

UNIPETROL, a.s.

Non-consolidated balance sheet
prepared in accordance with International Financial Reporting Standards
As at 31 December 2007
(in thousands of Czech crowns)

	Note	31 December 2007	31 December 2006
ASSETS			
Non-current assets			
Property, plant and equipment	10	376,253	519,502
Intangible assets	11	42,925	138
Investment property	12	162,955	--
Investments in subsidiaries and joint ventures	13	14,117,868	12,636,364
Other investments	14	4,151	817,116
Loans to subsidiaries	16	3,070,718	3,349,365
Receivables from subsidiaries	17	95,716	110,602
Deferred tax asset	20	--	11,911
Total non-current assets		17,870,586	17,444,998
Current assets			
Trade and other receivables	18	468,652	166,409
Loans to subsidiaries	19	4,013,567	3,830,918
Prepaid expenses		5,586	6,943
Income tax receivable		--	3,064
Cash and cash equivalents	21	2,272,023	1,016,186
Assets classified as held for sale	15	853,129	5,347,618
Total current assets		7,612,957	10,371,138
Total assets		25,483,543	27,816,136
EQUITY AND LIABILITIES			
Equity			
Share capital	22	18,133,476	18,133,476
Reserves	23	1,419,355	1,277,185
Retained earnings		3,208,145	3,338,875
Total equity		22,760,976	22,749,536
Non-current liabilities			
Loans and borrowings	25	2,000,000	2,000,000
Finance lease liability		207	--
Total non-current liabilities		2,000,207	2,000,000
Current liabilities			
Trade and other payables and accruals	26	226,594	426,489
Loans and borrowings	27	495,766	2,640,111
Total current liabilities		722,360	3,066,600
Total liabilities		2,722,567	5,066,600
Total equity and liabilities		25,483,543	27,816,136

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 5 to 56.

UNIPETROL, a.s.

Non-consolidated income statement
prepared in accordance with International Financial Reporting Standards
For the year ended 31 December 2007
(in thousands of Czech crowns)

	Note	2007	2006
Revenue	4	282,909	177,728
Cost of sales		(183,494)	(84,463)
Gross profit		99,415	93,265
Other income		17,493	5,173
Administrative expenses		(314,943)	(354,993)
Other expenses		(27,917)	(260,901)
Operating loss before finance income	6	(225,952)	(517,456)
Finance income		761,723	3,484,122
Finance expenses		(532,981)	(535,908)
Net finance income	7	228,742	2,948,214
Profit before tax		2,790	2,430,758
Income tax (expense) / credit	9	(11,911)	1,430
Profit / (loss) for the period		(9,121)	2,432,188

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 5 to 56.

UNIPETROL, a.s.

Non-consolidated statement of changes in equity
prepared in accordance with International Financial Reporting Standards
For the year ended 31 December 2007
(in thousands of Czech crowns)

	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2006	18,133,476	1,225,914	957,984	20,317,374
Allocation of profit to reserves	--	51,297	(51,297)	--
Profit for the period	--	--	2,432,188	2,432,188
Other	--	(26)	--	(26)
Balance as at 31 December 2006	18,133,476	1,277,185	3,338,875	22,749,536

	Share capital	Reserves	Retained earnings	Total
Balance as at 1 January 2007	18,133,476	1,277,185	3,338,875	22,749,536
Allocation of profit to reserves	--	121,609	(121,609)	--
Loss for the period	--	--	(9,121)	(9,121)
Other - fair value of investment property	--	20,561	--	20,561
Balance as at 31 December 2007	18,133,476	1,419,355	3,208,145	22,760,976

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 5 to 56.

UNIPETROL, a.s.

Non-consolidated statement of cash flows
prepared in accordance with International Financial Reporting Standards
For the year ended 31 December 2007
(in thousands of Czech crowns)

	Note	2007	2006
Cash flows from operating activities:			
Profit / (loss) for the period		(9,121)	2,432,188
Adjustments for:			
Depreciation and amortisation of property, plant and equipment and intangible assets	11,12	7,298	5,807
Gain on disposals of property, plant and equipment and intangible assets		(2,892)	(1,935)
Profit on disposals of financial investments		(50,799)	(69,961)
Interest income, net		(176,610)	(40,295)
Dividend income		(69,077)	(2,962,755)
Impairment losses (reversal of impairment) on assets classified as held for sale, property, plant and equipment and receivables		(151,381)	115,653
Foreign exchange losses / (gains)		33,254	121
Income tax expense / (credit)		11,911	(1,430)
Operating profit before changes in working capital		(407,417)	(522,607)
Change in trade receivables and prepaid expenses		(301,327)	43,978
Change in trade and other payables and accruals		(201,395)	68,331
Interest paid		(932,316)	(335,822)
Income tax reimbursed		3,064	16,191
Net cash used in operating activities		(1,839,391)	(729,929)
Cash flows from investing activities:			
Increase of capital of subsidiary		(1,060,000)	(1,082)
Acquisition of property, plant and equipment and intangible assets		(51,598)	(12,896)
Acquisition of additional shares in subsidiaries and joint ventures		(425,133)	--
Proceed from sales of property, plant and equipment and intangible assets		5,273	3,166
Proceed from sales of financial investments		5,513,625	640,383
Interest received		1,087,025	375,244
Repayment of / (providing) borrowings by / to subsidiaries		(562,307)	(805,900)
Dividends received		69,077	2,962,755
Net cash provided by investing activities		4,575,962	3,161,670
Cash flows from financing activities:			
Repayment of loans and borrowings		(1,480,734)	(1,428,248)
Net cash used in financing activities		(1,480,734)	(1,428,248)
Net change in cash and cash equivalents		1,255,837	1,003,493
Cash and cash equivalents at beginning of the year		1,016,186	12,693
Cash and cash equivalents at the end of the year		2,272,023	1,016,186

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 5 to 56.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

Index

1.	Description of the company	6
2.	Significant investments in subsidiaries, jointly controlled entities and associated companies	8
3.	Significant accounting policies	11
4.	Revenue	27
5.	Business segments.....	27
6.	Analysis of expenses according to their nature.....	28
7.	Finance income and finance expenses	30
8.	Personnel expenses	30
9.	Income tax expense.....	31
10.	Property, plant and equipment	32
11.	Intangible assets	33
12.	Investment property	34
13.	Investments in subsidiaries and joint - ventures	34
14.	Other investments	37
15.	Assets classified as held for sale.....	37
16.	Non-current loans to subsidiaries.....	40
17.	Non-current receivables	40
18.	Trade and other receivables	41
19.	Current loans to subsidiaries	42
20.	Deferred tax	42
21.	Cash and cash equivalents.....	43
22.	Share capital.....	44
23.	Statutory reserves.....	44
24.	Retained earnings and dividends.....	44
25.	Non-current loans and borrowings.....	45
26.	Trade and other payables and accruals	46
27.	Current loans and borrowings	46
28.	Operating leases	48
29.	Commitments and contingencies	48
30.	Related parties.....	50
31.	Risk management.....	51
32.	Past environmental liabilities	55
33.	Significant post balance sheet events.....	56

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

1. DESCRIPTION OF THE 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.
Klimentská 10
110 05 Praha 1
Czech Republic

Principal business of the Company

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 including synthetic rubber, 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 31 December 2007 are as follows:

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

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

1. DESCRIPTION OF THE COMPANY (CONTINUED)

Members of the statutory and supervisory bodies as at 31 December 2007 were as follows:

	Position	Name
Board of directors	Chairman	François Vleugels
	Vice-Chairman	Wojciech Ostrowski
	Member	Ivan Ottis
	Member	Miroslav Krejčí
	Member	Martin Durčák
	Member	Arkadiusz Kotlicki
Supervisory board	Chairman	Piotr Kownacki
	Vice-Chairman	Dariusz Formela
	Member	Ivan Kočárník
	Member	Rafał Kapler
	Member	Czesław Bugaj
	Member	Mirosław Jasiński
	Member	Piotr Kearney
	Member	Robert Bednarski
	Member	Krystian Pater
	Member	Zdeněk Černý
	Member	Miloslav Suchánek
	Member	Waldemar Maj

Changes in the board of directors during 2007 were as follows:

Position	Name	Change	Date of change
Member	Wojciech Ostrowski	Elected as member	28 June 2007
Vice-Chairman	Wojciech Ostrowski	Elected as Vice-Chairman	10 July 2007
Member	Arkadiusz Kotlicki	Elected as member	30 August 2007
Vice-Chairman	Dariusz Marzec	Resigned as Vice-Chairman and member	11 October 2007

Changes in the supervisory board during 2007 were as follows:

Position	Name	Change	Date of change
Chairman	Igor Chalupec	Resigned as Chairman and member	26 January 2007
Member	Wojciech Lorenc	Resigned as member	26 January 2007
Chairman	Piotr Kownacki	Elected as Chairman	5 March 2007
Member	Pawel Jasiński	Recalled as member	5 March 2007
Member	Miroslav Jasiński	Elected as member	5 March 2007
Member	Arkadiusz Kotlicki	Elected as member	5 March 2007
Vice-Chairman	Cezary Smorczewski	Resigned as Vice-Chairman and member	26 April 2007
Member	Krystian Pater	Elected as member (replacement)	26 April 2007
Member	Krystian Pater	Elected as member	28 June 2007
Vice-Chairman	Dariusz Formela	Elected as Vice-Chairman	30 August 2007
Member	Arkadiusz Kotlicki	Resigned as member	30 August 2007
Member	Robert Bednarski	Elected as member (replacement)	30 August 2007
Member	Waldemar Maj	Elected as member (replacement)	8 November 2007

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

2. SIGNIFICANT INVESTMENTS IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

The following table shows subsidiaries and joint-ventures forming the consolidated group of UNIPETROL, a.s., and the Company's interest in the capital of subsidiaries and joint-ventures held either directly by the Company or indirectly by the consolidated subsidiaries (information as of 31 December 2007).

Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries
Parent company		
UNIPETROL, a.s. Klimentská 10 110 05 Praha 1 Czech Republic		
Consolidated subsidiaries		
CHEMOPETROL, a.s. (from 1.8.2007 Unipetrol RPA, s.r.o.) Litvínov - Záluží 1 436 70 Litvínov Czech Republic	100.00 %	--
BENZINA s.r.o. Dělnická 12 170 04 Praha 7 Czech Republic	100.00 %	--
PARAMO, a.s. Přerovská 560 530 06 Pardubice Czech Republic	88.03 %	--
UNIPETROL TRADE a.s. Klimentská 10 110 05 Praha 1 Czech Republic	100.00 %	--
UNIPETROL RAFINÉRIE a.s. (from 1.8.2007 Unipetrol RPA, s.r.o.) Litvínov – Záluží 436 70 Litvínov Czech Republic	100.00 %	--
KAUČUK, a.s. (until 19.7.2007; since 2.11.2007 renamed to SYNTHOS Kralupy a.s.) O. Wichterleho 810 278 52 Kralupy nad Vltavou Czech Republic	100.00 %	--

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

2. SIGNIFICANT INVESTMENTS IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (CONTINUED)

Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries
UNIPETROL - DOPRAVA s.r.o. Litvínov – Růžodol č.p. 4 436 70 Litvínov Czech Republic	--	100.00 %
HC Litvínov, a.s. S.K.Neumanna 1598, zimní stadión 436 01 Litvínov Czech Republic	--	70.95 %
POLYMER INSTITUT BRNO, spol. s.r.o. Tkalcovská 36/2 Brno Czech Republic	--	100.00 %
UNIRAF Slovensko s.r.o. Panónska cesta 7 850 00 Bratislava Slovak Republic	--	100.00 %
UNIPETROL CHEMICALS IBERICA S.A C/Travesera de Gracia, 58, 1o2a. 08006 Barcelona Spain	--	100.00 %
CHEMAPOL (SCHWEIZ) AG Leimenstrasse 21 4003 Basel Switzerland	--	100.00%
UNIPETROL AUSTRIA HmbH Apfelfasse 2 1040 Vienna Austria	--	100.00%
ALIACHEM VERWALTUNGS GmbH Paul-Ehrlich-Strasse 1 b 63225 Langen/Hessen Germany	--	100.00%
UNIPETROL DEUTSCHLAND GmbH Paul Ehrlich Str. 1/B 63225 Langen/Hessen Germany	--	100.00%
ALIAPHARM GmbH Niedenau 49 Postfach 170237 D-60325 FRANKFURT/Main Germany	--	100.00%
BENZINA Trade a.s. in liquidation Dělnická 12 170 04 Praha 7 Czech Republic	--	100.00%
PETROTRANS, s.r.o. Dělnická 12 170 04 Praha 12 Czech Republic	--	100.00%

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

2. SIGNIFICANT INVESTMENTS IN SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATED COMPANIES (CONTINUED)

Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries
Consolidated joint - ventures		
ČESKÁ RAFINÉRSKÁ, a.s. 436 70 Litvínov Czech Republic	51.225 %	--

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

The following investments were treated as investments in equity accounted investees until 30 September 2005 when the board of directors of UNIPETROL, a.s. realised that there is no longer a significant influence over AGROBOHEMIE a.s. and Synthesia, a.s. As of 31 December 2006 they were presented as other investments. As of 31 December 2007 these investments are presented as assets classified as held for sale. For further information refer to note 16.

Name and registered office	Ownership interest of the parent company in share capital
Associated companies (until 30 September 2005)	
AGROBOHEMIE a.s. Roháčova 1099/83 130 00 Praha 3 Czech Republic	50.00 %
Synthesia, a.s. (formerly ALIACHEM, a.s.) Pardubice č.p. 103 532 17 Pardubice, Semtín Czech Republic	38.79 %

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

3. SIGNIFICANT ACCOUNTING POLICIES

A Statement of compliance

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.

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

- IFRS 8 Operating Segments – effective from 1 January 2009
- IFRIC 12 Service Concession Arrangements (effective from 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 Company's operations as the Company has not entered into any service concession arrangements.
- IFRIC 13 Customer Loyalty Programmes – effective from 1 July 2008
- IFRIC 14 – Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – effective from 1 January 2008

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

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

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B Basis of preparation

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.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 10 –property, plant and equipment in relation to impairment and note 20 – deferred tax.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

C Significant accounting policies

(1) Investments in subsidiaries, jointly controlled entities and associates

Investments in subsidiaries, jointly controlled entities and associates are carried in the balance sheet at cost less any impairment of the value of individual investments.

(2) Loans provided to subsidiaries and associates

Loans provided to subsidiaries and associates are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loan on an effective interest basis.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(3) Revenue recognition

(i) Goods sold and services rendered

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer and amount of revenue and costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods. When the Company acts as an agent for its customers and buys and sells goods for a fixed margin without controlling purchase and selling prices, it does not report the revenue and cost from the sale of goods on a gross basis. It reports a net margin in the income statement.

(ii) Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income to be received.

(iii) Interest and dividend income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(iv) Government grants

Government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Company will comply with the conditions attaching to it. Grants that compensate the Company for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Company for the cost of an asset are recognised in the income statement as other operating income on a systematic basis over the useful life of the asset.

(4) Foreign currency

(i) Foreign currency translation

The financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency).

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In preparing the financial statements transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Any gains or losses resulting from changes in foreign exchange rates after the transaction date are recognized as financial income or expenses in the income statement. The foreign exchange gains and losses are presented in the profit and loss in the net amount.

(5) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(6) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are recognized regardless of when the timing difference is likely to be realized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is recognised in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends and is able to settle its current tax assets and liabilities on a net basis.

(7) Property, plant and equipment

(i) Owned assets

Items of assets owned are stated at cost less accumulated depreciation (see below) and impairment losses (refer to accounting policy 10). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Depreciation is charged so as to write off the cost or valuation of assets to their residual values, other than land, over their estimated useful lives, using the straight-line method, on the following bases:

Fixtures and fittings	2 – 20 years
Vehicles	4 – 17 years
Other tangible fixed assets	4 – 30 years

Depreciation of an asset begins when it is available for use that is from the month it is in the location and condition necessary for it to be capable of operating in the manner intended by the management, over the period reflecting their estimated economic useful life, considering the residual value. Appropriateness of the applied depreciation rates is verified periodically (once a year), and respective adjustments are made to the subsequent periods of depreciation. Components of assets which are material for the whole item are depreciated separately in accordance with their economic useful life.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Items of assets costing less than CZK 40 thousand are charged to the profit or loss account in the period in which they are ready for their intended use.

Assets under development are stated at cost. This includes cost of construction and other direct costs. Assets under development are not depreciated until the relevant assets are ready for their intended use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between sales proceeds and the carrying amount of the asset and is recognised in income.

The residual value, estimated useful life and depreciation methods are reassessed annually.

The costs of current maintenance of property, plant and equipment is recorded in the financial result during the period when they are incurred.

(ii) Leased assets

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. In calculating the present value of the minimum lease payments the discount factor is the interest rate implicit in the lease. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iii) Subsequent expenditure

The Company recognises in the carrying amount of an item of assets the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(8) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Gains and losses resulting from changes in fair value of investment property are presented in the profit and loss in the period when remeasured.

(9) Intangible assets

Intangible assets are measured at acquisition or construction cost less amortization and impairment allowances. Intangible assets with a definite useful life are amortized when it is available for use that is when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management over their estimated economic useful life. Appropriateness of the applied amortization periods and rates is periodically reviewed, at least at the end of the reporting year, and potential adjustments to amortization allowances are made in the subsequent periods. Intangible assets costing less than CZK 60 thousand are charged to the profit and loss account in the period in which they are ready for their intended use. Intangible assets with an indefinite useful life are not amortized.

