Česká rafinérská

ANNUAL REPORT 2001

We are a successful international business. We rank among the ten most important businesses in the country, both in terms of sales and the position in the Czech economy.

Česká rafinérská is the largest domestic processor of crude oil and producer of oil products, which are sold by the company on the markets in the Czech Republic and the neighboring countries.

In 2001, Česká rafinérská completed its five-year investment and development plan laid down by the shareholders upon its foundation. We have succeeded in obtaining various quality and environmental certificates. Last year also marked the beginning of our operation in a decade that will impose even greater requirements on producers in relation to product quality, in an environment which has become substantially demanding and competitive.

DESCRIPTION OF THE COMPANY

Česká rafinérská purchases crude oil and processes it into motor fuels, petrochemical materials, heating oils, heating gases (LPG), raw materials for lubricating oil production, asphalt, sulfur and solvents. The company sells these products to companies operating gas stations, trading companies and end customers in the Czech Republic and the neighboring countries.

Both refineries are connected to the oil pipeline operated by Mero in the Czech Republic. The network consists of the Druzhba pipeline starting in the Russian Federation and the IKL pipeline connecting the company to world crude oil markets through the seaport of Trieste and the TAL pipeline. The refinery in Litvínov processes primarily heavy and medium-heavy types of crude oil with a high sulfur content (such as REB). The refinery in Kralupy nad Vltavou currently processes primarily medium-heavy low sulfur types of crude oil.

The Litvínov refinery, whose history extends back to the 1940s, has an annual capacity of 5.5 million tonnes of a wide range of oil products and supplies raw materials for petrochemical units of the partner Chemopetrol company, as well as lubrication oil raw materials for Koramo Kolín and Paramo Pardubice. Production of road asphalt and solvents is also important. For the distribution of this motor fuels, the company uses primarily the product pipeline network of Čepro.

The refinery in Kralupy nad Vltavou has been operated since 1976, and its annual processing capacity exceeds 3.3 million tonnes. Since 2001, the facility provides comprehensive processing of crude oil and focuses on the production of motor fuels, heating gases and low-sulfur heating oils. Another product consists in jet aircraft fuel, which is supplied to the Prague – Ruzyně airport. The refinery also includes a facility producing MTBE, a high-octane oxide additive. The location of the refinery highlights its role as a primary supplier for motorists in the capital city of Prague and central Bohemia.

Česká rafinérská was founded in 1995. Since January 1, 1992, the company has operated the country's largest refineries in Kralupy nad Vltavou and Litvínov. In 1996, foreign investors – Agip Petroli, Conoco and Shell – brought their capital to the company and formed a joint venture with the Czech company Unipetrol. The Unipetrol interest was subject to privatization of the state interest in 2001-2002.

Jiří Pavlas
Member of the Board of Directors

Oscar Magnoni
Member of the Board of Directors

John William de Haseth
Member of the Board of Directors

Milan Vyskočil
Member of the Board of Directors

Eric Van Anderson
Vice-Chairman of the Board of Directors

Ivan Ottis
Chairman of the Board of Directors

Miroslav Debnár
Member of the Board of Directors

REPORT OF THE BOARD OF DIRECTORS

On behalf of the Board of Directors of Česká rafinérská, a. s., (CRC) I hereby submit the Report on the business activities of Česká rafinérská a. s., and the status of its assets in 2001.

Following 2000, a year in which the Company accomplished extraordinary results, the following objectives were set by the Shareholders:

- To achieve net profits of CZK 1.363 billion within the prescribed level of production costs
- To achieve the 'best-in-class' performance in labor safety & health protection
- To obtain ISO 9001 and ISO 14001 international certification
- To complete the construction and launch of the Fluid Catalytic Cracker (FCC) Unit at the Kralupy refinery
- To participate in activities associated with meeting European motor-fuel quality standards – the 'Clean fuels' program
- Through increasing the share in the motor-fuel market and creating commercial conditions, to support the increased motor-fuel production capacity potential of FCC
- To develop a working environment promoting performance ethics and personal development

During performance of the above goals and targets, in numerous aspects, the Company had to adapt to extraordinary social and environmental trends in both the Czech Republic and worldwide. Although a number of objectives set by the Shareholders were accomplished, and in some instances even surpassed, from the financial point of view, the year 2001 was a disappointment.

For the first time in its history, the Company experienced a net loss equaling CZK 60.417 million (based on Czech Accounting Standards), while on a non-consolidated basis, i.e. excluding Slovak and Polish subsidiaries, the net loss equaled and CZK 60.635 .

This negative result was caused by a variety of external and internal reasons, particularly, however, by the adverse trends in the business environment compared to the assumptions of the Business Plan 2001.

Competition became extremely strong. Whilst partly this was a continuation of the trend from the past, in relation to the FCC launch 2001, this was an extraordinary year in that CRC had to maintain and extend its share in the domestic market at a time when growth in motor fuel consumption was stagnating.

Due to the aggressive marketing and pricing policies of CRC's competitors, in Q1/2001, the Company recorded its lowest sales ever. During H1/2001, CRC managed to gradually increase its market share so that in late 2001 it would surpass the share reached in 2000 and 2001, respectively. However, the negative impact of this unavoidable process consisted in a drop in inland premia by more than CZK 300/Mt compared to previous years. However, a certain role in this aspect was played by the total abolition of import duties on motor fuels, effective for the Czech Republic from 1 January 2001.

The balance of CRC's production and sales costs was adversely affected by the regional fuel quality requirements, which deviated from the Company's expectations. More specifically, Čepro, a. s., a company largely involved in fuel storage and distribution on a national scale, began to introduce European Union 2000 parameters for fuel at the beginning of January 2001, both for the state reserves and for its own needs, even though, under Czech legislation, this measure would not become mandatory before 1 January 2003. In addition, it was assumed that mogas BA 91 would represent 30% of CRC's total output, while it eventually represented only 15%. These factors led to a dramatic increase in unscheduled production costs.

An increase in the production costs was also caused by extraordinary breakdowns of several production units, the most distinctive of which was the lengthy breakdown of the CCR at the Litvínov refinery. Despite all these difficulties, the Company managed to attain the scheduled production volumes and mitigate the adverse impacts caused by these technical problems. Nevertheless,

the occurrence of such breakdowns, coinciding with the seasonal increase in the demand for motor fuels and with relatively favorable refinery margins, was reflected in a drop in profits.

Despite the above factors and also the substantial increase in insurance costs, the Company almost managed to maintain its fixed costs target, with an overrun of 4%, close to the level of CZK 1.840 billion assumed in the Business Plan. In other words, the increased insurance and maintenance costs, as well as additional unscheduled costs equaling around CZK 150 million were almost offset by a number of internal cost management measures.

Another important aspect consisted in the fact that, as a result of increased exports combined with supply conditions sought for by customers (the launch of direct customer supply), the Company had to spend an extra CZK 200 million over and above the framework of the Business Plan to cover logistic costs.

However, amongst all objective impacts, the most critical was that of the precipitous fall of crude oil prices in Q4/2001. Due to the significant period of time elapsed between the supply and processing of crude oil at CRC, in late 2001, the Company was unable to fully reflect the costs of relatively expensive crude oil into product prices. The total resulting impact on CRC's economic management amounted to CZK 1.405 billion.

On the other hand, a positive aspect accomplished during 2001 was that the Company significantly increased its exports to Poland (159.9 kt of Mogas, and 133.8 kt of diesel), and Slovakia (21.8 kt of Mogas and 37.9 kt of diesel). Moreover, CRC was able to benefit from full operation of the Česká rafinérská Polska and Česká rafinérská Slovakia branches. The export markets in Germany and Austria were also maintained.

In April 2001, the FCC unit, CRC's top investment, was launched, with combined direct and indirect costs equaling CZK 8.1 billion. The license for FCC's was provided by UOP, while Fluor Daniel was the general contractor. Additional equipment was provided by ABB Lummus Brno. Compared to the initial schedule and budget, the period of construction was shortened by six months, and investment costs were reduced by CZK 1.5 billion. The unit was launched in a very short time and was free of any common teething problems. The introduction of the FCC unit led to resolving of problems that were previously associated with the disposal of heavy heating oils in the market. Moreover, the unit should substantially contribute to improvement of economic results once the increased mogas volume is absorbed by the market. Last but not least, investments utilizing synergies between the two refinery plants provided for the production of EU 2000 specification fuels, thus creating a fundamental pre-requisite for the process of preparation for EU 2005 specifications.

In 2001, the Company continued to meet the trends in labor safety and health protection. No accident was recorded in 2001 resulting in absence from work. The accomplishment of 4 million working hours without any injury resulting in absence from work (contractors included) put CRC in a leading position amongst industrial companies worldwide.

In the field of environmental protection, with the new Claus IV unit being stabilized and the Sulfreen unit capacity doubled, CRC succeeded in resolving all problems associated with hydrogen sulfide emissions.

Implementation of the Total Management System (TMS) was continued. Quality, complexity and the interfaces of internal procedures in the fields of labor safety, environmental protection and the quality of customer relations were appraised by the award of ČSN ISO 9001 and ČSN 14001 certificates (by Lloyd's Register Quality Assurance).

Through programs, such as Operator 2000, Shift Supervisor 2000, and Laboratory Technician 2000, as well as through a continued upgrade of production units, the process was continued of staff restructuring implemented under the long-term staff optimization plan.

Total investments in 2001 amounted to CZK 2.47 billion. In addition to FCC, the LPG storage facility was revamped (with a budget of CZK 242 million). Investment schemes such as the Central Control rooms in Litvínov and Kralupy (with budgets equaling CZK 1.3 billion and CZK 540 million, respectively) progressed, including the revamp of the Kralupy-based LPG storage facility (with a budget equaling CZK 360 million).

The very favorable results achieved in previous years, crowned by the all-time high revenues of 2000, allowed CRC to draw only CZK 2 billion from its CZK 5 billion syndicated loan organized in 2000.

Compared to the preceding accounting period, the net value of consolidated assets dropped by CZK 0.5 billion, from CZK 30.0 billion to CZK 29.5 billion. Ongoing investment activities of the Company led to an increase in the fixed assets by an amount exceeding CZK 1.3 billion in net value, while retaining an unaltered inventory value, and with simultaneous marked decrease in receivables (CZK 1.3 billion) and financial assets (CZK 0.9 billion).

Consolidated own capital dropped from CZK 17.7 billion to CZK 17.0 billion, equaling a decrease of CZK 0.7 billion, which was used for the distribution of dividends to Shareholders, and in the posted CAS loss amounting to CZK 60.417 million.

The General Meeting held in May 2001 elected Mr. Miroslav Debnár as a member of the Board of Directors, replacing the retired Mr. Zbyněk Smrčka who served as a Board member from CRC's foundation.

The year 2001 witnessed the climax of an extensive five-year investment plan approved by Shareholders in 1995. The resulting technological configuration fully matches that employed in rival refineries and CRC's refineries meet all safety & environmental requirements. Commercial space for the production of a new unit, though not yet at full capacity, has been successfully created. In the Czech Republic, CRC has maintained its position as a highly respected corporate entity.

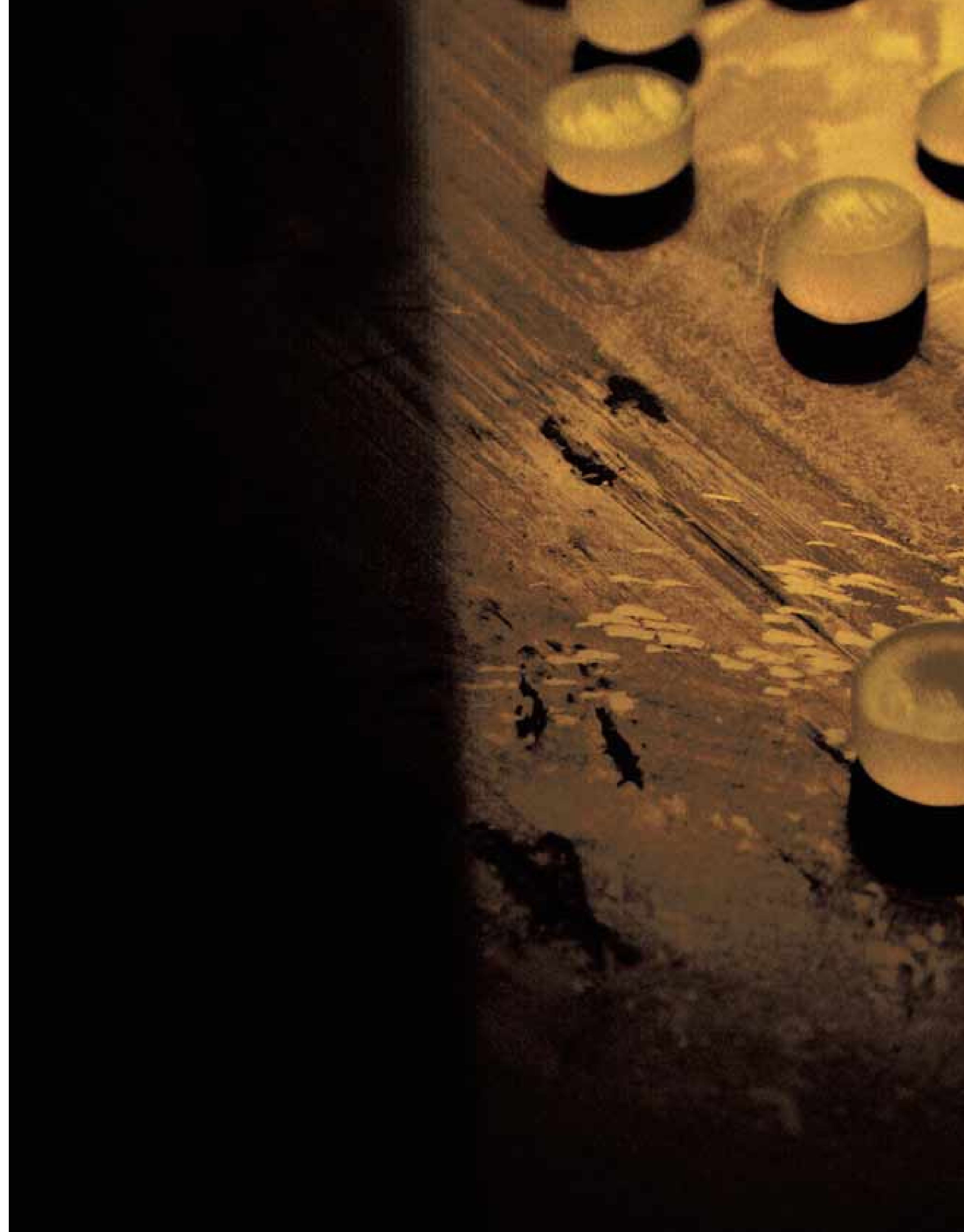
CRC's major objective for 2001 set out by Shareholders, to generate the planned profit, was not achieved and the Company temporarily got into the red in late 2001. It may be suggested that, given the new CRC commercial policy framework, the total amount of sales volume is stabilized and, in terms of strategically vital commodities, it has increased. By the fulfillment of this goal, amongst other things, realistic provisions have been made for the Company to retain its position of a successful industrial company capable of creating a base for fuel supply in the Czech Republic, providing quality job opportunities, and implementing the plans of its Shareholders.

