



**UNIPETROL, a.s.**

**SEMI-ANNUAL REPORT**

**2011**



## Contents

1. Business activities and financial results in the first half of 2011 .....	III
2. Expected development of business activities in the remainder of 2011 .....	VI
3. Information about the persons responsible for the Annual Report .....	VIII
4. Financial statements and notes.....	IX

# 1. Business activities and financial results in the first half of 2011

The Unipetrol Group reported net profit attributable to shareholders of the parent company of CZK +463 million for the first half of this year, which is roughly half in comparison to last year.

Despite our internal effort to decrease costs, improve efficiency, optimize our labor force, improve product pricing, the deterioration in macro environment especially in refining (lower refining margins, FX development) more than offset our initiatives.

The revenues in the first six months of this year amounted to CZK 49.036 billion or 18% y/y increase given mainly raising crude oil price and product quotations in refining, petrochemical as well as retail segments. Almost 70% of the Group revenues were generated in the Czech Republic, while the rest mainly in the European Union countries.

## Consolidated, non-audited financial results (million CZK)

	1H 2010	1H 2011	y/y
Revenues	41,448	49,036	+18 %
EBITDA	3,021	2,391	-21%
EBIT	1,318	795	-40%
Net result attributable to shareholders of the parent company	829	463	-44%
Net profit attributable to shareholders of the parent company per share (in CZK)	4.57	2.55	-44%

Contrary to last year, the petrochemical segment was the main profit contributor. Petrochemical EBIT more than doubled to CZK 850 million, improvement of CZK 455 million. This was primarily driven by better spreads, both olefins and polyolefins, which increased by 17% y/y and 6% y/y respectively and combined reached level of EUR 634/t in 1H2011 vs. EUR 566/t in 1H2010. Among other important factors that influenced the profitability of the petrochemical segment were negative development of CZK/EUR exchange rate, internal initiatives on price improvement, fixed/variable cost reduction and staff optimization. Overall petrochemical sales volumes decreased by 8% y/y in 1H2011, however this is partly also due to the start up of JV Butadien Kralupy therefore like-for-like comparison shows less than 4% y/y decline in 1H2011. This decline could be explained by one-off product swap with our customer last year, preparation of inventories for 3Q11 shutdown and thus slow down of our

sales activity as well as fact that some of our customers (Synthos, Spolana) had some of their installations shut down in 2Q11 and thus off-take reduced.

EBIT in retail decreased by 41% y/y from CZK 266 million in 1H2010 to CZK 158 million in 1H2011, due to lower unit margins for both gasoline and diesel and lower rental income. Overall retail volumes increased by approximately 1% y/y in 1H2011, as 1H2010 was negatively affected by pre-stocking prior to 2010 excise tax increase. Sales volumes dynamics were divergent for diesel and gasoline, when diesel sales improved and gasoline declined as citizens were more cost cautious when prices at the filling stations reached record high levels. On top of it in the 1H11 fuel prices in the Czech Republic continued to be higher than in majority of neighboring countries.

The biggest laggard was the refining segment, which is the only segment that ended in red figures for 1H2011. EBIT in the refining segment reached CZK -240 million, a deterioration of CZK 875 million. The obvious suspect for this is model refining margin, which plunged by three-quarters to USD 0.9/bbl in 1H2011 from USD 3.6/bbl in 1H2010, especially due to negative spreads on heavy fuel oils and crude oil residues. CZK/USD exchange rate appreciated by 11% y/y in 1H2011 and thus further pulled the profitability of the segment below water. The only positive macro indicator was widening Brent-Ural differential, which increased by 73% y/y to USD 2.9/bbl from USD 1.6/bbl. Contrary to widening Brent-Ural differential, "Brent and Other sweet crude oils" (e.g. Azeri Light) differential deteriorated and more than doubled y/y. Our effort was thus among other things focused on increasing sales volumes, up 2% y/y in 1H2011 or reliable operations which lead to higher proportion of light and middle distillates in our production mix (ie. higher added value products).

Jointly all three segment fixed cost reduction reached over CZK 100 million in 1H2011.

#### EBIT Segment Breakdown (million CZK)

	1H 2010	1H 2011	y/y
EBIT, of which	1,318	795	-40%
• Refining	635	-240	n/a
• Petrochemicals	395	850	+115%
• Retail	266	158	-41%
• Others, Non-attributable, Eliminations	22	27	+23%

From investment point of view, Unipetrol's CAPEX reached CZK 1.8 billion in 1H2011, up +37% y/y. Roughly one half is attributed to re-purchased CO2 allowances. The main investment projects done in 1H2011 include: increase of efficiency of thermal exchangers on

HOSD unit in Paramo, refurbishment of BA-105 pyrolysis furnace and acquisition of filling station Kojetin to name one project from each of our key segments.

## 2. Expected development of business activities in the remainder of 2011

The macro situation in 1H2011 was challenging for the Unipetrol Group, especially in the refining and retail segment, while somewhat brighter in the petrochemical segment. Depressed refining margins are expected to somewhat improve in 2H2011, while petrochemical margins are expected to show deteriorated dynamics as close to record high petrochemical product quotations seems to have adverse effect on the demand side. Development of exchange rates CZK/EUR, CZK/USD and cross rate USD/EUR will have undoubtedly effect on the overall profitability of Unipetrol Group in 2H2011 as the products quotations are in USD or EUR, while costs apart from the feedstock are mostly in CZK.

2H2011 is expected to be challenging not only from macro point of view but on top of it from Group specific one, due to cyclical shutdown. Litvinov refinery as well as integrated petrochemical plant will go through the cyclical shutdown in 3Q2011. These cyclical shutdowns have four year periodicity and Unipetrol Group is doing maximum to be prepared to handle any obstacles and minimize its negative effects. Investment costs related to the shutdown is expected to reach over CZK 1 billion.

Refining and petrochemical business that Unipetrol Group is operating in is cyclical and correlated with economic development. Economic growth seems to be struggling and loosing its steam lately as commodity and energy prices are rising, geopolitical tension is taking its toll and excessive indebtedness of some countries are fuelling worries about future Europe as well as global economic prospects. We therefore continue to strive to improve our operating efficiency beyond that what we managed to achieve over past years, in order to improve further our competitiveness and create value for our shareholders.

As the macroeconomic development and thus financial results are hard to forecast in a volatile environment that we are experiencing, Unipetrol's management decided not to release any specific earnings guidance for 2011 nor explicit forecasts regarding model refining or petrochemical margins. However, the company's management had made public several key targets that it is working on. These are:

- Strict cost control is on the top of the list of priorities and although company has managed to cut fixed costs significantly over last two years there are further efforts to identify additional ones and reach target of fixed cost reduction by additional ca CZK 200 million.
- The company is focusing long-term on increasing productivity also by staff optimization. Target for the whole year 2011 is to continue long-term trend set in previous years, which is lower single-digit percentage reduction. In the 1H2011 staff optimization was in line with the trend.
- From financial point of view, free cash flow remains also in focus and target is to reach positive free cash flow for the whole year. At the end of 1H2011 free cash flow stood at CZK -2.9 billion due also to time pattern of free cash flow, which is usually significantly negative in 1Q.
- In the field of investments, CAPEX for the whole year should be close to level of CAPEX in 2010 (ca CZK 3.0 billion). The company invested CZK 1.8 billion from January till June 2011, including purchases of CO2 allowances which accounted for ca 50% of this amount.
- In 2H2011, maintenance in refining and petrochemical segment will address all main units in Litvinov plant as already mentioned cyclical shutdown is scheduled in 3Q2011.
- In operational area, Unipetrol's target is to slightly increase full-year crude oil throughput despite the cyclical shutdown.
- Increasing of refining sales volumes from 2010 level. For 1H2011 this increase was +2% y/y.
- In retail distribution, Benzina should increase its market share closer to 15%, while estimated market share at the end of 1H2011 was 14.3%.