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Company has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Development costs that have been capitalised are amortised on a straight-line basis over the period of their expected benefit.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Computer software

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company and will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include employee costs of the software development team and an appropriate portion of relevant overheads.

Expenditure, which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of five years.

(iii) Other intangible assets

Expenditure to acquire patents, trademarks and licenses is capitalised and amortised using the straight-line method over their useful lives, except for licenses related to the purchase of production technologies, which are amortised over the estimated useful life of the technologies purchased. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

(iv) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only if it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(10) Impairment

The carrying amounts of the Company's assets, other than deferred tax assets (refer to accounting policy 6), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use and intangible assets with indefinite useful lives, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) *Calculation of recoverable amount*

Financial instruments, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial instruments are impaired where there is an objective evidence that, as a result of one or more events that occurred after the initial recognition the estimated future cash flows of the instrument have been impacted.

For equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial instruments the objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- evidence that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial instruments, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial instruments measured at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) *Reversals of impairment*

An impairment loss in respect of a held-to-maturity security or receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised as income. An impairment loss recognised in respect of goodwill is not reversed in subsequent periods.

(11) Trade and other receivables

Trade and other receivables are recognized initially at the present value of the expected proceeds and are stated in subsequent periods at amortized cost using the effective interest method less any impairment losses.

(12) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank, bank deposits and short-term highly liquid investments with original maturities of three months and less. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(13) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments are initially recognised at fair value, plus transaction costs, except for instruments at fair value through profit or loss, which are initially measured at fair value. Non-derivative financial instruments are classified into the following categories: financial assets 'at fair value through profit or loss', 'held-to-maturity', 'available-for-sale' and other. The classification depends on the nature and purpose of the financial instrument and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument.

Financial assets at fair value through profit or loss

Financial instruments are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss upon initial recognition.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A financial instrument is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial instrument other than a financial instrument held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial instrument forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial instruments at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described below.

Held-to-maturity

Debt securities with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment.

Available-for-sale financial instruments

Equity securities held by the Company that are traded in an active market are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described below. Gains and losses arising from changes in fair value are recognised directly in equity with the exception of impairment losses and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the instrument is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Other financial instruments

Other financial instruments include instruments that have fixed or determinable payments that are not quoted in an active market. Other financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Derecognition of financial instruments

The Company derecognises a financial instrument when the contractual rights to the cash flows from the asset expire; or it transfers the financial instrument and substantially all the risks and rewards of ownership of the instrument to another entity.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred instrument, the Group recognises its retained interest in the instrument and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial instrument, the Company continues to recognise the financial instrument and also recognises a collateralised borrowing for the proceeds received.

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A derivative instrument is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Hedge accounting

The Company designates certain hedging instruments, which include derivatives, embedded derivatives and nonderivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged items.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedge risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the income statement relating to the hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are reported in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amounts previously recognised in equity are transferred to profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in equity are transferred from equity and included in the initial measurement of the asset or liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss recognised in equity remains in equity until the forecast transaction is recorded in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is transferred immediately to profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses presented in the foreign currency translation reserve are recognised in profit or loss on disposal of the foreign operation.

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial instruments with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial instruments (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and
- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(14) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured reliably. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The Company establishes provisions for environmental damage, legal disputes, penalties and estimated expenditures related to the fulfillment of obligations as a result of warranty claims. No provisions are established in respect of environmental damages which occurred prior to establishment of the Company as the Czech government contractually committed to reimburse the Company for clean-up costs.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. Future operating costs are not provided for.

In accordance with the Company's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised when the land is contaminated.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(15) Social security and pension schemes

Contributions are made to the Czech government's health retirement and unemployment schemes at the statutory rates in force during the year based on gross salary payments. The cost of security payments is charged to the income statement in the same period as the related salary cost. The Company has no pension or post-retirement commitments.

(16) Long-term service benefits

The Company's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield at the balance sheet date on AAA credit rated bonds that have maturity dates approximating to the terms of the Company's obligations.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefits and jubilee bonuses

Under the Company's remuneration plans, its employees are entitled to jubilee bonuses and retirement benefits. The jubilee bonuses are paid to employees after elapse of a defined number of years in service. The retirement benefits are paid once at retirement. The amount of retirement benefits and jubilee bonuses depends on the number of years of service and an employee's average remuneration. The Company does not assign assets which would be used for future retirement or jubilee liabilities. The Company creates a provision for future retirement benefits and jubilee bonuses in order to allocate costs to relevant periods. In accordance with IAS 19, jubilee bonuses are long-term employee benefits and retirement benefits are classified as post-employment benefit plans. The present value of those liabilities is estimated at the end of each reporting period and adjusted if there are any material indications impacting the value of the liabilities. The accumulated liabilities equal discounted future payments, considering employee rotation. Demographic data and information on employee rotation are based on historical records. Actuarial gains and losses are recognized in the profit and loss.

(17) Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than continuing use are classified as held for sale.

Non-current assets are classified as held for sale when the following criteria are met:

- A decision on initiation of the sale was adopted by the Company's management;
- The assets are available for an immediate sale in their present condition;
- An active program to locate a buyer has been initiated;
- The sale transaction is highly probable and can be completed within 12 months following the sale decision.

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, investment property, which continue to be measured in accordance with the Company's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(18) Share capital

Ordinary shares are classified as equity.

(19) Contingent liabilities and receivables

Contingent liabilities are defined as obligations that arise from past events and which are dependent on occurrence or non-occurrence of some uncertain future events. Contingent liabilities are not recognized in the balance sheet however the information on contingent liabilities is disclosed unless the probability of outflow of resources relating to economic benefits is remote.

Contingent liabilities acquired as the result of a business combination are recognized as provisions in the balance sheet.

Contingent receivables are not recognized in the balance sheet however the respective information on the contingent receivable is disclosed if the inflow of assets relating to economic benefits is probable.

4. REVENUE

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

	2007	2006
Fees for use of land		
Domestic	90,296	89,047
Revenue from services		
Domestic	192,613	88,681
Total revenue	282,909	177,728

5. 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 entity located in the Czech Republic.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

6. ANALYSIS OF EXPENSES ACCORDING TO THEIR NATURE

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

2007	Cost of sales	Administrative expenses	Other operating income / (expenses)	Total
Materials consumed and energy	(4,427)	(7,658)	--	(12,085)
Repairs and maintenance	(740)	(1,283)	--	(2,023)
Services related to administration of investments in subsidiaries	--	(27,307)	--	(27,307)
Advertising expense	(47,559)	--	--	(47,559)
Legal services	(9,599)	(16,647)	--	(26,246)
Advisory services	(7,971)	(11,935)	--	(19,906)
Operating leases	(4,810)	(8,341)	--	(13,151)
Travel expense	(3,207)	(5,405)	--	(8,612)
Telecommunication fees	(1,224)	(2,123)	--	(3,347)
Representation cost	(1,469)	(2,548)	--	(4,017)
Other services	(27,750)	(37,232)	--	(64,982)
Staff cost including remuneration of board members	(72,060)	(124,977)	--	(197,037)
Depreciation	(2,591)	(4,470)	--	(7,061)
Amortization	(87)	(150)	--	(237)
Impairment of PPE (recognised) / released	--	--	80	80
Impairment to trade receivables (recognised) / released	--	--	(441)	(441)
Profit / (loss) on disposal of PPE	--	--	2,892	2,892
Insurance	--	--	(2,821)	(2,821)
Other expense	--	(64,867)	(24,573)	(89,440)
Other income	--	--	14,439	14,439
Total operating expense	(183,494)	(314,943)	(10,424)	(508,861)
Revenue				282,909
Operating loss before financing costs				(225,952)

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

6. ANALYSES OF EXPENSES ACCORDING TO THEIR NATURE (CONTINUED)

2006	Cost of sales	Administrative expenses	Other operating income / (expenses)	Total
Materials consumed and energy	(1,907)	(8,017)	--	(9,924)
Repairs and maintenance	(496)	(2,085)	--	(2,581)
Services related to administration of investments in subsidiaries	--	(45,418)	--	(45,418)
Advertising expense	(44,459)	--	--	(44,459)
Legal services	(5,077)	(21,339)	--	(26,416)
Advisory services	(8,186)	(34,404)	--	(42,590)
Operating leases	(3,298)	(13,862)	--	(17,160)
Travel expense	(1,173)	(4,931)	--	(6,104)
Telecommunication fees	(512)	(2,152)	--	(2,664)
Representation cost	(499)	(2,096)	--	(2,595)
Other services	--	(50,259)	--	(50,259)
Staff cost including remuneration of board members	(17,740)	(164,621)	--	(182,361)
Depreciation	(1,043)	(4,385)	--	(5,428)
Amortization	(73)	(306)	--	(379)
Impairment of PPE (recognised) / released	--	--	648	648
Profit / (loss) on disposal of PPE	--	--	1,935	1,935
Fine imposed by European Commission	--	--	(241,507)	(241,507)
Other expense	--	(1,118)	(19,396)	(20,514)
Other income	--	--	2,592	2,592
Total operating expense	(84,463)	(354,993)	(255,728)	(695,184)
Revenue				177,728
Operating loss before financing costs				(517,456)