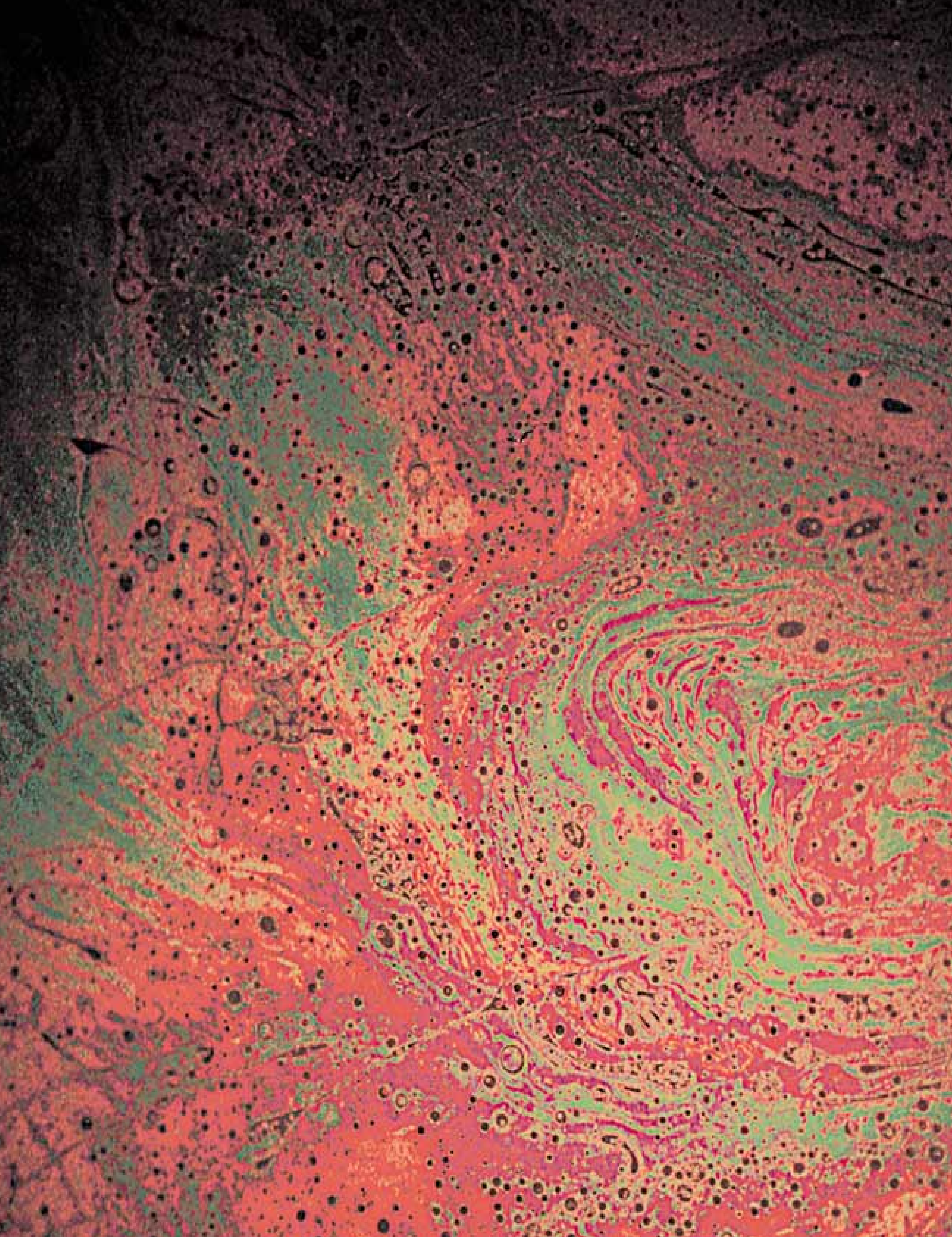
Eric V. Anderson	Ivan Ottis
Vice-Chairman of the Board of Directors	Chairman of the Board of Directors

Kralupy nad Vltavou, Czech Republic, 2 May 2002

LIST OF MAIN CLIENTS

1. ČS propanbutanová společnost, s. r. o. ■ Andrej Páč – Maztech ■ Aectra S.A. ■ Agip Praha, a. s. ■ Agrofert Holding, a. s. ■ Agron plus, s. r. o. ■ Agropodnik Domažlice a. s. ■ Aliachem a. s., ■ Aliachem Deutschland GmbH ■ Aliachem Vienna GmbH ■ Amal Co., Sp. z o. o. ■ Antares-Petrol Mineraloelhandelsges. m.b.H. ■ Aral ČR, a. s. ■ Avia Mineralölhandelsges. m.b.H ■ Bena, a. s ■ Benzina a. s. ■ Brenntag International Chemicals GmbH ■ Brněnská obalovna, s. r. o. ■ Conoco Czech Republic, s. r. o. ■ Continentale AG ■ CRC Polska Sp. z o. o. ■ Čepro, a. s. ■ Česká rafinérská Slovakia, s. r. o. ■ Českomoravské vápno, s. r. o. ■ Českomoravský cement, a. s. ■ Český plyn k. s. ■ ČMO – České a moravské obalovny s. r. o. ■ DEA Mineraloel and Service GmbH ■ Dehtochema Bitumat, a. s. ■ Eastern Sugar Česká republika a. s. ■ Eigl, a. s. ■ Energy Trading H GmbH ■ Esso Austria GmbH ■ Esso, s. r. o. ■ Eurocrux s. r. o. ■ Euro – Šarm spol. s r. o. ■ Frantschach Pulp & Paper a. s. ■ G7, a. s. ■ Gas Filling, spol. s r. o. ■ Gas Petrol Trade s. r. o. ■ GKG Mineraloel Handel GmbH & CO KG ■ Helm AG ■ Chemopetrol, a. s. ■ Jan Veselský ■ Jan Vinduška ■ Jas Budapest KFT. ■ Jihočeská obalovna, spol. s r. o. ■ Jiří Křeček ■ K.W. Nitzsche & E.O. Weiss Bau GmbH ■ Kaučuk, a. s. ■ Koramo, a. s. ■ Kralupol, spol. s r. o. ■ Lafarge Cement, a. s. ■ Liberecká obalovna, s. r. o. ■ Lukoil Prague, a. s. ■ MK Mineralkontor AG ■ Mostecká uhelná společnost, a. s. ■ N.A.P. Brno, s. r. o. ■ Nutricia Mléčná výživa, a. s. ■ OMV Česká republika, s. r. o. ■ Oteps spol. s r. o. ■ Paramo, a. s. ■ Petr Lamich – Lama ■ Petrogas, spol. s r. o. ■ Plzeňská obalovna, spol. s r. o. ■ Popilka spol. s r. o. ■ Pražská cukerní společnost TTD a. s. ■ Pražská teplárenská, a. s. ■ Pražské silniční a vodohospodářské stavby, a. s. ■ Probo Group, a. s. ■ Propantrans s. r. o. ■ První seriozní, s. r. o. ■ Robin Oil, spol. s r. o. ■ Setadiesel, a. s. ■ Shell Austria AG ■ Shell Czech Republic, a. s. ■ Silmet Příbram, a. s. ■ Spolana a. s. ■ Spolek pro chemickou a hutní výrobu, a. s. ■ Správa státních hmotných rezerv ■ Stavby silnic a železnic a. s. ■ Strabag a. s. ■ Südzucker AG Mannheim / Ochsenfurt ■ Synthesia ■ Teplárny Brno a. s. ■ Tonamo, a. s. ■ Topexol, s. r. o. ■ Totalfinaelf Česká republika s. r. o. ■ V.D. Walke a. s. ■ Vendys & V s. r. o. ■ Vodohospodářské stavby, spol. s r. o. ■ Voest – Alpine Intertrading AG ■ W.A.G. minerální paliva, a. s. ■ WTG-LK spol. s r. o.



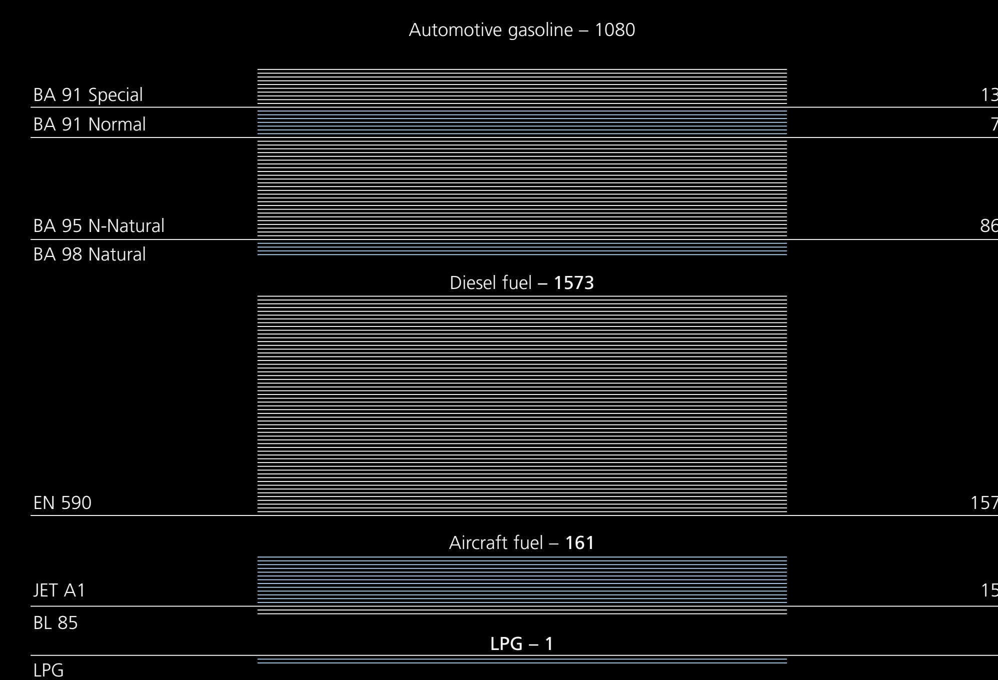


TRANSPORT

Česká rafinérská supplies the market with fuels used in road, railroad, water and air transport. It also produces unleaded gasoline of the Normal 91, Super 95 and Super plus 98 types for modern gasoline engines, primarily in road vehicles. Diesel fuels under the EN 590 European specification produced by Česká rafinérská are intended for use in diesel engines in trucks, locomotives and boats. Aircraft gasoline is used in the gasoline engines of smaller recreational and utility aircrafts. Jet engines in medium and large aircrafts use the JET A1 kerosene. In some cases, gasoline engines also use a mixture of propane and butane as an alternative fuel.

In 2001, Česká rafinérská produced nearly 3 million tonnes of fuels used by motorists in the Czech Republic and other countries.

Sales of automotive gasoline, diesel fuel, and aircraft fuel in 2001 in thousands of tonnes