Besides operational matters, Unipetrol is focusing also on strategic issues. These include strategic development in the area of current segments, i.e. refining, petrochemical and retail but also in the area of new but inter-connected energy segment.

Unipetrol is also constantly analyzing and cross-checking its asset base in order to optimize operations in the light the most recent developments on the market as well as inside the Unipetrol Group. Paramo and Unipetrol RPA's refining part are being restructured to reap the benefits of joint forces.

### **3. Information about the persons responsible for the Annual Report**

Piotr Chełmiński, Unipetrol's Chairman of the Board of Directors and Chief Executive Officer, and Mariusz Kędra, Unipetrol's Member of the Board of Directors and Chief Financial Officer, hereby represent that, to their best knowledge, the Semi-Annual Report and the Consolidated Semi-Annual Report presents, in all aspects, a true and fair image of the financial standing, business, and results of the issuer and its consolidated group for the half-year 2011, as well as of the future outlook for the financial standing, business, and results.

## 4. Financial statements and notes

Consolidated financial statements as at 30 June 2011 with notes

Non-consolidated financial statements as at 30 June 2011 with notes

**UNIPETROL a.s.**

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

**AS OF 30 JUNE 2011**



**UNIPETROL, a.s.**  
**UNAUDITED CONDENSED INTERIM**  
**CONSOLIDATED AND NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**PREPARED IN ACCORDANCE WITH**  
**INTERNATIONAL FINANCIAL REPORTING STANDARDS**

**TABLE OF CONTENTS**

---

**A. UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	4
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.....	5
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	6
CONSOLIDATED STATEMENT OF CASH FLOWS.....	7
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	8

**B. UNAUDITED CONDENSED INTERIM NON-CONSOLIDATED FINANCIAL STATEMENTS**

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	19
NON-CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.....	20
NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	21
NON-CONSOLIDATED STATEMENT OF CASH FLOWS.....	22
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS.....	23



**UNIPETROL, a.s.**

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

**AS OF 30 JUNE 2011**



# UNIPETROL, a.s.

Consolidated statement of financial position  
prepared in accordance with International Financial Reporting Standards  
As at 30 June 2011  
(in thousands of Czech crowns)



	Note	30 June 2011 (unaudited)	31 December 2010 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	32,966,862	33,909,010
Intangible assets	10	2,954,713	1,908,948
Investment property		162,190	162,190
Other investments	11	87,155	192,425
Non-current receivables	12	101,253	130,224
Deferred tax asset		44,889	48,280
<b>Total non-current assets</b>		<b>36,317,062</b>	<b>36,351,077</b>
<b>Current assets</b>			
Inventories		11,409,361	10,193,515
Trade and other receivables		11,894,894	9,487,630
Other short-term financial assets	13	579,412	540,342
Prepayments and other current assets		183,186	141,780
Cash and cash equivalents		1,765,969	4,741,831
Current tax assets		33,265	14,623
<b>Total current assets</b>		<b>25,866,087</b>	<b>25,119,721</b>
<b>Total assets</b>		<b>62,183,149</b>	<b>61,470,798</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		18,133,476	18,133,476
Statutory reserves		2,555,201	2,452,698
Other reserves		(12,179)	25,971
Retained earnings	14	18,557,329	18,187,563
<b>Total equity attributable to equity holders of the Company</b>		<b>39,233,827</b>	<b>38,799,708</b>
<b>Non-current liabilities</b>			
Loans and borrowings	15	2,008,757	2,013,357
Deferred tax liability		1,915,322	1,758,773
Provisions	16	373,623	392,789
Other non-current liabilities		103,136	146,823
<b>Total non-current liabilities</b>		<b>4,400,838</b>	<b>4,311,742</b>
<b>Current liabilities</b>			
Trade and other payables and accruals		16,795,096	16,741,801
Deferred income		676,541	--
Loans and borrowings	15	229,173	212,454
Provisions	16	717,828	1,301,691
Other short-term financial liabilities	13	114,783	80,276
Current tax liabilities		15,063	23,126
<b>Total current liabilities</b>		<b>18,548,484</b>	<b>18,359,348</b>
<b>Total liabilities</b>		<b>22,949,322</b>	<b>22,671,090</b>
<b>Total equity and liabilities</b>		<b>62,183,149</b>	<b>61,470,798</b>

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 8 to 17.

# UNIPETROL, a.s.

Consolidated statement of comprehensive income  
prepared in accordance with International Financial Reporting Standards  
For the 6 month period ended 30 June 2011  
(in thousands of Czech crowns)



	Note	30 June 2011 (unaudited)	30 June 2010 (unaudited)
Revenue	3	49,035,593	41,447,785
Cost of sales		(46,898,640)	(38,740,354)
<b>Gross profit</b>		<b>2,136,953</b>	<b>2,707,431</b>
Other income		380,754	295,573
Distribution expenses		(1,076,057)	(948,072)
Administrative expenses		(572,766)	(584,923)
Other expenses		(73,969)	(151,513)
<b>Result from operating activities</b>	5	<b>794,915</b>	<b>1,318,496</b>
Finance income		425,423	381,456
Finance costs		(527,262)	(645,011)
<b>Net finance costs</b>	7	<b>(101,839)</b>	<b>(263,555)</b>
<b>Profit before income tax</b>		<b>693,076</b>	<b>1,054,941</b>
Income tax expense	8	(230,509)	(225,863)
<b>Profit for the period</b>		<b>462,567</b>	<b>829,078</b>
<b>Other comprehensive income:</b>			
Foreign currency translation differences - foreign operations		(6,716)	(5,942)
Effective portion of changes in fair value of cash flow hedges		(38,704)	--
Other transactions		9,619	--
Income tax on other comprehensive income		7,353	--
<b>Other comprehensive income for the period, net of tax</b>		<b>(28,448)</b>	<b>(5,942)</b>
<b>Total comprehensive income for the period</b>		<b>434,119</b>	<b>823,136</b>
<b>Basic and diluted earnings per share (in CZK)</b>		<b>2.55</b>	<b>4.57</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 8 to 17.

## UNIPETROL, a.s.

Consolidated statement of changes in equity  
prepared in accordance with International Financial Reporting Standards  
For the 6 month period ended 30 June 2011  
(in thousands of Czech crowns)



	Share capital	Statutory reserves	Translation reserve	Fair value reserve	Hedging reserve	Retained earnings	Total equity
<b>Balance as at 1 January 2010</b>	<b>18,133,476</b>	<b>2,425,274</b>	<b>12,867</b>	<b>20,748</b>	<b>--</b>	<b>17,278,971</b>	<b>37,871,336</b>
<b>Total comprehensive income for the period</b>							
Profit	--	52,024	--	--	--	777,054	829,078
<b>Other comprehensive income</b>							
Foreign currency translation differences	--	--	(5,942)	--	--	--	(5,942)
Total other comprehensive income	--	--	(5,942)	--	--	--	(5,942)
<b>Total comprehensive income for the period</b>	<b>--</b>	<b>52,024</b>	<b>(5,942)</b>	<b>--</b>	<b>--</b>	<b>777,054</b>	<b>823,136</b>
<b>Balance as at 30 June 2010</b>	<b>18,133,476</b>	<b>2,477,298</b>	<b>6,925</b>	<b>20,748</b>	<b>--</b>	<b>18,056,025</b>	<b>38,694,472</b>
<b>Balance as at 1 January 2011</b>	<b>18,133,476</b>	<b>2,452,698</b>	<b>5,223</b>	<b>20,748</b>	<b>--</b>	<b>18,187,563</b>	<b>38,799,708</b>
<b>Total comprehensive income for the period</b>							
Profit	--	92,822	--	--	--	369,745	462,567
<b>Other comprehensive income</b>							
Foreign currency translation differences	--	--	(6,716)	--	--	--	(6,716)
Effective portion of changes in fair value of cash flow hedges, net of tax	--	--	--	--	(31,351)	--	(31,351)
Other items	--	9,681	--	(83)	--	21	9,619
Total other comprehensive income	--	9,681	(6,716)	(83)	(31,351)	21	(28,448)
<b>Total comprehensive income for the period</b>	<b>--</b>	<b>102,503</b>	<b>(6,716)</b>	<b>(83)</b>	<b>(31,351)</b>	<b>369,766</b>	<b>434,119</b>
<b>Balance as at 30 June 2011</b>	<b>18,133,476</b>	<b>2,555,201</b>	<b>(1,493)</b>	<b>20,665</b>	<b>(31,351)</b>	<b>18,557,329</b>	<b>39,233,827</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 8 to 17.