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

7. FINANCE INCOME AND FINANCE EXPENSES

	2007	2006
Finance income		
Interest income:		
- other loans and receivables	371,788	437,058
- bank deposits	73,934	10,319
Dividend income	69,077	2,962,755
Foreign exchange gains	16,476	--
Net income from sale of investments in subsidiaries	50,799	69,961
Reversal of impairment on assets classified as held for sale	151,742	--
Other finance income	27,907	4,029
Total finance income	761,723	3,484,122
Finance expenses		
Interest expense:		
- bank overdrafts, loans and borrowings	(269,100)	(407,082)
- finance leases	(12)	--
Borrowing costs recognized in the income statement	(269,112)	(407,082)
Foreign exchange losses	(247,775)	(8,939)
Impairment of assets classified as held for sale	--	(116,301)
Other finance expenses	(16,094)	(3,586)
Total finance expenses	(532,981)	(535,908)
Net finance income	228,742	2,948,214

8. PERSONNEL EXPENSES

The total remuneration of directors and executives within the whole Company is as follows:

	Supervisory board members		Boards of directors members	
	2007	2006	2007	2006
Cash benefits	7,184	6,618	2,943	2,872
Non-cash benefits	482	42	588	259
Total	7,666	6,660	3,531	3,131

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

8. PERSONNEL EXPENSES (CONTINUED)

The number of employees and managers and staff costs for 2007 and 2006 are as follows:

2007	Number of employees *	Wages and salaries	Social and health insurance	Expenses related to benefit plans	Social expense
Employees	62**	127,088	36,161	75	179
Management - Boards of directors	3**	17,391	5,184	245	587
Total	65	144,479	41,345	320	766

* average FTE

** headcount as at year end: employees - 39, Management - Board of directors - 4

2006	Number of employees*	Wages and salaries	Social and health insurance	Expenses related to benefit plans	Social expense
Employees	53**	113,012	39,606	--	617
Management - Boards of directors	4**	14,326	5,014	--	296
Total	57	127,338	44,620	--	913

* average FTE

** headcount as at year end: employees - 69, Management - Board of directors - 4

9. INCOME TAX EXPENSE

In 2007 and 2006 the Company incurred tax losses thus there was not any current income tax charge. The income tax expense (2006 – credit) represents solely a deferred tax charge.

Reconciliation between the income tax expense and accounting profit is as follows:

	2007	2006
Profit / (loss) for the period	(9,121)	2,432,188
Income tax (expense) / credit	(11,911)	1,430
Profit excluding income tax	2,790	2,430,758
Income tax using domestic income tax rate	(670)	(583,382)
Non-deductible expenses	(53,729)	(124,582)
Tax exempt income	65,188	711,452
Current year losses for which no deferred tax asset was recognised	(13,559)	(2,058)
Derecognition of deferred tax assets relating to tax losses of prior years	(9,141)	--
Income tax (expense) / credit	(11,911)	1,430

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Other	Assets under development	Total
Cost					
Balance as at 1/1/06	496,885	22,759	726	2,105	522,475
Additions	769	12,504	--	192	13,465
Disposals	(343)	(6,390)	(565)	--	(7,298)
Reclassifications	--	1,628	--	(1,628)	--
Balance as at 31/12/06	497,311	30,501	161	669	528,642
Additions	162	6,407	--	2,085	8,654
Disposals	(131)	(6,158)	(10)	--	(6,299)
Reclassifications	--	--	--	--	--
Transfer to investment property	(142,393)	--	--	--	(142,393)
Balance as at 31/12/07	354,949	30,750	151	2,754	388,604
Depreciation					
Balance as at 1/1/06	--	8,744	--	--	8,744
Depreciation for the year	--	5,428	--	--	5,428
Disposals	--	(5,498)	--	--	(5,498)
Reclassifications	--	--	--	--	--
Balance as at 31/12/06	--	8,674	--	--	8,674
Charge for the year	--	7,061	--	--	7,061
Disposals	--	(3,850)	--	--	(3,850)
Reclassifications	--	--	--	--	--
Balance as at 31/12/07	--	11,885	--	--	11,885
Impairment losses					
Balance as at 1/1/06	--	--	--	466	466
Impairment losses	--	--	--	--	--
Reversal of impairment losses	--	--	--	--	--
Balance as at 31/12/06	--	--	--	466	466
Impairment losses	--	--	--	--	--
Reversal of impairment losses	--	--	--	--	--
Balance as at 31/12/07	--	--	--	466	466
Carrying amount as at 1/1/06	496,885	14,015	726	1,639	513,265
Carrying amount as at 31/12/06	497,311	21,827	161	203	519,502
Carrying amount as at 31/12/07	354,949	18,865	151	2,288	376,253

Major additions to property, plant and equipment in 2007 relate to personnel cars with acquisition cost of CZK 4,900 thousand (2006 – CZK 12,504 thousand).

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

11. INTANGIBLE ASSETS

	Software	Other intangible assets	Total
Cost			
Balance as at 1/1/06	11,449	8,220	19,669
Additions	--	--	--
Disposals	--	--	--
Reclassifications	--	--	--
Balance as at 31/12/06	11,449	8,220	19,669
Additions	392	42,552	42,944
Disposals	(256)	--	(256)
Reclassifications	(210)	210	--
Balance as at 31/12/07	11,375	50,982	62,357
Amortization			
Balance as at 1/1/06	11,165	7,834	18,999
Amortisation for the year	146	233	379
Disposals	--	--	--
Reclassifications	--	--	--
Balance as at 31/12/06	11,311	8,067	19,378
Charge for the year	121	116	237
Disposals	(256)	--	(256)
Reclassifications	--	--	--
Balance as at 31/12/07	11,176	8,183	19,359
Impairment losses			
Balance as at 1/1/06	--	386	386
Impairment losses	--	--	--
Reversal of impairment losses	--	(233)	(233)
Balance as at 31/12/06	--	153	153
Impairment losses	--	--	--
Reversal of impairment losses	--	(80)	(80)
Balance as at 31/12/07	--	73	73
Carrying amount as at 1/1/06	284	--	284
Carrying amount as at 31/12/06	138	--	138
Carrying amount as at 31/12/07	199	42,726	42,925

Major additions to other intangible assets in 2007 relate to license SAP R3 with acquisition cost of CZK 42,100 thousand.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

12. INVESTMENT PROPERTY

Investment property as at 31 December 2007 was as follows:

In connection with the sale of the Company's share in KAUČUK, a.s. the lands leased to KAUČUK, a.s., were transferred from Property, plant and equipment to Investment property. The carrying amount of lands amounted to CZK 142,393 thousand and fair value amounted to CZK 162,955 thousand. The difference was recognised in Equity. Operating costs relating to investment property amounted to CZK 1,190 thousand and rental income to CZK 16,685 thousand in the year 2007.

Future rental income is as follows:

	Less than one year	Between one and five years
Total future rental income	16,068	58,553

13. INVESTMENTS IN SUBSIDIARIES AND JOINT - VENTURES

Investments in subsidiaries and joint – ventures as at 31 December 2007 were as follows:

Name of the entity	Registered office	Cost of investment	Ownership percentage	Impairment	Carrying amount	Dividend income for the period
Subsidiaries						
UNIPETROL RPA, s.r.o.	Litvínov	7,360,335	100.00	--	7,360,335	108
Výzkumný ústav anorganické chemie, a.s.	Ústí nad Labem	59,172	100.00	7,860	51,312	--
UNIPETROL TRADE a.s.	Praha 1	350,000	100.00	350,000	--	--
BENZINA s. r.o.	Praha 7	4,181,070	100.00	1,922,070	2,259,000	--
UNIPETROL SERVICES, s.r.o.	Litvínov	100,280	100.00	--	100,280	--
UNIPETROL RAFINÉRIE, s.r.o.	Praha	408	100.00	--	408	--
PARAMO, a.s.	Pardubice	388,540	88.03	--	388,540	--
Joint - ventures						
ČESKÁ RAFINÉRSKÁ, a.s. *)	Litvínov	3,872,299	51.225	--	3,872,299	68,161
Butadien Kralupy, a. s.	Kralupy	85,694	51.00	--	85,694	--
Total		16,397,798	--	2,279,930	14,117,868	68,269

*) In line with Articles of Association, adoption of decisions on all important matters in ČESKÁ RAFINÉRSKÁ, a.s. requires 67.5 % or greater majority of all votes.

Dividend income for 2007 amounts to CZK 69,077 thousand. It includes dividend income of CZK 68 269 thousand per the table above, dividends received from CELIO a.s. of CZK 700 thousand, UNIPETROL DOPRAVA, s.r.o. CZK 28 thousand and POLYMER INSTITUTE BRNO, spol. s r.o. CZK 80 thousand.

