

# UNIPETROL, a.s.

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 restated
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	35,856,892	34,096,547
Investment property	13	162,955	--
Intangible assets	14	1,690,412	1,656,404
Goodwill	15	51,595	--
Other investments	16	73,916	3,710,018
Non-current receivables	17	152,220	202,398
Derivative financial instruments	18	--	45,045
Deferred tax asset	19	23,924	70,895
<b>Total non-current assets</b>		<b>38,011,914</b>	<b>39,781,307</b>
<b>Current assets</b>			
Inventories	20	10,361,090	7,872,513
Trade and other receivables	21	13,057,937	11,589,306
Prepayments and other current assets	22	179,359	825,551
Derivative financial instruments	18	1,315	6,847
Income tax receivable		160,320	173,850
Cash and cash equivalents	23	3,106,496	4,329,852
Assets classified as held for sale	24	1,261,333	7,327,762
<b>Total current assets</b>		<b>28,127,850</b>	<b>32,125,681</b>
<b>Total assets</b>		<b>66,139,764</b>	<b>71,906,988</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	25	18,133,476	18,133,476
Statutory reserves	26	2,042,971	1,759,163
Other reserves		16,875	(11,848)
Retained earnings	27	21,648,819	20,695,309
<b>Total equity attributable to equity holders of the Company</b>		<b>41,842,141</b>	<b>40,576,100</b>
<b>Minority interests</b>		295,928	584,094
<b>Total equity</b>		<b>42,138,069</b>	<b>41,160,194</b>
<b>Non-current liabilities</b>			
Loans and borrowings	28	2,156,000	4,472,547
Deferred tax liability	19	2,272,437	2,627,520
Provisions	29	422,044	531,228
Finance lease liability	30	121,531	203,892
Derivative financial instruments	18	--	4,583
Other non-current liabilities	31	219,317	220,163
<b>Total non-current liabilities</b>		<b>5,191,329</b>	<b>8,059,933</b>
<b>Current liabilities</b>			
Trade and other payables and accruals	32	16,155,298	15,817,944
Current portion of loans and borrowings	28	1,447,757	4,093,907
Short-term bank loans	33	804,531	374,686
Current portion of finance lease liabilities	30	116,808	122,006
Derivative financial instruments	18	13,712	4,766
Provisions	29	237,143	149,705
Income tax payable		35,117	706,131
Liabilities classified as held for sale	24	--	1,417,716
<b>Total current liabilities</b>		<b>18,810,366</b>	<b>22,686,861</b>
<b>Total liabilities</b>		<b>24,001,695</b>	<b>30,746,794</b>
<b>Total equity and liabilities</b>		<b>66,139,764</b>	<b>71,906,988</b>

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 5 to 75.

# UNIPETROL, a.s.

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 restated
Revenue	4	88,778,515	93,698,270
Cost of sales	7	(78,434,199)	(82,974,055)
<b>Gross profit</b>		<b>10,344,316</b>	<b>10,724,215</b>
Other income		1,178,572	1,430,411
Distribution expenses	7	(2,914,419)	(3,234,455)
Administrative expenses	7	(1,994,885)	(2,130,579)
Other expenses	7	(1,788,032)	(3,009,663)
<b>Operating profit before finance costs</b>		<b>4,825,552</b>	<b>3,779,929</b>
Finance income	8	564,942	523,983
Finance expenses	8	(3,460,706)	(1,114,248)
<b>Net finance costs</b>		<b>(2,895,764)</b>	<b>(590,265)</b>
<b>Profit before tax</b>		<b>1,929,788</b>	<b>3,189,664</b>
Income tax expense	10	(652,352)	(1,496,389)
<b>Profit for the period</b>		<b>1,277,436</b>	<b>1,693,275</b>
<b>Attributable to:</b>			
Equity holders of the Company		1,221,140	1,599,827
Minority interest		56,296	93,448
<b>Profit for the period</b>		<b>1,277,436</b>	<b>1,693,275</b>
<b>Basic and diluted earnings per share (in CZK)</b>	11	<b>6.73</b>	<b>8.82</b>

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 5 to 75.

**UNIPETROL, a.s.**

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)

	Note	Share capital	Statutory reserves	Other reserves	Retained earnings	Equity attributable to equity holders of the Company	Minority interest	Total equity
<b>Balance as at 1 January 2006</b>		<u>18,133,476</u>	<u>1,554,972</u>	<u>(23,620)</u>	<u>19,323,215</u>	<u>38,988,043</u>	<u>707,587</u>	<u>39,695,630</u>
Profit for the period	5				1,599,827	1,599,827	93,448	1,693,275
Allocation of profit to reserves	25		214,078		(214,078)			
Changes in fair value of derivatives	18			16,903		16,903		16,903
Deferred tax charged directly to equity	19			(4,057)		(4,057)		(4,057)
Disposal of subsidiary	1						(216,941)	(216,941)
Other			(9,887)	(1,074)	(13,655)	(24,616)		(24,616)
<b>Balance as at 31 December 2006</b>		<u>18,133,476</u>	<u>1,759,163</u>	<u>(11,848)</u>	<u>20,695,309</u>	<u>40,576,100</u>	<u>584,094</u>	<u>41,160,194</u>
<b>Balance as at 1 January 2007</b>		<u>18,133,476</u>	<u>1,759,163</u>	<u>(11,848)</u>	<u>20,695,309</u>	<u>40,576,100</u>	<u>584,094</u>	<u>41,160,194</u>
Profit for the period	5				1,221,140	1,221,140	56,296	1,277,436
Allocation of profit to reserves	25		283,940		(283,940)			
Changes in fair value of derivatives	18			7,105		7,105		7,105
Deferred tax charged directly to equity	19				(3,907)	(3,907)		(3,907)
Acquisition of 14.35 % of share in Paramo	1						(344,684)	(344,684)
Foreign operations translation gain	38			23,275		23,275		23,275
Revaluation of investment property	13				20,561	20,561		20,561
Other			(132)	(1,657)	(344)	(2,133)	222	(1,911)
<b>Balance as at 31 December 2007</b>		<u>18,133,476</u>	<u>2,042,971</u>	<u>16,875</u>	<u>21,648,819</u>	<u>41,842,141</u>	<u>295,928</u>	<u>42,138,069</u>

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 5 to 75.

# UNIPETROL, a.s.

Consolidated statements of cash flows  
prepared in accordance with International Financial Reporting Standards  
For the year ended 31 December 2007  
(in thousands of Czech crowns)

	2007	2006
<b>Cash flows from operating activities:</b>		
Profit for the period	1,277,436	1,693,275
Adjustments for:		
Depreciation and amortisation of the property, plant and equipment and intangible assets	3,495,809	4,045,813
Gain on disposals of property, plant and equipment and intangible assets	(225,642)	(490,995)
(Gain) / loss on disposals of subsidiaries	61,672	253,977
Interest expense	253,269	566,821
Dividends income	(11,395)	(10,846)
(Reversal of) impairment losses on financial investments, property, inventory, receivables	8,963	(138,051)
Other non cash transaction	(42,387)	11,071
Income tax expense	962,979	1,496,387
Foreign exchange gains	(49,097)	(273,236)
Impairment losses on assets classified as held for sale	2,470,948	1,669,916
<b>Operating profit before working capital changes</b>	<b>8,202,555</b>	<b>8,824,132</b>
Change in trade and other receivables, prepayments and other current assets	(2,927,932)	(545,836)
Change in trade and other accounts payable and accruals	795,769	532,897
Change in provisions	(15,502)	(76,788)
Interest paid	(634,010)	(505,851)
Income tax paid	(1,391,507)	(841,486)
<b>Net cash provided by operating activities</b>	<b>4,029,373</b>	<b>7,387,068</b>
<b>Cash flows from investing activities:</b>		
Acquisition of property, plant and equipment and intangible assets	(5,474,631)	(3,267,600)
Acquisition of additional shareholding in subsidiary	(,334,848)	--
Decrease of cash relating to disposal of subsidiaries	(1,298,725)	(70,612)
Purchase of financial investments	--	(3,603)
Proceed from disposals of property, plant and equipment and intangible assets	280,384	641,004
Proceed from disposals of subsidiaries	5,513,625	971,544
<b>Net cash used in investing activities</b>	<b>(1,314,195)</b>	<b>(1,729,267)</b>
<b>Cash flows from financing activities:</b>		
Change in short-term bank loans	(2,221,503)	(121,730)
Change in loans and borrowings	(2,357,829)	(4,078,234)
Dividends received	--	10,846
<b>Net cash used in financing activities</b>	<b>(4,579,332)</b>	<b>(4,189,118)</b>
<b>Net change in cash and cash equivalents</b>	<b>(1,864,154)</b>	<b>1,468,683</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>4,970,650</b>	<b>3,501,967</b>
Cash and cash equivalents related to assets classified as held for sale	640,798	--
Cash and cash equivalents at the beginning of the year in the balance sheet	4,329,852	3,501,967
<b>Cash and cash equivalents at the end of the year</b>	<b>3,106,496</b>	<b>4,970,650</b>
Cash and cash equivalents related to assets held for sale at the end of the year	--	640,798
<b>Cash and cash equivalents at the end of the year in the balance sheet</b>	<b>3,106,496</b>	<b>4,329,852</b>

The consolidated financial statements are to be read in conjunction with the notes forming part of the consolidated financial statements set out on pages 5 to 75.

# UNIPETROL, a.s.

## Notes to the consolidated financial statements

### prepared in accordance with International Financial Reporting Standards

Year ended 31 December 2007

(in thousands of CZK)

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# UNIPETROL, a.s.

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

Year ended 31 December 2007  
(in thousands of CZK)

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

#### *Establishment of the parent company*

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

#### *Registered office of the Company*

UNIPETROL, a.s.  
Klimentská 10  
110 05 Praha 1  
Czech Republic

#### *Principal activities*

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

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

#### *Ownership structure*

The shareholders as at 31 December 2007 are as follows:

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

On 28 April 2004, the Government of the Czech Republic decided to sell its equity investment in UNIPETROL, a.s. administered by the National Property Fund of the Czech Republic, to POLSKI KONCERN NAFTOWY ORLEN S.A. (“PKN Orlen”). The Company’s board of directors was informed that on 20 April 2005 PKN Orlen received notification from the European Commission Directorate General for Competition, informing about approval of the purchase of 62.99 % of UNIPETROL, a.s. shares.

# UNIPETROL, a.s.

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

Year ended 31 December 2007  
(in thousands of CZK)

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

PKN Orlen paid the remaining part of the purchase price for 62.99 % of UNIPETROL, a.s. shares on 24 May 2005 and became owner of the shares. At the general meeting of UNIPETROL, a.s. held on 8 June 2005 new supervisory board members were elected and on the same day at its first meeting the supervisory board elected a new board of directors. PKN Orlen made an obligatory offer to minority shareholders to acquire their shares during September 2005 and, consequently, the percentage of shares owned by PKN Orlen increased by 0.0014 % of issued capital of the Company.

The following table shows subsidiaries and joint-ventures forming the consolidated group of UNIPETROL, a.s., and the Group's interest in the capital of subsidiaries and joint-ventures held either directly by the parent company or indirectly by the consolidated subsidiaries (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
<b>Parent company</b> UNIPETROL, a.s. Klimentská 10 110 05 Praha 1 Czech Republic		
<b>Consolidated subsidiaries</b> 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) O. Wichterleho 810 278 52 Kralupy nad Vltavou Czech Republic	100.00 %	--

# UNIPETROL, a.s.

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

Year ended 31 December 2007  
(in thousands of CZK)

### 1. DESCRIPTION OF THE PARENT COMPANY AND STRUCTURE OF THE CONSOLIDATED GROUP (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 %
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, a.s Dělnická 12 170 04 Praha 12 Czech Republic	--	100.00%
UNIRAF Slovensko s.r.o. Panónská cesta 7 850 00 Bratislava Slovak republic	--	100.00%

# UNIPETROL, a.s.

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

Year ended 31 December 2007  
(in thousands of CZK)

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

Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries
<b>Consolidated joint-ventures</b>		
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 24.

