK 17.65, before tax). The right to the dividend was granted to a shareholder owning the Company's shares as of the record date, *i.e.*, as of 26 June 2008. The dividend became due and payable on 29 August 2008.

As at 30 September 2008 the amount of dividends paid was CZK 3,118,605 thousand.

### 20. LOANS AND BORROWINGS

Interest bearing loans and borrowings as at 30 September 2008 were as follows:

Creditor / Currency	Balance as at 30/09/2008	Fair value at 30/09/2008	Effective interest rate
ČSOB, a.s. / CZK	184,800	184,800	3M,PRIBOR*
Long-term bonds – Issue I. – 1998 / CZK	2,370,194	2,912,294	9.82%
<b>Total</b>	<b>2,554,994</b>		
Current portion of loans and borrowings maturing within next 12 months	326,777		
<b>Non-current loans and borrowings</b>	<b>2,228,217</b>		

\*) Interest rate is increased by the agreed mark up.

The current portion of non-current interest-bearing loans and borrowings maturing until 30 September 2009 is reported separately under current liabilities.

# UNIPETROL, a.s.

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Period ended 30 September 2008  
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### 20. LOANS AND BORROWINGS (CONTINUED)

Interest bearing loans and borrowings as at 31 December 2007 were as follows:

Creditor / Currency	Balance as at 31/12/2007	Fair value at 31/12/2007	Effective interest rate in 2007
Česká spořitelna, a.s. / CZK and EUR	1,154,417	1,154,417	6M PRIBOR*
ČSOB, a.s. / CZK	244,674	244,674	3M PRIBOR*
Long-term bonds – Issue I. – 1998	2,204,666	2,803,997	9.82%
<b>Total</b>	<b>3,603,757</b>		
Portion of the long-term loans and bonds maturing within next 12 months	(1,447,757)	(1,447,757)	
<b>Interest bearing borrowings</b>	<b>2,156,000</b>		

\*) Interest rate is increased by the agreed mark up.

The current portion of non-current loans and borrowings maturing by 31 December 2008 is classified within current liabilities.

Debt repayment schedule:

Due date	Due within 1 year	Due 1-2 years	Due 2-3 years	Due 3-4 years	Due 4-5 years	Due over 5 years	Total
Non-current loans and borrowings as at 30/09/2008	326,777	228,217	--	--	2,000,000	--	2,554,994
Non-current loans and borrowings as at 31/12/2007	1,447,757	72,000	72,000	12,000	--	2,000,000	3,603,757

In 1998 the Group issued 2,000 bonds at a total nominal value of CZK 2,000,000 thousand. The bonds mature in 15 years from the issue date at their nominal value of CZK 2,000,000 thousand. The interest rate is 0 % p.a. for the first two years and 12.53 % p.a. in subsequent years. Interest is payable on an annual basis. Interest expense is calculated using the effective interest rate method. The terms and conditions underlying the issues of bonds include clauses, the non-compliance with which gives rise to the creditor's right to have the nominal value of the bonds repaid on an earlier date.

# UNIPETROL, a.s.

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### 21. PROVISIONS

	31/12/2007	Additional provision	Utilization of provision	Release of provision	F/X differences	30/09/2008
Provisions for environmental damages and land restoration	315,514	10,405	--	(16,048)	--	309,871
Provisions for legal disputes	178,729	9,605	(53,156)	(10,074)	--	125,104
Employee benefits provision	54,357	235	--	(16,864)	--	37,728
Other provisions	110,587	34,298	(2,859)	(38,947)	(1,810)	101,269
<b>Total</b>	<b>659,187</b>	<b>54,543</b>	<b>(56,015)</b>	<b>(81,933)</b>	<b>(1,810)</b>	<b>573,972</b>

The provision for land restoration is created as a result of the legal obligation to restore the fly-ash dump after it is discontinued. This is expected to be after 2043. The provision amounts to CZK 287,339 thousand as of 30 September 2008. (December 2007: CZK 292,336 thousand)

The provision for legal disputes is created for expected future outflows arising from legal disputes with third parties under whom the Group is the defendant.