# UNIPETROL, a.s.

Consolidated statement of cash flows  
prepared in accordance with International Financial Reporting Standards  
For the 6 month period ended 30 June 2011  
(in thousands of Czech crowns)



	30 June 2011 (unaudited)	30 June 2010 (unaudited)
<b>Cash flows from operating activities:</b>		
Profit for the period	<b>462,567</b>	<b>829,078</b>
Adjustments for:		
Depreciation of the property, plant and equipment and amortisation of intangible assets	1,596,019	1,702,883
Gain on disposals of property, plant and equipment and intangible assets	(4,330)	(20,746)
Net foreign exchange loss (gain)	(384,178)	454,646
Interest and dividend, net	90,505	94,394
Net loss (gain) from derivatives	341,713	(327,394)
Impairment losses on financial investments, property, inventory, receivables	(1,283)	46,130
Income tax expense	230,508	225,863
Changes in:		
- in trade receivables and other current assets	(2,382,902)	(2,460,771)
- in inventories	(1,178,993)	(272,039)
- in trade and other payables and accruals	94,232	788,670
- in provisions	(41,792)	98,522
Interest paid	(20,305)	(30,980)
Income tax paid	(89,923)	(103,496)
<b>Net cash from (used in) operating activities</b>	<b>(1,288,161)</b>	<b>1,024,760</b>
<b>Cash flows from investing activities:</b>		
Proceed from disposals of property, plant and equipment and intangible assets	173,621	566,086
Proceed from disposals of short-term financial assets	280,537	199,462
Proceed from disposals of CELIO, a.s.	--	78,323
Interest received	15,783	15,442
Dividends received	--	7,759
Change in loans granted	17,155	(254,958)
Acquisition of property, plant and equipment and intangible assets	(1,781,484)	(1,304,650)
Acquisition of short-term financial assets	(280,537)	(219,249)
Acquisition of additional shareholding in subsidiary	(460)	--
<b>Net cash used in investing activities</b>	<b>(1,575,385)</b>	<b>(911,785)</b>
<b>Cash flows from financing activities:</b>		
Change in loans and borrowings	(92,383)	1,013,794
Payment of finance lease liabilities	(5,767)	(10,537)
Dividends paid	(1,316)	(1,164)
<b>Net cash from (used in) financing activities</b>	<b>(99,466)</b>	<b>1,002,093</b>
<b>Net change in cash and cash equivalents</b>	<b>(2,963,013)</b>	<b>1,115,068</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>4,741,831</b>	<b>1,185,681</b>
Effects of exchange rates changes on the balance of cash held in foreign currencies	(12,850)	(10,789)
<b>Cash and cash equivalents at the end of the period</b>	<b>1,765,969</b>	<b>2,289,960</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 8 to 17.



**Index**

1. Description of the parent company and structure of the consolidated group .....	9
2. Basis of preparation and significant accounting policies.....	10
3. Revenues .....	11
4. Operating segments .....	11
5. Operating expenses and incomes .....	12
6. Impairment allowances of assets.....	13
7. Finance income and finance costs .....	13
8. Income tax.....	13
9. Property, plant and equipment.....	13
10. Intangible assets.....	14
11. Other investments .....	14
12. Non-current receivables .....	14
13. Other short-term financial assets and financial liabilities .....	14
14. Retained earnings and dividends .....	15
15. Loans and borrowings .....	15
16. Provisions .....	15
17. Commitments and contingencies.....	16
18. Related parties .....	17
19. Significant post balance sheet events .....	17

**1. DESCRIPTION OF THE PARENT COMPANY AND STRUCTURE OF THE CONSOLIDATED GROUP***Establishment of the parent company*

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

*Registered office of the Company*

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

*Principal activities*

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

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

*Ownership structure*

The shareholders as at 30 June 2011 are as follows:

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

*Structure of consolidated group*

The subsidiaries and joint-ventures forming the consolidated group of UNIPETROL, a.s., and the Group's interest in the capital of subsidiaries and joint-ventures held either directly by the parent company or indirectly by the consolidated subsidiaries and allocation of subsidiaries into the Operating segments is presented in the consolidated financial statements of the Group as at and for the year ended 31 December 2010. There were no changes in the structure of the Group in the period ended 30 June 2011 except the issues mentioned below.

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

On 17 February 2011 PARAMO a.s. bought 2 legal entities: Paramo Oil s.r.o. and Paramo Asfalt s.r.o. which were included in the consolidation group of UNIPETROL and allocated to Refinery segment. As at 30 June 2011 the entities were not conducting any operational activity.

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



## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### A Statement of compliance and general principles of preparation

The consolidated financial statements of the Company for the period ended 30 June 2011 comprise the Company and its subsidiaries (together referred as the "Group") and the Group's interest in jointly controlled entities.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2010.

These condensed consolidated interim financial statements have been prepared on a going concern basis. As at the date of approval of the statements there is no indication that the Group will not be able to continue as a going concern in the foreseeable future.

The financial statements, except for statement of cash flows, are prepared on the accrual basis of accounting.

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. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2010.

### B Significant accounting policies

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

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

Amendments to IFRS that came into force on or after 1 January 2011 have no effect on current and previously presented financial results and equity.

Certain new standards and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods.

The Group will adopt the changes after their acceptance by the European Commission in accordance their effective date. The possible impact of the changes on the Group's future consolidated financial statements is being analyzed.

### C Functional and presentation currency

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

### D Information on seasonality and cyclicity of Group's operations

The Group does not report any material seasonal or cyclical character of its operation in the period ended 30 June 2011.

