

ANNUAL REPORT

ČESKÁ RAFINÉRSKÁ, a.s.

2004



ANNUAL REPORT

ČESKÁ RAFINÉRSKÁ, a.s.

2004

Content:

• Report of the Board of Directors on the Business Activities and Status of the Company's Assets in 2004	2
• Report on the Relations between the Controlling and Controlled Person and on Relation between the Controlled Person and other Person Controlled by the same Controlled Person for 2004	8
• Report of the Supervisory Board	18
• Auditor Report to the Annual Report 2004	19
• Consolidated Financial Statement	21
Auditor Report	22
Assets	23
Liabilities	24
Profit and Losses	25
Equity	26
Cash Flow Statement	27
Notes to Financial Statements	28
• Non-Consolidated Financial Statement	59
Auditor Report	60
Assets	61
Liabilities	62
Profit and Losses	63
Equity	64
Cash Flow Statement	65
Notes to Financial Statements	66

Report of the Board of Directors of ČESKÁ RAFINÉRSKÁ, a.s on the Company Business Activities and Status of Assets in 2004

Let me present you the Report of the Board of Directors of ČESKÁ RAFINÉRSKÁ, a.s. (the "Company") on the Company's Business Activities and Status of Assets in 2004, and to briefly review 2004 and the changes that it brought to the Company.

For the Company 2004 was the first full year during which we have operated as a cost center, that is to say under the so-called 'processing mode'. As a result, the year passed has established a benchmark for measuring our efficiency in the years to come, and a benchmark for assessing the success of the Company's conversion into a cost center. It was a year that has demanded considerable effort, that required adopting new approaches to running production facilities, new conduct, and approaches to solving unfamiliar situations. Many of us had to adapt to new requirements and tackle issues still linked with the previous mode of operation. A number of projects intended to bring immediate, mid-term and long-term positive results have been launched.

The Company entered 2004 with a number of tasks and targets set by the Shareholders. Among the major ones were the following;

- Sustain the high level of performance in Health and Safety, the Environment, Quality, and maintain a low incident rate
- Improve the availability and reliability of facilities with the aim of achieving a position comparable to Western European refineries
- Operate the refineries in a more effective way in terms of cost-effectiveness – including the application of procedures leading to cost reduction and to advancements in areas identified in Shell Benchmarking and the Solomon Study
- Implement new investments within the given scope and timelines.
- Stabilize the organisation, simplify internal processes, introduce suitable motivation and stabilization initiatives for the work force
- In cooperation with relevant partners, ensure the effective functioning of logistic systems, particularly in the area of rail and pipeline transport
- Discontinue the activities of the Company's daughter companies, i.e. ČESKÁ RAFINÉRSKÁ SLOVAKIA s.r.o. and CRC Polska Sp.z o.o.
- Optimize the Company's working capital employed in the new regime
- Develop the concept of a socially responsible company and continue developing positive relationships and cooperation with surrounding municipalities, and with companies with whom the Company shares sites in Kralupy and Litvínov, and with relevant state authorities

Amongst the successes of 2004 are particularly the completion of reorganization and the setting of the new 'Processing' model of governance considering the role of the Processors as the Company's new customers, and the development of positive relationships with our neighbours, i.e. the surrounding municipalities and companies with whom we share industrial sites. In 2004 major shutdowns were accomplished. These are seen as a major contribution to the enhancement of reliability and availability of facilities, acknowledging that the Company still has to make considerable improvements to meet European standards. Another accomplishment was the fulfillment of the Clean Fuels 2005 project within the required scope and time. By contrast, the Company failed to reach the cost-effectiveness level required by the shareholders, though – compared with

the initial plan – expenses were significantly cut. Further, we failed to maintain the requested accident (incident) rate despite still ranking among the top Czech companies in this area.

The Processing Refinery – “Cost Center”

The switch to a different mode of running the Company has brought an increase in the amount of crude processed, creating an assumption for the trend to continue in the forthcoming years.

The functionality of the new system has been audited by the Company’s partner organizations, with acceptable conclusions. Several improvement propositions were identified within the audit period, all of which have, during the course of 2004, been implemented.

In connection with setting new information flows, a major improvement has been that of data accessibility and accuracy and effective provision thereof to the Processors, and from the Processors back to the Company. All of this is viewed as a contribution to the optimization of operation planning systems and the fulfillment of Processors’ requirements.

Financial situation

In a year-on-year comparison, the net consolidated assets balance changed from CZK 26.7bn to CZK 27.1 billion. Aside from the decrease of the net fixed assets by CZK 0.4bn, the change of the total consolidated assets comprises mainly of the increase of the receivables caused by the effect of changes in legal standards in the area of excise tax. Overdue receivables fell by CZK 37 million. Consolidated shareholders equity decreased from CZK 16.6bn to CZK 16.5 billion mainly as a consequence of dividends paid from the 2003 profit.

In 2004, the Company posted a consolidated pre-tax profit of CZK 48.7 million (CZK 14 million after-tax) on a consolidated turnover of CZK 9.1 billion. Pre-tax non-consolidated profit, i.e. without the Polish and Slovak subsidiaries, totalled CZK 50.6 million (CZK 18.2 million after-tax) on a non-consolidated turnover of CZK 8.9 billion.

Table 1: Turnover, net profit and investments from 2000 through 2004 in billions of CZK.*

	2000	2001	2002	2003**	2004**
Turnover	52.3	46.8	40.7	32,8	8.9
Net profit	2.53	-0.06	-0.74	0,33	0.018
Fixed operating costs	1.65	1.92	1.88	2.00	2.07
Investments	4.99	2.47	1.18	0,83	0.93

* *unconsolidated data*

** *the figures are not fully comparable with the previous period due to the conversion to a processing refinery taking place as of 1 August 2003.*

During the course of 2004, the liquidation of the CRC Polska Sp. z o.o. daughter company was approved by the General Meeting of Shareholders. The ČESKÁ RAFINÉRSKÁ SLOVAKIA s.r.o. affiliate continues its operations, albeit with a limited scope, serving as a

servicing body for the Company's Processors. At the end of 2004 the contract on the use of the Bratislava Airport storage terminal expired.

Throughout the year, major effort was devoted by the Company to the analysis of efficiency of financial management processes. In the course of the year, correction of profit relating to gains from the sale of inventories pursued upon the conversion to the cost center was made, and a provision to spare parts was created. With lower investment costs, and the decrease in working capital, the Company was able to accelerate repayment of its mid-term loan facility, whose end-of-year balance amounted to CZK 445 million.

Health, safety, environment and quality

Activities within the area of work safety have traditionally been aimed at cutting the accident rate and the aftereffects thereof. In 2004 the TRIR parameter was not met and reached 1.8. (TRIR is a methodology adopted from Shell which is more critical than Czech industry Health and Safety indicators) – three accidents leading to absence from work and requiring medical treatment were sustained raising the TRIR to 1.8. These accidents were largely result of a loss of attentiveness. Initiatives for improvements relating to employees' attentiveness and awareness are being appraised.

	TIR	TRIR	LWC
2004	5,5	1,8	1,3

As a positive phenomenon might be viewed the fact that no extraordinary operational breakdown nor emergency with impacts on the environment and quality of life of inhabitants of surrounding municipalities occurred in 2004.

In June 2004 the Company successfully passed the re-certification audit conducted by Lloyd's Register Quality Assurance. Compliance with ČSN ISO 9001:2001 and ČSN ISO 14001:1997 standards was confirmed. The Company managed to defend its Responsible Care Award bestowed on the Company for meeting the requirements of the Responsible Care program in the Chemical sector.

Environmental care is a priority of Company staff both on and off site. Stipulations of state supervising authorities are met, and provisions ensuing from the introduction of legal standards (including those aligning Czech legislation with that of the EU) have been adopted.

More detailed information relating to the above mentioned areas are available in the 2004 Report on work safety, quality and environmental performance (HSEQ Report).

Production activities

In the area of production and maintenance, too, the new processing mode had become fully manifest in 2004. The pursuit of both production and non-production activities was subject of address to meet the requirements of the Processors or, as the case may be, of operative production planning.

6.03 million tons of crude oil were processed. Altogether 15 crude oil types were processed, both medium-sulphur ones – for the Litvínov refinery – and low-sulphur ones – processed in the Kralupy refinery. In connection with the requirements for low-sulphur fuels to be supplied to the market starting Q4 of 2004, crude oil types with a significantly lower sulphur content (compared to the sulphur content processed in the previous three quarters of the year, and as assumed to be processed in 2005) were processed in the Kralupy refinery. Crude oil supplied from Moravia (MND) and transported to the Company via the Družba pipeline connection, were processed.

During the period between the end of March and early May 2004, the biggest scheduled shutdown in the history of the refinery took place in Kralupy. During the shutdown, work incidental to facility reviews were executed, as was work relating to regular maintenance, and adjustments targeted at improving the integrity of facilities in operation. The shutdown was a success, within the budget and within the planned timing. A planned shut-down was also executed at the Litvínov refinery, allowing the completion of 2005 Clean Fuels projects.

In the area of maintenance, a project aimed at the attainment of a significant improvement in the interlinkedness of maintenance activities with other refinery sections was launched, as a way of enhancing the efficiency, reliability, and operating cost reductions. In addition, the ‘bad actors’ identification program continued.

A major landmark in the shift of quality parameters was 15 October 2004. From this time the Company started to supply its Processors with motorfuels with a sulphur content not exceeding 50 ppm as a way of meeting the requirement that by no later than 1 January 2005 (when relevant legislation became effective) the entire distribution system be supplied with products of the lower sulfur content quality.

As a way of attaining the above target, a variety of technological measures had to be implemented, as were a series of investment schemes incorporated in the Clean Fuels 2005 program, launched as early as in 2002. As part of the program, the Gasoil Hydrotreater (HRPO) units in both refineries were revamped and extended. In the Kralupy refinery, year 2004 was marked by the completion of the 3-Cut Splitter, capable of splitting cracked petrol coming from the FCC complex into narrower ‘cuts’, which allow their more effective desulphurization. The unit was launched in early 2005, having cost almost CZK 300 million. Total costs of the Clean Fuels 2005 Program were almost CZK 1 billion.

Table: Investment expenditures in 2004 according to structure of investment plan and locality (in '000 CZK)

	<i>Litvinov</i>	<i>Kralupy</i>	<i>Both sites</i>	<i>Total</i>
Major projects	279,549	316,751	0	596,300
General improvements	45,849	42,606	0	88,455
Mandatory projects	42,279	37,627	59,512	139,418
Minor projects	38,158	76,248	23,438	137,844
Total	405,835	473,232	82,950	962,017

Note: The sum of capital expenditures differs from the figures reported in the financial statements by CZK 32 million due to the adjustment of 2004 results after issuing the financial statements

Production activities, maintenance, technology support, the laboratories and other sections in both refinery segments were enhanced maintaining the availability of facilities as required by the shareholders, and to contribute to a reduction in operating costs.

Human resources and education

During 2004 the process of alignment relating to the new processing mode continued. In terms of the workforce the situation was stabilized, company staff turnover rate has remained at a low level. The program for attracting and selecting new graduates from technical universities, and vocational schools continued, as did the employee evaluation and performance appraisal program. A Culture Change program has been launched.

Following the good experience gained over the previous periods, e-learning programs have been implemented, as have been schemes for employee training, including language courses, courses enhancing presentation skills, and PC courses. Internal seminars were held in the areas of Legal as a way of enhancing the legal awareness of Company staff. The Intranet has become a major tool for internal company communication.

During the year the job market was monitored in order to adjust the Company's remuneration policy and positioning within the industry. Motivation incentives, in the form of both cash and non-cash benefits were used. PALETA – the system of non-cash benefits that has now been in operation for several years – has become an integral part of Company policy. Events were organized for both Company staff and their families.

A sociological survey was conducted in 2004, mapping the views and opinions of Company employees. For the Company, the survey findings serve as a major input to understanding our cultural identity and for the Culture Change project.

Communication and external relations

As for communication activities, 2004 involved ongoing explanation of the conversion to a cost center, principles governing the Company's relationship with the Processors, and the changes in the Company relationship towards both business partners and the market. A variety of communication channels were in use, including the issuance of an information periodical and on-line webpages. Further, the subject of communication with the community also entailed investment events in support of attaining higher, environmentally-friendlier quality parameters for products made by the Company.

As for the relationship with towns and municipalities situated in the Company's vicinity, ČESKÁ RAFINÉRSKÁ, a.s. pursued the principles of corporate social responsibility. Upon the conclusion of a long-term cooperation agreement with the town of Veltrusy, on the cadastre of which the major part of the Kralupy refinery lies, the intent was completed of signing - with all towns and municipalities surrounding the refinery – a long-term master agreement, which will be amended annually. By the same token, in compliance with the sponsorship policy, financial gifts of significant size were donated to those in need, or to charity schemes and projects materialized in both the Kralupy and Litvínov regions. Seen from that angle, part of Company philanthropy was the support given to the creation of a videotape addressing the issue of drug abuse in the Czech Republic.

In connection with the construction of the FCC unit, the Company passed over to the Kralupy nad Vltavou municipality a green belt development (worth CZK 7.5 million), situated in an area separating the industrial site and the municipality's residential zone, which was set up according to a landscape study, and currently features a landscape phenomenon, and allows the use of previously used agricultural area characterized by an alluvial plain situated on the right bank of the River Vltava.

The Company has been represented at a number of social, sports and cultural events taking place within the region, amongst the most significant being the Race Day held at the horse-racing track in Most. In the month of October, a refinery tour was arranged for the World Refining Association congress delegates, and a video type on the processing refinery was made.

The amount spent on promotion within the regions, and on sponsorship totalled CZK 13 million.

