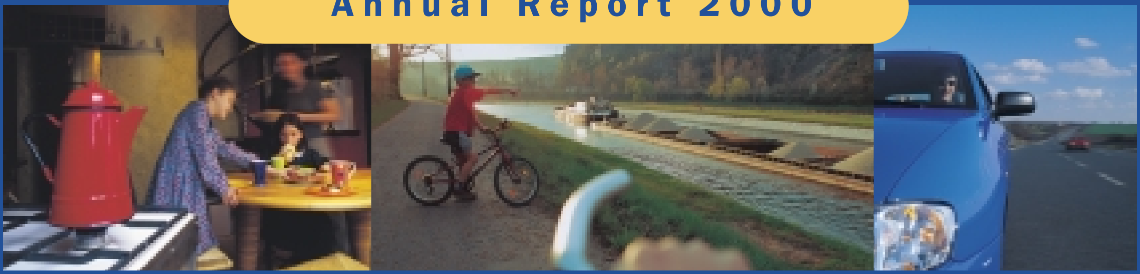
Annual Report 2000



ČESKÁ RAFINÉRSKÁ

Annual Report 2000

Česká rafinérská

Events of the year 2000 at Česká rafinérská

January 15	Commissioning of the visbreaker unit at the Litvínov refinery.
March 13	Signing of an agreement on the cooperation of regional entities in the formation of the Ecology Center Most for the Krušné Mountains
April 14	Winning of the "Business Leaders Forum" award from the Prince of Wales Foundation for significant improvement in work safety and environmental care
May 29	Transportation of CRC's largest and heaviest installation components from the river port of Mělník to the FCC site at the Kralupy refinery
October 8	Winning of the "Responsible Care" award from the Chemical Industry Association of the Czech Republic
October 16	Opening of new office building at Wichterleho 809, Kralupy nad Vltavou
December 5	Dispatch of the last batch of leaded gasoline
December 20	Signing of agreement with the Mělník District Office and with the civic authorities of Kralupy nad Vltavou, Veltrusy, Chvatěruby and Nelahozeves for the donation of public safety warning systems

About the Company / year's events / data table

Česká rafinérská, a. s., Litvínov is a joint venture company engaged in the business of crude oil processing and wholesale of oil products. The Company purchases crude oil and semi-finished products and processes them into motor fuels, heating oils, lube oil bases, heating gases, asphalt, organic solvents and raw substances for the oil industry.

These products are sold to companies that operate gasoline stations, and in addition to distributors and end customers in the Czech Republic and neighboring countries.

Česká rafinérská is connected to the Mero, a. s. pipeline system consisting of the Druzhba pipeline, originating in the Russia, and the IKL pipeline from Ingolstadt, which connects it with crude oil markets worldwide through the TAL (Trans Alpine Line) system, and the port of Trieste.

2000 Economic results on the consolidated bases

Sales	52,059 billion CZK
Profit after tax according to Czech accounting standards	2,516 billion CZK
Profit after tax according to international accounting standards	2,936 billion CZK
Investments	4,995 billion CZK
Employees as of 31 December 2000	1 111

The Litvínov refinery is the larger refinery, with an annual output of 5 million tonnes and with substantial conversion facilities. The Litvínov refinery has been in operation since the 1950's. The catalytic reforming units of both the continuous catalyst regeneration and semi-regenerative, isomerisation one provide components for the production of motor fuels. These units are complemented with catalytic hydrogenation and a hydrocracking unit that produces an important volume of raw substances for the petrochemical industry. A Visbreaking Unit has been in operation since October 1999, which converts the residual oil fraction to semi-finished products that are processed further.

The Kralupy refinery has been in operation since 1976 with an annual output of 3.2 million tonnes. Until recently, the facility employed simple hydroskimming refinery technology and produced important quantities of low-value heavy heating oils. The production units used for refining primary fractions to motor fuels are semi-regenerative catalytic reforming, catalytic hydrogenation, the isomerisation unit, and MTBE production. The refinery also employs petroleum hydrogenation technology for producing jet fuel. Currently, the refinery processes both low-sulfur crude oils from the Mediterranean, imported through the IKL pipeline, and medium-sulfur crude oils from Russia. A fluid catalytic crack unit will be launched in 2001. This move will make the Kralupy refinery one of the most modern, complex refineries in Europe.

Responsible Care

Content


Diesel from the
Česká Rafinérská
serves during
the transport of freight.

Opening Statement from the Chairman of the Board of Directors

Dear Stakeholders,

It is my pleasure to present to you with the Company Annual Report on Česká rafinérská's results for the year 2000. It makes me even more proud to say that the last year of the twentieth century belongs to the most successful in the five-year history of this joint venture, of Czech and International Shareholders operating worldwide in the petroleum market.

Major goals set by the Shareholders have included recovering market share in white products, continued progress on the Fluid Catalytic Cracker unit (FCC) at the Kralupy refinery, to achieve an 'on time' and 'within budget' start-up in mid-2001, securing of Česká rafinérská's first syndicated loan, meeting the Company's targets for safety, environmental stewardship and ethics, and to generate the planned amount of profit and cash flow.

Despite a less optimistic picture at the beginning of the year, yet incentivized by this, the Company has energetically followed the evolving market developments and at the same time has mobilized its internal reserves to create as high a possible level of cash flowe from which to internally cover a peak period of investment activity. I can also express that within other parameters of Česká rafinérská's business activities, the year hasbeen more than positive.

Česká rafinérská's workforce continued to show their committment to a developing company, and their own professional development, despite testing times as the Company continued to right-size its workforce to become more efficient in an ever more competitive business environment.

We have launched quality programs in order to fulfill our committment to achieving high levels of customer confidence, both with regard to our products, services, and business ethics.

These successes constitute the foundation, linked with the committment, to lead the Company more effectively also into the future, with an aim to further fulfill the expectations of our Shareholders and to become a respected corporate body in the regions in which we operate.
Yours

Ivan Ottis

Ivan Ottis

Chairman of the Board of Directors
Chief Executive Officer

15 March, 2001

Oscar Magnoni
AgipPetroli

Milan Vyskočil
Unipetrol

Eric V. Anderson
Conoco
Vice-chairman

Report of the Board of Directors

During 2000, Barry Kumins, Miroslav Kadlec and Zbyněk Smrčka stepped down from their functions as members of the Board of Directors. Eric Anderson, appointed member and Vice-Chairman, joined by Jiří Pavlas, were duly elected to the Board of Directors.

The year saw the approval of a number of procedures and policies, which increased our detailed activities within individual areas of the Company's business, underpinning the intentions of transforming the Company into a modern oil manufacturing business of a high European standard.

During these activities, the Board of Directors closely cooperated with Shareholder support committees in order to synthesize the Shareholder's objectives with the Company's management. Significant efforts were put into commercial activities, financial management and HR policy, which the Board of Directors are confident will have positive impact in the years to come.

Ivan Ottis
Unipetrol
Chairman

John de Haseth
Shell

Jiří Pavlas
Unipetrol

The Company increased its domestic market share in both gasolines and diesel. The FCC Unit, the largest investment in the Company's history, almost entirely internally financed, has proceeded on schedule and under budget, and is slated to commence operations also under budget and ahead of plan. With regards to company objectives, 2000 was a good year with notable achievements by both Česká rafinérská and its contractors, though not as good as its best year which was 1999. Finally, with regard to profit and cash flow, these goals were substantially exceeded.

The Board of Directors states, and documents such statement in the submitted annual report, that the objectives given by Shareholders have been fulfilled, and in terms of economic parameters significantly surpassed, despite the fact that the company was implementing the major phase of an extensive investment and development program and whilst operating within a challenging environment caused by the showdown of the recovering performance of the Czech economy.

The 2001 Business Plan again subscribes to the Company demanding tasks, especially those of placing new volumes of products from new process units on the market. The Board of Directors believes that efficient cooperation with the Shareholder companies and other entities will assist Česká rafinérská in fulfilling the Business Plan according the expectations of our Shareholders.

The year 2000 marks the first year in which the Company has prepared consolidated financial statements. These statements incorporate the results of Česká rafinérská Slovakia s. r. o.

Financial

The year 2000 marks the first year in which the Company has prepared consolidated financial statements. These statements incorporate the results of Česká rafinérská Slovakia, s. r. o.

On an unconsolidated basis Česká rafinérská achieved a net profit after tax for the year of CZK 2.532 billion. On a consolidated basis net profit was CZK 2.516 billion. In comparison to 1999 there was an increase in profit after tax on a condolidated basis of CZK 1.054 billion, and on an unconsolidated basis of CZK 1.038 billion. According international accounting standards profit after tax was CZK 2.936 billion. Turnover of the whole group in comparison to the previous year has increased from CZK 31 billion to CZK 52 billion in 2000. This increase in turnover has been caused mainly by a continuous increase in crude oil prices and petroleum product prices, and by high refining margins worldwide. All the following figures are stated on an unconsolidated basis due to the relatively small influence of the activities in Slovakia in relation to the Mother Company.

A key factor affecting all European refining entities during the year was the increasing price of marker Brent Crude oil throughout most of the year, rising from 23 USD/bbl in January to a peak of 32 USD/bbl in November. Fortunately, this increase in crude cost was accompanied from March onwards by relatively high cracking margins. These cracking margins were partially offset however by low fuel oil prices, reducing the hydroskimming margin, and further offset by a decline in total domestic demand for gasoline. Česká rafinérská was able to partially offset these lower hydroskimming margins by

Key indicators and characteristics of the financial situation 1998 - 2000, in thousands of CZK

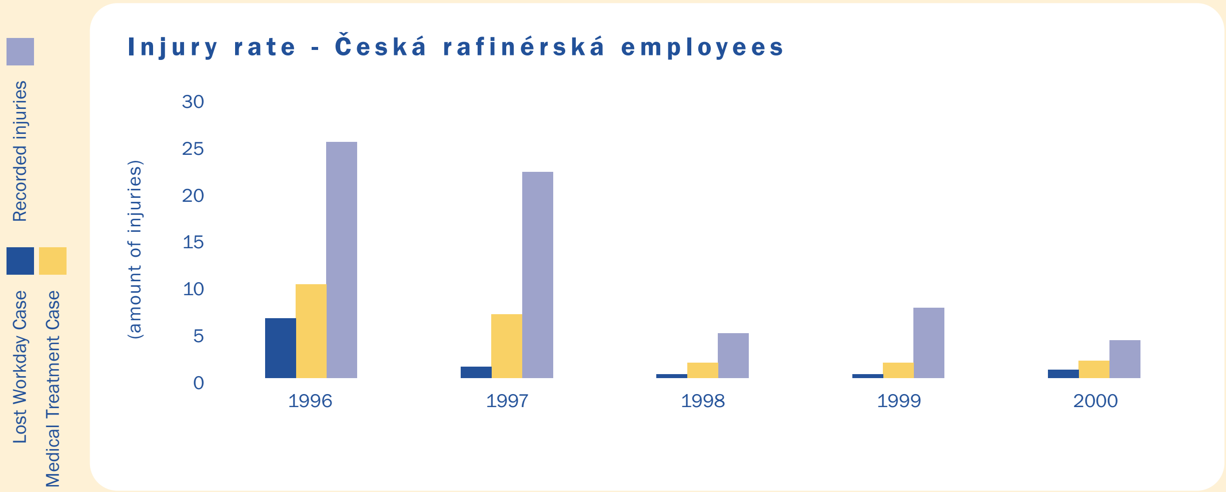
	1998	1999	2000
Operating revenues	3,683,137	2,502,027	4,964,396
Net profit	1,961,416	1,477,788	2,531,785
Net cash flow	1,129,245	-3,918,423	819,835
Current assets to liabilities ratio	2.9	1.5	1.2
Capital expenditures	1,837,324	4,335,758	4,994,757

transferring long residue to the Litvinov refinery. These transfers along with changes in the mixture of crude oils allowed Česká rafinérská to mitigate the relatively low value of heavy fuel oil as compared with crude processed at Kralupy. These factors when combined with Česká rafinérská's improved fixed cost performance, a reduction of CZK 288 million versus plan, provided an improvement in after tax income of CZK 1.855 billion versus plan.

During 2000, Česká rafinérská invested close to CZK 5 billion. in capital projects in line with its long term investment strategy. To support these investments and cover the expected cash flow short fall, Česká rafinérská established a syndicated loan facility of CZK 5 billion. The facility arranged by HSBC was provided by Česka Spořitelna, Citibank, HSBC, HypoVeriensbank, ING, Komerčni Banka, and Credit Lyonnais. The facility, finalized in August 2000 has an availability period of one year. However, due to Česká rafinérská's financial success the investment program in 2000 was funded internally and the loan is yet undrawn. The Company's strong financial performance in 2000 has meant that the capital expendature programme was funded from Česká rafinérská's own sources, and that the facility was not utilised. During the year the Company generated a cash surplus of CZK 820 million.

Health and Safety at work underpins all aspects of Česká rafinérská's operations and is a top management priority.

In 2000 we maintained the positive trend in our safety performance.



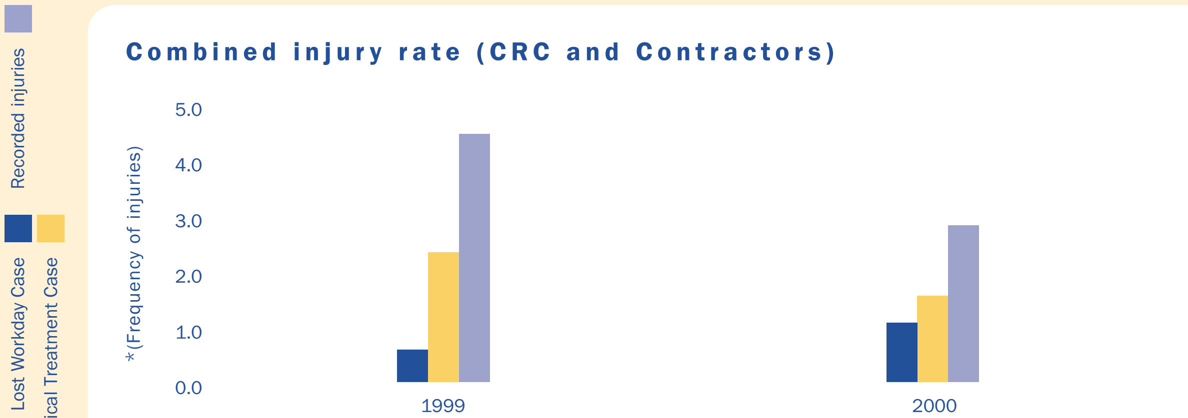
Health and Safety

Health and Safety at work underpins all aspects of Česká rafinérská's operations and is a top management priority. This area is systematically controlled by the Health and Safety Section which ensures that Czech safety, fire and health protection legislative requirements are properly fulfilled and fully complied with. The Health and Safety Section elaborates staff motivation programs and initiates new methods and programs to integrate every single employee into the Company effort to achieve a continuous improvement in our performance.

In 2000 we maintained the positive trend in our safety performance. Our injury rate is much lower than the national average and the petrochemical industry in the Czech republic. In part, our results are comparable with the achievements of the world's leading refineries. The Company recognizes that the contractors workforce plays an integral role in the execution of the operations in Česká rafinérská's refineries. The Company therefore commenced monitoring of safety performance of its maintenance and investment contractors in year 2000, and will develop a safety strategy and targets for the combined workforce starting in 2001.

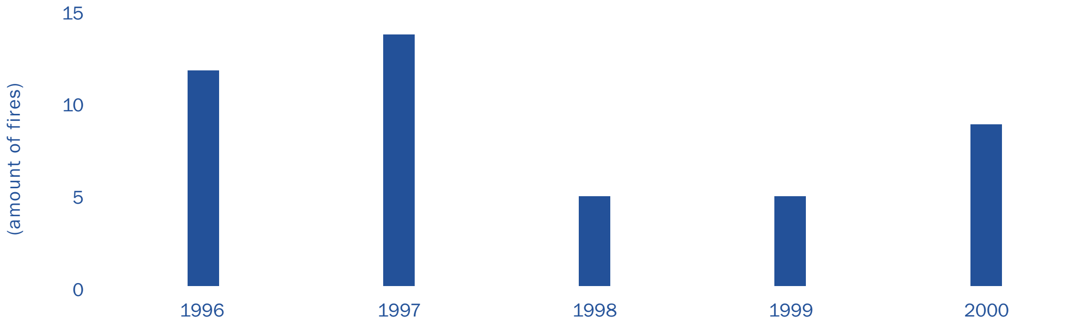
A major part of Česká rafinérská's safety activities are dedicated to improving the integrity of equipment and plants. The extensive programme, developed in previous years, was extended according to plan to the areas of technical standards, improving inspection techniques and the execution of technical integrity upgrades. Projects such as the 'Independent Fire Water system' and the 'Fire and Gas Detection System' are now well under way.