Increase of share capital in UNIPETROL SERVICES, s.r.o.

The share capital in subsidiary UNIPETROL SERVICES, s.r.o. (previously Meliba Estates, s.r.o.) was increased in amount of CZK 100,000 thousand.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

13. INVESTMENTS IN SUBSIDIARIES AND JOINT – VENTURES (CONTINUED)

Sale of shares in KAUČUK, a.s. (SYNTHOS Kralupy, a.s.)

On 30 January 2007 the Company entered into a share purchase agreement with FIRMA CHEMICZNA DWORY S.A. to sell 100 % of shares of KAUČUK, a.s. The contracted selling price is EUR 195 million. On 19 July 2007 the shares were transferred to the purchaser and subsequently the purchase price was settled. The negative sale impact of CZK 116,301 thousand was reflected in impairment recognized in 2006.

Share in Butadien Kralupy, a.s.

On 10 July 2007 UNIPETROL, a.s., KAUČUK, a.s. and FIRMA CHEMICZNA DWORY S.A. executed the joint venture agreement for purposes of the development and operation of the new butadiene unit in the industrial area in Kralupy nad Vltavou. Pursuant to the agreement of the contractual parties, the construction of the new butadiene unit will be realized through the company Butadien Kralupy a.s., in which 51 % of shares is owned by UNIPETROL, a.s. and 49 % of shares is owned by SYNTHOS Kralupy a.s. (previously KAUČUK, a.s.). The acquisition cost for 51 % share in Butadien Kralupy, a.s. amounted to CZK 85,694 thousand.

Merger between CHEMOPETROL, a.s., UNIPETROL RAFINÉRIE a.s. and UNIPETROL RPA, s.r.o.

On 1 August 2007 CHEMOPETROL, a.s. and UNIPETROL RAFINÉRIE a.s. as dissolving companies merged by acquisition into UNIPETROL RPA, s.r.o. (previously Steen Estates s.r.o.) with its registered office at Litvínov, Záluží 1, as succeeding company.

As a result of the subject merger by acquisition:

- CHEMOPETROL, a.s. and UNIPETROL RAFINÉRIE a.s. were wound up without liquidation and dissolved; and
- Assets and liabilities of these companies including the rights and obligations from labor law relationships, passed to UNIPETROL RPA, s.r.o.

UNIPETROL RPA, s.r.o. as a successor of wound up CHEMOPETROL, a.s. and UNIPETROL RAFINÉRIE a.s. is a limited liability company with UNIPETROL, a.s. as its sole member.

Purchase of shares of PARAMO, a.s.

On 9 November 2007 UNIPETROL, a.s., as a purchaser and MEI-Tsjechië en Slowakije Fonds N.V., MIDDEN EUROPESE BELEGGINGSMAATSCHAPPIJ S.A. and BLUE MOUNTAIN, s.r.o., as sellers, executed the Share Purchase Agreements on purchase by UNIPETROL, a.s. from companies of the MEI Group of 14.51 % shares of PARAMO, a.s. The aggregate purchase price amounts to CZK 241,303,750. The transfer of the shares of PARAMO, a.s. from companies of the MEI Group to UNIPETROL, a.s. was effected on 23 November 2007.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

13. INVESTMENTS IN SUBSIDIARIES AND JOINT - VENTURES (CONTINUED)

Purchase of shares of ČESKÁ RAFINÉRSKÁ, a.s.

On 14 November 2007, UNIPETROL, a.s. as a purchaser and CONOCOPHILLIPS CENTRAL AND EASTERN EUROPE HOLDINGS B.V, as a seller executed the Share Purchase Agreement on purchase of shares of ČESKÁ RAFINÉRSKÁ, a.s., representing the 0.225 % share in the registered capital of ČESKÁ RAFINÉRSKÁ, a.s.. The transaction was settled on 30 November 2007.

Increase of share capital in BENZINA, s.r.o.

The share capital in subsidiary BENZINA, s.r.o. was increased in amount of CZK 960,000 thousand.

Investments in subsidiaries and joint – ventures as at 31 December 2006 were as follows:

Name of the entity	Registered office	Cost of investment	Ownership percentage	Impairment	Carrying amount	Dividend income for the period
Subsidiaries						
CHEMOPETROL, a.s.	Litvínov	7,358,945	100.00	--	7,358,945	2,349,735
Výzkumný ústav anorganické chemie, a.s.	Ústí nad Labem	59,171	100.00	7,860	51,311	--
UNIPETROL TRADE a.s.	Praha 1	350,000	100.00	350,000	--	--
BENZINA a.s.	Praha 7	3,221,070	100.00	1,922,070	1,299,000	--
UNIPETROL RAFINÉRIE a.s.	Litvínov	1,110	100.00	--	1,110	--
PARAMO, a.s.	Pardubice	146,684	73.52	--	146,684	--
Steen Estates, s.r.o.	Praha	280	100.00	--	280	--
Meliba Estates, s.r.o.	Praha	280	100.00	--	280	--
Joint - ventures						
ČESKÁ RAFINÉRSKÁ, a.s. *)	Litvínov	3,778,754	51.00	--	3,778,754	124,505
Total		14,916,294	--	2,279,930	12,636,364	2,474,240

*) In line with Articles of Association, adoption of decisions on all important matters in ČESKÁ RAFINÉRSKÁ, a.s. requires 67.5 % or greater majority of all votes.

Dividend income for 2006 amounted to CZK 2,962,755 thousand. It includes dividend income of CZK 2,474,240 thousand per the table above, dividends received from KAUČUK, a.s. of CZK 486,595 thousand and dividend received from CELIO a.s. of CZK 1,920 thousand.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

14. OTHER INVESTMENTS

Other investments as at 31 December 2007 were as follows:

Company	Registered office	Cost of investment	Ownership percentage	Dividend income for the period	Carrying amount
ORLEN MALTA HOLDING	La Valetta	522	--	--	522
Spolek pro chemickou a hutní výrobu, akciová společnost	Ústí nad Labem	0.2	--	--	0.2
UNIPETROL DOPRAVA s.r.o.	Litvínov	1,799	0.12	28	1,799
UNIRAF Slovensko s.r.o.	Bratislava	95	13.04	--	95
PETROTRANS, s.r.o.	Praha 12	780.8	0.625	--	780.8
POLYMER INSTITUTE BRNO, spol. s r.o.	Brno	954	1	80	954
Total		4,151		108	4,151

Other investments as at 31 December 2006 were as follows:

Company	Registered office	Cost of investment	Ownership percentage	Impairment	Carrying amount
AGROBOHEMIE a.s.	Praha 3	507,600	50.00	35,442	472,158
Synthesia, a.s.	Pardubice	344,436	38.90	--	344,436
ORLEN MALTA HOLDING	La Valetta	522	--	--	522
Spolek pro chemickou a hutní výrobu, akciová společnost	Ústí nad Labem	0.2	--	--	0.2
Total		852,558	--	35,442	817,116

15. ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets held for sale as at 31 December 2007 were as follows:

	31/12/2007	31/12/2006
50 % shares in AGROBOHEMIE a.s.	507,600	--
38,79 % shares in Synthesia, a.s.	344,436	--
100 % of shares in KAUCUK, a.s.	--	5,346,525
10.5 % of shares in CELIO a.s.	1,093	1,093
Total	853,129	5,347,618

The sale of shares in AGROBOHEMIE a.s. and Synthesia, a.s.

In August/September 2005 UNIPETROL, a.s. received letters from DEZA, a.s. requesting to enter into share purchase agreements related to the shares of AGROBOHEMIE a.s. and Synthesia, a.s. Each of the companies UNIPETROL, a.s. and DEZA, a.s. are owners of 50 % shares of AGROBOHEMIE a.s. In Synthesia, a.s., AGROBOHEMIE a.s. owns 55.01 %, UNIPETROL, a.s. 38.79 % and DEZA, a.s. 4.67 %. The remaining 1.53 % of shares is owned by minority shareholders.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

15. ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

These letters referred to agreements on future share purchase agreements signed between UNIPETROL, a.s. and DEZA, a.s. which regard shares of AGROBOHEMIE a.s. (date of signing 12 October 2000) and Synthesia, a.s. (date of signing 15 August 2001).

Having thoroughly analysed the signed documents and the received letters, the Board of Directors of UNIPETROL, a.s. concluded that apart from deviating from standard market practices and prudent business behaviour the above mentioned agreements suffer by serious legal defects which are likely to make these agreements invalid. Consequently, the Board of Directors of UNIPETROL, a.s. proposed to DEZA, a.s. to modify the agreements so that the risk of their invalidity can be safely excluded. By means of correspondence and direct meetings, UNIPETROL, a.s. tried pro-actively to convince DEZA, a.s. that the agreements are modified accordingly.