Changes in the staff structure of the Board of Directors/Supervisory Board:

A number of changes took place in the Executive Management and Corporate bodies. Following the closure of the Commercial Division, and the merger of the Investment and Technical Divisions, the Executive Management team was reduced from 7 Executive Directors to 5. Three new appointments of Members of the Board of Directors took place, replacing František Šamal and Miroslav Debnár (and filling one previously vacant position since 2003) with Martin Kubů, Rudolf Bureš and Aleša Jakub. On the Supervisory Board Gabriela Matějová (Shell) and Valter D'Angeli (Eni) replaced Jiří Eminger and Enrico Amicci.

ČESKÁ RAFINÉRSKÁ, a.s. enters 2005 with a series of tasks and targets, some of which entail a continuation in the effort exerted in the previous year, though this year's requirements are – understandably – more challenging.

Definite priorities of 2005 include commitments such as intensified cost rationalization, enhanced efficiency and competitiveness in the area of processing crude for the shareholders. Further, are schemes such as the launch of activities associated with Carbon Dioxide emissions trading, updating the risk map and associated activities, and the use of biocomponents in motorfuels amongst others.

If so required by the Processors, we will make higher use of installed capacity, to provide effective technical support, and to finalize certain financial transactions, with the aim of creating an effective low-cost service organization for our Processors.



Ivan Souček
Chairman of the Board of Directors

ČESKÁ RAFINÉRSKÁ, a.s.
with registered offices in Litvínov, Záluží 2, Postcode 436 70
Identification Number 62741772
entered in the commercial register maintained at the Regional Court in Ústí nad Labem
in section B, file no. 696

**THE REPORT OF THE RELATIONSHIPS
BETWEEN THE CONTROLLING AND CONTROLLED ENTITY
AND OF THE RELATIONSHIPS BETWEEN THE CONTROLLED
ENTITY AND THE OTHER ENTITIES CONTROLLED BY THE SAME
CONTROLLING ENTITY
FOR THE YEAR 2004**

The ČESKÁ RAFINÉRSKÁ, a.s. Company, with registered offices in Litvínov, Záluží 2, Post code 436 70, Identification number 62741772 (hereinafter referred to as just “the company“) is a part of the group in which the controlling entity is the UNIPETROL, a.s. Company, with registered offices at Klimentská 10, 110 05 Prague 1, Identification Number 61672190, which is further a part of the group in which the controlling entity is the National property fund of the Czech Republic, with registered offices at Rašínovo nábřeží 42, Prague 2, Identification Number 41692918. The schemes of the business groups are given in the attachments [attachments in Czech only].

The following relationships existed between the company and the interconnected entities during the accounting period of 2004:

Part I.

Contracts concluded between the company and the interconnected entities in the year 2004 and the performance (counter-performance) provided (accepted) by the company in the year 2004 on the basis of contracts concluded during the preceding period

Note:

- a) the contracts are categorized according to the accounting methods,
- b) information about the financial fulfilment (the company expenses) and consideration (the company earnings) are given in thousands of CZK,
- c) the calculation from foreign currencies to CZK is carried out according to the current rate of exchange of the Czech National Bank on the day of fulfilment (consideration).

1. THE CONTROLLING ENTITY

UNIPETROL, a.s.

Relationship to the company: the direct controlling entity

The relations in the given period took place on the basis of conditions usual for business contact, prices were agreed contractually as usual prices. The company incurred no damage from the concluded contracts. This concerned the following relationships:

Purchases:

Services:

During the given period the company concluded one contract on the basis of which it purchased services for which it provided fulfilment in the sum of 8,114 thousand CZK. This concerned the purchase of easement services.

On the basis of two contracts concluded during the preceding period the company purchased services for which it provided fulfilment in the sum of 6,997 thousand CZK. This concerned the purchase of easement services.

On the basis of the contract concluded by UNITEPTROL, a.s. company as an insurer in favour of insured during the preceding period the company purchased liability insurance services for the members of the board of directors and the supervisory board of the company. It provided fulfilment in the sum of 462 thousand CZK for this service.

Furthermore the company purchased IT services and consulting services (according to the subject of business of the provider) for which it provided fulfilment in the sum of 583 thousand CZK.

2. OTHER INTERCONNECTED ENTITIES CONTROLLED BY THE UNIPETROL, a.s. COMPANY

BENZINA, a.s.

Relationship to the company: the company is directly controlled by the UNIPETROL, a.s. company

Relations during the given period took place on the basis of conditions usual for business contact, prices were agreed contractually as usual prices. The company incurred no damage from the concluded contracts. This concerned the following relationships:

Sales:

The company concluded one contract during the given period on the basis of which it transferred a claim for which it accepted consideration in the sum of 11,632 thousand CZK. In connection with this contract the company concluded an arrangement of transfer of (potential) payment from bills of exchange on the basis of which no fulfilment was either accepted or provided.

B.U.T., s.r.o.

Relationship to the company: the company is directly controlled by the CHEMOPETROL, a.s. company.

Relations during the given period took place on the basis of conditions usual for business contact, prices were contractually agreed as usual prices. The company incurred no damage from the concluded contracts. This concerned the following relationships:

Purchases:

On the basis of one contract concluded during the preceding period the company purchased services for which it provided fulfilment in the sum of 40 thousand CZK. This concerned the purchase of accommodation services for employees.

HC CHEMOPETROL, a.s.

Relationship to the company: a company directly controlled by the CHEMOPETROL, a.s. company.

Relations during the given period took place on the basis of conditions usual for business contact, prices were contractually agreed as usual prices. The company incurred no damage from the concluded contracts. This concerned the following relationships:

Purchases:

On the basis of one contract concluded during the given period the company purchased services for which it provided fulfilment in the sum of 63 thousand CZK. This concerned services concerning the sale of season tickets for Paleta system vouchers.

CHEMOPETROL, a.s.

Relationship to the company: the company is directly controlled by the UNIPETROL, a.s. company.

The relations during the given period took place under the conditions usual for business contact, prices were contractually arranged as usual prices. The company incurred no damage from the concluded contracts. This concerned the following relationships:

Purchases:

Utilities:

On the basis of six contracts concluded during the preceding period the company purchased utilities for which it provided fulfilment in the sum of 763,890 thousand CZK. This concerns the purchase of electrical power, steam - including distribution, treated and pure water and condensates. The prices were established on the basis of the resulting price calculations.

Material and products:

The company concluded six contracts during the given period for which it provided fulfilment in the sum of 350 thousand CZK. This concerns the purchase of ethanol and minor material.

The company concluded three contracts during the preceding period for which it provided fulfilment in the sum of 22,806 thousand CZK. This concerns the purchase of nitrogen, carbon dioxide, air, propylene and carbonated water. Prices issued from the price of crude oil, possibly were established contractually as usual prices.

Services:

The company concluded six contracts during the given period for which it provided fulfilment in the sum of 117,152 thousand CZK.

The company concluded three contracts during the preceding period for which it provided fulfilment in the sum of 100,325 thousand CZK.

This concerns the below mentioned services:

Consideration	Fulfilment (in thousands CZK)
Storage of spare parts	11,854
Distribution of steam	23,039
Compression of hydrogen	24,598
Treatment of waste water	77,193
Use of pipe bridges	21,382
Other services (security, fencing, revisions, use of the fire services)	59,411
Total	217,477

Sales:

Utilities:

On the basis of one contract concluded during the preceding period the company sold the circulating condensate for which it accepted consideration in the sum of 5,885 thousand CZK. The price issued from the agreed price calculations.

Services:

On the basis of two contracts concluded during the preceding period the company sold services for which it accepted consideration in the sum of 390 thousand CZK. The price was established by agreement. This concerned the lease of non-residential areas.

Other:

The company issued invoices - a price adjustment for the year 2002 based on contracts concluded - in the total sum of 57,132 thousand CZK for which as of December 31, 2004 it still did not receive consideration.

KAUČUK, a.s.

Relationship to the company: the company is directly controlled by the UNIPETROL, a.s. company.

The relations during the given period took place on the basis of conditions usual for business contact, prices were contractually arranged as usual prices. The company incurred no damage from the concluded contracts. This concerns the following relationships:

Purchases:

Utilities:

On the basis of seven contracts concluded during the preceding period the company purchased utilities for which it provided fulfilment in the total sum of 435,094 thousand CZK. The prices issued from the agreed price calculations. This concerned electricity, natural gas, technical gases, steam, high-pressure boiler feed water and water.

Services:

The company concluded six contracts during the given period on the basis of which it purchased services for which it provided fulfilment in the total sum of 15,606 thousand CZK.

The prices were established by agreement. This concerned services of common infrastructure, services connected to land, rental fees for non-residential areas and associated services, telecommunications and postal services, support of the IŘS Energis and laboratory services.

On the basis of five contracts concluded during the preceding period the company purchased services for which it provided fulfilment in the total sum of 35,789 thousand CZK. The prices were established by agreement. This concerned letting wastewater into the open canalisation, MOPV services, protection of property, ABII security and attendance of the camera system, fire brigade services and supply of water for fire services.

On the basis of purchase orders the company purchased various services (reprographic, consulting and technical) in the total sum of 714 thousand CZK.

Other:

The company paid late payment interest in the sum of 7 thousand CZK. This interest was paid due to delayed payments of invoices issued based on utility supply contracts.

Sales:

Property:

The company concluded one contract of sale of long-term tangible property during the given period on the basis of which it accepted consideration in the sum of 300 thousand CZK. This concerned a field burner.

Utilities:

On the basis of two contracts concluded during the preceding period the company sold utilities for which it received consideration in the sum of 11,537 thousand CZK. The prices issued from the agreed price calculations. This concerned high quality FCC condensate and steam condensate.

Services:

On the basis of six contracts concluded during the preceding period the company provided services for which it received consideration in the total sum of 3,707 thousand CZK. The prices were established by agreement. This concerned treatment of wastewater, lease of a special fire extinguishing vehicle, supplies of water for fire services, storage, tapping, pumping and delivery of n-pentane, tapping of rail tanks, filling of rail tanks and processing of water pumped from the HOPV wells.

Other:

The company issued credit notes for the price adjustment of utilities for the year 2003 on the basis of mutual utility supply contracts amounting to – 2,364 thousand CZK plus the cost of money – 66 thousand CZK, a total of – 2,430 thousand CZK.

Other contractual relationships:

On the basis of one contract of mutual services concluded during the preceding period the company purchased services for which it provided fulfilment in the sum of 1,200 thousand CZK and provided services for which it accepted consideration in the sum of 1,200 thousand CZK. This concerned the mutual supplies of water for fire services.

PARAMO, a.s.

Relationship to the company: a company directly controlled by the UNIPETROL, a.s. company.

Relations during the given period took place on the basis of conditions usual for business contact, prices were agreed as usual prices. The company incurred no damage from the concluded contracts. This concerned the following relationships:

Purchases:

On the basis of one contract concluded during the given period the company purchased oils and lubricants for which it provided fulfilment in the sum of 2,716 thousand CZK.

Other contractual relationships:

During the given period the company concluded a three-party contract for the transportation of crude oil through the pipelines belonging to Družba and Adria. The third party to the contract and a provider of services is TRANSPETROL, a.s., Bratislava, SR.

Sales:

During the given period the company concluded a contract for the sale of property for which it received fulfilment in the sum of 2,473 thousand CZK.

UNIPETROL RAFINÉRIE, a.s.

Relationship to the company: a company directly controlled by the UNIPETROL, a.s. company.

Relations during the given period took place on the basis of conditions usual for business contact, prices were arranged as usual prices. The company incurred no damage from the concluded contracts. This concerned the following relationships:

Purchases:

Products and raw materials:

In connection with the Processing Agreement, executed in January 2003 between the company and the processors the company purchased products and raw materials including those from SHR and inexhaustible residues for which it provided fulfilment in the sum of 319,017 thousand CZK. The prices issued from the price formulae issuing from the internationally listed prices of crude oil and crude oil products.

Other contractual relations:

During the preceding period the company concluded a Cash Flow and Security Agreement on the basis of which it provided fulfilment in the sum of 3,495 thousand CZK. This concerns interest for pre-payments.

Compensation Provisions for Damages:

During the given period the company provided compensation for damages in the sum of 14,032 thousand CZK. The damage corresponds to the part of crude inventory taking result evaluated as of 31 December 2003 which relates to the pre-processing period but which was not reflected in the sale of crude inventory to the Processors made as of 1 August 2003. The company also provided compensation for damages in the sum of 2,685 thousand CZK. The damages occurred as a result of the penetration of reformer into a tank containing primary petrol.

Sales:

Products and raw materials:

The company concluded one contract during the given period on the basis of which it sold products and raw materials for which it accepted consideration in the sum of 365,804 thousand CZK. The prices issued from the agreed price calculations.

Services:

On the basis of three contracts concluded during the preceding period the company provided services for which it accepted consideration in the total sum of 4,218,380 thousand CZK. The prices issued from the agreed price calculations. This concerned the following services:

Fulfilment	Consideration (in thousands CZK)
Processing fee	3,002,844
Other processing services	1205,638
Lease of the first filling of the IKL pipeline - fee	9,400
Additivation	498

Other contractual relationships:

During the given period the company concluded a Contract for provision of statistical information and a Contract for work. No fulfilment was provided or received on the basis of these contracts.

3. OTHER INTERCONNECTED ENTITIES CONTROLLED BY THE NATIONAL PROPERTY FUND OF THE CZECH REPUBLIC

ČEPRO, a.s.

Relationship to the company: a company directly controlled by the FNM ČR (National property fund of the Czech Republic)

Relations during this period took place on the basis of conditions usual during business contact, prices were agreed contractually as usual prices. The company incurred no damage from the concluded contracts. This concerned the following relationships:

Purchases:***Utilities:***

On the basis of one contract concluded during the given period the company purchased electricity. The company provided fulfilment in the sum of 440 thousand CZK for this electricity.

Services:

On the basis of one contract concluded during the preceding period the company purchased services for which it provided fulfilment in the sum of 29 thousand CZK. This concerned the lease of non-residential areas.

Sales:***Services:***

On the basis of one contract concluded during the given period the company provided services for which it accepted consideration in the sum of 227 thousand CZK. This concerned services of removal and treatment of wastewater.