The most significant component was the liability resulting from the litigation with Agrobanka Praha, a.s. v likvidaci, to which the Group had provided a guarantee in respect of a medium-term loan of CZK 60,000 thousand provided by Agrobanka to KOBECO spol. s r.o. At 31 December 2007 provision was adjusted according to legal status and decreased by the amount of CZK 43,156 thousand. The balance of provision amounted to CZK 53,156 thousand as at 31 December 2007. Following agreement between UNIPETROL and MONTEGO BAY FINACIAL LIMITED the provision was fully utilized in 2008.

The Group created also a provision for the penalty of CZK 98,000 thousand imposed by the Antimonopoly Office for a breach of the Economic Competition Protection Act. This provision was increased by the interest in amount of 7,677 thousand in 2008.

Provisions for other probable future liabilities of the Group amount to CZK 101,269 thousand as of 30 September 2008, of which CZK 63,523 thousand is a provision for dismantling costs connected with liquidation of unused assets.

# UNIPETROL, a.s.

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### 22. FINANCE LEASE LIABILITY

	Minimum lease payments		Present value of minimum lease payments	
	30/09/2008	31/12/2007	30/09/2008	31/12/2007
Amounts payable under finance leases:				
Not later than one year	104,344	124,164	96,308	116,808
Later than one year and not later than five years	63,119	125,390	53,248	121,531
Less: future finance charges	(17,907)	(11,215)	--	--
<b>Present value of lease obligation</b>	<b>149,556</b>	<b>238,339</b>	<b>149,556</b>	<b>238,339</b>

It is the Group's policy to lease certain fixtures and equipment under finance leases. The average lease term is 4 years. For the period ended 30 September 2008, the average effective borrowing rate was 4.36 %. Interest rates are fixed at the inception of the lease. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's lease obligations approximates their carrying amount.

All lease obligations are denominated in Czech crowns.

### 23. TRADE AND OTHER PAYABLES AND ACCRUALS

	30/09/2008	31/12/2007
Trade payables	8,303,578	7,827,102
Other payables	4,454,617	3,995,938
Accrued expenses	198,916	142,499
Social security and other taxes	4,626,432	4,189,759
<b>Total</b>	<b>17,583,542</b>	<b>16,155,298</b>

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

	30/09/2008	31/12/2007
Denominated in		
CZK	11,587,565	12,091,657
EUR	758,309	480,114
USD	4,698,917	3,305,579
Other currencies	538,751	277,948
<b>Total</b>	<b>17,583,542</b>	<b>16,155,298</b>

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Period ended 30 September 2008  
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### 24. SHORT-TERM BANK LOANS

The short-term borrowings as at 30 September 2008 and 31 December 2007 were as follows:

Věřitel / měna	30/09/2008	31/12/2007
B.B.V.A. / EUR	--	4,395
BANCO DE VALENCIA / EUR	--	11,887
BANCO SABADEL / EUR	--	11,203
BANCO SANTANDER / EUR	--	8,542
BANESTO / EUR	--	1,974
CAIXANOVA/EUR	--	2,869
CAIXA SABADEL / EUR	--	5,69
CAYLON S.A. / CZK	501,856	--
CITIBANK /EUR	52,481	179
CITIBANK /USD	28,557	354,75
CITIBANK /CZK	681,968	--
Commerzbank AG / CZK	1,834	--
Česká spořitelna a.s./CZK	589,161	--
ČSOB,a.s./ EUR	--	3,295
DEUTCHE BANK / EUR	--	5,577
Dresdner Bank AG, Frankfurt / EUR	51,972	53,266
ING Bank N.V. / CZK	596,952	--
ING Bank N.V. / EUR	5	--
HSBC/USD	--	89,311
HSBC/SKK	--	100,53
HSBC/CZK	900,168	--
Raiffeissen bank / CZK	800,915	--
UBS AG / EUR	2,523	--
UNIPETROL SERVICES / CZK	--	151,063
<b>Krátkodobé úvěry celkem</b>	<b>4,208,391</b>	<b>804,531</b>

Short-term bank loans are subject to normal credit terms and their carrying amounts approximate fair values. Average effective interest rate as at 30 September 2008 was 3.90 % (31 December 2007: 3.64 %).