Despite these efforts, DEZA, a.s. had rejected proposals of the Board of Directors of UNIPETROL, a.s., and on 26 January 2006, it filed to the court its claim for contractual penalties against UNIPETROL, a.s. based on the argument that UNIPETROL, a.s. breached its obligation to sign the share transfer agreements. DEZA, a.s. calculates the penalties on the basis of the above mentioned agreements in the amount of CZK 1,5 million per day. On 22 August 2006, DEZA, a.s. filed to the court its claim for (i) performance under the share transfer agreements, and (ii) damages, both based on the same argument as its above mentioned claim for contractual penalties, namely that UNIPETROL, a.s. breached its obligation to sign the share transfer agreements.

Further to a receipt of legal actions, UNIPETROL, a.s. adopted appropriate measures in order to protect the interests of UNIPETROL, a.s. At the same time UNIPETROL, a.s. continued in negotiations with DEZA, a.s. in order to achieve the out-of-court settlement of the mutual disputes. In July 2007, UNIPETROL, a.s. and DEZA, a.s. agreed on a temporary suspension of the pending court proceedings initiated by DEZA, a.s.

Following their mutual negotiations over the course of the past two years UNIPETROL, a.s. and DEZA, a.s. signed on 31 October 2007 an agreement on the out-of-court settlement of the above mentioned disputes. Under this settlement agreement DEZA, a.s. has undertaken (i) to withdraw its above mentioned legal actions filed against UNIPETROL, a.s. and (ii) not seek payment of any contractual penalties and/or damages by UNIPETROL, a.s. At the same time UNIPETROL, a.s. has agreed to sell to DEZA, a. s. its shares in AGROBOHEMIE a.s. and Synthesia, a.s., respectively, for the purchase price the amount of which will be determined on the basis of a valuation issued by a reputable expert agreed by both UNIPETROL, a.s. and DEZA, a.s.

Over a long-time period UNIPETROL, a.s. has had none or very limited information about business and economic situation of both AGROBOHEMIE a.s. and Synthesia, a.s. Further UNIPETROL, a.s. has not had any information about the plans of future business development of both AGROBOHEMIE a.s. and Synthesia, a.s. and influence on the management of both AGROBOHEMIE a.s. and Synthesia, a.s. Both AGROBOHEMIE a.s. and Synthesia, a.s. do not constitute, from the perspective of the strategy of UNIPETROL, a.s. its core business or a core business of UNIPETROL, a.s. subsidiaries. As of today UNIPETROL, a.s. has not received any dividends from AGROBOHEMIE a.s. and Synthesia, a.s.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

15. ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

In the context of negotiations with DEZA a.s., UNIPETROL, a.s. has obtained several external expert valuations of its shares in AGROBOHEMIE a.s. and Synthesia, a.s. Although these valuations are based on limited and incomplete information concerning AGROBOHEMIE a.s., Synthesia, a.s. and their respective subsidiaries due to a limited access to such information, the Board of Directors of UNIPETROL, a.s. has been able to use these valuations so as to assess reasonableness of carrying amounts of UNIPETROL, a.s. shareholding in AGROBOHEMIE a.s. and in Synthesia, a.s., respectively.

Based on above stated circumstances the shares in AGROBOHEMIE a.s. and Synthesia, a.s. are 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 503,000 thousand and for the Synthesia, a.s. shares – to CZK 680,000 thousand.

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 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.

The sale of shares in CELIO a.s.

The Company's investment in CELIO a.s. is 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 Company approved a plan to sell its investment in CELIO a.s. The carrying amount of the investment totals CZK 1,093 thousand.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

16. NON-CURRENT LOANS TO SUBSIDIARIES

Non-current loans provided to subsidiaries as at 31 December 2007 were as follows:

Company	Effective interest rate	Maturity date	Currency	Carrying amount 31/12/2007	Fair value 31/12/2007
UNIPETROL RPA, s.r.o.	6M PRIBOR*	29.6.2012	CZK	332,756	332,756
UNIPETROL RPA, s.r.o.	6M PRIBOR*	16.7.2012	CZK	450,263	450,263
UNIPETROL RPA, s.r.o.	6M PRIBOR*	15.8.2012	CZK	287,699	287,699
BENZINA s.r.o.	9.97%	28.12.2013	CZK	2,000,000	2,535,754
Total				3,070,718	

*) Interest rate increases by the agreed margin.

Non-current loans provided to subsidiaries are not collateralised.

The portion of non-current loans due within one year is not stated in the above table but is reported as current loans to subsidiaries (see Note 19).

Non-current loans provided to subsidiaries as at 31 December 2006 were as follows:

Company	Effective interest rate	Maturity date	Currency	Carrying amount 31/12/2006	Fair value 31/12/2006
CHEMOPETROL, a.s.	6M EURIBOR*	29.6.2012	EUR	427,829	427,829
CHEMOPETROL, a.s.	6M EURIBOR*	16.7.2012	EUR	559,554	559,554
CHEMOPETROL, a.s.	6M LIBOR*	15.8.2012	USD	361,982	361,982
BENZINA a.s.	9.97 %	28.12.2013	CZK	2,000,000	2,671,883
Total				3,349,365	

*) Interest rate increases by the agreed margin.

17. NON-CURRENT RECEIVABLES

Non-current receivables from subsidiaries include a receivable from UNIPETROL TRADE a.s., acquired by the Company in 2001 from Credit Lyonnais bank Praha, a.s. and Credit Lyonnais bank Slovakia, a.s. The receivable is payable in installments out of which the last one is due on 31 December 2017. It is denominated in CZK. The carrying amount of the receivable as of 31 December 2007 is CZK 95,716 thousand (2006: CZK 110,602 thousand). The nominal value of the receivable is CZK 378,000 thousand as of 31 December 2007 (2006: CZK 396,354 thousand).

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

18. TRADE AND OTHER RECEIVABLES

	31/12/07	31/12/06
Trade accounts receivable	468,652	166,409
Other receivables	131,645	131,204
Impairment losses – other receivables	(131,645)	(131,204)
Total accounts receivable	468,652	166,409

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

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

Denominated in	31/12/07	31/12/06
CZK	349,594	160,490
EUR	23,255	5,691
USD	94,687	228
Other currencies	1,116	--
Total accounts receivable	468,652	166,409

Ageing of past due but not impaired

Not impaired trade receivables	31/12/07	31/12/06
60-90 days	--	14
90-180 days	1,981	809
180+ days	190	818
Total	2,171	1,641

Movement in the allowance for doubtful debts

	31/12/07	31/12/06
Balance at beginning of the year	131,204	131,620
Impairment losses recognized on receivables	523	--
Reversal of impairment losses	(82)	(416)
Balance at end of the year	131,645	131,204

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

19. CURRENT LOANS TO SUBSIDIARIES

Current loans provided to subsidiaries as at 31 December 2007 and 31 December 2006 are as follows:

Company name	Effective interest rate	Currency	Carrying amount 31/12/2007	Fair value 2007	Carrying amount 31/12/2006	Fair value 2006
Current portion of non-current loans						
UNIPETROL RPA, s.r.o.	6M EURIBOR*	EUR	--	--	220,065	220,065
UNIPETROL RPA, s.r.o.	6M LIBOR*	USD	--	--	82,162	82,162
UNIPETROL RPA, s.r.o.	6M PRIBOR*	CZK	95,300	95,300	--	--
UNIPETROL RPA, s.r.o.	6M PRIBOR*	CZK	122,633	122,633	--	--
UNIPETROL RPA, s.r.o.	6M PRIBOR*	CZK	76,993	76,993	--	--
BENZINA s.r.o.	9.97%	CZK	208,427	242,870	242,985	324,614
BENZINA s.r.o.	6M PRIBOR*	CZK	9,715	9,715	--	--
BENZINA s.r.o.	8.92%	CZK	--	--	1,275,726	1,289,269
Current loans						
UNIPETROL RPA, s.r.o.	1M PRIBOR*	CZK	--	--	850,000	850,000
UNIPETROL RPA, s.r.o.	PRIBOR*	CZK	1,545,165	1,545,165	--	--
UNIPETROL RPA, s.r.o.	PRIBOR*	CZK	565,861	565,861	--	--
BENZINA s.r.o.	PRIBOR*	CZK	4,215	4,215	--	--
BENZINA s.r.o.	PRIBOR*	CZK	30,458	30,458	--	--
BENZINA s.r.o.	PRIBOR*	CZK	61,400	61,400	--	--
PARAMO a.s.	PRIBOR*	CZK	156,568	156,568	--	--
SPOLANA a.s.	1M PRIBOR*	CZK	--	--	600,000	600,000
BENZINA s.r.o.	PRIBOR*	CZK	990,105	990,105	450,000	450,000
UNIPETROL TRADE a.s.	PRIBOR*	CZK	18,354	18,354	--	--
UNIPETROL TRADE a.s.	PRIBOR*	CZK	9,765	9,765	--	--
UNIPETROL TRADE a.s.	EURIBOR*	EUR	118,608	118,608	--	--
UNIPETROL TRADE a.s.	3M EURIBOR*	EUR	--	--	109,980	109,980
Total			4,013,567		3,830,918	

*) Interest rate is increased by the agreed margin.