Name and registered office	Ownership interest of the parent company in share capital
<b>Associated companies (until 30 September 2005)</b>	
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 consolidated financial statements prepared in accordance with International Financial Reporting Standards

Year ended 31 December 2007  
(in thousands of CZK)

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

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

##### *Sale of shares of KAUČUK, 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 2,649,915 thousand was reduced by impairment amounting to CZK 1,669,916 thousand recognized in 2006 and CZK 979,999 thousand recognized in current period. The increase of net assets of KAUČUK, a.s. from January 2007 up to the selling date was compensated by impairment of the same amount.

##### *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.

##### *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.

# UNIPETROL, a.s.

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

Year ended 31 December 2007  
(in thousands of CZK)

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### 2. SIGNIFICANT ACCOUNTING POLICIES

#### A Statement of compliance

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

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

- IFRS 8 Operating Segments – effective 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 Group's operations as none of the Group entities have 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 Group assessed the impact of application of the above interpretations and changes and determined that the changes in IFRS 8 may have impact on the presentation of financial statements when applied. Starting from 1 January 2009, after acceptance of IFRS 8 by the European Commission, the Group will adopt IFRS 8. According to a preliminary assessment, the application of IFRIC 12, IFRIC 13 and IFRIC 14 will not have a significant impact on the Group's financial statements.

# UNIPETROL, a.s.

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

Year ended 31 December 2007  
(in thousands of CZK)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### B Basis of preparation

The consolidated financial statements of the Company for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred as the “Group”) and the Group’s interest in equity accounted investees and jointly controlled entities.

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

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

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

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

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

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 12 – property, plant and equipment in relation to impairment and note 19 – deferred tax.

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

#### C Group accounting principles and policy

(1) Basis of consolidation

*(i) Subsidiaries*

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

# UNIPETROL, a.s.

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

Year ended 31 December 2007  
(in thousands of CZK)

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obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The minority interest is presented in equity. Net profit attributable to minority shareholders is presented in the profit and loss.

### *(ii) Equity accounted investees*

Equity accounted investees are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of Equity accounted investees on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

### *(iii) Joint ventures*

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's proportionate share of the entities' assets, liabilities, revenues and expenses with items of a similar nature on a line by line basis, from the date that joint control commences until the date that joint control ceases.

### *(iv) Transactions eliminated on consolidation*

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with Equity accounted investees and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### *(v) Goodwill*

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is stated after initial recognition at cost less accumulated impairment losses. In respect of Equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the associate. Goodwill is not amortised.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

# UNIPETROL, a.s.

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

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*(vi) Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost*

If the acquirer's share resulting from a business combination in the net fair value of identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination the acquirer:

- Reassesses the identification and measurement of the identifiable assets, liabilities and contingent liabilities and the cost of the business combination;
- Recognizes immediately in the profit and loss any excess remaining after the reassessment in the period in which the business combination was carried out.

### (2) 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 Group 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *(iv) Government grants*

# UNIPETROL, a.s.

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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 Group will comply with the conditions attaching to it. Grants that compensate the Group 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 Group 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.

### (3) Foreign currency

#### *(i) Foreign currency translation*

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Czech Crowns, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity'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.

#### *(ii) Financial statements of foreign operations*

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Czech Crowns using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are presented in equity and recognised in the Group's foreign currency translation reserve. These differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the exchange rate prevailing at the balance sheet date.

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### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (4) 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.

#### (5) 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 Group'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.

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 Group intends and is able to settle its current tax assets and liabilities on a net basis.

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

# UNIPETROL, a.s.

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

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### (6) Property, plant and equipment

#### (i) Owned assets

Items of property, plant and equipment 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:

Buildings	25 – 80 years
Plant and equipment	3 – 30 years
Tools and machinery	2 – 50 years
Fixtures and fittings	2 – 20 years
Vehicles	4 – 17 years
Catalysts and items from precious metals	1 – 15 years
Other tangible fixed assets	4 – 30 years

Depreciation of property, plant and equipment 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 property, plant and equipment which are material for the whole item are depreciated separately in accordance with their economic useful life. Items of property, plant and equipment 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 represent plant and properties under construction and are stated at cost. This includes cost of construction, plant and equipment and other direct costs. Assets under development are not depreciated until the relevant assets are ready for their intended use.

Major spare parts and stand-by equipment are capitalized as property, plant and equipment when an entity expects to use them during more than one period. Similarly, if the spare parts and servicing agreement can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment. In both cases spare parts are depreciated over the shorter of the useful life of the spare part and the remaining life of the related item of property, plant and equipment.

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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

# UNIPETROL, a.s.

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

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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 Group 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.

### *(iii) Subsequent expenditure*

The Group recognises in the carrying amount of an item of property, plant and equipment 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 Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

## **(7) 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.

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### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (8) 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 Group 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.

#### *(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 Group and which 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.

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### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *(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.

#### (9) Carbon dioxide emission allowances

Emissions allowances received by the Group are recognised initially as intangible assets. These assets are written off to the income statement in accordance with actual emissions. The allowances are received from the government for free. The resulting government grant is recognised at fair value. The grant then is recognised as deferred income and recognised in the income statement on a systematic basis over the compliance period. Allowances are presented net of the deferred government grant. If the actual emissions are lower than emission allowances received for the compliance period, the excessive emission allowances are reported as assets held for sale net of the deferred government grant.

#### (10) Impairment

The carrying amounts of the Group's assets, other than inventories (refer to accounting policy 11) and deferred tax assets (refer to accounting policy 5), 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.

#### *(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.

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

# UNIPETROL, a.s.

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

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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 Group'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.

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) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

# UNIPETROL, a.s.

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Cost of inventories is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. For finished goods, costs comprise of related fixed and variable indirect costs for ordinary production levels, excluding external financing costs.

The Group uses commodity derivative contracts to hedge crude oil purchases. Gains or losses on commodity derivative contracts are included in cost of sales.

### (12) 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.

### (13) 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.

### (14) 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.

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### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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.

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 Group 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 Group'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 Group 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 Group 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

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

# UNIPETROL, a.s.

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

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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.

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 Group 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 Group 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 Group retains substantially all the risks and rewards of ownership of a transferred financial instrument, the Group continues to recognise the financial instrument and also recognises a collateralised borrowing for the proceeds received.

### **Derivative financial instruments**

The Group 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 Group designates certain derivatives as

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

# UNIPETROL, a.s.

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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.

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 Group 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 Group 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 Group 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 Group 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.

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### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 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.

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 Group 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

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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- 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.

### (18) Provisions

Provisions are recognised when the Group 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 Group establishes provisions for environmental damage, legal disputes, penalties and estimated expenditures related to the fulfilment 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 Group for clean-up costs.

A provision for restructuring is recognised when the Group 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 Group'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 Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

### (19) 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 Group has no pension or post-retirement commitments.

### (20) Long-term service benefits

The Group'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 Group's obligations.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

# UNIPETROL, a.s.

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

Year ended 31 December 2007  
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### *Retirement benefits and jubilee bonuses*

Under the Group'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 Group does not assign assets which would be used for future retirement or jubilee liabilities. The Group 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.

### (21) 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 Group'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 Group'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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (22) Discontinued operations

# UNIPETROL, a.s.

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

Year ended 31 December 2007  
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A discontinued operation is a component of the Group's business that represents a separate line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

### (23) Share capital

Ordinary shares are classified as equity.

### (24) Earnings per share

Basic earnings per share for each period are calculated by dividing the net profit for a given period by the weighted average number of shares outstanding during that period.

Diluted earnings per share for each period are calculated by dividing the net profit for a given period adjusted by changes of the net profit resulting from conversion of the dilutive potential ordinary shares by the weighted average number of shares.

### (25) 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (26) Operating segments

# UNIPETROL, a.s.

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

Year ended 31 December 2007  
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The operations of the Group are divided into the following segments: Refinery, Retail, Petrochemical and Other.

- The Refinery Segment comprises crude oil processing as well as wholesale,
- The Retail Segment comprises trade in refinery products,
- The Petrochemical Segment encompasses production and sales of petrochemicals,
- Other operations include mainly support functions, transportation, service and maintenance activities and construction conducted by other subsidiaries.

The Group adopted business segments as the primary reporting format i.e. reflecting the dominant source of risks and benefits related to sale of goods and services. A secondary reporting format is geographical segments that are associated with activity conducted in different geographical areas.

Segment results and assets are defined before inter-segment adjustments. Sales prices in inter-segment transactions are similar to market prices. Segment operating costs are allocated as appropriate. Other costs which cannot be reliably determined are included as unallocated expenses of the Group, reconciling total segment results to profit from operations.

Segment revenue is the revenue earned from sales to external customers or from inter-segment transactions that is directly attributable or reasonably allocable to a segment.

Segment expenses include expenses relating to sales to external customers and inter-segment transactions that result from operating activities and are directly attributable or reasonably allocable to a segment.

Segment assets (liabilities) are those operating assets (liabilities) that are employed by that segment in operating activity (result from operating activity) and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

The segment result is determined at the level of profit from operations. The revenues, result, assets and liabilities of a given segment are defined before inter-segment adjustments are made.

# UNIPETROL, a.s.

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

Year ended 31 December 2007  
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### 3. CHANGE IN ACCOUNTING POLICY AND CORRECTION OF PRIOR PERIOD ERRORS

#### *New classifications in the financial statements*

In order to be consistent with the classification principles of the Group, certain items were reclassified in the financial statements of subsidiaries. The 2006 figures presented in the consolidated financial statements were restated to comply with the new classifications.

The following table summarizes changes in accounting policies and their impact on the balance sheet as at 31 December 2006:

	31/12/2006 as previously stated	Reclassification of intangible assets under construction	Reclassification of prepayments	Reclassification of accruals	31/12/2006 as restated
Property, plant and equipment	34,366,580	82,420	(352,453)		34,096,547
Intangible assets	1,738,824	(82,420)			1,656,404
Inventories	7,884,539		(12,026)		7,872,513
Trade receivables	11,176,135		364,479	48,692	11,589,306
Prepayments and other current assets	874,243			(48,692)	825,551

The Group has changed the presentation of acquisition of intangible assets under construction and prepayments for acquisition of tangible assets as presented above and presentation of prepayments for inventories.

	31/12/2006 as previously stated	Reclassification of liabilities	31/12/2006 as restated
Non current provisions	570,741	(39,513)	531,228
Trade and other payables and accruals	15,860,434	(42,490)	15,817,944
Current portion of loans and borrowings	4,048,568	45,339	4,093,907
Current provisions	113,041	36,664	149,705

The Group has changed the presentation of provisions (between current and non current liabilities) and reclassified accrual of interest from Trade and other liabilities to Current portion of loans and borrowings.