## 3. REVENUES

	30/06/2011	30/06/2010
Gross sales of finished goods and revenue from services	56,866,169	49,315,748
Less: Excise tax	(12,264,970)	(10,808,459)
<b>Net revenues from sales of finished goods and services</b>	<b>44,601,199</b>	<b>38,507,289</b>
Gross sales of merchandise and materials	4,484,883	3,008,127
Less: Excise tax	(50,489)	(67,631)
<b>Net revenues from sales merchandise and materials</b>	<b>4,434,394</b>	<b>2,940,496</b>
<b>Total revenues</b>	<b>49,035,593</b>	<b>41,447,785</b>

## 4. OPERATING SEGMENTS

## Revenues and result by operating segments

Period ended 30/06/2011	Refinery	Retail	Petrochemical	Other	Eliminations	Consolidated
Total external revenues	26,686,551	4,753,214	17,572,283	23,545	--	49,035,593
Inter segment revenues	10,663,907	113,556	726,832	315,338	(11,819,633)	--
Total segment revenue	37,350,458	4,866,770	18,299,115	338,883	(11,819,633)	49,035,593
<b>Result from operating activities</b>	<b>(239,802)</b>	<b>158,101</b>	<b>849,656</b>	<b>26,960</b>	<b>--</b>	<b>794,915</b>
Net finance income						(101,839)
<b>Profit before income tax</b>						<b>693,076</b>
Income tax expense						(230,509)
<b>Profit for the period</b>						<b>462,567</b>

Period ended 30/06/2010	Refinery	Retail	Petrochemical	Other	Eliminations	Consolidated
Total external revenues	21,620,872	3,961,290	15,792,296	73,327	--	41,447,785
Inter segment revenues	9,037,011	153,302	674,988	275,245	10,140,546	--
Total segment revenue	30,657,883	4,114,592	16,467,284	348,572	(10,140,546)	41,447,785
<b>Result from operating activities</b>	<b>635,477</b>	<b>266,257</b>	<b>395,113</b>	<b>21,649</b>	<b>--</b>	<b>1,318,496</b>
Net finance costs						(263,555)
<b>Profit before income tax</b>						<b>1,054,941</b>
Income tax expense						(225,863)
<b>Profit for the period</b>						<b>829,078</b>

## Assets by operating segments

30/06/2011	Refinery	Retail	Petrochemical	Other	Eliminations	Consolidated
Segment assets	26,904,410	6,664,118	26,890,821	2,231,846	(1,369,476)	61,321,719
Unallocated corporate assets						861,430
<b>Total assets</b>						<b>62,183,149</b>

31/12/2010	Refinery	Retail	Petrochemical	Other	Eliminations	Consolidated
Segment assets	26,156,910	6,676,068	24,132,333	4,857,607	(1,337,018)	60,485,900
Unallocated corporate assets						984,898
<b>Total assets</b>						<b>61,470,798</b>

## 5. OPERATING EXPENSES AND INCOMES

## Cost of sales

	30/06/2011	30/06/2010
Cost of finished goods and services sold	(43,296,614)	(36,469,855)
Cost of merchandise and raw materials sold	(3,602,026)	(2,270,499)
<b>Cost of sales - total</b>	<b>(46,898,640)</b>	<b>(38,740,354)</b>

## Cost by nature

	30/06/2011	30/06/2010
Materials and energy	(39,183,711)	(30,897,473)
Cost of merchandise and raw materials sold	(3,602,026)	(2,270,499)
External services	(3,111,356)	(2,981,466)
Depreciation and amortisation	(1,596,019)	(1,702,883)
Personal expenses	(1,271,497)	(1,270,333)
Repairs and maintenance	(541,363)	(580,621)
Insurance	(101,840)	(126,775)
Taxes and charges	(28,620)	(29,278)
Non-cancellable operating leasing	(24,002)	(25,214)
Research expenditures	(4,997)	(12,546)
Other	(165,271)	(225,958)
Change in inventories	1,009,222	(301,816)
Cost of products and services for own use	48	--
<b>Operating expenses</b>	<b>(48,621,432)</b>	<b>(40,424,862)</b>
Distribution expenses	1,076,057	948,072
Administrative expenses	572,766	584,923
Other operating expenses	73,969	151,513
<b>Cost of finished goods, services, merchandise and raw materials sold</b>	<b>(46,898,640)</b>	<b>(38,740,354)</b>

## Other operating incomes

	30/06/2011	30/06/2010
Gain on sale of non-current non-financial assets	6,714	41,272
Reversal of provisions	133,749	4,623
Reversal of receivables impairment allowances	9,865	7,062
Reversal of impairment allowances of property, plant and equipment and intangible assets	17,989	43,687
Penalties and compensations earned	4,012	59,734
CO2 allowances grant derecognition	183,415	113,845
Other	25,010	25,350
<b>Total</b>	<b>380,754</b>	<b>295,573</b>

## Other operating expenses

	30/06/2011	30/06/2010
Loss on sale of non-current non-financial assets	(2,384)	(20,526)
Recognition of provisions	(35,717)	(35,491)
Recognition of receivables impairment allowances	(8,377)	(78,472)
Recognition of impairment allowances of property, plant and equipment and intangible assets	(466)	(7,483)
Addition to provisions for consumption of CO2 allowances	(13,025)	--
Donations	(3,943)	(2,960)
Other	(10,057)	(6,581)
<b>Total</b>	<b>(73,969)</b>	<b>(151,513)</b>

**6. IMPAIRMENT ALLOWANCES OF ASSETS**

	30/06/2011	30/06/2010
<b>Property, plant, equipment</b>		
Recognized	(466)	(7,483)
Released	17,989	43,687
<b>Receivables</b>		
Recognized	(8,377)	(78,472)
Released	9,865	7,062
<b>Inventories</b>		
Recognized	(72,156)	(33,048)
Released	28,160	24,645

**7. FINANCE INCOME AND FINANCE COSTS**

	30/06/2011	30/06/2010
<b>Finance income</b>		
Interest income	39,759	40,734
Dividend income	--	7,759
Net foreign exchange gain	384,178	--
Net gain arising on derivatives	--	327,394
Other finance income	1,486	5,569
<b>Total finance income</b>	<b>425,423</b>	<b>381,456</b>
<b>Finance costs</b>		
Interest expense	(130,552)	(144,220)
Less: amounts capitalised on qualifying assets	288	1,333
Net foreign exchange losses	--	(454,646)
Net loss arising on derivatives	(341,713)	--
Other finance expenses	(55,285)	(47,278)
<b>Total finance costs</b>	<b>(527,262)</b>	<b>(645,011)</b>
<b>Net finance costs</b>	<b>(101,839)</b>	<b>(263,555)</b>

**8. INCOME TAX**

	30/06/2011	30/06/2010
Current tax	(64,825)	(86,783)
Deferred tax	(165,683)	(139,080)
<b>Income tax recognised in profit and loss</b>	<b>(230,508)</b>	<b>(225,863)</b>
Income tax recognised in other comprehensive income	7,353	--
<b>Income tax - total</b>	<b>(223,155)</b>	<b>(225,863)</b>

**9. PROPERTY, PLANT AND EQUIPMENT****Acquisitions and disposals**

During the six months ended 30 June 2011 the Group acquired assets with a cost of CZK 562,881 thousand (six months ended 30 June 2010: CZK 636,537 thousand).

Assets with a carrying amount of CZK 14,718 thousand were disposed during six months ended 30 June 2011 (six months ended 30 June 2010: CZK 32,478 thousand), resulting in a net gain on disposal of CZK 6,503 thousand (six months ended 30 June 2010: net loss of CZK 18,130 thousand), which is included in other operating incomes (expenses) in the statement of comprehensive income.

**10. INTANGIBLE ASSETS****Acquisitions and disposals**

During the six months ended 30 June 2011 the Group acquired intangible assets with a cost of CZK 961,006 thousand, including CO2 allowances with a cost CZK 932,875 thousand (six months ended 30 June 2010: CZK 540,454 thousand and CZK 461,117 thousand respectively).

During the six month ended 30 June 2011 the Group was granted CO2 allowances in amount of CZK 1,366,108 thousand (six month ended 30 June 2010: CZK 1,427,360 thousand), and disposed CO2 allowances with a carrying amount of CZK 144,905 thousand (six months ended 30 June 2010: CZK 496,008 thousand), resulting in a net loss on disposal of CZK 2,173 thousand (six months ended 30 June 2010: net gain of CZK 38,876 thousand) which is included in other operating expenses (incomes) in the statement of comprehensive income. There were no other intangible assets disposed by the Group in the six months ended 30 June 2011 and 30 June 2010.