20. 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 onwards).

The movement for the year 2007 in the Company's net deferred tax position was follows:

	2007
At 1 January	11,911
Income tax expense	(11,911)
Tax charged to equity	--
At 31 December	--

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

20. DEFERRED TAX (CONTINUED)

The movement in deferred tax assets and liabilities recognised during the period is as follows:

Deferred tax liabilities	1/1/2007	(Charged) / credited to profit / (loss) for the period	(Charged) / credited to equity	31/12/2007
Property, plant and equipment	(930)	260	--	(670)
Finance lease	--	(5)	--	(5)
Total deferred tax liabilities	(930)	255	--	(675)

Deferred tax assets	1/1/2007	(Charged) / credited to profit / (loss) for the period	(Charged) / credited to equity	31/12/2007
Unused tax losses carried forward	10,336	(10,336)	--	--
Other	2,505	(1,830)	--	675
Total deferred tax assets	12,841	(12,166)	--	675

Deferred income tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	31/12/07	31/12/06
Deferred tax asset	675	12,841
Deferred tax liability	(675)	(930)
Net	--	11,911

Deferred income tax assets are recognised for tax loss and deductible temporary differences carried forward to the extent that realisation of the related tax benefit through the future taxable profit is probable.

Details of the tax assets not recognised are summarised in the following table:

	31/12/07
Unused tax losses	19,807
Deductible temporary differences	2,447
Deferred tax asset	22,254

21. CASH AND CASH EQUIVALENTS

	31/12/07	31/12/06
Cash in hand	49	34
Cash at bank	1,507,362	40,278
Short-term bank deposits	764,612	975,874
Total	2,272,023	1,016,186

Short-term bank deposits comprise deposits with maturity of three months or less and obligatory deposits relating to the bank loans.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

21. CASH AND CASH EQUIVALENTS (CONTINUED)

The carrying amount of these assets approximates their fair value.

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

Denominated in	31/12/07	31/12/06
CZK	2,187,350	992,417
EUR	51,732	14,445
USD	32,941	9,324
Total cash and cash equivalents	2,272,023	1,016,186

22. SHARE CAPITAL

The issued capital of the Company as at 31 December 2007 was CZK 18,133,476 thousand (2006: CZK 18,133,476 thousand). This represents 181,334,764 (2006: 181,334,764) bearer ordinary shares, each with a nominal value of CZK 100. All issued shares have been fully paid and bear equal voting rights. The Company's shares are listed on the Prague stock exchange.

23. STATUTORY RESERVES

In accordance with the Czech Commercial Code, joint stock companies are required to establish a reserve fund for possible future losses and other events. Contributions must be a minimum of 20 % of the profit for the period in the first year in which profits are generated and 5 % of profit each year thereafter until the fund reaches at least 20 % of the issued capital.

	31/12/07	31/12/06
Reserve fund	1,391,365	1,269,756
Other funds	27,990	7,429
Total	1,419,355	1,277,185

24. RETAINED EARNINGS AND DIVIDENDS

Dividends

In accordance with appropriate Czech law, dividends can be paid from non-consolidated profit of the Company. Annual General Meeting of Shareholders, held on 28 June 2007 decided about distribution of the non-consolidated profit of UNIPETROL, a.s. for the year ended 31 December 2006 to the reserve fund and retained earnings.

The decision regarding dividends and compensation of 2007 loss will be made on Annual General Meeting of Shareholders, which will be held in May / June 2008.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

25. NON-CURRENT LOANS AND BORROWINGS

Non-current interest-bearing borrowings as at 31 December 2007 were as follows:

Creditor	Currency	Balance at 31/12/2007	Fair value at 31/12/2007	Effective interest rate	Form of collateral
Long-term bonds – Issue I.	CZK	2,000,000	2,560,665	9.82%	Unsecured
Total		2,000,000			

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

Non-current interest-bearing borrowings as at 31 December 2006 were as follows:

Creditor	Currency	Balance at 31/12/2006	Fair value at 31/12/2006	Effective interest rate	Form of collateral
Long-term bonds – Issue I.	CZK	2,000,000	2,676,706	9.82%	Unsecured
Total		2,000,000			

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

In 1998 the Company 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 accrued using the effective interest rate method.

Carrying amount of bonds as at 31 December 2007 totals CZK 2,204,666 thousand out of which short term part described in the section 28 amounts to CZK 204,666 thousand.

Debt repayment schedule:

Due date	Due over 5 years
Non-current loans and borrowings as at 31. December 2007	2,000,000
Non-current loans and borrowings as at 31. December 2006	2,000,000

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

26. TRADE AND OTHER PAYABLES AND ACCRUALS

	31/12/07	31/12/06
Trade payables	122,133	159,716
Other payables	55,860	241,928
Social security and other taxes	48,601	24,845
Total accounts payable	226,594	426,489

The average credit period for trade purchases is 21 days.

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

Denominated in	31/12/2007	31/12/2006
CZK	223,360	373,195
EUR	2,328	32,286
USD	181	21,008
Other currencies	725	--
Total accounts receivable	226,594	426,489

As of 31 December 2007 and 2006, the Company does not show any trade payables after their due dates. Management of the Company is of that opinion that the carrying amount of trade payables approximates their fair values.

27. CURRENT LOANS AND BORROWINGS

Current loans and borrowings as at 31 December 2007 were as follows:

Creditor	Currency	Balance at 31/12/2007	Fair value at 31/12/2007	Effective interest rate	Form of collateral
Current portion of non-current loans and borrowings					
Long-term bonds – Issue I.	CZK	204,666	243,332	9.82%	Unsecured
Current loans from subsidiaries - Cash-pool					
UNIPETROL RPA s.r.o.	CZK, EUR, USD	270 037	270 037	o/n PRIBOR*, EURIBOR*, LIBOR*	Unsecured
UNIPETROL TRADE a.s.	CZK, EUR, USD	15 841	15 841	o/n PRIBOR*, EURIBOR*, LIBOR*	Unsecured
UNIPETROL DOPRAVA s.r.o.	CZK, EUR	3 096	3 096	o/n PRIBOR*, EURIBOR*	Unsecured
UNIPETROL SERVICES s.r.o.	CZK, EUR	2 031	2 031	o/n PRIBOR*, EURIBOR*	Unsecured
BENZINA s.r.o.	CZK, EUR	95	95		
Total		495,766			

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

During the year the Company concluded Cash-pooling agreements with following banks and subsidiaries:

Banks: CITIBANK a.s., ING, a.s. and Česká spořitelna, a.s.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

27. CURRENT LOANS AND BORROWINGS (CONTINUED)

Subsidiaries: UNIPETROL RPA s.r.o., BENZINA s.r.o., PARAMO s.r.o., UNIPETROL DOPRAVA s.r.o., UNIPETROL TRADE s.r.o., PETROTRANS s.r.o. and Unipetrol SERVICES s.r.o.

Cash on bank accounts with above mentioned banks is pooled between the Company and subsidiaries listed above. The agreements enable to take bank overdrafts at the maximum amount of CZK 1,000,000 thousand at each bank. Interest income / expense is calculated from pooled balance and subsequently divided between the participants. Total liabilities from Cash-pooling amount to CZK 291,100 thousand as at 31. December 2007.

During the year ended 31 December 2007 the Company repaid part of loans at the amount of CZK 2,640,111 thousands presented as Current portion of non-current loans and borrowings as at 31 December 2006.

Current loans and borrowings as at 31 December 2006 were as follows:

Creditor	Currency	Balance at 31/12/2006	Fair value at 31/12/2006	Effective interest rate	Form of collateral
Current portion of non-current loans and borrowings					
Kreditanstalt für Wiederaufbau	EUR	683,725	683,725	6M EURIBOR*	Guarantee by CHEMOPETR OL, a.s. and Hermes Germany
Citibank, N.A.	USD	443,809	443,809	6M LIBOR*	Guarantee by CHEMOPETR OL, a.s. and US EXIM bank
Long-term bonds – Issue I.	CZK	238,644	319,791	9.82%	Unsecured
Long-term bonds – Issue II.	CZK	1,273,933	1,289,269	8.70%	Unsecured
Total		2,640,111			

*) Interest rate is increased by the agreed-upon mark up

In 1999 the Group issued 1,300 zero-coupon bonds at a total nominal value of CZK 1,300,000 thousand. The bonds matured 8 years from the issue date at their nominal value of CZK 1,300,000 thousand and were repaid in April 2007.

Management of the Company is of that opinion that fair value of the current loans approximates their carrying amounts as they bear interest based on floating interest rates.