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Year ended 31 December 2007  
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### 3. CHANGE IN ACCOUNTING POLICY AND CORRECTION OF PRIOR PERIOD ERRORS (CONTINUED)

The following table summarizes changes in accounting policies and correction of prior period error and their impact on the income statement for the year ended 31 December 2006:

	2006 as previously stated	Reclassification	2006 as restated
Revenue	94,642,132	(943,862)	93,698,270
Cost of sales	(83,956,754)	982,699	(82,974,055)
<b>Gross profit</b>	<b>10,685,378</b>	<b>38,837</b>	<b>10,724,215</b>
Other income	932,005	498,406	1,430,411
Distribution expenses	(3,234,221)	(234)	(3,234,455)
Administrative expenses	(2,123,477)	(7,102)	(2,130,579)
Other expenses	(2,478,034)	(531,629)	(3,009,663)
<b>Operating profit before finance costs</b>	<b>3,781,651</b>	<b>(1,722)</b>	<b>3,779,929</b>
Finance income	521,880	2,104	523,984
Finance expenses	(1,113,869)	(379)	(1,114,248)
<b>Net finance costs</b>	<b>(591,989)</b>	<b>1,724</b>	<b>(590,265)</b>
<b>Profit before tax</b>	<b>3,189,662</b>	<b>2</b>	<b>3,189,664</b>
Income tax expense	(1,496,387)	(2)	(1,496,389)

The Group has changed the presentation of revenue from sale of materials from Other operating income to Revenue. In 2006 the excise tax was wrongly included in Revenue.

	Revenue from sale of materials	Cost of sale of materials	Provision	Elimination of excise tax in Revenues and Costs of sales	Other	Total
Revenue	92,347			(1,036,209)		(943,862)
Cost of sales		(53,510)		1,036,209		982,699
<b>Gross profit</b>	<b>92,347</b>	<b>(53,510)</b>				<b>38,837</b>
Other income	(92,347)	53,510	537,243			498,406
Distribution expenses					(234)	(234)
Administrative expenses					(7,102)	(7,102)
Other expenses			(537,243)		5,614	(531,629)
<b>Operating profit before finance costs</b>					<b>(1,722)</b>	<b>(1,722)</b>
Finance income					2,104	2,104
Finance expenses					(379)	(379)
<b>Net finance costs</b>					<b>1,724</b>	<b>1,724</b>
<b>Profit before tax</b>					<b>2</b>	<b>2</b>
Income tax expense					(2)	(2)

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

Year ended 31 December 2007  
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### 4. REVENUE

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

	2007	2006
<b>Gross proceeds from sale of own products and merchandise</b>		
Domestic	81,825,843	66,569,918
Export	28,434,806	46,701,510
<b>Total gross proceeds</b>	<b>110,260,649</b>	<b>113,271,428</b>
<b>Less: Excise tax</b>	<b>26,319,452</b>	<b>24,256,810</b>
<b>Total net revenue</b>	<b>83,941,197</b>	<b>89,014,618</b>
<b>Revenue from services</b>		
Domestic	4,435,873	4,209,337
Export	401,445	474,315
<b>Total revenue from services</b>	<b>4,837,318</b>	<b>4,683,652</b>
<b>Total revenue</b>	<b>88,778,515</b>	<b>93,698,270</b>

### 5. BUSINESS SEGMENTS

Year ended 31/12/2007	Refinery production	Retail	Petrochemical production	Other	Eliminations	Consolidated
<b>Revenues</b>						
Total external revenues	42,344,938	8,624,430	36,763,323	1,045,824		88,778,515
Intersegment revenues	33,921,060	193,244	7,765,502	924,801	(42,804,607)	
Total segment revenue	76,265,998	8,817,674	44,528,825	1,970,625	(42,804,607)	88,778,515
<b>Result from operating activities</b>	<b>946,722</b>	<b>523,965</b>	<b>3,347,529</b>	<b>(441,657)</b>	<b>448,993</b>	<b>4,825,552</b>
Net finance costs						(2,895,764)
<b>Profit before tax</b>						<b>1,929,788</b>
Income tax expense						(652,352)
<b>Profit for the period</b>						<b>1,277,436</b>

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Year ended 31 December 2007  
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### 5. BUSINESS SEGMENTS (CONTINUED)

Year ended 31/12/2006	Refinery production	Retail	Petrochemical production	Other	Eliminations	Consolidated
<b>Revenues</b>						
Total external revenues	44,188,160	7,545,273	41,195,140	769,697		93,698,270
Intersegment revenues	33,250,923	112,824	14,692,824	1,140,240	(49,196,811)	
Total segment revenue	77,439,083	7,658,097	55,887,964	1,909,937	(49,196,811)	93,698,270
<b>Result from operating activities</b>	<b>1,025,233</b>	<b>373,271</b>	<b>3,089,145</b>	<b>(705,764)</b>	<b>(1,956)</b>	<b>3,779,929</b>
Net finance costs						(590,265)
<b>Profit before tax</b>						<b>3,189,664</b>
Income tax expense						(1,496,389)
<b>Profit for the period</b>						<b>1,693,275</b>

Balance sheet 31/12/2007	Refinery	Retail	Petrochemical	Other	Eliminations	Consolidated
Segment assets	28,122,499	6,863,793	27,332,925	10,728,526	(11,612,967)	61,434,776
Unallocated corporate assets						4,704,988
<b>Total assets</b>						<b>66,139,764</b>
Segment liabilities	14,637,849	1,492,052	3,610,770	3,097,752	(3,434,044)	19,404,379
Unallocated corporate liabilities						4,597,318
<b>Total liabilities</b>						<b>24,001,697</b>

Balance sheet 31/12/2006	Refinery	Retail	Petrochemical	Other	Eliminations	Consolidated
Segment assets	29,676,241	6,461,691	36,704,197	12,356,419	(13,291,560)	71,906,988
<b>Total</b>	<b>29,676,241</b>	<b>6,461,691</b>	<b>36,704,197</b>	<b>12,356,419</b>	<b>(13,291,560)</b>	<b>71,906,988</b>
Segment liabilities	16,553,375	5,536,178	16,725,629	5,223,172	(13,291,560)	30,746,794
<b>Total</b>	<b>16,553,375</b>	<b>5,536,178</b>	<b>16,725,629</b>	<b>5,223,172</b>	<b>(13,291,560)</b>	<b>30,746,794</b>

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Year ended 31 December 2007  
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### 5. BUSINESS SEGMENTS (CONTINUED)

Other information 2007	Refinery	Retail	Petrochemical	Other	Eliminations	Consolidated
Depreciation and amortisation	(868,615)	(321,539)	(2,137,824)	(167,831)		(3,495,809)
Impairment losses on intangible assets and PPE	15,588	39,452	(885,943)	955		(829,948)

Other information 2006	Refinery	Retail	Petrochemical	Other	Eliminations	Consolidated
Depreciation and amortisation	(835,848)	(334,021)	(2,731,261)	(144,683)		(4,045,813)
Impairment losses on intangible assets and PPE	10,473	(48,663)	88,004	4,712		54,526

### 6. GEOGRAPHICAL SEGMENTS

#### Secondary reporting format – geographical segments

	Revenues		Total assets		Additions to non-current assets	
	2007	2006	2007	2006	2007	2006
Czech Republic	59,942,266	52,627,745	64,448,521	70,493,512	6,193,574	3,267,600
Other European countries	28,366,277	40,742,193	1,691,243	1,413,476	548	
Other countries	469,972	328,332				
Total	<b>88,778,515</b>	<b>93,698,270</b>	<b>66,139,764</b>	<b>71,906,988</b>	<b>6,194,122</b>	<b>3,267,600</b>

With the exception of the Czech Republic no other individual country accounted for more than 10 % of consolidated revenues or assets. Revenues are based on the country in which the customer is located. Total assets and additions to non-current assets are based on location of the assets. Additions to non-current assets comprise additions to property, plant and equipment (Note 12) and intangible assets (Note 14).

# UNIPETROL, a.s.

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

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

2007	Cost of sales	Distribution costs	Administrative expenses	Other operating income / (expenses)	Total
Materials consumed	(67,356,947)	(174,846)	(47,730)	--	(67,579,523)
Energy	(1,086,167)	(1,073)	(7,558)	--	(1,094,798)
Repairs and maintenance	(1,654,995)	(38,751)	(16,339)	--	(1,710,085)
Other services	(2,673,250)	(1,911,420)	(983,608)	--	(5,568,278)
Personnel expenses	(1,892,069)	(344,362)	(655,794)	--	(2,892,225)
Depreciation					
- owned assets	(2,534,935)	(373,481)	(51,955)	--	(2,960,371)
- leased assets	(345,189)	(37,147)	--	--	(382,336)
Amortization					
- software	(46,362)	(8,324)	(14,878)	--	(69,564)
- other intangible assets	(67,838)	(2,906)	(12,794)	--	(83,538)
Impairment of PPE recognised / released	--	--	--	(782,449)	(782,449)
Inventory write-down recognised / released	--	--	--	70,044	70,044
Impairment to trade receivables recognised / released	--	--	--	171,610	171,610
Research expenditures	(23,631)	--	--	--	(23,631)
Investment property expense	(5,273)	--	--	--	(5,273)
Operating lease rentals	(469,926)	(2,030)	(43,614)	--	(515,570)
Profit/Loss on disposal of PPE	--	--	--	83,845	83,845
Addition/(utilization, release) to provisions	--	--	--	(4,897)	(4,897)
Insurance	(129,781)	(3,496)	(61,798)	(76,700)	(271,775)
Written off receivables	--	--	--	(174,742)	(174,742)
Other expenses	(164,261)	(16,583)	(100,069)	(77,421)	(358,334)
Other income	16,425	--	1,252	181,250	198,927
<b>Total operating expenses</b>	<b>(78,434,199)</b>	<b>(2,914,419)</b>	<b>(1,994,885)</b>	<b>(609,460)</b>	<b>(83,952,963)</b>
Revenue					<b>88,778,515</b>
Operating profit before financing costs					<b>4,825,552</b>

# UNIPETROL, a.s.

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Year ended 31 December 2007  
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### 7. ANALYSIS OF EXPENSES ACCORDING THEIR NATURE (CONTINUED)

2006	Cost of sales	Distribution costs	Administrative expenses	Other operating income / (expenses)	Total
Materials consumed	(70,439,977)	(336,148)	(56,448)	(6,276)	(70,838,849)
Energy	(1,631,113)	(989)	(8,838)	--	(1,640,940)
Repairs and maintenance	(1,800,335)	(38,994)	(30,033)	--	(1,869,362)
Other services	(3,020,422)	(2,145,338)	(844,935)	--	(6,010,695)
Personnel expenses	(2,213,519)	(282,470)	(887,055)	--	(3,383,044)
Depreciation					
- owned assets	(3,270,813)	(345,010)	(119,755)	--	(3,735,578)
- leased assets	(114,194)	(34,306)	(2,935)	--	(151,435)
Amortization					
- software	(51,903)	(20,653)	(13,551)	--	(86,107)
- other intangible assets	(98,423)	(81)	(9,254)	--	(107,758)
Impairment of PPE recognised / (released)	10,473	--	51,694	(7,873)	54,294
Inventory write-down recognised / (released)	2,667	--	(2,269)	47,248	47,646
Impairment to trade receivables recognised / (released)	--	--	(18,177)	138,652	120,475
Research expenditures	(21,354)	--	--	--	(21,354)
Investment property expense	(4,411)	--	--	--	(4,411)
Operating lease rentals	(29,193)	--	(17,160)	--	(46,353)
Profit / (loss) on disposal of PPE	--	--	--	490,995	490,995
Addition / (utilization, release) to provisions	15,933	--	(15,401)	62,923	63,455
Insurance	(194,513)	(4,229)	(75,052)	(128,273)	(402,067)
Write off of receivables	(772)	--	(16)	(39,164)	(39,952)
Impairment of assets qualified as held for sale	--	--	--	(1,669,916)	(1,669,916)
Other expenses	(162,793)	(26,237)	(81,394)	(518,528)	(788,952)
Other income	50,607			50,960	101,567
<b>Total operating expenses</b>	<b>(82,974,055)</b>	<b>(3,234,455)</b>	<b>(2,130,579)</b>	<b>(1,579,252)</b>	<b>(89,918,341)</b>
Revenue					93,698,270
<b>Operating profit before finance costs</b>					<b>3,779,929</b>

