

Annual Report



ANNUAL REPORT ČESKÁ RAFINÉRSKÁ, a.s. 2010

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Report of the Board of Directors of ČESKÁ RAFINÉRSKÁ, a.s. **on the Company's business activities and the state of its assets in 2010**

For ČESKÁ RAFINÉRSKÁ, a.s. (hereinafter also “the Company”), the past year was another year of tackling the ramifications of the economic crisis that had significantly hit even the refining business. For the Company, the year 2010 meant already the seventh 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 born by the Shareholders/Processors. Irrespective of the manner of its operation, the Company paid attention to optimization of fixed and variable cost, minimization of investment program, continuously pays attention to safety of operations, availability/reliability of equipment, availability of required products and employee training.

The Company entered the year 2010 with a number of goals and tasks which derive from the strategy set by its shareholders: *“The strategy 2010 is to optimize operations of the existing assets, to reduce costs (fixed and variable) and capital expenditures, and in respect of legislation, of high standards in safety, reliability and environmental performance, and finally to seek additional margin improvement and energy savings through high return, low capital intensive initiatives and continuation of crisis (2009-2010) mitigation programs“.*

The most important activities were:

- Adoption of fundamental anti-crisis measures as a way of reducing costs through consumption decrease, review of contractual relations, and fixed costs, which resulted into lowest fixed cost since 1999 (the year of implementation SAP system in the Company), lowest investment expenditures since company foundation and further cuts in variable costs.
- The Company reorganization allowing to end the year 2010 with 640 employees
- Fulfillment of the requirements of Czech national legislation regarding bio-fuels, when automobile fuels pursuant to EN 590 and 228 with an average content of bio-components in diesel oil and automobile petrol equaling 6,06 % vol. (with legislation requirements min. 6,00 % vol.) and 4,20 % vol. (with legislation requirements min. 4,10 % vol.), respectively were put directly on the market.
- Successful re-certification according to ISO 9001, ISO 14001, and OHSAS 18000, extended certification of CRC's laboratories in line with ČSN EN 17 025, API methodology of accidents reporting implemented.
- Preparation of Litvínov 2011 Turnaround started in January 2010. Number of communication with the key stakeholders regarding preparation of Litvínov 2011 Turnaround (among others: scope challenge, readiness review, coordination with UNIPETROL RPA etc). Main tenders completed.
- Successful test of processing of Iranian Light and Sirri crude oils in the Litvínov refinery.

Fulfillment of key efficiency indicators

The Company targets fulfillment could be characterized by the following:

- According to Solomon 2008, the Company stays in the key benchmarking indicators in the 2nd quartile,
- Fixed costs: final result is better than the stretched target by more than 100 mil. CZK (Implementing “Crisis Cost Management”).
- Signed contracts on purchase of energies partially mitigated increasing prices,
- Spare parts management project introduced but target to decrease spare parts stock to the level of 1200 mil. CZK has not been achieved (but increasing trend stopped).
- In the area of accident rate - expressed through TRIR (number of recordable injury per 1 million worked hours of company employees and direct contractors) - the Company worsened the previous years performance.
- Assumed challenging and ambitious level of the Energy index (calculated by Company methodology) was exceeded.
- Indicators of availability of key facilities were fulfilled except for the NHC unit (see Exhibit No. 1 and commentary in the text below).

Exhibit No. 1 – Fulfillment of key indicators of efficiency in 2010

Target	Target value	Assessment
Continuous improvement of results in the area of work safety, protection of health at work, environmental protection, quality and asset protection	TRIR \leq 1.8 Number of fires \leq 2 Number of road accidents \leq 10 Leaks with impact upon living environment exceeding 25 l \leq 10	Unaccomplished. (3,0) Unaccomplished. (6) Accomplished. (8) Accomplished. (3)
Meet legal requirements relating to product quality	Motor fuels with a max. 10 ppm S wt Aver. concentration of 4,1% vol. of ethanol – gasoline Aver. concentration of 6,0% vol. FAME – Diesel Max. number of justified claims \leq 6	Accomplished. Accomplished. (4,20% vol) Accomplished. (6,06% vol) Accomplished. (2)
Not to exceed fixed costs	Fixed costs \leq CZK 1750 million	Accomplished. (CZK 1624 million)
Achieve and maintain “operational excellence”; fulfill the requirements of processors in terms of volumes	Energy index (EI) \leq 92 NHC Unit availability \geq 98% FCC unit availability \geq 98% VBU unit availability \geq 99% Availability of 3 GO HDS units \geq 99%	Accomplished. (91,9) Unaccomplished. (95.97%) Accomplished. (99,6%) Accomplished. (100%) Accomplished. (99,9%)
Improve organizational efficiency	Number of staff acc. to Business Plan (640)	Accomplished. (640)

Health protection, work safety, protection of assets and environmental protection

The area of HSSE is dealt with in a separate report with following highlights: In 2010 the Company kept track of altogether 10 accidents happening over the year (of which 7 were company staff injuries, and 3 were injuries suffered by contractors); of that, 3 injuries were lost workday incidents (though without persistent effects, and with quick recovery).

Exhibit No. 2 - Accident rate trends in the Company in 2004 - 2010

Year / accidents	2004	2005	2006	2007	2008	2009	2010
	CRC/ contractor	CRC/ contractor	CRC/ contractor	CRC/ contractor	CRC/ contractor	CRC/ contractor	CRC/ contractor
Number of accidents – total	12	9	11	16	7	7	10
TRIR	1.8	2.2	2.8	3	2.7	2.1	3,0
Lost Time Injuries (LTI)	3/0	2/0	0/2	2/3	1/2	3/0	1/2
Medical Treatment Cases (MTC)	1/0	2/0	3/0	2/0	1/1	1/0	1/1
First Aid Cases (FAC)	3/5	5/0	6/0	6/3	1/1	1/2	5/0

Exhibit No. 3 – Number of emergencies such as fire, leaks exceeding 200 l occurring within the period of 2002 - 2010

EMERGENCY EVENTS/year	2004	2005	2006	2007	2008	2009	2010
Fire	5	3	3	3	4	3	6
Leaks above 200 l	4	2	5	1	4	5	3
Leaks above 25 l with impact upon LE	-	-	-	-	6	5	3

In the course of 2010, no complaint relating to the living environment was recorded in the Litvínov refinery; in the Kralupy refinery, recorded were altogether 1 complaint when 1 environment related issue was cooperatively discussed with Veltrusy municipality.

More information on work safety, impacts on the living environment in the two regions concerned, and on further developments in the area of HSSEQ can be found in the Health and Safety, Asset Protection, Environmental Impact and Quality Report for 2010.

Production and maintenance activities

In 2010, too, it was the reliability of the key units that served as the indicator of the Company's efficiency. On the evaluation thereof, the following may be stated:

Kralupy refinery (technical availability 98,4%, un-planned production loss 1,3%):

- FCC unit reliability stabilized after execution of turnaround in 2009.
- High reliability and availability of other units was ensured.

Litvínov refinery (technical availability 98,3%, un-planned production loss 4,5%):

- High utilization of the visbreaker unit, and the availability thereof at almost the level of 100% whilst running 2 work cycles for decoking shutdowns.
- The utilization of all hydrocracking units was impacted by failure of sour water system in December 2010 when also other issues accumulated after introduction of significant unit intensification of up-to 160 t/h capacity.
- High reliability and availability of other units was ensured.

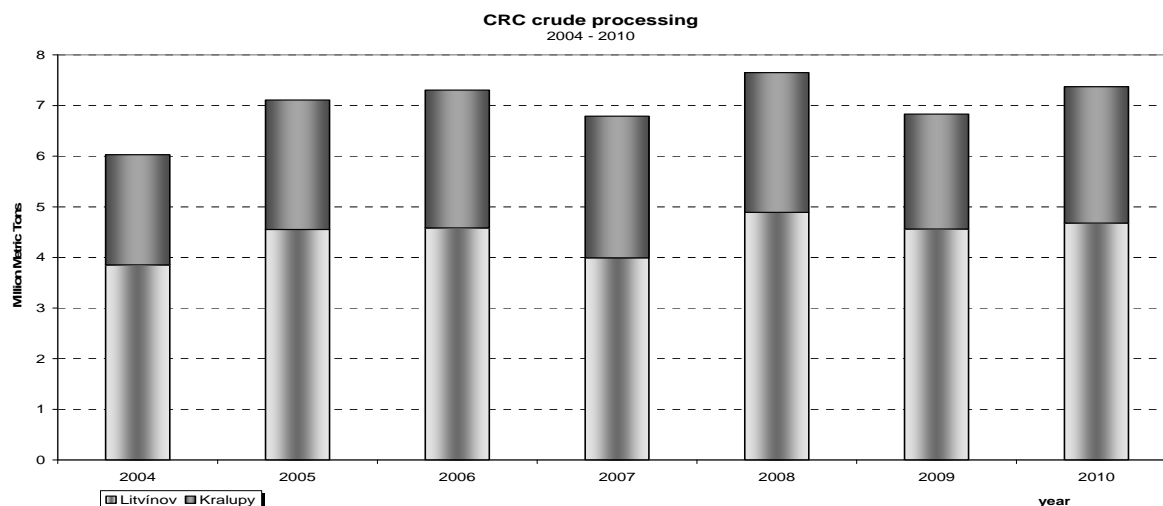
The key elements in the effort to improve the reliability of facilities and processes, outputs continuing to be utilized in 2010 were as follows: The “Risk Reliability Management” – as one of the instruments for optimization of preventive maintenance, the system of identifying and elimination of unreliable facilities, the so-called “Bad Actors”, and the “Defect elimination” study.

