

UNIPETROL, a.s.

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

AS OF 31 DECEMBER 2009 AND 2008

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

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UNIPETROL, a.s.

Consolidated statement of financial position
prepared in accordance with International Financial Reporting Standards
As at 31 December 2009 and 31 December 2008
(in thousands of Czech crowns)

	Note	31 December 2009 (unaudited)	31 December 2008 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	12	35,811,639	36,667,494
Investment property	13	162,627	160,057
Intangible assets	14	1,616,589	1,567,691
Goodwill	15	51,595	51,595
Other investments	16	198,343	203,640
Non-current receivables	17	121,179	145,111
Derivative financial instruments	18	--	76,991
Deferred tax asset	19	99,409	17,399
Total non-current assets		38,061,381	38,889,978
Current assets			
Inventories	20	8,598,273	7,211,638
Trade and other receivables	21	9,310,024	9,234,316
Prepayments and other current assets	22	230,626	435,464
Short-term financial assets held to maturity	23	359,405	--
Loans granted	24	250,214	300,031
Derivative financial instruments	18	137,423	72,172
Income tax receivable		37,730	567,722
Cash and cash equivalents	25	1,185,721	952,207
Assets classified as held for sale	26	78,333	78,333
Total current assets		20,187,749	18,851,883
Total assets		58,249,130	57,741,861
EQUITY AND LIABILITIES			
Equity			
Share capital	27	18,133,476	18,133,476
Statutory reserves	28	2,425,274	2,173,616
Other reserves		33,615	35,864
Retained earnings	29	17,278,971	18,359,613
Total equity attributable to equity holders of the Company		37,871,336	38,702,569
Minority interests		--	210,271
Total equity		37,871,336	38,912,840
Non-current liabilities			
Loans and borrowings	30	2,012,000	2,084,000
Deferred tax liability	19	1,714,928	2,131,330
Provisions	31	355,891	357,756
Finance lease liability	32	19,363	36,356
Other non-current liabilities	33	165,033	220,089
Total non-current liabilities		4,267,215	4,829,531
Current liabilities			
Trade and other payables and accruals	34	14,595,230	11,659,905
Current portion of loans and borrowings		208,769	243,176
Short-term bank loans	35	140,068	1,749,553
Current portion of finance lease liabilities	32	17,417	92,596
Derivative financial instruments	18	307	--
Provisions	31	1,106,768	205,905
Income tax payable		42,020	48,355
Total current liabilities		16,110,579	13,999,490
Total liabilities		20,377,794	18,829,021
Total equity and liabilities		58,249,130	57,741,861

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 51.

UNIPETROL, a.s.

Consolidated statement of comprehensive income
prepared in accordance with International Financial Reporting Standards
For the 12 month period ended 31 December 2009 and 31 December 2008
(in thousands of Czech crowns)

	Note	31 December 2009 (unaudited)	31 December 2008 (audited)
Revenue	4	67,386,500	98,143,951
Cost of sales		(65,229,622)	(93,470,658)
Gross profit		2,156,878	4,673,293
Other income		1,777,088	938,472
Distribution expenses		(2,025,040)	(2,274,478)
Administrative expenses		(1,342,875)	(1,662,195)
Other expenses		(1,219,777)	(672,473)
Operating profit before finance costs	7	(653,725)	1,002,619
Finance income		97,918	222,823
Finance expenses		(661,925)	(1,204,305)
Net finance costs	8	(564,007)	(981,482)
Profit before tax		(1,217,732)	21,137
Income tax credit	10	372,458	44,554
Profit for the period		(845,274)	65,691
Other comprehensive income:			
Exchange differences on translating foreign operations		(5,778)	18,776
Gains on property revaluation		3,529	213
Other transactions		11,311	3,145
Other comprehensive income for the year, net of tax		9,062	22,134
Total comprehensive income for the period		(836,212)	87,825
Profit attributable to:			
Owners of the parent		(840,295)	64,530
Non-controlling interests		(4,979)	1,161
		(845,274)	65,691
Total comprehensive income attributable to:			
Owners of the parent		(831,233)	86,660
Non-controlling interests		(4,979)	1,165
		(836,212)	87,825
Basic and diluted earnings per share (in CZK)	11	(4,66)	0,36

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 51.

UNIPETROL, a.s.

Consolidated statement of changes in equity
 prepared in accordance with International Financial Reporting Standards
 For the 12 month period ended 31 December 2009 and 31 December 2008
 (in thousands of Czech crowns)

	Share capital	Statutory reserves	Fair value reserve	Translation reserve	Retained earnings	Equity attributable to equity holders of the Company	Minority interest	Total equity
Balance as at 1 January 2008	18,133,476	2,042,971	17,006	(131)	21,623,146	41,816,468	295,928	42,112,396
Profit for the period	--	--	--	--	64,530	64,530	1,161	65,691
Other comprehensive income for the period	--	(2,732)	213	18,776	5,873	22,130	4	22,134
Dividends	--	--	--	--	(3,200,559)	(3,200,559)	--	(3,200,559)
Allocation of profit to reserves	--	133,377	--	--	(133,377)	--	--	--
Acquisition of 3,75 % shares of Paramo	--	--	--	--	--	--	(86,822)	(86,822)
Balance as at 31 December 2008	18,133,476	2,173,616	17,219	18,645	18,359,613	38,702,569	210,271	38,912,840
Balance as at 1 January 2009	18,133,476	2,173,616	17,219	18,645	18,359,613	38,702,569	210,271	38,912,840
Loss for the period	--	--	--	--	(840,295)	(840,295)	(4,979)	(845,274)
Other comprehensive income for the period	--	--	3,529	(5,778)	11,311	9,062	--	9,062
Allocation of profit to reserves	--	251,658	--	--	(251,658)	--	--	--
Acquisition of 8,24 % shares of PARAMO a.s.	--	--	--	--	--	--	(205,292)	(205,292)
Balance as at 31 December 2009	18,133,476	2,425,274	20,748	12,867	17,278,971	37,871,336	--	37,871,336

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 51.

UNIPETROL, a.s.

Consolidated statements of cash flows
prepared in accordance with International Financial Reporting Standards
For the 12 month period ended 31 December 2009 and 31 December 2008
(in thousands of Czech crowns)

	31 December 2009 (unaudited)	31 December 2008 (audited)
Cash flows from operating activities:		
Profit for the period	(845,274)	65,691
Adjustments for:		
Depreciation and amortisation of the property, plant and equipment and intangible assets	3,432,193	3,477,884
Gain on disposals of property, plant and equipment and intangible assets	(1,330,121)	(194,403)
Negative goodwill derecognition	(86,640)	--
(Gain) / loss on disposals of subsidiaries	--	(252)
Interest expense	237,583	195,214
Dividends income	(10,183)	(13,587)
(Reversal of) impairment losses on financial investments, property, inventory, receivables	(68,512)	312,084
Other non cash transaction	47,116	(147,954)
Income tax gain	(372,458)	(44,554)
Foreign exchange gains	(109,727)	(5,757)
Operating profit before working capital changes	893,977	3,644,366
Change in trade and other receivables, prepayments and other current assets	(1,331,371)	5,745,409
Change in trade and other accounts payable and accruals	3,219,120	(4,242,542)
Change in provisions	899,173	(98,685)
Interest paid	(341,416)	(366,954)
Income tax returned (paid)	401,568	(468,531)
Net cash provided by operating activities	3,741,051	4,213,063
Cash flows from investing activities:		
Acquisition of property, plant and equipment and intangible assets	(3,187,494)	(4,170,338)
Acquisition of additional shareholding in subsidiary	(113,658)	(47,403)
Change of loans provided	62,457	(290,876)
Proceed from disposals of property, plant and equipment and intangible assets	1,769,208	164,104
Proceed from disposals of subsidiaries	--	252
Proceed from disposals Aliachem and Agrobohemie	--	1,183,000
Dividends received	10,183	13,587
Net cash used in investing activities	(1,818,709)	(3,147,674)
Cash flows from financing activities:		
Change in loans and borrowings	(1,672,045)	(45,438)
Dividends paid	(16,783)	(3,152,029)
Net cash used in financing activities	(1,688,828)	(3,197,467)
Net change in cash and cash equivalents	233,514	(2,132,078)
Cash and cash equivalents at the beginning of the year	952,207	3,084,285
Cash and cash equivalents at the end of the year	1,185,721	952,207

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 51.

UNIPETROL, a.s.

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

Year ended 31 December 2009
(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 2009
(in thousands of CZK)

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

Establishment of the parent company

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

Registered office of the Company

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

Principal activities

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

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

Ownership structure

The shareholders as at 31 December 2009 are as follows:

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

UNIPETROL, a.s.

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

Year ended 31 December 2009
(in thousands of CZK)

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

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 2009).

Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries
Parent company		
UNIPETROL, a.s. Na Pankráci 127 140 00 Praha 4 Czech Republic		
Consolidated subsidiaries		
BENZINA, s.r.o. Na Pankráci 127 140 00 Praha 4 Czech Republic	100.00 %	--
PARAMO, a.s. Přerovská 560 530 06 Pardubice Czech Republic	100.00 %	--
UNIPETROL TRADE a.s. Na Pankráci 127 140 00 Praha 4 Czech Republic	100.00 %	--
UNIPETROL RPA, s.r.o. Litvínov – Záluží I 436 70 Litvínov Czech Republic	100.00 %	--
UNIPETROL SERVICES, s.r.o. Litvínov - Záluží I 436 70 Litvínov Czech Republic	100.00 %	--
UNIPETROL DOPRAVA s.r.o. Litvínov – Růžodol č.p. 4 436 70 Litvínov Czech Republic	0.12%	99.88 %
CHEMAPOL (SCHWEIZ) AG Leimenstrasse 21 4003 Basel Switzerland	--	100.00 %
UNIPETROL DEUTSCHLAND GmbH Paul Ehrlich Str. 1/B 63225 Langen/Hessen Germany	--	100.00%

UNIPETROL, a.s.

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

Year ended 31 December 2009
(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
Consolidated subsidiaries		
PETROTRANS, s.r.o. Sířelničná 2221 182 00 Praha 8 Czech Republic	0.63%	99.37%
UNIPETROL Slovensko s.r.o. (previously UNIRAF Slovensko s.r.o) Panónská cesta 7 850 00 Bratislava Slovak republic	13.04%	86.96%

Name and registered office	Ownership interest of the parent company in share capital	Ownership interest in share capital through subsidiaries
Consolidated joint-ventures		
ČESKÁ RAFINÉRSKÁ, a.s. Záluží 2 436 70 Litvínov Czech Republic	51.225 %	--
BUTADIEN KRALUPY a.s. O. Wichterleho 810 278 01 Kralupy nad Vltavou Czech Republic	51.00 %	--

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.

UNIPETROL, a.s.

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

Year ended 31 December 2009
(in thousands of CZK)

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

Changes in structure of the Group

Purchase of shares of PARAMO, a.s.

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

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

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

On 28 November 2008 a decision of the Czech National Bank granting approval with the evidence of the monetary consideration became effective.

On 6 January 2009 the Extraordinary General Meeting of PARAMO, a.s. decided on the transfer of all other shares to the Company, provided that upon fulfilment of all conditions prescribed by applicable law the Company will provide to the other shareholders of PARAMO, a.s. and/or pledges, the monetary consideration in the amount of CZK 977 per one share of PARAMO, a.s. On 4 February 2009 the registration of the above resolution of the Extraordinary General Meeting was published in the Czech Commercial Registry. Pursuant to the Czech Commercial Code, the ownership title to shares of the other shareholders passed to the Company on 4 March 2009 upon expiration of one month from the above publication and Unipetrol become the sole shareholder of Paramo.

UNIPETROL, a.s.

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

Year ended 31 December 2009
(in thousands of CZK)

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

In connection with the squeeze-out, some of the minority shareholders of PARAMO, a.s. filed a petition with the Regional Court in Hradec Králové for review of reasonableness of consideration within the meaning of the Czech Commercial Code. Furthermore some of former minority shareholders of Paramo requested the Regional Court in Hradec Králové to declare the invalidity of Paramo general meeting resolution dated 6 January 2009 and that the District Court in Prague 4 reviews the decision of 28 November 2008 by which the Czech National Bank granted in accordance with Section 183n(1) of the Czech Commercial Code its previous approval with the evidence of the monetary consideration amount provided under the above squeeze-out.

2. SIGNIFICANT ACCOUNTING POLICIES

A A Statement of compliance and accounting policies

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2008.

The Group used the same accounting policies and methods of computation during preparation of these interim financials statements as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2008 except for the changes described below, in Note 3 and Note 5.

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 2009 or later periods but which the Group has not early adopted. Relevant items are as follows:

- Revised IFRS 3 *Business Combinations* (effective for annual periods beginning on or after 1 July 2009). As the revised Standard should not be applied to business combinations prior to the date of adoption, it is expected to have no impact on the financial statements with respect to business combinations that occur before the date of its adoption.
- IFRIC 15 *Agreements for the Construction of Real Estate*– effective for annual periods beginning on or after 1 January 2009
- IFRIC 17 *Distributions of Non-cash Assets to Owners* - effective for annual periods beginning on or after 1 July 2009
- IFRIC 18 *Transfers of Assets from Customers* - effective for annual periods beginning on or after 1 July 2009
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* - effective for annual periods beginning on or after 1 July 2009

UNIPETROL, a.s.

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

Year ended 31 December 2009
(in thousands of CZK)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Acceptance of IFRIC 19 by the European Union is pending.

According to a preliminary assessment, the application of IFRIC 15, IFRIC 17, IFRIC 18 and IFRIC 19 after their acceptance by European Commission will not have a significant impact on the Group's financial statements.

B Basis of preparation

The consolidated financial statements of the Company for the period ended 31 December 2009 comprise the Company and its subsidiaries (together referred as the "Group") and the Group's interest in 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 IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2008.

UNIPETROL, a.s.

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

Year ended 31 December 2009
(in thousands of CZK)

3. CHANGE IN ACCOUNTING POLICY AND CORRECTION OF PRIOR PERIOD ERRORS

In the consolidated financial statements as at and for the year ended 31 December 2009 the Group has adopted changes resulting from revision of IAS 1 *Presentation of Financial Statements* and applied IAS 23 *Borrowing Costs* to qualifying assets from which capitalisation of borrowing costs commences on or after 1 January 2009 in relation to all borrowings, not only those directly attributable to the acquisition, construction or production of qualifying assets.

In the consolidated Statement of financial position as at 31 December 2009 the Group changed the method of elimination used in case of receivables and liabilities from excise tax which were invoiced between ČESKÁ RAFINÉRSKÁ, a.s. and UNIPETROL RPA s.r.o. The impact of the change is presented below:

	31 December 2008		31 December 2008
	previously stated	effect of restatement	as restated
ASSETS			
Total non-current assets	38,889,978		38,889,978
Inventories	7,211,638	--	7,211,638
Trade receivables	10,188,530	(954,214)	9,234,316
Prepayments and other current assets	435,464	--	435,464
Loans granted	300,031	--	300,031
Derivative financial instruments	72,172	--	72,172
Income tax receivable	567,722	--	567,722
Cash and cash equivalents	952,207	--	952,207
Assets classified as held for sale	78,333	--	78,333
Total current assets	19,806,097	(954,214)	18,851,883
Total assets	58,696,075	(954,214)	57,741,861
EQUITY AND LIABILITIES			
Total Equity	38,912,840	--	38,912,840
Total non-current liabilities	4,829,531		4,829,531
Trade and other payables and accruals	12,614,119	(954,214)	11,659,905
Current portion of loans and borrowings	243,176	--	243,176
Short-term bank loans	1,749,553	--	1,749,553
Current portion of finance lease liabilities	92,596	--	92,596
Provisions	205,905	--	205,905
Income tax payable	48,355	--	48,355
Total current liabilities	14,953,704	(954,214)	13,999,490
Total equity and liabilities	58,696,075	(954,214)	57,741,861

UNIPETROL, a.s.

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

Year ended 31 December 2009
(in thousands of CZK)

4. REVENUE

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

	31/12/2009	31/12/2008
Gross revenue from sale of own products and merchandise		
Total gross proceeds	86,724,558	124,433,037
Less: Excise tax	(24,416,794)	(32,026,154)
Net revenue from sale of own products and merchandise	62,307,764	92,406,883
Revenue from services	5,078,736	5,737,068
Total revenue	67,386,500	98,143,951

5. OPERATING SEGMENTS

Revenues and operating result

Year ended	Refinery	Retail	Petrochemical	Other	Eliminations	Consolidated
31/12/2009						
Revenues						
Total external revenues	36,672,796	7,261,229	23,376,058	76,417	--	67,386,500
Inter segment revenues	13,139,561	343,584	1,967,168	559,985	(16,010,300)	--
Total segment revenue	49,812,357	7,604,814	25,343,226	636,403	(16,010,300)	67,386,500
Result from operating activities	(1,176,794)	692,636	(94,923)	(74,644)	--	(653,725)
Net finance costs						(564,007)
Profit before income tax						(1,217,732)
Income tax expense						372,458
Profit for the period						(845,274)