# UNIPETROL, a.s.

## Notes to the consolidated financial statements

### prepared in accordance with International Financial Reporting Standards

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#### 8. FINANCE INCOME AND FINANCE EXPENSES

	2007	2006
<b>Finance income</b>		
Interest income:		
- bank deposits	185,343	145,523
- other loans and receivables	24,101	--
Dividend income	3,475	10,846
Foreign exchange gains	302,936	273,236
Reversal of impairment on held-to-maturity securities	608	47,551
Fair value gains on derivatives	--	37,157
Other finance income	48,479	9,670
<b>Total finance income</b>	<b>564,942</b>	<b>523,983</b>
<b>Finance expenses</b>		
Interest expense:		
- bank overdrafts, loans and borrowings	(416,971)	(710,996)
- finance leases	(12,733)	(16,148)
- other	(13,513)	(3,590)
Total borrowings costs	(443,217)	(730,734)
Less: amounts included in the cost of qualifying assets	11,861	18,390
<b>Borrowing costs recognized in the income statement</b>	<b>(431,356)</b>	<b>(712,344)</b>
Foreign exchange losses	(316,268)	--
Loss arising on derivatives in a designated fair value hedge accounting relationship	(65,055)	--
Net loss from sale of subsidiary	(76,672)	(253,977)
Impairment on held-to-maturity securities	(2,470,951)	--
Other finance expenses	(100,404)	(147,927)
<b>Total finance expenses</b>	<b>(3,460,706)</b>	<b>(1,114,248)</b>
<b>Net finance costs</b>	<b>(2,895,764)</b>	<b>(590,265)</b>

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### 9. PERSONNEL EXPENSES

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

	Supervisory board members		Boards of directors members	
	2007	2006	2007	2006
Cash benefits	11,671	15,965	10,198	28,147
Non-cash benefits	537	1,162	918	1,102
<b>Total</b>	<b>12,208</b>	<b>17,127</b>	<b>11,116</b>	<b>29,249</b>

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	5,618	2,068,334	682,193	21,978	29,521
Management - Boards of directors	38	64,910	20,695	131	788
<b>Total</b>	<b>5,656</b>	<b>2,133,244</b>	<b>702,888</b>	<b>22,109</b>	<b>30,309</b>

2006	Number of employees	Wages and salaries	Social and health insurance	Expenses related to benefit plans	Social expense
Employees	6,867	2,284,084	781,905	4,999	64,822
Management - Boards of directors	51	161,718	39,580	117	1,706
<b>Total</b>	<b>6,918</b>	<b>2,445,802</b>	<b>821,485</b>	<b>5,116</b>	<b>66,528</b>

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### 10. INCOME TAX EXPENSE

	2007	2006
Current tax – domestic	918,635	1,329,027
Current tax – foreign	44,344	3,928
Deferred tax	(310,627)	163,434
<b>Income tax expense</b>	<b>652,352</b>	<b>1,496,389</b>

Domestic income tax is calculated in accordance with Czech tax regulations at the rate of 24 % in 2007 (2006: 24 %) of the estimated taxable income for the year. The deferred tax has been calculated using tax rates approved for years 2008 - 2010 (21 %, 20 %, 19 %). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	2007	2007	2006	2006
Profit for the period	--	1,277,436	--	1,693,275
Total income tax expense	--	652,352	--	1,496,389
Profit excluding income tax	--	1,929,788	--	3,189,664
Income tax using domestic income tax rate	24.00 %	463,149	24.00 %	765,519
Effect of tax rates in foreign jurisdictions	(2.02 %)	(38,982)	0.43 %	13,816
Non-deductible expenses	22.59 %	435,857	23.67 %	754,897
Tax exempt income	(6.97 %)	(134,441)	(1.86 %)	(59,386)
Tax incentives	(1.26 %)	(24,298)	(3.71 %)	(118,475)
Recognition of previously unrecognised tax losses	(3.56 %)	(68,612)	(6.60 %)	(210,613)
Current year losses for which no deferred tax asset was recognised	(0.70 %)	(13,559)	0.06 %	2,058
Change in unrecognised temporary differences	(1.29 %)	24,911	0.75 %	23,774
Under (over) provided in prior periods	0.43 %	8,327	10.18 %	324,799
<b>Total income tax expense</b>	<b>33.80%</b>	<b>652,352</b>	<b>46.91 %</b>	<b>1,496,389</b>

### 11. EARNINGS PER SHARE

#### *Basic earnings per share*

	2007	2006
Profit for the period attributable to equity holders (in CZK '000)	1,221,140	1,599,827
Weighted average number of shares	181,334,764	181,334,764
<b>Earnings per share (in CZK)</b>	<b>6.73</b>	<b>8.82</b>

#### *Diluted earnings per share*

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

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### 12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Other	Assets under development	Total
<b>Cost</b>					
<b>Balance as at 1/1/06</b>	<b>28,902,896</b>	<b>51,308,660</b>	<b>375,884</b>	<b>1,608,770</b>	<b>82,196,210</b>
Additions	242,219	1,350,301	26,711	1,524,820	3,144,051
Disposals	(470,210)	(1,406,557)	(44,385)	(147,308)	(2,068,460)
Reclassifications	487,281	213,102	(152,993)	(581,020)	(33,630)
Transfer to assets held for sale	(2,665,775)	(7,392,131)	(1,211)	(84,646)	(10,143,763)
Disposal of subsidiary	(3,885,336)	(9,597,576)	(7,948)	(101,604)	(13,592,464)
<b>Balance as at 31/12/06 as previously stated</b>	<b>22,611,075</b>	<b>34,475,799</b>	<b>196,058</b>	<b>2,219,012</b>	<b>59,501,944</b>
Effect of restatements				(270,033)	(270,033)
<b>Balance as at 31/12/06 as restated</b>	<b>22,611,075</b>	<b>34,475,799</b>	<b>196,058</b>	<b>1,948,979</b>	<b>59,231,911</b>
Additions	990,787	2,282,828	245,990	1,684,483	5,204,088
Disposals	(102,264)	(738,082)	(123,377)	(286,462)	(1,250,186)
Reclassifications	(11,465)	89,570	280,379	(88,836)	269,649
Disposal of subsidiary	(268,773)	(252)	--	--	(269,025)
Other	12,319	37,794	4,588	1,747	56,448
<b>Balance as at 31/12/07</b>	<b>23,231,679</b>	<b>36,147,657</b>	<b>603,638</b>	<b>3,259,911</b>	<b>63,242,885</b>
<b>Depreciation</b>					
<b>Balance as at 1/1/06</b>	<b>9,448,264</b>	<b>28,322,262</b>	<b>168,092</b>	--	<b>37,938,618</b>
Charge for the year	850,540	2,998,925	37,548	--	3,887,013
Disposals	(284,740)	(1,372,289)	(30,856)	466	(1,687,419)
Reclassifications	(40,478)	92,684	(73,090)	(466)	(21,350)
Transfer to assets held for sale	(721,147)	(4,197,407)	--	--	(4,918,554)
Disposal of subsidiary	(2,400,919)	(8,307,214)	(6,427)	--	(10,714,560)
<b>Balance as at 31/12/06</b>	<b>6,851,520</b>	<b>17,536,961</b>	<b>95,267</b>	--	<b>24,483,748</b>
Charge for the year	605,387	2,332,531	107,611	--	3,045,529
Disposals	(53,622)	(694,862)	(123,339)	--	(871,823)
Reclassifications	(29,211)	42,366	279,217	--	292,372
Disposal of subsidiary	(124,754)	(232)	--	--	(124,986)
Other	1,822	15,151	672	--	17,645
<b>Balance as at 31/12/07</b>	<b>7,251,141</b>	<b>19,231,916</b>	<b>359,429</b>	--	<b>26,842,485</b>
<b>Impairment</b>					
<b>Balance as at 1/1/06</b>	<b>917,917</b>	<b>393,429</b>	--	<b>26,806</b>	<b>1,338,152</b>
Impairment losses	130,237	33,506	--	2,262	166,005
Reversal of impairment losses	(216,060)	(101,969)	--	(1,968)	(319,997)
Transfer to assets held for sale	(46,356)	(938)	--	(2,419)	(49,713)
Disposal of subsidiary	(435,591)	(47,240)	--	--	(482,831)
<b>Balance as at 31/12/06</b>	<b>350,147</b>	<b>276,788</b>	--	<b>24,681</b>	<b>651,616</b>
Impairment losses	86,312	78,549	--	--	164,863
Reversal of impairment losses	(112,265)	(141,506)	--	(19,200)	(272,974)
<b>Balance as at 31/12/07</b>	<b>324,194</b>	<b>213,828</b>	--	<b>5,481</b>	<b>543,505</b>
<b>Carrying amount as at 31/12/06</b>	<b>15,409,408</b>	<b>16,662,050</b>	<b>100,791</b>	<b>1,924,298</b>	<b>34,096,547</b>
<b>Carrying amount as at 31/12/07</b>	<b>15,656,342</b>	<b>16,701,911</b>	<b>244,209</b>	<b>3,254,430</b>	<b>35,856,892</b>

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### 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, plant and equipment include production technologies of CZK 564,768 thousand and vehicles of CZK 320,886 thousand held under finance leases as of 31 December 2007. The carrying amounts of property, plant and equipment held under finance leases as of 31 December 2006 was CZK 1,011,437 thousand.

The total capitalised borrowing costs in 2007 amounted to CZK 11,861 thousand (2006: CZK 18,390 thousand).

#### *Pledged assets*

The Group's gas stations, buildings, machinery and land are pledged to secure bank borrowings and obligations under finance leases of the Group.

Bank – lender	Asset pledged	Acquisition cost of pledged assets	Outstanding amount of loan secured
ČSOB	Buildings, land	1,642,122	244,674
BANCO SABADEL	Building	5,271	6,389
UBS AG Basel	Buildings, land	21,854	--
<b>Total as of 31/12/07</b>		<b>1,669,247</b>	<b>251,063</b>

Bank – lender	Asset pledged	Acquisition cost of pledged assets	Outstanding amount of loan secured
ČSOB	Buildings, land	1,625,870	383,338
PKN Orlen	Buildings, machines, land	406,774	269,462
BANCO SABADEL	Building	5,444	6,599
UBS AG Basel	Buildings, land	23,254	--
<b>Total as of 31/12/06</b>		<b>2,061,342</b>	<b>659,399</b>

### 13. INVESTMENT PROPERTY

Investment property as at 31 December 2007 was as follows:

In connection with the sale of the Group's share in KAUČUK, a.s. the land leased to KAUČUK, a.s., were transferred from Property, plant and equipment to Investment property. The carrying amount of lands amounted to CZK 142,394 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