A considerable share of increased control and evaluation of the efficiency of effected maintenance brings an increasingly widening proportion of plans of preventive maintenance generated directly from SAP PM module, involvement of major maintenance contractors in the provision of feedback on the work jobs performed directly to SAP, and hence broadening the knowledge database on the actual facility status.

Originally, the financial budget for maintenance was set at the level of CZK 659 million (later adjusted to CZK 635 million), and in 2010 maintenance costs actually equaled CZK 598 million representing a drop in planned costs by more than 9 %. In 2010, in the area of the so-called “Maintenance Index”(according to Solomon study), the Company managed to stay in Solomon Quartile II (edition 2008).

In 2010, crude oil processed in the Kralupy and Litvínov refineries were 2,694 and 4,678 kt, respectively, i.e. 7, 372 kt of crude oil combined (which is the second highest crude processing since 2003 when processing mode has been introduced).

Exhibit No. 4 – Crude processing in 2004-2010



Planning, Research and Development and logistics

In 2010, crude oil prices got stabilized within 68 - 94 USD/bbl price range. Prices of major refinery products (i.e. gasoline and diesel) would practically emulate the trend of crude price development. Additionally, the fulfillment of the bio-legislative obligation was – for the Company and the processors thereof – negative with respect to the overall economic impact triggered by higher prices of bio-components, the necessity of having the formulation recipes adjusted, logistic and capacity limitations faced whilst segregating different qualities of motor fuels.

In view of the “processing mode” of the refinery, these facts have had merely a secondary impact upon the Company, with the execution of production being coordinated with the processors through monthly so-called operative plans.

Crude oil processing plan was fulfilled comparing to Monthly Operating Plans: -2% and comparing to original Business Plan: -8%. In total 7,372 kt of crude oil was processed in 2010.

Crude oil transportation for the company, respectively for the processors, was executed through MERO ČR, a.s., TRANSPETROL, a.s. and TAL GmbH companies. In 2010, the supply was stable; the relations with MERO ČR, a.s. and TRANSPETROL, a.s. would square well. In 2010, the alternative crude oils were transported via TAL/IKL line for processing in the Litvínov refinery.

Use of relevant shipping routes in 2010:

Railway	23 %
Road terminals	39 %
Pipeline	38 %

Exhibit No. 5 - Product logistics in years 2004 - 2010

KPI	2004	2005	2006	2007	2008	2009	2010
Pipeline transfer fulfillment (%)	99,6	93.7	100.6	99.5	100.1	100,7	100.7 Pipeline transfer: Plan 1,811 ths tons Reality 1,816 ths tons

Loading and transportation requirements of processors were fulfilled.

The transport of semiproducts and of diesel between the refineries, executed via the ČEPRO, a.s. pipeline saw a year-to-year return on previous years level from 220 kt in 2009 to 171 kt in 2010.

The Company is not operating own research facilities but is cooperating with number of research institutions (mainly VŠCHT Prague, VUANCH Ústí nad Labem, Technical University Liberec), KBC, UOP, etc. The main focus of Research and Development is oriented on:

- catalysts testing,
- raw materials, final product testing and quality management,
- bitumen manufacturing,
- new technologies development,
- energy efficiency improvement,

Capital Investment

The original financial plan of investments in the amount of CZK 950 million was reviewed in course of 2010 several times due to the impact of economic crisis and expectations of the Company shareholders required to cut investment costs down to minimum. The actually invested amount in 2010, after the austerity measures being put in place, equals CZK 307 million (including of CZK 14 million of CRC internal accounting transactions).

As far as adherence to implementation schedules is concerned, it may be stated that assumed to be completed in 2010 had been 53 projects (either in EPC phase, or in the phase of BDEP creation). Fully completed and handed over to operations were 22 projects having been in EPC stage. 2 other projects have been completed partially and they will be fully completed during Litvínov T/A 2011. 1 of EPC projects has been fully completed but some additional

modifications are required after completion of commissioning phase in 2011. Other 7 projects having been in EPC phase will be completed in 2011. In BDEP phase, 15 projects were completed in full extent (with BDEP drawn up and handed over).

General impact comparing to 2010 plan could be described as follows (expressed in percentage of original investment plan of CZK 950 million):

Original plan vs. actual	%
Real capital expenditures	32.0
Cost savings	10.0
Deferred implementation	23.0
Not approved by SHs	4.0
Not submitted by Company	31.0

Exhibit No. 6 - Key projects completed in 2010

Number	Name of project	Type of project	Date of takeover
KR-06007	Slurry oil filtration (Note: project is still in commissioning phase, some additional modifications required after test run completion in 03/2011)	General Improvement	17.8.2010
KR-06003	Upgrade of DCS systems - Kralupy	General Improvement	13.5.2010
KR-08019	Translocation of ČEPRO pipeline terminal outside CRC area	MINOR	10.3.2010
KS-06001	PI, PII upgrade of EPS	General Improvement	25.6.2010
LE-08022	Sewer revamp in bl. 34 – AVD plant	MANDATORY	7.4.2010
KR-09038	JET A1 – Changes based on Shell audit 2008	MANDATORY	30.9.2010
KR-09024	ELFO without FAME dispatch over KPY road terminal	MINOR	1.9.2010

Total investment costs of CZK 307 million may roughly be allocated into the following categories of projects:

Exhibit No. 7 - Projects categories completed in 2010

Safety	18%
Environment	5%
Legislation	3%
Margin Improvement, incl. Energy saving	14%
Reliability	33%
Quality	16%
Other	11%

Exhibit No. 8: Investment expenditure in 2010 broken down as per investment plan and locality (in CZK)

Type of investment expenditure	Litvínov	Kralupy	Both localities	Total
Major projects	23 797 953	20 616 351	0	44 414 305
General investment	1 467 709	69 654 962	17 759 122	88 881 793
Mandatory investment	20 895 405	12 809 313	29 284 952	62 989 670
Minor projects	63 923 581	9 887 236	27 588 151	101 398 968
Project requested by processors	- 477 135	9 820 669	314 929	9 658 463
Total	109 607 513	122 788 532	74 947 153	307 343 198

Financial situation

In 2010, the Company posted a profit before taxation equaling CZK 404 million (i.e. CZK 333 million after taxation), at a turnover of CZK 9.729 billion.

Total assets of the Company fell - contrary to the previous period - by CZK 638 million, down to CZK 23,503 million.

The net book value of the fixed assets fell by CZK 1,066 million, down to CZK 14,392 million; fixed assets additions equaled CZK 279 million, and the total cost of fixed tangible and intangible assets reached the amount at CZK 27,962 million.

The value of the current assets increased by CZK 429 million up to CZK 8,597 million, mainly due to an increase in the value of the trade receivables and receivables from Processors associated with the Excise Tax. Other assets remained on the same level as last year - CZK 514 million.

The decrease in the shareholders equity of CZK 467 million (i.e. from CZK 16,941 million down to CZK 16,474 million) is in line with the Company's net profit for the current period equaling CZK 333 million, offset by dividend payment from the profit of year 2009 and retained earnings in the amount of CZK 800 million.

An overview of core financial indicators – as compared with the previous six-year period – is shown in the Exhibit below.

Exhibit No. 9 - Turnover, net profit and capital investments - 2004 to 2010 (in CZK million)

	2004	2005	2006	2007	2008	2009	2010
Turnover	8,915	9,293	9,256	9,353	10,409	9,068	9,729
Profit after tax	18	257	268	387	308	263	333
Fixed operating costs	2,066	1,761	1,706	2,271	1,717	1,962	1,917
Capital expenditures *	928	484	1,435	1,669	1,093	849	293

** cash investment expenditures incurred during respective years. In addition to data on capital expenditures presented in the above table, Exhibit No. 8 reflects also impact of those accounting transactions, that affected value of the Company's fixed assets in 2010 but had no impact on the cash flow in the same year (reclassifications made between operating and capital expenditure categories, failed investments etc.).*

The Company does not own and operate any affiliate (nor in the Czech Republic neither abroad).

Internal audit and risk assessment

Internal audit and risk assessment constitute important activities of the Company. A close link was maintained with staff, the Company management, the Internal Audit Committee, the Board of Directors, Supervisory Board, Processors and Shareholders. Since 2008, internal audits have been performed by the Business Assurance section, namely in cooperation with trained internal auditors.

The Company's plan of internal audits covers auditing of any and all primary and support processes, setting annual priorities based on regular reviews of risk assessment. Internal audits are focused on reviewing activities in terms of whether or not those are performed in

compliance with set rules, towards reviewing the fulfillment of remedial measures imposed by previous audits, reviewing risk registers of respective sections incl. reviews of efficiency of set checks, and reviews of efficiency of corrective measures adopted in the past.

Apart from internal and external audits planned for 2010 extraordinary audits were performed; these were conducted upon the request of the Company management and of the Internal Audit Commission.

Exhibit No. 10 - Internal audits performed in 2010

Date	Audited process
April	<i>Audit of process „Maintenance“</i>
May	<i>Audit of process „Processing“</i>
October	<i>Audit of process „Activity of inspection authority - type B“</i>
December	<i>Audit of process „Accredited laboratory“</i>
December	<i>Audit of process „Personnel service and education“</i>

Moreover, based on the plan, executed were also audits of contractors aimed at the area of environmental protection, quality and safety control, at the protection of health at work, and at pre-qualification audits.

In 2010, the Business Continuity Management project was completed.