Year ended	Refinery	Retail	Petrochemical	Other	Eliminations	Consolidated
31/12/2008						
Revenues						
Total external revenues	54,880,251	9,766,869	33,402,505	94,326	--	98,143,951
Inter segment revenues	19,133,668	338,667	4,440,864	161,485	(24,074,684)	--
Total segment revenue	74,013,919	10,105,536	37,843,369	255,811	(24,074,684)	98,143,951
Result from operating activities	243,578	510,245	385,261	(136,465)	--	1,002,619
Net finance costs						(981,482)
Profit before tax						21,137
Income tax expense						44,554
Profit for the period						65,691

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5. OPERATING SEGMENTS (CONTINUED)

Assets and liabilities

	Refinery	Retail	Petrochemical	Other	Eliminations	Consolidated
31/12/2009						
Segment assets	24,130,332	6,827,730	26,265,413	2,623,241	(2,840,455)	57,006,261
Unallocated corporate assets	--	--	--	--	--	1,242,869
Total assets						58,249,130
Segment liabilities	9,840,213	1,647,732	7,150,263	430,568	(2,840,455)	16,228,321
Unallocated corporate liabilities	--	--	--	--	--	4,149,473
Total liabilities						20,377,794

	Refinery	Retail	Petrochemical	Other	Eliminations	Consolidated
31/12/2008						
Segment assets	23,554,783	6,853,822	26,328,754	3,816,514	(4,016,239)	56,537,635
Unallocated corporate assets	--	--	--	--	--	1,204,226
Total assets						57,741,861
Segment liabilities	9,729,046	1,578,625	4,909,956	371,217	(4,016,239)	12,572,606
Unallocated corporate liabilities	--	--	--	--	--	6,256,415
Total liabilities						18,829,021

Other material non-cash items

2009	Refinery	Retail	Petrochemical	Other	Consolidated
Depreciation and amortisation	(1,110,486)	(372,490)	(1,867,277)	(81,940)	(3,432,193)
Impairment losses on intangible assets and PPE	4,175	4,660	10,098	472	19,406
Additions to non-current assets	902,400	212,711	1,858,192	89,189	3,062,491
2008					
Depreciation and amortisation	(1,162,313)	(360,847)	(1,903,641)	(51,083)	(3,477,884)
Impairment losses on intangible assets and PPE	7,967	53,214	20,094	68	81,344
Additions to non-current assets	1,165,854	568,017	2,546,874	15,897	4,296,642

Additions to non-current assets comprise additions to property, plant and equipment (Note 12) and intangible assets (Note 14).

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5. OPERATING SEGMENTS (CONTINUED)

Major customer

Revenues from none of the operating segments' customers represented 10% or more of the Group's total revenues.

Revenues from major products and services

The following is an analysis on the Group's external revenues from its major products and services:

External revenues from major products and services	31/12/2009	31/12/2008
Refinery production	36,672,796	54,880,251
Diesel	17,147,240	28,748,612
Gasoline	7,797,728	10,005,661
Bitumen	1,966,770	2,220,369
Lubricants	706,937	1,313,057
Other refinery products	5,447,809	8,834,561
Services	3,606,311	3,757,992
Retail	7,261,229	9,766,869
Refinery products	6,928,759	9,406,853
Services	332,470	360,016
Petrochemical production	23,376,058	33,402,505
Ethylene	2,576,475	3,902,036
Benzene	2,162,073	3,017,303
Urea	868,296	1,417,242
Ammonia	1,332,043	1,255,926
C4 fraction	1,336,845	2,306,189
Polyethylene (HDPE)	5,946,023	7,776,624
Polypropylene	4,112,521	5,107,168
Other petrochemical products	3,952,292	7,076,249
Services	1,089,491	1,543,767
Other	76,417	94,325
Total	67,386,500	98,143,951

As compared with consolidated financial statements as at and for the year ended 31 December 2008 the Group has changed allocation of companies to respective segments. Companies dealing with transportation services were assigned to Refinery and Retail segments starting from 1 January 2009. Company representing primary logistics is presented under Refinery Segment and company representing secondary logistics under Retail. The comparative data has been adjusted. Segment disclosures are in line with requirements of IFRS 8 *Operating Segments*.

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6. GEOGRAPHICAL SEGMENTS

	Revenues		Total assets	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Czech Republic	50,544,074	70,346,880	57,138,036	56,667,903
Other European Union countries	14,970,934	26,194,821	1,035,246	1,009,288
Other countries	1,871,492	1,602,250	75,848	64,670
Total	67,386,500	98,143,951	58,249,130	57,741,861

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 are based on location of the assets.

7. ANALYSIS OF EXPENSES ACCORDING TO THEIR NATURE

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

31/12/2009	Cost of sales	Distribution costs	Administrative expenses	Other operating income / (expenses)	Total
Materials consumed	(52,877,250)	(300,505)	(62,102)	--	(53,239,858)
Energy	(1,690,428)	(1,108)	(6,903)	--	(1,698,439)
Repairs and maintenance	(1,097,408)	(23,103)	(12,798)	--	(1,133,308)
Other services	(4,709,038)	(991,551)	(327,503)	--	(6,028,093)
Personnel expenses	(1,746,731)	(229,572)	(605,299)	--	(2,581,603)
Depreciation					
- owned assets	(2,652,079)	(398,153)	(39,186)	--	(3,089,418)
- leased assets	(103,486)	(28,693)	(534)	--	(132,714)
Amortization					
- software	(27,236)	(1,099)	(13,721)	--	(42,056)
- other intangible assets	(122,376)	(11,973)	(33,656)	--	(168,005)
Impairment losses on intangible assets and PPE recognised / (released)	--	--	--	19,406	19,406
Inventory write-down released / (recognized)	132,505	--	--	--	132,505
Impairment to receivables released / (recognized)	--	--	--	(51,396)	(51,396)
Research expenditures	(14,545)	(9,729)	--	--	(24,274)
Investment property expense	--	--	--	(1,301)	(1,301)
Non-cancellable operating lease rentals	(32,384)	--	(16,570)	--	(48,954)
Profit / (loss) on disposal of PPE	--	--	--	1,356,895	1,356,895
Release / (Addition) to provisions	--	--	--	(948,701)	(948,701)
Insurance	(181,957)	(3,753)	(90,753)	--	(276,463)
Derecognition of negative goodwill	--	--	--	86,640	86,640
Other expenses	(107,209)	(25,799)	(133,849)	(54,901)	(321,758)
Other income	--	--	--	150,670	134,103
Total operating expenses	(65,229,622)	(2,025,040)	(1,342,875)	557,311	(68,040,225)
Revenue					67,386,500
Operating profit before financing costs					(653,725)

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7. ANALYSIS OF EXPENSES ACCORDING TO THEIR NATURE (CONTINUED)

31/12/2008	Cost of sales	Distribution costs	Administrative expenses	Other operating income / (expenses)	Total
Materials consumed	(79,656,644)	(186,912)	(49,233)	--	(79,892,789)
Energy	(2,163,764)	(2,340)	(5,880)	--	(2,171,984)
Repairs and maintenance	(1,661,755)	(35,830)	(12,402)	--	(1,709,987)
Other services	(4,531,134)	(1,409,663)	(596,091)	--	(6,536,888)
Personnel expenses	(1,764,342)	(208,799)	(733,605)	--	(2,706,746)
Depreciation					
- owned assets	(2,692,634)	(379,995)	(67,788)	--	(3,140,417)
- leased assets	(89,897)	(31,409)	--	--	(121,306)
Amortization					
- software	(23,901)	(3,693)	(11,208)	--	(38,802)
- other intangible assets	(145,560)	(2,031)	(29,768)	--	(177,359)
Impairment losses on intangible assets and PPE recognised / (released)	--	--	--	81,344	81,344
Inventory write-down recognised / (released)	(352,630)	--	--	--	(352,630)
Impairment to receivables recognised / (released)	108,650	--	--	254,629	363,279
Research expenditures	(11,649)	(9,900)	--	--	(21,549)
Investment property expense	--	--	--	(1,224)	(1,224)
Non-cancellable operating lease rentals	(42,981)	--	--	--	(42,981)
Profit / (loss) on disposal of PPE	--	--	--	99,925	99,925
Release / (Addition) to provisions	11,649	--	--	78,613	90,262
Insurance	(110,418)	(2,959)	(73,887)	(40,298)	(227,562)
Other expenses	(343,648)	(947)	(82,333)	(353,999)	(780,927)
Other income	--	--	--	147,009	147,009
Total operating expenses	(93,470,658)	(2,274,478)	(1,662,195)	265,999	(97,141,332)
Revenue					98,143,951
Operating profit before financing costs					1,002,619

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8. FINANCE INCOME AND FINANCE EXPENSE