Combined injury rate (CRC and Contractors)



* The frequency of injuries is the number of injuries times 1 million, devided by the number of hours worked.

Fires

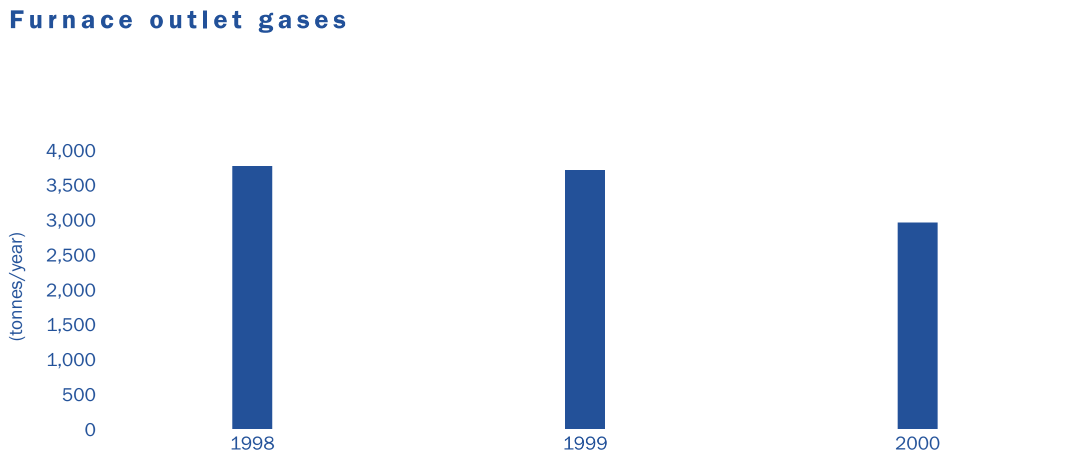


Česká rafinérská intensified its efforts in the Health and Safety area with the resulting improvements being recognised by several leading Industrial organisations. In 2000 the Company received “Responsible Care“ certification and was recognized by the Business Leaders Forum for the best safety and environmental projects in the Česká rafinérská. CRC also received several awards during the year from its Shareholders in recognition of the achievement of various safety milestones.

Česká rafinérská focuses considerable attention on the health and well-being of its staff. In this area a new preventive medical examination program was successfully introduced in close co-operation with the Company’s medical adviser. A further example of the cooperation between the Company and medical advisory service is provided by the undertaking of audits in the workforce. These audits have provided good expertiese which has helped the Company in its continuous improved efforts. A Hygiene laboratory monitors the work environment on a regular basis to identify physical and chemical aspects that might pose a potential risk to the health of our staff. Our new units fully comply with the latest hygiene standards on work environment.

One of our activities is to provide employees with immunization vaccinations to prevent absence from work due to illnesses. Our zero records of occupational illness are evidence of the Company’s efforts to protect staff against harmful chemicals in the workplace.

Česká rafinérská belongs to the most advanced of European refineries with regard to emissions of gaseous pollutants.



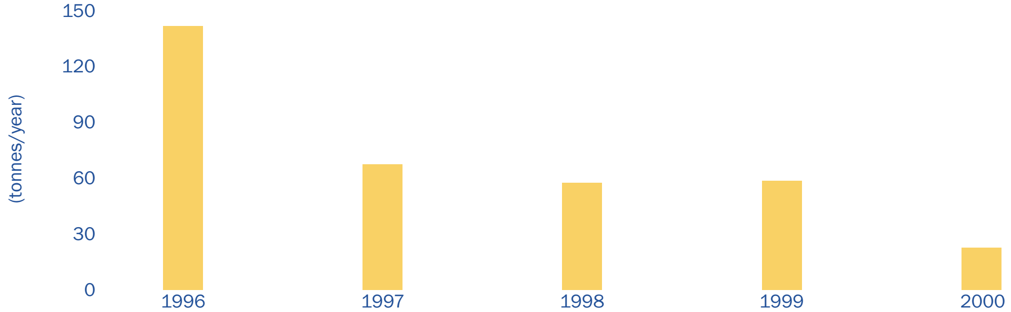
Protection of the Environment

The Year 2000, from the environmental protection perspective, was one of the most successful years in the 5-year history of Česká rafinérská. The Company achieved the title "Responsible Care" and significant progress was made regularly to the Company's efforts to achieve the certification ISO 14 001.

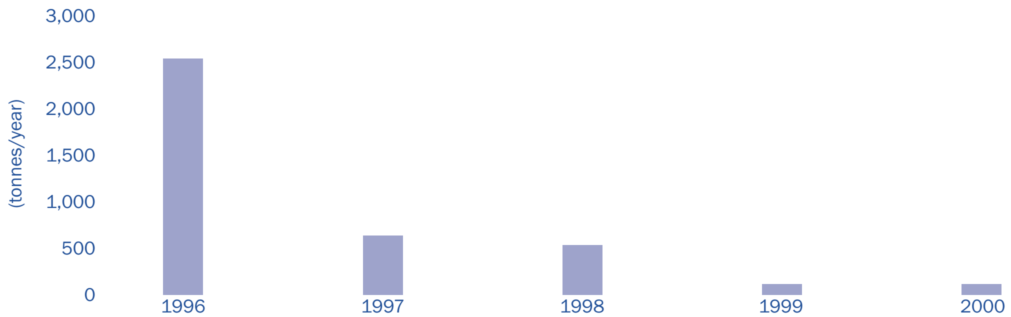
Česká rafinérská belongs to the most advanced of European refineries with regard to emissions of gaseous pollutants. Burning a higher ratio of natural Gas results in lower harmful gas emissions. Some examples are indicated below.

State of the art sulphur recovery systems minimise the environmental affect of Sulphur emissions despite the processing of a significant quantity of sour crudes in Litvinov and achieving deep conversion levels of crude oil processing at the Litvínov Refinery.

Particulate emissions



VOC emission



Also emissions of VOC's (Volatile Organic Compounds) have been substantially reduced over the years.

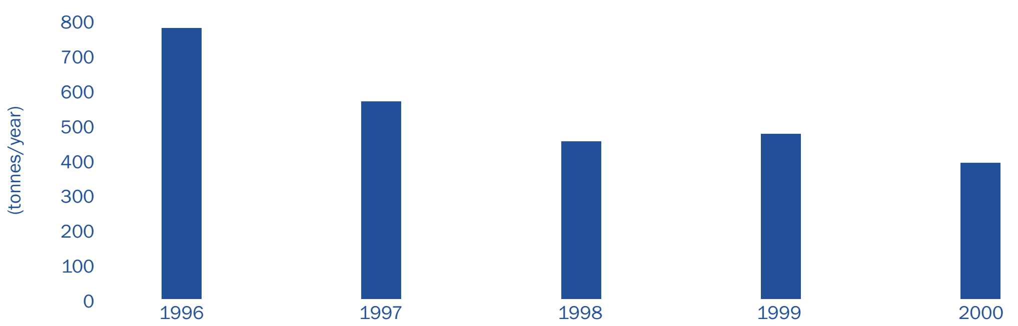
Procedures for pollution minimisation were developed for both refineries and agreed upon with environmental authorities.

Many safety studies in the process plants progressed to the detailed engineering stage which will ensure further integrity upgrades of the facilities when commissioned.

Česká rafinérská was also very successful in the reduction of solid waste. This is due to increased awareness, intensified monitoring and tracking and start of a waste segregation program.

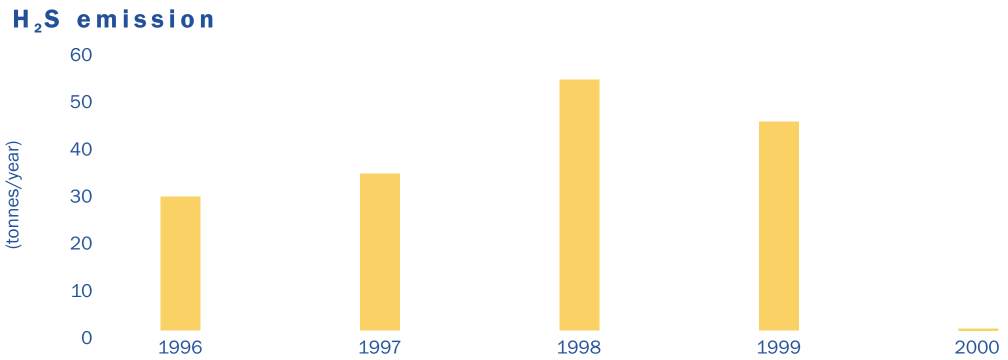
2000 saw the completion of many specific environmental investments, totalling a sum of nearly CZK 0.5 billion. The objective of these investments has been to upgrade Česká rafinérská's equipment and plants.

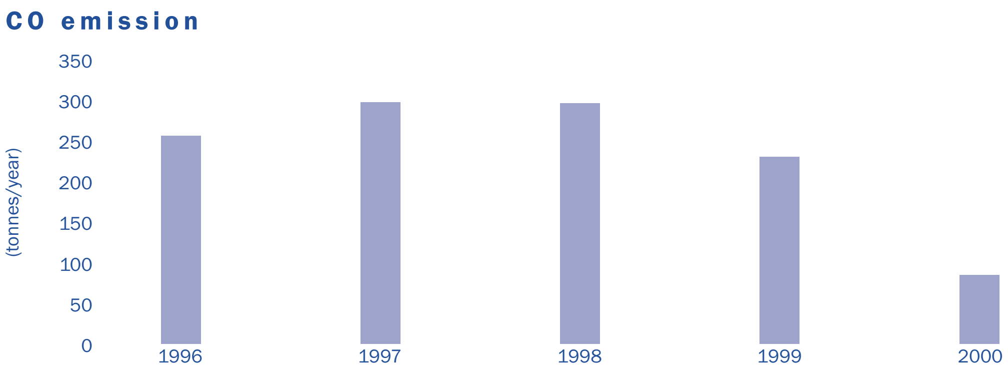
NO_x emission



2000 saw the completion of many specific environmental investments, totalling a sum of nearly CZK 0.5 billion. The objective of these investments has been to upgrade Česká rafinérská's equipment and plants in order to achieve the best environmental parameters and to warrant a "stay in business" position for the future. Claus IV, the new unit for sulphur recovery in the Litvínov refinery, will process not only CRC hydrogen sulphide streams, but also Chemopetrol ones as well, to sustain a good conversion level and a stable and reliable operation with proper integrity. The new upgrade of the Kralupy refinery Waste Water Treatment plant was done to minimise the load of effluent water discharge to the natural river environment.

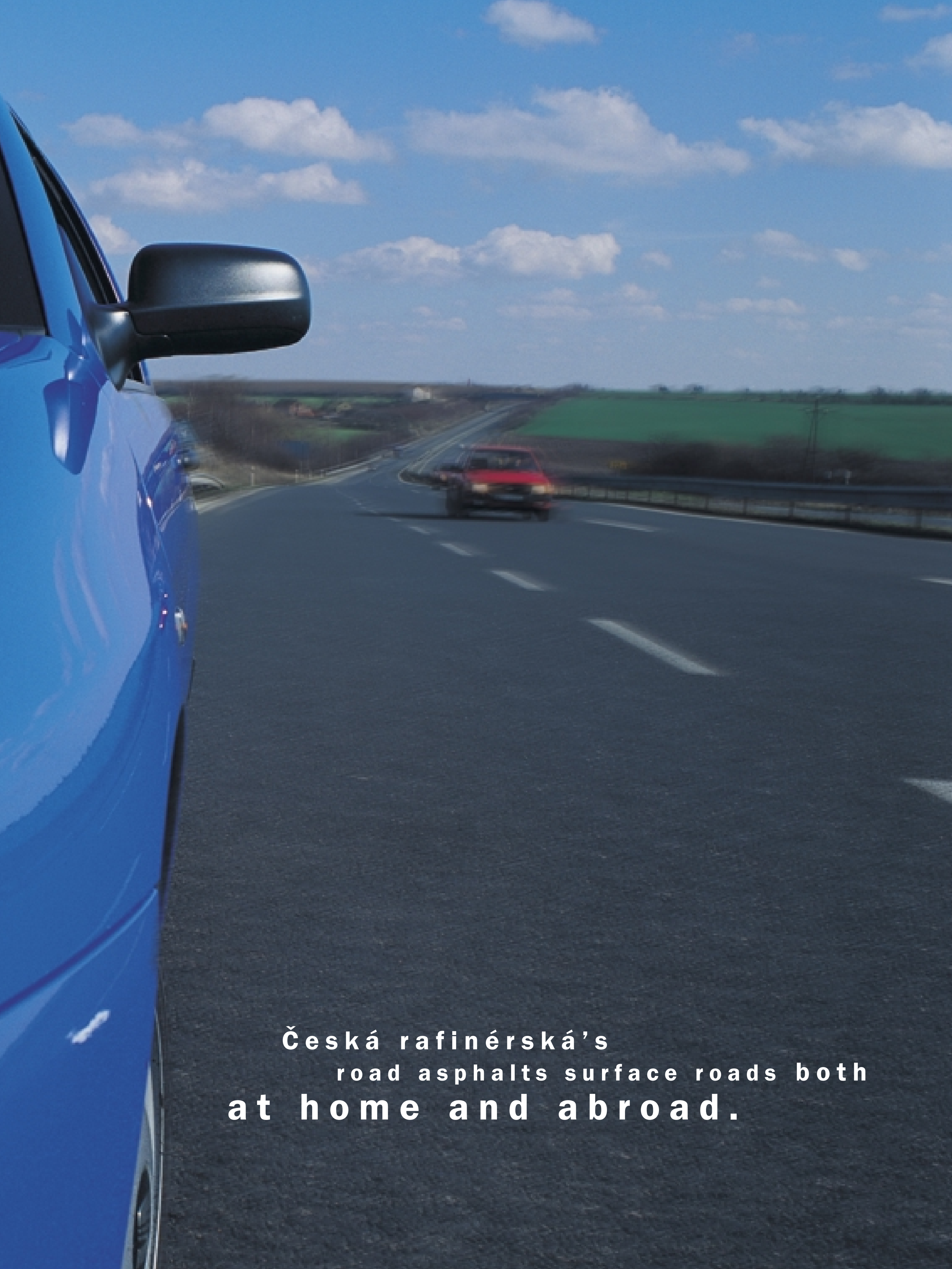
The Sulphur recovery system at the Kralupy refinery was equipped with a second stage, Sulfreen unit, in order to increase the conversion level of hydrogen sulphide processing up to 99 per cent. New online emission monitoring equipment was put in operation in Veltrusy, town neighbouring Kralupy, to improve confidence of the local population of the Company's operations and to ensure Česká rafinérská's compliance with established emission consent levels.





Considerable effort was dedicated to the environmental management system. Champions for specific environmental topics were nominated to ensure a broad management participation in steering the activities. Training for operators and other refinery staff was intensified using best practices in pro-active communication rather than a reactive approach. Contractors were also targeted to increase an ownership attitude towards ways of performing activities in maintenance, construction activities and other works.

More detailed information is provided in the Environmental Annual Report, summarising achievements and Česká rafinérská's continuous improvement and development progress in the 5 years period since 1996.

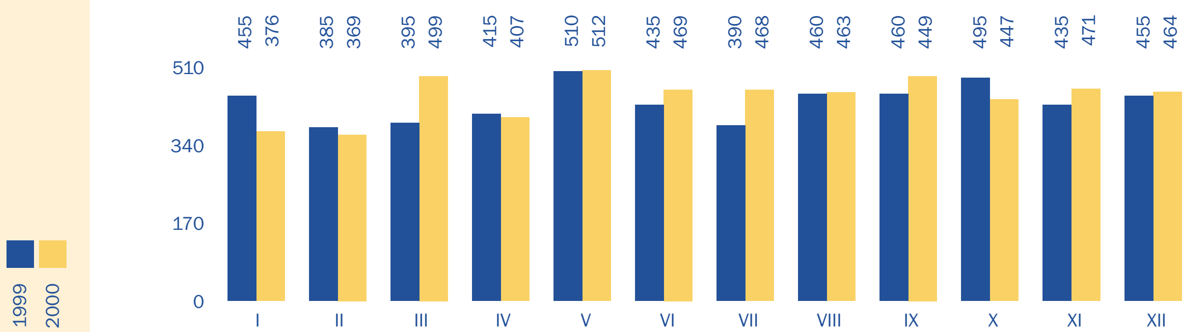


Česká rafinérská's
road asphalts surface roads both
at home and abroad.