Human resources and education

Throughout 2010, the situation in the area of workforce was consolidated, with fluctuation standing long-term at a very low level. The priorities are to keep qualified and stable staff. As part of personnel strategy and shareholder requirements (multiplied by the necessity to adopt anti-crisis measures), optimization of the number and composition of workforce continued.

The currently applied system of linking staff remuneration with efficiency evaluation remained in place without any significant changes. Non-monetary benefits intended for the staff are provided as part of a scheme of optional benefits. The system is updated on a regular basis. The said system of non-cash benefits contributes to staff stabilization, that being reflected in a permanently low personnel turn over rate. Above-standard periodical medical checks help keep the sickness rate at the very low level of 1.0%. Education in 2010 proceeded according to reviewed education plans applying restrictive cost reduction measures.

The trend of voluntary work has grown in 2010. It is performed as part of voluntary and charity schemes and activities. The already fourth “Charity Day” took place. Concurrently, further activities supporting the engagement of Company staff in additional forms of charity activities, were launched.

Communication, external relations and corporate social responsibility

Communication with external stakeholders, with the public, media and local authorities builds on the Manual of External Relations Management of ČESKÁ RAFINÉRSKÁ, a.s., and is carried out compliant with approved principles of an open information policy pursued from one spot. In terms of communication and external relations, the Company followed the principles of open communication and developed the system of transparent relations with both the surrounding communities and the public. At the very start of 2010, amendments to long-term contracts were concluded on cooperation in 2010 with Most, Litvínov, Meziboří, Kralupy nad Vltavou, Veltrusy, and the Chvatěruby municipalities; these have taken into account the current needs of towns and municipalities, of schools, cultural and sports organizations, including a variety of non – profit organizations and societies.

ČESKÁ RAFINÉRSKÁ, a.s. acquired – for the fourth time in succession – the “2010 PETROL Award” in the category of “Products and technology“, namely for the Increase of energy efficiency of the waste heat boiler of the FCC complex accomplished in the Kralupy refinery, as an appreciation of the high technical standard thereof, and the economic and environmental benefit.

More information on communication, external relations in the two regions, and on social responsibility is available in the 2010 Corporate Social Responsibility Report.

The Company is a member of SCHP, ČAPPO, OHK Most, Economic and Social Board of the Most Region, ČNR WPC, Krušnohoří/Erzgebirge Euroregion, and of some other professional associations and corporations.

Changes in composition of shareholders and changes in Company bodies

In 2010, no changes took place in the composition of the Company’s shareholders.

In 2010, the following changes took place in the Board of Directors and the Supervisory Board:

The Company’s Board of Directors:

TERMINATION OF MEMBERSHIP	NEW MEMBER
Jacek Smoczyński (4 November 2010)	Jacek Smoczyński (5 November 2010)
Jacek Smoczyński (16 December 2010)	Jacek Smoczyński (17 December 2010)

With effectiveness from 5 November 2010, Mr. Jacek Smoczyński was, based on the provision of Section 194 (2) of the Commercial Code and Art. 19 (4) of the Articles of Association, co-opted as substitute member of the Board of Directors. Effective from 17 December 2010, Mr. Jacek Smoczyński was again co-opted as substitute member of the Board of Directors until the next General Meeting.

The Company's Supervisory Board:

TERMINATION OF MEMBERSHIP	NEW MEMBERS
Ing. Karel Surma (16 September 2010)	-
JUDr. Zdeněk Černý (4 November 2010)	-

With effectiveness from 16 September 2010, Ing. Karel Surma resigned from the position of Supervisory Board member.

On 4 November 2010, the membership of JUDr. Zdeněk Černý in the Supervisory Board and his function of the Chairman of the Supervisory Board were terminated by law three months after passing of his term of office.

No new members of the Supervisory Board have been elected by 31 December 2010.


No new Chairman of the Supervisory Board has been elected by 31 December 2010.

Company future performance overview

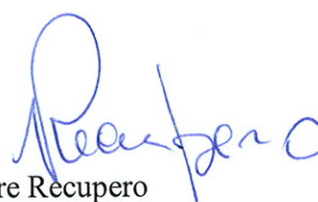
Even in 2010, the Company continued to run in the mode of a processing refinery, fulfilling the requirements of its owners. Through the ongoing investment program and through systems measures, the Company continued to mitigate the impacts of the economic crisis upon its owners and processors, and supported factors for the future high utilization of its capacity and the provision of quality production within the entire portfolio of products.

In 2011 the company will proceed in preparation of programs for improving performance and efficiency (particularly in areas such as cost cutting, utility savings, increasing crude processing yields, and operation reliability), the accelerated implementation of which will – apart from other things – contribute to the mitigation of the continuous impact of the global crisis. The Company will continue to secure crude oil transportation within direct contractual relationship. The Company will continue in the fulfillment of legislative requirements such as those concerning admixing bio-components into motor fuels. The Company seeks to achieve – in the long-term perspective – top results in the area of work safety and environmental protection, to ensure high availability of key production units, and to fulfill all quantity and quality requirements of the processors. The Company pursues open communication with the public and state administration authorities, and consistently builds its reputation of a trustworthy and reliable partner.

Litvínov, 2 March 2011



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



Salvatore Recupero
Vice-Chairman of the Board of Directors
of ČESKÁ RAFINÉRSKÁ, a.s.

Report of the Supervisory Board of ČESKÁ RAFINÉRSKÁ, a.s. for the Ordinary General Meeting of the Company dated 27 April 2011

Report of the Supervisory Board of ČESKÁ RAFINÉRSKÁ, a.s. on the Company's annual financial statements for 2010, the proposal for the distribution of the profit and the examination of the 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 2010.

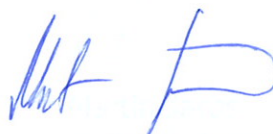
KPMG Česká republika Audit, s.r.o. audited the annual financial statements for 2010 and expressed an unqualified auditor's report. In view of the auditor's statement, the Supervisory Board states that the annual financial statements reflect truly, in all material aspects, the assets, liabilities, equity and financial standing of ČESKÁ RAFINÉRSKÁ, a.s. as at 31 December 2010 and its results for the year then ended 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 2010 or in other documents that the Company's Board of Directors submitted to the Supervisory Board for discussion in 2010 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 2010 and also approves the proposal of the Board of Directors for the distribution of the 2010 profit.

The Supervisory Board has examined the 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 2010 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.

Kralupy nad Vltavou, 25 March 2011



Martin Jaroš
Vice-chairman of the Supervisory Board
ČESKÁ RAFINÉRSKÁ, a.s.

This document is an English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the Shareholders of ČESKÁ RAFINÉRSKÁ, a.s.

Financial statements

On the basis of our audit, on 2 March 2011 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying financial statements of ČESKÁ RAFINÉRSKÁ, a.s., which comprise the balance sheet as of 31 December 2010, and the income statement and the cash flow statement for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to these financial statements.

Statutory Body's Responsibility for the Financial Statements

The statutory body of ČESKÁ RAFINÉRSKÁ, a.s. is responsible for the preparation of financial statements that give a true and fair view in accordance with Czech accounting legislation and for such internal controls as the statutory body determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 and International Standards on Auditing and the relevant 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.

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 the 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 controls relevant to the entity'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 entity's internal controls. An audit also includes evaluating the appropriateness of 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 assets and liabilities of ČESKÁ RAFINÉRSKÁ, a.s. as of 31 December 2010, and of its expenses, revenues and net result and its cash flows for the year then ended in accordance with Czech accounting legislation."

Report on relations between related parties

We have reviewed the factual accuracy of the information disclosed in the report on relations between related parties of ČESKÁ RAFINÉRSKÁ, a.s. for the year ended 31 December 2010. The responsibility for the preparation and factual accuracy of this report rests with the Company's statutory body. Our responsibility is to express our view on the report on relations based on our review.

We conducted our review in accordance with Auditing Standard No. 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the report on relations is free of material misstatement. A review is limited primarily to inquiries of the Company's personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the report on relations and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that would lead us to believe that the report on relations between related parties of ČESKÁ RAFINÉRSKÁ, a.s. for the year ended 31 December 2010 contains material factual misstatements.


Annual report

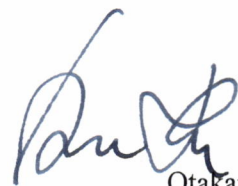
We have audited the consistency of the annual report with the audited financial statements. This annual report is the responsibility of the Company's statutory body. Our responsibility is to express our opinion on the consistency of the annual report with the audited financial statements based on our audit.

We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance that the information disclosed in the annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the audited financial statements. We believe that the audit we have conducted provides a reasonable basis for our audit opinion.

In our opinion, the information disclosed in the annual report is, in all material respects, consistent with the audited financial statements.

Prague
7 April 2011


KPMG Česká republika Audit, s.r.o.
Licence number 71


Otakar Hora
Partner
Licence number 1197



ČESKÁ RAFINÉRSKÁ, a.s.

**Independent Auditor's report
and financial statements
31 December 2010**

Translated from the Czech original

This document is an English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the Shareholders of ČESKÁ RAFINÉRSKÁ, a.s.

We have audited the accompanying financial statements of ČESKÁ RAFINÉRSKÁ, a.s., which comprise the balance sheet as of 31 December 2010, and the income statement and the cash flow statement for the year then ended, and the notes to these financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to these financial statements.

Statutory Body's Responsibility for the Financial Statements

The statutory body of ČESKÁ RAFINÉRSKÁ, a.s. is responsible for the preparation of financial statements that give a true and fair view in accordance with Czech accounting legislation and for such internal controls as the statutory body determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 and International Standards on Auditing and the relevant 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.