On the basis of one contract concluded during the preceding period the company provided services for which it accepted consideration in the sum of 89 thousand CZK. This concerned the lease of non-residential areas.

Other contractual relationships:

The company concluded one contract during the given period (a Contract for a future contract for the transportation of refinery products and semi-products). No fulfilment was provided or received on the basis of this contract during the year 2004.

MERO ČR, a.s.

Relationship to the company: a company directly controlled by the FNM ČR

Relations during the given period took place on the basis of conditions usual for business contact, prices were agreed contractually as usual prices. The company incurred no damage from the concluded contracts. This concerned the following relationships:

Purchases:

During the given period the company concluded one contract on the basis of which it purchased a service for which it provided fulfilment in the total sum of 1,201,444 thousand CZK. The price was established by agreement. This concerned the storage of crude oil.

On the basis of one contract concluded during the preceding period the company purchased the service of transportation of crude oil through the IKL pipeline and the Družba pipeline. The fulfilment for this contract amounted to 4,771 thousand CZK.

Part II.

Other legal actions carried out in the interest of the interconnected entities

During the given period the company implemented the liquidation of its fully owned subsidiary company CRC Polska Spółka z ograniczona odpowiedzialnością.

Part III.

Other measures accepted or implemented in the interest or initiated by interconnected entities

No measures were accepted or implemented by the company in the interest or initiated by interconnected entities during the given period.

In Litvínov on 31 March 2005

On behalf of the Board of Directors of ČESKÁ RAFINÉRSKÁ, a.s.



Ing. Ivan Souček
Chairman of the Board of Directors



Oscar Magnoni
Member of the Board of Directors

Report of the Supervisory Board for the General Meeting of the Company

Report of the Supervisory Board of ČESKÁ RAFINÉRSKÁ, a.s. on the Company's regular financial statements for 2004 and the consolidated financial statements as at 31 December 2004 and the examination of the report on the relationships between the controlling and controlled person and on the relationships between the controlled person and other persons controlled by the same controlling person for 2004.

PricewaterhouseCoopers Audit, s.r.o. has audited the regular financial statements for 2004 and the consolidated financial statements for 2004 and expressed an auditor's statement of no reservations. In view of the auditor's statement, the Supervisory Board states that the regular and consolidated financial statements reflect truly, in all material aspects, the assets, liabilities, equity and financial standing of Česká rafinérská, a.s. as at 31 December 2004 and its results for 2004 in accordance with the accounting act and relevant regulations of the Czech Republic.

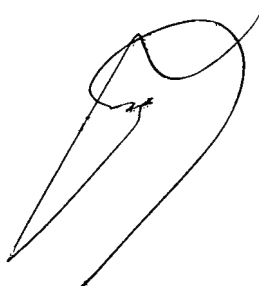
The Supervisory Board also states that it did not discover any material misstatements in the submitted annual financial statements as at 31 December 2004 or in other documents that the Company's Board of Directors submitted to the Supervisory Board for discussion in 2004 that would suggest that the accounting records were not maintained properly in accordance with reality and legal regulations.

The Supervisory Board recommends that the Regular General Meeting approve the financial statements for 2004 and the consolidated financial statements for 2004, and also approve the proposal of the Board of Directors for the division of the 2004 profit.

The Supervisory Board has examined the Report on relations between the controlling and controlled person and on relations between the controlled person and other persons controlled by the same controlling person for 2004 as prepared by the Company's Board of Directors and submitted to the Supervisory Board. The Supervisory Board has no significant qualifications concerning the submitted report.

Given in Kralupy nad Vltavou, dated 5 May 2005

Zdeněk Černý
Supervisoty Board Chairman



REPORT OF INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF ČESKÁ RAFINÉRSKÁ, A.S.

We have audited the accompanying balance sheet of ČESKÁ RAFINÉRSKÁ, a.s. (“the Company”) as at 31 December 2004, the related income statement, statement of changes in shareholders’ equity, cash flow statement and notes for the year then ended presented in the annual report of the Company on pages 58 - 95 (“the financial statements”). The financial statements, which include description of the activities of the Company, and underlying accounting records are the responsibility of the Company’s Board of Directors. 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 the International Standards on Auditing. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the accompanying financial statements give a true and fair view, in all material respects, of the assets, liabilities and equity of the Company as at 31 December 2004, and the results of its operations, its changes in equity and its cash flows for the year then ended in accordance with the Act on Accounting and other relevant legislation of the Czech Republic.

We have examined whether the supplementary financial information included in the annual report of the Company on pages 2 - 7, which does not form part of the financial statements for the year ended 31 December 2004, is consistent with the audited financial statements of the Company. In our opinion, all other supplementary information included in the annual report is consistent with the audited financial statements in all material respects.

ČESKÁ RAFINÉRSKÁ, a.s.

Report of Independent Auditors

In addition we have also reviewed the accompanying report on relations between the Company and its controlling party UNIPETROL, a.s. and between the Company and the other parties controlled by UNIPETROL, a.s. on pages 8 – 17 (“the Report”).

The completeness and accuracy of the Report is the responsibility of the Board of Directors. Our responsibility is to review the accuracy of information included in the Report. We conducted our review in accordance with the auditing standards of the Chamber of Auditors of the Czech Republic related to reviews of reports on relations between related parties. These standards require that we plan and perform the review to obtain moderate assurance as to whether the Report is free of material misstatement. Based on our review, nothing has come to our attention that causes us to believe that the accompanying Report has not been properly prepared, in all material respects.

6 May 2005

PricewaterhouseCoopers
PricewaterhouseCoopers Audit, s.r.o.
represented by partner



Petr Šobotník
Auditor, Licence No. 113

ČESKÁ RAFINÉRSKÁ, A.S.

**INDEPENDENT AUDITORS REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS**

31 DECEMBER 2004

REPORT OF INDEPENDENT AUDITORS


TO THE SHAREHOLDERS OF ČESKÁ RAFINÉRSKÁ, A.S.

We have audited the accompanying consolidated balance sheet of the consolidated group of ČESKÁ RAFINÉRSKÁ, a.s. (“the Group”) as at 31 December 2004, the related consolidated income statement, consolidated statement of changes in shareholders’ equity, consolidated cash flow statement and consolidated notes for the year then ended (“the consolidated financial statements”). The consolidated financial statements, which include description of the Group’s activities, and underlying accounting records are the responsibility of the Board of Directors of ČESKÁ RAFINÉRSKÁ, a.s. 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. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the accompanying consolidated financial statements give a true and fair view, in all material respects, of the assets, liabilities and equity of the Group as at 31 December 2004, and the results of its operations, its changes in equity and its cash flows for the year then ended in accordance with the Act on Accounting and other relevant legislation of the Czech Republic.

22 March 2005



PricewaterhouseCoopers Audit, s.r.o.
represented by partner



Petr Šobotník
Auditor, Licence No. 113

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

ČESKÁ RAFINÉRSKÁ, a.s. - 31 December 2004
Consolidated Financial Statement Forms
(in thousands of Czech crowns)

BALANCE SHEET - LONG FORM

		Current year			Prior year 2003	Prior year 2002
		Gross	Provisions	Net	Net	Net
TOTAL ASSETS		34 575 717	(7 509 929)	27 065 788	26 689 825	28 121 793
A.	STOCK SUBSCRIPTIONS RECEIVABLE					
B.	FIXED ASSETS	22 615 049	(6 771 215)	15 843 834	16 206 204	16 470 459
B. I.	Intangible assets	954 250	(654 393)	299 857	361 923	384 326
B. I. 1	Establishment cost	-	-	-	-	-
2	Research and development	42 101	(26 018)	16 083	14 542	20 592
3	Software	619 776	(463 994)	155 782	208 863	199 313
4	Royalties	251 111	(164 381)	86 730	104 248	136 505
5	Intangible assets in the course of construction	41 262	-	41 262	34 270	27 916
B. II.	Tangible assets	21 006 709	(6 116 822)	14 889 887	15 190 191	16 086 133
B. II. 1	Constructions / Buildings	4 202 730	(501 925)	3 700 805	3 529 606	3 368 520
2	Equipment	14 959 123	(4 803 041)	10 156 082	10 401 066	10 296 299
3	Other tangible fixed assets	168 683	(50 269)	118 414	123 971	583 670
4	Tangible assets in the course of construction	403 211	-	403 211	219 307	816 273
5	Advances paid for tangible fixed assets	3 650	-	3 650	323 895	344 404
6	Adjustment to acquired fixed assets	1 269 312	(761 587)	507 725	592 346	676 967
B. III.	Long-term investments	654 090	-	654 090	654 090	-
B. III. 1	Other financial investments	654 090	-	654 090	654 090	-
C.	CURRENT ASSETS	11 451 118	(738 714)	10 712 404	9 800 664	11 273 614
C. I.	Inventories	1 241 266	(192 386)	1 048 880	1 376 010	5 453 618
C. I. 1	Raw materials	1 075 053	(170 570)	904 483	986 562	3 653 580
2	Work in progress and semi-finished products	10 659	-	10 659	114 796	542 520
3	Finished goods	148 499	(21 816)	126 683	201 036	1 111 131
4	Goods for resale	-	-	-	73 616	146 261
5	Prepayments for inventory	7 055	-	7 055	-	126
C. II.	Long-term receivables	384 795	(379 977)	4 818	109 490	76 670
C. II. 1	Trade receivables	384 795	(379 977)	4 818	109 490	-
2	Deferred tax asset	-	-	-	-	76 670
C. III.	Short-term receivables	7 295 175	(166 351)	7 128 824	6 260 697	5 237 779
C. III. 1	Trade receivables	524 895	(166 351)	358 544	1 830 090	5 129 329
2	Taxes and state subsidies receivable	38 577	-	38 577	286 786	54 042
3	Anticipated assets	-	-	-	160 832	50 401
4	Other receivables	6 731 703	-	6 731 703	3 982 989	4 007
C. IV.	Financial assets	2 529 882	-	2 529 882	2 054 467	505 547
C. IV. 1	Cash in hand	1 835	-	1 835	803	1 128
2	Cash at bank	1 569 402	-	1 569 402	94 034	40 591
3	Short-term investments	958 645	-	958 645	1 959 630	463 828
D.	OTHER ASSETS-TEMPORARY ACCOUNTS OF ASSETS	509 550	-	509 550	682 957	377 720
D. I.	Accruals and deferrals	509 550	-	509 550	682 957	377 720
D. I. 1	Prepaid expenses	280 649	-	280 649	313 087	377 667
2	Accrued revenue	228 901	-	228 901	369 870	53

ČESKÁ RAFINÉRSKÁ, a.s. - 31 December 2004
Consolidated Financial Statement Forms
(in thousands of Czech crowns)

BALANCE SHEET - LONG FORM

		Current year	Prior year 2003	Prior year 2002
TOTAL EQUITY & LIABILITIES		27 065 788	26 689 825	28 121 793
A.	EQUITY	16 506 875	16 640 574	16 298 195
A. I.	Share capital	9 348 240	9 348 240	9 348 240
A. I. 1	Share capital	9 348 240	9 348 240	9 348 240
A. II.	Capital contributions	-	-	(1 130)
A. II. 1	Assets and liabilities revaluation	-	-	(1 130)
A. III.	Reserve funds, non-distributable reserves and other reserves	462 559	452 933	445 951
A. III. 1	Statutory reserve fund, non-distributable reserves	462 559	452 933	445 951
A. IV.	Retained earnings	6 682 074	6 498 152	7 220 458
IV. 1	Retained profits	6 682 074	6 498 152	7 220 458
A. V. 1	Profit (loss) for the current period	14 002	341 249	(715 324)
B.	LIABILITIES	10 539 102	9 713 317	11 759 864
B. I.	Provisions	288 748	349 733	385 958
B. I. 1	Tax-deductible provisions	288 748	349 733	335 817
2	Other provisions	-	-	50 141
B. II.	Long-term liabilities	40 070	7 723	50
B. II. 1	Other liabilities	25	21	50
2	Deferred tax liability	40 045	7 702	-
B. III.	Short-term liabilities	9 764 938	7 592 526	9 175 510
B. III. 1	Trade payables	2 792 737	1 204 023	4 920 209
2	Liabilities to shareholders/owners	147 702		
3	Liabilities to employees	18 409	21 234	2 910
4	Liabilities for social security and health insurance	11 692	10 947	12 285
5	Taxes and state subsidies payable	6 732 004	6 315 179	4 054 776
6	Anticipated liabilities	62 257	39 287	144 200
7	Other payables	137	1 856	41 130
B. IV.	Bank loans and overdrafts	445 346	1 763 335	2 198 346
B. IV. 1	Long-term bank loans	325 357	1 342 105	1 333 333
2	Short-term bank loans and overdrafts	119 989	421 230	865 013
C.	OTHER LIABILITIES - TEMPORARY ACCOUNTS OF LIABILITIES	19 811	335 934	63 734
C. I.	Accruals and deferrals	19 811	335 934	63 734
C. I. 1	Accruals	19 811	335 934	63 734

ČESKÁ RAFINÉRSKÁ, a.s. - 31 December 2004
Consolidated Financial Statement Forms
(in thousands of Czech crowns)