Product quality is essentiall for economical sucess.

Regarding quality the year 2000 was unusually significant.

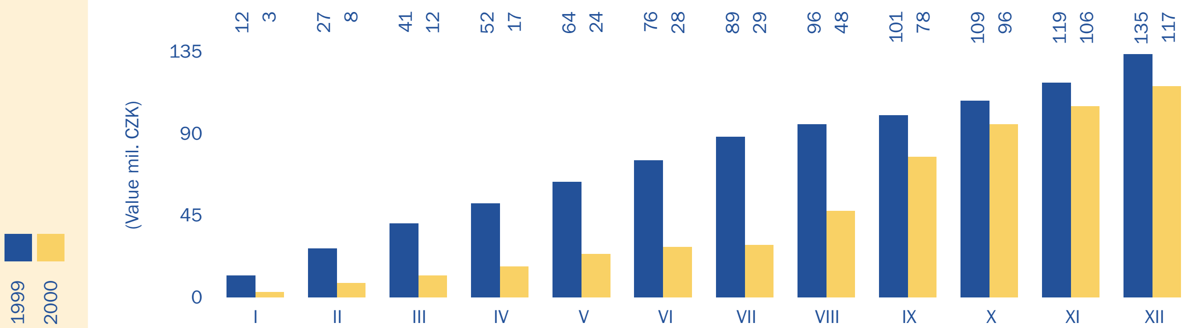
Processed crude oil 1999 - 2000 (thousand tonnes)



Production and Quality

Česká rafinérská processed 5,395 million tonnes of crude representing an increase of 108,000 tonnes versus 1999. Overall utilization of distillation capacity was, however, consistant with with the previous year. Conversion capabilities were significantly enhanced by the integration of the new conversion unit, Visbreaker, into the other process plants in the Litvinov refinery in 2000. This enabled Česká rafinérská to extend the production of higher added value products without increasing the level of crude oil processed. The optimal utilization of technology and process equipment, coupled with the enhanced integration at both refinery locations and the completion of new investment projects, led to substantial improvements in achieved hydrocarbon margins. Other highlights included the planned maintenance/inspection turnaround of the Kralupy refinery which was carried out according to schedule. In addition to Visbreaking contribution, large savings were achieved by improving the energy/utilities consumption of the plants as well as by overall reduction of hydrocarbon losses.

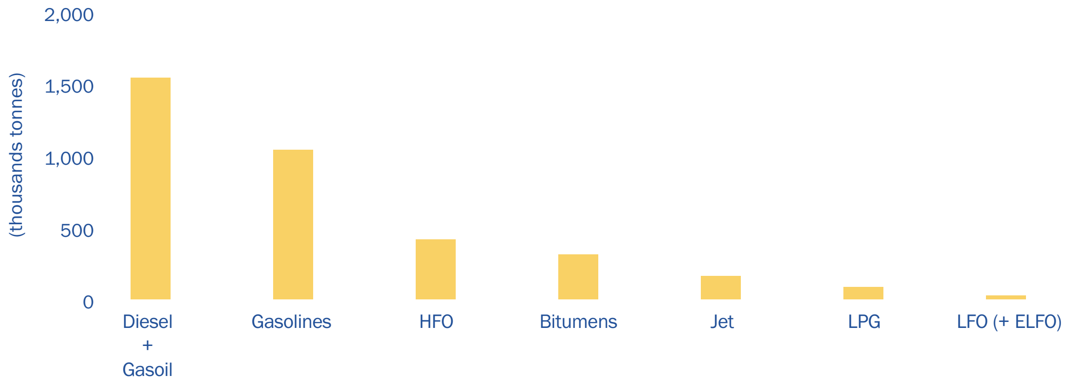
“Give-away“ value in millions of CZK of valuable product



Regarding quality the Company achieved several significant milestones. These included the complete phase-out of all leaded motor gasolines during the autumn. In this respect Česká rafinérská followed the trend of manufacturing more environmentally friendly motor fuels which was intitiated by the industrial world in recent years. During December 2000 the Company took another step in the area of clean fuels and started the production of only “EU 2000 quality grades“ motor gasoline and diesel in both sites. This resulted in big quality improvements since the new generation fuels contain less harmful and potentially carcinogenic compounds like aromatics, and in particular benzene. This quality change created attractive conditions to increase the export volumes of motor fuels. A further positive contribution to Company results was achieved by optimization of the most important quality properties for the valuable refinery products in terms of quality “give-away“, which was significantly reduced and resulted in a large financial gain.

Česká rafinérská pursued a strategy of strengthening relations with its existing major buyers of petroleum products in the Czech Republic and abroad, and also to widen its customer base with the start up of a sales unit to focus on the smaller companies active in the fuels market.

Total Product Sales 2000



Commercial and Marketing

2000 was a very successful year for Commercial with significant gains made in both the volumes and market shares in our major products. This was achieved in an environment of sharply increasing crude and other product prices and big fluctuations in the international markets for finished refinery products. The Czech market saw a decline in gasoline motor fuel consumption as a result of these high prices and it also experienced an increase in competition from imports from refineries in neighboring countries as import duties were reduced and finally eliminated from the end of 2000. The year 2000 also saw increased quality requirements for environmental reasons in terms of petroleum products and the total phasing out of leaded gasoline. Another area to which Česká rafinérská gave its attention was in developing its focus on the customer, manifesting itself is the customer focused philosophy behind the nawly established Customer Service Center.

Česká rafinérská pursued a strategy of strengthening relations with its existing major buyers of petroleum products in the Czech Republic and abroad, and also to widen its customer base to focus on the smaller companies active in the fuels market. The Commercial Division reorganized and expanded to be in a position to compete in the fast changing market place and to address customers' requirements for improvements in customer service and logistics. A new, more competitive, transparent and market reactive pricing policy was introduced both to meet the needs of existing customers and to position Česká rafinérská to be able to expand its volumes when the FCC unit comes on stream in early 2001.

Export Sales (thousands tonnes)

	1998	1999	2000
Gasolines	55	100	76
Diesel + Gasoil	571	620	493
Jet	0	0	9
LFO	0	4	0
HFO	432	202	133
Bitumens	119	118	100
LPG	31	28	23

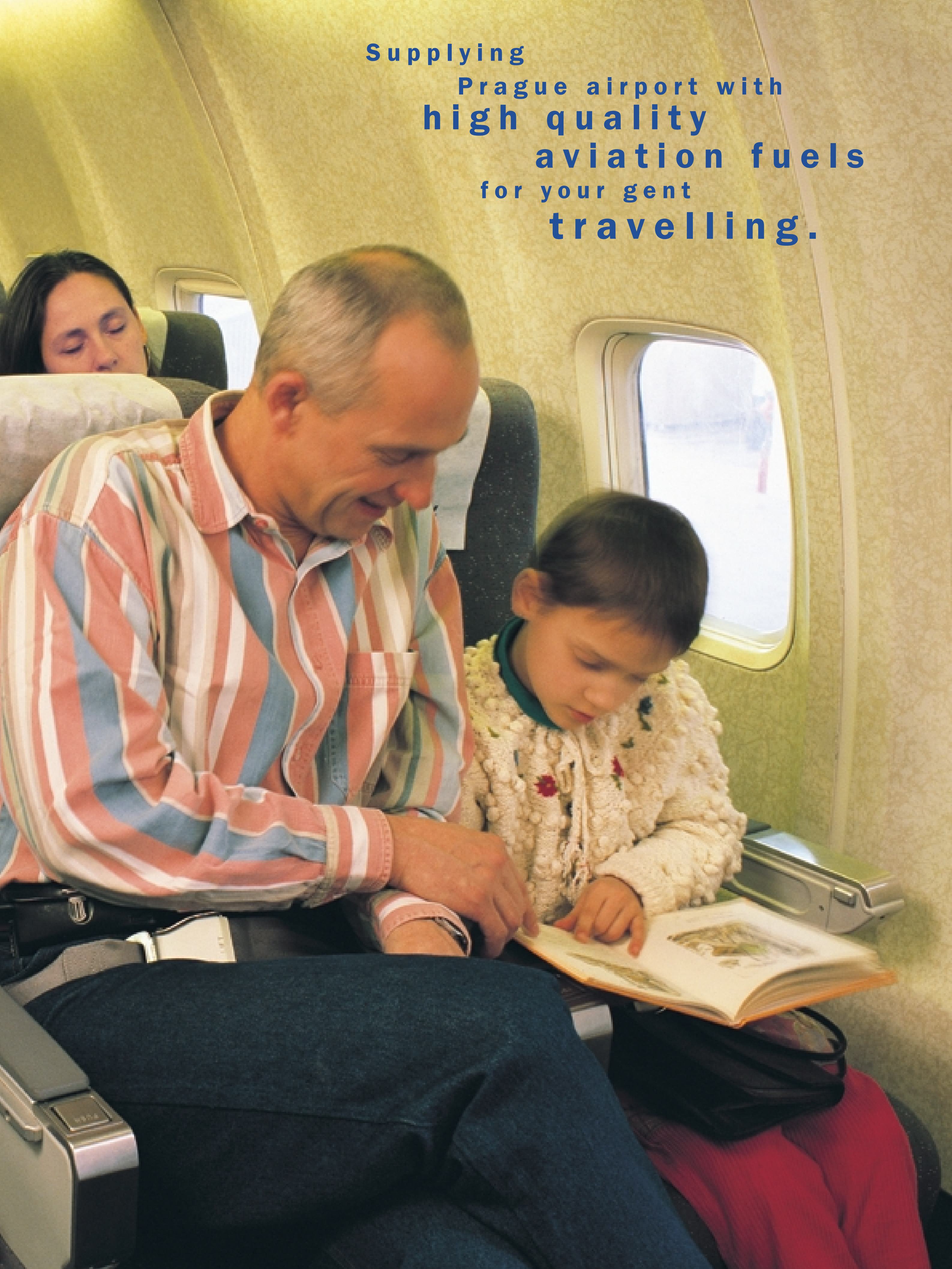
CRC Domestic Market Share (%)

	1998	1999	2000
Gasolines	52	47	52
Diesel + Gasoil	55	42	45
Jet	61	74	82
LFO	43	47	34
HFO	54	54	55
Bitumens	60	59	59
LPG	41	32	32

According to statistics from the Czech Association of Petroleum Industry and Trade, demand for gasoline fell by around 3% in response to high international product prices, while diesel grew by 8% largely due to an increase in heavy goods transport demand. By being competitive the Company increased its domestic market share to 52% and 45% respectively in these fuels. Volumes and market share in the expanding Jet fuels market increased significantly and Česká rafinérská maintained its high market shares in the Bitumens and LPG market. Sales and demand for high sulfur fuel oils continued to fall both in response to environmental reasons and competition from natural gas.

Česká rafinérská continued to strengthen its export activities in particular in key areas of focus. In late 2000, a CRC's affiliate was established in Wroclaw, Poland, Česká rafinérská Polska SP, t. o. o, following the earlier launch of CRC Slovakia — the second in succession of representations pursuing Česká rafinérská's direct commercial activities abroad. Herewith, sound provisions have been made as a way of ensuring increased production and promoting motor fuel sales in the post-FCC period.


EXIT
TRAVEL
TRAVEL


Supplying
Prague airport with
high quality
aviation fuels
for your gent
travelling.

The largest investment project of the year was the construction of the Fluid Catalytic Cracker (FCC) Unit complex in the Kralupy refinery.

Apart from the investment resources used for the FCC project, which was designed to increase the competitive edge of the company, the rest of the investment resources were allocated to “stay-in-business“ projects.

Capital Investments

In 2000, Česká rafinérská committed almost CZK 5 billion towards its capital expenditure program. This represents the largest investment continuation since the Company was established.

The largest investment project of the year was the construction of the FCC Unit complex in the Kralupy refinery. Following preparation of the construction site, construction commenced in 1999 with the transportation of core equipment beginning in January 2000. The Labe river was used for the transportation. Reactor vessels, distillation towers and other major process elements were installed during the first half of the year, and the second half of the year included the completion of construction work and the installation of main equipment, along with the installation of automation and safety devices for the equipment. Simultaneously, necessary modifications to existing refinery equipment were made, aimed at ensuring the possibility of a future connection of a new unit for flows of feedstocks, products and utilities in the complex. Extending the LPG storage capacity by implementing mounded tanks which were designed for the highest safety standards was another significant part of the construction. The modification of existing Sulphur Recovery Units to eliminate sulphur gases and the construction of new Sulfreen Tail gas Unit were also completed.

The construction of the FCC unit was completed ahead of schedule and in accordance with the Company’s focus on safety. This safety focus is evidenced by the fact that only two work-related injuries were sustained causing temporary inability to work during the year.

Allocation of 2000 investment resources according to areas and locations in millions of CZK

	Litvínov	Kralupy	Combined Locations*	Total
Maintenance to equipment (modernization)	342,194	277,214	93,613	713,021
Environmental Protection	259,764	271,565		531,329
Health and Safety	369,130	291,293	12,294	672,717
Development Investment	71,682	2,992,284	13,286	3,077,252
Total	1,042,770	3,832,356	119,192	4,994,318

* Combined project activity for both refineries, (eg. SAP, development studies, lab modernization, information networks)

Apart from the investment resources used for the above development project, which was designed to increase the competitive edge of the company, the rest of the investment resources were allocated to “stay-in-business“ projects, namely projects aimed at improving the safety of the operation, environmental protection, and increasing the technical standards of the production plants.

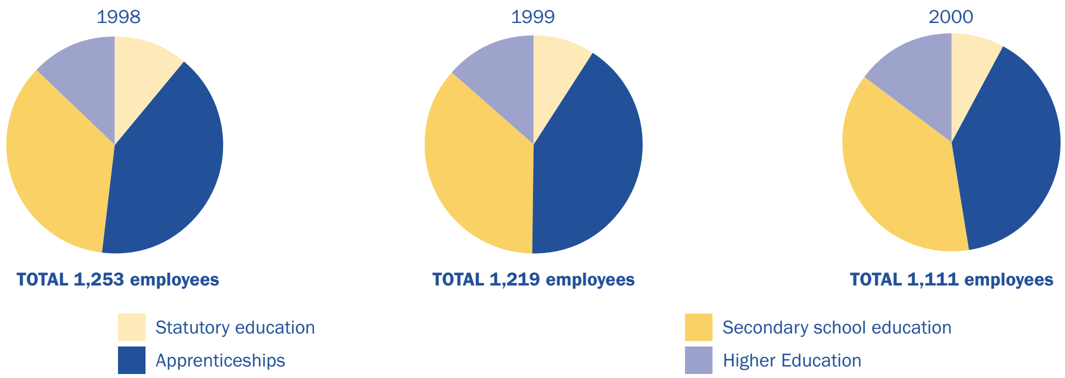
The following “stay-in-business“ projects were among those completed in this area in the year 2000; completion of the renovation of road terminals in the Litvínov and Kralupy refineries and completion of the renovation of the filling station for white and black products in Litvínov; a technically demanding renovation and modernization of the fluid oils storage was commenced in both localities, including the construction of a new filling station for railroad and road tanks in Litvínov and renovation of a similar facility in Kralupy.

A new high-capacity Sulphur Recovery Unit for processing sulphur-hydrogen gases was completed in Litvínov and another technically challenging project was commenced - the implementation of Stage I of the construction of a separate fire water distribution system.

A similar investment project for fire protection of the refinery is being implemented in Kralupy. Last year, an acquired building was renovated into an administration building in Kralupy as well. This renovation led to the significant improvement of the operating and working conditions of this section of the Company.

Since its foundation, the Company has debotet great atention to the development of employee training programs, and internships abroad.

