



# **ANNUAL REPORT ČESKÁ RAFINÉRSKÁ, a.s. 2008**

## **Content**

Report of the Board of Directors of ČESKÁ RAFINÉRSKÁ, a.s. on Business Activities and State of Assets in 2008	2
Report of the Supervisory Board of ČESKÁ RAFINÉRSKÁ, a.s.	13
Auditor's Report to the Annual Report	14
Independent Auditor's Report and Financial Statements	16
Report on the Relations between the Controlling and Controlled Entities and on the Relations between the Controlled Entity and other Entities controlled by the same Controlling Entity	49

## **Report of the Board of Directors of ČESKÁ RAFINÉRSKÁ, a.s.** **on Business Activities and State of Assets in 2008**

The previous year represented an important stage in increasing the competitiveness and the implementation of certain legislative requirements regarding the quality of automobile fuels for ČESKÁ RAFINÉRSKÁ, a.s. (hereinafter also the “Company”). For the Company, the year 2008 meant already the 6th year of “Processing”, under which the Company charged the subsidiaries of its shareholders – the Processors, “Processing Fees”. All market and price risks regarding both raw materials and finished products are borne by the Shareholders/Processors. Irrespective of the manner of its operation, the Company continuously pays attention to safety of operations, availability/reliability of equipment, availability of required products, employee training, in time and economical implementation of the approved capital investment programme, and optimum operating costs.

The Company entered the year 2008 with a number of goals and tasks set by its shareholders. The most important of them covered the following areas.

- Further strengthening of its activities extended in the area of “Health and Safety at Work”, both in respect of the employees of the Company and in respect of its contractors. The required indicator (TRIR) may not have been achieved, but the trend prevailing in the previous years was successfully reversed and safety performances (which rank among the best in the Czech Republic) improved significantly.
- The highest planned quantity of processed crude oil in the history of the Company. The target was met despite difficulties accompanying crude oil supplies via the Družba oil pipeline. These difficulties were overcome with cooperation from the suppliers and the companies in charge of carrying crude oil.
- The implementation of the required level of the Solomon Indices within the projects “Solomon Gap – Road Map”. This task was implemented only in part, its completion will be a key requirement for 2009.
- Preparation of a periodical shutdown of the Kralupy refinery planned in the spring of 2009 within an almost 5-year cycle. It is proceeding in accordance with the time and material plans.
- Continuation of the projects aimed at the improved management and performance of the Company with the goal of achieving certain tangible results (“quick wins”) both in the areas covered by HMR, BIC II, as well as in the areas of reduced waste, emissions, and energy consumption. This was implemented in part. The projects are continuing.
- Settlement of the main bankruptcy proceedings and their consequences. This task was concurrently implemented in keeping with the ongoing bankruptcy proceedings, in particular, the largest receivable originating in the period before transfer to “Processing” was settled.
- Sufficient amounts of cash available to the Company. This task has been implemented, subject to payment of the dividends from the profit generated in 2007.
- Implementation of the EU requirements regarding “Clean Fuels 2009” and the Czech national legislation regarding bio-fuels. The production of automobile fuels with sulphur content below 10 ppm was launched. The market was supplied with automobile fuels pursuant to EN 590 and 229 with the average content of bio-

components in the minimum volume of 2.0% vol. throughout the entire calendar year (diesel oil – 2.10%, automobile petrol – 2.14%).

A number of activities relate to the expansion of the systems providing for the internal operation of the Company, out of which the following projects ranked among the most important in 2008:

- Implementation of modifications of the key documents and the legal environment in the Company in connection with the changed shareholder structure in 2007. This is still in progress but close to completion.
- Improvement of work in the area of caring for promising employees, educating, training and planning of human resources. This work was implemented (among other things with the help of EU funding) and is ready to continue.
- Personnel changes were implemented in 2008 and were duly completed and implemented in practice. Their further settlement represents a key task in 2009.
- Operational reliability of equipment, particularly in respect of the key units. This was ensured to the required extent and to the satisfaction of the Processors.

### **Implementation of Key Performance Indicators**

*Table 1: Implementation of Key Performance Indicators in 2008*

<b>Key Performance Indicators</b>	<b>Target value</b>	<b>Implementation in 2008</b>
Frequency of accidents	1.8	<b>Outstanding.</b> TRIR = 2.7
Fixed costs	1,900 mil. CZK	<b>Implemented.</b> Reality 1,717 mil. CZK
Availability of NHC unit	98%	<b>Implemented.</b> Reality 98.2 %
Availability of FCC unit	97 %	<b>Implemented.</b> Reality 99.9 %
Availability of VBU unit	98 %	<b>Implemented.</b> Reality 100 %
Availability of GO HDS	98%	<b>Implemented.</b> Reality 99.6 %
Energy index "Solomon"	96	<b>Implemented.</b> Reality 92.3

In the area of the accident rate expressed by way of the frequency of accidents (TRIR), the trend prevailing in the previous years was successfully reversed although the required indicator was not duly met; however, significant positive achievements were implemented and recognition received in the area of health, care of employees, and safety at work. The accident rate relating to the employees of the Company remained low.

Indicators of availability of key equipment were met. Concentration on projects seeking more efficient utilisation of energy and abundance with the amount of the fixed costs represented a important contribution to the results of 2008.

### **Protection of Health, Safety at Work, Safeguarding of Assets and Environment**

The Health Safety Security Environment (HSSE) area has been described in detail in a separate report, therefore we would like to mention only the most significant milestones achieved in the year 2008:

- A "Safety Day" was organised in June 2008 to offer motivation for projects involving safety and protection of health at work. It was organised in cooperation with one of our shareholders – Shell Overseas Investments B.V..

- In 2008, the Company defended its title of Health Promoting Enterprise for the term of another three years. The relevant audit focused on promoting health at work, working conditions, health of the employees and other aspects.
- The Company won the European “Move Europe” campaign. That project focused on health promotion at work, improving lifestyle, in particular physical activity.
- In September 2008, the Company re-obtained a certificate allowing it to use the logo of “Responsible Care” for the next four-year period.
- All previous permits allowing smoking in offices and other premises expired in November 2008. Now smoking is allowed only in official smoking rooms identified as such.

The year 2008 saw a very positive development regarding the number of accidents. In total, only seven accidents were recorded over the entire year, three accidents involving our own employees and four accidents relating to contractors.

**Table 2: Accident rate from 2004 to 2008**

Year / Accidents	2004	2005	2006	2007	2008
	Company/ Contractors	Company/ Contractors	Company/ Contractors	Company/ Contractors	Company/ Contractors
<b>Accidents - total</b>	12	9	11	16	7
<b>TRIR*</b>	1.8	2.2	2.8	3	2.7
<b>LTI-type accidents (LTI)</b>	3/0	2/0	0/2	2/3	3
<b>MTC-type accidents (MTC)</b>	1/0	2/0	3/0	2/0	2
<b>FAC-type accidents (FAC)</b>	3/5	5/0	6/0	6/3	2

Note: index TRIR – Total Registered Injury Rate is calculated according the Shell methodology, e.g. number of incidents per 1 million working hours

### **Manufacturing Activities**

In 2008, a total of 7,650 millions metric tons of crude oil were processed, which represented a record-high volume in the history of the Company in absolute figures.

Key unit reliability also represented a Company performance indicator in 2008, and its assessment allows making the following statements:

Kralupy:

- availability of the FCC unit was kept above 99.9% for the second year;
- reliability, and/or availability of the SHDS unit, which was again put into operation at the end of 2007, reached the 100% mark;

Litvínov:

- high utilisation rate of the visbreaking unit and its 100% availability during extended operating cycles due to its temporary shutdown for de-coking;
- also the utilization rate of the hydrocracking units has been ensured at a high level;

Both entities:

- higher utilization rate of the major units in comparison to the previous year.

The reliability of the units was further enabled by the shutdown of the Litvínov refinery at the end of 2007 and further reduction of unplanned shutdowns.

### **Maintenance**

The original financial 2008 BP for the Maintenance was approved in the amount CZK 716.2 million, the actual expenditures in 2008 were CZK 666.2 million, representing the savings of CZK 50 million, while the Maintenance contractors' headcount was reduced.

In the Maintenance Index (based on Solomon), in 2008 Maintenance moved to the second quartile. These results were contributed mainly by improvement of tanks' repair management, scheduling improvement, small T/As process improvement, focusing on contractors' work efficiency and gradual implementation of BIC II outputs (Maintenance Process, SAP, scheduling in P3E, RRM etc.). Within the BIC II system project in the area of maintenance other modules were implemented, also repairs records and assessment were improved.

One of the Maintenance key activities and projects in 2008, the preparation for the 2009 turnaround of the Kralupy refinery needs to be stated which bounded large amount of personnel sources in 2008 and proceeded in compliance with the planned milestones in order to achieve the successful turnaround.

### ***Results in equipments reliability in 2008***

Category	2008		
	Target	Actual	
Rotating Equipments MTBM Litvínov	month	43	38.7
Rotating Equipments MTBM Kralupy	month	48	48
El. Motors MTBF Litvínov	month	550	539.1
El. Motors MTBF Kralupy	month	420	470
Pressure envelopes infringement Litvínov	number/ month	1.5	1.6
Pressure envelopes infringement Kralupy	number/ month	0.7	0.7
Analyzers Availability Litvínov	%	90	89.2
Analyzers Availability Kralupy	%	98	98.7

Following the above stated, it is evident that majority of the targets was fulfilled, or we approached significantly the determined targets. Overall, it may be stated the Maintenance in 2008 achieved the main performance indicators.

In 2008, automobile fuels, which complied with the strict requirements for the quality of automobile fuels were manufactured. As early as at the end of 2004, the Company commenced full production of automobile fuels with sulphur content lower than 10 ppm. This was in keeping with the strict environmental requirements pursuant to the European Union Directive 98/70/EC, as amended by Directive 2003/17/EC.

All through the year, both refineries added rape oil methyl-esters (MEŘO) in diesel oil and bio-ethanol in automobile petrol, in keeping with the requirements of the Processors. In 2008, when the Company was still a "legally obligated entity", diesel oil was manufactured with the addition of the average content of bio-components (in particular, MEŘO) in the amount of 2.10% vol., and automobile petrol with the content of bio-ethanol in the amount of 2.14% vol.; the statutory amount equals 2.0% vol.

Requirements for product logistics responded to orders made by the Processors, subject to concurrent optimisation of the transport of semi-finished products between the refineries, among other things, making partial use of the pipeline.

## **Planning and Logistics**

The crude oil prices started high in 2008, namely at 100 USD/bbl, and they reached a historical record-high amount of 144 USD/bbl. in the middle of the year. The second half of the year witnessed a sharp drop to the final 2008 price of less than 40 USD/bbl, representing a decrease of over 100 USD/bbl within the 6 months span. The prices of the main refinery products (petrol and diesel oil) in practice copied the trend of the crude oil prices curve. This reality, in view of the “processing arrangement”, only had a secondary influence on the Company.

Ensuring crude oil supplies represented a major challenge for the Company and the Processors commencing at the start of the operation of the “Processing” venture. In the course of the second half of 2008, the total of the approximately 900,000 metric tons of the REB-type crude oil were not supplied via the Druzhba oil pipeline as originally planned/nominated. The operation of the refineries, however, was not restricted in any manner, thanks to effective cooperation with the Agency for the State Material Reserves (Správa státních hmotných rezerv) and the companies operating the other oil pipelines (MERO ČR, a.s. and Deutsche Transalpine Oelleitung GmbH). The required quantity of crude oil was acquired via the “southern” route through the TAL and IKL pipelines.

**Table 2: Product Logistics**

<b>Key Performance Indicators</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Transport via pipelines (plan – reality)</b>	93.7 %	100.6 %	99.5 %	100.1 %
<b>Use of transport routes</b>			Railways ..... 30% Road terminals ... 45% Pipelines ..... 25 %	Railways ..... 25.5% Road terminals ... 43.3% Pipelines ..... 31.2 %

Requirements made by the Processors were duly met, as tanks were hired or borrowed for the purchases of bio-components. The partial replacement of small LPG pressure tanks for larger tanks was completed, in order to reduce labour-intensity at loading. In addition, tanks for carrying automobile fuels were partially replaced, with stress laid on their forced ventilation.

Significantly higher volumes of crude oil processing also facilitated a higher utilisation of the ČEPRO, a.s. system serving the transport of finished products. The pipeline carried 167,400 metric tons of semi-finished products between the refineries.

## **Capital Investment Projects**

The original Investment Plan for the year 2008 was approved in an amount of CZK 1,705 million in December 2007. In the course of 2008, it was concurrently amended on the basis of approved projects as submitted to the General Meetings held in February, April, and August of 2008. This amended plan, reflecting the forecasted capital expenditures on previously approved investment projects, was submitted for approval by the Board of Directors of the Company in 2008. The actual capital investment expenditure in 2008 amounted to CZK 1,093 million. The overall variance from the original Investment Plan amounted to CZK 612 million. This included CZK 325 million allocated to projects not approved in 2008, while CZK 112 million represents savings as against the planned expenditures, and CZK 175 million represented the sum of expenditures carried over to 2009 and other years.