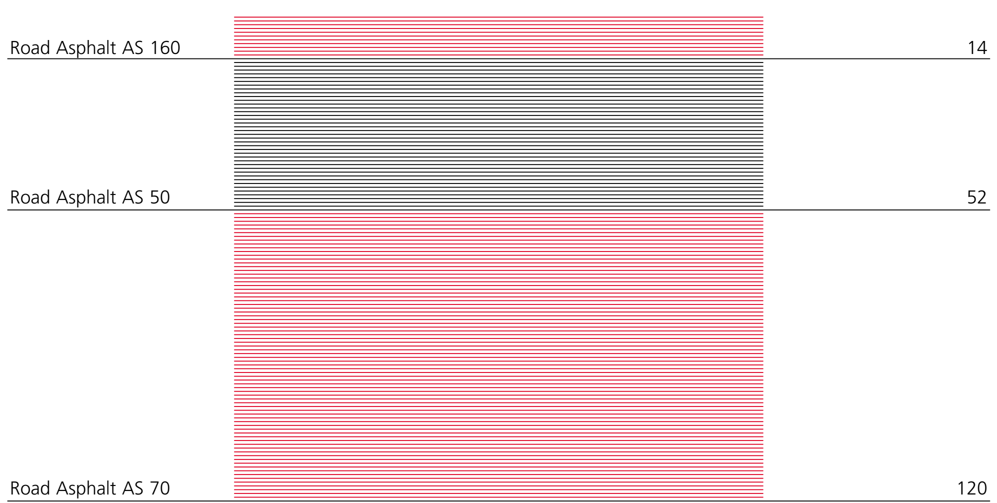


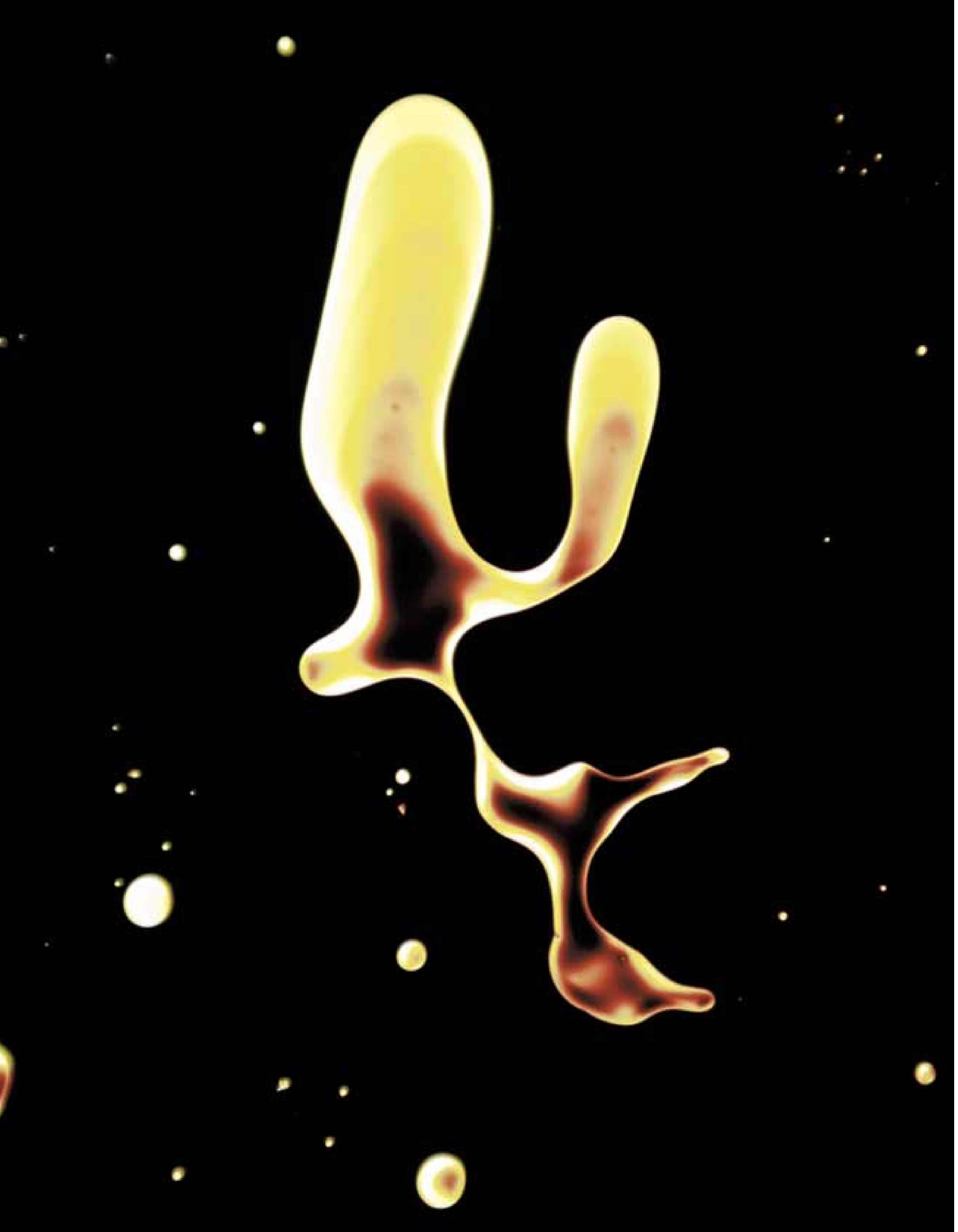
ROAD CONSTRUCTION

Česká rafinérská produces several types of blown and semi-blown road asphalt. These materials are used e. g. in construction and maintenance of bituminous roadways, walkways, roadway substrates, and in the production of bituminous concrete and various bitumen products.

In 2001, Česká rafinérská produced 186 thousand tonnes of asphalts, which it supplied to construction companies in the Czech Republic and the neighboring countries. A significant quantity of asphalt was used in bituminous mixtures used for intense construction works in the Federal Republic of Germany.

Sales of asphalt in 2001 in thousands of tonnes





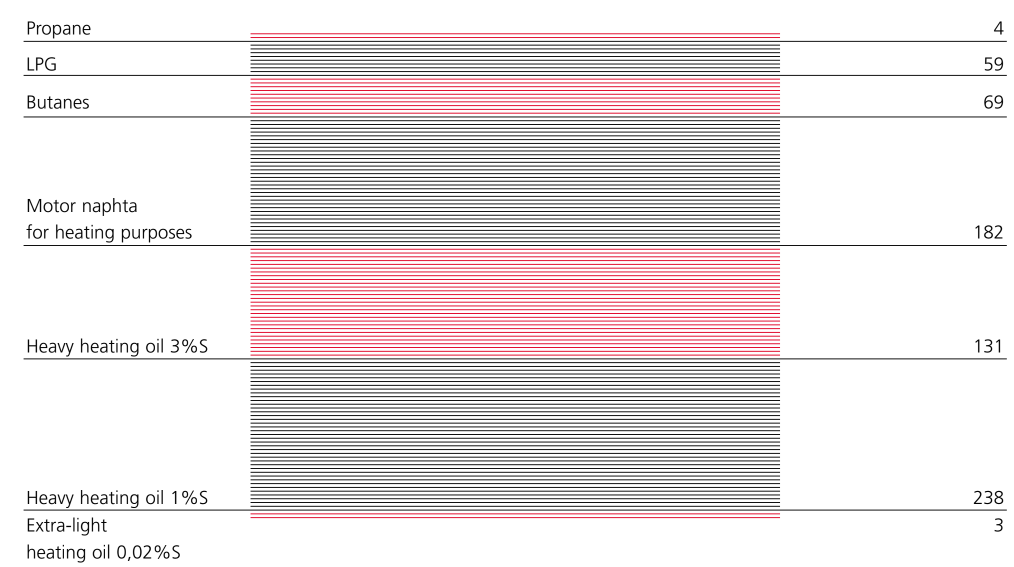
ENERGY

Česká rafinérská produces two basic lines of energy products: heating gases and heating oils. The traditional propane/butane supplied in pressure containers for households and leisure activities is complemented by propane filled household reservoirs. Butane is the popular heating fuel in various industries.

The range of heating oils produced by Česká rafinérská no longer includes environmentally unacceptable high-sulfur heating oils, and the product range of the company is dominated by heating oils with sulfur content of up to 1%. This offer is complemented by with the extra-light heating oil with a sulfur content of up to 0.02%, which is frequently used in heating of buildings in environmentally endangered areas or natural reserves.

In 2001, Česká rafinérská produced 686 thousand tonnes of heating oils supplied to clients in the Czech Republic and neighboring countries.

Sales of heating oils in thousands of tonnes 2001



CHEMICAL INDUSTRY

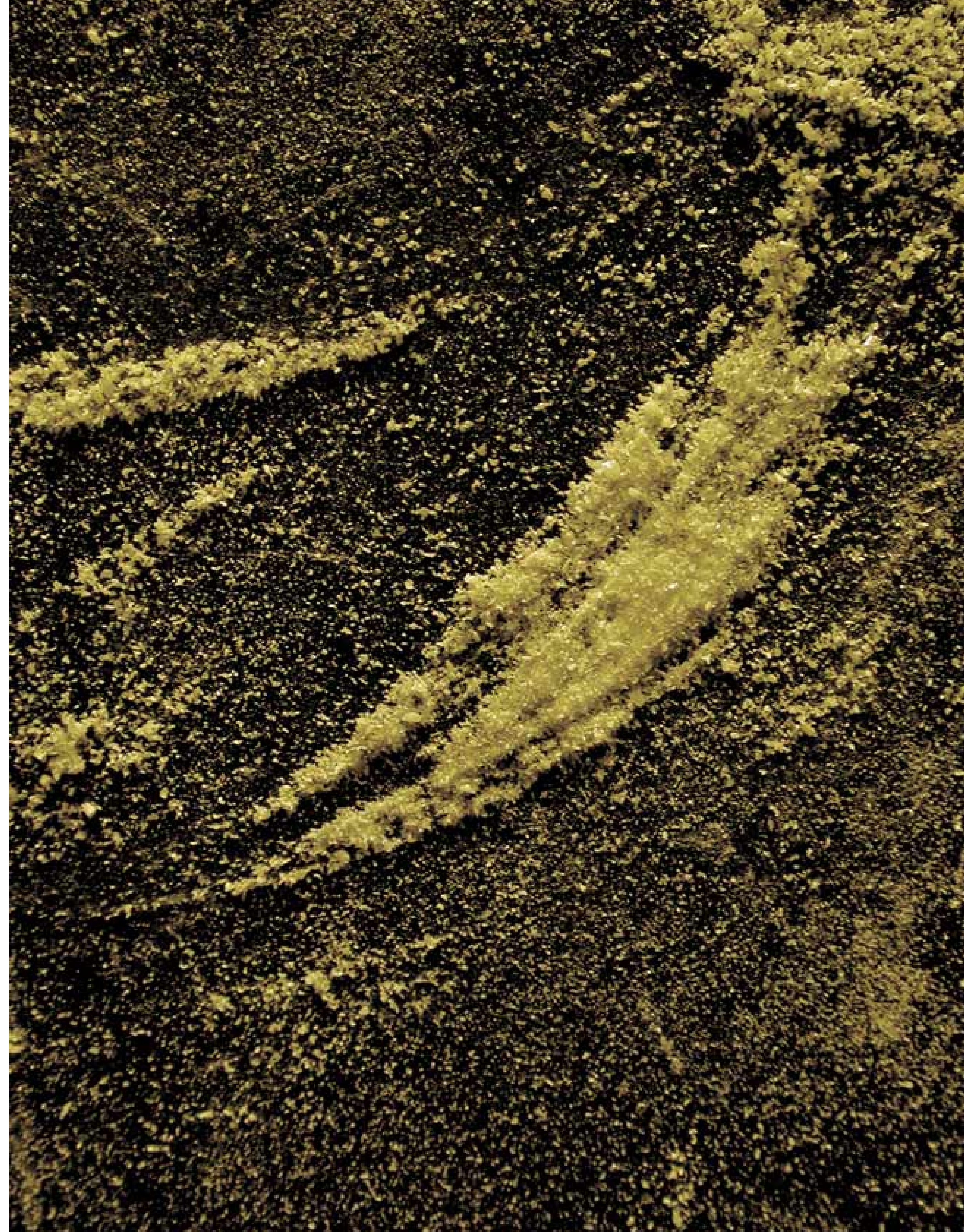
Česká rafinérská is a key supplier of raw materials for petrochemical and chemical production. Its products, which constitute input materials for the Litvínov ethylene unit, include virgin petrol, liquefied oil gases, gas oils, and crack products (HCVD and cracked petrol). The company also produces hydrocarbon solvents, various kinds of technical petrol used as paint solvents, petrol for medicinal purposes and petroleum ethers used for cosmetics and pharmaceutical purposes. Another product consists in polymer-pure propylene. Česká rafinérská is a traditional producer of oil hydrogenates, which is a raw material for the production of basic lube oils. Other refinery products include liquid sulfur used in a number of chemical production processes and MTBE used as a component of automotive gasolines or as a solvent.

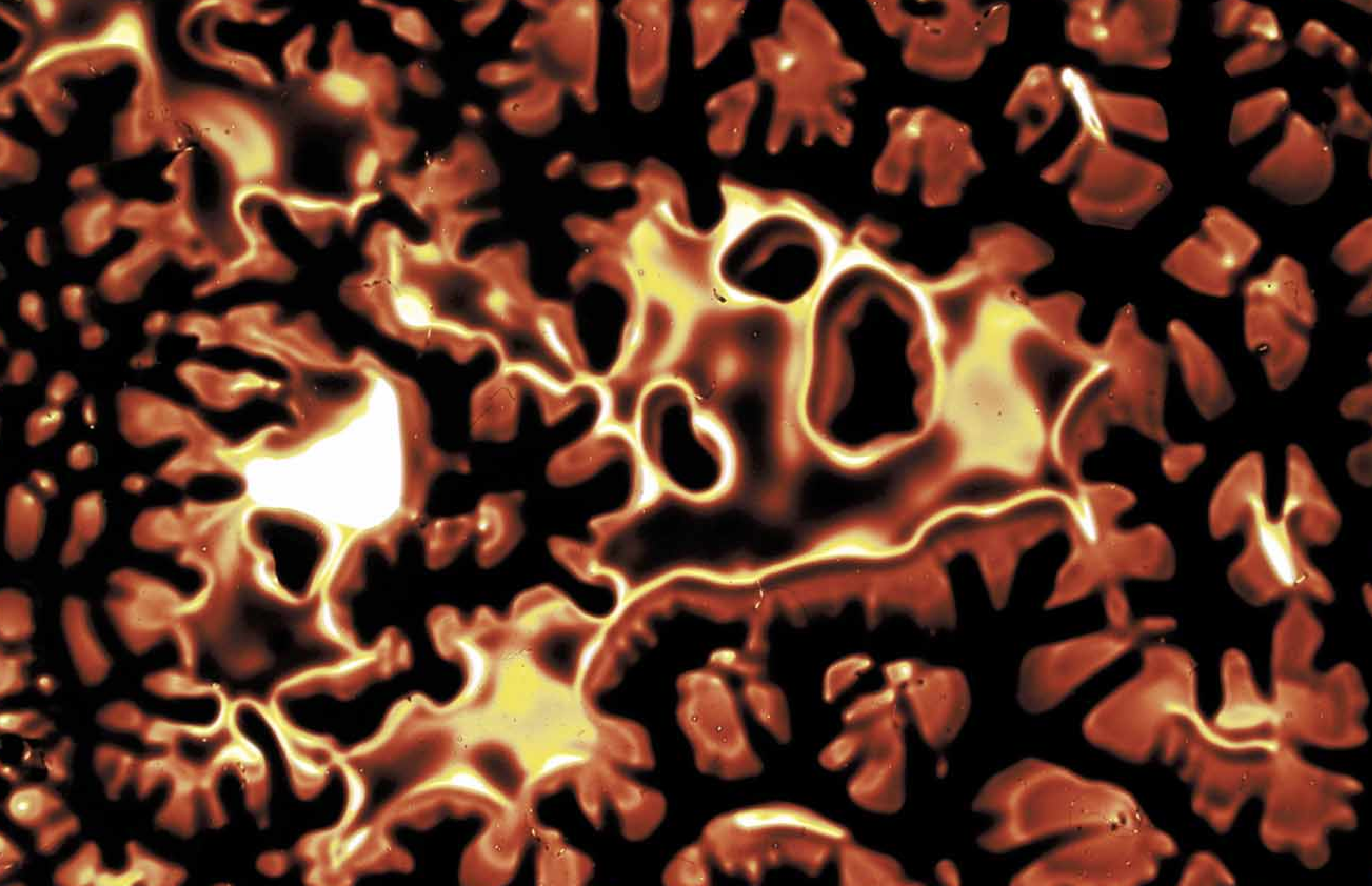
Raw materials supplied by Česká rafinérská are used by Chemopetrol for the production of polyethylene and polypropylene, which are then used for various products for everyday use.