Formal level of qualification of employess 1998 - 2000



The year 2000 marked the completion of an extensive program entitled “Operator 2000“. This project focused on the development of operating technicians to attain higher skill levels and the acceptance of increased responsibilities. The completion of this program meant a significant contribution to the revitalization of job positions and to approaching the standards of a world-class refinery. At the same time, a program with a similar concept, designed to increase the responsibilities of Shift Supervisors and laboratory staff, was implemented. The effects of the revitalization process included a reduction in the number of jobs. This occurred mainly in the production section of the Litvínov refinery. To facilitate this change Česká rafinérská founded an Employee Requalification Center, which provides employees who became redundant, with temporary work and consultancy services to assist with their retraining and their placement elsewhere on the labor market. A number of employees completing these courses have already found new positions.

Since its foundation, the Company has been putting great effort in professional development. and language training programs, in which the option of internships abroad has been also taken. Education programs were established and the position of “Professional co-ordinators“ was introduced with the aim of achieving a more focussed development of employees. In 2000, the program “Languages 2000“ was completed, which contributed to significant growth of language skills of various groups of employees, resulting in more than 300 employees passing language examinations with the University of Cambridge. Due to extensive activities towards the education of its workforce, the ‘2000 Czech Human Resources Conference’ recognized Česká rafinérská’s efforts with the award of the title “Learning Company“.

The recently introduced employee performance appraisal system is further becoming an integral part of the corporate culture. The program for health assistance and the successful program of non-monetary employee benefits continued in 2000, as well employee dedicated events.

The basic principle of Česká rafinérská’s communication policy is that of an open approach towards the general public at both the regional and national levels, and transparency in providing information to state administration bodies and other entities.

Česká rafinérská fulfills the intention of its Shareholders to become, and remain, a “good corporate citizen“ in the areas where it is active.

Communications and External Relations

The basic principle of Česká rafinérská’s communication policy is that of an open approach towards the general public at both the regional and national levels, and transparency in providing information to state administration bodies and other entities.

In 2000, the media’s main interest focused on issues of price setting in the area of crude oil products and related issues, and on the requirement to remove lead from motor fuels, more specifically, to manufacture products which comply with strict environmental criteria.

Česká rafinérská is a significant supporter of health, social, educational and infrastructure projects in the regions of Litvínov, Most and Kralupy. In addition, the Company is an important supporter of sports and cultural events. During the year, the Company provided a financial donation for the saving of horse-riding activities at Svinčice in the Most region, and signed an agreement with the Czech Ice-hockey Association for the provision of advertising, gaining the title “General Partner of Youth Ice-hockey“ - through its work with this targeted group in a sport sector which is amongst the most successful.

Based on frame agreements with Civic authorities in Litvínov, Most, Kralupy nad Vltavou and the District Office in Most, the Company is involved in a number of activities of the regional government and local entities. By this, Česká rafinérská fulfills the intention of its Shareholders to become, and remain, a “good corporate citizen“ in the areas where it is active.


Heating fuel
produced in the Česká rafinérská
brings the warmth of home.

J. Klimeš
Employee Representative

M. Havel
Employee Representative

J. Eminger
Shell

J. Gros
Conoco
Deputy Chairman

Report of the Supervisory Board of the Company Česká Rafinérská, a. s., for the year 2000

The company Arthur Andersen Česká republika, a. s., has audited the regular financial statements for 2000 and expressed an auditor's opinion of a clean audit. Taking into account the auditor's opinion, the Supervisory Board acknowledges that the regular financial statements reflect fairly, in all material respects, the assets, liabilities, equity, and financial situation of the Company Česká rafinérská, a. s., as of 31 December, 2000, and the financial results for the year 2000, in compliance with the Act on Accounting and the applicable legal regulations of the Czech Republic.

Furthermore, the Supervisory Board acknowledges that, on the basis of the submitted annual financial statements as of 31 December 2000, and other documents which the Company submitted to the Supervisory Board for discussion during the course of 2000, the Supervisory Board did not discover any major irregularities or omissions which would indicate that the accounting records were not maintained properly in compliance with reality and the legal regulations.

The Supervisory Board proposes to the Annual General Meeting to approve the financial statements and the proposal for the distribution of profit for 2000 in the form submitted by the Board of Directors of the Company.

03 May 2001

Zdeněk Černý
Chairman of the Supervisory Board

Auditors' Report

To the Shareholder of Česká rafinérská, a. s.:

We have audited the consolidated financial statements of Česká rafinérská, a. s. and subsidiary, for the year ended 31 December 2000 in accordance with the Act. No. 254/2000 Coll. on Auditors and the auditing guidelines issued by the Chamber of Auditors. Our audit included an examination of evidence supporting the consolidated financial statements and of the accounting policies and estimates used by management in their preparation. Our audit procedures were carried out on a test basis and with regard to the principle of materiality.

The Board of Directors of Česká rafinérská, a. s. is responsible for the preparation of the consolidated financial statements and for maintaining accounting which is complete, supportable and correct. Our responsibility is to express and opinion on the consolidated financial statements taken as a whole, based on our audit performed in accordance with this Act and the auditing guidelines.

In our opinion, the consolidated financial statements present fairly, in all material respects, the assets, liabilities, equity and financial position of Česká rafinérská, a. s. and subsidiary, as of 31 December 2000 and the financial results for the year then ended in accordance with Act No. 563/1991 Sb. on Accounting and relevant legislation.

The consolidated financial statements of Česká rafinérská, a. s. and subsidiary for the year ended 31 December 1999 were not prepared.

The accompanying annual report for 2000 contains information about important matters related to the Company's financial statements, the evolution of its business and other matters. We have checked that the accounting information in the annual report is consistent with that contained in the audited financial statements for 2000. Our work as auditors was confined to checking the annual report with the aforementioned scope and did not include a review of any information other than that drawn from the audited accounting records of the Company.

Arthur Andersen Česká republika, k.s.
Husova 5
110 00 Praha 1
Licence No. 334

Ladisav Langr
Licence No. 257

23 February 2001
Prague, Czech Republic

Financial part

Auditors Report and Consolidated Balance Sheet at 31. December 2000

Consolidated Balance Sheet at 31. December 2000
(in thousands of CZK)

	Groupe	Line	Current year			Prior year
			Gross	Provision	Net	Net
	TOTAL ASSETS	**01**	**32,795,482**	**(2,749,441)**	**30,046,041**	**24,878,589**
A.	**STOCK SUBSCRIPTIONS RECEIVABLE**	**02**	**0**	**0**	**0**	**0**
B.	**FIXED ASSETS & INVESTMENTS**	**03**	**17,826,115**	**(2,618,628)**	**15,207,487**	**10,853,177**
B. I.	**Intangible fixed assets**	**04**	**556,217**	**(166,610)**	**389,607**	**378,947**
B. I. 1	Foundation and organizational costs	05	0	0	0	0
2	Research and development	06	22,141	(8,558)	13,583	7,141
3	Software	07	331,661	(98,801)	232,860	223,281
4	Patents, rights and royalties	08	110,406	(59,251)	51,155	21,227
5	Other intangibles	09	0	0	0	0
6	Intangibles in progress	10	92,009	0	92,009	127,298
7	Advances for intangibles	11	0	0	0	0
B. II.	**Tangible fixed assets**	**12**	**17,269,459**	**(2,452,018)**	**14,817,441**	**10,474,230**
B. II. 1	Land	13	0	0	0	0
2	Buildings, halls and constructions	14	2,285,474	(195,912)	2,089,562	1,479,718
3	Separate movable items and groups of movable items	15	5,193,629	(1,697,880)	3,495,749	2,117,643
4	Permanent growth (e.g. forest)	16	0	0	0	0
5	Livestock	17	0	0	0	0
6	Other tangible assets	18	794,515	(135,122)	659,393	685,841
7	Tangibles in progress	19	6,960,428	0	6,960,428	5,091,284
8	Advances for tangibles	20	766,101	0	766,101	168,915
9	Adjustment to gained property	21	1,269,312	(423,104)	846,208	930,829
B. III.	**Financial investment**	**22**	**439**	**0**	**439**	**0**
B. III. 1	Subsidiaries (shareholdings > 50%)	23	439	0	439	0
2	Associates (shareholdings of 20% - 50%)	24	0	0	0	0
3	Other securities and deposits	25	0	0	0	0
4	Intergroup loans	26	0	0	0	0
5	Other loans and financial investments	27	0	0	0	0
B. IV.	**Active consolidation difference (Goodwill)**	**28**	**0**	**0**	**0**	**0**
B. V.	**Investments accounted for under the equity method**	**29**	**0**	**0**	**0**	**0**

	Groupe	Line	Current year			Prior year
			Gross	Provision	Net	Net
C.	**CURRENT ASSETS**	**30**	**14,519,910**	**(130,813)**	**14,389,097**	**13,539,420**
C. I.	**Inventory**	**31**	**4,279,081**	**0**	**4,279,081**	**4,347,938**
C. I. 1	Materials	32	2,720,666	0	2,720,666	2,724,909
2	Work-in-progress and semi-finished productions	33	561,738	0	561,738	424,707
3	Finished products	34	976,871	0	976,871	1,175,610
4	Livestock	35	0	0	0	0
5	Goods	36	2,015	0	2,015	2,000
6	Advances granted	37	17,791	0	17,791	20,712
C. II.	**Long-term receivables**	**38**	**27,829**	**0**	**27,829**	**41,743**
C. II. 1	Trade receivables	39	27,829	0	27,829	41,743
2	Receivables from partners and associations	40	0	0	0	0
3	Receivables from group companies not included in consolidation	41	0	0	0	0
4	Other receivables	42	0	0	0	0
C. III.	**Short-term receivables**	**43**	**6,978,003**	**(130,813)**	**6,847,190**	**6,738,451**
C. III. 1	Trade receivables	44	6,961,737	(130,813)	6,830,924	4,672,868
2	Receivables from partner and associations	45	0	0	0	0
3	Receivables - Social security	46	0	0	0	0
4	Receivables - Taxes and subsidies	47	5,323	0	5,323	2,032,615
5	Deferred tax assets	48	0	0	0	0
6	Receivables from group companies not included in consolidation	49	0	0	0	0
7	Other receivables	50	10,943	0	10,943	32,968
C. IV.	**Financial assets**	**51**	**3,234,997**	**0**	**3,234,997**	**2,411,288**
C. IV. 1	Cash	52	1,758	0	1,758	1,922
2	Bank accounts	53	136,479	0	136,479	102,816
3	Short-term financial assets	54	3,096,760	0	3,096,760	2,306,550
D.	**OTHER ASSETS**	**55**	**449,457**	**0**	**449,457**	**485,992**
D. I.	**Temporary accounts of assets**	**56**	**433,327**	**0**	**433,327**	**485,992**
D. I. 1	Prepaid expenses	57	386,598	0	386,598	390,899
2	Unbilled revenue	58	1,977	0	1,977	60,589
3	Exchange rate variances - loss (debit)	59	44,752	0	44,752	34,504
D. II.	**Contingencies - gain (Estimated prepayments)**	**60**	**16,130**	**0**	**16,130**	**0**

Consolidated Balance Sheet at 31. December 2000
(in thousands of CZK)

	Groupe	Line	Current year	Prior year
	TOTAL CAPITAL & LIABILITIES	**61**	**30,046,041**	**24,878,589**
A.	**CAPITAL**	**62**	**17,708,876**	**15,339,875**
A. I.	**Basic capital**	**63**	**9,348,240**	**9,348,240**
A. I. 1	Basic capital	64	9,348,240	9,348,240
2	Own shares	65	0	0
A. II.	**Capital funds**	**66**	**0**	**0**
A II. 1	Share premium	67	0	0
2	Other capital funds	68	0	0
3	Revaluation of assets	69	0	0
4	Revaluation of capital participation	70	0	0
A III.	**Funds created from profit**	**71**	**319,361**	**245,471**
A III. 1	Legal reserve fund	72	319,361	245,471
2	Indivisible fund	73	0	0
3	Statutory and other funds	74	0	0
A. IV.	**Retained earnings**	**75**	**5,525,603**	**4,268,376**
IV. 1	Retained earnings of previous years	76	5,525,786	4,268,376
2	Not compensated loss of previous years	77	(183)	0
A. V.	**Consolidated earnings of accounting period**	**78**	**2,515,672**	**1,477,788**
V. 1	Earnings of current period	79	2,515,672	1,477,788
2	Consolidated earnings - equity method (+/-)	80	0	0
A. VI.	**Passive consolidation difference (Badwill)**	**81**	**0**	**0**
A. VII.	**Consolidated reserve funds**	**82**	**0**	**0**
B.	**LIABILITIES**	**83**	**12,084,438**	**9,358,490**
B. I.	**Reserves**	**84**	**474,672**	**405,967**
B. I. 1	Legal reserves (tax deductible)	85	345,417	365,967
2	Reserves for exchange rate losses	86	44,752	0
3	Other reserves	87	84,503	40,000
B. II.	**Long-term liabilities**	**88**	**161**	**0**
1	Long-term deposits received	89	0	0
2	Bonds payable	90	0	0
3	Long-term notes payable	91	0	0
4	Rent and other long-term payables	92	161	0

	Groupe	Line	Current year	Prior year
B. III.	**Short-term liabilities**	**93**	**11,514,540**	**8,952,523**
B. III. 1	Trade payables	94	4,392,966	5,017,364
2	Payables to partners and associations	95	0	0
3	Payables to employees	96	21,111	2,303
4	Social security payable	97	13,585	14,455
5	Taxes payable	98	5,659,717	3,135,673
6	Deferred taxes	99	579,667	185,763
7	Payables to group companies, not included in consolidation	100	0	0
8	Other payables	101	847,493	596,965
B. IV.	**Bank loans and short-term notes**	**102**	**95,065**	**0**
B. IV. 1	Long-term bank loans	103	0	0
2	Short-term bank loans	104	95,065	0
3	Short-term notes	105	0	0
C.	**OTHER LIABILITIES - TEMPORARY ACCOUNTS OF LIABILITIES**	**106**	**252,727**	**180,224**
C. I.	**Accruals**	**107**	**35,029**	**43,410**
C. I. 1	Accruals	108	29,140	38,150
2	Deferred income	109	0	0
3	Exchange rate variances - gain (credit)	110	5,889	5,260
C. II.	**Contingencies - loss (Estimated accruals)**	**111**	**217,698**	**136,814**
D.	**MINORITY CAPITAL**	**112**	**0**	**0**
D. I.	**Minority basic capital**	**113**	**0**	**0**
D. II.	**Minority capital funds**	**114**	**0**	**0**
D. III.	**Minority funds created from profit, including retained earnings**	**115**	**0**	**0**
D. IV.	**Minority earnings from current accounting period**	**116**	**0**	**0**

Consolidated Profit and Loss Statement at 31 December 2000 (in thousands of CZK)

		GROUPE	LINE	Current year	Prior year
	I.	Revenues from goods sold	01	542,322	256,297
A.		Cost of goods sold	02	512,988	255,840
	+	**Gross margin**	**03**	**29,334**	**457**
	II.	Production	04	51,997,079	31,555,837
	II. 1	Revenues from finished products and services	05	52,059,254	31,042,768
	2	Changes in inventory	06	(62,175)	513,069
	3	Capitalization (of own work)	07	0	0
B.		Production consumption	08	46,506,168	28,360,813
B.	1	Consumption of material and energy	09	44,624,656	26,034,048
B.	2	Services	10	1,881,512	2,326,765
	+	**Value added**	**11**	**5,520,245**	**3,195,481**
C.		Personnel expenses	12	532,894	525,023
C.	1	Wages and salaries and earnings of partners and coop. members	13	378,828	370,350
C.	2	Bonuses to members of executive bodies of companies and coop.	14	2,366	3,063
C.	3	Social insurance and other expenses	15	132,464	129,373
C.	4	Statutory social expenses	16	19,236	22,237
D.		Taxes and fees	17	4,527	4,957
E.		Amortization of intangibles and depreciation of tangibles	18	556,523	491,198
	III.	Revenues from intangible and tangible assets and material sold	19	6,571	349,584
F.		Net book value of intangibles, tangibles and material sold	20	4,799	326,060
	IV.	Settling of reserves and prepaid expenses (operational only)	21	212,195	79,169
G.		Creation of reserves and settling of prepaid expenses	22	236,148	273,757
	V.	Settling of adjustments to operational revenues	23	37,989	220,543
H.		Settling of adjustments to operational expenses	24	194,101	168,748
	VI.	Other operational revenues	25	16,571	136,317
I.		Other operational expenses	26	18,197	101,049
	VII.	Transfer of operational revenues	27	0	0
J.		Transfer of operational expenses	28	0	0
	*****	**Consolidated operating results**	**29**	**4,246,382**	**2,090,301**
	VIII.	Revenues from sales of securities and deposits	30	100,350	222,400
K.		Sold securities and deposits	31	102,450	223,200
	IX.	Revenues from financial investments	32	0	0
	IX. 1	Revenues from other investment securities and deposits	33	0	0
	2	Revenues from other financial investments	34	0	0
	X.	Revenues from short-term financial assets	35	46,731	234,056
	XI.	Settling of financial reserves	36	0	0