**11. OTHER INVESTMENTS**

The Group has equity investments amounting to CZK 87,155 thousand as at 30 June 2011 (CZK 192,425 thousand as at 31 December 2010), which represent ownership interests in companies that do not have quoted market price and whose fair value cannot be reliably measured and therefore are carried at acquisition cost, less any impairment losses. The change in amount of other investments was caused by inclusion of POLYMER INSTITUTE BRNO, s.r.o. into the consolidation group.

**12. NON-CURRENT RECEIVABLES**

The Group has provided a loan to ČESKÁ RAFINÉRSKÁ, a.s. in the amount of CZK 159,285 thousand (31 December 2010: CZK 174,952 thousand) for reconstruction of production unit. Part of this receivable in amount of CZK 81,587 thousand was eliminated as an intergroup transaction. The loan is due in 2016 and bears interest of 1M PRIBOR increased by mark up. Short term part of the loan in amount of CZK 15,286 thousand is presented under current receivables. The Group also presents non-current receivables from cash deposits to operators of fuel stations in amount of CZK 16,554 thousand and prepayments for investments in amount of CZK 22,287 thousand. The management considers that carrying amount of receivables approximates their fair value.

**13. OTHER SHORT-TERM FINANCIAL ASSETS AND FINANCIAL LIABILITIES****Other short-term financial assets**

	30/06/2011	31/12/2010
Loans	533,569	533,435
Derivative financial instruments not designated as hedge accounting – currency forwards	41,101	--
Cash flow hedge instruments – currency forwards	3,720	6,907
Cash flow hedge instruments – commodity swaps	1,022	--
<b>Total</b>	<b>579,412</b>	<b>540,342</b>

**Other short-term financial liabilities**

	30/06/2011	31/12/2010
Derivative financial instruments – currency forwards	79,803	80,276
Cash flow hedge instruments – currency forwards	34,980	--
<b>Total</b>	<b>114,783</b>	<b>80,276</b>

**Fair value hierarchy**

The derivative financial and hedge instruments held by the Group are carried at fair value under other short-term financial assets and other short-term financial liabilities respectively. The fair value of these financial instruments was determined based on market observable data, excluding quoted prices. Financial instruments carried at fair value by the Group belong to the Level 2 defined by IFRS.

**14. 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 30 June 2011 decided on appropriation of the profit for 2010 amounting to CZK 512,121 thousand. In accordance with Article 26 (1) of the Company's Articles of Association CZK 25,606 thousand was allocated to the reserve fund and CZK 486,515 thousand to retained earnings.

**15. LOANS AND BORROWINGS**

	30/06/2011	31/12/2010
<b>Non – current loans and borrowings</b>		
Unsecured bonds issued	2,000,000	2,000,000
Finance lease liability	8,757	13,357
<b>Total non – current loans and borrowings</b>	<b>2,008,757</b>	<b>2,013,357</b>
<b>Current loans and borrowings</b>		
Current portion of unsecured bonds issued	212,684	102,634
Unsecured bank loans	5,634	86,748
Current portion of secured bank loans	--	12,017
Current portion of financial leasing	10,855	11,055
<b>Total current loans and borrowings</b>	<b>229,173</b>	<b>212,454</b>

**Unsecured bonds issued**

Using the actual market interest rate, based on the analysis of the current market conditions, the fair value of the aggregate liability arising from the bonds is currently estimated at CZK 2,531,114 thousand (CZK 2,518,730 thousand at 31 December 2010).

**Analyses of bank loans**

	Total
<b>Balance as at 1 January 2011</b>	<b>98,765</b>
Loans taken	1,524,244
Repayment	(1,616,626)
Interests	(91)
FX differences	(658)
<b>Balance as at 30 June 2011</b>	<b>5,634</b>

**Financial leases**

	30/06/2011	31/12/2010
Future minimum lease payments	20,953	26,284
Present value of future minimum lease payments	19,612	24,412

**16. PROVISIONS**

	Long – term provision		Short – term provision	
	30/06/2011	31/12/2010	30/06/2011	31/12/2010
Provisions for environmental damages and land restoration	321,499	315,995	--	--
Provisions for legal disputes	14,835	24,769	135,462	135,036
Provision on CO2 allowances	--	--	513,925	1,082,904
Employee benefits provision	30,262	30,049	--	--
Other provisions	7,027	21,976	68,441	83,751
<b>Total</b>	<b>373,623</b>	<b>392,789</b>	<b>717,828</b>	<b>1,301,691</b>

The Group decreased provision for shutdown of heating plant T200 included under other provisions by amount of CZK 30,001 thousand (long-term part: CZK 14,950 thousand, short-term part: CZK 15,051 thousand).

Provision on CO2 allowances was created for estimated CO2 emissions in the period ended 30 June 2011 and 31 December 2010.

**17. COMMITMENTS AND CONTINGENCIES****Capital Commitments**

As at 30 June 2011 the Group had capital commitments for the acquisition of property, plant and equipment in the amount of CZK 431,381 thousand (as at 31 December 2010: CZK 334,243 thousand).

**Contingent liabilities and commitments related to Purchase of shares of PARAMO, a.s. , the sale of shares in KAUČUK, a.s. (currently SYNTHOS Kralupy a.s.) and the sale of shares in SPOLANA a.s.** are described in the consolidated financial statements of the Group as at and for the year ended 31 December 2010.

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

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

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

Following the above decision of the European Commission, UNIPETROL, a.s. has been served with a claim for damages, which tire producers brought against the members of the ESBR cartel. The claim for damages was filed with the High Court of Justice, Queen's Bench Division, Commercial Court. The claimants ask for damages, together with interest, to compensate for their loss suffered as a result of an alleged cartel.

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

As notified on July 13, 2011, General Court of the European Union quashed a decision of the European Commission of November 2006 which found UNIPETROL, a.s. and its former subsidiary SYNTHOS Kralupy a.s. liable for participation in a cartel. The Court concluded that the Commission had failed to prove cartel conduct on the part of UNIPETROL a.s. and SYNTHOS Kralupy a.s.. Both companies thus became entitled to reimbursement for a previously jointly paid EUR 17.5 million fine. As at the date of approval of these statements UNIPETROL a.s. has received EUR 9,8 million, which corresponds to the penalty paid and part of the accrued interest.

**Claims regarding reward for employees' invention** are described in the consolidated financial statements of the Group as at and for the year ended 31 December 2010. During the period ended 30 June 2011 there were no changes in relation to the issue.

**Guarantees**

The Group issued the guaranty on behalf of HC Litvínov in favour of Association of ice hockey clubs in amount of CZK 7,000 thousand. Based on the Group's request, Commerzbank AG, Komerční banka, a.s. and HSBC, a.s. issued bank guarantees relating to the security of customs debt and excise tax at customs offices in Most and Domažlice. Total balance of guarantees related to excise tax is CZK 855 million as at 30 June 2011 (31 December 2010 CZK 955 million).

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

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

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

30/06/2011	PKN Orlen	Parties under control or significant influence of the Group	Entities under control or significant influence of PKN Orlen	Other related parties
Current receivables	3	25,203	302,217	--
Current payables including loans	6,746,464	2,336	59,377	--
Non-current payables including loans	--	4	--	--
Expenses	26,626,341	39,833	932,979	--
Revenues	57,551	57,544	1,027,779	--
Interests income and expense	(1,563)	--	6,250	--

31/12/2010	PKN Orlen	Parties under control or significant influence of the Group	Entities under control or significant influence of PKN Orlen	Other related parties
Current receivables	24,725	38,183	185,200	--
Current payables including loans	5,680,150	13,356	162,806	--
Non-current payables including loans	--	4	--	--
Expenses	45,952,434	103,608	1,411,211	3,385
Revenues	1,190,751	186,900	1,699,031	340
Interests income and expense	(1,533)	--	19,527	--

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

In 6 month period ended 30 June 2011 and in 2010 there were no transactions concluded by the Group with related parties on other than market terms.