In 2001, the company supplied 1.461 million tonnes of products to chemical industries in the Czech Republic and the neighboring countries.

Sales in 2001 in thousands of tonnes

LPG	73
Virgin Naphta	363
Gasiol	202
HCVD including OH	519
Residue for POX	302
Solvents	2
Total	1 461





2001 HIGHLIGHTS

February 25, 2001	Completion of construction works on the FCC unit
April 20, 2001	Spraying into the FCC reactor
May 21, 2001	FCC load test successfully accomplished
May 25, 2001	Completion of the 1st phase of centralization of the Litvínov control center
June 19, 2001	Official commencement of operation of the FCC in the presence of the Minister of Industry and Trade, Miroslav Grégr
July 27, 2001	Completion of the certification audit under the CSN EN 9001 and CSN EN 2001 standards
October 5, 2001	4 million hours of work (including contractors) without any workrelated injuries causing last work day
November 7, 2001	Conoco President „Technical Excellence" award for the FCC project

YEAR 2001 IN ČESKÁ RAFINÉRSKÁ

1. Key indicators and characteristics 1999 – 2001 in thousand CZK

	1999	2000	2001
Operating revenues	2 502 027	4 964 396	589 874
Net profit	1 477 788	2 531 785	- 60 635
Net cash flow	- 3 918 423	819 835	- 1 004 258
Current assets to liabilities ratio	1,5	1,2	1,4
Capital expenditures	4 335 758	4 994 757	2 470 466

2. Total sales of main product groups in 1999 – 2001 in thousands of tonnes

	1999	2000	2001
Automotive gasoline	1 000	1 067	1 080
Diesel fuel	1 534	1583	1 755
Aircraft kerosene	140	165	159
Light fuel oil	55	28	3
Heavy fuel oil	646	428	369
Bitumens	324	319	186
LPG	88	88	133

2a. Export sales of main product groups in 1999 – 2001 in thousand of tonnes

	1999	2000	2001
Automotive gasoline	100	76	210
Diesel fuel	620	493	614
Aircraft kerosene	0	9	0
Light fuel oil	4	0	0
Heavy fuel oli	202	133	116
Bitumens	118	100	30
LPG	28	23	27

3. Domestic market share of main product groups in 1999 - 2001

	1999	2000	2001
Automotive gasoline	47	52	44
Diesel fuel	42	45	43
Aircraft kerosene	74	82	88
Light fuel oil	47	34	5
Heavy fuel oli	54	55	49
Bitumens	59	59	44
LPG	32	32	50

4. Number and fequence of work injuries in 1999 – 2001

	1999	2000	2001
Number of injuries of CRC emploees	1	2	0
Combine frequence of lost workday cases	0,6	1,1	0
Combine fequence of injuries	2,4	1,6	1,1
Total combine frequence of injuries	4,6	2,9	2,1

Combine means Česká rafinérská employees and contractors

5. Number of employees divided according position in 1999 - 2001

	1999	2000	2001
Operator, laboratory and	569	465	392
Administrative stuff	485	384	366
Managers	30	28	30
Job Replacement Centre employees	135	234	100
TOTAL	1219	1111	888

6. Investment funds allocated in 2001 in thousands of CZK

	Litvínov	Kralupy	Both Locations	Total
Refurbishment and Modernization	703 808	34 269	8 863	746 760
Environmental Protection	40 744	23 443	-	64 187
Safety	251 533	111 575	-	363 108
Development Investments	65 759	920 739	34 079	1 020 577
Other	-	-	248 926	248 926
TOTAL	1 061 844	1 090 026	291 688	2 443 558

7. Crude oil processed in 1999 – 2002 in thousand tonnes.

	1999	2000	2001
Crude oil processed	5 287	5 395	5 418

Zdeněk Černý LL.D.
Chairman of Supervisory Board

REPORT OF THE SUPERVISORY BOARD

Report on the Standpoint of the Supervisory Board of Česká rafinérská, a. s., to the regular and consolidated financial statement drawn up as of 31 December 2001 and on the Review of the Report on the Relationship between the Controlling and Controlled person and of the Relationship between the Controlled Person and other Persons Controlled by the same Controlling person (for Year 2001).

Arthur Andersen Czech Republic company, l.p., executed an audit of the regular and consolidated Year 2001 financial statement, giving in its report the auditor's statement of "no reservations". Taking into consideration the auditor's statement, the Supervisory Board acknowledges hereby that the regular and consolidated financial statement truly and in all material respects displays the assets, liabilities, equity and the financial position of Česká rafinérská, a. s., as of 31 December 2001, as well as its 2001 income from operations – compliant with the Act on Accounting and legal regulations applicable in the Czech Republic.

Additional to that, the Supervisory Board states that – on the basis of the submitted annual and consolidated financial statement as of 31 December 2001 as well as of other documents submitted by the Company to the Supervisory Board for comments within 2001, it has not found any major drawbacks or discrepancies that might suggest that the accountancy records had not been kept in accordance with reality and pursuant to legal regulations.

The Supervisory Board recommends to the General Meeting hereby that the annual consolidated financial statement be approved, and that the loss posted in 2001 financial statement be settled from the profit of previous years.

The Supervisory Board has reviewed the Report on the relationship between the controlling and controlled person and the relationship between the controlled person and other persons controlled by the same controlling person (for year 2001), as drawn up by the Company Board of Directors and submitted to the Supervisory Board. The Supervisory Board has expressed no major reservations concerning the report submitted.

Drawn up on 16 May 2002

Zdeněk Černý LL.D.

Chairman of Supervisory Board

Česká rafinérská, a.s.

ANNUAL REPORT 2001

FINANCIAL PART

(Translation of a report originally issued in Czech – see Note 2 to the financial statements.)

ANDERSEN

AUDITORS' REPORT

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

We have audited the consolidated financial statements of Česká rafinérská, a. s. and subsidiaries, for the year ended 31 December 2001 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 an 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 subsidiaries, as of 31 December 2001 and the financial results for the year then ended in accordance with Act No. 563/1991 Sb. on Accounting and relevant legislation.

We have also audited the prior year consolidated financial statements and issued an unqualified report thereon dated 23 February 2001.

The accompanying annual report for 2001 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 as of 31 December 2001. 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.

We have reviewed the information contained in the report on related parties, which was prepared in accordance with Section 66a of the Commercial Code. The Board of Directors is responsible for the complete and accurate presentation of the report. Our responsibility is to review the accuracy of the information included in the report. During our audit, nothing came to our attention that would cause us to believe that the information disclosed in the report was inaccurate. We did not review the completeness of the information presented in the report. In addition, we are unable to assess whether the relationships between related parties had an adverse affect on the Company. However, the management of the Company believes that all transactions between related parties were performed on an arm's length basis.

Arthur Andersen Česká Republika, k.s.

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Ladislav Langr

Ladislav Langr
License No. 257

25 February 2002
Prague, Czech Republic

Česká rafinérská, a.s. - 31 December 2001

Consolidated Financial Statements in thousand Czech crowns

(Translation of financial statements originally issued in Czech - see Note 2 to the financial statements)

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2001

					Current year			Prior year
					Gross	Provision	Net	Net
			TOTAL ASSETS	01	33,157,070	(3,676,397)	29,480,673	30,046,041
A.			STOCK SUBSCRIPTIONS RECEIVABLE	02				
B.			FIXED ASSETS & INVESTMENTS	03	20,126,584	(3,560,385)	16,566,199	15,207,487
B.	I.		Intangible fixed assets	04	677,581	(299,539)	378,042	389,607
B.	I.	1	Foundation and organizational costs	05				
		2	Research and development	06	22,141	(11,977)	10,164	13,583
		3	Software	07	388,865	(209,315)	179,550	232,860
		4	Patents, rights and royalties	08	197,347	(78,247)	119,100	51,155
		5	Other intangibles	09				
		6	Intangibles in progress	10	69,228	0	69,228	92,009
		7	Advances for intangibles	11				
B.	II.		Tangible fixed assets	12	19,449,003	(3,260,846)	16,188,157	14,817,441
B.	II.	1	Land	13				
		2	Buildings, halls and constructions	14	3,048,304	(248,153)	2,800,151	2,089,562
		3	Separate movable items and groups of movable items	15	11,839,007	(2,328,458)	9,510,549	3,495,749
		4	Permanent growth (e.g. forest)	16				
		5	Livestock	17				
		6	Other tangible assets	18	789,465	(156,510)	632,955	659,393
		7	Tangibles in progress	19	1,748,385	(20,000)	1,728,385	6,960,428
		8	Advances for tangibles	20	754,530	0	754,530	766,101
		9	Adjustment to gained property	21	1,269,312	(507,725)	761,587	846,208
B.	III.		Financial investment	22	0	0	0	439
B.	III.	1	Subsidiaries (shareholdings > 50%)	23	0	0	0	439
		2	Associates (shareholdings of 20% - 50%)	24				
		3	Other securities and deposits	25				
		4	Intergroup loans	26				
		5	Other loans and financial investments	27				
B.	IV.		Active consolidation difference (Goodwill)	28				
B.	V.		Investments accounted for under the equity method	29				
C.			CURRENT ASSETS	30	12,437,438	(116,012)	12,321,426	14,389,097
C.	I.		Inventory	31	4,384,805	(20,000)	4,364,805	4,279,081
C.	I.	1	Materials	32	2,391,130		2,391,130	2,720,666
		2	Work-in-progress and semi-finished productions	33	881,853		881,853	561,738
		3	Finished products	34	1,032,316	(20,000)	1,012,316	976,871
		4	Livestock	35				
		5	Goods	36	33,864		33,864	2,015
		6	Advances granted	37	45,642		45,642	17,791
C.	II.		Long-term receivables	38	13,914	0	13,914	27,829
C.	II.	1	Trade receivable	39	13,914		13,914	27,829
		2	Receivables from partners and associations	40				
		3	Receivables from group companies not included in consolidation	41				
		4	Other receivables	42				
C.	III.		Short-term receivables	43	5,655,668	(96,012)	5,559,656	6,847,190
C.	III.	1	Trade receivables	44	5,386,691	(88,216)	5,298,475	6,830,924
		2	Receivables from partner and associations	45				
		3	Receivables - Social security	46				
		4	Receivables - Taxes and subsidies	47	264,723	(7,796)	256,927	5,323
		5	Deferred tax assets	48				
		6	Receivables from group companies not included in consolidation	49				
		7	Other receivables	50	4,254	0	4,254	10,943
C.	IV.		Financial assets	51	2,383,051	0	2,383,051	3,234,997
C.	IV.	1	Cash	52	864	0	864	1,758
		2	Bank accounts	53	556,899	0	556,899	136,479
		3	Short-term financial assets	54	1,825,288	0	1,825,288	3,096,760
D.			OTHER ASSETS	55	593,048	0	593,048	449,457
D.	I.		Temporary accounts of assets	56	591,098	0	591,098	433,327
D.	I.	1	Prepaid expenses	57	447,545	0	447,545	386,598
		2	Unbilled revenue	58	69,141	0	69,141	1,977
		3	Exchange rate variances - loss (debit)	59	74,412	0	74,412	44,752
D.	II.		Contingencies - gain (Estimated prepayments)	60	1,950	0	1,950	16,130

					Current year	Prior year
			TOTAL CAPITAL & LIABILITIES	61	29,480,673	30,046,041
A.			CAPITAL	62	17,014,649	17,708,876
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		
A.	II.		Capital funds	66	0	0
A.	II.	1	Share premium	67		
		2	Other capital funds	68		
		3	Revaluation of assets	69		
		4	Revaluation of capital participation	70		
A.	III.		Funds created from profit	71	445,951	319,361
A.	III.	1	Legal reserve fund	72	445,951	319,361
		2	Indivisible fund	73		
		3	Statutory and other funds	74		
A.	IV.		Retained earnings	75	7,280,875	5,525,603
	IV.	1	Retained earnings of previous years	76	7,280,875	5,525,603
		2	Not compensated loss of previous years	77		
A.	V.		Consolidated earnings of accounting period	78	(60,417)	2,515,672
	V.	1	Earnings of current period	79	(60,417)	2,515,672
		2	Consolidated earnings - equity method (+/-)	80		
A.	VI.		Passive consolidation difference (Badwill)	81	0	0
A.	VII.		Consolidated reserve funds	82	0	0
B.			LIABILITIES	83	12,224,764	12,084,438
B.	I.		Reserves	84	490,239	474,672
B.	I.	1	Legal reserves (tax deductible)	85	374,200	345,417
		2	Reserves for exchange rate losses	86	74,412	44,752
		3	Other reserves	87	41,627	84,503
B.	II.		Long-term liabilities	88	150	161
		1	Long-term deposits received	89		
		2	Bonds payable	90		
		3	Long-term notes payable	91		
		4	Rent and other long-term payables	92	150	161

B.	III.		Short-term liabilities	93	8,935,595	11,514,540
B.	III.	1	Trade payables	94	4,547,833	4,392,966
		2	Payables to partners and associations	95		
		3	Payables to employees	96	1,565	21,111
		4	Social security payable	97	13,413	13,585
		5	Taxes payable	98	3,672,706	5,659,717
		6	Deferred taxes	99	310,469	579,667
		7	Payables to group companies, not included in consolidation	100		
		8	Other payables	101	389,609	847,493
B.	IV.		Bank loans and short-term notes	102	2,798,780	95,065
B.	IV.	1	Long-term bank loans	103	2,000,000	
		2	Short-term bank loans	104	798,780	95,065
		3	Short-term notes	105		
C.			OTHER LIABILITIES - TEMPORARY ACCOUNTS OF LIABILITIES	106	241,260	252,727
C.	I.		Accruals	107	78,527	35,029
C.	I.	1	Accruals	108	65,213	29,140
		2	Deferred income	109		
		3	Exchange rate variances - gain (credit)	110	13,314	5,889
C.	II.		Contingencies - loss (Estimated accruals)	111	162,733	217,698
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 2001