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 the 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 controls relevant to the entity'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 entity's internal controls. An audit also includes evaluating the appropriateness of 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 assets and liabilities of ČESKÁ RAFINÉRSKÁ, a.s. as of 31 December 2010, and of its expenses, revenues and net result and its cash flows for the year then ended in accordance with Czech accounting legislation.

Prague
2 March 2011


KPMG Česká republika Audit, s.r.o.
Licence number 71


Otakar Hora
Partner
Licence number 1197

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 2010
Date of preparation of the financial statements: 2 March 2011

BALANCE SHEET
(in CZK thousands)

		Current year			Prior year
		Gross	Provisions	Net	Net
	TOTAL ASSETS	37 550 333	(14 047 595)	23 502 738	24 140 967
B.	FIXED ASSETS	27 961 550	(13 569 343)	14 392 207	15 458 703
B. I.	Intangible fixed assets	1 315 627	(1 145 064)	170 563	193 176
B. I. 1	Research and development	77 313	(69 880)	7 433	6 920
2	Software	823 459	(750 631)	72 828	71 551
3	Royalties	406 239	(324 553)	81 686	111 975
4	Other intangible fixed assets	2 725	-	2 725	950
5	Intangible fixed assets in the course of construction	5 891	-	5 891	1 780
B. II.	Tangible fixed assets	25 991 833	(12 424 279)	13 567 554	14 611 437
1	Constructions	5 999 187	(1 220 722)	4 778 465	4 798 874
2	Equipment	18 203 299	(9 810 337)	8 392 962	9 192 217
3	Other tangible fixed assets	168 805	(83 782)	85 023	90 609
4	Tangible fixed assets in the course of construction	325 730	(40 126)	285 604	445 116
5	Advances paid for tangible fixed assets	25 500	-	25 500	0
6	Adjustment to acquired fixed assets	1 269 312	(1 269 312)	-	84 621
B. III.	Long-term investments	654 090	-	654 090	654 090
1	Other financial investments	654 090	-	654 090	654 090
C.	CURRENT ASSETS	9 075 082	(478 252)	8 596 830	8 168 282
C. I.	Inventories	1 621 853	(430 735)	1 191 118	1 204 577
C. I. 1	Raw materials	1 392 474	(430 582)	961 892	988 253
2	Finished goods	229 379	(153)	229 226	216 324
C. II.	Short-term receivables	4 722 687	(47 517)	4 675 170	5 251 286
C. II. 1	Trade receivables	386 049	(47 517)	338 532	533 842
2	Taxes and state subsidies receivable	42 123	-	42 123	33 026
3	Short-term advances paid	11 116	-	11 116	11 430
4	Other receivables	4 283 399	-	4 283 399	4 672 988
C. III.	Financial assets	2 730 542	-	2 730 542	1 712 419
C. III. 1	Cash in hand	1 358	-	1 358	1 454
2	Cash at bank	2 729 184	-	2 729 184	824 106
3	Short-term investments	-	-	-	886 859
D.	ACCRUALS AND DEFERRALS	513 701	-	513 701	513 982
D. I.	Accruals and deferrals	513 701	-	513 701	513 982
D. I. 1	Prepaid expenses	265 318	-	265 318	406 315
2	Accrued revenue	248 383	-	248 383	107 667

		Current year	Prior year
TOTAL LIABILITIES AND EQUITY		23 502 738	24 140 967
A.	EQUITY	16 474 523	16 941 305
A. I.	Share capital	9 348 240	9 348 240
A. I. 1	Share capital	9 348 240	9 348 240
A II.	Reserve fund and other reserves	537 604	524 463
A II. 1	Statutory reserve fund	537 604	524 463
A. III.	Retained earnings	6 255 467	6 805 772
III. 1	Retained profits	6 255 467	6 805 772
A. IV.	Profit for the current period	333 212	262 830
B.	LIABILITIES	7 028 215	7 199 662
B. I.	Provisions	715 725	423 045
I. 1	Tax-deductible provisions	191 984	196 651
2	Other provisions	523 741	226 394
B. II.	Long-term liabilities	662 069	629 139
II. 1	Other liabilities	171 654	209 106
2	Deferred tax liability	490 415	420 033
B. III.	Short-term liabilities	5 650 421	6 147 478
B. III. 1	Trade payables	734 456	657 640
2	Liabilities to employees	25 022	23 158
3	Liabilities for social security and health insurance	13 328	12 479
4	Taxes and state subsidies payable	4 729 798	4 675 078
5	Short-term advances received	455	100 104
6	Anticipated liabilities	109 828	641 524
7	Other payables	37 534	37 495

Company name: ČESKÁ RAFINÉRSKÁ, a.s.

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands CZK)

		Current year	Prior year
I.	Sales of goods	132 075	141 165
A.	Cost of goods sold	116 825	168 395
+	Gross profit	15 250	(27 230)
II.	Sales of production	9 597 123	8 926 993
II. 1	Sales of own products and services	9 597 123	8 926 993
B.	Cost of sales	6 886 065	7 012 373
B. 1	Raw materials and consumables	3 100 744	3 239 904
B. 2	Services	3 785 321	3 772 469
+	Added value	2 726 308	1 887 390
C.	Staff costs	549 114	551 310
C. 1	Wages and salaries	394 966	400 793
C. 2	Emoluments of board members	3 934	4 343
C. 3	Social security and health insurance costs	130 230	125 782
C. 4	Other social costs	19 984	20 392
D.	Taxes and charges	4 632	4 336
E.	Depreciation of long-term assets	1 222 936	1 206 609
III.	Sale of long-term assets and raw materials	37 295	77 673
III. 1	Sale of long-term assets	31 839	70 163
III. 2	Sale of raw materials	5 456	7 510
F.	Net book value of long-term assets and raw materials sold	67 498	61 720
F. 1	Net book value of long-term assets sold	27 149	57 813
F. 2	Net book value of raw materials sold	40 349	3 907
G.	(Decrease)/increase in operating provisions	462 562	(275 934)
IV.	Other operating income	289 409	258 619
H.	Other operating charges	364 684	382 247
*	Operating result	381 586	293 394
VIII.	Income from short-term investments	12 762	23 653
X.	Interest income	17 932	11 460
N.	Interest expense	4 275	7 099
XI.	Other financial income	41 772	53 419
O.	Other financial expense	46 183	46 779
*	Financial result	22 008	34 654
Q.	Tax on profit on ordinary activities	70 382	65 218
Q. 1	- paid	-	-
Q. 2	- deferred	70 382	65 218
**	Profit on ordinary activities after taxation	333 212	262 830
***	Net profit for the financial period	333 212	262 830
	Profit before taxation	403 594	328 048

Company name: ČESKÁ RAFINÉRSKÁ, a.s.

CASH FLOW STATEMENT
FOR YEAR ENDED 31 DECEMBER 2010
(in thousands CZK)

		Current year	Prior year
	Cash flows from operating activities		
	Profit from ordinary activities before tax	403 594	328 048
A. 1.	Adjustments for non-cash movements	1 670 922	912 666
A. 1. 1.	Depreciation and amortization of fixed assets and valuation adjustment	1 307 557	1 291 230
A. 1. 2.	Change in allowances	85 261	(111 735)
A. 1. 3.	Change in provisions	292 680	(248 820)
A. 1. 4.	Profit from disposals of fixed assets	(4 690)	(12 350)
A. 1. 5.	Net interest income	(13 657)	(4 361)
A. 1. 6.	Other non-cash movements	3 771	(1 298)
A *	Net cash flow from operating activities before tax, changes in working capital and paid interests	2 074 516	1 240 714
A. 2.	Working capital changes	262 336	124 565
A. 2. 1.	Decrease/(increase) in inventories	(14 851)	72 048
A. 2. 2.	Decrease/(increase) in receivables	157 893	81 102
A. 2. 3.	Decrease in other receivables and prepayments	381 087	176 003
A. 2. 4.	(Decrease)/increase in payables	64 720	(265 373)
A. 2. 5.	Increase/(decrease) in other payables, bank loans and accruals	(573 873)	308 145
A. 2. 6.	Increase in short-term financial assets other than cash and cash equivalents	247 360	(247 360)
A **	Net cash flow from operating activities before tax and paid interests	2 336 852	1 365 279
A. 1.	Interest received	17 932	11 460
A. 2.	Interest paid	(4 275)	(7 099)
A ***	Net cash flow from operating activities	2 350 509	1 369 640
	Cash flows from investing activities		
B. 1.	Acquisition of fixed assets	(292 739)	(848 564)
B. 2.	Proceeds from sale of fixed assets	7 707	45 624
B ***	Net cash flow from investing activities	(285 032)	(802 940)
	Cash flows from financing activities		
C. 1.	Dividends paid	(799 994)	(293 011)
C ***	Net cash flow from financing activities	(799 994)	(293 011)
F.	Net increase in cash and cash equivalents	1 265 483	273 689
P.	Cash and cash equivalents at the beginning of the year	1 465 059	1 191 370
R.	Cash and cash equivalents at the end of the year	2 730 542	1 465 059

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.

The shareholders of the Company as at 31 December 2010 and 2009 were as follows:

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

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

Since 1 September 2007, the Company has been a part of the consolidated Eni group.

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

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 carried out with the Processors, who became the Company’s main customers. As of 31 December 2010 and 2009, the Processors were UNIPETROL RPA, s.r.o., Eni Česká republika, s.r.o. and Shell Czech Republic a.s.