**Transactions with key management personnel**

In 6 month period ended 30 June 2011 and in 2010 the Group companies did not grant to key management personnel and their relatives any advances, loans, guarantees and commitments, or other agreements obliging, to render services to the Company and related parties. In 6 month period ended 30 June 2011 and in 2010 there were no significant transactions concluded with members of the Board of Directors, Supervisory Board, their spouses, siblings, descendants, ascendants or their other relatives.

**Transaction with related parties concluded by key management personnel of the Capital Group companies**

In 6 month period ended 30 June 2011 and in 2010 members of the key management personnel of the Parent Company and the Group companies submitted statements that they have not concluded any transaction with related parties.

**19. SIGNIFICANT POST BALANCE SHEET EVENTS**

Information on decision of the General Court of the European Union from 13 July 2011 is included in the note 17.

The Group's management is not aware of any other events that have occurred since the balance sheet date that would have any material impact on the financial statements as at 30 June 2011.

**UNIPETROL, a.s.**

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

**AS OF 30 JUNE 2011**



# UNIPETROL, a.s.

Non-consolidated statement of financial position  
prepared in accordance with International Financial Reporting Standards  
As at 30 June 2011  
(in thousands of Czech crowns)



	Note	30 June 2011 (unaudited)	31 December 2010 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	396,627	397,215
Intangible assets		845	1,187
Investment property		162,190	162,190
Investments in subsidiaries and joint ventures		14,354,033	14,354,116
Other investments		4,249	4,251
Loans to subsidiaries	10	2,498,608	2,662,294
Receivables from subsidiaries		132	168
Deferred tax asset		--	421
<b>Total non-current assets</b>		<b>17,416,684</b>	<b>17,581,842</b>
<b>Current assets</b>			
Trade and other receivables		460,957	175,655
Loans to subsidiaries	10	10,256,477	6,514,103
Loans to related companies	11	500,034	500,035
Prepaid expenses		8,181	9,251
Cash and cash equivalents		323,905	2,863,092
<b>Total current assets</b>		<b>11,549,554</b>	<b>10,062,136</b>
<b>Total assets</b>		<b>28,966,238</b>	<b>27,643,978</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		18,133,476	18,133,476
Reserves		1,679,586	1,654,065
Retained earnings	12	5,695,926	4,971,986
<b>Total equity</b>		<b>25,508,988</b>	<b>24,759,527</b>
<b>Non-current liabilities</b>			
Loans and borrowings	13	2,000,000	2,000,000
Provisions		400	400
Deferred tax liability		4,154	--
<b>Total non-current liabilities</b>		<b>2,004,554</b>	<b>2,000,400</b>
<b>Current liabilities</b>			
Trade and other payables and accruals		86,210	107,175
Loans and borrowings	13	1,337,793	734,890
Dividends payable		28,693	30,012
Current tax liabilities		--	11,974
<b>Total current liabilities</b>		<b>1,452,696</b>	<b>884,051</b>
<b>Total liabilities</b>		<b>3,457,250</b>	<b>2,884,451</b>
<b>Total equity and liabilities</b>		<b>28,966,238</b>	<b>27,643,978</b>

The non-consolidated financial statements are to be read in conjunction with the notes forming part of the non-consolidated financial statements set out on pages 23 to 28.

## UNIPETROL, a.s.

Non-consolidated statement of comprehensive income  
prepared in accordance with International Financial Reporting Standards  
For the 6 month period ended 30 June 2011  
(in thousands of Czech crowns)



	Note	30 June 2011 (unaudited)	30 June 2010 (unaudited)
Revenue	3	69,488	91,487
Cost of sales		(31,840)	(36,317)
<b>Gross profit</b>		<b>37,648</b>	<b>55,170</b>
Other income		1,671	2,038
Administrative expenses		(76,570)	(92,927)
Other expenses		(124)	(16)
<b>Results from operating activities</b>	5	<b>(37,375)</b>	<b>(35,735)</b>
Finance income		933,811	653,841
Finance costs		(129,895)	(144,937)
<b>Net finance income</b>	7	<b>803,916</b>	<b>508,904</b>
<b>Profit before income tax</b>		<b>766,541</b>	<b>473,169</b>
Income tax expense	8	(16,995)	(21,441)
<b>Profit for the period</b>		<b>749,546</b>	<b>451,728</b>
<b>Other comprehensive income:</b>			
Revaluation of investment property		(85)	--
<b>Other comprehensive income for the period, net of tax</b>		<b>(85)</b>	<b>--</b>
<b>Total comprehensive income for the period</b>		<b>749,461</b>	<b>451,728</b>
<b>Basic and diluted earnings per share (in CZK)</b>		<b>4.13</b>	<b>2.49</b>

The non-consolidated financial statements are to be read in conjunction with the notes forming part of the non-consolidated financial statements set out on pages 23 to 28.

## UNIPETROL, a.s.

Non-consolidated statement of changes in equity  
prepared in accordance with International Financial Reporting Standards  
For the 6 month period ended 30 June 2011  
(in thousands of Czech crowns)



	Share capital	Statutory reserves	Fair value changes relating to investment property	Other reserves	Retained earnings	Total equity
<b>Balance as at 1 January 2010</b>	<b>18,133,476</b>	<b>1,612,772</b>	<b>20,748</b>	<b>7,455</b>	<b>4,472,958</b>	<b>24,247,409</b>
Profit for the period	--	--	--	--	451,728	451,728
<b>Total comprehensive income for the period</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>451,728</b>	<b>451,728</b>
Allocation of profit to reserves	--	13,093	--	--	(13,093)	--
<b>Balance as at 30 June 2010</b>	<b>18,133,476</b>	<b>1,625,865</b>	<b>20,748</b>	<b>7,455</b>	<b>4,911,593</b>	<b>24,699,137</b>
<b>Balance as at 1 January 2011</b>	<b>18,133,476</b>	<b>1,625,865</b>	<b>20,748</b>	<b>7,452</b>	<b>4,971,986</b>	<b>24,759,527</b>
Profit for the period	--	--	--	--	749,546	749,546
<b>Total comprehensive income for the period</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>749,546</b>	<b>749,546</b>
Allocation of profit to reserves	--	25,606	--	--	(25,606)	--
Other movements	--	--	(85)	--	--	(85)
<b>Balance as at 30 June 2011</b>	<b>18,133,476</b>	<b>1,651,471</b>	<b>20,663</b>	<b>7,452</b>	<b>5,695,926</b>	<b>25,508,988</b>

The non-consolidated financial statements are to be read in conjunction with the notes forming part of the non-consolidated financial statements set out on pages 23 to 28.