					Current year	Prior year
	I.		Revenues from goods sold	01	1,381,124	542,322
A.			Cost of goods sold	02	1,386,714	512,988
	+		Gross margin	03	(5,590)	29,334
	II.		Production	04	45,938,654	51,997,079
	II.	1	Revenues from finished products and services	05	45,628,510	52,059,254
		2	Changes in inventory	06	310,144	(62,175)
		3	Capitalization (of own work)	07		
B.			Production consumption	08	44,443,404	46,506,168
B.		1	Consumption of material and energy	09	42,156,733	44,624,656
B.		2	Services	10	2,286,671	1,881,512
	+		Value added	11	1,489,660	5,520,245
C.			Personnel expenses	12	546,327	532,894
C.		1	Wages and salaries and earnings of partners and coop. members	13	396,965	378,828
C.		2	Bonuses to memebers of executive bodies of companies and coop.	14	2,174	2,366
C.		3	Social insurance and other expenses	15	130,425	132,464
C.		4	Statutory social expenses	16	16,763	19,236
D.			Taxes and fees	17	5,887	4,527
E.			Amortization of intangibles and depreciation of tangibles	18	885,358	556,523
	III.		Revenues from intangible and tangible assets and material sold	19	13,346	6,571
F.			Net book value of intangibles, tangibles and material sold	20	19,920	4,799
	IV.		Reversal of reserves and prepaid expenses	21	175,503	212,195
G.			Creation of reserves and prepaid expenses	22	161,410	236,148
	V.		Reversal of provisions	23	63,959	37,989
H.			Creation of provisions	24	194,619	194,101
	VI.		Other operational revenues	25	29,025	16,571
I.			Other operational expenses	26	96,223	18,197
	VII.		Transfer of operational revenues	27		
J.			Transfer of operational expenses	28		
	*		Consolidated operating results	29	(138,251)	4,246,382
	VIII.		Revenues from sales of securities and deposits	30	0	100,350
K.			Sold securities and deposits	31	0	102,450
	IX.		Revenues from financial investments	32	0	0
	IX.	1	Revenues from other investment securities and deposits	33		
		2	Revenues from other financial investments	34		
	X.		Revenues from short-term financial assets	35	9,923	46,731
	XI.		Settling of financial reserves	36	44,752	0
L.			Creation of financial reserves	37	74,412	44,752
	XII.		Settling of adjustments to financial assets	38		
M.			Creation of adjustments to financial assets	39		
	XIII.		Interest revenues	40	31,981	14,150
N.			Interest expenses	41	92,537	11,803
	XIV.		Other financial revenues	42	823,541	1,426,681
O.			Other financial expenses	43	943,100	1,596,605
	XV.		Transfer of financial revenues	44		
P.			Transfer of financial expenses	45		
	*		Consolidated result from financial activities	46	(199,852)	(167,698)
R.			Income taxes on normal activity	47	(256,653)	1,530,179
R.		1	- current	48	10,909	1,136,274
R.		2	- deferred	49	(267,562)	393,905
	**		Consolidated result after taxes from normal activities	50	(81,450)	2,548,505
	XVI.		Extraordinary revenues	51	93,915	14,048
S.			Extraordinary expenses	52	72,415	46,881
T.			Income tax on extraordinary activity	53	467	0
T.		1	- current	54	467	0
T.		2	- deferred	55		
	XVII.		Settling of passive consolidation difference (Badwill)	56		
U.			Settling of active consolidation difference (Goodwill)	57		
	*		Consolidated result from extraordinary activities	58	21,033	(32,833)
	***		Consolidated net result excluding equity income (loss)	59	(60,417)	2,515,672
		1	Earnings for the accounting period - group share	60		
		2	Earnings for the accounting period - minority share	61		
	**		Income / loss from equity method consolidation	62	0	0
	***		Consolidated net result for the accounting period	63	(60,417)	2,515,672

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, and CRC Polska Sp z .o.o., a Polish limited liability company, which are involved in the trading of petrochemical products.

The Company and its subsidiaries are hereinafter referred to as the "Group". During the year 2000 the Group consisted of the Company and Česká rafinérská Slovakia, s.r.o. In December 2001 the Czech Government approved the sale of Unipetrol, a. s. to Agrofert, a. s. and subsequently on 12 February 2002 the purchase agreement was signed. There were changes made by the Company to the commercial register during 2001 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 1/3%
Conoco Central and Eastern Europe Holdings B.V.	16 1/3%
Shell Overseas B.V.	16 1/3%

Members of statutory and supervisory bodies of the Company at 31 December 2001 were as follows:

Board of Directors

Chairman: Ing. Ivan Ottis

Vice-Chairman: Eric Van Anderson

Member: Zbyněk Smrčka (through 31. 10. 2000)

Member: Ing. Miroslav Debnár (since 4. 5. 2001)

Member: Ing. Jiří Pavlas

Member: Ing. Milan Vyskočil

Member: Oscar Magnoni

Member: John William deHaseth

Supervisory Board

Chairman: JUDr. Zdeněk Černý

Vice-Chairman: JUDr. Ing. Josef Gros

Member: Ing. Marie Čižinská

Member: Ing. Ladislav Varhaník

Member: Ing. Jiří Eminger

Member: Jan Klimeš (through 13. 8. 2001)

Member: Miroslav Havel (through 13. 8. 2001)

Member: Viktor Zabilanský (through 13. 8. 2001)

Member: Luciano Panaccia (through 21. 5. 2001)

Member: Enrico Amici (since 22. 5. 2001)

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. Relevant financial information for the years 2001 and 2000 with respect to the sole consolidated subsidiaries, Česká rafinérská Slovakia, s. r. o. and CRC Polska Sp. z o.o., are as follow:

Group Structure 2001

Name:	Česká rafinérská Slovakia s.r.o.	CRC Polska Sp. z o.o.
Registered Office	Bratislava, Slovakia	Wroclaw, Poland
Acquisition Cost of Interest	167	83,024
Percentage of Ownerwhip in %	100	100
Basic Capital (in TKc)	167	83,024
Shareholder's Equity (in TKc)	(4,755)	72,903
Profit / (Loss) of Current Year (in TKc)	16,692	(10,121)
Retained Earnings (in TKc)	(21,615)	-
Total Assets (in TKc)	165,575	482,891
Intrinsic Value of an Interest (in TKc)	(4,755)	72,903
Dividends (in TKc)	-	-
Consolidation Method	Direct	Direct

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 TKc)	167
Shareholder's Equity (in TKc)	(21,447)
Profit / (Loss) of Current Year (in TKc)	(22,494)
Retained Earnings (in TKc)	880
Total Assets (in TKc)	89,435
Intrinsic Value of an Interest (in TKc)	(21,447)
Dividends (in TKc)	-
Consolidation Method	Direct

Financial statements of the Company were audited by Arthur Andersen Česká Republika, k. s. who issued an unqualified opinion. Financial statements of the subsidiaries were audited by other auditors who issued unqualified opinions.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying financial statements were prepared in accordance with the Czech Law on Accounting and the relevant accounting procedures for entrepreneurs as applicable for 2001 and 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.

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 2001.

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 yearly 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. VALUATION STANDARDS

The valuation standards applied by the Group in compiling the 2001 and 2000 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 60 TKc 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 economic lives.

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 40 TKc 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 – 20
Vehicles	6 – 11
Furniture and fixtures	4 – 8
Other tangible fixed assets	4 – 30
Adjustment to acquired property	15

c) 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. Finished goods held at subsidiaries include excise tax.

d) Receivables and payables – Receivables are carried at their nominal value after provision for doubtful accounts. Additions to the provision account are charged to Income. Receivables from and payables to companies included in the consolidation group are offset.

e) Shareholders' Equity – The basic capital of the Group is stated at the amount of the basic capital of the Company 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.

f) 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.

g) 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.

h) 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 are translated to national currencies based on daily exchange rates and are adjusted at year-end to the exchange rates at 31 December as published by the relative National Bank. Realized exchange gains and losses are charged or credited, as appropriate, to income for the year. Unrealized exchange gains and losses are not recognized or charged, as appropriate, into income until collection or payment of the related item occurs and are reflected in other liabilities or assets, as appropriate, in the accompanying balance sheet. Unrealized exchange rate losses are reflected as assets in the accompanying balance sheet and are offset by a reserve with a corresponding charge to income.

i) 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.

j) Income Tax – The corporate income tax expense is calculated for each company in the Group and 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 TKc)

COST

	At beginning of year	Additions	Disposals	Transfers	Total cost
Research and development	22,141	-	-	-	22,141
Software	331,661	57,204	-	-	388,865
Patents, rights and royalties	110,406	86,941	-	-	197,347
Intangibles in progress	92,009	98,368	(144,145)	22,996	69,228
2001 Total	556,217	242,513	(144,145)	22,996	677,581
2000 Total	452,346	243,026	(139,155)	-	556,217

ACCUMULATED AMORTISATION

	At Beginning of year	Amortisation during year	Total accumulated amortisation	Net book value
Research and development	(8,558)	(3,419)	(11,977)	10,164
Software	(98,801)	(110,514)	(209,315)	179,550
Patents, rights and royalties	(59,251)	(18,996)	(78,247)	119,100
Intangibles in progress	-	-	-	69,228
2001 Total	(166,610)	(132,929)	(299,539)	378,042
2000 Total	(73,399)	(93,211)	(166,610)	389,607

Research and development costs represent external studies, which are amortised over their estimated useful lives. Management has sound reasons to foresee the technical success and commercial profitability of these projects.

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

b) Tangible Fixed Assets (in TKc)

COST

	At beginning of year	Additions	Disposals	Transfers	Total cost
Constructions	2,285,474	809,302	(46,472)	-	3,048,304
Machinery and equipment	5,193,629	6,709,665	(64,287)	-	11,839,007
Other tangibles	794,515	-	(5,050)	-	789,465
Tangibles in progress	6,960,428	2,329,920	(7,518,967)	(22,996)	1,748,385
Advances for tangibles	766,101	662,605	(674,176)	-	754,530
Adjustments to acquired property	1,269,312	-	-	-	1,269,312
2001 Total	17,269,459	10,511,492	(8,308,952)	(22,996)	19,449,003
2000 Total	12,407,613	8,291,656	(3,429,810)	-	17,269,459

ACCUMULATED DEPRECIATION

	At beginning of year	Depreciation during year	Disposals	Provisions	Total accumulated depreciation	Net book value
Constructions	(195,912)	(77,385)	25,144	-	(248,153)	2,800,151
Machinery and equipment	(1,697,880)	(648,589)	58,011	(40,000)	(2,328,458)	9,510,549
Other tangibles	(135,122)	(26,437)	5,049	-	(156,510)	632,955
Tangibles in progress	-	-	-	(20,000)	(20,000)	1,728,385
Advances for tangibles	-	-	-	-	-	754,530
Adjustments to acquired property	(423,104)	(84,621)	-	-	(507,725)	761,587
2001 Total	(2,452,018)	(837,032)	88,204	(60,000)	(3,260,846)	16,188,157
2000 Total	(1,933,383)	(547,928)	29,292	-	(2,452,018)	14,817,441

Depreciation expense for tangible fixed assets totaled 752,411 TKc and 463,307 TKc in 2001 and 2000, respectively. The total value of small tangible fixed assets, which are not reflected in the accompanying balance sheet, was 16,368 TKc and 39,704 TKc as of 31 December 2001 and 2000, respectively.

The adjustment to acquired property of 1,269,312 TKc 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 3b). The amount is depreciated on a straight-line basis over 15 years. Depreciation expense of the adjustment to acquired property totaled 84,621 TKc and 84,621 TKc in 2001 and 2000, respectively. The Group established a statutory reserve for major repairs relating to 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 11). In 2001, the Group established a provision for unrecorded depreciation of fixed assets that should have been put into use before 31 December 2001 (see Note 7).

5. INVENTORY

Inventory of finished products has been reduced to net realizable value by a provision account. The provision was determined by management based on the difference between the cost of the individual finished products and the average selling prices in January 2002 including distribution costs (see Note 7).

6. RECEIVABLES

Provisions for receivables charged to income totaled 30,015 TKc and 108,496 TKc, in 2001 and 2000, respectively. Provisions were established based on a detailed review of the recoverability of receivables (see Note 7). Receivables overdue for more than 360 days totaled 53,833 TKc and 95,488 TKc as of 31 December 2001 and 2000, respectively. At 31 December 2001, the Group had 13,914 TKc of long-term receivables. These receivables will be gradually repaid by 2003. At 31 December 2001 and 2000, the Group has receivables from related parties (see Note 20).

7. PROVISIONS

Provisions reflect a temporary diminution in value of assets (see Note 4, 5 and 6).

Changes in the provision accounts during 2000 and 2001 are as follows (in TKc):

Provisions	Fixed assets	Inventory	Receivable - statutory	Receivable - other	Total
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
Additions	60,000	20,000	5,444	24,571	110,015
Use	-	-	(16,763)	(48,052)	(64,815)
Balance at 31. 12. 2001	60,000	20,000	31,468	64,544	176,013

8. FINANCIAL ASSETS

The Group has accounts, which allow the Group to maintain overdraft facility. At 31 December 2001, the overdraft balance totaled (in accordance with the agreed credit limit) 798,780 TKc and was reflected as a short-term loan in the accompanying balance sheet. At 31 December 2000, the overdraft balance totaled 95,065 TKc.

9. 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 settlements of insurance claims that will be recognised into income during 2002.

10. 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 10 TKc.

The changes in the capital accounts during 2001 and 2000 were as follows (in TKc):

	Number of shares	Basic capital	Legal reserve fund
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
2001 Change	-	-	126,590
Balance at 31. 12. 2001	934,824	9,348,240	445,951

The Annual General Meeting held on 4 May 2001 and the Extraordinary General Meeting held on 27 September 2001 approved the following profit distribution for 2000 (in TKc):

	(in TKc)
Profit for 2000	2,531,785
Allocation to Legal reserve fund	(126,590)
Ordinary dividends	(253,338)
Extraordinary dividends	(380,472)
Undistributed profits added to retained earnings	1,771,385
Retained earnings at 31. 12. 2000	5,524,752
Transfer of 2000 profit	1,771,385
Retained earnings at 31. 12. 2001	7,296,137

On 31 July 2001 the Company paid out dividends of 271 Kc per share, totaling 253,338 TKc and on 30 November 2001 the additional dividends of 407 Kc per share were paid out, totaling 380,472 TKc. In 2000, the Company paid out dividends related to 1999 of 158 Kc per share, totaling 147,702 TKc.