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### 14. INTANGIBLE ASSETS

	Software	Other intangible assets	Assets under development	Total
<b>Cost</b>				
<b>Balance as at 1/1/06</b>	<b>754,566</b>	<b>2,231,819</b>	<b>76,097</b>	<b>3,062,482</b>
Additions	38,940	87,735	100,055	226,730
Disposals	(16,671)	(66,782)	(41,541)	(124,994)
Reclassifications	19,104	6,202	(14,014)	11,292
Transfer to assets held for sale	(16,892)	--	(4,544)	(21,436)
Disposal of subsidiary	(20,942)	(133,286)	--	(154,228)
<b>Balance as at 31/12/06 as previously stated</b>	<b>758,105</b>	<b>2,125,688</b>	<b>116,053</b>	<b>2,999,846</b>
Effect of restatements	--	--	(82,420)	(82,420)
<b>Balance as at 31/12/06 as restated</b>	<b>758,105</b>	<b>2,125,688</b>	<b>33,633</b>	<b>2,917,426</b>
Additions	38,181	180,768	--	218,948
Disposals	(40,197)	(1,261)	(35,011)	(76,469)
Reclassifications	18,666	24,569	1,225	44,461
Disposal of subsidiary	(16,694)	(7,920)	--	(24,614)
Other	1,582	739	153	2,474
<b>Balance as at 31/12/07</b>	<b>759,643</b>	<b>2,322,583</b>	<b>--</b>	<b>3,082,226</b>
<b>Amortization</b>				
<b>Balance as at 1/1/06</b>	<b>641,472</b>	<b>675,111</b>	<b>--</b>	<b>1,316,583</b>
Charge for the year	72,469	121,396	--	193,865
Disposals	(16,382)	(70,268)	--	(86,650)
Reclassifications	--	--	--	--
Transfer to assets held for sale	(13,846)	--	--	(13,846)
Disposal of subsidiary	(20,309)	(132,274)	--	(152,583)
<b>Balance as at 31/12/06</b>	<b>663,404</b>	<b>593,965</b>	<b>--</b>	<b>1,257,369</b>
Charge for the year	41,462	110,700	--	152,162
Disposals	(21,729)	--	--	(21,729)
Reclassifications	243	13,426	--	13,669
Disposal of subsidiary	(3,797)	(7,892)	--	(11,689)
Other	1,401	558	--	1,959
<b>Balance as at 31/12/07</b>	<b>680,984</b>	<b>710,757</b>	<b>--</b>	<b>1,391,741</b>
<b>Impairment</b>				
<b>Balance as at 1/1/06</b>	<b>--</b>	<b>947</b>	<b>--</b>	<b>947</b>
Impairment losses	--	--	3,500	3,500
Reversal of impairment losses	--	(546)	--	(546)
Disposal of subsidiary	--	(248)	--	(248)
<b>Balance as at 31/12/06</b>	<b>--</b>	<b>153</b>	<b>3,500</b>	<b>3,653</b>
Impairment losses	--	--	--	--
Reversal of impairment losses	--	(80)	(3,500)	(3,580)
<b>Balance as at 31/12/07</b>	<b>--</b>	<b>73</b>	<b>--</b>	<b>73</b>
<b>Carrying amount as at 31/12/06</b>	<b>94,701</b>	<b>1,531,570</b>	<b>30,133</b>	<b>1,656,404</b>
<b>Carrying amount as at 31/12/07</b>	<b>78,659</b>	<b>1,611,753</b>	<b>--</b>	<b>1,690,412</b>

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### 14. INTANGIBLE ASSETS (CONTINUED)

Other intangible assets primarily include purchased licenses related to production of plastics (high-density polyethylene - HDPE and polypropylene), which account for CZK 1,610,476 thousand of acquisition cost as of 31 December 2007.

### 15. GOODWILL

*Purchase of shares of ČESKÁ RAFINÉRSKÁ, a.s.*

During the year ended 31 December 2007 the Group acquired 0.225 % share in the registered capital of ČESKÁ RAFINÉRSKÁ, a.s. The Goodwill in amount of CZK 51,595 thousand from this operation is presented in the balance sheet as at 31 December 2007.

The share of 0.225 % in the fair value of the identifiable assets and liabilities of ČESKÁ RAFINÉRSKÁ, a.s. as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Carrying value	Fair value recognized on acquisition
Share on		
Non-current assets	40,453	40,453
Current assets	17,777	17,777
<b>Total assets</b>	<b>58,230</b>	<b>58,230</b>
Non-current liabilities	1,994	1,994
Current liabilities	14,286	14,286
<b>Total liabilities</b>	<b>16,280</b>	<b>16,280</b>
Net assets	41,950	41,950
Consideration, covered by cash		93,545
<b>Goodwill on acquisition</b>		<b>51,595</b>
<b>Cash outflow on acquisition:</b>		
Net cash acquired proportionate to the acquired shares		50
Cash paid		93,545
<b>Net cash outflow</b>		<b>93,495</b>

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### 15. GOODWILL (CONTINUED)

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

On 23 November the purchase of 14.51 % share of PARAMO a.s. was completed. The negative goodwill amounting to CZK 103,380 thousand was recognised in other operating income.

The share of 14.51 % in the fair value of the identifiable assets and liabilities of PARAMO a.s. as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Carrying value	Fair value recognized on acquisition
Non-current assets	292,199	292,199
Current assets	357,954	357,954
<b>Total assets</b>	<b>650,153</b>	<b>650,153</b>
Non-current liabilities	25,789	25,789
Current liabilities	279,680	279,680
<b>Total liabilities</b>	<b>305,469</b>	<b>305,469</b>
Net assets	344,684	344,684
Consideration, covered by cash		241,304
<b>Negative goodwill on acquisition</b>		<b>(103,380)</b>

  

<b>Cash outflow on acquisition:</b>	
Net cash acquired	9,701
Cash paid	241,304
<b>Net cash outflow</b>	<b>231,603</b>

### 16. OTHER INVESTMENTS

	31/12/2007	31/12/2006
Investments in AGROBOHEMIE a.s. and Synthesia a.s.	--	3,653,948
Other equity investments	73,916	56,070
<b>Total other investments</b>	<b>73,916</b>	<b>3,710,018</b>

Other equity investments represent ownership interests in companies that do not have quoted market price and whose fair value cannot be reliably measured and therefore are carried at acquisition cost. Investments in AGROBOHEMIE a.s. and Synthesia a.s. are presented as assets held for sale at 31 December 2007. For further information see note 24.

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### 17. NON-CURRENT RECEIVABLES

The Group has a long-term receivable relating to sale of property amounting to CZK 36,400 thousand as of 31 December 2007 (31 December 2006: CZK 36,400 thousand). In 2005 the instalments planned for 2006 and 2007 were repaid. The remaining balance is due between 2008 and 2015. The outstanding balance bears interest of 1.4 % p.a.

The Group has provided a loan to ČESKÁ RAFINÉRSKÁ, a.s. in the amount of CZK 237,457 thousand (31 December 2006: CZK 338,158 thousand) for reconstruction of production unit. Part of this receivable in amount of CZK 121,638 thousand was eliminated as an intergroup transaction. The loan is due in 2016 and bears interest of 1M PRIBOR increased by mark up.

Receivables due in	31/12/2007	31/12/2006
2008	--	20,039
2009	19,832	19,739
2010	19,832	19,739
2011	19,832	19,739
2012	19,832	19,739
2013	19,832	19,739
2014	19,832	19,739
2015	19,832	19,739
2016 and later	13,396	44,186
<b>Total</b>	<b>152,220</b>	<b>202,398</b>

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

### 18. DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments primarily to hedge currency and interest rate positions, and thereby minimise currency risks and financing costs caused by exchange rate or interest rate fluctuations. The instruments used are foreign currency swap contracts and interest rate swaps. The Group reduces the risk arising from discrepancies in the pricing formulas in purchases of crude oil and sales of products by entering into commodity swaps. Transactions with derivative financial instruments are subject to risk management procedures.

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

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### 18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

#### Derivative financial instruments – assets

	Settlement date	Contract principal amount		Fair value of derivatives	
		31/12/2007	31/12/2006	31/12/2007	31/12/2006
<b>Derivatives held for trading</b>					
Commodity Swap	8.1.2008	73 T USD	--	1,315	--
Cross Currency Swap	23.8.2007	--	21,333 T EUR	--	51,892
<b>Total financial derivatives – assets</b>				<b>1,315</b>	<b>51,892</b>

#### Derivative financial instruments – liabilities

	Settlement date	Contract principal amount		Fair value of derivatives	
		31/12/2007	31/12/2006	31/12/2007	31/12/2006
<b>Derivatives financial instruments effective for hedge accounting purposes</b>					
Interest rate swaps	15.8.2008	--	20,701 T USD	--	(9,349)
<b>Derivatives held for trading</b>					
Interest rate swaps	15.8.2008	16,938 T USD	--	(6,258)	--
Commodity swap - Citibank	8.1.2008	231 T USD	--	(4,174)	--
Commodity swap - Citibank	8.1.2008	14 T USD	--	(247)	--
Commodity swap - Česká spořitelna	8.1.2008	63 T USD	--	(1,137)	--
Commodity swap - Česká spořitelna	8.1.2008	105 T USD	--	(1,896)	--
<b>Total financial derivatives – liabilities</b>				<b>(13,712)</b>	<b>(9,349)</b>

The Group has derivative financial instruments, which serve as a hedging instrument pursuant to the Group's risk management strategy.

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

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

	Fair value as at 31/12/2007			Fair value as at 31/12/2006		
	Non-current receivables	Current receivables	Total	Non-current receivables	Current receivables	Total
Commodity Swap	--	1,315	1,315	--	--	--
Cross Currency Swap	--	--	--	45,045	6,847	51,892
<b>Total</b>	<b>--</b>	<b>1,315</b>	<b>1,315</b>	<b>45,045</b>	<b>6,847</b>	<b>51,892</b>

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### 18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	Fair value as at 31/12/2007			Fair value as at 31/12/2006		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Commodity Swaps	--	(7,454)	(7,454)	--	--	--
Interest Rate Swaps	--	(6,258)	(6,258)	(4,583)	(4,766)	(9,349)
<b>Total</b>	<b>--</b>	<b>(13,712)</b>	<b>(13,712)</b>	<b>(4,583)</b>	<b>(4,766)</b>	<b>(9,349)</b>

As at 31 December 2006 the Group had entered into the Interest Rate Swap, which was treated as effective for hedging purposes. As at 31 December 2007 this financial instrument did not meet the limit for effectiveness of hedging and is presented as held for trade in liabilities.

Other reserves include fair value gains and losses recognized on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognized in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

### 19. DEFERRED TAX

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

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

	2007
At 1 January	(2,556,625)
Income statement charge	310,627
Tax charged to equity	(2,515)
At 31 December	<b>(2,248,513)</b>

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) recognised by the Group during the period is as follows:

Deferred tax liabilities	1/1/2007	Charged/ (credited) to net profit	Charged to equity	31/12/2007
Property, plant and equipment	(2,688,191)	319,637	--	(2,368,554)
Inventory	(54,386)	(67)	--	(54,453)
Finance lease	(144,418)	26,753	--	(117,665)
Other	(68,775)	(4,966)	--	(73,741)
<b>Total deferred tax liabilities</b>	<b>(2,955,770)</b>	<b>341,357</b>	<b>--</b>	<b>(2,614,413)</b>

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#### 19. DEFERRED TAX (CONTINUED)

Deferred tax assets	1/1/2007	Charged/ (credited) to net profit	Charged to equity	31/12/2007
Property, plant and equipment	32,714	(7,600)		25,114
Provisions	208,212	35,106		243,318
Unused tax losses carried forward	52,575	(42,075)		10,500
10% investment relief	84,270	(15,792)		68,478
Derivative instruments	2,243	--	(2,243)	--
Other	19,131	(641)		18,490
<b>Total deferred tax assets</b>	<b>399,145</b>	<b>(31,002)</b>	<b>(2,243)</b>	<b>365,900</b>

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 consolidated balance sheet:

	31/12/2007	31/12/2006
Deferred tax asset	23,924	70,895
Deferred tax liability	(2,272,437)	(2,627,520)
<b>Net</b>	<b>(2,248,513)</b>	<b>(2,556,625)</b>

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.

The Group has tax assets relating primarily to tax deductible temporary differences as shown below in the amount of CZK 231,972 thousand which have not been recognised due to unpredictability of future taxable income (2006: CZK 248,842 thousand). Tax losses of CZK 14,674 thousand (2006: CZK 50,099 thousand) will expire in 2008.