# UNIPETROL, a.s.

Non-consolidated statement of cash flows  
prepared in accordance with International Financial Reporting Standards  
For the 6 month period ended 30 June 2011  
(in thousands of Czech crowns)



	30 June 2011 (unaudited)	30 June 2010 (unaudited)
<b>Cash flows from operating activities:</b>		
Profit for the period	<b>749,546</b>	<b>451,728</b>
Adjustments for:		
Depreciation of property, plant and equipment	1,595	2,365
Loss / (gain) on disposals of property, plant and equipment	(1,068)	(776)
Profit on disposals of financial investments	--	(15,054)
Interest and dividends, net	(804,638)	(494,828)
Reversal of impairment losses on financial investments, property, plant and equipment, inventory and receivables	(30)	(25)
Foreign exchange gain (loss)	17	(20)
Income tax expense	16,995	21,441
Changes in:		
- trade and other receivables and other current assets	79,126	140,255
- in trade and other payables and accruals	(50,113)	(115,272)
Interest paid	(16,119)	(28,460)
<b>Net cash used in operating activities</b>	<b>(24,689)</b>	<b>(38,646)</b>
<b>Cash flows from investing activities:</b>		
Dividends received	363,411	307,734
Interest received	99,724	120,074
Proceed from sale of property, plant and equipment and intangible assets	982	5,111
Proceed from sale of financial investments	--	16,147
Acquisition of property, plant and equipment and intangible assets	(579)	(4,379)
Acquisition of financial investments	--	(76,500)
Change in loans to subsidiaries	(3,473,169)	(220,323)
Change in loans to related companies	1	(249,821)
<b>Net cash used in investing activities</b>	<b>(3,009,630)</b>	<b>(101,957)</b>
<b>Cash flows from financing activities:</b>		
Change in loans and borrowings	492,873	710,646
Dividends paid	(1,319)	(1,027)
<b>Net cash from financing activities</b>	<b>491,554</b>	<b>709,619</b>
<b>Net change in cash and cash equivalents</b>	<b>(2,542,765)</b>	<b>569,016</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>2,863,092</b>	<b>253,876</b>
Effects of exchange rates changes on the balance of cash held in foreign currencies	3,578	(220)
<b>Cash and cash equivalents at the end of the period</b>	<b>323,905</b>	<b>822,672</b>

The non-consolidated financial statements are to be read in conjunction with the notes forming part of the non-consolidated financial statements set out on pages 23 to 28.



**Index**

1. Description of the company .....	24
2. Basis of preparation and significant accounting policies .....	24
3. Revenue .....	25
4. Business segments .....	25
5. Operating expenses and incomes .....	25
6. Impairment allowances of assets .....	25
7. Finance income and finance expense .....	26
8. Income tax.....	26
9. Property, plant and equipment .....	26
10. Loans to subsidiaries.....	26
11. Current loans to related companies.....	27
12. Retained earnings and dividends .....	27
13. Loans and borrowings .....	27
14. Commitments and contingencies .....	27
15. Related parties .....	28
16. Significant post balance sheet events .....	28

**1. DESCRIPTION OF THE COMPANY***Establishment of the parent company*

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

*Registered office of the Company*

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

*Principal activities*

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

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

*Ownership structure*

The shareholders as at 30 June 2011 are as follows:

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

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES****A Statement of compliance and general principles of preparation**

These condensed non-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 non-consolidated financial statements of the Company as at and for the year ended 31 December 2010.

These condensed non-consolidated interim financial statements have been prepared on a going concern basis. As at the date of approval of the statements there is no indication that the Group will not be able to continue as a going concern in the foreseeable future.

The financial statements, except for statement of cash flows, are prepared on the accrual basis of accounting.

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. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2010.

**B Significant accounting policies**

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

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

Amendments to IFRS that came into force on or after 1 January 2011 have no effect on current and previously presented financial results and equity.

Certain new standards and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 January 2011 or later periods.

The Company will adopt the changes after their acceptance by the European Commission in accordance their effective date. The possible impact of the changes on the Group's future consolidated financial statements is being analyzed.

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****C Functional and presentation currency**

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

**D Information on seasonality and cyclicity Company's operations**

The Company does not report any material seasonal or cyclical character of its operation in the period ended 30 June 2011.

**3. REVENUE**

	30/06/2011	30/06/2010
Fees for use of land	53,403	51,969
Revenue from services	16,085	39,518
<b>Total revenue</b>	<b>69,488</b>	<b>91,487</b>

**4. BUSINESS SEGMENTS**

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

**5. OPERATING EXPENSES AND INCOMES****Cost of sales**

	30/06/2011	30/06/2010
Cost of finished goods and services sold	(31,840)	(36,317)
<b>Total</b>	<b>(31,840)</b>	<b>(36,317)</b>

**Cost by nature**

	30/06/2011	30/06/2010
Materials and energy	(1,162)	(866)
External services	(51,981)	(68,508)
Personnel costs	(52,075)	(52,410)
Depreciation and amortisation	(1,595)	(2,365)
Taxes and charges	(1,174)	(1,276)
Other	(547)	(3,835)
<b>Operating expenses</b>	<b>(108,534)</b>	<b>(129,260)</b>
Administrative expenses	76,570	92,927
Other operating expenses	124	16
<b>Cost of finished goods, services, merchandise and raw materials sold</b>	<b>(31,840)</b>	<b>(36,317)</b>

**Other operating incomes**

	30/06/2011	30/06/2010
Profit on sale of non-current non-financial assets	1,068	776
Insurance income	414	479
Reversal of receivables impairment allowances	30	25
Other	159	758
<b>Total</b>	<b>1,671</b>	<b>2,038</b>

**Other operating expenses**

	30/06/2011	30/06/2010
Donations	(53)	-
Other	(71)	(16)
<b>Total</b>	<b>(124)</b>	<b>(16)</b>

**6. IMPAIRMENT ALLOWANCES OF ASSETS****Impairment allowances**

In the period ended 30 June 2011 receivables allowances in amount of CZK 30 thousand were released (period ended 30 June 2010: CZK 25 thousand). There were no other impairment allowances on assets recognised or released in the periods ended 30 June 2011 and 30 June 2010.

**7. FINANCE INCOME AND FINANCE EXPENSE**

	30/06/2011	30/06/2010
<b>Finance income</b>		
Interest income	205,243	224,807
Dividend income	725,543	410,336
Net foreign exchange gains	--	20
Profit from sale of investments in subsidiaries	--	15,054
Other finance income	3,025	3,624
<b>Total finance income</b>	<b>933,811</b>	<b>653,841</b>
<b>Finance costs</b>		
Interest expense	(126,148)	(140,315)
Net foreign exchange losses	(17)	--
Other finance expenses	(3,730)	(4,622)
<b>Total finance costs</b>	<b>(129,895)</b>	<b>(144,937)</b>
<b>Net finance income</b>	<b>803,916</b>	<b>508,904</b>

**8. INCOME TAX**

	30/06/2011	30/06/2010
Current tax	(12,420)	(20,710)
Deferred tax	(4,575)	(731)
<b>Income tax expense</b>	<b>(16,995)</b>	<b>(21,441)</b>

**9. PROPERTY, PLANT AND EQUIPMENT****Acquisitions and disposals**

During the six month ended 30 June 2011 the Group acquired assets with a cost of CZK 579 thousand (six month ended 30 June 2010: CZK 4,267 thousand).

Assets with a carrying amount of CZK 3,876 thousand were disposed during six months ended 30 June 2011 (six months ended 30 June 2010: CZK 8,377 thousand), resulting in a gain on disposal of CZK 1,068 thousand (six months ended 30 June 2010: CZK 776 thousand), which is included in other operating income in the statement of comprehensive income.

**10. LOANS TO SUBSIDIARIES**

	30/06/2011	31/12/2010
<b>Non – current loans</b>		
Non-current loans	2,498,608	2,662,294
<b>Total non – current loans</b>	<b>2,498,608</b>	<b>2,662,294</b>
<b>Current loans</b>		
Cash pooling	2,061,003	1,577,295
Operating loans	8,195,474	4,936,808
<b>Total current loans</b>	<b>10,256,477</b>	<b>6,514,103</b>

**Non-current loans to subsidiaries**

The Company provided to its subsidiaries UNIPETROL RPA, s.r.o., BENZINA, s.r.o. and BUTADIEN KRALUPY a.s. non-current loans amounting to CZK 2,498,608 thousand as at 30 June 2011.