## Key Projects finished in 2008:

### LS-06011 Modification of the fire fighting system – the tank farm at Jiřetín

The project significantly improved fire-fighting facilities at the Jiřetín tank farm. Following the modifications performed, the relevant fire-fighting equipment complies with the legal requirements.

### LR-06022 Reconstruction of the underground cooling water pipelines - Phase 1

The project increased the reliability of the underground cooling water system of the NRL block – it was only the first phase, the other phases will follow in accordance with the approved schedule.

### LR-06015 VBU Recontacting

The project contributed substantially to the reduction of flaring at the Litvínov refinery. Additionally, some modifications of the MEA pumps at the 5510 unit (MEA regenerating unit) were undertaken, which contributed to lower production of spent caustic and to the improvement of C3 quality.

### LR-06019 Higher capacity of light product unloading at Litvínov

The project's aim is to increase the Company's light product unloading capacity. The new facilities are to be fully utilized when running the steam cracker on the nominal throughput.

### LS-06025 Sewer change in Blocks 69 and 67

The project was requested by the municipal environmental authorities in Litvínov. The project was completed on time as agreed between the Company and the Municipal Authority. It will increase the Municipal Authority's confidence in the Company.

Other investment projects focused on the improvement of production reliability as well as on the protection of the environment.

**Table 3: Capital investment expenditures in 2008 broken down by the Investment Plan and location (in CZK million)**

Type of investment expenditure	Litvínov	Kralupy	Both refineries	Total
Major projects	226.18	106.03	0.00	332.21
General investment projects	197.89	217.09	59.64	474.62
Mandatory investment projects	39.01	23.80	55.72	118.53
Minor projects (including Assets acquisition – HPS)	75.29	74.85	0.24	150.38
Projects requested by Processors	12.94	3.98	0.34	17.26
Total	551.31	425.75	115.94	1 093.00

Overall, there were 28 projects planned of which there are 24 finished and handed over now. 3 out of 4 projects left are going to be done according to the modified Time Schedule of Realization and will be handed over to use in the end of 02/09. The main reasons for the delayed completion of these projects were prolonged periods of facility delivery from abroad and the elongation of the realization caused by changes in the volume of the project. The last project has been temporarily interrupted and returned to the Basis of Design initiator to be reworked.



## **Financial Situation and State of Assets**

In 2008, the Company generated profit before tax in the amount of CZK 385 million (profit after tax amounted to CZK 308 million) with a turnover of CZK 10,409 billion. The economic results were in keeping with the expectations as contained in the business plan of the Company.

The total assets of the Company increased by CZK 51 million up to CZK 24,415 million as against the previous period.

The net book value of the fixed assets dropped by CZK 182 million, down to CZK 15,988 million, while fixed assets additions excluding movements on advances and emission allowances granted amounted to CZK 1,310 million, and the total cost of such fixed tangible and intangible assets reached the amount of CZK 26,553 million.

The value of the current assets increased by CZK 309 million, up to CZK 7,656 million, mainly due to an increase in the value of the short-term financial assets resulting from lower capital expenditure, advances received from Processors under the Cash Flow and Security Agreement, and the settlement of the processing fee for 2007. The value of other assets dropped by CZK 75 million down to CZK 771 million.

The decrease in the shareholders equity of CZK 59.078 million (i.e., from CZK 17,031 million down to CZK 16,971 million) reflected the profit after tax generated by the Company in the amount of CZK 308.439 million, offset by the payment of dividends in the amount of CZK 367.517 million.

The following table shows a set of basic economic indicators as compared to the previous five-year period.

**Table 4: Turnover, net profit and capital investments - 2003 to 2008 (in CZK million)**

	2003*	2004	2005	2006	2007	2008
Turnover	32,756	8,915	9,293	9,256	9,353	10,409
Profit after tax	332	18	257	268	387	308
Fixed operating costs	1,956	2,066	1,761	1,706	2,271	1,717
Capital investment expenditures**	833	928	484	1,435	1,669	1,093

\* The data do not fully compare to the period after 2004 because the transition to the processing mode only occurred as of 1 August 2003

\*\* This row represents pecuniary capital investment expenditures incurred in individual years

## **IT**

The most important IT project in 2008 concerned an upgrade of the SAP R/3 information system to Version 6. This venture represented a technical upgrade, i.e., without extending its functionalities to support any other commercial processes. The upgrade of the SAP R/3 system was successful, the existing version is expected to be in operation at least until 2013.

The implementation of a new information system for the IT helpdesk performed in September 2008 represented a project aimed at improving services rendered to end users. The main

benefits are in ensuring better communication with employees who can work with current information regarding the progress of the settlement of their requests.

The Internet portal PETROLEUM.CZ was put into operation in 2008. Its main benefit is in providing information to both the general public and to the professional public about issues related to the extraction, processing and uses of crude oil. The content of the portal has been created together with the Institute of Chemical Technology (VŠCHT), MERO ČR, and Paramo, a.s. The project has been guaranteed in the professional respect by the World Petroleum Council.

### **Internal Audit and Risk Assessment**

Internal Audit and Risk Assessment rank among the important activities pursued by the Company. Close feedback from employees, the Company management, the Internal Audit Committee, the Board of Directors, the Supervisory Board, the Processors, and the shareholders was maintained. Ever since 2008, internal audits have been conducted by the Business Support Section in cooperation with trained internal auditors.

The Company Internal Audits Plan covers audits of all primary and supporting processes. It annually stipulates its priorities on the basis of regular risk assessment reviews. Internal audits have been targeted on checks of activities, namely, whether they have been performed in keeping with the pre-determined rules, reviews of the implementation of remedial measures adopted on the basis of previous audits, reviews of the register of risks in respect of the appropriate sections, including reviews of efficiency of pre-determined audits and any previously adopted remedial measures.

Apart from internal and external audits planned in 2008 (the most important of them included the following audits: the HSE audit and the procurement audit), also some extraordinary audits were performed, as requested by the Company management and the Internal Audit Committee.

As planned, audits of contractors were conducted, focusing on the areas of environmental protection, quality management, and safety at work and protection of health at work and pre-qualification audits.

### **Research, Development and Training**

The Company (as also in the previous years) did not operate any own research and development facility. The main purpose of R&D activities was the support of further improvement of existing technologies and future development. The activities were focused on the following areas:

- Optimization of already operated technological processes, catalysts, and additives.
- New technological processes.
- Alternative feeds, e.g. biocomponents and feeds derived from natural gas or coal.
- Improvement of quality of existing products.
- New alternative products.
- Impact of CRC's operation on environment.

Main partners for execution of the research program were VŠCHT Prague, ÚPM Prague, VUANCH (research facility of the Shareholder UNIPETROL) and Euron (research facility of the Shareholder Eni). The following areas were covered in co-operation with these partners:

- Crude essays
- Semi-blowing road bitumens with visbreaking residue content.
- Testing of desulphurization and hydrocracking catalysts.
- Study of properties and processing of Fischer-Tropsch synthesis products for alternative motor fuels.
- Technological and economic evaluation of alternative motor fuels.
- Detailed characteristics of heavy FCC gasoline and light cycle oil.

Training in 2008 followed certain educational plans and development projects, which were in place in the Company, including provision of distance studies in cooperation with the detached branch of the Institute of Chemical Technology (VŠCHT) in Most. The Company also applied some EU funds to finance a portion of its employee training.

### **Human Resources and labour relations**

The situation in the area of human resources was consolidated in the course of 2008, with the turnover rate pushed to a very low level in the long perspective. It remains a priority to keep high-quality employees, while recruiting new school leavers from technical and chemistry branches. The system of assessment of the performance of employees and the determination of their goals contains a firmly fixed relationship between employee performance and reviews of their wages and salaries.

In 2008, as part of the implementation of the Company human resources strategy, the policy of the optimisation of the composition of the labour force continued to be applied, with stress laid on the development of human resources. The strategic plan determined certain guidelines regarding the number of the labour force, which were turned into annual plans of the numbers of human resources. Several measures were completed in 2008 so the required indicator was exceeded.

Also within its human resources strategy, the Company implemented, for the second time, some charity projects based on the voluntary participation. This contributes to the aspect of the corporate social responsibility of the Company in respect to its surroundings.

Employee benefits in kind have been offered as a part of a flexible benefits scheme. These have been regularly upgraded with the goal of meeting the requirements of the employees as much as possible. The system of benefits in kind contributes to employee stabilisation. Broad measures in promoting health, including the Health Promotion Programme, certain arrangements contained in the Collective Bargaining Agreement, as well as above-standard periodical medical checks also contributed to low sickness rates, which were kept below 2% in 2008.

The Company further introduced stricter measures against smoking within the manufacturing premises.

## **Communication, External Relations and Corporate Social Responsibility**

The Company based its communication and external relation programmes on the principle of open communication and further expanded a system of transparent relations with the surrounding communities and the general public. As early as at the beginning of 2008, amendments were executed to certain long-term cooperation agreements concluded with the municipalities of Most, Litvínov, Meziboří, Kralupy nad Vltavou, and Veltrusy, and the community of Chvatěruby. These agreements responded to the topical requirements of those municipalities and their organisations and guilds. An ‘open door day’ was held for the general public, together with UNIPETROL RPA, s.r.o., at the industrial premises at Záluží. On the occasion of the 20<sup>th</sup> anniversary of the hydrocracking unit, a gathering of both professional and regional partners and members of the Company took place.

In 2008, the Company expanded its concept of Corporate Social Responsibility. In keeping with the priorities of its external activities, financial funds in the amount of CZK 11.02 million were granted to fund various projects and activities of the neighbouring municipalities and communities in particular. Schools were granted some discarded PCs, voluntary shifts were worked in non-profit organizations, and cooperation was extended with protected workshops.

For more details about communication, external relations in both of the regions, and corporate social responsibility projects, please, see the 2008 Corporate Social Responsibility Report.

The Company maintains its membership of the Association of Chemical Industry of the Czech Republic (SCHP ČR), the Czech Association of Petroleum Industry and Trade (ČAPPO), the District Economic Chamber (OHK), the Economic and Social Council of the Most Region, the Czech-Italian Joint Chamber of Commerce, the Krušnohoří/Erzgebirge Euroregion, and the professional associations and unions.

## **Changes in Shareholder Structure and Changes in Company Bodies**

The following changes occurred in the Board of Directors and the Supervisory Board in 2008.

The Board of Directors of the Company:

TERMINATION OF MEMBERSHIP	NEW MEMBERS
Oscar Magnoni (from 30.12.2007)	Giorgio Cervi (from 27.02.2008)
Wojciech Ostrowski (from 25.09.2008)	Roman Novotný (from 11.12.2008)

The General Meeting held on 11 December 2008 re-elected Mr. Miroslav Kornalík and Mr. Ivan Souček as members of the Board of Directors (both with effect from 14 December 2008); Mr. Ivan Souček was re-elected as the Chairman of the Board of Directors on 12 December 2008 (with effect from 14 December 2008).

The Supervisory Board of the Company:

TERMINATION OF MEMBERSHIP	NEW MEMBER
Ladislav Varhaník (19 February 2008)	Karel Surma (27 February 2008)
Josef Gros (18 December 2007)	Ingrid Levá (27 February 2008)
Jaroslav Stránský (4 July 2008)	František Filípek (4 July 2008)

### **Expected business development of the Company**

In 2008, the Company operated as a processing refinery, meeting the requirements of its owners. Its continued capital investment programme and systemic measures further supported preconditions for the future high utilisation of its capacity for manufacturing high-quality production covering the entire scope of products. The Company does not have any foreign affiliate.

It will further continue to prepare its higher performance and efficiency programmes in 2009 (particularly in the area of reducing costs, energy savings, and higher reliability of the operation). Their accelerated implementation, among other things, will contribute to the mitigation of the consequences of the global financial crisis. The Company will continue to comply with the legal requirements, among other things, regarding mixing bio-components in automobile fuels.

The goal of the Company is to achieve long term peak performance results in the area of safety at work and protection of the environment, the ensuring of high availability of the key manufacturing facilities and compliance with all quality requirements as requested by the Processors. The Company openly communicates with the general public as well as with the State administration authorities, and consistently works on its image of a credible and reliable partner.

Litvínov, 17 March 2009

Ivan Souček

Chairman of the Board of Directors, ČESKÁ RAFINÉRSKÁ, a.s



## **Report of the Supervisory Board of ČESKÁ RAFINÉRSKÁ, a.s. for the Ordinary General Meeting of the Company 30 April 2009**

Report of the Supervisory Board of ČESKÁ RAFINÉRSKÁ, a.s. on the Company's annual financial statements for 2008, the proposal for the distribution of the profit and the examination of the Report on the relations between the controlling and controlled entities and the relationships between the controlled entity and other entities controlled by the same controlling entity for 2008.

PricewaterhouseCoopers Audit, s.r.o. audited the annual financial statements for 2008 and expressed an auditor's unqualified report. In view of the auditor's report, the Supervisory Board states that the annual financial statements reflects truly, in all material aspects, the assets, liabilities, equity and financial standing of ČESKÁ RAFINÉRSKÁ, a.s. as at 31 December 2008 and its results for 2008 in accordance with the accounting act and relevant regulations of the Czech Republic.