	31/12/2009	31/12/2008
Finance income		
Interest income:		
- bank deposits	28,583	137,183
- other loans and receivables	44,237	22,377
Dividend income	10,183	13,587
Revaluation of investments	2,200	13,697
Other finance income	12,715	35,979
Total finance income	97,918	222,823
Finance expenses		
Interest expense:		
- bank overdrafts, loans and borrowings	(310,344)	(336,176)
- finance leases	(2,359)	(4,704)
- other	(784)	(28,429)
Total Interest expenses	(313,428)	(369,309)
Less amounts included in qualifying assets	3,084	--
Total borrowing costs	(310,403)	(369,309)
Borrowing costs recognized in the income statement	(310,403)	(369,309)
Net foreign exchange losses	(120,891)	(385,627)
Revaluation of investments	(3,000)	--
Net loss arising on derivatives	(150,826)	(366,396)
Loss from sale of investments	--	(6,022)
Other finance expenses	(76,805)	(76,951)
Total finance expenses	(661,925)	(1,204,305)
Net finance expense	(564,007)	(981,482)

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9. PERSONNEL EXPENSES

The number of employees and managers and their remuneration for 2009 and 2008 are as follows:

2009	Number of employees average per year FTE*	Number of employees as at balance sheet day	Wages and salaries	Social and health insurance	Social expense	Part of expenses related to benefit plans
Employees	4,092	3,925	1,646,202	608,242	33,588	31,688
Management	99	99	204,749	43,821	1,339	458
Total	4,191	4,024	1,850,951	652,063	34,927	32,146

2008	Number of employees average per year FTE*	Number of employees as at balance sheet day	Wages and salaries	Social and health insurance	Social expense	Part of expenses related to benefit plans
Employees	4,332	4,228	1,759,627	597,099	45,159	35,346
Management	92	97	217,326	30,196	3,036	1,176
Total	4,424	4,325	1,976,953	627,295	48,195	36,522

* FTE – full time equivalent

In 2009 the remuneration of members of the board of directors was CZK 4,714 thousand (CZK 9,826 thousand in 2008). The remuneration of members of the supervisory board was CZK 6,802 thousand in 2009 (CZK 7,955 thousand in 2008).

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10. INCOME TAX

	2009	2008
Current tax – Czech Republic	(97,314)	(77,425)
Current tax – other countries	(28,128)	(12,143)
Deferred tax	497,900	134,122
Income tax credit	372,458	44,554

Domestic income tax is calculated in accordance with Czech tax regulations at the rate of 20 % in 2009 (2008: 21 %) of the estimated taxable income for the year. The deferred tax has been calculated using tax rate approved for years 2010 and forward i.e. 19 %. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

11. EARNINGS PER SHARE

Basic earnings per share

	2009	2008
Profit for the period attributable to equity holders (in CZK '000)	(840,295)	64,530
Weighted average number of shares	181,334,764	181,334,764
Earnings per share (in CZK)	(4.66)	0.36

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
Cost					
Balance as at 01/01/2008	23,175,238	35,960,963	602,483	3,259,827	62,998,511
Additions	76,892	223,860	108,323	3,770,019	4,179,094
Disposals	(198,122)	(484,757)	(131,278)	--	(814,157)
Reclassifications	705,346	2,053,497	--	(2,758,843)	--
Other	(3,558)	(50,288)	93,341	(93,693)	(54,198)
Balance as at 31/12/2008	23,755,796	37,703,275	672,869	4,177,310	66,309,250
Additions	91,126	419,620	135,317	1,877,244	2,523,307
Disposals	(54,820)	(567,763)	(91,804)	--	(714,387)
Reclassifications	838,302	1,854,978	28,739	(2,733,208)	(11,189)
Other	(105,797)	(237,862)	(8,757)	(113,927)	(466,343)
Balance as at 31/12/2009	24,524,607	39,172,248	736,364	3,207,419	67,640,638
Depreciation					
Balance as at 01/01/2008	7,221,003	19,072,484	359,429	--	26,652,916
Charge for the period	607,450	2,488,248	166,024	--	3,261,722
Disposals	(91,557)	(453,320)	(124,466)	--	(669,343)
Other	30,966	26,995	(5,324)	--	52,637
Balance as at 31/12/08	7,767,862	21,134,407	395,663	--	29,297,932
Charge for the period	622,602	2,481,299	118,230	--	3,222,131
Disposals	(123,548)	(1,073,556)	(84,293)	--	(1,281,397)
Other	9,209	256,255	(155)	--	265,309
Balance as at 31/12/2009	8,276,125	22,798,405	429,445	--	31,503,975
Impairment					
Balance as at 01/01/2008	324,194	213,831	--	5,481	543,503
Impairment losses	17,904	5,566	(662)	--	22,809
Reversal of impairment losses	(103,055)	(116,477)	662	(3,620)	(222,489)
Balance as at 31/12/2008	239,043	102,920	--	1,861	343,823
Impairment losses	63,923	24,619	--	--	88,542
Reversal of impairment losses	(75,954)	(30,561)	--	(827)	(107,342)
Balance as at 31/12/2009	227,012	96,978	--	1,034	325,024
Carrying amount as at 01/01/2008	15,630,041	16,674,648	243,054	3,254,346	35,802,089
Carrying amount as at 31/12/2008	15,748,891	16,465,948	277,206	4,175,449	36,667,494
Balance as at 31/12/2009	16,021,470	16,276,865	306,919	3,206,385	35,811,639

The carrying amount of property, plant and equipment includes production technologies of CZK 479,061 thousand (CZK 435,306 thousand as of 31 December 2008) and vehicles of CZK 203,920 thousand (CZK 264,393 thousand as of 31 December 2008) held under finance leases as of 31 December 2009.

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12. PROPERTY PLANT AND EQUIPMENT (CONTINUED)

The total capitalised borrowing costs in 2009 amounted to CZK 3,084 thousand (0 CZK in 2008).

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	1,690,562	84,155
Total as of 31/12/2009		1,690,562	84,155

Bank – lender	Asset pledged	Acquisition cost of pledged assets	Outstanding amount of loan secured
ČSOB	Buildings	1,684,628	156,583
Total as of 31/12/2008		1,684,628	156,583

13. INVESTMENT PROPERTY

Investment property as at 31 December 2009 comprised the land owned by the Group and leased to third parties. The changes recorded during the year ended 31 December 2009 are presented in the following table:

	Balance as at 31/12/2008	Additions	Disposal	Transfer to Property, plant and equipment	Transfer from Property, plant and equipment	Balance as at 31/12/2009
Lands	160,057	4,214	(1,441)	(846)	643	162,627

Rental income amounted to CZK 20,494 thousand in 2009 (2008: CZK 25,230 thousand). Operating costs relating to investment property amounted to CZK 1,301 thousand in 2009 (2008: CZK 1,224 thousand).

Future rental income is as follows:

	Less than one year	Between one and five years
Total future rental income	20,697	89,190

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14. INTANGIBLE ASSETS

	Software	Other intangible assets	Assets under development	Total
Cost				
Balance as at 01/01/2008	753,696	2,312,193	--	3,065,889
Additions	46,099	108,909	35,861	190,869
Disposals	(951)	(53,980)	--	(54,931)
Other	(1,763)	(18,614)	--	(20,377)
Balance as at 31/12/2008	797,080	2,348,508	35,861	3,181,449
Additions	31,024	3,747	499,556	534,327
Disposals	(428)	(362,875)	(5,712)	(369,015)
Reclassifications	18,592	417,378	(424,781)	11,189
Other	(18,820)	(3,044)	103,067	81,201
Balance as at 31/12/2009	827,446	2,403,714	207,991	3,439,151
Amortization				
Balance as at 01/01/2008	675,579	700,367	--	1,375,946
Charge for the year	38,803	177,359	--	216,162
Disposals	(1,176)	(47,805)	--	(48,981)
Other	4,090	65,935	--	70,025
Balance as at 31/12/2008	717,296	895,856	--	1,613,152
Charge for the year	42,056	168,005	--	210,061
Disposals	(813)	(12,179)	--	(12,992)
Other	(11)	12,352	--	12,341
Balance as at 31/12/2009	758,528	1,064,034	--	1,822,562
Impairment				
Balance as at 01/01/2008	--	73	--	73
Impairment losses	--	544	--	544
Reversal of impairment losses	--	(11)	--	(11)
Balance as at 31/12/2008	--	606	--	606
Reversal of impairment losses	--	(606)	--	(606)
Balance as at 31/12/2009	--	--	--	--
Carrying amount as at 01/01/2008	78,117	1,611,753	--	1,689,870
Carrying amount as at 31/12/2008	79,784	1,452,046	35,861	1,567,691
Carrying amount as at 31/12/2009	68,918	1,339,680	207,991	1,616,589

Other intangible assets primarily include purchased licenses related to production of plastics (high-density polyethylene - HDPE and polypropylene), which account for CZK 1,134,739 thousand of carrying amount as of 31 December 2009 (CZK 1,225,572 thousand as of 31 December 2008) and Unicracking process licence in carrying amount of CZK 7,705 thousand as of 31 December 2009 (CZK 9,631 thousand as of 31 December 2008).