	GROUPE	LINE	Current year	Prior year
L.	Creation of financial reserves	37	44,752	0
XII.	Settling of adjustments to financial assets	38	0	0
M.	Creation of adjustments to financial assets	39	0	0
XIII.	Interest revenues	40	14,150	38,579
N.	Interest expenses	41	11,803	2,693
XIV.	Other financial revenues	42	1,426,681	502,240
O.	Other financial expenses	43	1,596,605	870,036
XV.	Transfer of financial revenues	44	0	0
P.	Transfer of financial expenses	45	0	0
*	**Consolidated result from financial activities**	**46**	**(167,698)**	**(98,654)**
R.	Income taxes on normal activity	47	1,530,179	525,622
R. 1	– current	48	1,136,274	461,428
R. 2	– deferred	49	393,905	64,194
**	**Consolidated result after taxes from normal activities**	**50**	**2,548,505**	**1,466,025**
XVI.	Extraordinary revenues	51	14,048	28,317
S.	Extraordinary expenses	52	46,881	16,737
T.	Income tax on extraordinary activity	53	0	0
T. 1	– current	54	0	0
T. 2	– deferred	55	0	0
XVII.	Settling of passive consolidation difference (Badwill)	56	0	0
U.	Settling of active consolidation difference (Goodwill)	57	0	0
*	**Consolidated result from extraordinary activities**	**58**	**(32,833)**	**11,580**
***	**Consolidated net result excluding equity income (loss)**	**59**	**2,515,672**	**1,477,605**
1	Earnings for the accounting period - group share	60	0	0
2	Earnings for the accounting period - minority share	61	0	0
**	**Income / loss from equity method consolidation**	**62**	**0**	**0**
***	**Consolidated net result for the accounting period**	**63**	**2,515,672**	**1,477,605**

Česká rafinérská, a. s. and Subsidiary Notes to Consolidated Financial Statements 31 December 2000

1. Company's Description and Definition of the Consolidation Group

Česká rafinérská, a. s. ("the Company") is a Czech joint stock company incorporated on 28 April 1995 and its legal site is in Litvínov, Czech Republic. The Company operates two petrochemical refineries in the Czech Republic. The Company is also the parent company of Česká rafinérská Slovakia, s. r. o., a Slovak limited liability company, which is involved in the trading of petrochemical products. The Company and Česká rafinérská Slovakia, s. r. o. are hereinafter referred to as the "Group".

There were changes made by the Company to the commercial register during 2000 relating to members of the board of directors.

The shareholders of the Company who hold a 10% or greater interest in the Company's basic capital are as follows:

Unipetrol, a. s.	51 %
AgipPetroli International B. V.	16 ⅓%
Conoco Central and Eastern Europe Holdings B. V.	16 ⅓%
Shell Overseas B. V.	16 ⅓%

Members of statutory and supervisory bodies of the Company at 31 December 2000 were as follows:

Board of Directors/Statutory Body

Chairman:	Ivan Ottis
Vice-Chairman:	Barry Norman Kumins (through 31. 1. 2000) /
	Eric Van Anderson (since 14. 4. 2000)
Member:	Zbyněk Smrčka (through 31. 10. 2000)
Member:	Miroslav Kadlec (through 14. 5. 2000) /
	Jiří Pavlas (since 15. 5. 2000)
Member:	Milan Vyskočil
Member:	Oscar Magnoni
Member:	John William de Haseth

Supervisory Board

Chairman:	Zdeněk Černý
Vice-Chairman:	Josef Gros
Member:	Marie Čižinská
Member:	Ladislav Varhaník
Member:	Jiří Eminger
Member:	Jan Klimeš
Member:	Miroslav Havel
Member:	Viktor Zabilanský
Member:	Luciano Panaccia

The principal company of the consolidation group is Česká rafinérská, a. s., which is the parent company of the consolidation Group.

The consolidation Group consists of such subsidiaries where the Company holds more than a 50% ownership interest of an entity's basic capital. A subsidiary, CRC Polska Sp. z. o. o, a Polish limited liability company, was not included in the consolidation Group due to its immateriality.

Relevant financial information for the years 2000 and 1999 with respect to the sole consolidated subsidiary, Česká rafinérská Slovakia, s. r. o., is as follow:

Group Structure 2000		
Name		Česká rafinérská Slovakia, s. r. o.
Registered Office		Bratislava, Slovakia
Acquisition Cost of Interest		167
Percentage of Ownerwhip in %		100
Basic Capital	(in T CZK)	167
Shareholder's Equity	(in T CZK)	(21,447)
Profit/Loss of Current Year		(22,494)
Retained Earnings	(in T CZK)	880
Total Assets	(in T CZK)	89,435
Intrinsic Value of Interest	(in T CZK)	(21,447)
Consolidation Method		Direct

Group Structure 1999		
Name		Česká rafinérská Slovakia, s. r. o.
Registered Office		Bratislava, Slovakia
Acquisition Cost of Interest		167
Percentage of Ownerwhip in %		100
Basic Capital	(in T CZK)	167
Shareholder's Equity	(in T CZK)	(13)
Profit/Loss of Current Year		(183)
Retained Earnings	(in T CZK)	3
Total Assets	(in T CZK)	163
Intrinsic Value of Interest	(in T CZK)	(13)
Consolidation Method		Direct

2. Basis of Presentation of the Consolidated Financial Statements

The financial statements of the parent Company were prepared in accordance with the Czech Law on Accounting (Law No. 563/1991 Coll.) and accounting procedures for entrepreneurs, effective 1 January 1993, as applicable for 2000.

The accompanying consolidated financial statements were prepared in compliance with applicable consolidation procedures, based on the direct method. Their purpose is to give a true picture of the assets, liabilities, equity and results of operations of the whole consolidation Group for the shareholders and creditors of the Company.

To prepare the consolidated financial statements, a full consolidation was used for companies where the Company had a controlling interest (more than a 50% ownership interest).

Financial statements of all companies included in the consolidation were prepared as of 31 December 2000.

Financial statements of subsidiary companies with a registered seat abroad were translated to Czech crowns at the exchange rate at 31 December for the balance sheet and the year average exchange rate for the Profit and Loss statement as published by the Czech National Bank.

Explanation Added for Translation to English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

3. Summary of Significant Accounting Policies

The significant accounting policies applied by the Group in compiling the 2000 and 1999 consolidated financial statements are as follows:

a) Intangible Fixed Assets

Intangible fixed assets are valued at their acquisition cost and related expenses, if any.

Small intangible items with a cost of less than T CZK 60 are not carried in the accompanying balance sheet but are expensed upon purchase to the profit and loss statement.

Intangible fixed assets are amortised over their estimated useful lives, which may not exceed five years.

b) Tangible Fixed Assets

Purchased tangible fixed assets are recorded at their acquisition cost including freight, customs duties and other related costs. Interest and other financial expenses incurred in the construction of tangible fixed assets are also capitalised.

The costs of technical improvements are capitalised. Repairs and maintenance expenses are expensed as incurred.

Small tangible items with a cost of less than T CZK 40 are are not carried in the accompanying balance sheet but are expensed upon purchase to the profit and loss statement.

The adjustment to acquired property is calculated as the difference between the total appraised value of the property for contribution and the book value of the property as recorded in the accounting records of the contributuing entity (see Note 4).

Depreciation is calculated based on acquisition cost and the estimated useful life of the related asset. The estimated useful lives are as follows:

	Years (specify range)
Buildings, halls and constructions	50
Machinery and equipment	4 – 14
Vehicles	6 – 11
Furniture and fixtures	4 – 8
Other tangible fixed assets	4 – 30
Adjustment to acquired property	15

c) Financial Investments

Holdings in Group and associated companies not included in the Group are recorded at either acquisition cost or the underlying book value of the holdings, if lower, and the difference is considered a temporary decline in value.

d) Inventory

Purchased inventory (raw material and spare parts) is valued at cost using the weighted average method. Costs of purchased inventory include transportation and other applicable costs.

Finished goods and work-in-progress are valued at standard cost. Cost of finished goods and work-in-process include direct materials, labor costs and production overhead.

e) Receivables

Receivables and payables are carried at their nominal value and adjusted for uncollectible amounts through a provision account (i. e. bad debt provision) reflected in the accompanying balance sheet. Additions to the provision account are charged to income. Receivables from and payables to companies included in the consolidation group are offset.

f) Shareholders' Equity

The basic capital of the Company is stated at the amount recorded in the Commercial Register maintained by the Regional Court. Contributions in excess of the basic capital are recorded as share premium. Other capital funds are established based on a decision of the Company in compliance with its Articles of Association.

In accordance with the Commercial Code, the Company creates a legal reserve fund from profit or from amounts contributed by shareholders above their contributions.

In the first year in which profit is generated, a joint-stock company should allocate 20% of profit after tax (however, not more than 10% of basic capital) to the legal reserve fund. In subsequent years, the reserve fund is allocated 5% of profit after tax until the fund reaches 20% of basic capital. These funds can only offset losses.

g) Loans

Short- and long-term loans are recorded at face value. Any portion of long-term debt, which is due within one year, is regarded as short-term debt.

h) Financial Leases

The Group records leased assets by expensing the lease payments and capitalising the residual value of the leased assets when the lease contract expires and the purchase option is exercised. Lease payments paid in advance are recorded as prepaid expenses and amortised over the lease term.

i) Foreign Currency Transactions

Assets whose acquisition or production costs were denominated in foreign currencies were translated to local currencies at the exchange rates prevailing at the date of each acquisition.

Foreign currency on hand, and receivables and payables denominated in foreign currencies were translated to local currencies at a fixed rate set on the first day of each month through 30 April 1999. Since 1 May 1999, foreign currency on hand, and receivables and payables denominated in foreign currency are translated to local currencies based on daily exchange rates. The change was done due to implementation of a new information system. The balances are adjusted at year-end to the Czech crowns at the exchange rates at 31 December as published by the Czech National Bank.

Realised exchange gains and losses and the reserve for unrealised exchange losses are charged or credited, as appropriate, to income for the year. Unrealised exchange gains and losses are not recognised or charged, as appropriate, into income until collection or payment of the related foreign currency item occurs and are reflected in other liabilities or assets, as appropriate, in the accompanying balance sheet.

Unrealised exchange rate losses are reflected as assets in the accompanying balance sheet and are offset by a reserve with a corresponding charge to income.

j) Recognition of Revenues and Expenses

Revenues and expenses are recognised on an accrual basis, when the actual flow of the related goods or services occurs, regardless of when the related monetary or financial flow arises.

In accordance with the accounting principle of prudence, the Group does not record contingent gains at year-end, whereas foreseeable contingent losses are recorded as they become known.

k) Income Tax

The corporate income tax expense is calculated for each company in the Group is based on the statutory tax rate and book income before taxes, increased or decreased by the appropriate permanent and temporary differences (e. g. non-deductible reserves and provisions, entertainment expenses, differences between book and tax depreciation, etc.). The corporate income tax expense in the consolidated financial statements consists of the sum of corporate income tax expense of the parent Company and other companies of the Group, consolidated using the full consolidation method.

The deferred tax position is calculated for each company in the Group and reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for corporate income tax purposes. The consolidated deferred tax position is the sum of the deferred tax positions of the parent Company and other companies in the Group for which the full consolidation method has been used, adjusted for the effects of temporary differences resulting from intercompany transactions.

4. Fixed Assets

a) Intangible Fixed Assets (in T CZK)

COST

Cost	At beginning of year	Additions	Disposals	Total cost
Research and development	11,720	10,421	–	22,141
Software	240,412	91,269	–	331,661
Patents, rights and royalties	72,916	37,490	–	110,406
Intangibles in progress	127,298	103,866	(139,155)	92,009
2000 Total	**452,346**	**243,026**	**(139,155)**	**556,217**
1999 Total	296,555	308,222	152,431	452,346

ACCUMULATED AMORTISATION

Cost	At beginning of year	Amortisation during year	Disposals	Total accumulated amortisation	Net book value
Research and development	(4,579)	(3,979)	–	(8,558)	13,583
Software	(17,131)	(81,670)	–	(98,801)	232,860
Patents, rights and royalties	(51,689)	(7,562)	–	(59,251)	51,155
Intangibles in progress	–	–	–	–	92,009
2000 Total	**(73,399)**	**(93,211)**	**–**	**(166,610)**	**389,607**
1999 Total	(37,742)	(35,998)	341	(73,399)	378,947

Total amortisation expense of intangible fixed assets amounted to T CZK 93,211 and T CZK 35,999 in 2000 and 1999, respectively.

Research and development costs represent external studies, which are amortised over their estimated useful lives.

Patents, rights and royalties are amortised over their useful lives as specified in the relevant contracts.

b) Tangible Fixed Assets (in T CZK)

Cost	At beginning of year	Additions	Disposals	Total cost
Buildings, halls and constructions	1,633,006	654,212	(1,744)	2,285,474
Machinery and equipment	3,450,581	1,775,576	(32,528)	5,193,629
Other tangibles	794,515	–	–	794,515
Tangibles ín progress	5,091,284	4,298,247	(2,429,103)	6,960,428
Advances for tangibles	168,915	1,563,621	(966,435)	766,101
Adjustments to acquired property	1,269,312	–	–	1,269,312
2000 Total	**12,407,613**	**8,291,656**	**(3,429,810)**	**17,269,459**
1999 Total	8,242,500	5,938,254	(1,773,141)	12,407,613

ACCUMULATED DEPRECIATION

Cost	At beginning of year	Depreciation during year	Disposals	Total accumulated depreciation	Net book value
Buildings, halls and constructions	(153,288)	(44,288)	1,664	(195,912)	2,089,562
Machinery and equipment	(1,332,938)	(392,571)	27,628	(1,697,880)	3,495,749
Other tangibles	(108,674)	(26,448)	–	(135,122)	659,393
Tangibles ín progress	–	–	–	–	6,960,428
Advances for tangibles	–	–	–	–	766,101
Adjustments to acquired property	(338,483)	(84,621)	–	(423,104)	846,208
2000 Total	**(1,933,383)**	**(547,928)**	**29,292**	**(2,452,018)**	**14,817,441**
1999 Total	(1,407,932)	(539,821)	14,370	(1,933,383)	10,474,230

Depreciation expense for tangible fixed assets totaled T CZK 463,307 and T CZK 455,200 in 2000 and 1999, respectively.

The total value of small tangible fixed assets, which are not reflected in the accompanying balance sheet, was T CZK 39,704 and T CZK 53,825 as of 31 December 2000 and 1999, respectively.

The adjustment to acquired property of T CZK 1,269,312 arose from the difference between the total price of property contributed to the Company by a shareholder and the book value of the property as recorded in the accounting records of the contributing entity (see Note 3. b.). The amount is depreciated on a straight-line basis over 15 years. Depreciation expense of the adjustment to acquired property totaled T CZK 84,621 and T CZK 84,621 in 2000 and 1999, respectively.

The Group established a statutory reserve for major repairs relating to extraordinary overhauls or repairs of tangible fixed assets. Additions to this reserve are based on annual estimates of the cost of the next overhaul or repair and on the time elapsed since the previous overhaul or repair (see Note 10).

c) Financial Investments (in T CZK)

Unaudited data extracted from the financial statements of the subsidiaries and associated companies as of 31 December 2000, which were not included in the consolidation Group are as follows:

Name	**CRC Polska Sp. z o. o.**
Location	**Wroclaw, Poland**
Percentage of ownership	**100**
Total assets	**447**
Shareholders' equity	**146**
Basic capital and capital funds	**439**
Funds created from profit	**–**
Retained earnings	**–**
Profit/loss of current year	**(293)**
Acquisition cost	**439**
Nominal value of share / interest	**439**
Intrinsic value of share / interest	**146**
Dividends received during the year	**–**

Changes in acquisition costs and net book values of fixed assets of subsidiaries abroad as a consequence of changes in foreign exchange rates at 31 December 2000 and 1999 were immaterial.