The Supervisory Board also states that it did not discover any material misstatements in the submitted annual financial statements as at 31 December 2008 or in other documents that the Company's Board of Directors submitted to the Supervisory Board for discussion in 2008 that would suggest that the accounting records were not maintained properly in accordance with reality and legal regulations.

The Supervisory Board recommends, that the Ordinary General Meeting approves the financial statements for 2008 and also approves the proposal of the Board of Directors for the distribution of the 2008 profit.

The Supervisory Board has examined the Report on relationships between the controlling and controlled entities and the relations between the controlled entity and other entities controlled by the same controlling entity for 2008 as prepared by the Company's Board of Directors and submitted to the Supervisory Board. The Supervisory Board has no comments concerning the submitted report.

In Kralupy nad Vltavou, dated 27 March 2009



JUDr. Zdeněk Černý  
Chairman of the Supervisory Board  
ČESKÁ RAFINÉRSKÁ, a.s.

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF ČESKÁ RAFINÉRSKÁ, A.S.

We have audited the financial statements of ČESKÁ RAFINÉRSKÁ, a.s. ("the Company") for the year ended 31 December 2008 disclosed in the annual report on pages 16 to 48 and issued the opinion dated 2 March 2009 and disclosed on pages 17 to 18.

#### Report on the Annual Report

We have verified that the other information included in the annual report of the Company for the year ended 31 December 2008 is consistent with the financial statements referred to above. The Board of Directors is responsible for the accuracy of the annual report. Our responsibility is to express an opinion on the consistency of the annual report with the financial statements based on our verification procedures.

#### *Auditor's Responsibility*

We conducted our verification procedures in accordance with the International Standards on Auditing and the related application guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the verification procedures to obtain reasonable assurance about whether the other information included in the annual report which describes matters that are also presented in the financial statements is, in all material respects, consistent with the relevant financial statements. We believe that the verification procedures performed provide a reasonable basis for our opinion.

#### *Opinion*

In our opinion, the other information included in the annual report of the Company for the year ended 31 December 2008 is consistent, in all material respects, with the financial statements.

PricewaterhouseCoopers Audit, s.r.o., registered seat Kateřinská 40/466, 120 00 Prague 2, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No 021.

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Shareholders of ČESKÁ RAFINÉRSKÁ, a.s.  
Independent auditor's report

### Report on review of the Report on Relations

In addition we have also reviewed the accompanying report on relations between the Company and its controlling party and between the Company and the other persons controlled by the same controlling party for the year ended 31 December 2008 (the "Report"). The completeness and accuracy of the Report is the responsibility of the Board of Directors of the Company. Our responsibility is to review the accuracy of information included in the Report.

#### *Scope of Review*

We conducted our review in accordance with the International Standard on Review Engagements 2410 and related application guidance of the Chamber of Auditors of the Czech Republic for review of the report on relations. These standards require that we plan and perform the review to obtain moderate assurance as to whether the Report is free of material misstatement. A review is limited primarily to inquiries of Company personnel, analytical procedures and examination, on a test basis, of factual accuracy of data. A review therefore provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Report has not been properly prepared, in all material respects, in accordance with the requirements of Article 66a of the Commercial Code.

31 March 2009

  
PricewaterhouseCoopers Audit, s.r.o.

represented by Partner

  
Petr Šobotník

Auditor, Licence No. 113

#### Note

Our report has been prepared in Czech language and in English language. In all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over the English version.  
ANNUAL REPORT ČESKÁ RAFINÉRSKÁ, a.s., 2008



**ČESKÁ RAFINÉRSKÁ, a.s.**

**INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS**

**31 DECEMBER 2008**

Translation note

The financial statements have been prepared in Czech language and in English language. In all matters of interpretation of information, views or opinions, the Czech version of the financial statements takes precedence over the English version.

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF ČESKÁ RAFINÉRSKÁ, A.S.

We have audited the accompanying financial statements of ČESKÁ RAFINÉRSKÁ, a.s. ("the Company"), which comprise the balance sheet as at 31 December 2008, the income statement, statement of changes in equity and cash flow statement for the year then ended and notes, including a summary of significant accounting policies ("the financial statements"). Details of the Company are disclosed in note 1 to these financial statements.

#### *Board of Directors' Responsibility for the Financial Statements*

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors of the Czech Republic, International Standards on Auditing and the related application guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

PricewaterhouseCoopers Audit, s.r.o., registered seat Kateřinská 40/466, 120 00 Prague 2, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No 021.

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Shareholders of ČESKÁ RAFINÉRSKÁ, a.s.  
Independent auditor's report

*Auditor's Responsibility (continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2008, its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

2 March 2009

*PricewaterhouseCoopers Audit, s.r.o.*

PricewaterhouseCoopers Audit, s.r.o.  
Represented by Partner



Petr Šobotník  
Auditor, Licence No. 113

**Note**

Our report has been prepared in Czech language and in English language. In all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over the English version.

Company name: ČESKÁ RAFINÉRSKÁ, a.s.  
 Identification number: 62741772  
 Legal form: Joint-stock company  
 Primary business: Refining of crude oil  
 Balance sheet date: 31 December 2008  
 Date of preparation of the financial statements: 2 March 2009

**BALANCE SHEET**  
 (in CZK thousands)

		Current year			Prior year 2007
		Gross	Provisions	Net	Net
<b>TOTAL ASSETS</b>		<b>36 222 260</b>	<b>(11 806 789)</b>	<b>24 415 471</b>	<b>24 364 377</b>
<b>A.</b>	<b>STOCK SUBSCRIPTION RECEIVABLE</b>				
<b>B.</b>	<b>FIXED ASSETS</b>	<b>27 206 635</b>	<b>(11 218 739)</b>	<b>15 987 896</b>	<b>16 170 384</b>
B. I.	Intangible fixed assets	1 228 215	(1 001 009)	227 206	238 572
B. I. 1	Research and development	70 638	(62 045)	8 593	11 391
2	Software	756 938	(675 813)	81 125	85 215
3	Royalties	392 940	(261 978)	130 962	139 525
4	Other intangible fixed assets	3 594	(1 173)	2 421	15
5	Intangible assets in the course of construction	4 105	-	4 105	2 426
B. II.	Tangible fixed assets	25 324 330	(10 217 730)	15 106 600	15 277 722
1	Constructions	5 428 801	(924 992)	4 503 809	4 123 224
2	Equipment	17 394 121	(8 113 614)	9 280 507	9 344 235
3	Other tangible fixed assets	168 813	(72 611)	96 202	101 653
4	Tangible assets in the course of construction	1 002 607	(6 443)	996 164	1 226 332
5	Advances paid for tangible fixed assets	60 676	-	60 676	228 415
6	Adjustment to acquired fixed assets	1 269 312	(1 100 070)	169 242	253 863
B. III.	Long-term investments	654 090	-	654 090	654 090
1	Other financial investments	654 090	-	654 090	654 090
<b>C.</b>	<b>CURRENT ASSETS</b>	<b>8 244 230</b>	<b>(588 050)</b>	<b>7 656 180</b>	<b>7 347 258</b>
C. I.	Inventories	1 679 050	(502 512)	1 176 538	1 191 531
C. I. 1	Raw materials	1 415 246	(375 691)	1 039 555	1 001 990
2	Finished goods	263 804	(126 821)	136 983	189 541
C. II.	Short-term receivables	5 373 810	(85 538)	5 288 272	5 934 862
C. II. 1	Trade receivables	737 776	(85 538)	652 238	623 140
2	Taxes and state subsidies receivable	88 766	-	88 766	26 303
3	Short-term advances paid	12 643	-	12 643	21 169
4	Other receivables	4 534 625	-	4 534 625	5 264 250
C. III.	Financial assets	1 191 370	-	1 191 370	220 865
C. III. 1	Cash in hand	944	-	944	1 271
2	Cash at bank	139 881	-	139 881	12 494
3	Short-term investments	1 050 545	-	1 050 545	207 100
<b>D.</b>	<b>ACCRUALS AND DEFERRALS</b>	<b>771 395</b>	<b>-</b>	<b>771 395</b>	<b>846 735</b>
D. I.	Accruals and deferrals	771 395	-	771 395	846 735
D. I. 1	Prepaid expenses	299 403	-	299 403	375 630
2	Accrued revenue	471 992	-	471 992	471 105

		Current year 2008	Prior year 2007
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>24 415 471</b>	<b>24 364 377</b>
<b>A.</b>	<b>EQUITY</b>	<b>16 971 486</b>	<b>17 030 564</b>
A. I.	Share capital	9 348 240	9 348 240
A. I. 1	Share capital	9 348 240	9 348 240
A. II.	Reserve funds and other reserves	509 041	489 698
A. II. 1	Statutory reserve fund	509 041	489 698
A. III.	Retained earnings	6 805 766	6 805 762
III. 1	Retained profits	6 805 766	6 805 762
A. IV.	Profit for the current period	308 439	386 864
<b>B.</b>	<b>LIABILITIES</b>	<b>7 443 985</b>	<b>7 333 813</b>
B. I.	Provisions	671 864	413 246
I. 1	Tax-deductible provisions	325 651	233 013
2	Other provisions	346 213	180 233
B. II.	Long-term liabilities	601 373	562 651
II. 1	Other liabilities	246 558	284 010
2	Deferred tax liability	354 815	278 641
B. III.	Short-term liabilities	6 170 748	6 357 916
B. III. 1	Trade payables	989 054	830 372
2	Liabilities to employees	23 311	21 478
3	Liabilities for social security and health insurance	12 650	15 021
4	Taxes and state subsidies payable	4 546 792	5 267 316
5	Short-term advances received	431 701	302
6	Anticipated liabilities	129 391	185 898
7	Other payables	37 849	37 529

**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**  
(in thousands CZK)

		Current year	Prior year 2007
I.	Sales of goods	229 333	402 128
A.	Cost of goods sold	244 047	374 189
<b>+</b>	<b>Gross margin</b>	<b>(14 714)</b>	<b>27 939</b>
II.	Sales of production	10 179 879	8 950 684
II. 1	Sales of own products and services	10 179 879	8 950 684
B.	Cost of sales	7 347 794	6 874 161
B. 1	Raw materials and consumables	3 449 500	3 003 586
B. 2	Services	3 898 294	3 870 575
<b>+</b>	<b>Added value</b>	<b>2 817 371</b>	<b>2 104 462</b>
C.	Personnel expenses	545 656	540 439
C. 1	Wages and salaries	395 070	384 004
C. 2	Emoluments of board members	4 145	3 856
C. 3	Social security and health insurance costs	126 287	134 635
C. 4	Other social costs	20 154	17 944
D.	Taxes and charges	4 364	4 311
E.	Depreciation of long-term assets	1 224 265	1 091 275
III.	Sale of long-term assets and raw materials	61 749	30 430
III. 1	Sale of long-term assets	53 520	16 624
III. 2	Sale of raw materials	8 229	13 806
F.	Net book value of long-term assets and raw materials sold	45 717	184 667
F. 1	Net book value of long-term assets sold	43 626	184 667
F. 2	Net book value of raw materials sold	2 091	-
G.	Increase/(decrease) in operating provisions	196 600	(32 130)
IV.	Other operating income	536 164	270 834
H.	Other operating charges	1 047 146	224 351
<b>*</b>	<b>Operating result</b>	<b>351 536</b>	<b>392 813</b>
VIII.	Income from short-term investments	28 880	28 281
X.	Interest income	18 265	16 582
N.	Interest expense	14 235	13 568
XI.	Other financial income	57 683	21 371
O.	Other financial expense	57 516	26 527
<b>*</b>	<b>Financial result</b>	<b>33 077</b>	<b>26 139</b>
Q.	Tax on profit or loss on ordinary activities	76 174	32 088
Q. 1	- paid	-	462
Q. 2	- deferred	76 174	31 626
<b>**</b>	<b>Profit or loss on ordinary activities after taxation</b>	<b>308 439</b>	<b>386 864</b>
<b>***</b>	<b>Net profit for the financial period</b>	<b>308 439</b>	<b>386 864</b>
	<b>Profit before taxation</b>	<b>384 613</b>	<b>418 952</b>

Company name: ČESKÁ RAFINÉRSKÁ, a.s.

## STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

(in thousands CZK)

	Share capital	Statutory reserve fund	Retained earnings	Profit for the current period	Total
<b>At 1 January 2007</b>	<b>9 348 240</b>	<b>476 306</b>	<b>6 684 802</b>	<b>267 836</b>	<b>16 777 184</b>
Distribution of profit		13 392	160 961	(174 353)	-
Dividend approved			(40 001)	(93 483)	(133 484)
Net profit for 2007				386 864	386 864
<b>At 31 December 2007</b>	<b>9 348 240</b>	<b>489 698</b>	<b>6 805 762</b>	<b>386 864</b>	<b>17 030 564</b>
Distribution of profit		19 343	174 096	(193 439)	-
Dividend approved			(174 092)	(193 425)	(367 517)
Net profit for 2008				308 439	308 439
<b>At 31 December 2008</b>	<b>9 348 240</b>	<b>509 041</b>	<b>6 805 766</b>	<b>308 439</b>	<b>16 971 486</b>

**CASH FLOW STATEMENT**  
**FOR YEAR ENDED 31 DECEMBER 2008**  
(in thousands CZK)

		Current year	Prior year 2007
<b>Cash flows from operating activities</b>			
<b>Z.</b>	<b>Net profit from ordinary activities before tax</b>	<b>384 613</b>	<b>418 952</b>
<b>A. 1.</b>	<b>Adjustments for non-cash movements</b>	<b>1 793 897</b>	<b>1 224 174</b>
A. 1. 1.	Depreciation and amortization of fixed assets and valuation adjustment	1 308 886	1 175 896
A. 1. 2.	Change in allowances	(146 639)	(9 359)
A. 1. 3.	Change in provisions	258 618	(107 392)
A. 1. 4.	(Profit) / loss from disposals of fixed assets	(9 894)	168 043
A. 1. 5.	Net interest income	(4 030)	(3 014)
A. 1. 6.	Other non cash movements	386 956	-
<b>A *</b>	<b>Net cash flow from operating activities before tax, changes in working capital and paid interests</b>	<b>2 178 510</b>	<b>1 643 126</b>
<b>A. 2.</b>	<b>Working capital changes</b>	<b>261 143</b>	<b>(1 892 962)</b>
A. 2. 1.	Increase in inventories	(222 562)	(98 416)
A. 2. 2.	Increase in receivables	(63 556)	(92 238)
A. 2. 3.	Decrease/(increase) in other receivables and prepayments	751 028	(660 044)
A. 2. 4.	Increase in payables	142 083	173 802
A. 2. 5.	Decrease in payables, bank loans and accruals	(345 850)	(1 216 066)
<b>A **</b>	<b>Net cash flow from operating activities before tax and paid interests</b>	<b>2 439 653</b>	<b>(249 836)</b>
A. 1.	Interest received	18 265	16 582
A. 2.	Interest paid	(14 235)	(13 568)
A. 3.	Income tax on ordinary activities paid	-	(462)
<b>A ***</b>	<b>Net cash flow from operating activities</b>	<b>2 443 683</b>	<b>(247 284)</b>
<b>Cash flows from investing activities</b>			
B. 1.	Acquisition of fixed assets	(1 108 623)	(1 668 860)
B. 2.	Proceeds from sale of fixed assets	2 962	24 001
<b>B ***</b>	<b>Net cash flow from investing activities</b>	<b>(1 105 661)</b>	<b>(1 644 859)</b>
<b>Cash flows from financing activities</b>			
C. 1.	Dividends paid	(367 517)	(133 484)
<b>C ***</b>	<b>Net cash flow from financing activities</b>	<b>(367 517)</b>	<b>(133 484)</b>
<b>F.</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>970 505</b>	<b>(2 025 627)</b>
<b>P.</b>	<b>Cash and cash equivalents at the beginning of the year</b>	<b>220 865</b>	<b>2 246 492</b>
<b>R.</b>	<b>Cash and cash equivalents at the end of the year</b>	<b>1 191 370</b>	<b>220 865</b>



ČESKÁ RAFINÉRSKÁ, a.s.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

1. GENERAL INFORMATION

ČESKÁ RAFINÉRSKÁ, a.s. (the “Company”) is a joint-stock company that was incorporated on 28 April 1995 and has its registered office in Litvínov, Záluží 2, Czech Republic. The identification number of the Company is 62741772. The Company’s main business activity comprises the refining of crude oil into finished products and petrochemical feedstock.

Shareholders of the Company who hold a 10 % or greater interest in the Company’s share capital are as follows:

UNIPETROL, a.s.	51.220 %
Eni International B.V.	32.445 %
Shell Overseas Investments B.V.	16.335 %

On 31 August 2007, ConocoPhillips Central and Eastern Europe Holdings B.V. sold 150,600 shares of the Company (16.11 % interest in the Company) to Eni International B.V.

On 30 November 2007, ConocoPhillips Central and Eastern Europe Holdings B.V. sold remaining part of the Company shares, i.e. 2,101 shares (0.225 % interest in the Company), to UNIPETROL, a.s. and ceased to be a Shareholder of the Company.

The Company is a part of the consolidated group of Unipetrol. Since 31 May 2005, Unipetrol has become a part of the consolidated group of PKN Orlen.

Since 1 September 2007, the Company has become a part of the consolidated ENI Group.

Decision-making processes within the Company are further specified in the Articles of Incorporation.

Based on the Processing Agreement concluded between the Company and the subsidiaries of its shareholders (the “Processors”) on 23 January 2003, the Company started operating as a processing refinery from 1 August 2003. Most of the current commercial activities of the Company are performed with the Processors, who became the Company’s main customers. In connection with the shares sale in 2007 the adequate proportion of utilization rights was transferred from the Processor ConocoPhillips CR Refining s.r.o. to the Processors Agip Česká republika, s.r.o. and UNIPETROL RPA, s.r.o.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

1. GENERAL INFORMATION (continued)

The members of the statutory and supervisory bodies as at 31 December 2008 were as follows:

Board of Directors		Member since
Chairman	Ivan Souček	15 October 2002
Vice chairman	Salvatore Recuperò	17 October 2007
Member	Jacek Smyczyński	26 May 2007
Member	Miroslav Kornalík	14 December 2005
Member	Giorgio Cervi	27 February 2008
Member	Robert Arthur Chalmers	16 September 2006
Member	Roman Novotný	11 December 2008

Effective from 11 December 2008, Mr Roman Novotný was appointed as member of the Board of Directors. This change was not recorded in the Commercial Register at the date of the financial statements.

Supervisory Board		Member since
Chairman	Zdeněk Černý	4 August 2007
Vice chairman	Martin Jaroš	14 December 2006
Member	Jacek Stanik	6 May 2006
Member	Ingrid Levá	27 February 2008
Member	Andrea Moretti	15 December 2006
Member	Jan Klimeš	29 April 2002
Member	Ilona Pokorná	29 April 2002
Member	Karel Surma	27 February 2008
Member	František Filípek	4 July 2008

The Company operates the two largest oil refineries, located in Kralupy nad Vltavou and Litvínov, in the Czech Republic. The Litvínov refinery has the capacity to process 5 million tonnes of crude oil per year; the Kralupy refinery has the capacity to process 3 million tonnes of crude oil per year.

The Company is divided into five divisions: Finance, Technical, Planning and Development, General Affairs and CEO.

## 2. BASIS OF THE PREPARATION OF THE FINANCIAL STATEMENTS

The Financial statements have been prepared in accordance with the Generally Accepted Accounting Principles in the Czech Republic for the years 2008 and 2007.

The financial statements have been prepared under the historical cost convention, except as disclosed below.

Comparable data for the year 2007 were taken from previous audited financial statements.

## 3. ACCOUNTING POLICIES

The valuation principles applied by the Company for preparation of the financial statements for the years 2008 and 2007 are as follows:

### a) Intangible fixed assets

Intangible fixed assets are recorded at cost, which includes costs incurred in bringing the assets to their present location and condition. All research costs are expensed. Development costs are capitalised as intangible assets and recorded at the lower of costs or the value of future economic benefits if the value of future economic benefits can be reasonably estimated. All other development costs are expensed as incurred.

Intangible fixed assets with unit costs exceeding CZK 60 thousand and with a useful life of over 1 year are amortised applying the straight-line basis over their estimated useful life. The useful lives of assets were set as follows:

	Years
Research and development	2 – 6
Software	2 – 5
Royalties	3 – 10

Intangible fixed assets with unit cost of less than CZK 60 thousand are expensed upon acquisition.

A provision for impairment is established whenever the carrying value of an asset is greater than its estimated recoverable amount.

Emission rights are presented by the Company under Other intangible fixed assets.

**3. ACCOUNTING POLICIES (continued)**

**b) Intangible fixed assets (continued)**

Emission rights allocated by the National Allocation Plan free of charge to the Company are recorded as Other intangible fixed assets and related liability is recorded under Taxes and state subsidies payable upon their being credited to the Register of emission rights in the Czech Republic. Emission rights allocated are recorded at replacement cost. Emission rights purchased are recorded at cost, which includes costs incurred in bringing the assets to their present location and condition.

The emission rights liability is released into Other operating income based on matching with relevant expenses.

Consumption of emission rights is measured monthly on the basis of estimate of actual CO<sub>2</sub> emissions in the period and is recognized under Other operating expenses.

The first-in-first-out method is applied for the disposals of emission rights.

**b) Tangible fixed assets**

Tangible fixed assets with unit cost of more than CZK 40 thousand are recorded at acquisition cost, which includes freight, customs duties and other related costs. Interest costs incurred in connection with construction of tangible fixed assets are not capitalised. The costs of property enhancements are capitalised. Repairs and maintenance expenditures are expensed as incurred. Tangible fixed assets with unit cost of less than CZK 40 thousand are expensed when purchased.

A provision for impairment is established whenever the carrying value of an asset is greater than its estimated recoverable amount.

In accordance with the Act on Reserves, the Company creates a reserve for major repairs of tangible fixed assets, which the Company's management expects to incur in future accounting periods (Note 13). The value of the reserve is based on the total estimated costs of major repairs of tangible fixed assets.

A valuation adjustment to acquired property was recognised in 1995 as the difference between the value of property in accordance with valuation done for the purposes of contributing those assets to the Company and the net book value of the property as recorded in the accounting records of the contributing entities (Note 5).

**3. ACCOUNTING POLICIES (continued)**

**b) Tangible fixed assets (continued)**

Depreciation

Tangible fixed assets are depreciated applying the straight-line basis over their estimated useful lives which are as follows:

	Years
Buildings and constructions	50
Plant, machinery and equipment	4 - 25
Motor vehicles	6 - 11
Furniture and fittings	4 - 8
Other tangible fixed assets	4 - 30
Valuation adjustment to acquired property	15

The depreciation rates applied by the Company are adjusted on ongoing basis to match the expected useful lives of fixed assets.

In 2006, the Company completed modernisation of a production unit in cost of CZK 374,518 thousand, which is operated solely on behalf of two Processors: UNIPETROL RPA, s.r.o. and Agip Česká republika, s.r.o. Operation of this asset is governed by the special agreement concluded for the period of 10 years. The useful life of this asset was estimated for 10 years.

**c) Long-term financial assets**

Long-term financial assets consist of held-to-maturity long-term loans.

**3. ACCOUNTING POLICIES (continued)**

**d) Inventories**

Inventories are stated at the lower of cost or net realisable amount. Cost includes appropriate overheads incurred to bring inventory to its present state and location (mainly transport, customs duty, etc.). The weighted average cost method is applied for all disposals.

Value of spare parts is adjusted by a provision based on their expected utilisation and the estimate of the remaining useful life of the related assets.

A provision for spare parts is created on the basis of a detailed analysis of the expected utilisation at year-end and remaining useful life.

**e) Receivables**

Receivables are stated at their nominal value. The valuation of doubtful receivables is adjusted through a provision for the doubtful amount to their net realisable value.

A provision for doubtful receivables is created on the basis of a detailed analysis of the collectibility of doubtful receivables at year-end.

**f) Short-term financial assets**

Short-term financial assets consist of cash equivalents, cash in hand and in the bank, and held-to-maturity debt securities falling due within one year.

**g) Share capital**

The Share capital of the Company is recorded at the amount recorded in the Commercial Register maintained by the Regional Court.

In accordance with the Commercial Code and the articles of association, the Company must create a statutory reserve fund from profit. In the first year in which a profit is generated, a joint-stock company is obliged to allocate 20 % of profit after tax (however, not more than 10 % of share capital) to the statutory reserve fund. In subsequent years, the Company allocates 5 % of the profit after tax, until the value of the reserve fund from profit reaches 20 % of the share capital. This fund can only be used to offset losses.

**3. ACCOUNTING POLICIES (continued)**

**h) Liabilities**

Long-term liabilities and current liabilities are recorded at their nominal values. Short- and long-term loans are recorded at their nominal values. Any portion of a long-term loan due within one year of the balance sheet date is recorded as a short-term loan.

**i) Financial leases**

The Company accounts for leased assets by expensing the lease payments and capitalising the residual value of those assets at the time of the contract expiration and exercising of the purchase option. Lease payments paid in advance are recorded as prepaid expenses and amortised over the lease term.

Amounts payable in future periods but not yet due are disclosed in the notes but not recognised in the balance sheet.

**j) Provisions**

Provisions are recognised when the Company has a present obligation, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. The Company recognises tax deductible provisions relating to future repairs of property, plant and equipment.

**k) Foreign currency translation**

Transactions denominated in a foreign currency are translated and recorded at the Czech National Bank rate of exchange rate ruling on the date of the transaction.

All monetary assets and liabilities denominated in foreign currencies have been translated at the year-end exchange rate published by the Czech National Bank.

All foreign exchange gains and losses are recognised in the profit and loss account.

**l) Revenues and expenses recognition**

Revenues and expenses are recognised on an accrual basis.

A processing fee is charged to individual Processors based on the Processing Agreement.

Sales are recognised when goods are shipped and title passes to the customer or upon the performance of services. Sales are shown net of discounts and Value Added Tax.

**3. ACCOUNTING POLICIES (continued)**

**m) Extraordinary items and changes in accounting policies**

Extraordinary gains and losses represent one-off effects of events outside the scope of the Company's activities and the effects of changes in accounting policies.

**n) Deferred tax**

Deferred tax is recognised on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax assets are recognised if it is probable that sufficient future taxable profit will be available against which the assets can be utilised.