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

	31/12/2007	31/12/2006
Unused tax losses	14,674	50,099
Deductible temporary differences	231,972	248,842
<b>Deferred tax asset</b>	<b>246,646</b>	<b>298,941</b>

# UNIPETROL, a.s.

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

Year ended 31 December 2007  
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### 20. INVENTORIES

	31/12/2007	31/12/2006
Raw materials	5,043,160	4,231,592
Net realisable value allowance for raw materials	(323,138)	(294,918)
Work in progress	1,309,626	1,296,692
Net realisable value allowance for work in progress	(593)	(8,190)
Finished goods	3,493,724	1,911,267
Net realisable value allowance for finished goods	(17,256)	(14,800)
Goods for sale	870,051	760,286
Net realisable value allowance for goods for sale	(14,484)	(9,416)
<b>Total inventory</b>	<b>10,361,090</b>	<b>7,872,513</b>

Changes in the net realisable value allowances for inventories amount to CZK 70,044 thousand and are included in other operating expenses in 2007, CZK 47,646 thousand in 2006.

### 21. TRADE AND OTHER RECEIVABLES

	31/12/2007	31/12/2006
Trade accounts receivable	12,530,057	9,864,910
Other receivables	1,815,085	2,839,991
Impairment losses	(1,287,205)	(1,115,595)
<b>Total accounts receivable</b>	<b>13,057,937</b>	<b>11,589,306</b>

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

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

	31/12/2007	31/12/2006
Denominated in	<b>Total</b>	<b>Total</b>
CZK	9,468,108	5,667,322
EUR	2,389,927	2,965,935
USD	471,856	2,384,140
Other currencies	728,046	571,909
<b>Total accounts receivable</b>	<b>13,057,937</b>	<b>11,589,306</b>

# UNIPETROL, a.s.

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

Year ended 31 December 2007  
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### 21. TRADE AND OTHER RECEIVABLES (CONTINUED)

The average credit period on sales of goods is 35 days. No interest is charged on the trade receivables for the first 3 days after the due date. Thereafter, interest is charged using 2W REPO actual rate or 6M EURIBOR actual rate.

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

Before accepting any new customer, the Group uses own or an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. As at 31 December 2007 there were 2 customers representing more than 5 % of the total balance of consolidated trade receivables. The receivables to these customers represent together CZK 1,469 million.

#### Ageing of past due receivables but not impaired

Not impaired trade receivables	31/12/2007	31/12/2006
60-90 days	607,901	296,061
90-180 days	7,376	17,859
180+ days	243,837	205,178
<b>Total</b>	<b>859,114</b>	<b>519,098</b>

#### Movement in the allowance for impairment charges

	31/12/2007	31/12/2006
<b>Balance at beginning of the year</b>	<b>1,115,595</b>	<b>995,120</b>
Impairment losses recognized on receivables	271,446	236,286
Amounts written off as uncollectible	(16,291)	(10,452)
Amounts recovered during the year	(23,267)	(54,235)
Impairment losses reversed	(60,278)	(55,424)
Unwind of discount	--	4,300
<b>Balance at end of the year</b>	<b>1,287,205</b>	<b>1,115,595</b>

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

# UNIPETROL, a.s.

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### 22. PREPAYMENTS AND OTHER CURRENT ASSETS

	31/12/2007	31/12/2006
Prepayments	110,081	121,844
Other current assets	69,278	703,707
<b>Total</b>	<b>179,359</b>	<b>825,551</b>

The management considers that the carrying amount of other current assets approximates their fair value.

The analysis of prepayments and other current assets by currency of denomination is as follows (in CZK thousands):

Denominated in	31/12/2007	31/12/2006
CZK	160,856	722,905
EUR	16,893	2,044
USD	752	100,214
Other currencies	858	388
<b>Total accounts receivable</b>	<b>179,359</b>	<b>825,551</b>

### 23. CASH AND CASH EQUIVALENTS

	31/12/2007	31/12/2006
Cash in hand	3,540	2,723
Cash at bank	2,104,657	2,663,744
Short-term bank deposits	998,299	1,663,385
<b>Total</b>	<b>3,106,496</b>	<b>4,329,852</b>

Short-term bank deposits comprise deposits with maturity of three months or less and obligatory deposits relating to the bank loans. The carrying amount of these assets approximates their fair value.

Withdrawals from the Group's bank account with Komerční banka, a.s. must be approved by the Environmental Department of the District Authority in Ústí nad Labem. The account had balance of CZK 60,218 thousand (31 December 2006 CZK 59,707 thousand).

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

Denominated in	31/12/2007	31/12/2006
CZK	2,805,936	3,774,816
EUR	190,934	198,411
USD	50,706	261,159
Other currencies	58,920	95,466
<b>Total cash and cash equivalents</b>	<b>3,106,496</b>	<b>4,329,852</b>

# UNIPETROL, a.s.

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### 24. ASSETS HELD FOR SALE

Assets and liabilities classified as held for sale are presented after elimination of intergroup balances in accordance with Group's accounting policy.

#### Assets classified as held for sale

	31/12/2007	31/12/2006
Property, plant and equipment	--	5,175,496
Intangible assets	--	7,590
Other investments	1,261,333	117,272
Non-current receivables	--	51,459
Inventories	--	1,223,364
Trade receivables	--	1,725,073
Prepayments and other current assets	--	56,626
Cash and cash equivalents	--	640,798
Impairment of assets held for sale	--	(1,669,916)
<b>Assets held for sale</b>	<b>1,261,333</b>	<b>7,327,762</b>

#### Liabilities classified as held for sale

	31/12/2007	31/12/2006
Provisions	--	106,396
Deferred tax liability	--	404,970
Interest bearing loans and borrowings	--	100,025
Trade payables and accruals	--	756,325
Current portion of interest bearing loans and borrowings	--	50,000
<b>Liabilities related to assets held for sale</b>	<b>--</b>	<b>1,417,716</b>

Assets classified as held as at 31 December 2007 for sale comprised Group's shares in entities described bellow.

Description	Number of shares	Nominal value	Net realisable value as at 31/12/2007
Celio, a.s.	97	1,000	78,333
AGROBOHEMIE a.s.	47,000	10.8	503,000
Synthesia, a.s.	1,529,591 26,447,571	0.4 0.04	680,000
<b>Total</b>			<b>1,261,333</b>

#### *CELIO a.s.*

The Group's share in CELIO a.s. was classified as a current asset held for sale since its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The management agreed a plan to sell the asset. The Group approved a plan to sell its investment in CELIO a.s. The carrying amount of the investment totals CZK 78,333 thousand.

# UNIPETROL, a.s.

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

*AGROBOHEMIE a.s., Synthesia, a.s.*

*Potential impact on the carrying amount of shares of 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.

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 from 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 aforementioned 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

# UNIPETROL, a.s.

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

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. 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.

The above stated circumstances have had a significant negative impact on the value of UNIPETROL, a.s.' shares in AGROBOHEMIE a.s. and Synthesia, a.s. 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 were 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. had been able to use these valuations so as to assess an impairment of UNIPETROL, a.s. shareholding in AGROBOHEMIE a.s. and in Synthesia, a.s., respectively. On this basis the total impairment charge established by the Board of Directors of UNIPETROL, a.s. as at 30 September 2007 was CZK 2,471 million.

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 million and for the Synthesia, a.s. shares – to CZK 680 million.

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

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### 25. SHARE CAPITAL

The issued capital of the parent 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.

### 26. 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.

	31/12/2007	31/12/2006
Reserve fund	1,916,557	1,673,451
Other funds	126,414	85,712
<b>Total</b>	<b>2,042,971</b>	<b>1,759,163</b>

### 27. RETAINED EARNINGS AND DIVIDENDS

#### Dividends

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

The decision regarding dividends and compensation of the 2007 loss (as reported in the 2007 non-consolidated financial statements) will be made on Annual General Meeting of Shareholders, which will be held in May / June 2008.

### 28. LOANS AND BORROWINGS

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

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

\*) Interest rates are increased by the agreed mark up.

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### 28. LOANS AND BORROWINGS (CONTINUED)

The current portion of non-current interest-bearing loans and borrowings maturing until 31 December 2008 is reported separately under current liabilities.

Interest bearing loans and borrowings as at 31 December 2006 were as follows:

Creditor / Currency	Balance as at 31/12/2006	Fair value at 31/12/2006	Effective interest rate
Citibank, N.A. / USD	443,809	443,809	6M LIBOR*
PKN ORLEN S.A. / CZK	269,462	269,462	3M PRIBOR*
Česká spořitelna, a.s. / CZK	249,834	249,834	6M PRIBOR*
Česká spořitelna, a.s. / CZK and EUR	154,045	154,045	6M PRIBOR*
ČSOB, a.s. / CZK	383,338	383,338	3M PRIBOR*
ING Bank N.V. / EUR	363,545	363,545	6M EURIBOR*
Kreditanstalt für Wiederaufbau / EUR	683,725	683,725	6M EURIBOR*
Syndicated loan from the bank consortium of Česká spořitelna, a.s., CALYON BANK CZECH REPUBLIC, a.s., Citibank a.s., Komerční banka, a.s., Investcredit Bank, ING Bank N.V. org.složka, ČSOB, a.s., HVB Bank Czech Republic, a.s. / CZK and EUR	2,142,274	2,096,935	6M EURIBOR*
Živnostenská banka, a.s. / EUR	363,545	363,545	6M LIBOR*
Bonds – Issue I./CZK	2,238,944	2,996,497	9.82%
Bonds – Issue II./CZK	1,273,933	1,289,269	8.70%
<b>Total</b>	<b>8,566,454</b>		
Current portion of loans and borrowings maturing within next 12 months	(4,093,907)		
<b>Non-current loans and borrowings</b>	<b>4,472,547</b>		

\*) Interest rates are increased by the agreed mark up.

The current portion of non-current loans and borrowings maturing by 31 December 2007 is classified within current liabilities.

Debt repayment schedule:

Due date	Due within 1 year	Due 1-2 years	Due 2-3 years	Due 3-4 years	Due 4-5 years	Due over 5 years	Total
Non-current loans and borrowings as at 31/12/2007	1,447,757	72,000	72,000	12,000	--	2,000,000	3,603,757
Non-current loans and borrowings as at 31/12/2006	4,093,907	722,637	817,595	548,092	384,223	2,000,000	8,566,454

Analysis of loans and borrowings by currency:

Currency	CZK	EUR	USD	Total
Non-current loans and borrowings as at 31/12/2007	2,156,000	--	--	2,156,000
Portion maturing in the year ended 31/12/2008	293,340	1,154,417	--	1,447,757
<b>Total loans as at 31/12/2007</b>	<b>2,449,340</b>	<b>1,154,417</b>	<b>--</b>	<b>3,603,757</b>
Non-current loans and borrowings as at 31/12/2006	2,664,173	1,808,374	--	4,472,547
Portion maturing in the year ended 31/12/2007	2,445,677	1,204,421	443,809	4,093,907
<b>Total loans as at 31/12/2006</b>	<b>5,109,850</b>	<b>3,012,795</b>	<b>443,809</b>	<b>8,566,454</b>

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### 28. LOANS AND BORROWINGS (CONTINUED)

Analysis of borrowings by security:

Security	Unsecured	Pledged assets	Secured by third party	Total
Non-current loans and borrowings as at 31/12/2007	2,000,000	156,000	--	2,156,000
Portion maturing in the year ended 31/12/2008	1,359,083	88,674	--	1,447,757
Total loans as at 31/12/2007	3,359,083	244,674	--	3,603,757
Non-current loans and borrowings as at 31/12/2006	4,008,241	464,306	--	4,472,547
Portion maturing in the year ended 31/12/2007	3,461,604	188,494	443,809	4,093,907
Total loans as at 31/12/2006	7,424,505	652,800	443,809	8,566,454

In 1998 the Group issued 2,000 bonds at a total nominal value of CZK 2,000,000 thousand. The bonds mature in 15 years from the issue date at their nominal value of CZK 2,000,000 thousand. The interest rate is 0 % p.a. for the first two years and 12.53 % p.a. in subsequent years. Interest is payable on an annual basis. Interest expense is calculated using the effective interest rate method.