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15. GOODWILL

The goodwill presented by the Group amounted to CZK 51,595 thousand as at 31 December 2009 (31 December 2008: CZK 51,595 thousand). It results from the acquisition of 0.225 % share in the registered capital of ČESKÁ RAFINÉRSKÁ, a.s. during the year ended 31 December 2007.

Purchase of shares of PARAMO, a.s.

On 4 March 2009 the purchase of 8.24 % share of PARAMO a.s. was completed. The negative goodwill amounting to CZK 86,640 thousand was recognised in other operating income.

The share of 8.24 % 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	163,188	163,188
Current assets	173,927	173,927
Total assets	337,115	337,115
Non-current liabilities	8,233	8,233
Current liabilities	135,172	135,172
Total liabilities	143,406	143,406
Net assets	193,710	193,710
Consideration, covered by cash		107,070
Negative goodwill on acquisition		86,640

Cash outflow on acquisition:	
Net cash acquired	871
Cash paid	107,070
Net cash outflow	106,199

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16. OTHER INVESTMENTS

The Group has equity investments amounting to CZK 198,343 thousand as at 31 December 2009 (CZK 203,640 thousand as at 31 December 2008), which represent ownership interests in companies that do not have quoted market price and whose fair value cannot be reliably measured and therefore are carried at acquisition cost, less any impairment losses.

17. NON-CURRENT RECEIVABLES

The Group has provided a loan to ČESKÁ RAFINÉRSKÁ, a.s. in the amount of CZK 206,287 thousand (31 December 2008: CZK 237,429 thousand) for reconstruction of production unit. Part of this receivable in amount of CZK 105,671 thousand was eliminated as an intergroup transaction. The loan is due in 2016 and bears interest of 1M PRIBOR increased by mark up. Short term part of the loan in amount of CZK 15,284 thousand is presented in other receivables. The Group also presents non-current receivables from cash guarantees from operators of fuel stations in amount of CZK 21,356 thousand.

Due date	Due within 1-3 year	Due 3-5 years	Due within more than 5 years	Total
31/12/2009	49,890	32,600	38,689	121,179
31/12/2008	49,347	41,950	53,814	145,111

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

18. DERIVATIVE FINANCIAL INSTRUMENTS

Transactions with derivative financial instruments are subject to risk management procedures. The Group analyses the risk arising from discrepancies in the pricing formulas in purchases of crude oil and sales of products and reduces it by entering into commodity swaps.

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.

The Group monitors the emission allowances granted to the Group under National Allocation Plan and CO₂ emissions planned. The Group enters into transactions on emission allowances market in order to cover for shortages or utilize the excess of obtained emission allowances over the required amount.

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18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

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.

Derivative financial instruments – assets

	Settlement date	Contract principal amount		Fair value of derivatives	
		31/12/2009	31/12/2008	31/12/2009	31/12/2008
Derivatives held for trading					
Emission Allowances Swaps EUA/CER	1.12.2009	--	4,386 T EUR	--	67,378
Emission Allowances Swaps EUA/CER	1.12.2010	4,732 T EUR	4 732 T EUR	95,527	76,991
Emission Allowances Swaps EUA/CER	14.12.2009	--	180 T EUR	--	1,441
Emission Allowances Swaps EUA/CER	14.12.2009	--	188 T EUR	--	1,643
Emission Allowances Swaps EUA/CER	14.12.2009	--	190 T EUR	--	1,710
Emission Allowances Swaps EUA/CER	17.12.2009	--	50 T EUR	--	--
Emission Allowances Swaps EUA/CER	17.12.2009	--	39 T EUR	--	--
Emission Allowances Swaps EUA/CER	17.12.2009	--	50 T EUR	--	--
Forwards USD/CZK	4.1.2010	10 000 T USD	--	13,957	--
Forwards USD/CZK	4.1.2010	13 000 T USD	--	18,665	--
SWAP EUR/CZK	4.1.2010	10 100 T EUR	--	408	--
Forwards USD/CZK	4.1.2010	10 000 T USD	--	8,850	--
Forwards USD/EUR	19.1.2010	5 000 T USD	--	16	--
Total financial derivative – assets				137,423	149,163

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18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments – liabilities

	Settlement date	Contract principal amount		Fair value of derivatives	
		31/12/2009	31/12/2008	31/12/2009	31/12/2008
Derivatives held for trading					
Forwards USD/CZK	7.1.2010	5 000 T USD	--	61	--
Forwards USD/CZK	7.1.2010	4 000 T USD	--	29	--
Forwards USD/CZK	7.1.2010	3 000 T USD	--	24	--
Forwards USD/EUR	11.1.2010	6 000 T USD	--	99	--
Forwards USD/EUR	19.1.2010	5 000 T USD	--	66	--
Forwards USD/EUR	19.1.2010	4 000 T USD	--	7	--
Forwards USD/EUR	19.1.2010	3 000 T USD	--	21	--
Total financial derivatives – liabilities				307	--

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 statement of comprehensive income.

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 31/12/2009			Fair value as at 31/12/2008		
	Non-current receivables	Current receivables	Total	Non-current receivables	Current receivables	Total
Emission Allowances	--	95,527	95,527	76,991	72,172	149,163
Swaps EUA/CER	--	41,896	41,896	--	--	--
Forwards	--	41,896	41,896	--	--	--
Total	--	137,423	137,423	76,991	72,172	149,163

	Fair value as at 31/12/2009			Fair value as at 31/12/2008		
	Non-current liabilities	Current liabilities	Total	Non-current liabilities	Current liabilities	Total
Forwards	--	307	307	--	--	--
Total	--	307	307	--	--	--

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18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments- finance result

	31/12/2009			31/12/2008		
	Financial income	Financial expense	Net gain (loss)	Financial income	Financial expense	Net gain (loss)
Emission Allowances						
Swaps EUA/CER	--	59,867	(59,867)	155,393	--	155,393
Currency Swaps	--	726	(726)	19,983	--	19,983
Commodity Swap	--	--	--	--	541,494	(541,494)
Forwards	--	90,233	(90,233)	9,564	--	9,564
IRS swap	--	--	--	6,258	--	6,258
Option	--	--	--	--	16,100	16,100
Total	--	150,826	(150,825)	191,198	557,594	(366,396)

19. DEFERRED TAX

Deferred income taxes result from future tax benefits and costs 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. 19 % in 2010 and onward).

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

	2009
At 1 January	(2,113,931)
Income statement charge	497,900
FX difference	3
Tax charged to other comprehensive income	509
At 31 December	(1,615,519)

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	1/1/2009	Recognised in profit or loss	Recognised in other comprehensive income	31/12/2009
Property, plant and equipment	49,485	32,661	--	82,146
Inventory	111,715	189,557	--	301,272
Provisions	184,611	332,278	--	516,889
Finance lease	--	1,582	--	1,582
Other	182,934	(52,685)	(311)	129,939
Total deferred tax liabilities	528,745	503,391	(311)	1,031,828

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19. DEFERRED TAX (CONTINUED)

Deferred tax assets	1/1/2009	Recognised in profit or loss	Recognised in other comprehensive income	31/12/2009
Property, plant and equipment	2,389,480	31,249	9	2,420,737
Provisions	93,423	(17,230)	--	76,193
Unused tax losses carried forward	37,716	371	--	38,087
10% investment relief	119,181	(8,138)	(930)	110,113
Other	2,877	-760	101	2,218
Total deferred tax assets	2,642,676	5,491	(820)	2,647,347

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:

	31/12/2009	31/12/2008
Deferred tax asset	99,409	17,399
Deferred tax liability	(1,714,928)	(2,131,330)
Net	(1,615,519)	(2,113,931)

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 73,975 thousand which have not been recognised due to unpredictability of future taxable income (2008: CZK 60,710 thousand). Tax losses of CZK 5,960 thousand (2008: CZK 34,012 thousand) will expire in 2010.

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

	31/12/2009	31/12/2008
Unused tax losses	5,960	34,012
Deductible temporary differences	73,975	60,710
Deferred tax asset	79,935	94,722

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20. INVENTORIES

	31/12/2009	31/12/2008
Raw materials	2,564,312	2,749,557
Net realisable value allowance for raw materials	(176,683)	(354,858)
Work in progress	1,361,751	1,092,295
Net realisable value allowance for work in progress	(4)	--
Finished goods	3,087,124	2,535,135
Net realisable value allowance for finished goods	(20,095)	(106,269)
Goods for sale	435,327	398,889
Net realisable value allowance for goods for sale	(8,521)	(41,288)
Spare parts	1,615,302	1,047,218
Net realisable value allowance for goods for spare parts	(260,240)	(109,041)
Total inventory	8,598,273	7,211,638

Changes in the net realisable value allowances for inventories amount to CZK 132,505 thousand and are included in cost of sales (CZK 352,630 thousand in 2008) see Note 7.