The analysis of current loans and borrowings by currency of denomination is as follows (in CZK thousands):

Denominated in	31/12/07	31/12/06
CZK	442,122	1,512,577
EUR	32,636	683,725
USD	21,008	443,809
Total current loans and borrowings	495,766	2,640,111

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

28. OPERATING LEASES

The Company as a lessee

Operating lease arrangements

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

Non-cancellable operating lease commitments

	Minimum lease payments	
	31/12/2007	31/12/2006
Not later than one year	10,300	9,075
Later than one year and not later than five years inclusive	34,000	7,092
Total	44,300	16,167

The Company leases offices and information technology under operating leases. Payments recognised as an expense amounted to CZK 13,151 thousand in 2007 and to CZK 17,160 thousand in 2006.

29. COMMITMENTS AND CONTINGENCIES

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

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

The environmental audit of plots of land owned by the Company 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. 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 the Company 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 the Company and KAUČUK, a.s. executed the agreement pursuant to which UNIPETROL undertook to create in favor of KAUČUK, a.s. the pre-emptive right in rem and other rights to certain plots of land owned by the Company 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 satisfaction of all administrative, operational and legal conditions necessary for a split of parts of industrial area in Kralupy nad Vltavou.

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

- uninterrupted operation of the present butadiene unit;

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

(b) 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 the Company and Zakłady Azotowe ANWIL Spółka Akcyjna, may be subject to price adjustments which would result mainly on the occurrence of any of the following events:

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

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

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

30. RELATED PARTIES

Ultimate controlling party

During 2007 a majority (62,99 %) of the Company's shares were in possession of POLSKI KONCERN NAFTOWY ORLEN S.A.

Transaction with subsidiaries, joint - ventures and other related parties:

	31/12/07				31/12/06			
	PKN Orlen	Entities under control or significant influence of the Company	Entities under control or significant influence of PKN Orlen	Other related parties	PKN Orlen	Entities under control or significant influence of the Company	Entities under control or significant influence of PKN Orlen	Other related parties
Current assets	--	4,288,217	270	--	659	3,352,229	601,871	--
Non-current assets	--	3,166,434	--	--	--	3,459,967	--	--
Current liabilities	335	306,771	370	--	659	3,208	--	--
Revenues	8,194	271,387	230	--	659	166,958	769	363
Expenses	3,766	27,307	359	--	8,834	26,673	238	629
Sales of financial assets	--	--	--	--	--	--	640,383	--
Purchases of PPE	--	--	--	--	--	--	--	185
Dividend income	--	69,077	--	--	--	2,960,946	--	--
Interest income	--	369,977	1,860	--	--	434,784	1,958	--
Other financial income	--	1,475	--	--	--	3,885	--	1

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

31. RISK MANAGEMENT

Capital risk management

The Company manages its capital to ensure that entities in Unipetrol Group will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2006.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 25 and 27, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 21, 22 and 23 respectively.

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

	31/12/2007	31/12/2006
Debt (i)	2,204,873	4,640,111
Cash and cash equivalents	2,272,023	1,016,186
Net debt	(67,150)	3,623,925
Equity (ii)	22,760,976	22,749,536
Net debt to equity ratio (in %)	(0.30)	15.93

(i) Debt is defined as long- and short-term borrowings, as detailed in note 26 and 28 and financial leasing

(ii) Equity includes all capital and reserves of the Company

Currency risk management

The currency risk arises most significantly from the exposure of loans to subsidiaries denominated in foreign currencies (see notes 16 and 19).

Currency risk is mostly covered by natural hedging with bank loans and borrowings (see notes 25 and 27) denominated in the same currencies.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

31. RISK MANAGEMENT (CONTINUED)

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

	USD	EUR
Assets	127,628	193,595
Liabilities	21,189	34,964
Net exposure	106,439	158,631

Detailed analysis of monetary assets and liabilities denominated in foreign currencies are presented in following notes:

Note 16 Non-current loans to subsidiaries

Note 17 Non-current receivables from subsidiaries

Note 18 Trade and other receivables

Note 19 Current loans to subsidiaries

Note 21 Cash and cash equivalents

Note 25 Non-current loans and borrowings

Note 26 Trade and other payables and accruals

Note 27 Current loans and borrowings

Currency sensitivity analysis

The following table details the Company's sensitivity to a 10% increase and decrease in the CZK against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes external loans as well as loans to foreign operations where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit where the CZK strengthens 10% against the relevant currency. For a 10% weakening of the CZK against the relevant currency, there would be an equal and opposite impact on the profit.

	CZK / USD Impact		CZK / EUR Impact	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Profit or loss / equity	10,644	(15,670)	15,863	(13,170)

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

31. RISK MANAGEMENT (CONTINUED)

Interest rate risk management

The Company has adopted a Debt Policy, which fully covers interest rate risk as well as transferring of external financial sources to subsidiaries. These external financial sources are transferred with similar conditions and interest rates including a mark up (see note 25). There are no loans and borrowings used for Company's own purposes.

Credit risk management

The Company has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Loans to subsidiaries (notes 16 and 19) and receivables (notes 17 and 18) principally consist of amounts due from Group companies. The Company does not require collateral in respect of these financial assets. At the balance sheet date there was a significant concentrations of credit risk that is shown in notes 15 and 19. The Company's management monitors the most significant debtors and assesses their creditworthiness. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

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 Company's short, medium and long-term funding and liquidity management requirements. The Company 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.

Liquidity risk tables

The following table details the Company's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

31. RISK MANAGEMENT (CONTINUED)

Expected maturity of non-derivative financial assets

	Total	LESS THEN 3 MONTHS	3-12 months	More then 1 year
31/12/2007				
Non-current assets				
Loans to subsidiaries	3,070,718			3,070,718
Receivables from subsidiaries	95,716			95,716
Current assets				
Trade and other receivables	468,652	468,652		
Loans to subsidiaries	4,013,567	3,826,248	187,409	
Cash and cash equivalents	2,272,023	2,272,023		
Total	9,920,676	6,566,923	187,409	3,166,434
31/12/2006				
Non-current assets				
Loans to subsidiaries	3,349,365			3,349,365
Receivables from subsidiaries	110,602			110,602
Current assets				
Trade and other receivables	166,409	166,409		
Loans to subsidiaries	3,830,918	2,161,093	1,669,825	
Income tax receivables	3,064		3,064	
Cash and cash equivalents	1,016,186	1,016,186		
Total	8,476,544	3,343,688	1,672,889	3,459,967

Contractual maturity of non-derivative financial liabilities

	Total	LESS THEN 3 MONTHS	3-12 months	More then 1 year
31/12/2007				
Non-current liabilities				
Loans and borrowings	2,000,000	--	--	2,000,000
Finance lease liability	207	--	--	207
Current liabilities				
Trade and other payables	226,594	226,594	--	--
Loans and borrowings	495,766	291,100	204,666	--
Total	2,722,567	517,694	204,666	2,000,207
31/12/2006				
Non-current liabilities				
Loans and borrowings	2,000,000	--	--	2,000,000
Current liabilities				
Trade and other payables	426,489	426,489	--	--
Loans and borrowings	2,640,111	1,127,534	1,512,577	--
Total	5,066,600	1,554,023	1,512,577	2,000,000

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

32. PAST ENVIRONMENTAL LIABILITIES

The Company is the recipient of funds provided by the National Property Fund of the Czech Republic for settling environmental liabilities relating to the historic environmental damage. An overview of funds provided by the National Property Fund for the environmental contracts:

In CZK million	Total amount of funds to be provided	Used funds as at 31/12/2007	Unused funds as at 31/12/2007
UNIPETROL, a.s./ premises of UNIPETROL RPA, s.r.o.	6,012	1,850	4,162
UNIPETROL, a.s./ premises of KAUČUK, a.s.	4,244	11	4,200
TOTAL	10,256	1,861	8,362

In CZK million	Total amount of funds to be provided	Used funds as at 31/12/2006	Unused funds as at 31/12/2006
UNIPETROL, a.s./ premises of CHEMOPETROL, a.s.	6,012	1,713	4,299
UNIPETROL, a.s./ premises of KAUČUK, a.s.	4,244	44	4,200
TOTAL	10,256	1,737	8,499

UNIPETROL, a.s.

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

Year ended 31 December 2007
(in thousands of CZK)

33. SIGNIFICANT POST BALANCE SHEET EVENTS

Agreement with DEZA, a.s.

On 18 January 2008 the transfer of 50 % of shares of AGROBOHEMIE a.s and 38.79 % of shares of Synthesia a.s. was completed. For further information see note 15.

Changes in Supervisory Board

On 28 March 2008, the UNIPETROL Supervisory Board appointed Wojciech Heydel substitute Supervisory Board Member until the nearest UNIPETROL General Meeting. Supervisory Board recalled Piotr Kownacki, the Chairman of the Supervisory Board, from his office, he still remains the Supervisory Board member. Wojciech Heydel was subsequently elected the Chairman of the Supervisory Board. The Unipetrol Supervisory Board acknowledged Rafał Kapler's resignation from his office of Member of the UNIPETROL Supervisory Board.

Signature of statutory representatives	15 April 2008
François Vleugels	Wojciech Ostrowski
Chairman of the Board of Directors	Vice-chairman of the Board of Directors