11. RESERVES

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

Reserves	Legal	Foreign Exchange Rate Losses	Other
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
Additions	119,783	74,412	41,627
Use	(91,000)	(44,752)	(84,503)
Balance at 31. 12. 2001	374,200	74,412	41,627

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. The reserve related to employees' retraining was increased to 41,627 TKc as of 31 December 2001, which are expected costs to be incurred in 2002.

12. SHORT-TERM LIABILITIES

As of 31 December 2001 and 2000, the Group had no overdue short-term liabilities, respectively. The Group has payables to related parties (see Note 20).

13. BANK LOANS AND SHORT-TERM NOTES

At 31 December 2001, the Company had a long term bank loan and no other short-term notes, except for the overdraft accounts mentioned in Note 8.

	2001	2000
Term	Outstanding amount in TKc	Outstanding amount in TKc
Long term bank loan	2,000,000	-
Overdrafts	798,780	95,065
Total	2,798,780	95,065

The interest expense relating to bank loans and short-term notes for 2001 and 2000 was 92,537 TKc and 11,803 TKc, respectively.

On 17 August 2000, the Group entered into a Kc 5 billion 5-year Term Loan Facility with a syndicate of 7 banks. As at 31 December 2001, the Group had utilized 2,000,000 Kc of this Facility.

14. OTHER LIABILITIES

Accruals and contingencies include mainly unbilled services that are being charged to income for 2001, as appropriate.

15. INCOME TAXES

The calculation of 2001 and 2000 income taxes of the parent Company are as follows:

	2001 in TKc	2000 in TKc
Profit before taxes	(328,085)	4,067,743
Non-taxable revenues	(178,321)	(130,148)
Non-deductible expenses	315,711	379,737
Differences between book and tax depreciation	(813,492)	(465,828)
Gifts	-	(3,946)
10% relief on tangibles	-	(155,313)
Taxable income (loss)	(1,004,187)	3,692,245
Current income tax rate	31%	31%
Tax due	-	1,144,596
Discounts (disabled people, tax withheld from dividends)	-	(9,377)
Prior year adjustments	7,527	1,055
Current tax due	7,527	1,136,274

Tax liabilities of subsidiaries are immaterial compared to results of operation.

The Parent company quantified deferred taxes as follows:

Deferred tax items	Base	Tax rate	2001 Deferred tax asset	2001 Deferred tax liability	2000 Deferred tax asset	2000 Deferred tax liability
Difference between net book value of fixed assets for accounting and tax purposes	(2,053,173)	31%	-	(636,484)	-	(384,301)
Other temporary differences:						
Provision against receivables	45,153	31%	13,998	-	21,110	-
Provision against inventory	20,000	31%	6,200	-	-	-
Adjustment to acquired property	(701,587)	31%	-	(217,492)	-	(262,324)
Reserves	116,039	31%	35,972	-	40,069	-
10% investment relief	567,868	31%	176,039	-	-	-
Tax loss of current year	1,004,187	31%	311,298	-	-	-
Total	(1,001,513)		543,507	(853,976)	61,179	(646,625)
Net				(310,469)		(585,446)

The parent company has recorded a deferred tax liability of 310,469 TKc.

16. 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 2001 and 2000, respectively, are as follows (in TKc):

Description	Terms	Total lease	Payments made as of 31. 12. 2001	Payments made as of 31. 12. 2000	Remaining payments as of 31.12. 2001: Due within one year	Remaining payments as of 31.12. 2001: Due over one year
Isomerisation Unit	As per contract	585,703	585,703	515,306	-	-
Company cars	As per contract	46,021	13,770	5,165	11,646	20,605

17. 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 2001, the Group had issued a guarantee in favour of Release company for leasing of the Isomerisation unit with a total value of 31,625 TKc. At 31 December 2001 the Group has entered into foreign currency purchase contracts equivalent to 718,556 TKc. The forward contracts were closed in January 2002 with a net loss of 15,224 TKc.

18. REVENUES

The breakdown of the Group's 2001 and 2000 revenues from current activities is as follows (in TKc):

	2001 Domestic	2001 Foreign	2000 Domestic	2000 Foreign
Sale of products	36,807,815	8,520,765	44,006,480	7,577,800
Sale of services	299,930	-	471,767	3,207
Sale of goods	101,022	1,280,102	24,789	517,533
Total revenues	37,208,767	9,800,867	44,503,036	8,098,540

As of 31 December 2001, the revenues of the Group were concentrated primarily with 46 main customers.

19. PERSONNEL AND RELATED EXPENSES

The average number of employees in the Group in 2001 and 2000, by category and the related personnel costs for the year, was as follows (in TKc):

	2001 Total Personnel	2001 Directors, Deputy Directors and Managers	2000 Total Personnel	2000 Directors, Deputy Directors and Managers
Average number of employees	981	31	1,160	30
Salaries and wages	396,965	44,090	378,828	41,947
Social insurance	130,425	16,635	132,464	14,460
Social expenses	16,763	293	19,236	251
Total personnel expenses	544,153	61,018	530,528	56,658

The members and former members of statutory, management and supervisory boards received total bonuses and other remuneration of 2,174 TKc and 2,366 TKc in 2001 and 2000, respectively.

20. RELATED PARTY INFORMATION

No loans, guarantees and other benefits were granted to members of statutory bodies in 2001 and 2000 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 21,367,944 TKc and 25,989,139 TKc in 2001 and 2000, respectively. Short-term receivables from related parties as of 31 December were as follows:

Related party	2001 (in TKc)	2000 (in TKc)
Aliachem, a. s.	432	-
Aliachem Deutschland GmbH	3,889	-
Aliachem Vienna GmbH	3,029	-
Spolana, a. s.	4	-
AGIP Praha, a. s.	120,644	99,199
Benzina, a. s.	219,938	828,087
Chemopetrol, a. s.	619,265	1,594,738
Chemopetrol BM, a. s.	1	-
Chemopetrol doprava, a. s.	699	-
Conoco ČR, s. r. o.	97,839	129,961
Kaučuk, a. s.	38,303	48,396
Shell ČR, a. s.	553,756	717,777
Shell Slovakia, s. r. o.	-	1,326
Paramo, a. s.	54	8,204
Koramo, a. s.	60,815	-
Total	1,718,668	3,427,688

The Group purchases products and receives services from related parties in the ordinary course of business. In 2001 and 2000, purchases amounted to 4,284,542 TKc and 3,776,547 TKc, respectively.

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

Related party	2001 (in TKc)	2000 (in TKc)
Benzina, a. s.	804	3,344
Chemopetrol, a. s.	210,663	180,355
Chemopetrol BM, a. s.	82	-
Chemopetrol-Doprava, a. s.	145,549	27,835
HC Chemopetrol, a. s.	549	-
Agip Praha, a. s.	4,520	-
Conoco ČR, s. r. o.	901	2,569
Kaučuk, a. s.	99,089	134,648
Shell ČR, a. s.	8,976	-
Unipetrol, a. s.	16,089	16,703
Spolana, a. s.	227	-
Koramo, a. s.	629	-
Paramo, a. s.	314	44
B.U.T., s. r. o.	30	65
Total	488,422	365,563

21. RESEARCH AND DEVELOPMENT COSTS

The Group did not charge any research and development costs to income in 2001 and 2000, respectively.

22. SUBSEQUENT EVENTS

In December 2001 the Czech Government approved the sale of Unipetrol, a. s. to Agrofert, a. s. and subsequently on 12 February 2002 the purchase agreement was signed.

23. FINANCIAL STATEMENTS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Condensed financial statements of subsidiaries and associated companies for 2001 and 2000 are summarised in Attachment 1.

ATTACHMENT 1

Balance sheet as of 31.12.2001	Česká rafinérská, a. s.	Česká rafinérská Slovakia, s. r. o.	CRC Polska Sp. z o. o.	Total	Consolidation adjustments	Consolidation data
CURRENT ASSETS						
Cash	2 226 743	11 427	144 881	2 383 051	0	2 383 051
Receivables	5 594 924	129 142	239 253	5 963 319	(389 749)	5 573 570
Receivables from related parties	0	0	0	0	0	0
Inventory	4 230 328	22 466	97 822	4 350 616	14 189	4 364 805
Other assets and temporary accounts of assets	592 286	2 029	51	594 366	(1 318)	593 048
Total current assets	**12 644 281**	**165 064**	**482 007**	**13 291 352**	**(376 878)**	**12 914 474**
FIXED ASSETS						
Intangible fixed assets	377 925	11	106	378 042	0	378 042
Goodwill/Badwill	0	0	0	0	0	0
Financial investments	83 191	0	0	83 191	(83 191)	0
Tangible fixed assets	16 186 879	499	779	16 188 157	0	16 188 157
Total fixed asstes	16 647 995	510	885	16 649 390	(83 191)	16 566 199
Total assets	**29 292 276**	**165 574**	**482 892**	**29 940 742**	**(460 069)**	**29 480 673**
SHORT-TERM LIABILITIES						
Short-term debts and portion of long-term debts due within one year	727 833	70 947	0	798 780	0	798 780
Other liabilities and temporary accounts of liabilities	9 044 511	97 915	409 989	9 552 415	(375 560)	9 176 855
Liabilities to related parties	0	0	0	0		0
Total short-term liabilities	**9 772 344**	**168 862**	**409 989**	**10 351 195**	**(375 560)**	**9 975 635**
Long-term liabilities and debts	2 000 000	150	0	2 000 150	0	2 000 150
Other long-term liabilities - reserves	490 239	1 318	0	491 557	(1 318)	490 239
Total liabilities	**12 262 583**	**170 330**	**409 989**	**12 842 902**	**(376 878)**	**12 466 024**
MINORITY INTEREST IN CONSOLIDATED ENTITIES	0	0	0	0	0	0
SHAREHOLDERS' EQUITY						
Basic capital	9 348 240	168	83 023	9 431 431	(83 191)	9 348 240
Other paid-up capital	445 951	0	0	445 951	0	445 951
Retained earnings/Non-compensated loss	7 296 137	(22 677)	0	7 273 460	7 415	7 280 875
Profit/loss of current period	(60 635)	17 754	(10 121)	(53 002)	(7 415)	(60 417)
Total shareholders' equity	17 029 693	(4 755)	72 902	17 097 840	(83 191)	17 014 649
Total shareholders' equity and liabilities	**29 292 276**	**165 575**	**482 891**	**29 940 742**	**(460 069)**	**29 480 673**

Profit and Loss Statement as of 31.12.2001	Česká rafinérská, a. s.	Česká rafinérská Slovakia, s. r. o.	CRC Polska Sp. z o. o.	Total	Consolidation adjustments	Consolidation data
Sales revenues	42 385 345	1 272 011	3 662 980	47 320 336	0	47 320 336
Sales revenues in Group	4 677 665	0	0	4 677 665	(4 678 223)	(558)
Total sales revenues	**47 063 010**	**1 272 011**	**3 662 980**	**51 998 001**	**(4 678 223)**	**47 319 778**
Cost of goods sold	1 181 209	1 244 420	3 638 750	6 064 379	(4 677 665)	1 386 714
Production consumption	42 155 708	330	695	42 156 733	0	42 156 733
Services	2 262 642	1 763	23 004	2 287 409	(738)	2 286 671
Personnel expenses	540 246	1 809	4 272	546 327	0	546 327
Amortization of intangibles and depreciation of tangibles	884 897	222	239	885 358	0	885 358
Other (revenues)/expenses	202 827	(12 663)	6 062	196 226	0	196 226
Total operating expenses	47 227 529	1 235 881	3 673 022	52 136 432	(4 678 403)	47 458 029
Operating results	**(164 519)**	**36 130**	**(10 042)**	**(138 431)**	**180**	**(138 251)**
Other revenues/expenses						
Financial (revenues)/expenses	75 697	6 031	0	81 728	820	82 548
Other financial (revenues)/expenses	107 957	10 088	694	118 739	(820)	117 919
Amortization of goodwill	0	0	0	0	0	0
Release of badwill	0	0	0	0	0	0
Extraordinary (revenues)/expenses	(20 088)	(1 125)	(615)	(21 828)	180	(21 648)
Results before taxes and minority interest	(328 085)	21 136	(10 121)	(317 070)	0	(317 070)
Income taxes on normal activity	(267 450)	3 382	0	(264 068)	7 415	(256 653)
Results before minority interest in net income of consolidated entities	(60 635)	17 754	(10 121)	(53 002)	0	(60 417)
Minority interest in net income of consolidated entities	0	0	0	0	0	0
Net income (loss)	**(60 635)**	**17 754**	**(10 121)**	**(53 002)**	**0**	**(60 417)**

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of Ceska rafinerska, a. s.:

We have audited the accompanying consolidated balance sheets of Ceska rafinerska, a. s. (a Czech joint stock company) and subsidiaries (collectively "the Group") as of 31 December 2001 and 2000 (restated) and the related consolidated statements of operations, equity and cash flows for the years ended 31 December 2001 and 2000 (restated). 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 wherther 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 Ceska rafinerska, a. s. and subsidiaries, as of 31 December 2001 and 2000 (restated) and the results of its operations and cash flows for the years ended 31 December 2001 and 2000 (restated) in accordance with International Finacial Reporting Standards (IFRS), as published by the International Accounting Standards Board (IASB).

Arthur Andersen Ceska Republika, k.s.