**o) Related parties**

The Company's related parties are considered to be the following:

- shareholders, of which the Company is a subsidiary or an associate, directly or indirectly, and subsidiaries and associates of these shareholders;
- members of the Company's statutory and supervisory bodies and management and parties close to such members, including the subsidiaries and associates of the members and their close parties;
- companies with the same management member.

Material transactions and outstanding balances with related parties are disclosed in Note 21.

**p) Employment benefits**

The Company recognises an estimated payable relating to rewards and bonuses of employees. The Company takes into account an expected average ratio of payments for social and health insurance and payroll expenses when creating the estimated payable.

In 2008, the Company provided a contribution to the Employee Pension Scheme according to Act 42/1994 and its amendment no. 170/1999 Coll. Regular contributions are made to the state budget to fund the national pension plan.



ČESKÁ RAFINÉRSKÁ, a.s.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

**3. ACCOUNTING POLICIES (continued)**

**q) Subsequent events**

The effects of events that occurred between the balance sheet date and the date of preparation of the financial statements are recognised in the financial statements in the case that these events provide further evidence of conditions that existed at the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to the preparation of the financial statements, and such events are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are disclosed but not recognised in the financial statements.

4. INTANGIBLE FIXED ASSETS

Cost

(CZK'000)	1 January 2008	Additions	Disposals	Transfers	31 December 2008
Research and development	64,829	5,749	-	60	70,638
Software	719,146	23,687	-	14,105	756,938
Royalties	367,988	23,785	-	1,167	392,940
Other intangible fixed assets	15	588,901	(585,322)	-	3,594
Intangible assets in the course of construction	2,426	1,679	-	-	4,105
<b>Total</b>	<b>1,154,404</b>	<b>643,801</b>	<b>(585,322)</b>	<b>15,332</b>	<b>1,228,215</b>

Accumulated depreciation and provisions

(CZK'000)	1 January 2008	Depreciation charge	Disposals	Provisions	31 December 2008
Research and development	(53,438)	(8,477)	-	(130)	(62,045)
Software	(633,931)	(42,496)	-	614	(675,813)
Royalties	(228,463)	(34,798)	-	1,283	(261,978)
Other intangible fixed assets	-	-	-	(1,173)	(1,173)
<b>Total</b>	<b>(915,832)</b>	<b>(85,771)</b>	<b>-</b>	<b>594</b>	<b>(1,001,009)</b>
Net book value	238,572				227,206

4. INTANGIBLE FIXED ASSETS (continued)

Cost

(CZK'000)	1 January 2007	Additions	Disposals	Transfers	31 December 2007
Research and development	62,020	2,809	-	-	64,829
Software	703,194	29,790	(29,365)	15,527	719,146
Royalties	266,422	26,573	-	74,993	367,988
Other intangible fixed assets	296,101	22,678	(318,764)	-	15
Intangible assets in the course of construction	67,995	1,307	-	(66,876)	2,426
<b>Total</b>	<b>1,395,732</b>	<b>83,157</b>	<b>(348,129)</b>	<b>23,644</b>	<b>1,154,404</b>

Accumulated depreciation and provisions

(CZK'000)	1 January 2007	Depreciation			31 December 2007
		charge	Disposals	Provisions	
Research and development	(41,086)	(12,352)	-	-	(53,438)
Software	(622,617)	(39,584)	29,365	(1,095)	(633,931)
Royalties	(207,058)	(20,053)	-	(1,352)	(228,463)
<b>Total</b>	<b>(870,761)</b>	<b>(71,989)</b>	<b>29,365</b>	<b>(2,447)</b>	<b>(915,832)</b>
Net book value	524,971				238,572

Research and development costs represent external studies, which are amortised over their estimated useful lives. Management also expects these projects to be technically viable and commercially profitable.

Royalties represent mainly licences acquired for technological processes and knowhow utilized by the Company.

Other intangible assets represent greenhouse emissions allowances.

As at 1 January 2007, the Company recorded 406,982 pcs of unused emission allowances carried forward from previous accounting period. According to the Government Decree of 20 July 2005 about the National Allocation Plan of the Czech Republic for years 2005 – 2007, the Company, as an operator of the equipment producing CO<sub>2</sub> emissions, was allocated 1,100,247 pcs of greenhouse emissions allowances in 2007 for the trading period of 2007. 904,327 pcs were used for emissions produced in 2007. 574,082 pcs of allowances were sold in 2007.

**4. INTANGIBLE FIXED ASSETS (continued)**

In 2008, 28,820 pcs of allowances from 2007 were sold. In 2008, the Government Decree of 25 February 2008 about the National Allocation Plan for trading years 2008 – 2012 came into force. According to the Decree, the Company was assigned 867,235 pcs of allowances for the year 2008. The total estimated greenhouse emissions were 910,443 tons in that year. The deficit of 43,208 pcs of allowances was covered partly by a swap of assigned EUA (European Union Allowance) units for CER (Certified Emission Reduction) units and partly by purchases of EUA units.

As at 31 December 2008, the Company had 3,606 pcs EUA units and 2,611 pcs of CER units left.

**5. TANGIBLE FIXED ASSETS**

Cost

(CZK'000)	1 January 2008	Additions	Disposals	Transfers	31 December 2008
Constructions	4,935,146	248,641	(28,313)	273,327	5,428,801
Machinery and equipment	16,679,775	274,526	(211,572)	651,392	17,394,121
Artworks and collections	1,090	-	-	151	1,241
Other tangibles fixed assets	167,589	1	(18)	-	167,572
Tangible assets in the course of construction	1,226,332	478,709	-	(702,434)	1,002,607
Advances for tangible fixed assets	228,415	70,029	-	(237,768)	60,676
Adjustment to acquired property	1,269,312	-	-	-	1,269,312
<b>Total</b>	<b>24,507,659</b>	<b>1,071,906</b>	<b>(239,903)</b>	<b>(15,332)</b>	<b>25,324,330</b>

Accumulated depreciation and provisions

(CZK'000)	1 January 2008	Depreciation			31 December 2008
		charge	Disposals	Provisions	
Constructions	(811,922)	(128,285)	13,940	1,275	(924,992)
Machinery and equipment	(7,335,540)	(985,015)	199,574	7,367	(8,113,614)
Other tangibles fixed assets	(67,026)	(5,585)	-	-	(72,611)
Tangible assets in the course of construction	-	-	-	(6,443)	(6,443)
Adjustment to acquired property	(1,015,449)	(84,621)	-	-	(1,100,070)
<b>Total</b>	<b>(9,229,937)</b>	<b>(1,203,506)</b>	<b>213,514</b>	<b>2,199</b>	<b>(10,217,730)</b>
<b>Net book value</b>	<b>15,227,722</b>				<b>15,106,600</b>

**5. TANGIBLE FIXED ASSETS (continued)**

Cost

(CZK'000)	1 January 2007	Additions	Disposals	Transfers	31 December 2007
Constructions	4,468,828	318,425	(6,201)	154,094	4,935,146
Machinery and equipment	15,704,427	766,860	(72,507)	280,995	16,679,775
Artworks and collections	1,090	-	-	-	1,090
Other tangibles fixed assets	167,572	26	(9)	-	167,589
Tangible assets in the course of construction	776,390	55,196	-	394,746	1,226,332
Advances for tangible fixed assets	580,960	500,934	-	(853,479)	228,415
Adjustment to acquired property	1,269,312	-	-	-	1,269,312
<b>Total</b>	<b>22,968,579</b>	<b>1,641,441</b>	<b>(78,717)</b>	<b>(23,644)</b>	<b>24,507,659</b>

Accumulated depreciation and provisions

(CZK'000)	1 January 2007	Depreciation charge	Disposals	Provisions	31 December 2007
Constructions	(704,350)	(113,641)	4,260	1,809	(811,922)
Machinery and equipment	(6,515,914)	(876,542)	48,825	8,091	(7,335,540)
Other tangibles fixed assets	(61,440)	(5,586)	-	-	(67,026)
Adjustment to acquired property	(930,828)	(84,621)	-	-	(1,015,449)
<b>Total</b>	<b>(8,212,532)</b>	<b>(1,080,390)</b>	<b>53,085</b>	<b>9,900</b>	<b>(9,229,937)</b>
<b>Net book value</b>	<b>14,756,047</b>				<b>15,227,722</b>

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

**5. TANGIBLE FIXED ASSETS (continued)**

The valuation adjustment of CZK 1,269,312 thousand to acquired property was recognised in 1995 as the difference between the value of property in accordance with the valuation done for the purposes of contributing those assets to the Company and the net book value of the property as recorded in the accounting records of the contributing entities (Note 3b). The amount is depreciated on a straight-line basis over 15 years.

In 2005, a lease agreement for the isomerisation unit expired. The agreement including amendments was concluded in 1994 – 1998. The total lease amount was CZK 585,703 thousand and was fully repaid in 2001. The unit was according to the Czech Accounting Standards capitalised at its acquisition cost of CZK 8 thousand. The estimated useful economic life of the unit is 30 years from concluding of agreement.

**6. LONG-TERM FINANCIAL ASSETS**

Summary of changes in other long-term financial assets:

(CZK'000)	As at			As at 31 December 2008
	31 December 2007	Additions	Revaluation	
Other long-term financial assets	654,090	-	-	654,090

Other long-term financial assets represent a commodity loan of 110 thousand tonnes of crude oil to the Processors. The commodity loan was provided for the entire period during which the Company operates in the processing refinery mode in accordance with the processing agreement signed between the Company and the Processors on 31 July 2003. This loan represents the filling of the IKL pipeline. The loan bears an interest rate of 2.818% p.a. and is to be repaid in 2023 in a single instalment. The loan was valued using market prices of crude oil as at 1 August 2003.

**7. INVENTORIES**

(CZK'000)	31 December 2008	31 December 2007
Raw material	1,415,246	1,266,002
Finished goods	263,804	190,486
Total inventories	1,679,050	1,456,488
Provision	(502,512)	(264,957)
Net book value	1,176,538	1,191,531

Raw material represents mainly spare parts as at 31 December 2008 amounting to CZK 1,372,181 thousand (31 December 2007: CZK 1,238,085 thousand).

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

8. RECEIVABLES

(CZK'000)	31 December 2008	31 December 2007
Short-term trade receivables	737,776	1,090,078
- receivables overdue more than 360 days	85,538	262,083
State tax receivables	88,766	26,303
Advances paid	12,643	21,169
Other receivables	4,534,625	5,264,250
Total receivables	5,373,810	6,401,800
Provision for doubtful receivables	(85,538)	(466,938)
Net receivables	5,288,272	5,934,862

All trade receivables more than 90 days overdue, not covered by a provision, are secured by deposits, bills of exchange or insurance.

Other receivables include mainly a receivable from the Processors on grounds of excise tax.

The Company has receivables from related parties (Note 21).

9. PROVISIONS

Provisions reflect a temporary diminution in the value of assets (Notes 4, 5, 7 and 8).

Changes in the provision accounts were as follows (CZK'000):

Provisions	Inventories	Receivables - tax allowed	Receivables - other	Tangible and intangible fixed assets	Total
Balance at 1 January 2007	232,011	87,502	414,287	18,726	752,526
Charge for the year	42,399	352,235	-	11,273	405,907
Written off during the year	(9,453)	-	(387,086)	(18,726)	(415,265)
Balance at 31 December 2007	264,957	439,737	27,201	11,273	743,168
Charge for the year	238,500	-	1	8,480	246,981
Written off during the year	(945)	(381,351)	(50)	(11,273)	(393,619)
Balance at 31 December 2008	502,512	58,386	27,152	8,480	596,530



## 9. PROVISIONS (continued)

Towards the end of 2008, prices of crude oil and petroleum products decreased significantly in the world markets. This led to a high amount of provision created for refinery products stock as of the balance sheet date (CZK 126,821 thousand). These refinery products represent the minimum technology fill of product tanks necessary for their operation. This minimum technology fill is sold when the product tanks undergo regular maintenance and cleaning routine. When this routine is completed, the products composing the minimum technology fill are purchased back by the Company. The provision was calculated as the difference between the estimated net realizable value of the products composing the minimum technology fill and their carrying value as of the balance sheet date.

In addition, the Company increased the provision to those spare parts, whose useful economic lives are expected to correspond with the useful lives of the respective equipment, by CZK 32,011 thousand and to other spare parts by CZK 79,300 thousand, corresponding to the estimated change in the recoverable value of respective spare parts.

The tax-allowed provisions are created in compliance with the Czech Act on Reserves.

## 10. FINANCIAL ASSETS

Short-term securities and shares represent short-term bank promissory notes held to maturity. Their nominal value as at 31 December 2008 is CZK 1,050,545 thousand (31 December 2007: CZK 207,100 thousand).

The Company has bank accounts, which allow the Company to maintain an overdraft facility. Such overdrafts are classified as short-term bank loans in the accompanying balance sheet (Note 15).

## 11. OTHER ASSETS

Prepaid expenses include mainly prepaid insurance and remaining value of catalysts in use based on their technological parameters and number of hours they have been used in operation. Prepaid expenses are expensed in the income statement in the period when the relevant service is provided or material used.