5. Receivables

Provisions charged to income totaled T CZK 108,496 and T CZK 84,127, in 2000 and 1999, respectively. Provisions were established based on a detailed review of the recoverability of receivables (see Note 6).

Receivables overdue for more than 360 days totalled T CZK 95,488 and T CZK 53,311 as of 31 December 2000 and 1999, respectively.

The Group has receivables at risk of T CZK 46,264 secured by collateral with a total value of T CZK 74,920.

At 31 December 2000, the Group had T CZK 27,829 of long-term receivables. These receivables will be gradually repaid within the next two years.

At 31 December 2000 and 1999, the Group has receivables from related parties not included in the accompanying consolidated financial statements (see Note 18).

6. Provisions

Provisions reflect a temporary diminution in value of assets (see Note 5).

Changes in the provision accounts during 1999 and 2000 are as follows (in T CZK):

Provisions	**Receivable statutory**	**Receivable other**	**Total**
Balance at 31. 12. 1998	3,105	193,616	196,721
Additions	61,252	22,875	84,127
Use	(41,662)	(178,880)	(220,542)
Balance at 31. 12. 1999	22,695	37,611	60,306
Additions	20,092	88,404	108,496
Use	–	(37,989)	(37,989)
Balance at 31. 12. 2000	**42,787**	**88,025**	**130,813**

Statutory provisions are created in compliance with the Czech Law on Reserves.

7. Financial Assets

The Group has overdraft facilities, which allow the Group to maintain negative cash balances. At 31 December 2000 and 1999, the draw down totaled (in accordance with agreed credit limit) T CZK 95,065, and was reflected as a short-term loan in the accompanying balance sheet. There was no negative cash balance at 31 December 1999.

The Group also has certain foreign currency forward purchase contracts (see Note 15).

8. Other Assets

Prepaid expenses include prepaid rent and catalysts in use, which are being charged to income as the relevant service is provided or material used.

Unbilled revenues include revenues from term deposits and were recognised into income during 2000.

9. Shareholders' Equity of the Parent Company

The basic capital of the Company is comprised of 934,824 registered shares fully subscribed and paid, with a nominal value of T CZK 10.

The variation in the capital accounts during 2000 and 1999 were as follows (in T CZK):

	Number of shares	Basic capital	Legal reserve fund
Balance at 31. 12. 1998	934,824	9,348,240	147,400
1999 Change	–	–	98,071
Balance at 31. 12. 1999	934,824	9,348,240	245,471
2000 Change	–	–	73,890
Balance at 31. 12. 2000	**934,824**	**9,348,240**	**319,361**

The 2000 unappropriated retained earnings amount to T CZK 7,929,948, which represents retained earnings at 31 December 2000 increased by the 2000 profit of T CZK 2,531,785 after deducting the future contribution in 2001 to the legal reserve fund of T CZK 126,589. This amount can be further increased by that portion of the legal reserve fund balance, which exceeds the legally required amount and by other reserve funds created out of profit. It must, however, be reduced by the net book value of foundation expenses and intangibles contributed as capital.

The Annual General Meeting held on 26 May 2000 approved the following profit distribution for 1999:

	In T CZK
Profit for 1999	1,477,788
Allocation to – legal reserve fund	(73,890)
Dividends	(147,702)
Undistributed profit added to retained earnings	1,256,196
Retained earnings at 31. 12. 1999	4,268,556
Additions	1,256,196
Retained earnings at 31. 12. 2000	**5,524,752**

On 30 June 2000 the Company paid out dividends of CZK 158 per share, totaling T CZK 147,702.
In 1999, the Company paid out dividends related to 1998 of 210 CZK per share, totaling T CZK 196,313.

10. Reserves

The movements in the reserve accounts for contingencies and expenses were as follows (in T CZK):

Reserves	Legal	Foreign Exchange Rate Losses	Other
Balance at 31. 12. 1998	122,083	–	89,296
Additions	243,884	–	29,873
Use	–	–	(79,169)
Balance at 31. 12. 1999	365,967	–	40,000
Additions	146,217	44,752	89,931
Use	(166,767)	–	(45,428)
Balance at 31. 12. 2000	**345,417**	**44,752**	**84,503**

The legal reserve was established for the purpose of repairs of tangible fixed assets and is based on annual estimates of the repair cost and on the time elapsed since the previous overhaul or repair (see Note 4b).

Other reserves include primarily a reserve related to employees' retraining and reserves associated with a planned disposal of certain tangible fixed assets.

The reserve related to employees' retraining was increased to T CZK 66,400 as of 31 December 2000 to cover costs expected to be incurred in 2001.

11. Short-term Liabilities

As of 31 December 2000 and 1999, the Group had no overdue short-term liabilities, respectively.

The Group has payables to related parties (see Note 18).

12. Bank Loans and Short-term Notes

At 31 December 2000, the Group had no bank loans and short-term notes, except for the overdraft account mentioned in Note 7.

Term	2000 Outstanding amount in T CZK	1999 Outstanding amount in T CZK
Overdrafts	95 065	–
Total	**95 065**	**–**

The interest expense relating to bank loans and short-term notes for 2000 and 1999 was T CZK 11,803 and T CZK 2,693, respectively.

On 17 August 2000, the Group completed a CZK 5 billion 5-year Term Loan Facility with a syndicate of 7 banks. As at 31 December 2000 the Group had not utilised this Facility.

13. Other Liabilities

Accruals and contingencies include mainly unbilled services that are being charged to income for 2000, as appropriate.

14. Leasing

The companies in the Group lease assets, which are recorded in an off-balance sheet account (see Note 3h).

Assets that are being used by the Group under finance leases (i. e. the assets are transferred to the companies in the Group when the leasing period expires) as of 31 December 2000 and 1999, respectively, are as follows (in T CZK):

Description	Terms	Total lease	Payments made as of 31. 12. 2000	Payments made as of 31. 12. 1999	Remaining payments as of 31. 12. 2000 Due within one year	Remaining payments as of 31. 12. 2000 Due over one year
Isomerisation unit	As per contract	585,703	515,306	444,909	70,397	–
Company cars	As per contract	29,351	5,165	–	7,312	16,874
Other	As per contract	5,210	–	5,210	–	–

15. Commitments and Contingencies

The Group has a long-term (15 years) transport contract with Mero, effective from 1 January 1996, and an annual transport contract with Transpetrol which stipulate a minimum annual throughput of crude oil through the IKL and Druzba pipelines.

At 31 December 2000, the Group had issued a guarantee in favour of Release company for Isomerisation leasing with a total value of T CZK 52,708.

The Group has certain capital projects underway that will require future payments in foreign currencies (primarily Netherlands Guilders). The Group has decided to reduce the risk of changes in foreign currency exchange rates from these commitments through the execution of foreign currency forward purchase contracts.

At 31 December 2000 the Group has entered into foreign currency purchase contracts equivalent to T CZK 167,007. The amount represents the last forward contract, which will be closed in January 2001.

16. Revenues

The breakdown of the Group's 2000 and 1999 revenues from current activities is as follows (in T CZK):

	2000		1999	
	Domestic	Foreign	Domestic	Foreign
Sale of products	44,006,480	7,577,800	25,554,380	5,193,759
Sale of services	471,767	3,207	293,735	894
Sale of goods	24,789	517,533	27,392	228,905
Total revenues	**44,503,036**	**8,098,540**	**25,875,507**	**5,423,558**

As of 31 December 2000, the revenues of the Group were concentrated primarily with 46 main customers.

17. Personnel and Related Expenses

The average number of employees in the Group in 2000 and 1999, by category and the related personnel costs for the year, was as follows (in T CZK):

	2000		1999	
	Total Personnel	**Directors, Deputy Directors and Managers**	**Total Personnel**	**Directors, Deputy Directors and Managers**
Average number of employees	1,160	30	1,259	29
Salaries and wages	378,828	41,947	370,350	37,662
Social insurance	132,464	14,460	129,373	12,807
Social expenses	19,236	251	22,237	216
Total personnel expenses	**530,528**	**56,658**	**521,960**	**50,685**

The members and former members of statutory, management and supervisory boards received total bonuses and other remuneration of T CZK 2,366 and T CZK 3,063 in 2000 and 1999, respectively.

18. Related Party Information

No loans, guarantees and other benefits were granted to members of statutory bodies in 2000 and 1999 and they do not hold any shares of the Group.

The Group sells products to related parties in the ordinary course of business. Sales amounted to T CZK 25,989,139 and T CZK 16,029,720 in 2000 and 1999, respectively.

Short-term receivables from related parties as of 31 December were as follows:

Related party	**2000 (in T CZK)**	**1999 (in T CZK)**
AGIP Deutschland AG	–	188
AGIP Praha, a. s.	99,199	3,956
Benzina a. s.	828,087	865,810
Chemopetrol, a. s.	1,594,738	1,148,918
Conoco ČR s. r. o.	129,961	110,277
Kaučuk, a. s.	48,396	61,874
Shell ČR a. s.	717,777	303,938
Shell Slovakia, s. r. o.	1,326	–
Paramo, a. s.	8,204	–
Total	**3,427,688**	**2,494,961**

The Group purchases products and receives services from related parties in the ordinary course of business. In 2000 and 1999, purchases amounted to T CZK 3,776,547 and T CZK 3,041,139, respectively.

Short-term liabilities to related parties as of 31 December were as follows:

Related party	2000 (in T CZK)	1999 (in T CZK)
Benzina a. s.	3 344	3 154
Chemopetrol, a. s.	180 355	198 988
Conoco ČR s. r. o.	2 569	6 160
Kaučuk, a. s.	134 648	98 856
Shell ČR a. s.	–	3 651
Shell Inter. Oil. Products BV	–	19 291
Unipetrol, a. s.	16 703	12 849
Paramo, a. s.	44	–
Chemopetrol - doprava a. s.	27 835	–
B. U. T., s. r. o.	65	–
Total	**365 563**	**342 949**

19. Research and Development Costs

The Company did notchange any research and development to income in 2000 and 1999 respectiveli.

20. Financial Statements of Subsidiaries and Associated Companies

Condensed financial statements of subsidiaries and associated companies for 2000 and 1999 are summarised in Attachment 1.

Supplement No. 1

Balance sheet as of 31. 12. 2000 (in T CZK)	Česká rafinérská, a. s.	Česká rafinérská Slovakia, s. r. o.	Total	Consolidation adjustments	Consolidation data
CURRENT ASSETS					
Cash	3,231,001	3,996	3,234,997		3,234,997
Receivables	6,852,080	83,915	6,935,995	(60,976)	6,875,019
Receivables from related parties	0	0	0		0
Inventory	4,279,081	0	4 279,081		4,279,081
Other assets and temporary accounts of assets	449,113	917	450,030	(573)	449,457
Total current assets	**14,811,275**	**88,828**	**14,900,103**	**(61,549)**	**14 838 554**
FIXED ASSETS					
Intangible fixed assets	389,588	19	389,607		389,607
Goodwill/Badwill	0	0	0		0
Financial investments	606	0	606	(167)	439
Tangible fixed assets	14,816,853	588	14,817,441		14,817,441
Total fixed asstes	**15,207,047**	**607**	**15,207,654**	**(167)**	**15,207,487**
Total assets	**30,018,322**	**89,435**	**30,107,757**	**(61,716)**	**30,046,041**
SHORT-TERM LIABILITIES					
Short-term debts and portion of long-term debts due within one year	51,681	43,384	95,065		95,065
Other liabilities and temporary accounts of liabilities	11,767,831	66,764	11 834,595	(67,328)	11,767,267
Liabilities to related parties	0	0	0		0
Total short-term liabilities	**11,819,512**	**110,148**	**11,929,660**	**(67,328)**	**11,862,332**
Long-term liabilities and debts	0	161	161		161
Other long-term liabilities - reserves	474,672	573	475,245	(573)	474,672
Total liabilities	**12,294,184**	**110,882**	**12,405,066**	**(67,901)**	**12,337,165**
MINORITY INTEREST IN CONSOLIDATED ENTITIES	**0**	**0**	**0**		**0**
SHAREHOLDERS' EQUITY					
Basic capital	9,348,240	167	9,348,407	(167)	9,348,240
Other paid-up capital	319,361	0	319,361		319,361
Retained earnings/Non-compensated loss	5,524,752	880	5,525,632	(29)	5,525,603
Profit/loss of current period	2,531,785	(22,494)	2,509,291	6,381	2,515,672
Total shareholders' equity	**17,724,138**	**(21,447)**	**17,702,691**	**6,185**	**17,708,876**
Total shareholders' equity and liabilities	**30,018,322**	**89,435**	**30,107,757**	**(61,716)**	**30,046,041**

Profit and Loss Statement as of 31. 12. 2000 (in T CZK)	Česká rafinérská, a. s.	Česká rafinérská Slovakia, s. r. o.	Total	Consolidation adjustments	Consolidation data
Sales revenues	52,029,537	509,864	52,539,401		52,539,401
Sales revenues in Group	233,069	0	233,069	(233,069)	0
Total sales revenues	**52,262,606**	**509,864**	**52,772,470**		**52,539,401**
Cost of goods sold	512,988	501,401	1,014,389	(501,401)	512,988
Production consumption	44,356,324	228	44,356,552	268,104	44,624,656
Services	1,880,098	1,414	1,881,512		1,881,512
Personnel expenses	531,459	1,435	532,894		532,894
Amortization of intangibles and depreciation of tangibles	556,412	111	556,523		556,523
Other expenses	163,546	20,672	184,218		184,218
Total operating expenses	**48,000,827**	**525,261**	**48,526,088**		**47,779,803**
Operating results	4,261,779	(15,397)	4,246,382		4,246,382
Other revenues/expenses					
Financial (revenues)/expenses	(4,429)	2,203	-2,226		(2,226)
Other financial (revenues)/expenses	165,635	4,289	169,924	(601)	169,323
Investment banking fees for sale of shares					
Writedown of film costs					
Writedown of an investment					
Amortization of goodwill	0	0	0		0
Release of badwill	0	0	0		0
Extraordinary (revenues)/expenses	32,830	604	33,434		33,434
Results before taxes and minority interest	**4,067,743**	**(22,493)**	**4,045,250**		**4,045,851**
Income taxes on normal activity	**1,535,958**	**0**	**1,535,958**	**(5,779)**	**1,530,179**
Results before minority interests in net income of consolidated entities	2,531,785	(22,493)	2,509,292		2,515,672
Minority interest in net income of consolidated entities	0	0	0		0
Net income (loss)	**2,531,785**	**(22,493)**	**2,509,292**		**2,515,672**

Česká rafinérská, a. s. and Subsidiary

Consolidated Financial Statements Prepared in Accordance with International Accounting Standards as of 31 December 2000 and 1999

Report of Independent Public Accountants

To the Board of Directors of Česká rafinérská, a. s.:

We have audited the accompanying consolidated balance sheets of Česká rafinérská, a. s. (a Czech joint stock company) and subsidiary (collectively “the Group“) as of 31 December 2000 and 1999 and the related consolidated statements of operations, equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Group’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Česká rafinérská, a. s. and subsidiary, as of 31 December 2000 and 1999 and the results of its operations and cash flows for the years then ended in accordance with International Accounting Standards (IAS).