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.

The terms and conditions underlying the issues of bonds include clauses, the non-compliance with which gives rise to the creditor's right to have the nominal value of the bonds repaid on an earlier date.

The aggregate carrying amount of bonds issued is CZK 2,204,666 thousand. Using the actual market interest rate, based on the analysis of the current market conditions, the fair value of the aggregate liability arising from the bonds is currently estimated at CZK 2,803,997 thousand.

### 29. PROVISIONS

	31/12/2006 as previously stated	Effect of restatements	31/12/2006 restated	Additional provision	Utilisation of provision	31/12/2007
<b>Provisions</b>						
Provisions for environmental damages and land restoration	314,972		314,972	11,240	30,212	296,000
Provisions for legal disputes	240,833		240,833	28,699	85,456	184,076
Employee benefits provision	34,852		34,852	18,096	1,318	51,630
Other provisions	93,126	2,849	95,975	90,339	58,833	127,481
<b>Total</b>	<b>683,783</b>	<b>2,849</b>	<b>686,632</b>	<b>148,374</b>	<b>175,819</b>	<b>659,187</b>

The provision for land restoration is created as a result of the legal obligation to restore the fly-ash dump after it is discontinued. This is expected to be after 2043. The provision amounts to CZK 292,336 thousand as of 31 December 2007. Reflecting the nature of the increase of this provision, part of it i.e. CZK 11,240 thousand (2006: CZK 11,072 thousand) is presented in Finance expenses.

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### 29. PROVISIONS (CONTINUED)

The provision for legal disputes is created for expected future outflows arising from legal disputes with third parties under whom the Group is the defendant. The most significant component is the liability resulting from the litigation with Agrobanka Praha, a.s. v likvidaci, to which the Group provided a guarantee in respect of a medium-term loan of CZK 60,000 thousand provided by Agrobanka to KOBECO spol. s r.o. At 31 December 2007 provision was adjusted according to legal status and decreased by the amount of CZK 43,156 thousand. The balance of provision amounted to CZK 53,156 thousand as at 31 December 2007.

The Group created a provision for the penalty of CZK 98,000 thousand imposed by the Antimonopoly Office for a breach of the Economic Competition Protection Act. This provision was not changed during 2007.

Provisions for other probable future liabilities of the Group amount to CZK 127,481 thousand as of 31 December 2007, of which CZK 74,549 thousand is a provision for dismantling costs connected with liquidation of unused assets.

### 30. FINANCE LEASE LIABILITY

	Minimum lease payments		Present value of minimum lease payments	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Amounts payable under finance leases:				
Not later than one year	124,164	133,467	116,807	122,006
Later than one year and not later than five years inclusive	125,390	211,053	121,532	203,892
Later then five years				
	249,554	344,520	238,339	325,898
Less: future finance charges	(11,215)	(18,622)	N/A	N/A
<b>Present value of lease obligation</b>	<b>238,339</b>	<b>325,898</b>	<b>238,339</b>	<b>325,898</b>
Less: Amount due for settlement within 12 months			116,808	122,006
<b>Amount due for settlement after 12 months</b>			<b>121,531</b>	<b>203,892</b>

It is the Group's policy to lease certain fixtures and equipment under finance leases. The average lease term is 3-4 years. For the year ended 31 December 2007, the average effective borrowing rate was 5.34 %. Interest rates are fixed at the inception of the lease. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

All lease obligations are denominated in Czech crowns.

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### 31. OTHER NON - CURRENT LIABILITIES

	31/12/2007	31/12/2006
Deferred income from government grants	80,496	96,818
Amounts payable to business partners	92,820	86,398
Other liabilities	46,001	36,947
<b>Total</b>	<b>219,317</b>	<b>220,163</b>

A government grant has been obtained from the German Ministry for Environmental Protection and Safety of Reactors in order to execute a pilot environmental project targeted at limiting cross-border pollution, in connection with the reconstruction of the T 700 power station and its desulphurization. The amount of the grant is amortized over the useful economic life of the respective assets financed by the grant.

All other non-current liabilities are denominated in Czech crowns.

### 32. TRADE AND OTHER PAYABLES AND ACCRUALS

	31/12/2007	31/12/2006
Trade payables	7,827,102	9,996,639
Other payables	3,995,938	1,960,453
Accrued expenses	142,499	365,504
Social security and other taxes	4,189,759	3,504,348
<b>Total</b>	<b>16,155,298</b>	<b>15,817,944</b>

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

	2007	2006
Denominated in		
CZK	12,091,657	11,351,143
EUR	480,114	925,729
USD	3,305,579	3,456,603
Other currencies	277,948	84,469
<b>Total</b>	<b>16,155,298</b>	<b>15,817,944</b>

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### 33. SHORT-TERM BANK LOANS

The short-term borrowings as at 31 December 2007 and 2006 were as follows:

Creditor / currency	31/12/2007	31/12/2006
B.B.V.A. / EUR	4,395	9,106
BANCO DE VALENCIA / EUR	11,887	9,488
BANCO SABADEL / EUR	11,203	24,153
BANCO SANTANDER / EUR	8,542	9,284
BANESTO / EUR	1,974	12,800
CAIXA DE CATALUNYA / EUR	--	3,278
CAIXA DE GALICIA/EUR	--	1,871
CAIXANOVA/EUR	2,869	7,735
CAIXA SABADEL	5,690	--
CITIBANK /EUR	179	--
CITIBANK /USD	354,750	--
Commerzbank AG / CZK	--	110
ČSOB,a.s./ EUR	3,295	54,990
DEUTSCHE BANK / EUR	5,577	12,214
Dresdner Bank AG, Frankfurt / EUR	53,266	--
HVB Bank Czech Republic a.s. / CZK	--	100,000
HSBC/USD	89,311	--
HSBC/SKK	100,530	--
UNIPETROL SERVICES	151,063	--
ING Bank N.V. / CZK	--	2,020
Overdraft balances on bank accounts	--	127,637
<b>Total short-term loans</b>	<b>804,531</b>	<b>374,686</b>

Short-term bank loans are subject to normal credit terms and their carrying amounts approximate fair values. Average effective interest rate as at 31 December 2007 was 3.64 % ( 31 December 2006: 3.12 %).

Analysis of short-term bank loans by security:

Security	Unsecured	Pledged assets	Total
Short - term loans as at 31/12/2007	744,876	59,655	804,531
Short - term loans as at 31/12/2006	368,087	6,599	374,686

Analysis of borrowings by currency:

Currency	CZK	EUR	USD	SKK	Total
Short - term loans as at 31/12/2007	151,064	108,874	444,063	100,530	804,531
Short - term loans as at 31/12/2006	229,767	144,919	--	--	374,686

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### 34. OPERATING LEASES

*The Group as lessee*

#### Leasing arrangements

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

#### **Non-cancellable operating lease commitments**

	Minimum lease payments	
	31/12/2007	31/12/2006
Not later than one year	142,571	49,435
Later than one year and not later than five years inclusive	374,861	37,787
Later than five years	4,113	5,484
<b>Total</b>	<b>521,545</b>	<b>92,706</b>

The Group leases railway containers and information technology under operating leases. The railway containers leases typically run for an undefined period. Information technology leases run up to the end 2008 with an option to renew the lease after that date. Lease payments are increased annually to reflect market conditions. None of the leases includes contingent rentals.

Payments recognised as an expense were as follows:

	31/12/2007	31/12/2006
Minimum lease payments	515,570	464,600
<b>Total</b>	<b>515,570</b>	<b>464,600</b>

### 35. CAPITAL COMMITMENTS

At the balance sheet date, the Group has commitments for the acquisition of property, plant and equipment in the amount of CZK 2,286,636 thousand of which the contractual commitment is CZK 1,149,167 thousand (as at 31 December 2006 CZK 2,459,810 thousand, of which the contractual commitment is CZK 1,716,710 thousand).

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### 36. COMMITMENTS AND OTHER CONTINGENCIES

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

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

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

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

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

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

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

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

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

- (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.

### 36. COMMITMENTS AND OTHER LIABILITIES (CONTINUED)

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

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

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

### 37. RELATED PARTIES

#### *Parent and ultimate controlling party*

During twelve months ended 31 December 2007 a majority (62.99 %) of the Company's shares were in possession of PKN Orlen.

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

	31/12/2007				31/12/2006			
	PKN Orlen	Parties held as equity investments	Entities under control or significant influence of PKN Orlen	Other related parties	PKN Orlen	Parties held as equity investments	Entities under control or significant influence of PKN Orlen	Other related parties
Current receivables	72,971	83,167	206,596	935,848	128,112	28,492	767,604	1,544,068
Non-current receivables,	--	--	--	--	--	--	15,959	--
Current payables including loans	3,779,122	70,968	178,531	26,027	3,493,130	2,849	38,950	18,871
Non-current payables including loans		1,290	3,050	23,849	219,632	--	--	26,665
Expenses	43,823,017	289,035	2,026,638	111,185	41,691,518	15,602	761,291	265,329
Revenues	1,470,440	290,918	2,704,769	2,224,188	430,710	106,836	315,855	3,193,608
Sales of financial assets	--	--	--	--	--	--	640,383	--
Purchases of property, plant and equipment	--	1,941	--	--	--	--	--	185
Sales of property, plant and equipment	--	18,023	--	--	--	--	--	8
Interests income and expense	(2,552)	2,090	17	1,122	(11,774)	--	1,958	432

Information about key management personnel remuneration is presented in Note 9.

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### 38. RISK MANAGEMENT

#### Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 28, cash and cash equivalents and equity attributable to equity holders of the parent, comprising shared capital, reserves and retained earnings as disclosed in notes 25, 26 and 27 respectively.

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

	31/12/2007	31/12/2006
Debt (i)	(4,646,627)	(9,267,038)
Cash and cash equivalents	3,106,496	4,329,852
Net debt	(1,540,131)	(4,937,186)
Equity	42,138,069	41,160,194
<b>Net debt to equity ratio</b>	<b>3.65 %</b>	<b>12.00 %</b>

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

#### Risk management objectives

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

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess funds. Compliance with policies and exposure limits is reviewed by the internal auditors on a regular basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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### 38. RISK MANAGEMENT (CONTINUED)

#### Market risk

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

- interest rate swaps to mitigate the risk of rising interest rates,
- cross currency swap to hedge the currency risk,
- commodity swap to mitigate the risk of rising commodity prices.

#### Currency risk management

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

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

	USD	EUR
Assets	523,314	2,597,754
Liabilities	3,794,642	1,743,405
Gross exposure	(3,226,328)	854,349
Derivatives	--	(567,884)
Net exposure	(3,226,328)	286,465

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

- Note 17 Non-current receivables
- Note 21 Trade and other receivables
- Note 22 Prepayments and other current assets
- Note 23 Cash and cash equivalents
- Note 28 Loans and borrowings
- Note 32 Trade and other payables and accruals
- Note 33 Short-term bank loans

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### 38. RISK MANAGEMENT (CONTINUED)

#### Foreign currency sensitivity analysis

The Group is mainly exposed to the fluctuation of exchange rates of CZK/USD and CZK/EUR. The following table details the Group's sensitivity to percentage increase and decrease in the CZK against the relevant foreign currencies. The following sensitivity rates 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 were as follows:

USD +/- 4.20 %  
EUR +/- 3.60 %

The sensitivity analysis includes external loans as well as loans to foreign operations within the Group 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 and equity where the CZK appreciates by 4.20 % and 3.60 % against the relevant currency. For a depreciation of the CZK against the relevant currency by the same parameters, there would be an equal and opposite impact on the profit and equity.