Arthur Andersen Ceska republika, k. s.
Prague
Czech Republic
25 February 2002

CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING

STANDARDS AS OF 31 DECEMBER 2001 AND 2000

CONSOLIDATED BALANCE SHEETS 31 DECEMBER 2001 AND 2000

(Czech Crowns – Kc in Thousands)

	Notes	2001	2000 (restated)
ASSETS			
Current Assets:			
Cash and Cash Equivalents	3	2,383,051	3,234,997
Accounts Receivable, Net	4	5,567,651	6,866,488
Inventory, Net	5	5,217,210	5,159,337
Other Current Assets	6	307,684	188,259
Total Current Assets		13,475,596	15,449,081
Property, Plant and Equipment, Net	7	16,639,063	15,065,873
Intangible Assets, Net	8	378,042	389,607
Investment in Subsidiary	1, 2	-	439
Total Assets		**30,492,701**	**30,905,000**
LIABILITIES AND EQUITY			
Current Liabilities:			
Accounts Payable	9	4,901,009	5,254,318
Taxes Payable and Accrued Liabilities	10	3,942,278	5,985,734
Short-Term Debt	11	798,780	95,065
Current Portion of Capital Lease Obligations	12	9,964	46,662
Total Current Liabilities		9,652,031	11,381,779
Capital Lease Obligations	12	17,582	14,972
Long-Term Debt	11	2,000,000	-
Deferred Taxes, Net	13	773,715	980,310
Commitments and Contingencies	15	-	-
Equity:	17		
Capital		9,348,240	9,348,240
Retained Earnings		8,701,133	9,179,699
Total Equity		18,049,373	18,527,939
Total Liabilities and Equity		**30,492,701**	**30,905,000**

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000

(Czech Crowns – Kc in Thousands)

	Notes	2001	2000 (restated)
Revenues	18	46,955,264	52,461,394
Cost of Sales		43,188,508	45,395,746
Gross Profit		3,766,756	7,065,648
Operating (Income) Expense:			
Selling Expenses		1,154,526	781,537
General and Administrative Expenses		1,598,078	1,499,160
Depreciation and Amortisation	7, 8	841,808	512,101
Change in Provision for Doubtful Receivables		(34,800)	71,491
Other, Net		51,118	38,986
Total Operating Expense, Net		3,610,730	2,903,275
Net Income from Operations		156,026	4,162,373
Other (Income) Expense:			
Interest Income		(41,904)	(60,881)
Interest Expense	11, 12	112,589	30,658
Exchange Rate (Gain) Loss, Net	2	76,926	(75,277)
Other		47,221	29,279
Total Other (Income) Expense		194,832	(76,221)
Net (Loss) Income Before Income Tax (Benefit) Provision		(38,806)	4,238,594
Income Tax (Benefit) Provision	13	(194,050)	1,288,373
Net Income		**155,244**	**2,950,221**

CONSOLIDATED STATEMENTS OF EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000

(Czech Crowns – Kc in Thousands)

	Notes	Number of Shares	Capital	Retained Earnings	Total
Balance at 31 December 1999					
As previously stated		934,824	9,348,240	6,672,400	16,020,640
Correction of an error	7,13	-	-	(296,072)	(296,072)
As restated		**934,824**	**9,348,240**	**6,376,328**	**15,724,568**
Other		-	-	852	852
Dividends paid	17	-	-	(147,702)	(147,702)
Net Income					
As previously stated		-	-	2,936,122	2,936,122
Correction of an error	7, 13	-	-	14,099	14,099
As restated		-	-	2,950,221	2,950,221
Balance at 31 December 2000		**934,824**	**9,348,240**	**9,179,699**	**18,527,939**
Balance at 31 December 2000					
As previously reported		934,824	9,348,240	9,461,672	18,809,912
Correction of an error	7, 13	-	-	(281,973)	(281,973)
As restated		**934,824**	**9,348,240**	**9,179,699**	**18,527,939**
Dividends paid	17	-	-	(633,810)	(633,810)
Net Income		-	-	155,244	155,244
Balance at 31 December 2001		**934,824**	**9,348,240**	**8,701,133**	**18,049,373**

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2001 AND 2000

(Czech Crowns – Kc in Thousands)

	Notes	2001	2000 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income		155,244	2,950,221
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred tax (benefit) provision	13	(206,595)	152,097
Provision for obsolete inventory	5	20,000	-
Change in provision for doubtful receivables	4	(34,800)	70,507
Depreciation and amortisation	7, 8	841,808	512,101
Changes in Current Assets and Liabilities:			
(Increase) Decrease in current assets		1,136,341	(1,815,137)
(Decrease) Increase in current liabilities		(2,396,765)	4,045,672
Net Cash (used in) Provided by Operating Activities		(484,769)	5,915,461
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to intangible assets, property, plant and equipment, net	7, 8	(2,403,433)	(5,019,829)
Establishment of subsidiary	1	439	(439)
Net Cash (Used in) Investing Activities		(2,402,994)	(5,020,268)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net (payments) of capital lease obligations	12	(34,088)	(18,726)
Net proceeds from short-term debt	11	703,715	95,065
Net proceeds from long-term debt	11	2,000,000	-
Dividends paid	17	(633,810)	(147,702)
Net Cash (Used in) Provided by Financing Activities		2,035,817	(71,363)
Net (Decrease) Increase in Cash		(851,946)	823,830
Cash and Cash Equivalents at Beginning of Year		3,234,997	2,411,167
Cash and Cash Equivalents at End of Year	3	2,383,051	3,234,997
Supplemental Cash Flow Information:			
Interest Paid	11, 12	112,589	30,658
Income Taxes Paid	13	1,037,746	325,830

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2001 AND 2000

1. THE COMPANY AND OPERATIONS

Ceska rafinerska, a. s. (the Company) is a Czech Republic joint stock company, which was incorporated on 28 April 1995. Its legal site is in Litvínov, Czech Republic. 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 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 1/3% each). In December 2001 the Czech Government approved the sale of Unipetrol, a. s. to Agrofert, a. s. (Czech Republic joint stock Companies) and subsequently on 12 February 2002 the purchase agreement was signed.

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 2001 and 2000, the Company employed an average of 981 and 1,160 employees, respectively.

A daughter company, Ceska rafinerska Slovakia, s. r. o. was founded with its seat in Bratislava, Slovak Republic. 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 2001 and 2000 and is incorporated in the accompanying consolidated financial statements. During 2001 and 2000, the daughter company employed an average of 5 and 4 employees, respectively. 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. The daughter company is part of the Consolidation Group for 2001 and is incorporated in the accompanying consolidated financial statements. The company was not consolidated in 2000 due to the fact that the subsidiary was in the start-up stage and had no significant operations during the year ended 31 December 2000. Ceska rafinerska, a. s. is the sole owner of Ceska rafinerska Slovakia, s. r. o. and CRC Polska Sp. z o. o. The Company, Ceska rafinerska Slovakia, s. r. o. and CRC Polska Sp z o. 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 Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. The adjustments are summarised in Note 19.

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

Reporting and Measurement 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 companies 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.

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 IFRS 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 their fair value.

Cash and Cash Equivalents – The Group considers highly liquid financial instruments with an original maturity of three months or less that are subject to an insignificant risk of change in value to be cash equivalents.

Receivables and Payables – Receivables are stated at the fair value of the consideration given and are carried at amortised cost, after provision for impairment. Payables and accruals are reported at amortised cost.

Hedging – On inception, Group treasury identifies certain derivatives as a hedge of the exposure to variability in cash flows attributable to an asset or liability or a forecasted transaction.

The Group's criteria for classifying a derivative instrument as a hedge include: (1) the hedge transaction is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, (2) the effectiveness of the hedge can be reliably measured, (3) there is adequate documentation of the hedging relationships at the inception of the hedge, (4) for cash flow hedges, the forecasted transaction that is subject of the hedges must be highly probable. Cash-flow hedges, gains and losses are recognised in the net profit or loss in the same period or periods during which the hedged firm commitment or forecasted transaction affects the income statement (for example, when a forecasted sale actually occurs).

Crude Oil Stock – Crude oil stock is valued at lower of cost or net realizable value 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 the lower of cost and net realizable value 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. As of 31 December 2001 there were no commodity derivative contracts.

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 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 and any gain or loss resulting from their disposal is included in the income statement. Construction-in-progress represents plant and properties under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs. Construction-in-progress is not depreciated until such time as the relevant assets are completed and put into operational use. 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.

Finance Lease – The Group recognises finance leases as assets and liabilities in the balance sheets at amounts equal to the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease.

A finance lease gives rise to depreciation expense for the asset as well as a finance expense (i.e. interest) for each accounting period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned.

Investment in Subsidiary – The Group accounts for its investments in subsidiary at acquisition cost in the 2000 consolidated financial statements.

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

Revenues – Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Sales are recognised net of sales taxes and discounts. 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.

Deferred tax assets and liabilities are recognised regardless of when the timing difference is likely to reverse. Deferred tax assets and liabilities are not discounted and are classified as non-current assets (liabilities) in the balance sheet. Deferred tax assets are recognised when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised. Deferred tax is charged or credited directly to equity if the tax relates to correction of a fundamental error.

Borrowings – Borrowing costs are expensed as incurred. Borrowing costs include interest on bank overdrafts, short-term and long-term borrowings and finance charges in respect of finance leases.

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 2001 and 2000 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. Exchange rate differencies related to crude oil purchases amounted to a gain of 64.715 TKc in 2001 and a loss of 123.889 TKc in 2000.

3. CASH AND CASH EQUIVALENTS

At 31 December 2001 and 2000, cash and cash equivalents is comprised of the following (amounts in thousands):

	2001	2000
Cash on hand	864	1,758
Current accounts:		
Czech Crowns	343,566	10,953
Foreign currencies	213,333	125,526
Total current accounts	556,899	136,479
Deposit accounts:		
Czech Crowns	1,740,000	1,903,700
Foreign currencies	85,288	1,193,060
Total deposit accounts	1,825,288	3,096,760
Total cash	2,383,051	3,234,997

The Group has bank accounts that allow the Group to maintain overdraft balances. At 31 December 2001 and 2000, overdraft cash balances totaled 798,780 TKc and 95,065 TKc, respectively, and are reflected as a liability in the accompanying consolidated balance sheet (see Note 11).

4. ACCOUNTS RECEIVABLE, NET

At 31 December 2001 and 2000, accounts receivable, net, is comprised of the following (amounts in thousands):

	2001	2000
Trade Receivables:		
Foreign sales	1,802,707	454,042
Domestic sales	3,591,979	6,532,316
Total trade receivables	5,394,686	6,986,358
Corporate income tax receivable	264,723	-
Other	4,254	10,943
Total accounts receivable	5,663,663	6,997,301
Allowance for doubtful accounts	(96,012)	(130,813)
Accounts Receivable, Net	5,567,651	6,866,488

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 2001 and 2000, inventory is comprised of the following (amounts in thousands):

	2001	2000
Crude oil	2,674,420	3,246,445
Raw materials and supplies:		
Chemicals – supplies	67,032	71,654
Spare parts	547,725	300,616
Other	-	2,014
Total raw materials and supplies	614,757	374,284
Work in process	881,853	561,737
Goods	33,864	-
Refined products gross	1,032,316	976,871
Net-realisable-value provision	(20,000)	-
Total refined products - net	1,012,316	976,871
Total inventory	5,217,210	5,159,337

6. OTHER CURRENT ASSETS

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

7. PROPERTY, PLANT AND EQUIPMENT, NET

At 31 December 2001 and 2000, 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 1999					
- as previously stated	2,213,640	4,992,640	93,752	5,260,199	12,560,231
- correction of an error	(166,280)	(327,267)	(17,273)	-	(510,820)
- as restated	2,047,360	4,665,373	76,479	5,260,199	12,049,411
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	2,699,748	6,434,313	76,479	7,726,529	16,937,069
Additions	116,602	980,808	-	2,969,659	4,067,069
Disposals	(46,472)	(64,287)	(5,050)	(1,757,396)	(1,873,205)
Transfers	692,700	6,435,075	-	(7,127,775)	-
Balance at 31 December 2001	3,462,578	13,785,909	71,429	1,811,017	19,130,933
Accumulated Depreciation					
Balance at 31 December 1999					
- as previously stated	253,158	1,294,080	16,097	-	1,563,335
- correction of an error	(26,972)	(52,308)	(2,452)	-	(81,732)
- as restated	226,186	1,241,772	13,645	-	1,481,603
Depreciation for the year					
- as previously stated	66,643	369,642	3,038	-	439,323
- correction of an error	(6,743)	(13,077)	(613)	-	(20,433)
- as restated	59,900	356,565	2,425	-	418,890
Disposals	(1,666)	(27,631)	-	-	(29,297)
Balance at 31 December 2000	284,420	1,570,706	16,070	-	1,871,196
Depreciation for the year	86,546	620,547	1,787	-	708,880
Disposals	(25,144)	(58,012)	(5,050)	-	(88,206)
Balance at 31 December 2001	345,822	2,133,241	12,807	-	2,491,870
Property, plant and equipment, net, at 31 December 1999	1,821,174	3,423,601	62,834	5,260,199	10,567,808
Property, plant and equipment, net, at 31 December 2000	2,415,328	4,863,607	60,409	7,726,529	15,065,873
Property, plant and equipment, net, at 31 December 2001	3,116,756	11,652,668	58,622	1,811,017	16,639,063

Depreciation expense for 2001 and 2000 was 708,880 TKc and 439,323 TKc, respectively. The balances of retained earnings at 31 December, 2000 and 1999 have been restated from amounts previously reported to reflect an incorrect treatment of deferred tax included in property, plant and equipment acquired as part of the incorporation of the joint stock company in 1995 (see also note 13). The deferred tax related to the net book value of assess of 408,655 TKc and 429,088 TKc has been charged to retained earnings as of 31 December 2000 and 1999, respectively. Of the amount of correction as of 31 December 2000, 20,433 TKc is applicable to 2000 and has been reflected as a decrease in depreciation resulting in a corresponding increase in the reported income for 2000.

8. INTANGIBLE ASSETS, NET

At 31 December 2001 and 2000, 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 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
Additions	37,447	22,198	121,363	181,008
Disposals	-	-	(59,645)	(59,645)
Transfers	19,762	64,740	(84,502)	-
Balance at 31 December 2001	388,865	219,487	69,225	677,577
Accumulated Amortisation				
Balance at 31 December 1999	17,128	56,268	-	73,396
Amortisation for the year	81,670	11,541	-	93,211
Disposals	-	-	-	-
Balance at 31 December 2000	98,798	67,809	-	166,607
Amortisation for the year	110,514	22,414	-	132,928
Disposals	-	-	-	-
Balance at 31 December 2001	209,312	90,223	-	299,535
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
Intangible assets, net, at 31 December 2001	179,553	129,264	69,225	378,042

Amortisation expense for 2001 and 2000 was 132,928 TKc and 93,211 TKc, respectively.