1. GENERAL INFORMATION (continued)

The members of the statutory and supervisory bodies as at 31 December 2010 were as follows:

Board of Directors		Member since
Chairman	Ivan Souček	15 October 2002
Vice chairman	Salvatore Recupero	17 October 2007
Member	Jacek Smyczyński (replacement member)	26 May 2007
Member	Miroslav Kornalík	14 December 2005
Member	Giorgio Cervi	27 February 2008
Member	Arnoldus Johannes van der Post	16 September 2009
Member	Roman Novotný	11 December 2008

Effective from 5 November 2010, Mr Jacek Smyczyński was appointed a member of the Board of Directors until the next meeting of the Board of Directors on the basis of Section 194 (2) of Commercial Code and Article 19 (4) of the Articles of Association.

Supervisory Board		Member since
Chairman	Temporarily vacant (until 4.11.2010 Zdeněk Černý)	N/A
Vice chairman	Martin Jaroš	14 December 2006
Member	Krzysztof Loziński	6 May 2009
Member	Ingrid Levá	27 February 2008
Member	Maurizio Mazzei	1 May 2009
Member	Jan Klimeš	29 April 2002
Member	Ilona Pokorná	29 April 2002
Member	Temporarily vacant (until 16.9. 2010 Karel Surma)	N/A
Member	František Filípek	4 July 2008

Effective from 16 September 2010, Mr. Karel Surma resigned as a member of the Supervisory Board. Mr. Zdeněk Černý duties of Chairman of the Supervisory Board was determined on 4 November 2010. New members of the Supervisory Board were not appointed until 31 December 2010. A new Chairman of the Supervisory Board was not appointed until 31 December 2010.

The Company operates the two largest oil refineries in the Czech Republic, located in Litvínov and in Kralupy nad Vltavou. 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.

The financial statements have been prepared under the historical cost convention.

Comparable data for the year 2009 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 2010 and 2009 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 determined as follows:

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

Intangible fixed assets costing up to 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)

a) 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 the 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 CO₂ emissions in the period and is recognised 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 costing 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 costing 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.

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.

3. ACCOUNTING POLICIES (continued)

b) Tangible fixed assets (continued)

A valuation adjustment to acquired property was recognised in 1995 as the difference between the value of property in accordance with valuation carried out 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).

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
Adjustment to acquired fixed assets	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 Eni 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 investments

Long-term investments 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, commissions etc.). The weighted average cost method is applied for all disposals.

The 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 the 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 and 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 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.

3. ACCOUNTING POLICIES (continued)

l) Revenues and expenses recognition (continued)

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.

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 regarded as the following:

- shareholders, of which the Company is a subsidiary or an associate, directly or indirectly, and subsidiaries and associates of these shareholders; and/or
- members of the Company's or parent company's statutory and supervisory bodies and management and parties close to such members, including entities in which they have a controlling or significant influence.

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 2010, the Company provided a contribution to the Employee Pension Scheme according to Act no. 42/1994 and its amendment, Act no. 170/1999 Coll. Regular contributions are made to the state budget to fund the national pension plan.

3. ACCOUNTING POLICIES (continued)

q) Cash flow statement

The Company has prepared a cash flow statement following the indirect method. Cash equivalents represent short-term liquid investments, which are readily convertible for a known amount of cash.

r) 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 if 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 2010	Additions	Disposals	Transfers	31 December 2010
Research and development	73,490	3,500	-	323	77,313
Software	793,157	19,044	(10,145)	21,403	823,459
Royalties	405,634	565	-	40	406,239
Other intangible fixed assets	950	313,970	(312,195)	-	2,725
Intangible assets in the course of construction	1,780	4,171	-	(60)	5,891
Total	1,275,011	341,250	(322,340)	21,706	1,315,627

Accumulated amortisation and provisions

(CZK'000)	1 January 2010	Amortisation charge	Disposals	Change in provisions	31 December 2010
Research and development	(66,570)	(3,310)	-	-	(69,880)
Software	(721,606)	(39,170)	10,145	-	(750,631)
Royalties	(293,659)	(30,894)	-	-	(324,553)
Other intangible fixed assets	-	-	-	-	-
Total	(1,081,835)	(73,374)	10,145	-	(1,145,064)
Net book value	193,176				170,563

4. INTANGIBLE FIXED ASSETS (continued)

Cost

(CZK'000)	1 January 2009	Additions	Disposals	Transfers	31 December 2009
Research and development	70,638	2,052	-	800	73,490
Software	756,938	27,323	(363)	9,259	793,157
Royalties	392,940	910	-	11,784	405,634
Other intangible fixed assets	3,594	283,766	(286,410)	-	950
Intangible assets in the course of construction	4,105	24	-	(2,349)	1,780
Total	1,228,215	314,075	(286,773)	19,494	1,275,011

Accumulated amortisation and provisions

(CZK'000)	1 January 2009	Amortisation charge	Disposals	Change in provisions	31 December 2009
Research and development	(62,045)	(4,655)	-	130	(66,570)
Software	(675,813)	(46,637)	363	481	(721,606)
Royalties	(261,978)	(31,750)	-	69	(293,659)
Other intangible fixed assets	(1,173)	-	-	1,173	-
Total	(1,001,009)	(83,042)	363	1,853	(1,081,835)
Net book value	227,206				193,176

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.

4. INTANGIBLE FIXED ASSETS (continued)

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

In 2009, under the Government Decree of 25 February 2008 about the National Allocation Plan, the Company was assigned 867,235 allowances for the year 2009. Furthermore, the Company was assigned additional allowances based on Ministry of the Environment decision, namely 21,991 allowances for new equipment operation in 2008 and 22,357 allowances for new equipment operation in 2009. In 2009, 124,120 assigned allowances were sold. The total estimated greenhouse emissions in 2009 were 806,345 tonnes. The deficit of 18,882 allowances was covered partly by the balance of allowances from 2008 and partly by a gain from swap of the assigned EUA (European Union Allowance) units for CER (Certified Emission Reduction) units.

As at 31 December 2009, the Company had 3,309 of CER units left.

In 2010, the Company was assigned 889,592 allowances for trading period 2010 based on the above mentioned deeds. In 2010, 15,034 assigned allowances were sold. The total estimated greenhouse emissions in 2010 were 882,800 tonnes. The deficit of 8,242 allowances was covered partly by the balance of allowances from 2009 and partly by a gain from swap of the assigned EUA units for CER units.

As at 31 December 2010, the Company had 8,364 of CER units left.

5. TANGIBLE FIXED ASSETS

Cost

(CZK'000)	1 January 2010	Additions	Disposals	Transfers	31 December 2010
Constructions	5,867,498	37,623	(3,260)	97,326	5,999,187
Machinery and equipment	18,239,293	77,943	(256,156)	142,219	18,203,299
Artworks and collections	1,241	-	-	-	1,241
Other tangibles fixed assets	167,565	-	(1)	-	167,564
Tangible assets in the course of construction	450,704	136,277	-	(261,251)	325,730
Advances paid for tangible fixed assets	-	25,500	-	-	25,500
Adjustment to acquired fixed assets	1,269,312	-	-	-	1,269,312
Total	25,995,613	277,343	(259,417)	(21,706)	25,991,833

Accumulated depreciation and provisions

(CZK'000)	1 January 2010	Depreciation charge	Disposals	Change in provisions	31 December 2010
Constructions	(1,068,624)	(147,886)	1,698	(5,910)	(1,220,722)
Machinery and equipment	(9,047,076)	(996,091)	255,376	(22,546)	(9,810,337)
Other tangibles fixed assets	(78,197)	(5,585)	-	-	(83,782)
Tangible assets in the course of construction	(5,588)	-	-	(34,538)	(40,126)
Adjustment to acquired fixed assets	(1,184,691)	(84,621)	-	-	(1,269,312)
Total	(11,384,176)	(1,234,183)	257,074	(62,994)	(12,424,279)
Net book value	14,611,437				13,567,554

5. TANGIBLE FIXED ASSETS (continued)

Cost

(CZK'000)	1 January 2009	Additions	Disposals	Transfers	31 December 2009
Constructions	5,428,801	125,898	-	312,799	5,867,498
Machinery and equipment	17,394,121	465,218	(64,119)	444,073	18,239,293
Artworks and collections	1,241	-	-	-	1,241
Other tangibles fixed assets	167,572	-	(7)	-	167,565
Tangible assets in the course of construction	1,002,607	70,240	-	(622,143)	450,704
Advances paid for tangible fixed assets	60,676	93,547	-	(154,223)	-
Adjustment to acquired fixed assets	1,269,312	-	-	-	1,269,312
Total	25,324,330	754,903	(64,126)	(19,494)	25,995,613

Accumulated depreciation and provisions

(CZK'000)	1 January 2009	Depreciation charge	Disposals	Change in provisions	31 December 2009
Constructions	(924,992)	(139,834)	-	(3,798)	(1,068,624)
Machinery and equipment	(8,113,614)	(978,147)	63,925	(19,240)	(9,047,076)
Other tangibles fixed assets	(72,611)	(5,586)	-	-	(78,197)
Advances for tangible fixed assets	(6,443)	-	-	855	(5,588)
Adjustment to acquired fixed assets	(1,100,070)	(84,621)	-	-	(1,184,691)
Total	(10,217,730)	(1,208,188)	63,925	(22,183)	(11,384,176)
Net book value	15,106,600				14,611,437

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 conclusion of the agreement.