21. TRADE AND OTHER RECEIVABLES

	31/12/2009	31/12/2008
Trade accounts receivable	9,900,831	9,663,245
Other receivables	326,164	494,997
Gross trade and other receivables	10,226,996	10,158,242
Impairment losses	(916,972)	(923,926)
Net trade and other receivables	9,310,024	9,234,316

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

The average credit period on sales of goods is 38 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.

Movement in the impairment loss amount

	31/12/2009	31/12/2008
Balance at beginning of the year	923,926	1,287,205
Increases	106,029	50,204
Utilization	(56,947)	(316,017)
Release	(54,633)	(102,693)
Other decreases	--	(2,731)
F/X differences	(1,403)	7,958
Balance at end of the year	916,972	923,926

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21. TRADE AND OTHER RECEIVABLES (CONTINUED)

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.

22. PREPAYMENTS AND OTHER CURRENT ASSETS

	31/12/2009	31/12/2008
Deferred cost	158,451	285,254
Other current assets	72,175	150,210
Total	230,626	435,464

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

23. SHORT-TERM FINANCIAL ASSETS HELD TO MATURITY

Following table presents detailed information regarding promissory notes bought in 2009:

Counterparty	Currency	Maturity date	31/12/2009	31/12/2008
ČEZ, a.s.	CZK	03/03/2010	101,004	--
ČEZ, a.s.	CZK	22/04/2010	76,008	--
ČEZ, a.s.	CZK	24/05/2010	50,703	--
ČEZ, a.s.	CZK	03/02/2010	75,937	--
ČEZ, a.s.	CZK	22/03/2010	55,753	--
Total			359,405	--

24. LOANS GRANTED

The Group provided a short-term loan to a related entity. The carrying amount of the loan amounted CZK 250,214 thousand as at 31 December 2009. The interest rates were based on appropriate inter-bank rates and the fair value of the loan approximated its carrying amount as at 31 December 2009.

25. CASH AND CASH EQUIVALENT

	31/12/2009	31/12/2008
Cash in hand and at bank	1,085,223	414,065
Short-term bank deposits	100,499	538,142
Total cash and cash equivalents	1,185,721	952,207

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 51,343 thousand (31 December 2008 CZK 62,842 thousand).

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26. ASSETS HELD FOR SALE

As at 31 December 2009 Group held 97 shares in CELIO a.s. in nominal value of 1,000 thousand CZK. The Group's share in CELIO a.s. was classified as a current asset held for sale since its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The management agreed a plan to sell the asset. The Group approved a plan to sell its investment in CELIO a.s. The carrying amount of the investment totals CZK 78,333 thousand.

27. SHARE CAPITAL

The issued capital of the parent company as at 31 December 2009 was CZK 18,133,476 thousand (2008 - CZK 18,133,476 thousand). This represents 181,334,764 (2008 - 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.

28. 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. The balance of Statutory reserve fund amounted as at 31 December 2009 to CZK 2,425,274 thousand (31 December 2008 – CZK 2,173,616 thousand).

29. RETAINED EARNINGS AND DIVIDENDS

Dividends

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

The Ordinary General Meeting of UNIPETROL, a.s. held on 24 June 2009 decided on distribution of the non-consolidated profit for 2008 amounting to CZK 4,428,147,324.84. In accordance with Article 26 (1) of the Company's Articles of Association CZK 221,407,366.24 was allocated to the contingency fund and CZK 4,206,739,958.60. to account of unallocated profit from previous years.

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30. NON-CURRENT LOANS AND BORROWINGS

Interest bearing loans and borrowings as at 31 December 2009 were as follows:

Creditor	Currency	Balance at 31/12/2009	Fair value at 31/12/2009	Balance at 31/12/2008	Fair value at 31/12/2008	Effective interest rate	Form of collateral
Long-term bonds							
– Issue I. - 1998	CZK	2,000,000	2,634,838	2,000,000	2,776,760	9.82%	Unsecured
Bank loans	CZK	12,000	12,000	84,000	84,000	PRIBOR*	Pledge assets
Total		2,012,000		2,084,000			

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

In 1998 the Company issued 2,000 bonds at a total nominal value of CZK 2,000,000 thousand. The nominal value of bonds matures 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. The effective interest rate is 9.82 %. Interest is payable on an annual basis. Interest expense is accrued using the effective interest rate method.

The aggregate carrying amount of bonds issued is CZK 2,136,614 thousand (CZK 2,170,593 thousand at 31 December 2008). Part of the liability due within 12 months is presented in current liabilities. 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 2,634,838 thousand. Accrued interest, which will be repaid before 31 December 2010, is presented within current loans and borrowings in the note 35 amounts to CZK 136,614 thousand (CZK 170,593 thousand at 31 December 2008).

31. PROVISIONS

	31/12/2008	Additional provision	Utilization of provision	Release of provision	F/X differences	31/12/2009
Provisions for environmental damages and land restoration	313,743	22,379	(20,059)	(9,817)	--	306,246
Provisions for legal disputes	128,726	23,684	--	(6,344)	(56)	146,010
Employee benefits provision	32,414	3,750	--	(4,017)	--	32,147
Other provisions	88,778	935,578	(29,204)	(16,511)	(385)	978,256
Total	563,661	985,391	(49,263)	(36,689)	(441)	1,462,659

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 amounted to CZK 293,746 thousand as of 31 December 2009 (CZK 274,235 thousand as of 31 December 2008). In connection with Bílina's river pollution (leakage of pyrolytic gas) provision was created in the amount of CZK 5,000 thousand. Provision for compensation of damage to Lesy Česká republika amounted to CZK 5,000 thousand as at 31 December 2009.

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31. PROVISION (CONTINUED)

The provision for legal disputes is created for expected future outflows arising from legal disputes with third parties where the Group is the defendant. The Group has a provision for a penalty imposed by the Antimonopoly Office for a breach of the Economic Competition Protection Act in the amount of CZK 98,000 thousand. The provision as at 31 December 2009 included the nominal amount of penalty increased by CZK 25,511 thousand interest (CZK 16,610 thousand as of 31 December 2008). The Group created provision for legal dispute with Aversen amounted to 6,000 CZK as at 31 December 2009.

Provisions for other future liabilities of the Group amounted to CZK 978,256 thousand as at 31 December 2009. During the year following the sales of emission allowances granted for 2009, the provision in amount of CZK 917,860 thousand was created to cover the estimated utilisation of CO2 allowances in 2009. Other provisions as at 31 December 2009 included also provision for dismantling costs connected with liquidation of unused assets in amount of CZK 54,738 thousand and provision created in connection with shutdown of Oxoalcohols plant in amount of CZK 5,658 thousand. It is planned that this provision will be utilized till 30 June 2010.

Employment benefits provisions are created for retirement and anniversary benefits received by employees, discount rate used is 3,75% p.a., assumptions used are based on Collective agreement.

32. FINANCE LEASE LIABILITY

	Minimum lease payments		Present value of minimum lease payments	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Amounts payable under finance leases:				
Not later than one year	18,152	94,762	17,417	92,596
Later than one year and not later than five years	20,221	38,338	19,363	36,356
Less: future finance charges	(1,593)	(4,148)	--	--
Present value of lease obligation	36,780	128,952	36,780	128,952
Less: Amount due for settlement within 12 months			17,417	92,596
Amount due for settlement after 12 months			19,363	36,356

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 2009, the average effective borrowing rate was 2.85 %. 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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33. OTHER NON - CURRENT LIABILITIES

	31/12/2009	31/12/2008
Deferred income from government grants	55,016	69,035
Amounts payable to business partners	92,388	129,204
Other liabilities	17,629	21,850
Total	165,033	220,089

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.

34. TRADE AND OTHER PAYABLES AND ACCRUALS

	31/12/2009	31/12/2008
Trade payables	8,597,884	5,542,121
Other payables	1,956,007	2,355,418
Accrued expenses	76,099	83,796
Social security and other taxes	3,965,240	3,678,570
Total	14,595,230	11,659,905

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

35. CURRENT BANK LOANS

The short-term borrowings as at 31 December 2009 and 2008 were as follows:

	USD	EUR	CZK	Total
Balance as at 1 January 2009	1,915	26,318	1,721,313	1,749,553
Loans taken	11,736	109,097	6,314,691	6,435,524
Accrued interest as balance sheet date	1	4	1,280	1,285
Conversion from/to short term – long term	--	--	72,000	72,000
Repayment	(1,915)	(22,330)	(8,086,272)	(8,110,517)
Repayment of accrued interest	--	(3)	(7,708)	(7,711)
FX differences	--	(64)	--	(64)
Balance as at 31 December 2009	11,736	113,021	15,310	140,068

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 2009 was 2.23 % (31 December 2008: 3.89 %).