9. ACCOUNTS PAYABLE

At 31 December 2001 and 2000, accounts payable is comprised of the following (amounts in thousands):

	2001	2000
Trade payables:		
Foreign suppliers	3,566,422	3,606,160
Domestic suppliers	981,411	1,590,556
Total trade payables	4,547,833	5,196,716
Social security payable	13,413	13,585
Payables to employees	1,565	21,111
Other suppliers	338,198	22,906
Total accounts payable	4,901,009	5,254,318

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 2001 and 2000, taxes payable and accrued liabilities are comprised of the following (amounts in thousands):

	2001	2000
Excise duties payable	3,551,609	4,405,377
Corporate income taxes payable	-	813,971
VAT payable	121,097	435,046
Total taxes payable	3,672,706	5,654,394
Accrued costs	106,840	84,503
Other accrued liabilities	162,732	246,837
Total taxes payable and accrued liabilities	3,942,278	5,985,734

The Group has accrued 41,627 TKc related to the cost of retraining employees during 2002, that, based on the Group's decision, have been made redundant or their redundancy was publicly announced.

11. BANK DEBT

Short-term debt – At 31 December 2001 and 2000, short-term debt outstanding is comprised of the following (amounts in thousands):

	Conditions	Due date	2001	2000
Overdraft Facility (see Note 3)	Overdraft	-	798,780	95,065

Long-term debt – On 17 August 2000, the Group completed a CZK 5 billion 5-year Term Loan Facility with a syndicate of banks. This loan bears a floating interest rate. As of 31 December 2001 the Company had utilised CZK 2 billion of this Facility to cover short-term working capital requirements.

Repayments of long-term debt are scheduled as follows:

2002	-
2003	666,666
2004	666,667
2005	666,667
Total	2,000,000

Interest expense relating to short-term and long-term debt for 2001 and 2000 was 92,537 TKc and 11,803 TKc, respectively.

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 15,364 TKc to a total value of 480,085 TKc. The lease amount (principal and interest) was totally repaid as of 31 December 2001. During 2000 and 2001, the Group concluded leasing agreements for Company cars with a total value (principal and interest) of 40,228 TKc. 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 30,103 TKc as of 31 December 2001.

The payments due on capital leases as of 31 December 2001 are as follows (amounts in thousands):

2002	11,445
2003	10,651
2004	6,819
2005	1,188
Total minimum lease payments	30,103
Less: amounts representing interest	(2,557)
Present value of future lease payments	27,546
Less: current portion	(9,964)
Net long-term obligation	17,582

13. TAXATION

Income Tax Legislation – Corporate income tax is calculated in accordance with the Czech tax regulations at the rate of 31% in 2001 and 2000.

The Czech Republic, the Slovak Republic and Poland 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 and Poland 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 Benefit Provision – The components of the income benefit tax provision for the years ended 31 December 2001 and 2000 are as follows (amounts in thousands):

	2001	2000
Current tax provision	12,545	1,136,276
Deferred tax provision		
- as previously reported	-	145,763
- correction of error	-	6,334
- as restated	(206,595)	152,097
Total income tax (benefit) provision	(194,050)	1,288,373

A reconciliation of expected income tax (benefit) provision for the year ended 31 December 2001 and 2000 is as follows (amounts in thousands):

	2001	2000
Net income before income tax	(38,806)	4,238,594
Statutory income tax rate	31%	31%
"Expected" income tax (benefit) provision	(12,030)	1,313,964
Add (deduct) tax effect of:		
Non-taxable revenues	(55,279)	(40,346)
Non-deductible expenses	97,870	124,053
Difference between tax and statutory depreciation	(252,030)	(144,406)
Other	27,419	35,108
Income tax (Benefit) Provision	(194,050)	1,288,373
Effective tax rate	-	30%

Ceska rafinerska, 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 2001 and 2000, deferred taxes, net is comprised of the following (amounts in thousands):

	2001	2000
Deferred Tax Assets:		
Provisions	21,816	53,484
Tax loss	311,298	-
10% Investment Relief	176,039	-
Total deferred tax assets	509,153	53,484
Deferred Tax Liabilities:		
Difference between property, plant and equipment per book and tax		
- as previously reported	-	969,480
- correction of error	-	(126,682)
- as restated	1,097,271	842,798
Provisions and reserves related to repairs and maintenance	116,002	108,905
Crude oil inventory	69,595	82,091
Total deferred tax liabilities	1,282,868	1,033,794
Total deferred tax liability, net	773,715	980,310

The balances of retained earnings at 31 December 2000 and 1999 have been restated from amounts previously reported to reflect an incorrect treatment of deferred tax related to property, plant and equipment acquired as part of the incorporation of the joint stock company in 1995 (see also note 7). The deferred tax of 126,682 TKc and 133,016 TKc has been charged to retained earnings as of 31 December 2000 and 1999, respectively. Of the amount of correction as of 31 December 2000, 6,334 TKc is applicable to 2000 and has been reflected as an increase in the deferred tax expense resulting in a corresponding decrease in the reported income for 2000.

14. FINANCIAL INSTRUMENTS

Financial risk management – The Group operates internationally, giving rise to significant exposure to market risks from changes in foreign exchange rates. The Group uses derivative financial instruments to manage those risks. Risk management policies are approved by the Board of Directors and carried out by a central Treasury department.

Credit risk – The Group has no significant concentration of credit risk with any single counterparty or group of counterparties having similar characteristics. Group procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit. The Group considers that its maximum exposure is reflected by the amount of trade receivables (see Note 4) net of allowance for doubtful accounts.

Foreign exchange risk – 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 through the use of foreign currency forward exchange contracts (see Note 3). With the adoption of IFRS 39, the Group has designated its forward exchange contracts as cash flow hedges and carries them at fair value.

Interest rate risk - The Company's loans are at floating interest rates (see note 11).

Fair value estimation – The carrying amount of cash and cash equivalents and of bank overdrafts approximates their fair value due to the short-term maturity of these financial instruments. Similarly, the historical cost carrying amounts of receivables and payables which are all subject to normal trade credit terms approximate their fair values. The fair value of the following financial assets and liabilities, all carried at historical cost, are determined as the present value of the estimated cash flows:

- long-term loan (see Note 11)
- finance lease liabilities (see Note 12)

Fair value has been determined by discounting the relevant cash flows using current interest rates for similar instruments at the balance sheet date.

The carrying amount of the forward exchange contracts approximates their fair value due to the short-term maturity of these financial instruments. At December 2001 the Company has entered into foreign currency purchase contracts equivalent to 718,556 TKc. The forward contracts were closed in January 2002 resulting in a loss of 15,224 TKc.

Impact of adoption of IFRS 39 at 1 January 2001 – The Group adopted IFRS 39 at 1 January 2001. In accordance with the transitional provisions of that standard, the comparative financial statements for periods prior to the effective date of the standard have not been restated.

15. 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 Druzhba pipelines.

16. RELATED PARTY TRANSACTIONS

The Group sells products to related parties (entities owned by shareholders) in the ordinary course of business. In 2001 and 2000, sales amounted to 21,367,944 TKc and 25,893,508 TKc, respectively.

At 31 December 2001 and 2000, receivables from related parties is comprised of the following (amounts in thousands):

Related Party	2001	2000
Aliachem, a. s.	432	-
Aliachem Deutschland GmbH	3,889	-
Aliachem Vienna GmbH	3,029	-
Spolana, a. s.	4	-
Benzina, a. s.	219,938	828,087
Kaucuk, a. s.	38,303	48,396
Chemopetrol, a. s.	619,265	1,594,738
Chemopetrol BM, a. s.	1	-
Chemopetrol-Doprava, a. s.	699	-
Paramo, a. s.	54	8,204
Conoco CR, s. r. o.	97,839	129,961
Shell CR, a. s.	553,756	717,777
Koramo, a. s.	60,815	-
AGIP Praha, a. s.	120,644	99,199
Total	1,718,668	3,426,362

The Group purchases products and receives services from related parties in the ordinary course of business. In 2001 and 2000 purchases amounted to 4,284,542 TKc and 3,776,547 TKc, respectively. At 31 December 2001 and 2000, liabilities to related parties are comprised of the following (amounts in thousands):

Related Party	2001	2000
Benzina, a. s.	804	3,344
Kaucuk, a. s.	99,089	134,648
Chemopetrol, a. s.	210,663	180,355
Chemopetrol-Doprava, a. s.	145,549	27,835
Chemopetrol BM, a. s.	82	-
HC Chemopetrol, a. s.	549	-
Unipetrol, a. s.	16,089	16,703
Paramo, a. s.	314	44
Spolana, a. s.	227	-
Koramo, a. s.	629	-
Shell CR, a. s.	8,976	-
Agip Praha, a. s.	4,520	-
B.U.T., s. r. o.	30	65
Conoco CR, s. r. o.	901	2,569
Total	488,422	365,563

17. EQUITY

Basic Capital – The basic capital of the Company is comprised of 934,824 shares fully subscribed, with a nominal value of 10 TKc. All shares have equal voting rights. On 31 July 2001 the Company paid out dividends related to 2000 of 271 Kc per share, totaling 253,337 TKc and on 30 November 2001 additional dividends of 407 Kc per share were paid out, totaling 380,473 TKc. In 2000, the Company paid out dividends related to 1999 of 158 Kc per share, totaling 147,702 TKc.

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 2001 and 2000, the balance was 445,951 TKc and 319,361 TKc, respectively, and is reflected as a component of retained earnings.

Correction of error – As more fully disclosed in Notes 7 and 13, retained earnings at 31 December 2000 and 1999 have been adjusted to reflect an incorrect treatment of deferred tax related to property, plant and equipment acquired as part of the incorporation of the joint stock company in 1995.

18. REVENUES

Revenues for the years 2001 and 2000 were comprised of the following (amounts in thousands):

	2001			2000		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Products	36,807,815	8,520,765	45,328,580	44,006,480	7,577,800	51,584,280
Services	232,214	-	232,214	325,014	3,207	328,221
Goods	101,022	1,280,102	1,381,124	24,789	517,533	542,322
Other	13,346	-	13,346	6,571	-	6,571
Total	37,154,397	9,800,867	46,955,264	44,362,854	8,098,540	52,461,394

Concentration of Revenues – In 2001, primarily all revenues of the Group resulted from sales to approximately 46 main customers.

19. PRESENTATION OF FINANCIAL STATEMENTS

The accompanying financial statements are presented on the basis of International Financial Reporting Standards issued by the International Accounting Standards Board. Certain accounting principles generally accepted in the Czech Republic do not conform to International Financial Reporting 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 Financial Reporting Standards is set forth in the following table (amounts in thousands):

	2001		2000	
	Net Income	Retained Earnings	Net Income	Retained Earnings
Balance per Statutory Accounts	(60,418)	7,666,410	2,515,672	8,359,786
Revaluation of assets and liabilities denominated in foreign currencies, net	7,425	13,314	35,134	5,889
Reclassify crude oil line fill from property, plant and equipment to inventory	17,478	185,765	17,478	168,287
Adjust fixed asset life to 25 years	129,470	466,418	84,975	336,948
Reversal of provisions and reserves related to repairs and maintenance	19,860	258,197	(14,180)	238,337
Currency translation adjustment	-	-	-	852
Adjustment for deferred taxes				
- as previously reported	-	-	267,366	257,474
- correction of an error	-	-	14,099	(281,973)
- as restated	12,339	(12,160)	281,465	(24,499)
Capital lease obligations	29,090	123,189	29,677	94,099
Balance per IFRS accounts	**155,244**	**8,701,133**	**2,950,221**	**9,179,699**

DIRECTORY

Job title	Name	Site	Telephone number
Chief Executive Officer	Ivan Ottis	Kralupy	+420 205 / 71 8521
		Litvínov	+420 35 / 616 3567
Chief Financial Officer	Eric Anderson	Kralupy	+420 205 / 71 8561
Controller	Miroslav Hanousek	Kralupy	+420 205 / 71 8563
Treasurer	František Čermák	Kralupy	+420 205 / 71 8587
IT Manager	Pavel Král	Kralupy	+420 205 / 71 8616
Business Planning and Analysis Manager	Mojmír Zenáhlík	Kralupy	+420 205 / 71 8564
Internal Audit Manager	Iva Černá	Kralupy	+420 205 / 71 8562
Commercial Director	Jiří Pavlas	Kralupy	+420 205 / 71 8531
Supply Manager	Rostislav Palička	Kralupy	+420 205 / 71 8523
Sales Manager	Mario Musumeci	Kralupy	+420 205 / 71 8547
Export Manager	Igor Kuruc	Kralupy	+420 205 / 71 8522
Marketing Manager	Petr Štěpán	Kralupy	+420 205 / 71 8545
Final Products Logistics Manager	Jaroslav Štrop	Kralupy	+420 205 / 71 8546
Technical Director	John de Haseth	Litvínov	+420 35 / 616 4776
Production Manager Litvínov	Václav Raitr	Litvínov	+420 35 / 616 3884
Production Manager Kralupy	Josef Krch	Kralupy	+420 205 / 71 4260
Maintenance Manager	Gustav Macák	Litvínov	+420 35 / 616 4456
Technological Manager	Milan Vitvar	Litvínov	+420 35 / 616 4477
Work Safety Manager	Václav Goluch	Litvínov	+420 35 / 616 4041
Hydrocarbon Logistics Manager	Aleš Ponert	Litvínov	+420 35 / 616 2151
General Affairs Director	Miroslav Debnár	Litvínov	+420 35 / 616 4338
HR Manager	Alena Stejskalová	Litvínov	+420 35 / 616 3809
Legal Manager	Alois Dvořák	Litvínov	+420 35 / 616 5974
PR Manager	Aleš Soukup	Kralupy	+420 205 / 71 8579
Service Manager	Radomír Bláha	Litvínov	+420 35 / 616 5176
Planning and Development Director	Oscar Magnoni	Kralupy	+420 205 / 71 8600
Operations Optimalisation Manager	Jiří Tlustý	Kralupy	+420 205 / 71 8627
Planning Manager	Hugo Kittel	Kralupy	+420 205 / 71 8603
Performance Assessmant Manager	Jaroslav Kadaňka	Kralupy	+420 205 / 71 8626
Investmant Director	Milan Vyskočil	Litvínov	+420 35 / 616 4957
Technical Project Preparation Manager	Jiří Krbec	Litvínov	+420 35 / 616 4191
Contracting and Procurement Manager	Pavel Nohava	Litvínov	+420 35 / 616 2862
Reinstrumentalisation Manager	Aede Schoustra	Kralupy	+420 205 / 71 8274
Control Rooms Centralisation Project Manager	Gregory Spencer	Litvínov	+420 35 / 616 2166
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