6. LONG-TERM INVESTMENTS

Summary of long-term investments:

(CZK'000)	As at			As at
	31 December 2009	Additions	Revaluation	31 December 2010
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 (Ingolstadt – Kralupy nad Vltavou – Litvínov). The loan bears an interest rate of 2.818% p.a. and will be settled in 2023. The loan was valued using market prices of crude oil as at 1 August 2003.

7. INVENTORIES

(CZK'000)	31 December 2010	31 December 2009
Raw material	1,392,474	1,386,159
Finished goods	229,379	220,843
Total inventories	1,621,853	1,607,002
Provision	(430,735)	(402,425)
Net book value	1,191,118	1,204,577

Raw material represents mainly spare parts as at 31 December 2010 amounting to CZK 1,354,980 thousand (31 December 2009: CZK 1,353,966 thousand).

8. RECEIVABLES

(CZK'000)	31 December 2010	31 December 2009
Short-term trade receivables	386,049	587,402
- receivables overdue more than 360 days	47,517	53,560
Taxes receivable	42,123	33,026
Advances paid	11,116	11,430
Other receivables	4,283,399	4,672,988
Total receivables	4,722,687	5,304,846
Provision for doubtful receivables	(47,517)	(53,560)
Net receivables	4,675,170	5,251,286

A 100% provision was created to all overdue receivables as at 31 December 2010 and 2009. All such receivables were more than 360 days overdue.

Other receivables include mainly a receivable from the Processors due to 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 2009	502,512	58,386	27,152	8,480	596,530
Charge for the year	87,523	-	-	37,200	124,723
Written off during the year	(187,610)	(31,949)	(29)	(16,871)	(236,459)
Balance at 31 December 2009	402,425	26,437	27,123	28,809	484,794
Charge for the year	37,985	-	-	68,582	106,567
Written off during the year	(9,675)	(5,409)	(634)	(5,588)	(21,306)
Balance at 31 December 2010	430,735	21,028	26,489	91,803	570,055

9. PROVISIONS (continued)

Towards the end of 2009, the market prices for crude oil and petroleum products exceeded their carrying value, which resulted in the release of the major part of the provision created in 2008.

In late 2008, the prices for 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 31 December 2008 (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. When this work 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.

The market prices for crude oil and petroleum products was equal to their carrying value in 2010.

The Company creates a provision to those spare parts, whose useful economic lives are expected to correspond with the useful lives of the respective equipment. The creation was CZK 33,417 thousand in 2010 (2009: CZK 16,257 thousand).

In addition the provision for spare parts whose carrying amount exceeds their estimated recoverable value was increased by CZK 6,016 thousand in 2009, this provision for spare parts was decreased by CZK 741 thousand due to liquidation of those spare parts in 2010.

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 promissory notes held to maturity. Their nominal value as at 31 December 2010 is CZK 0 thousand (31 December 2009: CZK 886,859 thousand).

The Company has overdraft facilities available on its bank accounts. Such overdrafts are classified as short-term bank loans in the accompanying balance sheet (Note 15).

11. OTHER ASSETS

Prepaid expenses include mainly 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.

11. OTHER ASSETS (continued)

Accrued revenues as at 31 December 2010 included the amount of CZK 183,763 thousand, representing estimated true-up of final Processing Fee settlement. As at 31 December 2009, an estimated liability of CZK 327,421 thousand was recognized in relation to the processing fee true-up.

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 2008, totalling CZK 308,439 thousand, was approved and allocated by the General Meeting of Shareholders, held on 30 April 2009.

The net profit for 2009, totalling CZK 262,830 thousand, was approved and allocated by the General Meeting of Shareholders, held on 27 April 2010.

13. RESERVES

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

Reserves	Tax allowed	Other
Balance as at 1 January 2009	325,651	346,213
Additions in the year	-	177,575
Use / release in the year	(129,000)	(297,394)
Balance as at 31 December 2009	196,651	226,394
Additions in the year	-	315,791
Use / release in the year	(4,667)	(18,444)
Balance as at 31 December 2010	191,984	523,741

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

Other reserves in both 2010 and 2009 represented mainly reserves for the purpose of repairs of tangible fixed assets created beyond the scope of the Act on Reserves.

14. LIABILITIES

As at 31 December 2010, the Company recognised a long-term liability of CZK 171,654 thousand (31 December 2009: CZK 209,106 thousand). This liability represents a loan received from a related party. Payables to related parties are shown in Note 21.

As at 31 December 2010 and 2009, 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 2010 and 2009, the Company did not have any bank loan.

The interest expense relating to bank loans and short-term overdrafts for 2010 was CZK 36 thousand (2009: CZK 29 thousand).

Interest expense for the year 2010 of CZK 4,239 thousand relates to a long-term liability (Note 21).

16. TAXATION

The calculation of 2010 and 2009 income tax is as follows (CZK'000):

	2010	2009
Profit before tax	403,594	328,048
Non-taxable income*	(25,871)	(515,049)
Non-tax deductible expenses**	464,096	364,419
Difference between accounting and tax depreciation	(841,819)	(123,345)
Tax base	-	54,073
Utilised tax loss (portion of 2001 and 2002)	-	(54,073)
Taxable income	-	-
Income tax rate	19 %	20 %
Current tax due	-	-

*) The amount in 2009 includes inventories provisions released of CZK 187,610 thousand (Note 9) and usage of reserves created beyond the terms of the Act on Reserves of CZK 297,394 thousand (Note 13).

**) The amount includes an increase in reserves beyond the scope of the Act on Reserves of CZK 315,791 thousand in 2010 and CZK 177,575 in 2009 (Note 13), an increase in provisions for inventories of CZK 37,985 thousand in 2010 and CZK 87,523 thousand in 2009 (Note 9) and depreciation of the adjustment to acquired property of CZK 84,621 thousand in 2010, so in 2009 (Note 5).

16. TAXATION (continued)

The calculation of the 2010 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 2002 has been used up as of 31 December 2009.

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

		2010		2009	
Temporary difference	Base	Tax rate	Deferred tax asset	Deferred tax liability	Deferred tax liability
Difference between accounting and tax net book value of fixed assets	3,660,871	19%	-	(695,566)	(535,620)
Other differences:					
Provision to inventories	430,735	19%	81,840	-	-
Provision to receivables	26,489	19%	5,033	-	-
Provision to tangible fixed assets	91,803	19%	17,443	-	-
Adjustment to acquired fixed assets	-	19%	-	-	(16,078)
Social and health expenses payable in the following year	6,973	19%	1,325	-	-
Reserves	523,741	19%	99,510	-	-
Total			205,151	(695,566)	(551,698)
Net				(490,415)	(420,033)

17. FINANCE LEASES

As of 31 December 2010 and 2009, the Company had no outstanding lease contracts.

18. COMMITMENTS AND CONTINGENCIES

The Company is under an indefinite-term transport contract with MERO ČR a.s., effective since 1 January 1996, which stipulates minimum annual throughputs of crude oil through the IKL, TAL and Družba pipelines. In 2010 and 2009 the required minimum was not fulfilled in TAL pipeline. Resulting financial commitment was accounted into relevant year. The contract was terminated in December 2009 with a notice period ending on 31 December 2012.

As at 31 December 2010 and 2009, 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 2010.

19. REVENUE ANALYSIS

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

	2010	2009
	Domestic	Domestic
Sale of services	9,597,123	8,926,993
Sale of goods	132,075	141,165
Total revenues	9,729,198	9,068,158

Due to the switch to the processing mode on 1 August 2003, the Company conducts most of its business only with the Processors.

20. EMPLOYEE ANALYSIS

The analysis of payroll expenses (CZK'000):

	2010		2009	
	Employees total	Of which management	Employees total	Of which management
Average number of staff	647	19	663	18
Wages/salaries	394,966	49,753	400,793	53,966
Social insurance	130,230	13,012	125,782	9,470
Social expenses	19,984	528	20,392	435
Total personnel expenses	545,180	63,293	546,967	63,871

Company cars are made available for use by board members and other management. In 2010, the members and former members of the statutory and supervisory boards received bonuses and other remuneration totalling CZK 3,934 thousand (2009: CZK 4,343 thousand).

21. RELATED PARTY TRANSACTIONS

No loans, guarantees, advances or other benefits were granted to members of statutory bodies in 2010 and 2009, and they do not hold any shares of the Company.

Related party receivables and payables as at 31 December 2010 and 2009 include also estimated receivables and payables.

Related party receivables (CZK'000):

Related party	31 December 2010	31 December 2009
UNIPETROL, a.s.	87	-
Eni Česká republika, s.r.o.	1,881,792	1,787,404
UNIPETROL DOPRAVA, s.r.o.	54	44
Shell Czech Republic a.s.	516,286	937,356
Výzkumný ústav anorganické chemie, a.s.	108	107
PARAMO, a.s.	16	-
UNIPETROL SERVICES, s.r.o.	12	-
UNIPETROL RPA, s.r.o.	2,466,308	2,560,714
Total	4,864,663	5,285,625

Related party payables (CZK'000):

Related party	31 December 2010	31 December 2009
UNIPETROL DOPRAVA, s.r.o.	140,122	119,986
UNIPETROL SERVICES, s.r.o.	40	40
Eni Česká republika, s.r.o.	2,045	152,567
Shell Czech Republic a.s.	6,136	62,637
UNIPETROL, a.s.	26,390	25,743
SPOLANA a.s.	540	-
CELIO a.s.*	-	393
Výzkumný ústav anorganické chemie, a.s.	11	1,892
PARAMO, a.s.	143	-
UNIPETROL RPA, s.r.o.	105,446	378,375
PKN ORLEN S.A.	829	-
Total	281,702	741,633

* not related party to the Company since 14 April 2010

21. RELATED PARTY TRANSACTIONS (continued)

Loans provided to related parties (CZK'000):

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

Loans received from related parties (CZK'000):

Related party	31 December 2010	31 December 2009
Long-term part		
UNIPETROL RPA, s.r.o.	143,617	174,952
Eni Česká republika, s.r.o.	28,037	34,154
Short-term part		
UNIPETROL RPA, s.r.o.	31,335	31,335
Eni Česká republika, s.r.o.*	6,117	6,117

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

The loan repayments started after the equipment was put in use. The principal repayments are offset against the processing fee payable arising to the Processors as a result of the depreciation charge on the related equipment and the catalyst consumption. The loan bears an interest rate floating on the basis of 1 M PRIBOR + margin 0.75 % p.a. The interest payable is settled in cash.