A carrying amount of the loan provided to BENZINA s.r.o. was CZK 2,215,733 thousand and fair value amounted to CZK 2,839,348 thousand as at 30 June 2011. Part of the loan due within twelve months is presented in current assets.

Movement table of operating loans to subsidiaries:

	Non-current loans		Current loans	
	30/06/2011	31/12/2010	30/06/2011	31/12/2010
<b>Balance at beginning of the period</b>	<b>2,662,294</b>	<b>2,963,304</b>	<b>4,936,808</b>	<b>6,878,136</b>
Loans granted	--	77,361	4,914,436	6,828,279
Repayments	--	(51,000)	(1,819,456)	(9,096,978)
Reclassification to current from non-current loans to subsidiaries	(163,686)	(327,371)	163,686	327,371
<b>Balance at end of the period</b>	<b>2,498,608</b>	<b>2,662,294</b>	<b>8,195,474</b>	<b>4,936,808</b>

**Current loans to subsidiaries**

The Company provided current loans to its subsidiaries: UNIPETROL RPA, s.r.o., BENZINA s.r.o., PARAMO a.s., Butadien Kralupy a.s..

**11. CURRENT LOANS TO RELATED COMPANIES**

As at 30 June 2011 the Company had a short-term loan to related entity SPOLANA a.s. The carrying amount of the loan amounted CZK 500,034 thousand as at 30 June 2011 (31 December 2010 – CZK 500,035 thousand). The interest rates were based on appropriate inter-bank rates and the fair value of the loan approximated its carrying amount at 30 June 2011. Zakłady Azotowe ANWIL Spółka Akcyjna provided full guarantee for the loan obligation of SPOLANA a.s..

**12. RETAINED EARNINGS AND DIVIDENDS**

The Ordinary General Meeting of UNIPETROL, a.s. held on 30 June 2011 decided on appropriation of the profit for 2010 amounting to CZK 512,121 thousand. In accordance with Article 26 (1) of the Company's Articles of Association CZK 25,606 thousand was allocated to the reserve fund and CZK 486,515 thousand to retained earnings.

**13. LOANS AND BORROWINGS**

	30/06/2011	31/12/2010
<b>Non – current loans and borrowings</b>		
Unsecured bonds issued	2,000,000	2,000,000
<b>Total non – current loans and borrowings</b>	<b>2,000,000</b>	<b>2,000,000</b>
<b>Current loans and borrowings</b>		
Current portion of unsecured bonds issued	212,685	102,634
Unsecured bank loans	5,632	15,967
Unsecured loans from subsidiaries	1,119,476	616,289
<b>Total current loans and borrowings</b>	<b>1,337,793</b>	<b>734,890</b>

**Analyses of bank loans**

	Total
<b>Balance at beginning of the period</b>	<b>15,967</b>
Loans taken	2,340,640
Repayments	(2,350,975)
<b>Balance at end of the period</b>	<b>5,632</b>

**Loans from subsidiaries**

The current loans from subsidiaries are connected with a cash-pool structure. During the year 2011 the Company had cash-pooling agreements with following banks and subsidiaries:

Banks: CITIBANK a.s., ING Bank N.V., organizační složka and Česká spořitelna, a.s., Credit Agricole, S.A., RBS, N.V..

Subsidiaries: UNIPETROL RPA, s.r.o., BENZINA s.r.o., PARAMO,a.s., UNIPETROL DOPRAVA, s.r.o., UNIPETROL TRADE a.s., PETROTRANS, s.r.o., UNIPETROL SERVICES, s.r.o., UNIPETROL SLOVENSKO, s.r.o., BUTADIEN KRALUPY a.s. and MOGUL SLOVAKIA, s.r.o..

Cash on bank accounts with the above mentioned banks is pooled among the Company and subsidiaries listed above. The agreements enable the Company and the subsidiaries to take bank overdrafts at the total amount within the range from CZK 1,000,000 thousand to CZK 1,500,000 thousand at each bank. Interest income / expense is calculated from pooled balances and subsequently divided between the participants. The liabilities from cash-pooling bank loans amounted CZK 5,632 thousand and cash-pooling liabilities to subsidiaries in amount of CZK 1,119,476 thousand as at 30 June 2011 (as at 31 December 2010 CZK 10,695 thousand and CZK 616,289 thousand).

**14. COMMITMENTS AND CONTINGENCIES****Capital Commitments**

As at 30 June 2011 and 31 December 2010 the Company didn't have had capital commitments for the acquisition of property, plant and equipment.

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

are described in the consolidated financial statements of the Company as at and for the year ended 31 December 2010.

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

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

In November 2006, the European Commission imposed fines, among others, upon Shell, Dow, Eni, UNIPETROL, a.s. and SYNTHOS Kralupy a.s. for an alleged cartel in the area of Emulsion Styrene Butadiene Rubber ("ESBR"). UNIPETROL, a.s. and SYNTHOS Kralupy a.s., its subsidiary at that time, were

**14. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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.

Following the above decision of the European Commission, UNIPETROL, a.s. has been served with a claim for damages, which tire producers brought against the members of the ESBR cartel. The claim for damages was filed with the High Court of Justice, Queen's Bench Division, Commercial Court. The claimants ask for damages, together with interest, to compensate for their loss suffered as a result of an alleged cartel.

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

As notified on July 13, 2011, General Court of the European Union quashed a decision of the European Commission of November 2006 which found UNIPETROL, a.s. and its former subsidiary SYNTHOS Kralupy a.s. liable for participation in a cartel. The Court concluded that the Commission had failed to prove cartel conduct on the part of UNIPETROL a.s. and SYNTHOS Kralupy a.s. Both companies thus became entitled to reimbursement for a previously jointly paid EUR 17.5 million fine. As at the date of approval of these statements UNIPETROL a.s. has received EUR 9,8 million, which corresponds to the penalty paid and part of the accrued interest.

**15. RELATED PARTIES***Ultimate controlling party*

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

	30/06/2011		
	PKN Orlen	Parties under control or significant influence of the Company	Entities under control or significant influence of PKN Orlen
Current receivables and loans	3	10,654,878	500,034
Current payables and loans	1,032	1,131,392	--
Non-current receivables and loans	--	2,498,608	--
Expenses	1,508	29,524	19
Revenues	162	58,295	50
Purchases of fixed assets	--	579	--
Sales of property, plant and equipment	--	222	--
Dividends income	--	725,543	--
Financial income and expense	--	198,222	6,250

	31/12/2010		
	PKN Orlen	Parties under control or significant influence of the Company	Entities under control or significant influence of PKN Orlen
Current receivables	108	6,539,449	500,178
Current payables including loans	1,812	627,776	--
Non-current receivables	--	2,710,053	--
Expenses	11,005	58,049	126
Revenues	119	141,496	100
Purchases of fixed assets	--	204	--
Sales of property, plant and equipment	--	3,590	--
Dividends income	--	410,336	--
Financial income and expense	--	412,237	11,067

**16. SIGNIFICANT POST BALANCE SHEET EVENTS**

Information on decision of the General Court of the European Union from 13 July 2011 is included in the note 14.

The Group's management is not aware of any other events that have occurred since the balance sheet date that would have any material impact on the financial statements as at 30 June 2011.

**UNIPETROL, a.s.**

**Unaudited condensed interim consolidated and non-consolidated financial statements  
prepared in accordance with International Financial Reporting Standards**

Period ended 30 June 2011

---

Signature of statutory representatives

3 August 2011

Piotr Chelminski

Mariusz Kedra

Chairman of the Board of Directors

Member of the Board of Directors