INCOME STATEMENT - LONG FORM

		Current year	Prior year 2003	Prior year 2002
I.	Sales of goods	807 657	5 802 778	2 823 981
A.	Cost of goods sold	615 852	5 859 837	2 891 169
+	Gross margin	191 805	(57 059)	(67 188)
II.	Sales of production	8 184 948	28 614 350	39 573 374
II. 1	Sales of own products and services	8 296 320	29 982 820	39 747 920
2	Change in inventory of finished goods and work in progress	(111 372)	(1 368 470)	(174 546)
B.	Cost of sales	5 978 020	25 878 532	38 601 647
B. 1	Raw materials and consumables	2 340 431	22 837 961	36 311 588
B. 2	Services	3 637 589	3 040 571	2 290 059
+	Added value	2 398 733	2 678 759	904 539
C.	Personnel expenses	469 060	493 252	493 035
C. 1	Wages and salaries	339 647	355 988	353 754
C. 2	Emoluments of boards members	4 035	4 051	2 668
C. 3	Social security costs	112 873	120 636	122 319
C. 4	Other social costs	12 505	12 577	14 294
D.	Taxes and charges	6 598	24 456	9 724
E.	Depreciation of long-term assets	1 201 824	1 163 560	1 192 494
III.	Sale of long-term assets and raw materials	10 971	2 481 734	112 807
III. 1	Sale of long-term assets	7 499	6 999	112 788
2	Sale of raw materials	3 472	2 474 735	19
F.	Net book value of long-term assets and raw materials sold	10 719	2 459 049	109 335
F. 1	Net book value of long-term assets sold	3 406	-	109 335
F. 2	Net book value of raw materials sold	7 313	2 459 049	-
G.	Increase/(decrease) in operating provisions and complex prepaid expenses	271 628	427 493	3 333
IV.	Other operating income	17 975	231 345	65 670
H.	Other operating charges	54 877	273 413	123 447
*	Consolidated operating result	412 973	550 615	(841 686)
VI.	Income from sales of securities and shares	-	-	-
J.	Securities and shares sold	-	-	-
VIII.	Income from short-term investments	3 458	2 045	3 693
M.	Increase/(decrease) in financial provisions	-	-	74 412
X.	Interest income	30 509	15 670	19 529
N.	Interest expense	44 462	75 963	137 985
XI.	Other financial income	44 195	666 642	593 875
O.	Other financial expense	218 959	867 134	802 518
*	Consolidated financial result	(185 259)	(258 740)	(248 994)
Q	Tax on profit or loss on ordinary activities	34 701	93 578	(372 289)
Q 1	- due	2 358	9 205	14 850
2	- deferred	32 343	84 373	(387 139)
**	Consolidated profit or loss on ordinary activities after taxation	193 013	198 297	(718 391)
XIII.	Extraordinary income	86 997	256 645	13 873
R.	Extraordinary charges	266 008	113 642	10 667
S.	Tax on extraordinary profit or loss	-	51	139
S. 1	- current	-	51	139
*	Consolidated profit (loss) on extraordinary items after taxation	(179 011)	142 952	3 067
***	Consolidated net profit (loss) for the financial period	14 002	341 249	(715 324)
	Consolidated profit or loss before taxation	48 703	434 878	(1 087 474)

ČESKÁ RAFINÉRSKÁ, a.s. 31 December 2004
Consolidated Financial Statement Forms (in thousands of Czech crowns)

Statement of Changes in Shareholder's Equity

	Share capital	Revaluation reserve	Statutory reserve fund	Retained earnings	Net profit/loss for current period	Total
At 1 January 2002	9 348 240	-	445 951	7 280 875	(60 417)	17 014 649
Distribution of profit/loss	-	-	-	(60 417)	60 417	-
Revaluation of assets and liabilities	-	(1 130)	-	-	-	(1 130)
Net consolidated profit/loss for 2002	-	-	-	-	(715 324)	(715 324)
At 31 December 2002	9 348 240	(1 130)	445 951	7 220 458	(715 324)	16 298 195
Distribution of profit/loss	-	-	6 982	(722 306)	715 324	-
Revaluation of assets and liabilities	-	1 130	-	-	-	1 130
Net consolidated profit/loss for 2003	-	-	-	-	341 249	341 249
At 31 December 2003	9 348 240	-	452 933	6 498 152	341 249	16 640 574
Distribution of profit/loss	-	-	16 593	176 955	(193 548)	-
Fund	-	-	(6 967)	6 967	-	-
Dividend Approved	-	-	-	-	(147 701)	(147 701)
Revaluation of assets and liabilities	-	-	-	-	-	-
Net consolidated profit/loss for 2004	-	-	-	-	14 002	14 002
At 31 December 2004	9 348 240	-	462 559	6 682 074	14 002	16 506 875

CASH FLOW STATEMENT

		Current year	Prior year 2003	Prior year 2002
<i>Cash flows from operating activities</i>				
Z.	Profit or loss on ordinary activities before taxation (+/-)	227 714	291 875	(1 090 680)
A. 1.	Adjustment for non-cash movements	1 487 166	1 694 919	1 414 765
A. 1. 1.	Depreciation and amortization of fixed assets	1 286 445	1 248 181	1 277 114
A. 1. 2.	Change in provisions	248 032	380 146	21 734
A. 1. 3.	Change in reserves	(60 753)	(36 225)	-
A. 1. 4.	(Gain)/Loss on disposal of fixed assets	(508)	2 708	(2 539)
A. 1. 5.	Interest expense and interest income	13 950	60 293	118 456
A. 1. 6.	Other non-cash movements (e.g. revaluation at fair value to profit or loss)	-	39 816	-
A*	Net cash from operating activities before taxation, changes in working capital and extraordinary items	1 714 880	1 986 794	324 085
A. 2.	Working capital changes	1 200 258	404 794	(293 150)
A. 2. 1.	Change in inventory	155 744	3 743 935	(1 068 813)
A. 2. 2.	Change in trade receivables	1 499 462	2 981 407	369 246
A. 2. 3.	Change in other receivables and in prepaid expenses and unbilled revenue	(2 166 266)	(4 627 394)	-
A. 2. 4.	Change in trade payables	2 027 441	(3 654 684)	406 417
A. 2. 5.	Change in other payables, short-term loans and in accruals and deferred income	(316 123)	1 961 530	-
A**	Net cash from operating activities before taxation, interest paid and extraordinary items	2 915 138	2 391 588	30 935
A. 3.	Interest received	30 509	-	-
A. 4.	Interest paid	(44 459)	(75 963)	(137 985)
A. 5.	Tax paid	-	(9 167)	(4 088)
A. 6.	Gains and losses on extraordinary items	(179 011)	46 787	(9 158)
A***	Net cash provided by (used in) operating activities	2 722 177	2 353 245	(120 296)
<i>Cash flows from investing activities</i>				
B. 1.	Acquisition of fixed assets	(927 682)	(832 833)	(1 181 374)
B. 2.	Proceeds from sale of fixed assets	(1 045)	4 066	5 071
B. 3.	Interest received	-	15 670	19 529
B***	Net cash provided by (used in) investing activities	(928 727)	(813 097)	(1 156 774)
<i>Cash flows from financing activities</i>				
C. 1.	Change in long-term liabilities and long-term loans	(1 318 035)	8 772	(600 434)
C***	Net cash provided by (used in) financing activities	(1 318 035)	8 772	(600 434)
F.	Net increase (decrease) in cash	475 415	1 548 920	(1 877 504)
P.	Cash and cash equivalents at beginning of year	2 054 467	505 547	2 383 051
R.	Cash and cash equivalents at end of year	2 529 882	2 054 467	505 547

ČESKÁ RAFINÉRSKÁ, a. s.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

1. GENERAL INFORMATION AND SPECIFICATION OF THE CONSOLIDATED GROUP

ČESKÁ RAFINÉRSKÁ, a.s., (the “Parent Company” or 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. It is a Parent Company of subsidiary ČESKÁ RAFINÉRSKÁ SLOVAKIA s.r.o. and CRC Polska Sp. z o.o. The consolidated group is hereinafter referred to as the “Group”. The Group’s main business activity comprises the refining of crude oil into finished products and petrochemical feedstock.

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

Unipetrol, a.s.	51%
Eni International B.V.	16 1/3%
ConocoPhillips Central and Eastern Europe Holdings B.V.	16 1/3%
Shell Overseas Investments B.V.	16 1/3%

The Group is a part of the consolidated group of Unipetrol a.s.

Based on the Processing Agreement concluded between the Company and its Shareholder’ in January 2003, the Company started operating as a processing refinery on 1 August 2003. As a result of this change, most of the current commercial activities of the Company were transferred to subsidiaries of the shareholders which became the Company’s main four customers since 1 August 2003 (the “Processors”).

The members of the statutory and supervisory bodies of the Parent Company as at 31 December 2004 were as follows:

Board of Directors		Appointed	Note
Chairman	Ivan Souček	1 August 2003	
Vice chairman	Eric Van Anderson	14 April 2000	
Member	Jakub Aleša	5 May 2004	
Member	Rudolf Bureš	6 April 2004	
Member	Martin Kubů	6 April 2004	
Member	František Šámal	1 February 2003	1)
Member	Miroslav Debnár	4 May 2001	1)
Member	Oscar Magnoni	12 November 1999	
Member	Lars Lennart Heldtander	16 July 2003	

1. GENERAL INFORMATION AND SPECIFICATION OF THE CONSOLIDATED GROUP (continued)

Supervisory Board		Appointed	Note
Chairman	Zdeněk Černý	2 June 1999	
Vice chairman	Josef Gros	9 July 1997	
Member	Marie Čížinská	2 June 1997	
Member	Ladislav Varhaník	10 December 1997	
Member	Jiří Eminger	21 May 1998	2)
Member	Enrico Amici	22 May 2001	2)
Member	Gabriela Matějová	26 May 2004	3)
Member	Valter D'Angeli	26 May 2004	3)
Member	Alois Dvořák	29 April 2002	
Member	Jan Klimeš	29 April 2002	
Member	Iлона Pokorná	29 April 2002	

- 1) Members of Board of Directors were recalled in 2004 and have been removed from the Commercial Register records. Changes which have not been registered in the Commercial Register as at the date of approval of financial statements
- 2) Members of the Supervisory Board were recalled in 2004
- 3) Members of the Supervisory Board were appointed in 2004

The consolidated group (the “Group”) was in years 2004, 2003 and 2002 composed of the Parent Company and subsidiaries ČESKÁ RAFINÉRSKÁ SLOVAKIA s.r.o. and CRC Polska Sp. z o.o. The company CRC Polska Sp. z o.o. has been liquidated as of 28 December 2004, however the liquidation has not been entered into the Commercial Register as at the date of approval of financial statements.

The ČESKÁ RAFINÉRSKÁ, a.s. is a decision-making company within the Group.

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

The Company is divided into five divisions: Finance, Technical, General Affairs, Planning and Development, and Chief executive officer division.

The consolidated group includes those subsidiaries where the Parent company holds a share greater than 50 % on the subsidiaries share capital.

1. GENERAL INFORMATION AND SPECIFICATION OF THE CONSOLIDATED GROUP (continued)

Important financial information for years 2004, 2003 and 2002, respectively according to consolidated subsidiaries, ČESKÁ RAFINÉRSKÁ SLOVAKIA s.r.o. and CRC Polska Sp. z o.o.:

Group structure 2004	
Business name:	ČESKÁ RAFINÉRSKÁ SLOVAKIA s.r.o.
Registered office	Bratislava, Slovakia
Cost of acquisition (in CZK'000)	167
Share in %	100%
Share capital and capital contributions (in CZK'000)	157
Equity (in CZK'000)	10,544
Profit/loss for the current period (in CZK'000)	(10,553)
Retained earnings (in CZK'000)	20,915
Total assets (in CZK'000)	11,371
Dividends (in CZK'000)	-
Consolidation method	Full

CRC Polska Sp. z o.o. – liquidation share paid out to the Parent Company was accounted for in value of CZK 79 441 ths in the income statement for period ending 31 December 2004.

Group structure 2003		
Business name:	ČESKÁ RAFINÉRSKÁ SLOVAKIA s.r.o.	CRC Polska Sp. z o.o.
Registered office	Bratislava, Slovakia	Wroclaw, Poland
Cost of acquisition (in CZK'000)	167	83,024
Share in %	100%	100%
Share capital and capital contributions (in CZK'000)	167	83,024
Equity (in CZK'000)	21,097	76,786
Profit/loss for the current period (in CZK'000)	18,240	(11,450)
Retained earnings (in CZK'000)	2,675	(1,755)
Total assets (in CZK'000)	147,502	217,591
Dividends (in CZK'000)	-	-
Consolidation method	full	full

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

1. GENERAL INFORMATION AND SPECIFICATION OF THE CONSOLIDATED GROUP (continued)

	Group structure 2002	
Registered office	ČESKÁ RAFINÉRSKÁ Bratislava, Slovakia	CRC Polska Sp. z o.o. Wroclaw, Poland
Cost of acquisition (in CZK'000)	167	83,024
Share in %	100%	100%
Share capital and other capital funds (in CZK'000)	167	83,024
Equity (in CZK'000)	2,859	89,991
Profit/loss for the current period (in CZK'000)	7,613	17,088
Retained earnings (in CZK'000)	(4,924)	(10,121)
Total assets (in CZK'000)	237,052	402,470
Dividends (in CZK'000)	-	-
Consolidation method	Full	full

The financial statements and notes to the financial statements of the Parent Company as at 31 December 2004 were audited by PricewaterhouseCoopers Audit, s.r.o. and the unqualified opinion to the financial statements 2004 was issued. The financial statements and notes to the financial statements of ČESKÁ RAFINÉRSKÁ SLOVAKIA s.r.o. as at 31 December 2004 were audited by A.T.F.C., s.r.o. and unqualified opinion was issued.

2. BASIS OF THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and standards in the Czech Republic valid for the individual years 2004, 2003 and 2002.

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

The comparatives for the years 2003 and 2002 were taken from previous audited consolidated financial statements.

The financial statements of ČESKÁ RAFINÉRSKÁ SLOVAKIA s.r.o. included in consolidation were prepared as at 31 December 2004. The liquidation financial statements of CRC Polska Sp. z o.o. were prepared as at 28 December 2004.

The financial statements of foreign registered subsidiaries were translated into Czech crowns using the foreign exchange rate of Czech National Bank as at 31 December 2004.

The consolidated financial statements were prepared using the full consolidation method for companies with controlling influence (more than 50% share on the registered share capital, i.e. for subsidiaries).