Accrued revenues include mainly estimated items created for final Processing Fee settlement, and are accounted for to revenues in the period in which the relevant service is provided.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

**12. EQUITY**

Share capital of the Company comprises 934,824 registered shares fully subscribed and paid for, with a nominal value of CZK 10 thousand. The shareholder structure is described in Note 1.

The net profit for 2006 totalling CZK 267,836 thousand was approved and allocated by the General Meeting of Shareholders held on 27 April 2007.

The net profit for 2007 totalling CZK 386,864 thousand was approved and allocated by the General Meeting of Shareholders held on 30 April 2008.

**13. RESERVES**

The movements in the reserve accounts were as follows (CZK'000):

Reserves	Tax allowed	Other
Balance as at 1 January 2007	444,325	76,313
Change for the year	196,419	173,666
Used in the year	(407,731)	(69,746)
Balance as at 31 December 2007	233,013	180,233
Change in the year	92,638	175,216
Used in the year	-	(9,236)
Balance as at 31 December 2008	325,651	346,213

The tax allowed reserve for the purpose of repairs of tangible fixed assets was created in 2008 and 2007.

Other reserves represented mainly reserves for the purpose of repairs of tangible fixed assets created beyond the terms of the Act on Reserves in 2008 and 2007.

**14. LIABILITIES**

As at 31 December 2008, the Company recognized a long-term liability in the amount of CZK 246,558 thousand (31 December 2007: CZK 284,010 thousand). This liability represents a loan received from a related party (Note 21). Payables to related parties are shown in Note 21.

As at 31 December 2008 and 2007, the Company had no overdue short-term liabilities.

Trade payables and other liabilities with the exception of excise tax payable to financial authorities were not secured by any of the Company's assets. The excise tax payables are secured by bank guarantees with a value of CZK 100,000 thousand.

## 15. BANK LOANS AND OTHER BORROWINGS

At 31 December 2008, the Company did not have any bank loan.

The interest expense relating to bank loans and short-term overdrafts for 2008 was CZK 172 thousand (2007: CZK 161 thousand).

Interest expense for the year 2008 in the amount of CZK 14,063 thousand relates to long-term liability (Note 21).

## 16. TAXATION

The calculation of 2008 and 2007 income tax is as follows (CZK'000):

	2008	2007
Profit before tax	384,613	418,952
Non-taxable income*	(25,171)	(485,858)
Non-tax deductible expenses**	504,866	307,394
Difference between accounting and tax depreciation	(214,153)	(16,534)
Tax base	650,155	223,954
Utilised reinvestment tax relief	(649,411)	
Utilised tax loss (portion of 2001 and 2002)	(744)	(223,954)
Taxable income	-	-
Income tax rate	21%	24%
Current tax due	-	-

\*) The amount in 2007 includes income from the release of non-tax deductible provision to receivable of CZK 352,235 thousand. The provision became fully deductible for tax purposes following the registration of the receivable into bankruptcy procedure.

\*\*) The amount in 2008 includes increase in provisions for inventories of CZK 238,500 thousand (Note 9), increase in reserves beyond the terms of the Act on Reserves of CZK 175,216 thousand (Note 13) and depreciation of adjustment to acquired property of CZK 84,621 thousand (Note 5).

The calculation of the 2008 income tax is based on the preliminary income tax calculation.

According to Income Tax Act, the Company may carry forward tax losses generated in 2001 and 2002 for up to seven years. The remaining tax loss carried forward from 2001 and 2002 amounted to CZK 69,061 thousand as at 31 December 2008.

16. TAXATION (continued)

The Company has calculated deferred tax as follows (CZK'000):

			2008		2007	
	Base	Tax rate *)	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Temporary difference						
Difference between accounting and tax net book value of fixed assets	-	21 %	-	-	-	(36,208)
	90,985	20 %	18,197	-	-	(67,873)
	(2,786,692)	19 %	-	(529,471)	-	(375,757)
Other differences:						
Provision to inventories	217,188	20%	43,438	-	-	-
	285,323	19 %	54,211	-	50,342	-
Provision to receivables	27,152	19 %	5,159	-	5,168	-
Provision to tangible fixed assets	-	21%	-	-	2 367	-
	8,480	20 %	1,696	-	-	-
Adjustment to acquired fixed assets	-	21 %	-	-	-	(17,770)
	(84,621)	20 %	-	(16,924)	-	(16,924)
	(84,621)	19 %	-	(16,078)	-	(16,078)
10% reinvestment tax relief	-	21 %	-	-	77,889	-
	-	20 %	-	-	56,516	-
Social and health expenses payable in the following year	-	21 %	-	-	2,596	-
	12,320	20 %	2,464	-	-	-
Reserves	-	21 %	-	-	3,762	-
	290,070	20 %	58,014	-	32,464	-
	56,143	19 %	10,667	-	-	-
Unused tax losses	-	21 %	-	-	20,865	-
	69,061	20 %	13,812	-	-	-
<b>Total</b>			<b>207,658</b>	<b>(562,473)</b>	<b>251,969</b>	<b>(530,610)</b>
<b>Net</b>				<b>(354,815)</b>		<b>(278,641)</b>

\*) Tax rates stated above are in accordance with the valid tax rate enacted for the period of expected realization of deferred tax.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

**17. LEASING**

As of 31 December 2008, the Company had no outstanding lease contracts.

**18. COMMITMENTS AND CONTINGENCIES**

The Company has a long-term (15 year) transport contract with Mero ČR a.s., effective since 1 January 1996, which stipulates a minimum annual throughput of crude oil through the IKL and Družba pipelines. Required minima were fulfilled in 2008 and 2007.

As at 31 December 2008 and 2007, the Company had not issued any guarantees.

The management of the Company is not aware of any significant unrecorded contingent liabilities as at 31 December 2008.

**19. REVENUE ANALYSIS**

Revenue from operating activities has been generated as follows (CZK'000):

	2008	2007
	Domestic	Domestic
Sale of services	10,179,879	8,950,684
Sale of goods	229,333	402,128
Total revenues	10,409,212	9,352,812

Due to the conversion to a processing refinery on 1 August 2003, the Company's main customers are only the Processors.

**20. EMPLOYEE ANALYSIS**

The analysis of payroll expenses (CZK'000):

	2008		2007	
	Employees Total	Out of which management	Employees Total	Out of which management
Average number of staff	676	25	687	25
Wages/salaries	395,070	57,549	384,004	53,877
Social insurance	126,287	9,707	134,635	19,287
Social expenses	20,154	454	17,944	478
Total personnel expenses	541,511	67,710	536,583	73,642

In 2008, the members and former members of the statutory and supervisory boards received bonuses and other remuneration totalling CZK 4,145 thousand (2007: CZK 3,856 thousand).

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

21. RELATED PARTY TRANSACTIONS

No loans, guarantees or other benefits were granted to members of statutory bodies in 2008 and 2007, and they do not hold any shares of the Company.

Trade receivables and payables from these transactions arose under the same terms and conditions as with unrelated parties.

Related party receivables and payables as at 31 December 2008 include also estimated receivables and payables. Comparative information as at 31 December 2007 has been adjusted accordingly.

Related party receivables (CZK'000):

Related party	31 December 2008	31 December 2007
UNIPETROL, a.s.	304	325
Agip Česká republika, s.r.o.	2,004,706	2,448,296
UNIPETROL DOPRAVA, s.r.o.	44	41
Shell Czech Republic a.s.	1,066,357	1,024,991
Výzkumný ústav anorganické chemie, a.s.	107	125
PARAMO, a.s.	1	-
UNIPETROL RPA, s.r.o.	2,570,770	2,821,560
Total	5,642,289	6,295,338

Related party payables (CZK'000):

Related party	31 December 2008	31 December 2007
UNIPETROL DOPRAVA, s.r.o.	143,850	100,181
HC Litvínov, a.s.*	-	32
Agip Česká republika, s.r.o.	3,351	27,677
Shell Czech Republic a.s.	9	17,016
UNIPETROL, a.s.	22,997	22,725
SPOLANA a.s.	396	251
CELIO a.s.	276	45
Výzkumný ústav anorganické chemie, a.s.	46	405
PARAMO, a.s.	84	186
UNIPETROL RPA, s.r.o.	160,780	163,536
Total	331,789	332,054

\*) Formerly HC CHEMOPETROL, a.s.

As of 31 December 2008, the Company recorded advances received of CZK 240,000 thousand from Shell Czech Republic a.s. and CZK 191,500 thousand from UNIPETROL RPA, s.r.o. These advances are used to secure the Company's receivables from recharged excise tax.

**21. RELATED PARTY TRANSACTIONS (continued)**

As of 31 December 2007, there were no such advances received as the Company's receivables from recharged excise tax were secured by alternative means.

Loans provided to related parties (CZK'000):

On 31 July 2003, the Company provided a long-term commodity loan in amount of CZK 654,090 thousand to Processors (Note 6).

Loans received from related parties (CZK'000):

Related party	31 December 2008	31 December 2007
Long-term part		
UNIPETROL RPA, s.r.o.	206,287	237,622
Agip Česká republika, s.r.o.	40,271	46,388
Short-term part		
UNIPETROL RPA, s.r.o.	31,335	31,335
Agip Česká republika, s.r.o.	6,117	6,117

The long-term loan from UNIPETROL RPA, s.r.o. and Agip Česká republika, s.r.o. represents a loan for the modernisation of production unit with cost of CZK 374,518 thousand (Note 3b) and cost of first catalyst fill of this equipment in the amount of CZK 29,850 thousand.

The loan instalments started from the moment the equipment was transferred from Assets in the Course of Construction to Property, Plant and Equipment. Loan instalments are netted off with the receivable from processing fee arising to the Processors from depreciation charge of this production unit and the catalyst consumption. The loan bears an interest rate floating on the basis of 1 M PRIBOR + margin 0.75 % p.a.

## 21. RELATED PARTY TRANSACTIONS (continued)

Income and expenses resulting from transactions between related parties executed in 2008 amounted to (CZK'000):

Related party	Income / Sales	Expenses / Purchases
Agip Česká republika, s.r.o.	3,196,307	108,405
CELIO a.s.	6	3,429
Výzkumný ústav anorganické chemie, a.s.	464	6,375
HC Litvínov, a.s.	-	62
UNIPETROL RPA, s.r.o.	5,610,693	1,459,790
PARAMO, a.s.	47	2,300
Shell Czech Republic a.s.	1,584,634	52,078
PETROTRANS, s.r.o.	-	24
SPOLANA a.s.	-	4,318
UNIPETROL, a.s.	981	19,860
UNIPETROL DOPRAVA, s.r.o.	195	904,638
UNIPETROL SERVICES, s.r.o.	-	290
Total	10,393,327	2,561,569

The Company's sales of products and services to related parties in 2007 amounted to CZK 9,359,602 thousand.

In 2007 purchases of goods and services from related parties amounted to CZK 2,724,656 thousand.

Transactions were concluded on the arm's-length basis. Trade receivables and payables from these transactions arose under the same terms and conditions as with third parties.

As at 31 December 2008, based on Processing Agreement, the Company holds 94 thousand tonnes of crude oil, 98 thousand tonnes of semi-finished goods and 143 thousand tonnes of finished refinery goods for the Processors.

## 22. RESEARCH AND DEVELOPMENT COSTS

Research and development activities are not carried out by the Company on its own, but all results of such activities are acquired from external sources (Note 4).

## 23. EXTRAORDINARY INCOME AND EXPENSES

In 2008 and 2007, the Company did not incur any extraordinary expenses or revenues.



**24. PRESENT GLOBAL FINANCE MARKETS INSTABILITY**

The global economic recession, which commenced during 2008, has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock markets.

Having assessed all available information, the management of the Company does not expect the economic recession to have a significant impact on the Company's operations, especially in the areas of financing and liquidity.

**25. FEES PAID AND PAYABLE TO THE AUDIT COMPANY**

The total fees paid and payable for services performed by the audit company PricewaterhouseCoopers Audit, s.r.o. can be analysed as follows (CZK'000):

	2008
Statutory audit of financial statements	780
Other assurance services	<u>1,390</u>
Total fees paid and payable to the audit company PricewaterhouseCoopers Audit, s.r.o.	<u>2,170</u>

**26. CASH FLOW STATEMENT (SEE A SEPARATE STATEMENT)**

The cash flow statement was prepared using the indirect method.

**27. SUBSEQUENT EVENTS**

No events have occurred subsequent to year-end that would have a significant impact on the financial statements as at 31 December 2008.

**Statutory approvals**

These financial statements have been approved for submission to the General Meeting of shareholders by the Company's Board of Directors.