Arthur Andersen

Arthur Andersen Česká republika, k. s.
Prague, Czech Republic
23 February 2001

Česká rafinérská, a. s. and Subsidiary Consolidated Balance sheets 31 December 2000 and 1999

(Czech Crowns - CZK in thousands)

	Notes	2000	1999
ASSETS			
Current Assets:			
Cash and Cash Equivalents	3	3,234,997	2,411,167
Accounts Receivable, Net	4	6,866,488	5,013,722
Inventory	5	5,159,337	5,225,273
Other Current Assets	8	188,259	230,459
Total Current Assets		15,449,081	12,880,621
Property, Plant and Equipment, Net	6	15,474,528	10,996,896
Intangible Assets, Net	7	389,607	378,925
Investment in Subsidiary	1, 2	439	167
Total Assets		**31,313,655**	**24,256,609**
LIABILITIES AND EQUITY			
Current Liabilities:			
Accounts Payable	9	5,254,318	5,019,699
Taxes Payable and Accrued Liabilities	10	5,985,734	2,174,681
Short-Term Debt	11	95,065	–
Current Portion of Capital Lease Obligations	12	46,662	40,180
Total Current Liabilities		11,381,779	7,234,560
Capital Lease Obligations	12	14,972	40,180
Deferred Taxes, Net	13	1,106,992	961,229
Commitments and Contingencies	14	–	–
Equity:	16		
Capital		9,348,240	9,348,240
Retained Earnings		9,461,672	6,672,400
Total Equity		18,809,912	16,020,640
Total Liabilities and Equity		**31,313,655**	**24,256,609**

Česká rafinérská, a. s. and Subsidiary Consolidated Statements of Operations for the years ended 31 December 2000 and 1999

(Czech Crowns - CZK in thousands)

	Notes	2000	1999
Revenues	17	52,461,394	31,648,649
Cost of Sales		45,395,746	26,446,688
Gross Profit		7,065,648	5,201,961
Operating (Income) Expense:			
Selling Expenses		781,537	977,705
General and Administrative Expenses		1,499,160	1,789,769
Depreciation and Amortisation	6, 7	532,534	476,889
Change in Provision for Doubtful Receivables		71,491	(136,416)
Other, Net		38,986	(11,339)
Total Operating Expense, Net		2,923,708	3,096,608
Net Income from Operations		4,141,940	2,105,353
Other (Income) Expense:			
Interest Income		(60,881)	(303,186)
Interest Expense	11, 12	30,658	20,246
Exchange Rate (Gain), Net	2	(75,277)	(4,869)
Other		29,279	21,310
Total Other (Income) Expense		(76,221)	(266,499)
Net Income Before Income Tax Provision		4,218,161	2,371,852
Income Tax Provision	13	1,282,039	685,081
Net Income		**2,936,122**	**1,686,771**

Česká rafinérská, a. s. and Subsidiary Consolidated Statements of equity for the years ended 31 December 2000 and 1999

(Czech Crowns - CZK in thousands)

	Notes	Number of Shares	Capital	Retained Earnings	Total
Balance at 31 December 1998		**934,824**	**9,348,240**	**5,097,704**	**14,445,944**
Adjustment to due to adoption of IAS 37	2	–	–	84,238	84,238
Adjusted balance at 31 December 1998		**934,824**	**9,348,240**	**5,181,942**	**14,530,182**
Dividends paid	16	–	–	(196,313)	(196,313)
Net Income		–	–	1,686,771	1,686,771
Balance at 31 December 1999		**934,824**	**9,348,240**	**6,672,400**	**16,020,640**
Currency translation adjustment	2			852	852
Dividends paid	16	–	–	(147,702)	(147,702)
Net Income		–	–	2,936,122	2,936,122
Balance at 31 December 2000		**934,824**	**9,348,240**	**9,461,672**	**18,809,912**

Česká rafinérská, a. s. and Subsidiary Consolidated Statements of Cash Flows for the years ended 31 December 2000 and 1999

(Czech Crowns - CZK in thousands)

	Notes	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income		**2,936,122**	**1,686,771**
Adjustments to reconcile net income to net cash			
provided by operating activities:			
Deferred tax provision	13	145,763	261,500
Provision for obsolete inventory		-	-
Change in provision for doubtful receivables	4	70,507	(136,415)
Depreciation and amortisation	6, 7	532,534	476,889
Changes in Current Assets and Liabilities:			
(Increase) in current assets		(1,815,137)	(4,674,816)
Increase in current liabilities		4,045,672	3,259,040
Net Cash Provided by Operating Activities		**5,915,461**	**872,969**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to intangible assets, property, plant and equipment, net)	6, 7	(5,020,848)	(4,335,825
Establishment of subsidiary	1	(439)	(167)
Net Cash (Used in) Investing Activities		**(5,021,287)**	**(4,335,992)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net (payments) of capital lease obligations	12	(18,726)	(40,180)
Net proceeds from short-term debt	11	95,065	(218,907)
Dividends paid	16	(147,702)	(196,313)
Net Cash (Used in) Financing Activities		**(71,363)**	**(455,400)**
Net (Decrease) Increase in Cash		**822,811**	**(3,918,423)**
Cash and Cash Equivalents at Beginning of Year		**2,411,167**	**6,329,590**
Effect of exchange rate changes		**1,019**	**–**
Cash and Cash Equivalents at End of Year	**3**	**3,234,997**	**2,411,167**
Supplemental Cash Flow Information:			
Interest Paid	11, 12	30,658	20,246
Income Taxes Paid	13	325,830	918,195

Česká rafinérská, a. s. and Subsidiary Notes to Consolidated Financial Statements 31 December 2000 and 1999

1. The Company and Operations

Česká rafinérská, a. s. (the Company) is a Czech Republic joint stock company, which was incorporated on 28 April 1995. The Shareholders are comprised of Unipetrol a. s., the majority shareholder with 51% of the outstanding shares, and Agippetroli International B. V., Conoco Central and Eastern Europe Holdings B. V., and Shell Overseas Investments B. V. (16 $\frac{1}{3}$% each). The Company is involved in the refining of crude oil and the production and distribution of petroleum based products in the Czech Republic and abroad.

The Company operates the two largest oil refineries in the Czech Republic, Litvinov and Kralupy. Litvinov, the larger of the two refineries, has the capacity to process 5 million tons of crude oil per year while Kralupy has the capacity to process 3 million tons of crude oil per year. The Company receives its oil from the Druzba pipeline in Russia and the Ingolstadt pipeline (IKL) in Western Europe.

The Company is composed of six divisions: Finance, Commercial, Technical, General Affairs, Planning and Development and Investments. Management of these divisions is divided between the two locales in which the Company operates. During 2000 and 1999, the Company employed an average of 1,160 and 1,258 employees, respectively.

A daughter company, Česká rafinérská Slovakia, s. r. o. was founded with its seat in Bratislava, Slovak Republic in 1999. The company was registered on 24 November 1999 and engages in the buying and selling of goods. The daughter company is part of the Consolidation Group for 2000 and is incorporated in the accompanying consolidated financial statements. In 1999 the daughter company was not consolidated due to its immateriality. During 2000, the daughter company employed an average of 4 employees.

A daughter company, CRC Polska Sp. z. o. o., was established with its legal seat in Wroclaw, Poland. The company was registered on 24 November 2000 and is involved in trading activities. Management has elected not to consolidate the subsidiary in the accompanying consolidated financial statements due to the fact that the subsidiary is in the start-up stage and had no operations during the year ended 31 December 2000.

Česká rafinérská, a.s. is the sole owner of Česká rafinérská Slovakia, s. r. o. and CRC Polska Sp. z. o. o.

The Company and Česká rafinérská Slovakia, s. r. o. are hereinafter referred to as the “Group“.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Company is required to maintain its books and records in accordance with accounting principles and practices mandated by the Czech Law on Accounting. The accompanying consolidated financial statements reflect certain adjustments and reclassifications not recorded in the accounting records of the Company in order to conform the Czech statutory balances to financial statements prepared in accordance with International Accounting Standards (IAS) issued by the International Accounting Standards Committee. The adjustments are summarised in Note 18.

The financial statement items of the Company and subsidiary were originally consolidated in accordance with statutory rules and then adjusted and reclassified in order to present these statements in accordance with IAS.

Reporting Currency

Because of the nature of the Group's activities and the fact that the Group operates primarily in the Czech Republic the financial statements are prepared in Czech Crowns.

Principles of Consolidation

The consolidated financial statements of the Group include the Company and the company that it controls. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

CRC Polska Sp. z o. o. is excluded from the consolidation because it is not significant. The cost of share holding in this company is recorded in the consolidated balance sheet as financial investment.

Intercompany balances and transactions, including intercompany profits and unrealised profits and losses are eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Estimates

The preparation of financial statements in conformity with IAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Management believes that the carrying value of the Group's financial instruments approximate fair value.

Cash and Cash Equivalents

The Group considers highly liquid financial instruments with an original maturity of three months or less to be cash equivalents.

Receivables and Payables

Receivables are reported at net realisable value. Payables and accruals are reported at expected settlement values.

Crude Oil Stock

Crude oil stock is valued at cost plus applicable import duties, transportation and other related costs. The Group uses the weighted average method to value crude oil stock.

Refined Products and Work in Process

Refined products and work in process are valued at cost and include raw materials, labor expenses and overhead used in the refining process. The Group uses the weighted average method for valuation of refined products and work in process.

Materials and Supplies

Materials and supplies consist mainly of chemicals and spare parts used by the production lines. Materials and supplies are valued at cost using the weighted average method. Materials and supplies are recorded in inventory when purchased or produced and then expensed or capitalised to property, plant and equipment or cost of sales, as appropriate, when utilised.

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

Intangible Assets

Intangible assets are valued at acquisition cost and are amortised over their estimated useful economic life.

Property, Plant and Equipment

Property, plant and equipment acquired as part of the incorporation of the joint stock company is recorded based on the fair value of the assets contributed. Property, plant and equipment acquired after incorporation is valued at acquisition cost. The cost of maintenance and replacement of minor items of property is charged to maintenance expense as incurred. Renewals and improvements are capitalised.

Upon sale or retirement of property, plant and equipment, the cost and related accumulated depreciation are eliminated from the accounts.

Property, plant and equipment is depreciated using the straight-line method over the estimated aggregate economic life of the asset. The estimated aggregate economic useful lives for property, plant and equipment has been determined to be 25 years.

Investment in Subsidiary

The Group accounts for its investments at acquisition cost.

Accruals and Deferrals

Accruals and deferrals are recorded to recognise revenues and costs as they are earned or incurred.

Repairs and Maintenance

In 1999, the Group adopted International Accounting Standard No. 37, "Provisions, Contingent Liabilities and Contingent Assets" (IAS 37), which prescribes the recognition criteria, measurement bases and disclosure requirements to be applied to provisions, contingent liabilities and contingent assets. IAS 37 is effective for annual financial statements covering periods on or after 1 July 1999. The Group elected adoption of IAS 37 beginning with fiscal year 1999. Following IAS 37, the Group has changed the method for accounting for repairs and maintenance expenses related to major overhauls, which resulted in a net increase of retained earnings of T CZK 84,238 in 1999. In accordance with the transitional provisions of IAS 37, the Group has not restated the 1998 financial statements retroactively.

Revenues

The Group recognises revenues from sales upon shipment of goods and when transfer of risk has been completed.

Taxation

Certain items of income and expense are recognised in different periods for tax and financial accounting purposes. Deferred taxes are provided using the liability method whereby deferred tax assets are recognised for deductible temporary differences and deferred tax liabilities are recognised for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. The tax effects of these timing differences are reflected as deferred tax items.

Translation of Foreign Currencies

Transactions in foreign currencies are translated to local currencies by applying the exchange rate existing at the time of the transaction.

Assets and liabilities denominated in foreign currencies at 31 December 2000 and 1999 are adjusted to Czech crowns using the exchange rates published by the Czech National Bank (CNB).

Exchange rate differences arising on settlement of transactions or on reporting foreign currency transactions at rates different from those at which they were originally recorded are included in the statement of operations as they occur. Exchange rate differences related to crude oil purchases are included within cost of sales. A net exchange rate loss related to crude oil purchases amounted to T CZK 123,889 and T CZK 14,763 in 2000 and 1999, respectively.

A total net foreign exchange rate loss of T CZK 48,612 and loss of T CZK 9,894 was recorded in 2000 and 1999, respectively.

Translation Reserve

The translation adjustment reflected in equity arises from translation differences resulting from consolidation of financial statements of the foreign subsidiary.

New Accounting Principles

The International Accounting Standards Committee recently issued International Accounting Standard No. 39, “Financial Instruments: Recognition and Measurement“ (IAS 39), which establishes principles for recognising, measuring and disclosing information about financial assets and liabilities, including derivatives. IAS 39 is effective for fiscal years beginning on or after 1 January 2001. Earlier application is permitted only as of the beginning of a financial year that ends after 15 March 1999, the date of issuance of this Standard. The Company has decided to implement the Standard commencing 1 January 2001.

3. Cash and Cash Equivalents

At 31 December 2000 and 1999, cash and cash equivalents is comprised of the following (amounts in thousands):

	2000	1999
Cash on hand	1,758	1,922
Current accounts:		
Czech Crowns	10,953	6,414
Foreign currencies	125,526	70,991
Total current accounts	**136,479**	**77,405**
Deposit accounts:		
Czech Crowns	1,903,700	1,492,472
Foreign currencies	1,193,060	839,368
Total deposit accounts	**3,096,760**	**2,331,840**
Total cash	**3,234,997**	**2,411,167**

The Group has bank accounts with the banks that allow the Group to maintain overdraft balances. At 31 December 2000 and 1999, overdraft cash balances totaled T CZK 95,065 and T CZK 0, respectively, and are reflected as a liability in the accompanying consolidated balance sheet (see Note 11).

As of 31 December, 2000, the Group had entered into certain foreign currency forward exchange contracts related to hedging of certain future capital expenditure commitments (see Note 14).

4. Accounts Receivable, Net

At 31 December 2000 and 1999, accounts receivable, net, is comprised of the following (amounts in thousands):

	2000	1999
Trade Receivables:		
Foreign sales	454,042	377,568
Domestic sales	6,532,316	4,397,272
Total trade receivables	**6,986,358**	**4,774,840**
Corporate income tax receivable	–	266,220
Other	10,943	32,968
Total accounts receivables	**6,997,301**	**5,074,028**
Allowance for doubtful accounts	(130,813)	(60,306)
Accounts Receivable, Net	**6,866,488**	**5,013,722**

Trade receivables represent outstanding balances on invoices from both domestic and foreign customers. All receivables from domestic sales are denominated in Czech Crowns while receivables from abroad are denominated in a foreign currency.

5. Inventory

At 31 December 2000 and 1999, inventory is comprised of the following (amounts in thousands):

	2000	1999
Crude oil	3,246,445	3,297,394
Raw materials and supplies:		
Chemicals - supplies	71,654	53,412
Spare parts	300,616	272,128
Other	2,014	2,022
Total raw materials and supplies	**374,284**	**327,562**
Work in process	561,737	424,707
Total refined products	**976,871**	**1,175,610**
Total inventory	**5,159,337**	**5,225,273**

6. Property, Plant and Equipment, Net

At 31 December 2000 and 1999, property, plant and equipment, net, is comprised of the following (amounts in thousands):

	Buildings	Machinery and Equipment	Other	Construction in Progress	Total
Property, Plant and Equipment					
Balance at 31 December 1998	2,138,955	4,468,711	96,639	1,690,580	8,394,885
Additions	86,630	538,156	–	5,313,700	5,938,486
Disposals and transfers	(11,945)	(14,227)	(2,887)	(1,744,081)	(1,773,140)
Balance at 31 December 1999	2,213,640	4,992,640	93,752	5,260,199	12,560,231
Additions	654,132	1,801,468	–	5,861,868	8,317,468
Disposals and transfers	(1,744)	(32,528)	–	(3,395,538)	(3,429,810)
Balance at 31 December 2000	**2,866,028**	**6,761,580**	**93,752**	**7,726,529**	**17,447,889**
Accumulated Depreciation					
Balance at 31 December 1998	187,434	936,440	12,937	–	1,136,811
Additions	65,887	368,960	6,046	–	440,893
Disposals	(163)	(11,320)	(2,886)	–	(14,369)
Balance at 31 December 1999	253,158	1,294,080	16,097	–	1,563,335
Additions	66,643	369,642	3,038	–	439,323
Disposals	(1,666)	(27,631)	–	–	(29,297)
Balance at 31 December 2000	**318,135**	**1,636,091**	**19,135**	**–**	**1,973,361**
Property, plant and equipment, net, at 31 December 1998	**1,951,521**	**3,532,271**	**83,702**	**1,690,580**	**7,258,074**
Property, plant and equipment, net, at 31 December 1999	**1,960,482**	**3,698,560**	**77,655**	**5,260,199**	**10,996,896**
Property, plant and equipment, net, at 31 December 2000	**2,547,893**	**5,125,489**	**74,617**	**7,726,529**	**15,474,528**

Depreciation expense for 2000 and 1999 was T CZK 439,323 and T CZK 440,893, respectively.