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36. 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	
	31/12/2009	31/12/2008
Not later than one year	81,547	44,157
Later than one year and not later than five years inclusive	227,817	123,777
Later than five years	374,851	110,886
Total	684,215	278,820

The Group leases vehicles and offices under operating leases. The vehicle leases typically run for a two year period. Lease payments are increased annually to reflect market conditions. None of the leases includes contingent rentals.

Payments recognised as an expense were as follows:

	31/12/2009	31/12/2008
Non-cancellable operating lease	48,954	42,981
Cancellable operating lease	145,646	434,102
Total	194,600	477,083

37. CAPITAL COMMITMENTS

At the balance sheet date, the Group had commitments for the acquisition of property, plant and equipment in the amount of CZK 604,139 thousand of which the contractual commitment was CZK 238,858 thousand (as at 31 December 2008 CZK 2,177,027 thousand, of which the contractual commitment is CZK 621,683 thousand).

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38. COMMITMENTS AND OTHER CONTINGENCIES

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

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

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

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

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

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

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

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38. COMMITMENTS AND OTHER CONTINGENCIES (CONTINUED)

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

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

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

Claims related to fines imposed by the European Commission

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

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

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

First hearing regarding the appeal of UNIPETROL against the European Commission decision was held on October 20, 2009 at the Court of First Instance of the European Union. Judgement is expected in few months.

Litigation between the Group and Tax Directorate Ústí nad Labem about the validity of the investment incentive utilization for the year 2005

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 and on February 4, 2009 the

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38. COMMITMENTS AND OTHER CONTINGENCIES (CONTINUED)

Regional Court in Usti nad Labem abrogated the unfavourable decisions of Tax Authorities and commanded the case to the relevant Tax Directorate for the new administrative proceedings. The Tax Directorate when taking decision will be bound by the opinion of the Regional Court.

The Tax Directorate used its right and filed a Cassation Complaint to the Supreme Administration Court. The complaint has not suspensory effect.

The Supreme Administrative Court by its Judgement dated August 26, 2009 dismissed the cassation filed by the Tax Directorate against the decision of the Regional Court in Usti nad Labem. As a result of the Judgement, the Tax Directorate remains to be bound by the decision of the Regional Court in Usti nad labem, according to which Group rightfully asserted the corporate income tax deduction resulting from the investment incentives for the fiscal year 2005.

Claims regarding reward for employees' invention

In the year 2001 the court cases commenced on reward for the employees' invention between Unipetrol RPA and its two employees. Employees demanded the reward in the amount of approx. CZK 1,8 million. Unipetrol RPA in the role of defendant did not agree and offered the reward amounting to approx. CZK 1, 4 million, based on the experts' valuations.

In the year 2005 Employees- plaintiffs filed next petition to the court to extend the action to the amount of approx. CZK 82 million.

The Court initially did not meet this requirement, but in the year 2009 decided to extend the action in accordance with the plaintiffs' petition. The first instance hearing has not been settled by the court yet.

Guarantees

The Group issued the guaranty on behalf of HC Litvínov in favour of Association of ice hockey clubs in amount of CZK 7,000 thousand.

Based on the Group's request, Commerzbank AG and Komerční banka, a.s. issued bank guarantees relating to the security of customs debt and excise tax at customs offices in Most and Domažlice. Total balance of guarantees related to excise tax is CZK 999 000 thousand as at 31 December 2009 (31 December 2008 CZK 1,000,000 thousand). CITIBANK, a.s. issued bank guarantees in favour of Intecha s.r.o. in order to secure Group investment liabilities – refer to the table below.

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38. COMMITMENTS AND OTHER CONTINGENCIES (CONTINUED)

Issued bank guarantees

Company	Issuer of bank guarantee	Currency	Amount	Date of issue	Valid till	Note
Custom authority Most	Commerzbank AG, Praha	CZK	700,000	14/12/2005	30/06/2011	Excise tax guarantee
Custom authority Most	Commerzbank AG, Praha	CZK	24,000	24/07/2009	01/02/2011	Excise tax guarantee
Custom authority Most	Commerzbank AG, Praha	CZK	57,000	24/07/2009	01/02/2011	Excise tax guarantee
Custom authority Domažlice	Commerzbank AG, Praha	CZK	18,000	29/09/2009	31/03/2011	Excise tax guarantee
Custom authority Most	Komerční banka, a.s.	CZK	200,000	01/08/2008	30/06/2010	Excise tax guarantee
Intecha, s. r. o. Praha	Citibank, a.s.	CZK	44 532	27/07/2009	28/02/2010	Investment liabilities
Intecha, s. r. o. Praha	Citibank, a.s.	EUR	15 668	27/07/2009	28/02/2010	Investment liabilities
Total			1,059,200			

39. RELATED PARTIES

Parent and ultimate controlling party

During 2009 and 2008 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:

	31/12/2009			
	PKN Orlen	Parties under control of the Group	Entities under control or significant influence of PKN Orlen	Other related parties
Current receivables	26	46,940	741,299	104
Current payables including loans	4,321,146	8,570	34,469	1,846
Non-current payables including loans	--	4	--	--
Expenses	32,894,819	86,342	900,960	13,412
Revenues	699,541	149,794	1,741,767	868
Purchases of property, plant and equipment	1,535	918	--	176
Interests income and expense	--	--	7,703	--
Dividends received	--	5,287	--	3,851

	31/12/2008			
	PKN Orlen	Parties under control of the Group	Entities under control or significant influence of PKN Orlen	Other related parties
Current receivables	4,607	85,627	639,816	221
Current payables including loans	1,348,872	42,995	103,472	1,319
Non-current payables including loans	--	48	--	--
Expenses	48,958,269	105,242	1,799,726	15,980
Revenues	4,135,481	255,009	2,555,439	690
Sales of financial assets	47,403	--	--	--
Purchases of property, plant and equipment	--	10,781	--	484
Interests income and expense	--	2,710	11,565	--
Dividends paid	2,016,352	--	--	--

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

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40. FINANCIAL INSTRUMENTS

Capital risk 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 notes 30 and 35, cash and cash equivalents and equity attributable to equity holders of the parent, comprising shared capital, reserves and retained earnings as disclosed in notes 27, 28 and 29 respectively.

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

	31/12/2009	31/12/2008
Debt (i)	(2,397,617)	(4,205,681)
Cash and cash equivalents	1,185,721	952,207
Net debt	(1,211,896)	(3,253,474)
Equity (ii)	37,871,336	38,912,840
Net debt to equity ratio	3.20	8.36

(i) Debt is defined as long- and short-term borrowings and finance lease

(ii) Equity included all capital and reserves of the Group

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 natural hedging and 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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40. FINANCIAL INSTRUMENTS (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.

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:

	31/12/2009				
	CZK	EUR	USD	Other currencies	Total
Non-current receivables	121,179	--	--	--	121,179
Trade and other receivables	6,338,902	2,778,656	168,085	24,382	9,310,024
Prepayments and other current assets	230,626	--	--	--	230,626
Financial assets held to maturity	359,405	--	--	--	359,405
Loans granted	250,214	--	--	--	250,214
Cash and cash equivalents	726,854	419,137	10,063	29,668	1,185,721
Non-current loans and borrowings	(2,012,000)	--	--	--	(2,012,000)
Trade and other payables and accruals	(9,061,357)	(1,083,545)	(4,367,648)	(82,680)	(14,595,230)
Current portion of non-current loans and borrowings	(208,769)	--	--	--	(208,769)
Current loans and borrowings	(15,310)	(113,022)	(11,737)	--	(140,068)
Financial lease liability	(36,780)	--	--	--	(36,780)
Net exposure	(3,307,036)	2,001,226	(4,201,237)	(28,631)	(5,535,678)

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40. FINANCIAL INSTRUMENTS (CONTINUED)

	31/12/2008				Total
	CZK	EUR	USD	Other currencies	
Non-current receivables	145,111	--	--	--	145,111
Trade and other receivables	6,276,508	1,875,173	346,484	736,151	9,234,316
Prepayments and other current assets	435,464	--	--	517	435,981
Loans granted	300,031	--	--	--	300,031
Cash and cash equivalents	774,779	76,148	8,070	93,210	952,207
Non-current loans and borrowings	(2,084,000)	--	--	--	(2,084,000)
Trade and other payables and accruals	(8,780,733)	(632,403)	(1,735,711)	(511,058)	(11,659,905)
Current portion of non-current loans and borrowings	(243,176)	--	--	--	243,176
Current loans and borrowings	(1,721,313)	(26,318)	(1,915)	(7)	(1,749,553)
Financial lease liability	(128,952)	--	--	--	(128,952)
Net exposure	(5,026,281)	1,292,600	(1,383,072)	318,813	(4,797,940)

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	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
Profit or loss / equity	176,452	58,089	72,044	51,903

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40. FINANCIAL INSTRUMENTS (CONTINUED)

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. 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 30 and 35.