3. ACCOUNTING POLICIES

The valuation principles applied by the Group for preparation of the consolidated financial statements for the years 2004, 2003 and 2002 are as follows:

a) Intangible assets

Intangible assets are recorded at cost, which includes costs incurred in bringing the assets to their present location and condition. All research costs are expensed¹. 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 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 as follows:

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

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

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

b) Tangible assets

Tangible assets with a unit cost of more than CZK 40 thousand are recorded at acquisition cost, which includes freight, customs duties and other related costs. Interest costs incurred in 2004 in connection with construction of tangible assets are not capitalised.

The costs of property enhancements are capitalised. Repairs and maintenance expenditures are expensed as incurred. Tangible assets with a unit cost of less than CZK 40 thousand are treated as inventory and are expensed upon consumption.

¹ The Company has not incurred any research costs in 2004

3. ACCOUNTING POLICIES (continued)

b) Tangible assets (continued)

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

In accordance with the Act on Reserves, the Company creates a reserve for major repairs, which the Company's management expects to incur in future accounting periods (Note 11). The value of the reserve is based on total estimated costs of major repairs of tangible assets.

A valuation adjustment to acquired property was recognised in 1995 as the difference between the value of property in accordance with valuation done for the purposes of contributing those assets into the Company and the net book value of the property as recorded in the accounting records of the contributing entities (Note 4).

Depreciation

The depreciation charge is calculated from the acquisition costs and the estimated useful life of individual assets applying the straight-line basis. The estimated useful lives, are as follows:

	Years
Buildings and constructions	50
Plant, machinery and equipment	4 - 20
Motor vehicles	6 - 11
Furniture and fittings	4 - 8
Other tangible fixed assets	4 - 30
Valuation adjustment to acquired property	15

c) 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.

d) Long-term financial assets

Long-term financial assets represent long-term loans held to maturity.

3. ACCOUNTING POLICIES (continued)

e) Inventories

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

Finished goods and work-in-progress are stated at the lower of production cost or estimated net realisable amount. The production costs include direct material costs, labour costs and production overhead.

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

The value of finished goods is stated at the net realisable value. The net provision is recorded in the column "provisions" in the Company's balance sheet.

f) Receivables

Receivables are stated at their nominal value. 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 detailed analysis of the collectibility of doubtful receivables at year-end.

g) Equity

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 creates 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 reserve fund from profit reaches 20% of the share capital. This fund can only be used to offset losses.

Consolidated reserve fund covers also reserve fund of ČESKÁ RAFINÉRSKÁ SLOVAKIA, s.r.o. Reserve fund of CRC Polska Sp. z o.o. was included to the liquidation reserve accounted for the Parent Company as of the year end 2004.

3. ACCOUNTING POLICIES (continued)

h) Liabilities

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

i) Financial leases

The Company accounts for leased assets by expensing the lease payments and capitalising the residual value of the leased assets at the time of the lease 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 main future repairs of property, plant and equipment.

k) Foreign currency translation

Transactions denominated in a foreign currency are translated and recorded using the exchange rate of respective national bank 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 respective national bank.

All foreign exchange gains and losses are recognized in the profit and loss account. Since 2002, unrealized exchange rate gains and losses are also recognized in the profit and loss account.

3. ACCOUNTING POLICIES (continued)

l) Revenue and expense recognition

Revenues and expenses are recognised on an accrual basis.

Sales are recognised when goods are shipped and title passes to the customer or upon the performance of services, net of discounts and Value Added Tax. A processing fee is charged to individual Processors based on the Processing Agreement.

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 effects of changes in accounting policies.

n) Income tax and deferred tax

Income tax is calculated using the valid tax rate from accounting profit, increased or decreased by permanent and temporary non-tax deductible costs and non-taxable revenues valid in individual countries of each subsidiaries(e.g. increase /decrease of other reserves and provisions, entertainment expenses, differences between accounting and tax depreciation, etc.). Income tax expense reported in the consolidated income statement sums up the income tax expense of the Parent Company and other companies within the Group using the full method of consolidation.

Deferred tax is calculated for each company within the Group individually and it reflects the tax impact of temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base consolidated. Deferred tax consists of deferred tax of the Parent Company and other companies within the Group using the full method of consolidation and is adjusted for impact of temporary differences arising from transactions realised within the Group.

3. ACCOUNTING POLICIES (continued)

o) Related parties

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

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

Material transactions and outstanding balances with related parties are disclosed in Note 20.

p) Pension plan

In 2004, the Company provided a contribution to the Employee Pension Scheme according to Act 42/1994 and its amendment no. 170/1999 Coll. Regular contributions are made to the state to fund the national pension plan.

q) Subsequent events

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

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

4 NON-CURRENT ASSETS

a) Intangible non-current assets (CZK'000)

2004 Cost

	Opening balances	Additions	Disposals	Transfers	Closing balances
Research and development	35,742	3,263	-	3,096	42,101
Software	585,224	22,645	(2,228)	14,135	619,776
Royalties	246,467	1,388	(562)	3,818	251,111
Intangible assets in the course of construction	34,270	15,531	-	(8,539)	41,262
2004 Total	901,703	42,827	(2,790)	12,510	954,250

2004 Accumulated depreciation

	Opening balances	Depreciation charge	Disposals	Transfers	Closing balances
Research and development	(21,200)	(4,818)	-	-	(26,018)
Software	(376,361)	(89,442)	1,809	-	(463,994)
Royalties	(142,219)	(22,643)	481	-	(164,381)
Intangible assets in the course of construction	-	-	-	-	-
2004 Total	(539,780)	(116,903)	2,290	-	(654,393)
2004 Net book value	361,923				299,857

4 NON-CURRENT ASSETS (continued)

a) Intangible non-current assets (CZK'000) (continued)

2003 Cost

	Opening balance	Additions	Disposals	Transfers	Closing balance
Research and development	35,742	-	-	-	35,742
Software	527,587	4,575	(53,933)	106,995	585,224
Royalties	245,862	594	(389)	400	246,467
Intangible assets in the course of construction	27,916	3,165	(5,169)	8,358	34,270
2003 Total	837,107	8,334	(59,491)	115,753	901,703

2003 Accumulated depreciation

	Opening balance	Depreciation charge	Disposals	Transfers	Closing balance
Research and development	(15,150)	(6,050)	-	-	(21,200)
Software	(328,274)	(101,982)	53,895	-	(376,361)
Royalties	(109,357)	(33,251)	389	-	(142,219)
Intangible assets in the course of construction	-	-	-	-	-
2003 Total	(452,781)	(141,283)	54,284	-	(539,780)
2003 Net book value	384,326				361,923

4 NON-CURRENT ASSETS (continued)

a) Intangible non-current assets (CZK'000) (continued)

2002 Cost

	Opening balances	Additions	Disposals	Transfers	Closing balances
Research and development	22,141	13,601	-	-	35,742
Software	388,865	18,378	-	120,344	527,587
Royalties	197,347	6,294	-	42,221	245,862
Intangible assets in the course of construction	69,228	14,812	(38,273)	(17,851)	27,916
2002 total	677,581	53,085	(38,273)	144,714	837,107

2002 Accumulated depreciation

	Opening balances	Depreciation charge	Disposals	Transfers	Closing balances
Research and development	(11,977)	(3,173)	-	-	(15,150)
Software	(209,315)	(118,529)	-	(430)	(328,274)
Royalties	(78,247)	(30,946)	-	(164)	(109,357)
Intangible assets in the course of construction	-	-	-	-	-
2002 Total	(299,539)	(152,648)	-	(594)	(452,781)
2002 Net book value	378,042				384,326

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

Translation of subsidiaries' intangibles fixed assets denominated in foreign currency into CZK does not have significant impact.

4 NON-CURRENT ASSETS (continued)

b) Tangible non-current assets (CZK'000) (continued)

2004 Cost

	Opening balances	Additions	Disposals	Transfers	Closing balances
Constructions & buildings	3,939,231	141,216	(1,119)	123,402	4,202,730
Machinery and equipment	14,240,501	525,076	(42,885)	236,431	14,959,123
Artworks and collections	1,090	-	-	-	1,090
Other tangibles fixed assets	167,565	28	-	-	167,593
Tangible assets					
in the course of construction	219,307	236,002	-	(52,098)	403,211
Advances for tangible fixed assets	323,895	-	-	(320,245)	3,650
Adjustment to acquired property	1,269,312	-	-	-	1,269,312
2004 Total	20,160,901	902,322	(44,004)	(12,510)	21,006,709

2004 Accumulated depreciation

	Opening balances	Depreciation charge	Disposals	Transfers	Closing balances
Constructions & buildings	(409,625)	(92,203)	30	(127)	(501,925)
Machinery and equipment	(3,839,435)	(987,150)	(30)	23,574	(4,803,041)
Artworks and collections	-	-	-	-	-
Other tangibles fixed assets	(44,684)	(5,585)	-	-	(50,269)
Tangible assets					
in the course of construction	-	-	-	-	-
Advances for tangible fixed assets	-	-	-	-	-
Adjustment to acquired property	(676,966)	(84,621)	-	-	(761,587)
2004 Total	(4,970,710)	(1,169,559)	-	23,447	(6,116,822)
2004 Net book value	15,190,191				14,889,887

4 NON-CURRENT ASSETS (continued)

b) Tangible non-current assets (CZK'000) (continued)

2003 Cost

	Opening balances	Additions	Disposals	Transfers	Closing balances
Constructions & buildings	3,693,551	243,033	(919)	3,566	3,939,231
Machinery and equipment	13,333,937	1,024,245	(125,519)	7,838	14,240,501
Artworks and collections	1,090	-	-	-	1,090
Other tangibles fixed assets	759,887	-	(592,322)	-	167,565
Tangible assets					
in the course of construction	816,273	797,469	(1,267,278)	(127,157)	219,307
Advances for tangible fixed assets	344,404	381,721	(402,230)	-	323,895
Adjustment to acquired property	1,269,312	-	-	-	1,269,312
2003 Total	20,218,454	2,446,468	(2,388,268)	(115,753)	20,160,901

2003 Accumulated depreciation

	Opening balances	Depreciation charge	Disposals	Transfers	Closing balances
Constructions & buildings	(325,031)	(85,513)	-	919	(409,625)
Machinery and equipment	(3,037,638)	(920,240)	-	118,443	(3,839,435)
Artworks and collections	-	-	-	-	-
Other tangibles fixed assets	(177,307)	(17,103)	-	149,726	(44,684)
Tangible assets					
in the course of construction	-	-	-	-	-
Advances for tangible fixed assets	-	-	-	-	-
Adjustment to acquired property	(592,345)	(84,621)	-	-	(676,966)
2003 Total	(4,132,321)	(1,107,477)	-	269,088	(4,970,710)
2003 Net book value	16,086,133				15,190,191

4 NON-CURRENT ASSETS (continued)

b) Tangible non-current assets (CZK'000) (continued)

2002 Cost

	Opening balances	Additions	Disposals	Transfers	Closing balances
Constructions & buildings	3,048,304	683,600	(39,060)	707	3,693,551
Machinery and equipment	11,839,007	1,695,258	(200,615)	287	13,333,937
Artworks and collections	-	1,090	-	-	1,090
Other tangibles fixed assets	789,465	-	(29,578)	-	759,887
Tangible assets					
in the course of construction	1,748,385	1,593,544	(2,379,948)	(145,708)	816,273
Advances for tangible fixed assets	754,530	521,211	(931,337)	-	344,404
Adjustment to acquired property	1,269,312	-	-	-	1,269,312
2002 Total	19,449,003	4,494,703	(3,580,538)	(144,714)	20,218,454

2002 Accumulated depreciation

	Opening balances	Depreciation charge	Disposals	Transfers	Adjustment	Closing balance
Constructions & buildings	(248,153)	(80,217)	(150)	3,489	-	(325,031)
Machinery and equipment	(2,328,458)	(934,580)	744	184,159	40,000	(3,037,638)
Artworks and collections	-	-	-	-	-	-
Other tangibles fixed assets	(156,510)	(25,519)	-	4,722	-	(177,307)
Tangible assets						
in the course of construction	(20,000)	-	-	-	20,000	-
Advances for tangible fixed assets	-	-	-	-	-	-
Adjustment to acquired property	(507,725)	(84,620)	-	-	-	(592,345)
2002 Total	(3,260,846)	(1,124,936)	594	192,370	60,000	(4,132,321)
2002 Net book value	16,188,157					16,086,133

4 NON-CURRENT ASSETS (continued)

b) Tangible non-current assets (CZK'000) (continued)

The valuation adjustment to acquired property was recognised as the difference between the value of property in accordance with valuation done for the purposes of contributing those assets into the Company and the net book value of the property as recorded in the accounting records of the contributing entities (Note 3). The amount is depreciated on a straight-line basis over 15 years. The depreciation expense for the adjustment to acquired property in the year 2004, 2003 and 2002 totalled CZK 84,621 thousand, CZK 84,621 thousand and CZK 84,620 thousand respectively.

Impact of translation of subsidiaries' tangible and intangible assets denominated in foreign currency to Czech crowns is immaterial.

c) Long-term financial asset (CZK'000)

Summary of changes in other long-term financial assets:

	As at 31. 12. 2002			As at 31. 12. 2003			As at 31. 12. 2004
	Additions	Revaluation	Disposal	Revaluation			
Other long-term financial assets	- 654,090	-	-	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. The loan bears an interest rate of 2.818% and is to be repaid in 2023 in a single installment. The loan was valued using market prices of crude oil as at 1 August 2003. The loan has not been revalued as at 31 December 2004 as there is no supporting evidence to relative crude oil on value expected at maturity date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

5. INVENTORIES

(CZK'000)	2004	2003	2002
Raw material	1,075,053	1,007,562	3,653,580
Work-in-progress	10,659	114,796	542,520
Finished goods	148,499	201,036	1,111,131
Goods for sale	-	73,616	146,261
Advances paid for inventories	<u>7,055</u>	<u>-</u>	<u>126</u>
Total inventories	1,241,266	1,397,010	5,453,618
Provision	(192,386)	(21,000)	-
Net book value	<u>1,048,880</u>	<u>1,376,010</u>	<u>5,453,618</u>

Raw material represents mainly spare parts amounting CZK 1,018,527 thousand as at 31 December 2004.