	CZK/USD Impact		CZK/EUR Impact	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
<b>Profit or loss / equity</b>	261,075	(131,775)	2,429	(49,030)

The Group's sensitivity to foreign currency has decreased during the current period mainly due to the repayments of loans denominated in EUR. For further information see Notes 28 and 33.

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

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite. Optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

The Group's exposures to interest rate risk on financial liabilities are detailed in Notes 28 and 33.

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### 38. RISK MANAGEMENT (CONTINUED)

#### Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- profit for the year ended 31 December 2007 would decrease/increase by CZK 20,276 thousand (2006: decrease/increase by CZK 59,967 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group's sensitivity to interest rates has decreased during the current period mainly due to repayments of loans. For further information see Notes 28 and 33.

#### **Other market price risks**

The Group is exposed to commodity price risk resulting from the adverse changes in raw material, mainly crude oil prices. Management addresses these procurement risks by means of a commodity and supplier risk management. To minor extent the Group enters into derivative commodity instruments to mitigate the risk associated with the purchase of crude oil.

#### **Credit risk management**

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

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

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

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

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### 38. RISK MANAGEMENT (CONTINUED)

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

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

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

The following table presents trade receivables divided into two groups taking into account the credit quality. In the Group A receivables from counterparties that have not had negative credit history (delayed payments, exceeded credit limits within a given year), and B receivables from counterparties that have had negative events history (delays in payments, exceeded credit limits).

	Category A		Category B	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
<b>Trade and other receivables</b>	11,794,225	10,554,126	1,263,712	1,035,180

Please refer to note 21 in respect of actual credit risk covered by allowances for impairment losses.

#### Liquidity risk management

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

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### 38. RISK MANAGEMENT (CONTINUED)

#### Liquidity risk tables

The following table details the Group'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 Group anticipates that the cash flow will occur in a different period.

#### Expected maturity of non-derivative financial assets

	Total	1-3 months	3-6 months	6 months- 1 year	1-5 years
<b>31/12/2007</b>					
<b>Non Current assets</b>					
Non-current receivables	152,220				152,220
<b>Current assets</b>					
Trade and other receivables	13,057,937	11,527,213	1,452,640	77,824	260
Income tax receivables	160,320			160,320	
Cash and cash equivalents	3,106,496	3,106,496			
<b>Total</b>	<b>16,476,973</b>	<b>14,633,709</b>	<b>1,452,640</b>	<b>238,144</b>	<b>152,480</b>
<b>31/12/2006</b>					
<b>Non Current assets</b>					
Non-current receivables	202,398				202,398
<b>Current assets</b>					
Trade and other receivables	11,589,306	9,799,744	1,587,460	202,102	
Income tax receivables	173,850			173,850	
Cash and cash equivalents	4,329,852	4,329,852			
<b>Total</b>	<b>16,295,406</b>	<b>14,129,596</b>	<b>1,587,460</b>	<b>375,952</b>	<b>202,398</b>

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

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### 38. RISK MANAGEMENT (CONTINUED)

#### Contractual maturity of non-derivative financial liabilities

	Total	Less than 1 month	1 months – 1 year	1-5 years	5+ years
<b>31/12/2007</b>					
<b>Non-current liabilities</b>					
Loans and borrowings	2,156,000			156,000	2,000,000
Finance lease liability	121,531		121,531		
Other non-current liabilities	219,317				219,317
<b>Current liabilities</b>					
Trade and other liabilities	16,155,298	16,155,298			
Current portion of finance lease liabilities	116,808		116,808		
Current portion of loans and borrowings	1,447,757		1,447,757		
Short-term bank loans	804,531	695,835	108,696		
Income tax payable	35,119		35,119		
<b>Total</b>	<b>21,056,361</b>	<b>16,851,133</b>	<b>1,829,911</b>	<b>156,000</b>	<b>2,219,317</b>
<b>31/12/2006</b>					
<b>Non-current liabilities</b>					
Loans and borrowings	4,472,547			2,472,547	2,000,000
Finance lease liability	203,892			203,892	
Other non-current liabilities	220,163			220,163	
<b>Current liabilities</b>					
Trade and other liabilities	15,817,944	15,817,944			
Current portion of finance lease liabilities	122,006		122,006		
Current portion of loans and borrowings	4,093,907	683,725	3,410,182		
Short-term bank loans	374,686		374,686		
Income tax payable	706,131		706,131		
<b>Total</b>	<b>26,011,276</b>	<b>16,501,669</b>	<b>4,613,005</b>	<b>2,896,602</b>	<b>2,000,000</b>

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows (outflows) on the derivative instrument that are settled on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

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### 38. RISK MANAGEMENT (CONTINUED)

#### Liquidity analysis of derivative financial instruments

	1-3 months	3 months – 1 year	1-5 years
<b>31/12/2007</b>			
<i>Net settled:</i>			
Interest rate swaps	(3,317)	(2,941)	--
<i>Gross settled:</i>			
Commodity swap	(6,139)	--	--
<b>31/12/2006</b>			
<i>Net settled:</i>			
Interest rate swaps	--	(4,765)	(4,584)
<i>Gross settled:</i>			
Currency swaps	--	51,892	--

#### Assumptions used in determining fair values of financial instruments

The interest rate used to discount cash flows was 4.16 % based on the 1 year PRIBOR inter-bank interest rate. Please refer to individual notes for information on fair values of financial instruments.

### 39. PAST ENVIRONMENTAL LIABILITIES

The Group 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
BENZINA a.s.	1,349	262*	1,066
PARAMO, a.s./ premises in Pardubice	1,242	98	1,144
PARAMO, a.s./ premises in Kolín	941	931	10
<b>THE GROUP</b>	<b>13,788</b>	<b>3,152</b>	<b>10,582</b>

\*Without the costs of the already completed rehabilitation of the petrol stations network of the former KPetro 1995-1999 of CZK 40 mil.

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
BENZINA a.s.	1,353	257	1,096
PARAMO, a.s./ premises in Kolín	2,182	951	1,231
<b>THE GROUP</b>	<b>13,791</b>	<b>2,965</b>	<b>10,826</b>

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(in thousands of CZK)

### 40. INTEREST IN A JOINT VENTURE

The Group has a 51,225 % interest in a joint venture ČESKÁ RAFINÉRSKÁ, a.s., which is involved in the refining of crude oil and the production and distribution of petroleum based products. The following amounts represent the Group's 51,225 % share of the assets and liabilities and sales and results of the joint venture and are included in the consolidated balance sheet and income statement:

	2007	2006
Non-current assets	9,209,824	8,748,351
Current assets	4,047,211	4,639,246
Non-current liabilities	453,996	451,431
Current liabilities	3,252,537	3,690,695
<b>Net assets</b>	<b>9,550,502</b>	<b>9,245,471</b>
<b>Revenues</b>	<b>4,798,050</b>	<b>4,720,340</b>
Profit before tax	351,015	184,957
Income taxes	(18,397)	(62,164)
<b>Profit for the period</b>	<b>332,618</b>	<b>122,793</b>

### 41. EMISSION RIGHTS

In 2005 the Group obtained allowances for carbon dioxide emissions according to the Czech National Allocation Scheme. In 2007 the Group received the third part (1/3) of the total quota.

Information on granted emission rights and its balance sheet presentation	Amount	Value in CZK thousands
The total number of the emission rights allocated to the Group for the period 2005-2007	14,631,848	8,707,253
Actual utilization in 2005 of the acquired rights	4,117,297	2,564,710
Actual utilization in 2006 of the acquired rights	4,164,728	2,589,631
Estimated utilization in 2007	4,172,252	2,347,343
Decrease of the emission rights- Kaučuk's sale	(482,002)	(292,482)
<b>Revenues from sales of emissions allowances in the period of 2007</b>	<b>464,074</b>	<b>15,379</b>

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### 42. DISPOSAL OF BUSINESS

During 2007, the Group disposed its shares in KAUČUK, a.s. In 2006 the shares in SPOLANA a.s. were sold. Details of the disposal are as follows:

#### Book value of net assets sold

	KAUČUK, a.s.	SPOLANA a.s.
<b>ASSETS</b>		
Property, plant and equipment	5,136,697	2,395,074
Investment property	--	126,497
Intangible assets	6,732	1,409
Other investments	112,439	4,378
Non-current receivables	75,260	22,151
<b>Non-current assets</b>	<b>5,331,128</b>	<b>2,549,509</b>
Inventories	1,360,590	413,684
Trade receivables	2,400,901	643,120
Prepayments and other current assets	61,776	117,108
Cash and cash equivalents	1,298,725	70,612
Assets held for sale	--	--
<b>Current assets</b>	<b>5,121,992</b>	<b>1,244,524</b>
<b>Total assets</b>	<b>10,453,120</b>	<b>3,794,033</b>
<b>EQUITY AND LIABILITIES</b>		
Issued capital	6,236,000	885,229
Statutory reserves	90,940	87,152
Accumulated profits	1,821,600	219,027
<b>Capital and reserves</b>	<b>8,148,540</b>	<b>1,191,408</b>
Interest bearing loans and borrowings	75,000	--
Deferred tax liability	409,881	--
Provisions	22,332	140,037
Finance lease liability	--	385
Other non-current liabilities	--	17,331
<b>Non-current liabilities</b>	<b>507,213</b>	<b>157,753</b>
Trade payables and accruals	1,444,461	740,518
Current portion of interest bearing loans and borrowings	50,000	1,044,659
Short-term bank loans	--	627,020
Current portion of finance lease liability	--	1,060
Provisions	90,308	31,615
Income tax payable	212,598	--
<b>Current liabilities</b>	<b>1,797,367</b>	<b>2,444,872</b>
<b>Total equity and liabilities</b>	<b>10,453,120</b>	<b>3,794,033</b>
Net assets at the date of disposal	<b>8,148,540</b>	<b>974,333</b>
Minority interest	--	<b>217,075</b>
Selling price	<b>5,513,625</b>	<b>640,383</b>
- less cost to sale	(15,000)	--
<b>Loss from the sale</b>	<b>(2,649,915)</b>	<b>(333,950)</b>

#### Net cash inflow on disposal

	2007	2006
Consideration received in cash and cash equivalents	5,513,625	640,383
Less: cash and cash equivalent balances disposed of	1,298,725	70,612
<b>Net cash inflow on disposal</b>	<b>4,214,900</b>	<b>569,771</b>

# UNIPETROL, a.s.

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### 43. INVESTMENT INCENTIVES

The Group does not have any outstanding investment incentive as at 31 December 2007.

The Group obtained investment incentives for acquisition of production equipment in the form of income tax relief that could have been claimed from 2001 till 2005. However in 2006 the Group received an updated interpretation of the respective tax legislation based on which it is not certain whether or not the conditions for the utilization of tax incentives would be considered as being met and whether the Group would be allowed to utilize tax incentives. Subsequently the Group decided not to utilize the incentives in the 2005 tax return filed on 2 October 2006. CZK 325,097 thousand of income tax paid for 2005 represents the amount that the Group is claiming back due to not utilizing the tax incentive in 2005 tax return. The Group performs all steps necessary to claim income tax back.

### 44. SIGNIFICANT POST BALANCE SHEET EVENTS

#### *Agreement with DEZA, a.s.*

On 18 January 2008, the transfer of 50 % of shares in AGROBOHEMIE a.s and 38.79 % of shares in Synthesia a.s. by UNIPETROL, a.s. to DEZA, a.s. was completed. The information about sale of shares in AGROBOHEMIE a.s. and Synthesia, a.s. is presented in note 24.

#### *Changes in Supervisory Board*

On 28 March 2008, the UNIPETROL, a.s.'s Supervisory Board appointed Wojciech Heydel as a substitute Supervisory Board Member until the nearest UNIPETROL, a.s.'s 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, a.s.'s Supervisory Board acknowledged Rafał Kapler's resignation from his office of Member of the UNIPETROL, a.s.'s 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