21. RELATED PARTY TRANSACTIONS (continued)

Income and expenses resulting from transactions between related parties executed in 2010 amounted to (CZK'000):

Related party	Income / Sales	Expenses / Purchases
Eni Česká republika, s.r.o.	2,948,438	41,661
CELIO a.s.*	-	457
Výzkumný ústav anorganické chemie, a.s.	359	5,360
HC BENZINA Litvínov, a.s.	-	23
UNIPETROL RPA, s.r.o.	5,248,824	1,027,613
PARAMO, a.s.	13	1,520
Shell Czech Republic a.s.	1,512,956	22,943
PETROTRANS, s.r.o.	-	4
SPOLANA a.s.	-	1,779
UNIPETROL, a.s.	1,022	22,397
UNIPETROL DOPRAVA, s.r.o.	205	857,997
UNIPETROL SERVICES, s.r.o.	14	133
PKN ORLEN S.A.	-	829
Total	9,711,831	1,982,716

* not related party to the Company since 14 April 2010

The Company's sales of products and services to related parties in 2009 amounted to CZK 8,998,220 thousand.

In 2009 purchases of goods and services from related parties amounted to CZK 2,281,284 thousand.

Transactions were concluded on an 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 2010, based on Processing Agreement, the Company held 63 thousand tonnes of crude oil, 96 thousand tonnes of semi-finished goods and 163 thousand tonnes of finished refinery goods in custody 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 2010 and 2009, the Company did not incur any extraordinary expenses or revenues.

24. FEES PAID AND PAYABLE TO THE AUDIT COMPANY

The total fees paid for services performed by the audit company PricewaterhouseCoopers Audit, s.r.o. in part of 2010 and in 2009 and the audit company KPMG Česká republika Audit, s.r.o. in the rest of 2010 can be analysed as follows (CZK'000):

	<u>2010</u>	<u>2009</u>
Statutory audit of financial statements	1,078	780
Other assurance services	<u>2,103</u>	<u>1,390</u>
Total fees	3,181	2,170

25. CASH FLOW STATEMENT

Cash and cash equivalents disclosed in the cash flow statement can be analysed as follows (CZK'000):


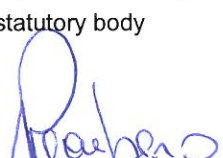

	<u>31 December 2010</u>	<u>31 December 2009</u>
Cash on hand and in transit	1,358	1,454
Cash in bank	2,729,184	824,106
Short-term securities maturing in less than 3 months	<u>-</u>	<u>639,499</u>
Cash and cash equivalents as presented in the cash flow statement	2,730,542	1,465,059
Short-term securities maturing in more than 3 months	<u>-</u>	<u>247,360</u>
Total financial assets as presented in the balance sheet	<u>2,730,542</u>	<u>1,712,419</u>

26. SUBSEQUENT EVENTS

No events have occurred subsequent to year-end that would have a significant impact on the financial statements as at 31 December 2010.

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)
2 March 2011	 Ivan Souček Chairman of the Board of Directors	 Salvatore Recupero Vice-chairman of the Board of Directors	 Mojmír Zenáhlík Controller

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 2010
("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 2010, the following relationships between the Company and its related parties took place:

Part I

Contracts concluded between the Company and its related parties in 2010 and fulfillments (considerations) rendered (received) by the Company in 2010 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.

1. THE CONTROLLING PARTY

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 443 thousand and a consideration for arrangement CZK 44 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 a consideration of CZK 282 thousand.

Sales:

In 2010, the Company entered into contracts based on which it received a consideration of CZK 1,022 thousand. These contracts related 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 21,628 thousand was provided by the Company.

2. OTHER RELATED PARTIES CONTROLLED BY UNIPETROL, a.s.

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 657,097 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 soiled oils. The provided consideration was CZK 7,814 thousand.

Further, within the previous period, the Company had entered into contracts for the purchase of nitrogen, carbon dioxide, pressured air, propylene, ethanol, soda and ammonia water. The total provided consideration was CZK 43,973 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 66,430 thousand. The prices are based on formulas using international price quotations of crude oil and oil products.

Services:

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

Services purchased	Consideration (in CZK thousand)
Roads and assets administration	7,751
Use of pipe bridges	10,605
Nitrogen compression	38,541
Waste water treatment	152,746
Use of Fire-Fighters Emergency Team	24,473
Communication	4,764
Guard	2,496
Other Services ¹	6,902
Total	248,278

¹ such as IT, monitoring and services of laboratory and transportation costs

Other contractual relationships:

In the previous period, the Company entered into a Long-term Credit Agreement, whose purpose was the financing of the project: “Revitalization of Chamber 11 and D distiller, UNITS 3611, 3411”. In 2010, based on this contract, the Company paid loan interest in the amount of CZK 3,546 thousand.

Based on Cash Flow & Security Agreement concluded in the previous period the Company rendered CZK 6 thousand consideration in the year 2010. This involves interest income on pre-payments.

In the current period, the Company rendered consideration of CZK 468 thousand, the interest corresponding to 2009 price settlement.

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 82,838 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 69,588 thousand. Prices were derived from agreed-on price calculations.

Services:

Under contracts entered into in the previous period, the Company rendered services for which it obtained consideration in the amount of CZK 5,096,397 thousand. Prices were derived from agreed-on price calculations. Involved were services as listed below:

Services provided	Considerations (in thousand CZK)
Processing fee	3,483,073
Processing fee – Chamber 11	33,998
Other handling/processing services	1,569,024
First filling of IKL pipeline loan interest	9,442
Other – rental and laboratory analyses	319
Financial services	541
Total	5,096,397

UNIPETROL DOPRAVA, s.r.o.

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 provided consideration of CZK 857,997 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 205 thousand.

HC BENZINA 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 provided a consideration in the amount of CZK 23 thousand for purchase of vouchers from fringe benefits system Paleta.

CELIO a.s.

Relationship towards the Company: Entity directly controlled by UNIPETROL RPA, s.r.o. until 14 April 2010 when the entity was sold and it is no longer part of UNIPETROL Group.

Purchases:

Under contract entered into in the said period, the Company paid consideration in the amount of CZK 457 thousand for waste storage services.

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 1,520 thousand.

Sales:

Under the contract concluded within the current period, the Company rendered a consideration in the amount of CZK 13 thousand. This contract related to recharge of expenses incurred foreign business trip.

Other contractual relationships:

Within the current period, the Company concluded a new trilateral agreement on the transportation of crude oil via Družba and Adria pipelines. The third party, and provider of the service, is TRANSPETROL, a.s., 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 the Company provided consideration in the amount of CZK 133 thousand.

Sales:

Under the contract concluded within the current period, the Company rendered a passenger transport consideration in the amount of CZK 14 thousands.

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 5,360 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 359 thousand.

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 4 thousand was provided.

3. COMPANY DIRECTLY CONTROLLING UNIPETROL, a.s. AND RELATED PARTIES TO THIS COMPANY
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POLSKI KONCERN NAFTOWY ORLEN S.A.

Relationship towards the Company: Direct controlling entity

Purchases:

Under contract entered into in the said period, the Company provided a consideration in the amount of EUR 33 thousand (CZK 829 thousand) for provision of necessary information for chemical matter registration.

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 1,779 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 9 March 2011