6. RECEIVABLES

(CZK'000)	2004	2003	2002
Long-term receivables	384,795	424,674	76,670
Short-term trade receivables	524,895	1,984,478	5,239,755
- receivables overdue more than 360 day	178,648	111,891	122,983
State tax receivables	38,577	286,786	54,042
Anticipated receivables	-	160,832	50,401
Other receivables	6,731,703	3,982,989	4,007
Total receivables	<u>7,679,970</u>	<u>6,839,759</u>	<u>5,424,875</u>
Provision for doubtful receivables	(546,328)	(469,572)	(110,426)
Net receivables	<u>7,133,642</u>	<u>6,370,187</u>	<u>5,314,449</u>

As at 31 December 2004, the Company recorded a long-term trade receivable that will be gradually settled until 2010. Due to uncertainty of the collectibility of this receivable, the Company established a provision of CZK 379,977 thousand.

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

Other receivables include mainly a receivable for paid excise tax due from the Processors.

The Group has receivables from related parties (see Note 20).

7. PROVISIONS

Provisions reflect a temporary diminution in the value of assets (see Notes 5 and 6).

Changes in the provision of the Parent Company (CZK'000):

Provisions	Fixed assets	Inventories	Receivables - tax allowed	Receivables - other	Total
Balance at 31 December 2001	60,000	20,000	31,468	64,544	176,012
Charge for the year	-	-	24,660	13,040	37,700
Written off during the year	(60,000)	(20,000)	(172)	(23,114)	(103,286)
Balance at 31 December 2002	-	-	55,956	54,470	110,426
Charge for the year	-	21,000	8,883	367,827	397,710
Written off during the year	-	-	(8,971)	(8,593)	(17,564)
Balance at 31 December 2003	-	21,000	55,868	413,704	490,572
Charge for the year	-	192,386	14,881	86,067	293,334
Written off during the year	-	(21,000)	(4,398)	(19,794)	(45,192)
Balance at 31 December 2004	-	192,386	66,351	479,977	738,714

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

8. FINANCIAL ASSETS

Short-term securities and shares represent short-term bank promissory notes held to maturity. Their nominal value is CZK 958,645 thousand, CZK 1,959,630 thousand and CZK 463,828 thousand as at 31 December 2004, 2003 and 2002, respectively.

The Group has bank accounts, which allow the Group to maintain an overdraft facility. At 31 December 2004, 2003 and 2002, the overdraft balance totalled (in accordance with the agreed credit limit) CZK 1,678 thousand, respectively CZK 63,335 thousand and CZK 198,346 thousand, and were classified as short-term bank loans in the accompanying balance sheet (see Note 13).

9. OTHER ASSETS

Prepaid expenses include mainly prepaid rent and the value of catalysts in use, and are expensed in the income statement in the relevant period when the relevant service is provided or material used.

Anticipated receivables include mainly receivables from Processors for recharged transport costs, and are accounted to revenues in the period in which the relevant service is provided.

10. EQUITY

Share capital of the Company comprises of 934,824 registered shares fully subscribed and paid for, with a nominal value of CZK 10 thousand.

The shareholder structure is described in the financial statements in the note 1 “General Information and specification of the Consolidated Group”.

Changes in share capital and statutory reserve fund (CZK'000):

	No. of shares	Share capital	Statutory reserve fund
Balance as at 31 December 2001	934,824	9,348,240	445,951
Balance as at 31 December 2002	934,824	9,348,240	445,951
Changes in 2003	-	-	6,982
Balance as at 31 December 2003	934,824	9,348,240	452,933
Changes in 2004	-	-	9,626
Balance as at 31 December 2004	934,824	9,348,240	462,559

The net profit for 2003 was approved and allocated by the Parents Company’s General Meeting of Shareholders held on 15 December 2004 (CZK'000):

Profit for 2003	331,854
Contribution to Reserve fund	(16,593)
Dividends - liabilities	(147,701)
Transfer to retained earnings	167,560
Retained earnings as at 31 December 2003	6,499,913
Transfer of profit for 2003	167,560
Retained earnings as at 31 December 2004	6,667,473

Based on the General Meeting of Shareholders dated 28 April 2003, the 2002 loss was approved and allocated to retained earnings (CZK'000):

Loss for 2002	(735,589)
Retained earnings as at 31 December 2002	7,235,502
Compensation of loss for 2002	(735,589)
Retained earnings as at 31. December 2003	6,499,913

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

10. EQUITY (continued)

Based on the General Meeting of Shareholders dated 17 May 2002, the 2001 loss was approved and allocated to retained earnings (CZK'000):

Loss for 2001	(60,635)
Retained earnings as at 31 December 2001	7,296,137
Compensation of loss for 2001	(60,635)
Retained earnings as at 31 December 2002	7,235,502

In 2003 and 2002, the Company paid out no dividends. The Company will pay dividends in 2005 in the amount of CZK 147,701 thousand, which are recorded in liabilities in 2004.

11. RESERVES

Changes in reserves (CZK'000):

Reserves	Tax allowed	For FX losses	Other
Balance as at 31 December 2001	374,200	74,412	41,627
Change for the year	88,617	-	50,141
Used in the year	(127,000)	(74,412)	(41,627)
Balance as at 31 December 2002	335,817	-	50,141
Change for the year	157,074	-	-
Used in the year	(143,158)	-	(50,141)
Balance as at 31 December 2003	349,733	-	-
Change in the year	143,607	-	-
Used in the year	(204,592)	-	-
Balance as at 31 December 2004	288,748	-	-

The tax allowed reserve for the purpose of repairs of tangible fixed assets was created in 2004, 2003 and 2002.

Other reserves created primarily in 2001 and 2002, represent restructuring reserves for retraining of employees.

12. SHORT-TERM LIABILITIES

As at 31 December 2004, 2003 and 2002, the Group had no overdue short-term liabilities.

The Group records payables to related parties (Note 20).

Trade payables and other liabilities with the exception of excise tax payable to financial authorities were not secured by any of the Group's assets. The excise tax payables of the Company are secured by bank guarantees with a value of CZK 180,000 thousand.

13. BANK LOANS AND OTHER BORROWINGS

At 31 December 2004, the Company records one long-term bank loan.

Loans overview (CZK'000):

Type	2004	2003	2002
Long-term loan due after 1 year	325,357	1,342,105	1,333,333
Current portion of long-term loan within one year	118,311	357,895	666,667
Overdrafts	1,678	63,335	198,346
Total	445,346	1,763,335	2,198,346

The interest expense relating to bank loans and short-term notes for 2004, 2003 and 2002 was CZK 44,462 thousand, CZK 75,963 thousand and CZK 137,985 thousand, respectively.

The interest rate for the period of loan drawing is PRIBOR + 0.675%. The loan is being repaid in quarterly installments. The maturity date is in 2008.

Bank loans have certain financial covenants attached to them. Violation of these covenants would accelerate the maturity of the debt.

14. OTHER LIABILITIES

Accruals include mainly unbilled services and are expensed in the 2004 income statement.

15. TAXATION

The calculation of the Parent 2004, 2003 and 2002 income tax is as follows (CZK'000):

	2004	2003	2002
Profit/loss before tax	50,584	416,227	(1,122,728)
Non-taxable income	(84,471)	(60,987)	(290,425)
Non-tax deductible expenses	643,941	573,994	307,511
Difference between accounting and tax depreciation	(133,385)	(301,173)	(181,462)
Tax base (loss)	476,669	628,061	(1,287,104)
Utilized tax loss (portion of 2002, 2003)	(476,669)	(628,061)	-
Taxable income	-	-	-
Income tax rate	28%	31%	31%
Prior year adjustment	-	-	-
Current tax due	-	-	-

The calculation of the 2004 income tax is based on the preliminary income tax calculation.

According to Income Tax Act, the Parent Company may carry forward tax losses generated in 2001 and 2002 for up to seven years. The remaining tax loss carried forward from 2001 and 2002 amounted to CZK 1,314,893 thousand as at 31 December 2004.

Tax liabilities of subsidiaries are not significant comparing to results of the Parent Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

15. TAXATION (continued)

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

Deferred tax			2004		2003		2002	
	Base	Tax rate *)	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between accounting and tax net book value of fixed assets	(121,339)	26%	-	(31,548)	-	(2,877)	-	(642,669)
	(2,221,834)	24%	-	(533,240)	-	(546,795)	-	-
Other differences								
Provision to inventories	170,570	24%	40,937	-	5,880	-	-	-
Provision to finished goods	21,816	24%	5,236	-	-	-	-	-
Provision to receivables	418,355	24%	100,405	-	102,285	-	11,409	-
Revaluation of derivatives			-	-	-	-	351	-
Adjustment to acquired fixed assets	(84,621)	26%	-	(22,001)	-	(23,694)	-	(209,860)
	(423,103)	24%	-	(101,545)	-	(123,546)	-	-
10% reinvestment tax relief	730,347	24%	175,283	-	164,080	-	193,983	-
Social and health expenses payable in 2005	6,040	26%	1,570	-	-	-	-	-
Expenses of 2005	7,799	26%	2,028	-	-	-	-	-
Reserves	-	-	-	-	-	-	15,544	-
	362,800	26%	94,328	-	101,920	-	-	-
Tax losses	952,093	24%	228,502	-	315,045	-	707,912	-
Total			648,289	(688,334)	689,210	(696,912)	929,199	(852,529)
Net				(40,045)		(7,702)	76,670	

*) Tax rates stated above are in accordance with valid tax rate for the accounting period of 2004 and known tax rates for consecutive account periods. Tax rates used for the 2002 and 2003 deferred tax calculation were in accordance with legislation valid in those periods.

The Company has calculated the individual components of the deferred tax taking into account the expected rate in the year in which the tax will be realised.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

15. TAXATION (continued)

The Company did not include into the consolidated deferred tax calculation the bad debt provision created by ČESKÁ RAFINÉRSKÁ SLOVAKIA, s.r.o. as it is uncertain that relating deferred tax asset would be realizable against future taxable profits of ČESKÁ RAFINÉRSKÁ SLOVAKIA, s.r.o. in a foreseeable future.

16. LEASES

The Group uses assets under finance lease contracts that are not recorded as fixed assets in the financial statements (Note 3i).

Assets acquired under finance leases as at 31 December 2004, 2003 and 2002, respectively, are as follows (CZK'000):

Description	Terms/ condition	Installments related to the whole rent period	Financial leases payments			Payments due in following years	
			31. 12. 2004	31. 12. 2003	31. 12. 2002	Due within 1 year	Due after 1 year
Isomerisation unit	As per contract	585,703	585,703	585,703	585,703	-	-
Cars	As per contract	54,540	46,334	40,038	27,410	3,935	4,271

17. COMMITMENTS AND CONTINGENCIES

Company has a long-term (15 year) transport contract with Mero ČR a.s., effective since 1 January 1996 and an annual transport contract with Transpetrol, a.s. which stipulates a minimum annual throughput of crude oil through the IKL and Družba pipelines.

As at 31 December 2004, the Company had issued the following guarantees:

Type of guarantee	on behalf of	Beneficent	Reason	Amount (CZK'000)	Currency	Amount (CZK'000)
Company guarantee	CRC Slovakia	Citibank Slovakia	Overdraft	30,000	SKK	23,589
Total						23,589

17. COMMITMENTS AND CONTINGENCIES (continued)

As at 31 December 2003, the Company had issued the following guarantees:

Type of guarantee	on behalf of	Beneficent	Reason	Amount (CZK'000)	Currency	Amount (CZK'000)
Company guarantee	CRC Slovakia	Citibank Slovakia	Overdraft	130,000	SKK	102,323
Company guarantee	CRC Slovakia	Citibank Slovakia	Custom guarantee	60,000	SKK	47,226
Company guarantee	CRC Polska	ING Bank Slaski	Credit contract	9,000	PLN	62,028
Company guarantee	CRC Polska	Bank Handlowy w Warszawie	Credit contract	6,000	PLN	41,352
Company guarantee	CRC Polska	TuiR Warta S.A.	Custom guarantee	13,000	PLN	89,596
Total						342,525

As at 31 December 2002, the Company had issued the following guarantees:

Type of guarantee	on behalf of	Beneficent	Reason	Amount (CZK'000)	Currency	Amount (CZK'000)
Company guarantee	CRC Slovakia	Citibank Slovakia	Overdraft	150,000	SKK	112,769
Company guarantee	CRC Slovakia	Citibank Slovakia	Custom guarantee	40,000	SKK	30,072
Company guarantee	CRC Polska	Handlowy Leasing S.A.	Leases Credit	150	PLN	1,180
Company guarantee	CRC Polska	ING Bank Slaski	contract Credit	6,000	PLN	47,190
Company guarantee	CRC Polska	ING Bank Slaski	contract Supplier	3,000	PLN	23,595
Company guarantee	CRC Polska	Shell Produkty Polska	contract Credit	10,000	PLN	78,650
Company guarantee	CRC Polska	Bank Handlowy w Warszawie	contract Credit	6,000	PLN	47,190
Company guarantee	CRC Polska	TuiR Warta S.A.	Custom guarantee	8,000	PLN	62,920
Total						403,566

18. REVENUE ANALYSIS

Income of the Group from ordinary activities (CZK'000):

	2004		2003		2002	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
Sale of products		2,515	20,758,620	5,018,404	31,245,353	8,076,352
Sale of services	8,275,990	17,815	4,016,050	189,746	377,073	49,142
Sale of goods	636,832	170,825	153,021	5,649,757	499,470	2,324,511
Total revenues	8,912,822	191,155	24,927,691	10,857,907	32,121,896	10,450,005

Due to the conversion to a processing refinery, the Company has had only four main customers since 1 August 2003 and these are the Processors.