Analysis of short-term bank loans by security:

Security	Unsecured	Pledged assets	Total
Short - term loans as at 30/09/2008	4,156,419	51,972	4,208,391
Short - term loans as at 31/12/2007	744,876	59,655	804,531

Analysis of borrowings by currency:

Currency	CZK	EUR	USD	SKK	Total
Short - term loans as at 30/09/2008	4,075,377	104,457	28,557	--	4,208,391
Short - term loans as at 31/12/2007	151,064	108,874	444,063	100,530	804,531

# UNIPETROL, a.s.

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### 25. COMMITMENTS AND OTHER CONTINGENCIES

*Contingent liabilities related to the sale of shares in KAUČUK, a.s.*

#### **Determination of Liability for the Impacts of Operation of KAUČUK, a.s. on Environment**

The environmental audit of plots of land owned by UNIPETROL, a.s. and used by KAUČUK, a.s. was performed for purposes of determination of liability of contractual parties arising from existing or future impacts of KAUČUK, a.s.'s operation on the environment. Simplifying somewhat the share purchase agreement provides that liability for the environmental conditions originating prior to the closing of the transaction lies with UNIPETROL, a.s. and liability for the environmental conditions originating after the closing of the transaction lies with Dwory. Liability of the contractual parties for the environmental conditions is limited up to 10 % of the purchase price for the shares (and by 5 years).

#### **Execution of Agreement on Pre-emptive Right to Plots of Land Owned by Unipetrol and Used by KAUČUK, a.s. for Its Operations**

On 10 July 2007, UNIPETROL, a.s. and KAUČUK, a.s. executed the agreement pursuant to which UNIPETROL, a.s. undertook to create in favour of KAUČUK, a.s. the pre-emptive right in rem and other rights to certain plots of land owned by UNIPETROL, a.s. in industrial area in Kralupy nad Vltavou which are used by KAUČUK, a.s. for its operations. The share purchase agreement anticipates that the sale of the subject plots of land will be realized after solution of all administrative, operational and legal issues necessary for a split of parts of industrial area in Kralupy nad Vltavou.

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

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

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

The purchase price, in accordance with the share purchase agreement entered into in 2006 between UNIPETROL, a.s., as and Zakłady Azotowe ANWIL Spółka Akcyjna (further Anwil), may be subject to price adjustments which would result mainly on the occurrence of any of the following events:

# UNIPETROL, a.s.

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### 25. COMMITMENTS AND OTHER CONTINGENCIES (CONTINUED)

(i) Environmental guarantees provided by the National Property Fund of the Czech Republic will not be sufficient for compensation of costs for the environmental damage remediation of the Old Amalgam Electrolysis project.

In this case UNIPETROL, a.s. will be obligated to financially indemnify Anwil up to 40 % of the purchase price provided that all necessary steps will have been taken by Anwil and SPOLANA a.s. without success for obtaining additional funds for this purpose.

(ii) Other potential obstacles in future operation of SPOLANA a.s.

In this case UNIPETROL, a.s. will be obligated to financially indemnify Anwil up to 1-3 % of the purchase price.

#### *Claims related to fines imposed by the European Commission*

In November 2006, the European Commission imposed fines, among others, upon Shell, Dow, Eni, Unipetrol and Kaučuk for an alleged cartel in the area of Emulsion Styrene Butadiene Rubber ("ESBR"). Unipetrol and Kaučuk, its subsidiary at that time, were jointly imposed a fine of EUR 17.5 million, which they reimbursed to the Commission. At the same time, both companies appealed to the Court of First Instance in Luxembourg and this action is pending.

Following the above decision of the European Commission, Unipetrol has been served with a claim for damages, which tire producers brought against the members of the ESBR cartel. The claim for damages was filed with the High Court of Justice, Queen's Bench Division, Commercial Court. The claimants ask for damages, together with interest, to compensate for their loss suffered as a result of an alleged cartel. The amount claimed is to be assessed. Unipetrol challenged the jurisdiction of the UK courts to deal with the claim. Unipetrol's challenge is pending.