7. Intangible Assets

At 31 December 2000 and 1999, intangible assets, net, is comprised of the following (amounts in thousands):

	Software	Rights, Royalties and Patents	Construction in Progress	Total
Intangible Assets				
Balance at 31 December 1998	40,589	67,508	188,457	296,554
Additions	200,140	17,339	90,719	308,198
Disposals and transfers	(342)	(209)	(151,880)	(152,431)
Balance at 31 December 1999	240,387	84,638	127,296	452,321
Additions	91,269	47,911	103,867	243,047
Disposals and transfers	–	–	(139,154)	(139,154)
Balance at 31 December 2000	**331,656**	**132,549**	**92,009**	**556,214**
Accumulated Amortisation				
Balance at 31 December 1998	4,209	33,533	–	37,742
Additions	13,261	22,735	–	35,996
Disposals	(342)	–	–	(342)
Balance at 31 December 1999	17,128	56,268	–	73,396
Additions	81,670	11,541	–	93,211
Disposals	–	–	–	–
Balance at 31 December 2000	**98,798**	**67,809**	**–**	**166,607**
Intangible assets, net, at 31 December 1998	**36,380**	**33,975**	**188,457**	**258,812**
Intangible assets, net, at 31 December 1999	**223,259**	**28,370**	**127,296**	**378,925**
Intangible assets, net, at 31 December 2000	**232,858**	**64,740**	**92,009**	**389,607**

Amortisation expense for 2000 and 1999 was T CZK 93,211 and T CZK 35,996, respectively.

8. Other Current Assets

Included in other assets are prepaid expenses and catalysts used in production, which are being charged to income as used.

9. Accounts Payable

At 31 December 2000 and 1999, accounts payable is comprised of the following (amounts in thousands):

	2000	1999
Trade payables:		
Foreign suppliers	3,606,160	4,081,254
Domestic suppliers	1,590,556	915,209
Total trade payables	**5,196,716**	**4,996,463**
Social security payable	13,585	14,445
Payables to employees	21,111	2,249
Other supplier	22,906	6,542
Total accounts payable	**5,254,318**	**5,019,699**

Accounts payable represent outstanding balances on invoices from both domestic and foreign suppliers. All payables to Czech companies are denominated in Czech Crowns with the exception of payables for crude oil deliveries, which are denominated in US dollars, while payables to foreign suppliers are denominated in a foreign currency. Payables to Czech suppliers of crude oil also include VAT and customs duties, denominated and payable in Czech Crowns.

Trade payables relate primarily to major suppliers of crude oil to the Group.

10. Taxes Payable and Accrued Liabilities

At 31 December 2000 and 1999, taxes payable and accrued liabilities are comprised of the following (amounts in thousands):

	2000	1999
Excise duties payable	4,405,377	1,095,505
Corporate income taxes payable	813,971	-
VAT payable	435,046	859,315
Total taxes payable	**5,654,394**	**1,954,820**
Accrued costs	84,503	40,000
Other accrued liabilities	246,837	179,861
Total taxes payable and accrued liabilities	**5,985,734**	**2,174,681**

The Group has accrued T CZK 66,400 related to the cost of retraining of employees during 2001, that, based on the Group's decision, have been made redundant or their redundancy was publicly announced.

The significant increase in excise duties payable is due to the change in the Act on Excise Duty effective as of 1 April 2000. The amendment postponed the excise duty settlement date by 30 days including payment of excise duty advances.

11. Bank Loans and Short-Term Debt

At 31 December 2000 and 1999, short-term debt outstanding is comprised of the following (amounts in thousands)

	Conditions	Due date	2000	1999
Overdraft Facility (see Note 3)	Overdraft	–	95,065	–

Interest expense relating to short-term debt for 2000 and 1999 was T CZK 11,803 and T CZK 2,693, respectively.

The Group has available facilities to cover short-term working capital requirements.

On 17 August 2000, the Group completed a CZK 5 billion 5-year Term Loan Facility with a syndicate of 7 banks. As at 31 December 2000 the Group had not utilised this Facility.

12. Capital Lease Obligations

On 31 October, 1997, the Group finalised a lease agreement for the isomerisation unit at the Kralupy refinery. The contract conditions were renegotiated during 1998 and resulted in an increase of the aggregate lease amount (principal and interest) of T CZK 15,364 to a total value of T CZK 480,085. The aggregate lease amount (principal and interest) of T CZK 57,704 as of 31 December 2000 is to be repaid in 4 quarterly installments of T CZK 14,426 ending 31 December 2001. Ownership will be transferred to the Group at the end of the lease. During 2000, the Group concluded leasing agreements for company cars with a total value (principal and interest) of T CZK 29,151. The majority of the leasing contracts are for four years and one contract is for three years and installments are paid on a quarterly or monthly basis. The aggregate lease amount (principal and interest) is T CZK 24,109 as of 31 December 2000.

The payments due on capital leases as of 31 December 2000 are as follows (amounts in thousands):

2001	64,968
2002	7,264
2003	7,161
2004	2,420
Total minimum lease payments	81,813
Less: amounts representing interest	(20,179)
Present value of future lease payments	61,634
Less: current portion	46,662
Net long-term obligation	14,972

13. Taxation

Income Tax Legislation

Corporate income tax is calculated in accordance with the Czech tax regulations at the rate of 31% in 2000. The corporate income tax rate for 1999 was 35%.

The Czech Republic and the Slovak Republic currently have a number of laws related to various taxes imposed by governmental authorities. Applicable taxes include value-added tax, corporate tax, and payroll (social) taxes, together with others. In addition, laws related to these taxes have not been in force for significant periods, in contrast to more developed market economies; therefore, implementing regulations are often unclear or nonexistent. Accordingly, few precedents with regard to issues have been established. Often, differing opinions regarding legal interpretations exist both among and within government ministries and organisations; thus, creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, who are enabled by law to impose extremely severe fines, penalties and interest charges. These facts create tax risks in the Czech and Slovak Republics substantially more significant than typically found in countries with more developed tax systems. Management believes that it has adequately provided for tax liabilities in the accompanying financial statements; however, the risk remains those relevant authorities could take differing positions with regard to interpretive issues and the effect could be significant.

Income Tax Provision

The components of the income tax provision for the years ended 31 December 2000 and 1999 are as follows (amounts in thousands):

	2000	1999
Current	1,136,276	423,581
Deferred tax provision	145,763	261,500
Total income tax provision	**1,282,039**	**685,081**

A reconciliation of expected income tax expense for the year ended 31 December 2000 and 1999 is as follows (amounts in thousands):

	2000	1999
Net income before income tax	4,218,161	2,371,852
Statutory income tax rate	31%	35%
"Expected" income tax expense	1,307,630	830,148
Add (deduct) tax effect of:		
Non-taxable revenues	(40,346)	(172,237)
Non-deductible expenses	124,053	47,179
Other	(109,298)	104,021
Effect of change in tax rate	–	(124,030)
Income tax	1,282,039	685,081
Effective tax rate	**30%**	**29%**

Česká rafinérská, a. s. was granted investment incentives in accordance with the Act on Investment Incentives and Act on Income Taxes in September 2000. The incentives were provided for the construction of a fluid catalytic cracking unit in Kralupy to be completed in summer 2001. The company is entitled to corporate income tax relief in the amount of income tax exceeding the 2000 corporate income tax liability. The tax relief is valid for the succeeding five years starting with the taxable period of 2001.

Deferred Taxes, Net

At 31 December 2000 and 1999, deferred taxes, net is comprised of the following (amounts in thousands):

	2000	1999
Deferred Tax Assets:		
Provisions	53,484	33,125
Total deferred tax assets	**53,484**	**33,125**
Deferred Tax Liabilities:		
Difference between property, plant and equipment		
per book and tax	969,480	838,074
Provisions and reserves related to repairs and maintenance	108,905	113,450
Crude oil inventory	82,091	42,830
Total deferred tax liabilities	**1,160,476**	**994,354**
Total deferred tax liability, net	**1,106,992**	**961,229**

14. Commitments and Contingencies

Purchase Commitments

The Group has a 15 year crude oil transport contract with Mero (effective 1 January 1996) and an annual contract with Transpetrol, which stipulate minimum annual throughput of crude oil by quantity through the IKL and Druzba pipelines.

Foreign Exchange Risk Management

The Group has foreign currency exchange rate risk primarily from commitments for future expenditures denominated in foreign currencies. The Group has decided to hedge this risk for certain large capital projects through the use of foreign currency forward exchange contracts.

In order to effect this hedge, as of 31 December 2000, the Group was a party to a variety of forward foreign currency exchange commitments with banking institutions to purchase 9.2 million Netherlands Guilders in amounts equivalent to approximately 167 million Kc. The amount represents the last forward payment, which was closed in January 2001 at a loss of T CZK 19,325. As of 31 December 2000 and 1999, the unrealised loss on the outstanding foreign currency forward exchange contracts was T CZK 20,516 and T CZK 124,154, respectively. Under the Group's hedge accounting policy, gains and losses from these contracts will be reported as an adjustment to the carrying value of the hedged capital expenditure.

15. Related Party Transactions

The Group sells products to related parties (entities owned by shareholders) in the ordinary course of business. In 2000 and 1999, sales amounted to T CZK 25,989,139 and T CZK 16,029,720, respectively.

At 31 December 2000 and 1999, receivables from related parties is comprised of the following (amounts in thousands):

Related Party	**2000**	**1999**
Benzina a. s.	828,087	865,810
Kaucuk a. s.	48,396	61,874
Chemopetrol a. s.	1,594,738	1,148,918
Paramo, a. s.	8,204	–
Conoco CR, s. r. o.	129,961	110,277
Shell CR, s. r. o.	717,777	303,938
Shell Slovakia, s. r. o.	1,326	–
AGIP Praha, a. s.	99,199	3,956
AGIP Deutschland AG	–	188
Total	**3,427,688**	**2,494,961**

The Group purchases products and receives services from related parties in the ordinary course of business. In 2000 and 1999 purchases amounted to T CZK 3,776,547 and T CZK 3,041,139, respectively. At 31 December 2000 and 1999, liabilities to related parties are comprised of the following (amounts in thousands):

Related Party	**2000**	**1999**
Benzina a. s.	3,344	3,154
Kaucuk a. s.	134,648	98,856
Chemopetrol a. s.	180,355	198,988
Chemopetrol-Doprava, a. s.	27,835	–
Unipetrol, a. s.	16,703	12,849
Paramo, a. s.	44	–
Shell CR, a. s.	–	3,651
Shell Inter. Oil. Products B V	–	19,291
B. U. T., s. r. o.	65	–
Conoco CR, s. r. o.	2,569	6,160
Total	**365,563**	**342,949**

16. Equity

Basic Capital

The basic capital of the Company is comprised of 934,824 shares fully subscribed, with a nominal value of T CZK 10. All shares have equal voting rights.

Included in retained earnings as of 31 December 2000 is a cumulative translation reserve in the amount of T CZK 852 (see Note 2).

During 2000, the Company paid a dividend related to 1999 of CZK 158 per shares, totaling T CZK 147,702. In 1999, the Company paid out dividends related to 1998 of CZK 210 per share, totaling T CZK 196,313.

Reserve Fund

In accordance with Czech regulations, joint stock companies are required to establish a reserve fund for contingencies against possible future losses and other events. Contributions must be a minimum of 20% of after-tax profit in the first year in which profits are made and 5% of profit each year thereafter, until the fund reaches at least 20% of capital. As of 31 December 2000 and 1999, the balance was T CZK 319,316 and T CZK 245,471, respectively, and is reflected as a component of retained earnings.

17. Revenues

Revenues at 31 December 2000 and 1999 were comprised of the following (amounts in thousands):

	2000			1999		
	Domestic	**Foreign**	**Total**	**Domestic**	**Foreign**	**Total**
Products	44,006,480	7,577,800	51,584,280	29,554,585	1,193,554	30,748,139
Services	325,014	3,207	328,221	293,735	894	294,629
Goods	24,789	517,533	542,322	27,392	228,905	256,297
Other	6,571	–	6,571	349,584	–	349,584
Total	**44,362,854**	**8,098,540**	**52,461,394**	**30,225,296**	**1,423,353**	**31,648,649**

Concentration of Revenues

In 2000, primarily all revenues of the company resulted from sales to approximately 49 main customers.

18. Presentation of Financial Statements

The accompanying financial statements are presented on the basis of International Accounting Standards issued by the International Accounting Standards Committee. Certain accounting principles generally accepted in the Czech Republic do not conform to International Accounting Standards used in preparing the accompanying financial statements. A description of the significant adjustments required to conform the Group's statutory balances to financial statements prepared in accordance with International Accounting Standards is set forth in the following table (amounts in thousands):

	2000		1999	
	Net Income	**Retained Earnings**	**Net Income**	**Retained Earnings**
Balance per Statutory Accounts	2,515,672	8,359,786	1,477,788	5,991,815
Revaluation of assets and liabilities denominated in foreign currencies, net	35,134	5,889	(20,846)	(29,244)
Reclassify crude oil line fill from property, plant and equipment to inventory	17,478	168,287	17,478	150,809
Adjust fixed asset life to 25 years	84,975	336,948	75,968	251,973
Reversal of provisions and reserves related to repairs and maintenance	(14,180)	238,337	168,279	252,517
Currency translation adjustment	–	852	–	–
Adjustment for deferred taxes	267,366	257,474	(62,307)	(9,892)
Capital lease obligations	29,677	94,099	30,411	64,422
Balance per IAS accounts	**2,936,122**	**9,461,672**	**1,686,771**	**6,672,400**

Directotry

Job title	First name	Surname	Site	Phone no.	Phone no.
General director	**Ivan**	**Ottis**	**Kralupy/Litvínov**	**0205/718521**	**035/6163567**
Financial director	**Eric**	**Anderson**	**Kralupy**	**0205/718561**	
Controller	Miroslav	Hanousek	Kralupy	0205/718563	
Treasurer	František	Čermák	Kralupy	0205/718587	
IT manager	Pavel	Král	Kralupy	0205/718616	
Business Planning & Analysis Manager	Mojmír	Zenáhlík	Kralupy	0205/718564	
Internal audit manager	Iva	Černá	Kralupy	0205/718562	
Commercial Director	**Jiří**	**Pavlas**	**Kralupy**	**0205/718531**	
Supply Manager	Rostislav	Palička	Kralupy	0205/718523	
Sales Manager	Mario	Musumeci	Kralupy	0205/718547	
Export Manager	Igor	Kuruc	Kralupy	0205/718522	
Marketing and Logistics Manager	Petr	Štěpán	Kralupy	0205/718545	
Finished Products Logistics Manager	Pavel	Nohava	Kralupy	0205/718546	
Technical Director	**John**	**de Haseth**	**Litvínov**	**035/6164776**	
Head of Production Section Litvnínov	Václav	Raitr	Litvínov	035/6163884	
Head of Production Section Kralupy	Josef	Krch	Kralupy	0205/714260	
Head of Maitenance Section	Gustav	Macák	Litvínov	035/6164456	
Head of Technological Section	Milan	Vitvar	Litvínov	035/6164477	
Head of Health and Safety Section	Václav	Goluch	Litvínov	035/6164041	
	Miroslav	**Debnár**	**Litvínov**	**035/6164338**	
Personnel manager	Alena	Stejskalová	Litvínov	035/6163809	
Manager of organ. and law department	Alois	Dvořák	Litvínov	035/6165974	
Manager of public relations	Aleš	Soukup	Kralupy	0205/718579	
Manager of service department	Radomír	Bláha	Litvínov	035/6165176	
Planning development director	**Oscar**	**Magnoni**	**Kralupy**	**0205/718600**	
Operations optimisation manager	Silvio	Gulli	Kralupy	0205/718602	
Planning manager	Hugo	Kittel	Kralupy	0205/718603	
Investment Director	**Milan**	**Vyskočil**	**Litvínov**	**035/6164957**	
Techn. Project Preparation Section Head	Jiří	Krbec	Litvínov	035/6164191	
Project Manager FCC	Daniel	Nicodemus	Kralupy	0205/713549	
Contracting & Procurement Manager	Josef	Král	Litvínov	035/6162862	

Česká rafinérská, a. s.
Annual Report 2000
Conception and production: OgilvyCID, s. r. o.
Graphic design: Juraj Sedlák
Fotography: Jan Pohribný

Česká rafinérská, a. s., 436 70 Litvínov, Záluží 2, Czech Republic
Tel.: +420/35/616 35 67, Fax: +420/35/616 50 86

Česká rafinérská, a. s., 278 52 Kralupy nad Vltavou, O. Wichterleho 809, Czech Republic
Tel.: +420/205/71 85 00-3, Fax: +420/205/71 86 40
E–mail: info@crc.cz, Internet: http://www.crc.cz