19. EMPLOYEE ANALYSIS

Personal expenses (CZK'000):

	2004		2003		2002	
	Employees	Management	Employees	Management	Employees	Management
Average number of staff	715	28	771	31	822	28
Wages/salaries	339,647	41,114	355,988	47,364	353,754	39,177
Social insurance	112,873	13,200	120,636	15,492	122,319	13,409
Social expenses	12,505	287	12,577	287	14,294	256
Total personnel expenses	465,025	54,601	489,201	63,143	490,367	52,842

The members and former members of statutory and supervisory boards received bonuses and other remuneration totalling CZK 4,035 thousand, CZK 4,051 thousand and CZK 2,668 thousand in 2004, 2003 and 2002, respectively.

20. RELATED PARTY TRANSACTIONS

No loans, guarantees or other benefits were granted to Group members of statutory bodies in 2004, 2003 and 2002, and they do not hold any shares of the Company.

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

Related party receivables:

Related party	2004	2003	2002
Aliachem, a.s.	-	-	265
Unipetrol Deutschland GmbH	-	-	781
Unipetrol Austria GmbH	-	-	9,432
Spolana, a.s.	-	5	2,089
AGIP Praha, a.s.	1,686,559	101,583	139,074
Benzina, a.s.	-	-	752,268
Chemopetrol, a.s.	70,339	35,534	997,546
Chemopetrol BM, a.s.	-	-	-
Unipetrol doprava a.s.	11	4	4
ConocoPhillips ČR, s.r.o.	1,049,515	354,393	138,153
Kaučuk, a.s.	2,241	6,810	58,260
Shell ČR, a.s.	1,588,637	88,136	363,802
Shell SR, a.s.	175	-	-
Paramo, a.s.	-	-	3,898
Koramo, a.s.	-	-	40,835
UNIPETROL RAFINÉRIE a.s.	<u>2,852,672</u>	<u>774,156</u>	-
Total	7,250,149	1,360,621	2,506,407

20. RELATED PARTY TRANSACTIONS (continued)

Related party payables:

Related party	2004	2003	2002
Benzina, a.s.			15,987
Chemopetrol, a.s.	97,424	122,071	123,252
Chemopetrol BM, a.s.	-	113	89
Unipetrol doprava a.s.	122,958	107,813	133,778
HC Chemopetrol, a.s.	-	3	-
Agip Praha, a.s.	811,690	71,172	6,004
ConocoPhillips ČR, s.r.o.	2,054	51,320	9,354
Kaučuk, a.s.	51,361	43,457	129,030
Shell ČR, a.s.	637,624	85,175	35,874
Unipetrol, a.s.	18,566	16,120	17,809
Spolana, a.s.	209	100	119
Koramo, a.s.	-	-	-
Paramo, a.s.	51		
B.U.T., s.r.o.	2	3	17
Petrotrans, a.s.	-	-	10
UNIPETROL RAFINÉRIE a.s.	<u>620,699</u>	<u>191,405</u>	<u>-</u>
Total	2,362,638	688,752	471,323

Income and expenses resulting from transactions between related parties as at 31 December 2004 amounted to (CZK'000):

Related party	Income	Expenses
AGIP Praha, a.s.	1,408,936	107,182
Benzina, a.s.	11,632	-
B.U.T., s.r.o.	-	40
ConocoPhillips CR, s.r.o.	1,456,985	99,634
Chemopetrol, a.s.	63,407	1,004,523
HC Chemopetrol, a.s.	-	63
Kaucuk, a.s.	14,314	488,410
Paramo, a.s.	2,473	2,716
Shell CR, a.s.	1,403,561	105,126
Shell SR, a.s.	6,075	-
Spolana, a.s.	-	2,357
Unipetrol, a.s.	-	16,156
Unipetrol doprava, a.s.	39	718,818
UNIPETROL RAFINÉRIE a.s.	<u>4,586,441</u>	<u>339,229</u>
Total	8,953,863	2,884,254

20. RELATED PARTY TRANSACTIONS (continued)

Company sales of products and services to related parties in 2003 and 2002 amounted to CZK 21,429,559 thousand and CZK 17,756,548 thousand, respectively.

In 2003 and 2002, purchases of goods and services from related parties amounted CZK 4,069,085 thousand and CZK 3,546,777 thousand, respectively.

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

As at 31 December 2004, based on Processing Agreement, the Company holds 54 thousand tonnes of crude oil, 36 thousand tonnes of semi-finished goods and 126 thousand tonnes of finished refinery goods for the Processors.

21. RESEARCH AND DEVELOPMENT COSTS

The Group did not incur any research and development costs in 2004, 2003 and 2002.

22. EXTRAORDINARY INCOME AND EXPENSES

Extraordinary expenses and revenues include mainly the following corrections of costs of the previous years relating to conversion to a processing refinery: correction of valuation of own product sold and correction of valuation of the crude oil sold in the previous accounting period.

23. SUBSEQUENT EVENTS

No events have occurred subsequent to year-end that would have a significant impact on the financial statements as at 31 December 2004.

ČESKÁ RAFINÉRSKÁ, a. s.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS




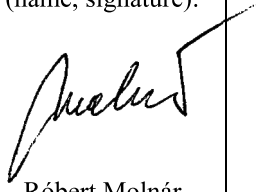
YEAR ENDED 31 DECEMBER 2004

24. CASHFLOW STATEMENT (SEE SEPARATE STATEMENT)

The consolidated cashflow statement was prepared in accordance with the indirect method.

Statutory approvals of consolidated financial statements

These consolidated financial statements have been approved for submission to the general meeting of shareholders by the Company's Board of Directors.

	Signature of Company's statutory body	Signature of Company's statutory body:	Person responsible for accounting (name, signature):	Person responsible for financial statements (name, signature):
Prepared on:				
22 March 2005	Ivan Souček Chairman of the Board of Directors	Eric van Anderson Vice-chairman of the Board of Directors	Mojmír Zenáhlík Controller	Róbert Molnár Deputy Controller

ČESKÁ RAFINÉRSKÁ, a.s.

**INDEPENDENT AUDITORS REPORT
AND FINANCIAL STATEMENTS**

31 DECEMBER 2004

REPORT OF INDEPENDENT AUDITORS


TO THE SHAREHOLDERS OF ČESKÁ RAFINÉRSKÁ, A.S.

We have audited the accompanying balance sheet of ČESKÁ RAFINÉRSKÁ, a.s. (“the Company”) as at 31 December 2004, the related income statement, statement of changes in shareholders’ equity, cash flow statement and notes for the year then ended (“the financial statements”). The financial statements, which include description of the Company’s activities, and underlying accounting records are the responsibility of the Company’s Board of Directors. 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. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the accompanying financial statements give a true and fair view, in all material respects, of the assets, liabilities and equity of the Company as at 31 December 2004, and the results of its operations, its changes in equity and its cash flows for the year then ended in accordance with the Act on Accounting and other relevant legislation of the Czech Republic.

28 February 2005


PricewaterhouseCoopers Audit, s.r.o.
represented by partner



Petr Šobotník
Auditor, Licence No. 113

BALANCE SHEET - LONG FORM

		Current year			Prior year 2003	Prior year 2002
		Gross	Provisions	Net	Net	Net
TOTAL ASSETS		34 511 973	(7 447 012)	27 064 961	26 583 585	27 834 898
A.	STOCK SUBSCRIPTION RECEIVABLE					
B.	FIXED ASSETS	22 624 247	(6 769 920)	15 854 327	16 303 429	16 562 147
B. I.	Intangible assets	954 220	(654 363)	299 857	361 804	384 094
B. I. 1	Establishment cost					
2	Research and development	42 101	(26 018)	16 083	14 542	20 592
3	Software	619 746	(463 964)	155 782	208 744	199 081
4	Royalties	251 111	(164 381)	86 730	104 248	136 505
5	Intangible assets in the course of construction	41 262	0	41 262	34 270	27 916
B. II.	Tangible assets	21 005 393	(6 115 557)	14 889 836	15 189 652	16 085 203
1	Constructions/ Buildings	4 202 730	(501 925)	3 700 805	3 529 606	3 368 520
2	Equipment	14 957 807	(4 801 776)	10 156 031	10 400 527	10 295 369
3	Other tangible fixed assets	168 683	(50 269)	118 414	123 971	583 670
4	Tangible assets in the course of construction	403 211	0	403 211	219 307	816 273
5	Advances paid for tangible fixed assets	3 650	0	3 650	323 895	344 404
6	Adjustment to acquired fixed assets	1 269 312	(761 587)	507 725	592 346	676 967
B. III.	Long-term investments	664 634	0	664 634	751 973	92 850
B. III. 1	Investments in controlled entities / subsidiaries	10 544	0	10 544	97 883	92 850
2	Other financial investments	654 090	0	654 090	654 090	0
C.	CURRENT ASSETS	11 378 195	(677 092)	10 701 103	9 597 444	10 895 717
C. I.	Inventories	1 241 266	(192 386)	1 048 880	1 302 394	5 231 526
C. I. 1	Raw materials	1 075 053	(170 570)	904 483	986 562	3 653 580
2	Work in progress and semi-finished products	10 659	0	10 659	114 796	542 520
3	Finished goods	148 499	(21 816)	126 683	201 036	1 022 778
4	Goods for resale	0	0	0	0	12 648
5	Prepayments for inventory	7 055	0	7 055	0	0
C. II.	Long-term receivables	384 795	(379 977)	4 818	109 490	76 670
C. II. 1	Trade receivables	384 795	(379 977)	4 818	109 490	0
2	Deferred tax asset	0	0	0	0	76 670
C. III.	Short-term receivables	7 232 528	(104 729)	7 127 799	6 151 127	5 117 181
C. III. 1	Trade receivables	462 565	(104 729)	357 836	1 755 195	5 059 725
2	Taxes and state subsidies receivable	38 301	0	38 301	252 153	3 083
3	Anticipated assets	0	0	0	160 832	50 401
4	Other receivables	6 731 662	0	6 731 662	3 982 947	3 972
C. IV.	Financial assets	2 519 606	0	2 519 606	2 034 433	470 340
C. IV. 1	Cash in hand	1 823	0	1 823	792	1 118
2	Cash at bank	1 559 138	0	1 559 138	75 941	5 394
3	Short-term investments	958 645	0	958 645	1 957 700	463 828
D.	OTHER ASSETS - TEMPORARY ACCOUNTS OF ASSETS	509 531	0	509 531	682 712	377 034
D. I.	Accruals and deferrals	509 531	0	509 531	682 712	377 034
D. I. 1	Prepaid expenses	280 630	0	280 630	312 842	376 981
2	Accrued revenue	228 901	0	228 901	369 870	53

ČESKÁ RAFINÉRSKÁ, a.s. - 31 December 2004

Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

BALANCE SHEET - LONG FORM

		Current year	Prior year 2003	Prior year 2002
TOTAL EQUITY & LIABILITIES		27 064 961	26 583 585	27 834 898
A.	EQUITY	16 506 875	16 640 650	16 302 632
A. I.	Share capital	9 348 240	9 348 240	9 348 240
A. I. 1	Share capital	9 348 240	9 348 240	9 348 240
A. II.	Capital contributions	10 377	14 692	8 528
1	Assets and liabilities revaluation	10 377	14 692	8 528
A III.	Reserve funds, non-distributable reserves and other reserves	462 544	445 951	445 951
A III. 1	Statutory reserve fund, non-distributable reserves	462 544	445 951	445 951
A. IV.	Retained earnings	6 667 473	6 499 913	7 235 502
IV. 1	Retained profits	6 667 473	6 499 913	7 235 502
A. V.	Profit (loss) for the current period	18 241	331 854	(735 589)
B.	LIABILITIES	10 538 275	9 607 001	11 468 729
B. I.	Provisions	288 748	349 733	385 958
B. I. 1	Tax-deductible provision	288 748	349 733	335 817
2	Other provisions	0	0	50 141
B. II.	Long-term liabilities	40 045	7 702	0
1	Deferred tax liability	40 045	7 702	0
B. III.	Short-term liabilities	9 764 136	7 549 566	8 931 264
B. III. 1	Trade payables	2 792 554	1 187 765	4 747 342
2	Liabilities to shareholders/owners	147 702	0	0
3	Liabilities to employees	18 200	20 857	2 268
4	Liabilities for social security and health insurance	11 651	10 670	11 881
5	Taxes and state subsidies payable	6 731 896	6 292 199	3 994 651
6	Anticipated liability	62 024	36 916	144 035
7	Other payables	109	1 159	31 087
B. IV.	Bank loans and overdrafts	445 346	1 700 000	2 151 507
B. IV. 1	Long-term bank loans	325 357	1 342 105	1 333 333
2	Short-term bank loans and overdrafts	119 989	357 895	818 174
C.	OTHER LIABILITIES - TEMPORARY ACCOUNTS OF LIABILITIES	19 811	335 934	63 537
C. I.	Accruals and deferrals	19 811	335 934	63 537
C. I. 1	Accruals	19 811	335 934	63 537