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

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### 26. RELATED PARTIES

#### *Parent and ultimate controlling party*

During nine months ended 30. September 2008 a majority (62.99 %) of the Company's shares was in possession of PKN Orlen.

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

	30/09/2008				31/12/2007			
	PKN Orlen	Parties held as equity investments	Entities under control or significant influence of PKN Orlen	Other related parties	PKN Orlen	Parties held as equity investments	Entities under control or significant influence of PKN Orlen	Other related parties
Current receivables	469,601	101,096	788,757	872,554	72,971	83,167	206,596	935,848
Non-current receivables,								
	--	139,539	--	--	--	--	--	--
Current payables including loans	4,414,196	231,506	293,510	3,159	3,779,122	70,968	178,531	26,027
Non-current payables including loans	--	5	--	21,412	--	1,290	3,050	23,849
Expenses	42,129,887	376,222	4,564,659	76,089	43,823,017	289,035	2,026,638	111,185
Revenues	3,654,319	203,962	1,974,233	1,764,428	1,470,440	290,918	2,704,769	2,224,188
Purchases of financial assets	47,403	--	--	--	--	--	--	--
Purchases of property, plant and equipment	--	--	--	--	--	1,941	--	--
Sales of property, plant and equipment	--	860	--	--	--	18,023	--	--
Interests income and expense	--	2,154	8,009	896	(2,552)	2,090	1,700	1,122
Dividends	2,016,352	--	--	--	--	--	--	--

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### **27. RISK MANAGEMENT**

#### **Risk management objectives**

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

#### **Market risk**

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

#### **Currency risk**

The currency risk arises most significantly from the exposure of trade payables and receivables denominated in foreign currencies, and the foreign currency denominated loans and borrowings. Foreign exchange risk regarding trade payables and receivables is mostly covered by natural hedging of trade payables and receivables denominated in the same currencies.

#### **Interest rate risk management**

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite.

#### **Market price risks**

The Group is exposed to commodity price risk resulting from the adverse changes in raw material, mainly crude oil prices.

Management addresses these risks by means of a commodity, supplier and client risk management. To minor extent the Group enters into derivative commodity instruments to mitigate the risk associated with the purchase of crude oil.

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### 27. RISK MANAGEMENT (CONTINUED)

#### Emission allowances risk

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

The Group has entered into two Emission Allowances Swaps EUA/CER with settlement in December 2009 and December 2010. These derivatives are held and reported as derivatives for trading.

#### Credit risk

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

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

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

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

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management.

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

### 27. RISK MANAGEMENT (CONTINUED)

# **UNIPETROL, a.s.**

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

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

### **Liquidity risk management**

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

Information about Group's risk exposure, other detailed aspects of the Group's financial risk management objectives and policies, and the Group's management of capital are described in the consolidated financial statements as at and for the year ended 31 December 2007 and interim consolidated financial statements as at and for the period ended 30 June 2008.

The Group's risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2007 and interim consolidated financial statements as at and for the period ended 30 June 2008.

# UNIPETROL, a.s.

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### 28. EMISSION RIGHTS

In 2008 the Group obtained allowances for carbon dioxide emissions according to the Czech National Allocation Scheme for years 2008-2012.

Information on granted emission allowances	Amount	Value in CZK thousands
The total number of the emission allowances allocated to the Group for the period 2008-2012	18,820,096	10,170,367
Estimated utilization in 2008	3,432,270	1,852,618
Estimated/actual utilization in the three quarters of 2008	2,495,670	1,352,635
<b>Revenues from sales of emissions allowances in the three quarters of 2008</b>	<b>150,000</b>	<b>95,270</b>

The number of emission rights that were obtained by the Group in 2005 under National Allocation Scheme for years 2005 - 2007 and remained unused amounted to 586,679 units. Out of this number 556,543 units were sold and 30,136 units were written off by the Group in 2008.

Signature of statutory representatives	12 November 2008
François Vleugels	Wojciech Ostrowski
Chairman of the Board of Directors	Vice-chairman of the Board of Directors