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 2009 would decrease/increase by CZK 9,824 thousand (2008: decrease/increase by CZK 8,748 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 30 and 35.

Interest rate risk profile

The interest rate profile of the Group's interest bearing financial instrument at the reporting date was as follows:

	31/12/2009	31/12/2008
Fixed rate instruments		
Financial assets	11,085,776	10,621,987
Financial liabilities	16,731,844	13,830,498
Variable rate instruments		
Financial assets	371,393	445,142
Financial liabilities	261,003	2,035,088

Market price risks

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

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40. FINANCIAL INSTRUMENTS (CONTINUED)

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	31/12/2009		31/12/2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at fair value				
Available-for-sale financial assets	78,333	78,333	78,333	78,333
Financial assets designated at fair value through profit or loss	137,423	137,423	149,163	149,163
Total	215,756	215,756	227,496	227,496
Assets carried at amortized cost				
Held to maturity investments	359,405	359,405	--	--
Loans and receivables	9,912,043	9,912,043	10,114,922	10,114,922
Cash and cash equivalents	1,185,721	1,185,721	952,207	952,207
Total	11,457,169	11,457,169	11,067,129	11,067,129
Liabilities carried at fair value				
Financial liabilities designated at fair value through profit or loss	307	307	--	--
Total	307	307	--	--
Liabilities carried at amortised cost				
Secured bank loans	84,155	84,155	156,583	156,583
Unsecured bonds issued	2,148,614	2,634,838	2,170,593	2,776,760
Finance lease liabilities	36,780	36,780	128,952	128,952
Trade and payables	14,595,230	14,595,230	11,659,905	11,659,905
Current bank loans	140,068	140,068	1,749,553	1,749,553
Total	17,004,847	17,491,071	15,865,586	16,471,753

Emission allowances risk

The Group monitors the emission allowances granted to the Group under National Allocation Plan and CO₂ emissions planned. The Group enters into transactions on emission allowances market in order to cover for shortages or utilize the excess of obtained emission allowances over the required amount.

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

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40. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management. 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 2009 none of the customers represented more than 5 % of the total balance of consolidated trade receivables.

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 or sufficient collateral on debtor's assets obtained.

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 carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Note	Carrying amount	
		31/12/2009	31/12/2008
Available for sale financial assets	26	78,333	78,333
Held to maturity investments	23	359,405	--
Loans and receivables	17,21,22	9,912,043	10,114,922
Cash and cash equivalents	25	1,185,721	952,207
Derivative financial instruments	18	137,423	149,163
Total		11,672,925	11,294,625

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40. FINANCIAL INSTRUMENTS (CONTINUED)

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.

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

	Carrying amount	Contractual cash flows	Less than 6 months	6 months-1 year	1-5 years
31/12/2009					
Non-current receivables	121,179	121,179	--	--	121,179
Trade and other receivables	9,310,024	9,310,024	9,261,084	48,940	--
Short-term financial assets held to maturity	359,405	359,405	232,694	126,711	--
Loans to other entities	250,214	250,214	250,214	--	--
Prepayments and other current assets	230,626	230,626	230,626	--	--
Cash and cash equivalents	1,185,721	1,185,721	1,185,721	--	--
Total	11,457,169	11,457,169	11,160,339	175,651	121,179
31/12/2008					
Non-current receivables	145,111	145,111	--	--	145,111
Trade and other receivables	9,554,624	9,554,624	9,202,664	31,652	--
Loans to other entities	300,031	300,031	300,031	--	--
Prepayments and other current assets	435,464	435,464	435,464	--	--
Cash and cash equivalents	952,207	952,207	952,207	--	--
Total	11,387,436	11,387,436	10,890,365	31,652	145,111

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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40. FINANCIAL INSTRUMENTS (CONTINUED)

Contractual maturity of non-derivative financial liabilities

	Carrying amount	Contractual cash flows	Less than 6 months	6 months-1 year	1-5 years
31/12/2009					
Unsecured bond issues	2,136,614	2,136,614	--	136,614	2,000,000
Secured bank loans	84,155	84,155	24,000	48,155	12,000
Trade and other payables	14,760,263	14,760,263	14,595,230	--	165,033
Unsecured bank loans	140,068	140,068	--	140,068	--
Finance lease liabilities	36,780	36,780	--	17,417	19,363
Total	17,157,880	17,157,880	14,619,230	342,254	2,196,396
31/12/2008					
Unsecured bond issues	2,170,323	2,170,323	--	170,323	2,000,000
Secured bank loans	156,853	156,853	36,000	36,853	84,000
Trade and other payables	11,879,994	11,879,994	11,659,905	--	220,089
Unsecured bank loans	1,749,553	1,749,553	--	1,749,553	--
Finance lease liabilities	128,952	128,952	--	92,596	36,356
Total	16,085,675	16,085,675	11,695,905	2,049,325	2,340,445

Liquidity analysis of derivative financial instruments

The following table indicates the periods in which the cash flows associated with derivatives are expected to occur.

	Carrying amount	Expected cash flows	Less than 6 months	6 months-1 year	1-5 years
31/12/2009					
Emission Allowances Swaps EUA/CER					
Assets	95,527	95,527	--	95,527	--
Forwards					
Assets	41,896	41,896	41,896	--	--
Liabilities	(307)	(307)	(307)	--	--
Net	137,116	137,116	41,589	95,527	
31/12/2008					
Emission Allowances Swaps EUA/CER					
Assets	149,163	149,163	--	72,172	76,991
Net	149,163	149,163	--	72,172	76,991

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41. 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 31/12/2009	Unused funds as at 31/12/2009
UNIPETROL, a.s./ premises of UNIPETROL RPA, s.r.o.	6,012	2,161	3,851
UNIPETROL, a.s./ premises of SYNTHOS, a.s.	4,244	12	4,232
BENZINA a.s.	1,349	350*	999
PARAMO, a.s./ premises in Pardubice	1,241	159	1,082
PARAMO, a.s./ premises in Kolín	1,907	1,160	747
Total	14,753	3,842	10,911

**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 31/12/2008	Unused funds as at 31/12/2008
UNIPETROL, a.s./ premises of UNIPETROL RPA, s.r.o.	6,012	1,992	4,020
UNIPETROL, a.s./ premises of SYNTHOS, a.s.	4,244	11	4,233
BENZINA a.s.	1,349	330*	1,019
PARAMO, a.s./ premises in Pardubice	1,242	107	1,135
PARAMO, a.s./ premises in Kolín	1,907	932	975
Total	14,754	3,372	11,382

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

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42. 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:

	31/12/2009	31/12/2008
Non-current assets	8,984,794	9,095,477
Current assets	4,177,319	4,083,273
Non-current liabilities	508,931	494,031
Current liabilities	3,135,910	3,123,492
Net assets	9,517,271	9,561,227
Revenues	4,649,011	5,336,334
Profit before tax	140,224	258,205
Income taxes	34,085	59,219
Profit for the period	106,139	198,986

The Group has a 51 % interest in a joint venture Butadien Kralupy a.s. The company will be a producer of butadiene from year 2010. The following amounts represent the Group's 51 % 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:

	31/12/2009	31/12/2008
Non-current assets	518,198	243,133
Current assets	16,110	48,877
Non-current liabilities	453,706	211,585
Current liabilities	11,157	3,587
Net assets	69,446	76,838
Revenues	--	--
Profit before tax	(4,641)	--
Income taxes	(882)	--
Profit for the period	(3,759)	--

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43. EMISSION RIGHTS

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

Information on granted emission rights and its balance sheet presentation	Value in CZK thousands	Amount (tons)
The total number of the emission rights allocated to the Group for the period 2008-2012	9,604,223	18,820,096
Emission allowances acquired for year 2009	1,890,986	3,764,019
Actual utilization of the acquired rights in previous years	1,842,031	3,405,366
Estimated/actual utilization in 2009	1,568,409	3,142,527
Emission allowances acquired to cover deficit in amount of allowances	8,005	12,537
Emission allowances acquired in the trading market in the current reporting period	387,184	955,719
Additional allowances received in exchange for different type	43	69
Sales of emissions allowances in 2009	1,705,204	4,347,632

The provision created in relation to sales of emission allowances is presented in the Note 31.

44. INVESTMENT INCENTIVES

The Group does not have any outstanding investment incentive as at 31 December 2009.

Information about investment incentives obtained in previous reporting period is included in Note 38.

Signature of statutory representatives	24 February 2010
Piotr Chelminski	Wojciech Ostrowski
Chairman of the Board of Directors	Vice-chairman of the Board of Directors