Prepared on:	Signature of Company's statutory body	Signature of Company's statutory body	Person responsible for accounting (name, signature)
			
	Ivan Souček Chairman of the Board of Directors	Salvatore Recupero Vice-chairman of the Board of Directors	Mojmir Zenáhlík Controller
2 March 2009			

**ČESKÁ RAFINÉRSKÁ, a.s.**  
with its registered seat in Litvínov, Záluží 2, Post Code 436 70  
Identification No. 62741772  
incorporated in the Commercial Register of the Regional Court in Ústí nad Labem,  
Section B, Insert No. 696

**REPORT ON THE RELATIONS  
BETWEEN THE CONTROLLING AND CONTROLLED ENTITIES  
AND ON THE RELATIONS BETWEEN THE CONTROLLED ENTITY  
AND OTHER ENTITIES CONTROLLED BY THE SAME  
CONTROLLING ENTITY  
FOR THE YEAR ENDED 31 DECEMBER 2008  
("THE REPORT")**

ČESKÁ RAFINÉRSKÁ, a.s., company with its registered seat in Litvínov, Záluží 2, Post Code 436 70, Identification No. 62741772 ( “the Company“) is part of a business consortium with UNIPETROL, a.s. acting as the controlling person, seated at Na Pankráci 127, 140 00 Praha 4, Identification No. 61672190. Since 31 May 2005, UNIPETROL, a.s. is part of a business consortium with Polski Koncern Naftowy ORLEN S.A., acting as the ultimate controlling entity, seated at ul. Chemików 7, 09-411 Plock, Poland. Patterns of the business consortiums are set out in Attachments hereto.

During accounting period 2008, the following relationships between the Company and its related parties took place:

## **Part I**

### **Contracts concluded between the Company and its related parties in 2008 and fulfillments (considerations) rendered (received) by the Company in 2008 under these contracts.**

#### **Notes:**

- a) Contracts referred to in the Report are categorized as purchases, sales and others.
- b) Transactions denominated in foreign currency are translated to CZK using the CNB rate of exchange on the date of the transaction.
- c) Within the said period, relationships proceeded based on terms and conditions common in trading business, prices were contractually agreed as usual market prices. From the contracts entered into, the Company suffered no (pecuniary) loss whatsoever.

<b>1. THE CONTROLLING PARTY</b>
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#### **UNIPETROL, a.s.**

**Relationship towards the Company:** Direct controlling entity.

#### **Purchases:**

Under a contract entered into in the current period, the Company purchased - as a service – the insurance for members of the Company Board of Directors and Supervisory Board. For the said service, the Company provided a consideration in the amount of CZK 379 thousand.

Further, under a contract entered into in the current period, the Company purchased IT services and consultancy services (as per the Provider’s scope of business), for which it provided consideration of CZK 170 thousand.

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**Sales:**

In 2008, the Company entered to contracts based on which it received a consideration of CZK 981 thousand. These contracts relate to recharge of expenses incurred on review and audit of financial results of the Company reported in the format as specified by the controlling party and on the preparation of the financial statements.

**Other contractual relationships:**

Under the contracts on creation of easement to use the land by the Company, a consideration of CZK 19,311 thousand was provided by the Company.

<b>2. OTHER RELATED PARTIES CONTROLLED BY UNIPETROL, a.s.</b>
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**UNIPETROL RPA, s.r.o.**

**Relationship towards the Company:** Entity directly controlled by UNIPETROL, a.s.

**Purchases:*****Utilities:***

Under the contracts concluded in the previous and current period, the Company purchased utilities for which it provided a consideration of CZK 1,031,705 thousand. These transactions include the purchase and distribution of electricity and steam, purchase of clear and pure water, and condensate. Prices were based on preliminary price calculations.

***Material and products:***

During the current period, the Company entered into contracts for the purchase of foaming agents. The provided consideration was CZK 62 thousand.

Further, within the previous period, the Company had entered into contracts for the purchase of nitrogen, carbon dioxide, air, propylene, ethanol, soda and ammonia water. The total provided consideration was CZK 38,525 thousand. Prices were contracted on the usual market level taking into consideration both their historical values and other relevant information.

In connection with the Processing Agreement concluded between the Company and Processors, the Company purchased products and feedstock for which consideration was made in the amount of CZK 173,557 thousand. The prices are based on formulas using international price quotations of crude oil and oil products.

***Services:***

Over the said period, the Company has entered into contracts for below mentioned services. The Company provided consideration in the amount of CZK 189,972 thousand.

Consideration paid for services rendered based on contracts concluded in the previous period were:

<b>Fulfillments</b>	<b>Consideration (in thousand CZK)</b>
Roads and assets administration	8,544
Use of pipe bridges	11,205
Nitrogen compression	35,570
Waste water treatment	97,908
Other Services <sup>1</sup>	36,745
<b>Total</b>	<b>189,972</b>

***Other:***

The Company created accruals for debit notes in total amount of CZK 27,577 thousand and credit notes in total amount of CZK 13,492 thousand for 2008 services and utilities price settlement.

***Other contractual relationships:***

In the previous period, the Company entered into a Long-term Credit Agreement, whose purpose was financing of the project: “Revitalisation of Chamber 11 and D distiller, UNITS 3611, 3411”. In 2008, based on this contract, the Company paid loan interest in the amount of CZK 11,766 thousand.

Based on Cash Flow & Security Agreement concluded in the previous period the Company rendered CZK 117 thousand consideration. This involves interest income on pre-payments.

***Sales:***

***Utilities:***

Under contract entered into in the previous period, the Company sold circulating condensate and returned heat, for which it received consideration in the amount of CZK 68,194 thousand. The price was derived from agreed-on price calculations.

***Products and feedstock:***

On the basis of Processing Agreement, the Company sold products and feedstock, for which it received consideration in the amount of CZK 118,085 thousand. Prices were derived from agreed-on price calculations.

***Services:***

On the basis of the contract on transport of employees concluded in the current period, the Company provided this service for which it obtained consideration in the amount of CZK 26 thousand. Under contracts entered into in the previous period, the Company rendered services for which it obtained consideration in the amount of CZK 5,173,311 thousand. Prices were derived from agreed-on price calculations. Involved were services as listed below:

<sup>1</sup> such as guard, fencing, firefighting services, use of Fire-Fighters Emergency Team, communication, IT, and monitoring

<b>Fulfillments</b>	<b>Considerations (in thousand CZK)</b>
Processing fee	3,526,386
Processing fee – Chamber 11	33,998
Other handling/processing services	1,603,639
First filling of IKL pipeline loan interest	9,442
Other – rental and laboratory analyses	295
Financial services	-449
<b>Total</b>	<b>5,173,311</b>

***Other:***

The Company created accruals for debit notes in total amount of CZK 251,077 thousand for 2008 services and utilities price settlement (processing fee, transportation, circulating condensate).

**UNIPETROL DOPRAVA, a.s.**

**Relationship towards the Company:** Entity directly controlled by UNIPETROL RPA, s.r.o.

**Purchases:**

Under contract on goods transportation, which was entered into in the previous period, the Company received consideration of CZK 904,638 thousand.

**Sales:**

Based on a contract for passing on heat supplies and re-invoicing of payments made for the heat supplies and a contract for rental of nonresidential premises, the Company received consideration in the amount of CZK 195 thousand.

**HC Litvínov, a.s.**

**Relationship towards the Company:** Entity directly controlled by UNIPETROL RPA, s.r.o.

**Purchases:**

Under the contract concluded within the current period, the Company purchased - as part of the system of staff bonuses – sports club season tickets for its employees, for which consideration was provided in the amount of CZK 62 thousand.

**CELIO a.s.**

**Relationship towards the Company:** Entity directly controlled by UNIPETROL RPA, s.r.o.

**Purchases:**

Under contract entered into in the said period, the Company paid consideration in the amount of CZK 3,429 thousand for waste storage services.

**Sales:**

As payment for Services rendered in the form of laboratory analyses, the Company received - over the said period - a consideration equaling CZK 6 thousand.

**PARAMO, a.s.**

**Relationship towards the Company:** Entity directly controlled by UNIPETROL, a.s.

**Purchases:**

Under contract entered into in the said period, the Company purchased oil and lubricants for which consideration was made equaling CZK 2,300 thousand.

**Sales:**

As payment for Services rendered in the form of laboratory analyses, the Company received - over the said period - consideration equaling CZK 47 thousand.

**Other contractual relationships:**

Within the current period, the Company concluded an appendix to a tripartite agreement on the transportation of crude oil via Družba and Adria pipelines. The third party, and Provider of the service, is TRANSPETROL, a.s. company, Bratislava, Slovak Republic. Based on this contract, there was no fulfillment/consideration between the Company and PARAMO, a.s.

**UNIPETROL SERVICES, s.r.o.**

**Relationship towards the Company:** Entity directly controlled by UNIPETROL, a.s.

**Purchases:**

Under the contract concluded within the current period, the Company purchased IT services "WAN", for which she Company provided consideration in the amount of CZK 290 thousand.

**VÝZKUMNÝ ÚSTAV ANORGANICKÉ CHEMIE, a.s.**

**Relationship towards the Company:** Entity directly controlled by UNIPETROL, a.s.

**Purchases:**

Under contract entered into in the previous period, the Company purchased chemical analysis and expert opinion services for the amount of CZK 6,375 thousand.

**Sales:**

As payment for Services rendered in the form of laboratory analyses and laboratory equipment rental, the Company received - over the said period - a consideration equaling CZK 464 thousand.

### **Other contractual relationships:**

Within the current period, the Company concluded a confidentiality agreement. Based on this agreement, there was no fulfillment/consideration obtained/given in the current period.

#### **PETROTRANS, s.r.o.**

**Relationship towards the Company:** Entity directly controlled by BENZINA, s.r.o.

#### **Purchases:**

Based on the concluded contract, the Company purchased cistern transport service for which a consideration in amount of CZK 24 thousand was provided.

<b>3. COMPANY DIRECTLY CONTROLLED UNIPETROL, a.s. AND OTHER RELATED PARTIES</b>
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#### **POLSKI KONCERN NAFTOWY ORLEN S.A.**

**Relationship towards the Company:** Direct controlling entity

Within the said period, the Company neither provided, nor obtained, any fulfillment or consideration whatsoever.

#### **SPOLANA a.s.**

**Relationship towards the Company:** Entity directly controlled by ANWIL S.A. (PKN ORLEN S.A. consolidation group member)

#### **Purchases:**

Within the said period, the Company entered into a contract for purchase of sodium lye. Based on this contract, consideration was made in the amount of CZK 4,318 thousand.



## Part II

### Other measures adopted or implemented for the benefit of, or at instigation of, related parties

Within the current period, no measures whatsoever were adopted nor implemented for the benefit of, or at instigation of, related parties.

Litvínov, on 18.3. 2009

in the name and on behalf of  
the Board of Directors of ČESKÁ RAFINÉRSKÁ, a.s.



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Ivan Souček  
Chairman of the Board of Directors



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Salvatore Recupero  
Vice chairman of the Board of  
Directors

**UNIPETROL BUSINESS CONSORTIUM - CONTROLLED COMPANIES in 2008**

1. 1. - 31. 12. 2008

Companies controlled directly and indirectly by UNIPETROL, a.s.	Seat of company	Ident. No.	The controlling party	Capital interest % corporate stock		Changes throughout 2008
				1.1.2008	31.12.2008	
<b>BENZINA, s.r.o.</b>	Prague	60193328	UNIPETROL, a.s.	100,00	100,00	
<b>ČESKÁ RAFINÉRSKÁ, a.s.</b>	Litvínov	62741772	UNIPETROL, a.s.	51,22	51,22	
<b>PARAMO, a.s.</b>	Pardubice	48173355	UNIPETROL, a.s.	88,03	91,77	
<b>UNIPETROL RPA, s.r.o.</b>	Litvínov	27597075	UNIPETROL, a.s.	100,00	100,00	
<b>UNIPETROL SERVICES, s.r.o.</b>	Litvínov	27608051	UNIPETROL, a.s.	100,00	100,00	
<b>Butadien Kralupy a.s.</b>	Kralupy nad Vltavou	27893995	UNIPETROL, a.s.	51,00	51,00	
<b>Výzkumný ústav anorganické chemie, a.s.</b>	Ústí nad Labem	62243136	UNIPETROL, a.s.	100,00	100,00	
<b>UNIPETROL TRADE a.s.</b>	Prague	25056433	UNIPETROL, a.s.	100,00	100,00	
<b>UNIPETROL RAFINÉRIE, s.r.o.</b>	Litvínov	27885429	UNIPETROL, a.s.	100,00	100,00	
<b>BENZINA Trade a.s. v likvidaci</b>	Prague	26135710	BENZINA, s.r.o.	100,00	0,00	The company ceased to exist by deletion from the company register as of 5 November 2008
<b>PETROTRANS, s.r.o.</b>	Prague	25123041	BENZINA, s.r.o.	99,40	99,40	
			UNIPETROL, a.s.	0,60	0,60	
<b>MOGUL SLOVAKIA, s.r.o.</b>	Hradište pod Vrátnom	36222992	PARAMO, a.s.	100,00	100,00	
<b>HC Litvínov, a.s. (until 4 January 2008 HC Chemopetrol, a.s.)</b>	Litvínov	64048098	UNIPETROL RPA, s.r.o.	70,95	70,95	
<b>CHEMOPETROL, a.s. (until 25 April 2008 CHEMICKÁ SERVISNÍ, a.s.)</b>	Litvínov	25492110	UNIPETROL RPA, s.r.o.	100,00	100,00	
<b>POLYMER INSTITUTE BRNO, spol. s r.o.</b>	Brno	60711990	UNIPETROL RPA, s.r.o.	99,00	99,00	
			UNIPETROL, a.s.	1,00	1,00	
<b>UNIPETROL DOPRAVA, s.r.o.</b>	Litvínov	64049701	UNIPETROL RPA, s.r.o.	99,88	99,88	
			UNIPETROL, a.s.	0,12	0,12	
<b>CELIO a.s.</b>	Litvínov 7	48289922	UNIPETROL RPA, s.r.o.	40,53	40,53	
			UNIPETROL, a.s.	10,53	10,53	
<b>UNIRAF SLOVENSKO s.r.o.</b>	Bratislava	35777087	UNIPETROL RPA, s.r.o.	86,96	86,96	
			UNIPETROL, a.s.	13,04	13,04	
<b>ALIACHEM VERWALTUNGS GmbH</b>	Langen/Hessen, Germany		UNIPETROL TRADE a.s.	100,00	0,00	Successional company: UNIPETROL DEUTSCHLAND GmbH, record date - 1 January 2008
<b>UNIPETROL DEUTSCHLAND GmbH</b>	Langen/Hessen, Germany		ALIACHEM VERWALTUNGS GmbH	100,00	0,00	
			UNIPETROL TRADE a.s.	0,00	100,00	
<b>ALIAPHARM GmbH FRANKFURT</b>	Frankfurt /Main, Germany		ALIACHEM VERWALTUNGS GmbH	100,00	0,00	Successional company: UNIPETROL DEUTSCHLAND GmbH, record date - 1 January 2008
<b>UNIPETROL CHEMICALS IBERICA S.A.</b>	Barcelona, Spain		UNIPETROL TRADE a.s.	100,00	0,00	
<b>CHEMAPOL (SCHWEIZ) AG</b>	Basel, Switzerland		UNIPETROL TRADE a.s.	100,00	0,00	Liquidation completed on 10 December 2008
<b>UNIPETROL AUSTRIA GmbH in Liqu.</b>	Vienna, Austria		UNIPETROL TRADE a.s.	100,00	100,00	In liquidation since 4 March 2008
<b>UNIPETROL FRANCE S.A.</b>	Paris, France		UNIPETROL TRADE a.s.	100,00	0,00	Successional company: UNIPETROL TRADE a.s., record date - 1 July 2008
<b>UNIPETROL ITALIA S.r.l.</b>	Milano, Italy		UNIPETROL TRADE a.s.	100,00	0,00	The company ceased to exist by deletion from the company register as of 17 December 2008
<b>UNIPETROL (UK) LIMITED</b>	Kingston upon Thames, G. Britain		UNIPETROL TRADE a.s.	100,00	0,00	Liquidation completed on 15 December 2008
<b>DP MOGUL UKRAJINA</b>	Kiev, Ukraine		UNIPETROL TRADE a.s.	100,00	0,00	Ownership interests sold on 19 November 2008
<b>MOGUL, d.o.o.</b>	Velenje, Slovenia		UNIPETROL TRADE a.s.	100,00	0,00	Ownership interests sold on 23 December 2008