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



Ivan Souček
Chairman of the Board of Directors



Salvatore Recupero
Vice chairman of the Board of
Directors

UNIPETROL BUSINESS CONSORTIUM - CONTROLLED COMPANIES in 2010
1. 1. - 31. 12. 2010

Companies controlled directly and indirectly by UNIPETROL, a.s.	Seat of company	Ident. No.	The controlling party	Capital interest corporate stock		Changes throughout 2010
				1.1.2010	31.12.2010	
BENZINA, s.r.o.	Praha	60193328	UNIPETROL, a.s.	100.00	100.00	
ČESKÁ RAFINÉRSKÁ, a.s.	Litvínov	62741772	UNIPETROL, a.s.	51.22	51.22	
PARAMO, a.s.	Pardubice	48173355	UNIPETROL, a.s.	100.00	100.00	
UNIPETROL RPA, s.r.o.	Litvínov	27597075	UNIPETROL, a.s.	100.00	100.00	
UNIPETROL SERVICES, s.r.o.	Litvínov	27608051	UNIPETROL, a.s.	100.00	100.00	
Butadien Kralupy a.s.	Kralupy nad Vltavou	27893995	UNIPETROL, a.s.	51.00	51.00	
Výzkumný ústav anorganické chemie, a.s.	Ústí nad Labem	62243136	UNIPETROL, a.s.	100.00	100.00	
UNIPETROL TRADE a.s.	Praha	25056433	UNIPETROL, a.s.	100.00	100.00	
UNIPETROL RAFINÉRIE, s.r.o.	Litvínov	27885429	UNIPETROL, a.s.	100.00	100.00	
PETROTRANS, s.r.o.	Praha	25123041	BENZINA, s.r.o.	99.40	99.40	
			UNIPETROL, a.s.	0.60	0.60	
MOGUL SLOVAKIA, s.r.o.	Hradište pod Vrátnom	36222992	PARAMO, a.s.	100.00	100.00	
HC BENZINA Litvínov, a.s.	Litvínov	64048098	UNIPETROL RPA, s.r.o.	70.95	70.95	
CHEMOPETROL, a.s.	Litvínov	25492110	UNIPETROL RPA, s.r.o.	100.00	100.00	
POLYMER INSTITUTE BRNO, spol. s r.o.	Brno	60711990	UNIPETROL RPA, s.r.o.	99.00	99.00	
			UNIPETROL, a.s.	1.00	1.00	
UNIPETROL DOPRAVA, s.r.o.	Litvínov	64049701	UNIPETROL RPA, s.r.o.	99.88	99.88	
			UNIPETROL, a.s.	0.12	0.12	
CELIO a.s.	Litvínov 7	48289922	UNIPETROL RPA, s.r.o.	40.53	0.00	Ownership interests sold on
			UNIPETROL, a.s.	10.53	0.00	14 April 2010
UNIPETROL SLOVENSKO s.r.o.	Bratislava	35777087	UNIPETROL RPA, s.r.o.	86.96	86.96	
			UNIPETROL, a.s.	13.04	13.04	
UNIPETROL DEUTSCHLAND GmbH	Langen/Hessen, Německo		UNIPETROL TRADE a.s.	100.00	0.00	Ownership interests changed since 27 December 2010
			UNIPETROL RPA, s.r.o.	0.00	99.99	
			UNIPETROL, a.s.	0.00	0.01	
CHEMAPOL (SCHWEIZ) AG v likvidaci	Basel Švýcarsko		UNIPETROL TRADE a.s.	100.00	0.00	In liquidation since 1 June 2010 Ownership interests changed since 30 November 2010
			UNIPETROL RPA, s.r.o.	0.00	100.00	
UNIPETROL AUSTRIA HmbH in Liqu.	Viedeň , Rakousko		UNIPETROL TRADE a.s.	100.00	0.00	In liquidation since 4 March 2008 Ownership interests changed since 9 December 2010
			UNIPETROL, a.s.	0.00	100.00	
UNIVERSAL BANKA, a.s. v konkurzu	Praha		UNIPETROL RPA, s.r.o.	12.24	12.24	was bankrupt since 12 February 2010
			UNIPETROL, a.s.	16.45	16.45	

CAPITAL GROUP PKN ORLEN S.A. - CONTROLLED COMPANIES IN 2010

1. 1. 2010 - 31. 12. 2010

Companies directly and indirectly controlled by PKN ORLEN		Share of PKN ORLEN		Comments
Directly controlled company (daughter company of PKN ORLEN S.A.) Indirectly controlled company (grand - daughter company)	Registered seat	directly /indirectly controlled		
		% of registered capital		
		1.1.2010	31.12.2010	
UNIPETROL, a.s.	Praha	62.99	62.99	See a separate list of UNIPETROL GROUP
ORLEN Deutschland GmbH	Elmshorn	100.00	100.00	
ORLEN Budonafit Sp. z o.o.	Kraków	100.00	100.00	
ORLEN Automatyka Sp. z o.o.	Płock	52.42	52.42	
ORLEN Asfalt Sp. z o.o.	Płock	82.46	82.46	17.54 % owns Rafineria Trzebinia S.A.
Inowrocławskie Kopalnie Soli "SOLINO" S.A.	Inowrocław	70.54	70.54	
ORLEN Gaz Sp. z o.o.	Płock	100.00	100.00	
ORLEN KołTrans Sp. z o.o.	Płock	99.85	99.85	
Orlen Laboratorium Sp. z o.o.	Płock	94.94	94.94	
ORLEN Medica Sp. z o.o.	Płock	100.00	100.00	
Sanatorium Uzdrowskowie "Krystynka" Sp. z o.o.	Ciechocinek	98.54	98.54	
ORLEN Ochrona Sp. z o.o.	Płock	100.00	100.00	
ORLEN OIL Sp. z o.o.	Kraków	51.69	51.69	43.84 % owns Rafineria Trzebinia S.A. and 4.47% Rafineria Nafty Jedlicze S.A.
Petro-Oil Pomorskie Centrum Sprzedaży Sp. z o.o.	Gdańsk	100.00	0.00	To be join to Platinum Oil Sp. Z o.o. (100% of share)
Platinum Oil Sp. z o.o.	Lublin	100.00	100.00	
ORLEN OIL ČESKO, s.r.o.	Brno	100.00	100.00	
ORLEN PetroCentrum Sp. z o.o.	Płock	100.00	100.00	
ORLEN PetroTank Sp. z o.o.	Wielka	100.00	100.00	
Petro-Mawi Sp z o.o. w likwidacji	Sosnowiec	60.00	60.00	
ORLEN Powiernik Sp. z o.o. w likwidacji	Płock	100.00	0.00	Liquidated as at January 7,2010
ORLEN Projekt S.A.	Płock	51.00	51.00	
ORLEN Transport Kraków Sp. z o.o. w upadłości	Kraków	98.41	98.41	
ORLEN Transport Sp. z o.o.	Płock	66.78	66.78	
ORLEN Wir Sp. z o.o.	Płock	51.00	51.00	
Petrolot Sp. z o.o.	Warszawa	51.00	51.00	
RAFINERIA NAFTY JEDLICZE S.A.	Jedlicze	75.00	75.00	
„RAF-BIT” Sp. z o.o.	Jedlicze	100.00	100.00	
„RAF-KOLTRANS” Sp. z o.o.	Jedlicze	100.00	100.00	
„RAF-Służba Ratownicza” Sp. z o.o.	Jedlicze	100.00	100.00	
Konsorcjum Olejów Przepracowanych "ORGANIZACJA ODZYSKU" S.A.	Jedlicze	81.00	81.00	8.00 % owns Rafineria Trzebinia S.A.
"RAN-WATT" Sp. z o.o. w likwidacji	Toruń	51.00	51.00	
RAFINERIA TRZEBINIA S.A.	Trzebinia	77.15	86.35	9.19% of share - purchase by PKN ORLEN S.A.on December 30,2010
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	
Ship - Service S.A.	Warszawa	60.86	60.86	
Ship Service Agro Sp. z o.o.	Szczecin	100.00	0.00	Sold on December 14, 2010 to CF Finance Polska Sp. z o.o.
ORLEN Centrum Serwisowe Sp. z o.o.	Opole	99.01	99.01	
ANWIL S.A.	Wrocław	84.79	90.35	5.56% of share - purchase by PKN ORLEN S.A.on December 30,2010
Przedsiębiorstwo Inwestycyjno - Remontowe REMWIL Sp. z o.o.	Wrocław	99.98	99.98	
Przedsiębiorstwo Produkcyjno-Handlowo-Usługowe PRO-LAB Sp. z o.o.	Wrocław	99.32	99.32	
SPOLANA a.s.	Neratovice	100.00	100.00	
Przedsiębiorstwo Usług Specjalistycznych i Projektowych CHEMEKO Sp.z o.o.	Wrocław	55.93	55.93	
ORLEN EKO Sp. z o.o.	Płock	100.00	100.00	
ORLEN Administracja Sp. z o.o.	Płock	100.00	100.00	
ORLEN Upstream Sp. z o.o.	Warszawa	100.00	100.00	
ORLEN Prewencja Sp. z o.o.	Płock	100.00	100.00	
ORLEN Księgowość Sp. z o.o.	Płock	100.00	100.00	
ORLEN HOLDING MALTA Limited	Sliema, Malta	99.50	99.50	
ORLEN Insurance Ltd	Sliema, Malta	99.99	99.99	PKN ORLEN S.A. owns 1 share
AB ORLEN Lietuva	Juodeikiai	100.00	100.00	
UAB Uotas w likwidacji	Mazeikiai	100.00	100.00	
AB Ventus Nafta	Vilnius	100.00	100.00	
UAB Mazeikiu Nafta Trading House	Vilnius	100.00	100.00	
UAB Mazeikiu Nafta Health Care Center	Juodeikiai	100.00	100.00	
UAB Mazeikiu Nafta Paslaugos Tau	Juodeikiai	100.00	100.00	
UAB EMAS	Juodeikiai	100.00	100.00	
UAB Remonto Mechanikos Centras w likwidacji	Juodeikiai	100.00	0.00	Liquidated as at July 19,2010
ORLEN Finance AB	Sztokholm	100.00	100.00	
ORLEN Capital AB	Sztokholm	0.00	100.00	Registered on October 27, 2010
Basell Orlen Polyolefins Sp. z o.o.	Płock	50.00	50.00	50.00 % owns Basell Europe Holding B.V.
Basell Orlen Polyolefins Sp. z o.o. Sprzedaż Sp. z o.o.	Płock	100.00	100.00	
Płocki Park Przemysłowo-Technologiczny S.A.	Płock	50.00	50.00	50.00 % owns municipal town Płock
Centrum Edukacji Sp. z o.o.	Płock	69.43	69.43	
ORLEN International Exploration & Production Company BV	Amsterdam	100.00	100.00	
SIA Balin Energy Grupa OIE&PC BV	Łotwa	50.00	50.00	

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