CAPITAL GROUP PKN ORLEN S.A. - COMPANIES CONTROLLED IN 2008

1. 1. 2008 - 31. 12. 2008

Companies directly and indirectly controlled by PKN ORLEN	Registered seat	Share of PKN ORLEN		Comments
		directly /indirectly controlled		
		% of registered capital		
		1.1.2008	31.12.2008	
Directly controlled company (daughter company of PKN ORLEN S.A.) Indirectly controlled company (grand - daughter company)				
<b>UNIPETROL, a.s.</b>	Prague	62,99	62,99	See a separate list of UNIPETRP GROUP
<b>ORLEN Deutschland AG</b>	Elmshorn	100,00	100,00	
<b>ORLEN Budonafit Sp. z o.o.</b>	Kraków	100,00	100,00	
<b>ORLEN Automatyka Sp. z o.o.</b>	Płock	52,42	52,42	
<b>ORLEN Asfalt Sp. z o.o.</b>	Płock	82,46	82,46	17,54 % is owned by Rafineria Trzebinia S.A.
<b>Inowrocławskie Kopalnie Soli "SOLINO" S.A.</b>	Inowrocław	70,54	70,54	
<b>ORLEN Gaz Sp. z o.o.</b>	Płock	100,00	100,00	
ORLEN Petrogaz Wrocław Sp. z o.o. w likwidacji	Wrocław	100,00	100,00	in liquidation from December 10, 2007
<b>ORLEN KolTrans Sp. z o.o.</b>	Płock	99,85	99,85	
<b>Orlen Laboratorium Sp. z o.o.</b>	Płock	94,94	94,94	
<b>ORLEN Medica Sp. z o.o.</b>	Płock	100,00	100,00	
Sanatorium Uzdrowskie "Krystynka" Sp. z o.o.	Ciechocinek	98,54	98,54	
<b>ORLEN Ochrona Sp. z o.o.</b>	Płock	100,00	100,00	
<b>ORLEN OIL Sp. z o.o.</b>	Kraków	51,69	51,69	43,84 % owns Rafineria Trzebinia S.A. a 4,47% Rafineria nafty Jedlicze
Petro-Oil Pomorskie Centrum Sprzedaży Sp. z o.o.	Gdańsk	100,00	100,00	
Platinum Oil Sp. z o.o.	Lublin	100,00	100,00	
ORLEN OIL ČESKO, s.r.o.	Brno	100,00	100,00	
<b>ORLEN PetroCentrum Sp. z o.o.</b>	Płock	100,00	100,00	consolidation - 31.10.2008 - ORLEN PetroCentrum (Orlem MORENA, ORLEN PetroProfit Sp.z o.o.; ORLEN PetroZachód Sp. z o.o., ORLEN PetroCentrum Sp. z o.o.)
Petro-Ukraina LTD Lwów w likwidacji	Lwów	80,00	80,00	
<b>ORLEN Powiernik Sp. z o.o.</b>	Płock	100,00	100,00	
<b>ORLEN Projekt S.A.</b>	Płock	51,00	51,00	
<b>ORLEN Transport Kraków Sp. z o.o. w upadłości</b>	Kraków	99,41	99,41	
<b>ORLEN Transport Sp. z o.o.</b>	Płock	100,00	100,00	consolidation 02.01.2008 ( ORLEN Transport Kędzierzyn-Koźle Sp. z o.o., ORLEN Transport Nowa Sól Sp. z o.o.; ORLEN Transport Olsztyn Sp. z o.o.; ORLEN Transport Płock Sp. z o.o.; ORLEN Transport Słupsk Sp. z o.o.;p ORLEN Transport Szczecin Sp. z o.o.)
<b>ORLEN Wir Sp. z o.o.</b>	Płock	51,00	51,00	
<b>Petrolot Sp. z o.o.</b>	Warszawa	51,00	51,00	
<b>Petrotel Sp. z o.o.</b>	Płock	75,00	0,00	sold 22.09.2008
<b>RAFINERIA NAFTY JEDLICZE S.A.</b>	Jedlicze	75,00	75,00	
„RAF-BIT” Sp. z o.o.	Jedlicze	100,00	100,00	
„RAF-ENERGIA” Sp. z o.o.	Jedlicze	100,00	0,00	31.12.2008 take over by Rafineria Nafty Jedlicze S.A.
„RAF-KOLTRANS” Sp. z o.o.	Jedlicze	100,00	100,00	
„RAF-Służba Ratownicza” Sp. z o.o.	Jedlicze	100,00	100,00	
„RAF-EKOLOGIA” Sp. z o.o.	Jedlicze	92,74	0,00	sold 29.12.2008
Konsorcjum Olejów Przetworzonych "ORGANIZACJA ODZYSKU" S.A.	Jedlicze	81,00	81,00	8 % owns Rafineria Trzebinia S.A.
"RAN-WATT" Sp. z o.o. w likwidacji	Toruń	51,00	51,00	
<b>RAFINERIA TRZEBINIA S.A.</b>	Trzebinia	77,15	77,15	
Fabryka Parafin NaftoWax sp. z o.o.	Trzebinia	100,00	100,00	
Energomedia sp. z o.o.	Trzebinia	100,00	100,00	
Euronafit Trzebinia sp. z o.o.	Trzebinia	99,99	99,99	
Zakładowa Straż Pożarna Sp. z o.o.	Trzebinia	99,98	99,98	
EkoNaft Sp. z o.o.	Trzebinia	99,00	99,00	
ORLEN OIL Sp. z o.o.	Kraków	43,84	43,84	51,69% owns PKN ORLEN S.A. a 4,47% Rafin. Nafty Jedlicze
ORLEN Asfalt Sp. z o.o.	Płock	17,54	17,54	82,46 % owns PKN ORLEN S.A.
Konsorcjum Olejów Przetworzonych "ORGANIZACJA ODZYSKU" S.A.	Jedlicze	8,00	8,00	81% owns Rafineria Nafty Jedlicze
<b>Ship - Service S.A.</b>	Warszawa	60,86	60,86	
Ship Service Agro Sp. z o.o.	Szczecin	100,00	100,00	
<b>ORLEN Centrum Serwisowe Sp. z o.o.</b>	Opole	99,01	99,01	
<b>ANWIL S.A.</b>	Włocławek	84,79	84,79	
Przedsiębiorstwo Rolne AGRO-AZOTY II Włocławek Sp.z o.o. w Łące	Czaplinek	100,00	0,00	On 08.01.2008 Anwil sold its shares in the AGRO-AZOTY II Włocławek - currently Anwil doesn't have any shares in this company.
Przedsiębiorstwo Inwestycyjno - Remontowe REMWIL Sp. z o.o.	Włocławek	99,98	99,98	
Przedsiębiorstwo Produkcyjno-Handlowo-Uslugowe PRO-LAB Sp. z o.o.	Włocławek	99,20	99,32	Acquisition of new shares in the PRO - LAB Sp. z o.o. resulting from an increase of the share capital of the PRO - LAB Sp. z o.o. company
<b>SPOLANA a.s.</b>	Neratovice	81,78	95,70	31.07.2008 Anwil purchased form PKN ORLEN S.A. package representing 13,4 % of share capital of the SPOLANA a.s. company. This transaction was a first step in the squeeze out process in the SPOLANA a.s. which final result was taking over the rest of shares of the Spolana a.s. company - on 3.01.2009. From this day Anwil became a owner 100% shares of Spolana a.s.
Przedsiębiorstwo Usług Specjalistycznych i Projektowych CHEMEKO Sp.z o.o.	Włocławek	55,93	55,93	
<b>ORLEN EKO Sp. z o.o.</b>	Płock	100,00	100,00	
<b>ORLEN Administracja Sp. z o.o.</b>	Płock	100,00	100,00	
<b>ORLEN Upstream Sp. z o.o.</b>	Warszawa	100,00	100,00	
<b>ORLEN Prewencja Sp. z o.o.</b>	Płock	100,00	100,00	
<b>ORLEN Księgowość Sp. z o.o.</b>	Płock	100,00	100,00	
<b>Etylobenzen Płock Sp. z o.o. w likwidacji</b>	Płock	51,00	0,00	liquidated August 2008
<b>ORLEN HOLDING MALTA Limited</b>	Sliema, Malta	99,50	99,50	
ORLEN Insurance Ltd	Sliema, Malta	100,00	100,00	
<b>AB MAZEIKIU NAFTA</b>	Juodeikiai	90,02	90,02	
UAB Uotas w likwidacji	Mazeikiai	100,00	100,00	
AB Ventus Nafta	Vilnius	99,74	99,74	
UAB Mazeikiu Nafta Trading House	Vilnius	100,00	100,00	

CAPITAL GROUP PKN ORLEN S.A. - COMPANIES CONTROLLED IN 2008 (continued)

1. 1. 2008 - 31. 12. 2008

Companies directly and indirectly controlled by PKN ORLEN	Registered seat	Share of PKN ORLEN		Comments
		directly /indirectly controlled		
		% of registered capital		
<b>Directly controlled company (daughter company of PKN ORLEN S.A.)</b>				
<b>Indirectly controlled company (grand - daughter company)</b>		<b>1.1.2008</b>	<b>31.12.2008</b>	
UAB Mazeikiu Nafta Health Care Center	Juodeikiai	100,00	100,00	
UAB Mazeikiu Nafta Paslaugos Tau	Juodeikiai	0,00	100,00	registered 19.05.2008
<b>ORLEN Finance AB</b>	Sztokholm	100,00	100,00	
<b>SPOLANA a.s.</b>	Neratovice	13,4	0,00	95,70 % owns ANWIL S.A. 31.07.2008 Anwil purchased form PKN ORLEN S.A. package representing 13,4 % of share capital of the SPOLANA a.s. company
<b>Basell Orlen Polyolefins Sp. z o.o.</b>	Plock	50,00	50,00	50 % owns Basell Europe Holding B.V.
Basell Orlen Polyolefins Sp. z o.o. Sprzedaż Sp. z o.o.	Plock	100,00	100,00	
<b>Plocki Park Przemysłowo-Technologiczny S.A.</b>	Plock	50,00	50,00	50 % owns municipality Plock
Centrum Komecjalizacji Technologii Sp .z o.o.	Plock	100,00	100,00	
Centrum Edukacji Sp. z o.o.	Plock	69,43	69,43	
<b>ORLEN International Exploration &amp; Production Company BV</b>	Amsterdam	0,00	100,00	registered 14.03.2008
SIA Balin Energy Grupa OIE&PC BV	Łotwa	0,00	50,00	purchased - 09.04.2008 50% owns KEC Netherlands Cooperatief U.A.

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