INCOME STATEMENT - LONG FORM

		Current year	Prior year 2003	Prior year 2002
I.	Sales of goods	636 832	2 865 870	980 546
A.	Cost of goods sold	463 191	2 953 538	1 077 582
+	Gross margin	173 641	(87 668)	(97 036)
II.	Sales of production	8 167 133	28 517 492	39 515 535
II. 1	Sales of own products and services	8 278 505	29 890 398	39 738 506
2	Change in inventory of finished goods and work in progress	(111 372)	(1 372 906)	(222 971)
B.	Cost of sales	5 957 134	25 847 111	38 576 973
B. 1	Raw materials and consumables	2 340 177	22 837 553	36 311 060
B. 2	Services	3 616 957	3 009 558	2 265 913
+	Added value	2 383 640	2 582 713	841 526
C.	Personnel expenses	462 904	486 661	486 123
C. 1	Wages and salaries	334 186	350 431	348 018
C. 2	Emoluments of board members	4 035	4 051	2 668
C. 3	Social security costs	112 222	119 665	121 196
C. 4	Other social costs	12 461	12 514	14 241
D.	Taxes and charges	4 453	5 890	7 632
E.	Depreciation of long-term assets	1 201 420	1 162 900	1 191 941
III.	Sale of long-term assets and raw materials	10 821	2 481 734	112 807
III. 1	Sale of long-term assets	7 349	4 291	111 855
2	Sale of raw materials	3 472	2 477 443	952
F.	Net book value of long-term assets and raw materials sold	10 719	2 459 049	109 335
F. 1	Net book value of long-term assets sold	3 406	6 999	109 316
F. 2	Net book value of raw materials sold	7 313	2 452 050	19
G.	Increase/(decrease) in operating provisions and complex prepaid expenses	258 556	397 809	(9 111)
IV.	Other operating income	12 640	224 801	59 181
H.	Other operating charges	41 494	263 048	120 788
*	Operating result	427 555	513 891	(893 194)
VI.	Income from sales of securities and shares	79 441	0	0
J.	Securities and shares sold	83 024	0	0
VIII.	Income from short-term investments	3 458	2 045	3 693
M.	Increase / (decrease) in financial provisions	0	0	(74 412)
X.	Interest income	27 139	15 525	17 382
N.	Interest expense	44 091	70 030	131 129
XI.	Other financial income	37 335	665 415	592 213
O.	Other financial expense	218 218	855 127	788 754
*	Financial result	(197 960)	(242 172)	(232 183)
Q.	Tax on profit or loss on ordinary activities	32 343	84 373	(387 139)
Q. 1	- deferred	32 343	84 373	(387 139)
**	Profit or loss on ordinary activities after taxation	197 252	187 346	(738 238)
XIII.	Extraordinary income	86 997	256 395	13 190
R.	Extraordinary charges	266 008	111 887	10 541
*	Profit (loss) on extraordinary items after taxation	(179 011)	144 508	2 649
***	Net profit (loss) for the financial period	18 241	331 854	(735 589)
	Profit or loss before taxation	50 584	416 227	(1 122 728)

ČESKÁ RAFINÉRSKÁ, a.s. - 31 December 2004

Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

	Share capital	Revaluation reserve	Statutory reserve fund	Retained earnings	Net profit/loss for current period	Total
At 1 January 2002	9 348 240	0	445 951	7 296 137	(60 635)	17 029 693
Distribution of profit/loss				(60 635)	60 635	0
Revaluation of assets and liabilities		8 528				8 528
Net profit/loss for 2002					(735 589)	(735 589)
At 31 December 2002	9 348 240	8 528	445 951	7 235 502	(735 589)	16 302 632
Distribution of profit/loss				(735 589)	735 589	0
Revaluation of assets and liabilities		6 164				6 164
Net profit/loss for 2003					331 854	331 854
At 31 December 2003	9 348 240	14 692	445 951	6 499 913	331 854	16 640 650
Distribution of profit/loss			16 593	167 560	(184 153)	0
Dividend Approved					(147 701)	(147 701)
Revaluation of assets and liabilities		(4 315)				(4 315)
Net profit/loss for 2004					18 241	18 241
At 31 December 2004	9 348 240	10 377	462 544	6 667 473	18 241	16 506 875

ČESKÁ RAFINĚRSKÁ, a.s. - 31 December 2004
Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

CASH FLOW STATEMENT

		Current year	Prior year 2003	Prior year 2002
Cash flows from operating activities				
Z.	Profit or loss on ordinary activities before taxation (+/-)	229 595	271 719	(1 125 377)
A. 1.	Adjustment for non cash movements	1 476 569	1 657 738	1 411 138
A. 1. 1.	Depreciation and amortization of fixed assets	1 286 041	1 247 521	1 276 561
A. 1. 2.	Change in provisions	234 921	349 413	23 369
A. 1. 3.	Change in reserves	(60 985)	(36 225)	0
A. 1. 4.	(Gain)/Loss on disposal of fixed assets	(360)	2 708	(2 539)
A. 1. 5.	Interest expense and interest income	16 952	54 505	113 747
A. 1. 6.	Other non-cash movements (e.g. revaluation at fair value to profit or loss)	0	39 816	0
A*	Net cash from operating activities before taxation, changes in working capital and extraordinary items	1 706 164	1 929 457	285 761
A. 2.	Working capital changes	1 070 518	460 688	(166 950)
A. 2. 1.	Change in inventory	82 128	3 595 459	(981 198)
A. 2. 2.	Change in trade receivables	1 438 495	3 017 431	509 474
A. 2. 3.	Change in other receivables and in prepaid expenses and unbilled revenue	(2 200 850)	(4 644 154)	0
A. 2. 4.	Change in trade payables	2 066 868	(3 498 045)	0
A. 2. 5.	Change in other payables, short-term loans and in accruals and deferred income	(316 123)	1 989 997	304 774
A**	Net cash from operating activities before taxation, interest paid and extraordinary items	2 776 682	2 390 145	118 811
A. 3.	Interest received	27 139	0	0
A. 4.	Interest paid	(44 091)	(70 030)	(131 129)
A. 5.	Tax paid	0	0	17 382
A. 6.	Gains and losses on extraordinary items	(179 011)	48 292	(9 158)
A***	Net cash provided by (used in) operating activities	2 580 719	2 368 407	(4 094)
Cash flows from investing activities				
B. 1.	Acquisition of fixed assets	(927 682)	(832 677)	(1 181 054)
B. 2.	Proceeds from sale of fixed assets	86 790	4 066	5 071
B. 3.	Interest received	0	15 525	0
B***	Net cash provided by (used in) investing activities	(840 892)	(813 086)	(1 175 983)
Cash flows from financing activities				
C. 1.	Change in long-term liabilities and long-term loans	(1 254 654)	8 772	(576 326)
C***	Net cash provided by (used in) financing activities	(1 254 654)	8 772	(576 326)
F.	Net increase (decrease) in cash	485 173	1 564 093	(1 756 403)
P.	Cash and cash equivalents at beginning of year	2 034 433	470 340	2 226 743
R.	Cash and cash equivalents at end of year	2 519 606	2 034 433	470 340

GENERAL INFORMATION

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

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

Unipetrol, a.s.	51%
Eni International B.V.	16 1/3%
ConocoPhillips Central and Eastern Europe Holdings B.V.	16 1/3%
Shell Overseas Investments B.V.	16 1/3%

The Company is a part of the consolidated group of Unipetrol a.s.

Based on the Processing Agreement concluded between the Company and its Shareholders in January 2003, the Company started operating as a processing refinery on 1 August 2003. As a result of this change, most of the current commercial activities of the Company were transferred to the shareholders. The subsidiaries of its shareholders became the Company’s main customers on 1 August 2003 (the “Processors”).

The members of the statutory and supervisory bodies as at 31 December 2004 were as follows:

Board of Directors		Appointed	Note
Chairman	Ivan Souček	1 August 2003	
Vice chairman	Eric Van Anderson	14 April 2000	
Member	Jakub Aleša	5 May 2004	
Member	Rudolf Bureš	6 April 2004	
Member	Martin Kubů	6 April 2004	
Member	František Šámal	1 February 2003	1)
Member	Miroslav Debnár	4 May 2001	1)
Member	Oscar Magnoni	12 November 1999	
Member	Lars Lennart Heldtander	16 July 2003	

ČESKÁ RAFINÉRSKÁ, a. s.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

GENERAL INFORMATION (continued)

Supervisory Board		Appointed	Note
Chairman	Zdeněk Černý	2 June 1999	
Vice chairman	Josef Gros	9 July 1997	
Member	Marie Čížinská	2 June 1997	
Member	Ladislav Varhaník	10 December 1997	
Member	Jiří Eminger	21 May 1998	2)
Member	Enrico Amici	22 May 2001	2)
Member	Gabriela Matějová	26 May 2004	3)
Member	Valter D'Angeli	26 May 2004	3)
Member	Alois Dvořák	29 April 2002	
Member	Jan Klimeš	29 April 2002	
Member	Iлона Pokorná	29 April 2002	

- 1) Members of Board of Directors were recalled in 2004 and have been removed from the Commercial Register records. Changes which have not been registered in the Commercial Register as at the date of approval of financial statements
- 2) Members of the Supervisory Board were recalled in 2004
- 3) Members of the Supervisory Board were appointed in 2004

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

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

1. BASIS OF THE PREPARATION OF THE FINANCIAL STATEMENTS

Financial statements have been prepared in accordance with the Generally Accepted Accounting Principles in the Czech Republic for the years 2004, 2003 and 2002.

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

Comparable data for the years 2003 and 2002 were taken from previous audited financial statements.

2. ACCOUNTING POLICIES

The valuation principles applied by the Company for preparation of the financial statements for the years 2004, 2003 and 2002 are as follows:

a) Intangible assets

Intangible assets are recorded at cost, which includes costs incurred in bringing the assets to their present location and condition. All research costs are expensed¹. 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 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 as follows:

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

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

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

b) Tangible assets

Tangible assets with a unit cost of more than CZK 40 thousand are recorded at acquisition cost, which includes freight, customs duties and other related costs. Interest costs incurred in 2004 in connection with construction of tangible fixed assets are not capitalised.

The costs of property enhancements are capitalised. Repairs and maintenance expenditures are expensed as incurred. Tangible fixed assets with a unit cost of less than CZK 40 thousand are treated as inventory and are expensed upon consumption.

¹ The Company has not incurred any research costs in 2004

2. ACCOUNTING POLICIES (continued)

b) Tangible fixed assets (continued)

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

In accordance with the Act on Reserves, the Company creates a reserve for major repairs, which the Company's management expects to incur in future accounting periods (Note 10). The value of the reserve is based on total estimated costs of major repairs of tangible fixed assets.

A valuation adjustment to acquired property was recognised in 1995 as the difference between the value of property in accordance with valuation done for the purposes of contributing those assets into the Company and the net book value of the property as recorded in the accounting records of the contributing entities (Note 3).

Depreciation

Tangible 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 - 20
Motor vehicles	6 - 11
Furniture and fittings	4 - 8
Other tangible fixed assets	4 - 30
Valuation adjustment to acquired property	15

c) 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.

d) Long-term financial assets

Long-term financial assets consist of investments in subsidiaries and held-to-maturity debt long-term loans.

2. ACCOUNTING POLICIES (continued)

e) Investment in subsidiaries and associated undertaking

A subsidiary is an enterprise that is controlled by the Company, which means that the Company has the power to govern the subsidiary's financial and operating policies and to obtain benefits from the subsidiary's activities.

An associated undertaking is an enterprise where the Company has significant influence, which is the power to participate in the enterprise's financial and operating policy decisions, but no control.

Equity investments in subsidiaries and associates are recorded using the equity method. Under this method, the investment is initially recorded at cost and the carrying amount is increased or decreased to recognise the investor's share of the equity capital in a subsidiary or an associated undertaking.

f) Other securities and investments

The Company classifies securities and investments, other than investments in subsidiaries and associated undertakings, as trading, available-for-sale or held-to-maturity.

g) Inventories

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

Finished goods and work-in-progress are stated at the lower of production cost or estimated net realisable amount. Production costs include direct material, labour cost and production overhead.

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

Value of finished goods is adjusted to the realisable value through a provision. The provision is recorded in the column "provisions" in the Company's balance sheet.

2. ACCOUNTING POLICIES (continued)

h) Receivables

Receivables are stated at their nominal value. 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 detailed analysis of the collectibility of doubtful receivables at year-end.

i) Share capital

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 creates 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 reserve fund from profit reaches 20% of the share capital. This fund can only be used to offset losses.

j) Liabilities

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

k) Financial leases

The Company accounts for leased assets by expensing the lease payments and capitalising the residual value of the leased assets at the time of the lease 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.

2. ACCOUNTING POLICIES (continued)

l) 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 main future repairs of property, the plant and equipment.

m) 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 recognized in the profit and loss account. Since 2002, unrealized exchange rate gains and losses are also recognized in the profit and loss account.

n) Revenues and expenses recognition

Revenues and expenses are recognised on an accrual basis.

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

o) 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 effects of changes in accounting policies.

2. ACCOUNTING POLICIES (continued)

p) Income tax and deferred tax

Income tax is calculated using the valid tax rate from accounting profit, increased or decreased by permanent and temporary non-tax deductible costs and non-taxable revenues (e.g. increase /decrease of other reserves and provisions, entertainment expenses, differences between accounting and tax depreciation).

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.

q) Related parties

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

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

Material transactions and outstanding balances with related parties are disclosed in Note 19.

r) Pension plan

In 2004, the Company provided a contribution to the Employee Pension Scheme according to Act 42/1994 and its amendment no. 170/1999 Coll. Regular contributions are made to the state to fund the national pension plan.

ČESKÁ RAFINÉRSKÁ, a. s.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

2. ACCOUNTING POLICIES (continued)

s) Subsequent events

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

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

3 FIXED ASSETS

a) Intangible fixed assets (CZK'000)

2004 Cost

	Opening balances	Additions	Disposals	Transfers	Closing balances
Research and development	35,742	3,263	-	3,096	42,101
Software	584,910	22,645	(1,944)	14,135	619,746
Royalties	246,467	1,388	(562)	3,818	251,111
Intangible assets in the course of construction	34,270	15,531	-	(8,539)	41,262
2004 Total	901,389	42,827	(2,506)	12,510	954,220

2004 Accumulated depreciation

	Opening balances	Depreciation charge	Disposals	Transfers	Closing balances
Research and development	(21,200)	(4,818)	-	-	(26,018)
Software	(376,166)	(89,442)	1,644	-	(463,964)
Royalties	(142,219)	(22,643)	481	-	(164,381)
Intangible assets in the course of construction	-	-	-	-	-
2004 Total	(539,585)	(116,903)	2,125	-	(654,363)
2004 Net book value	361,804				299,857

3 FIXED ASSETS (continued)

a) Intangible fixed assets (CZK'000) (continued)

2003 Cost

	Opening balances	Additions	Disposals	Transfers	Closing balances
Research and development	35,742	-	-	-	35,742
Software	527,234	4,575	(53,894)	106,995	584,910
Royalties	245,862	594	(389)	400	246,467
Intangible assets in the course of construction	27,916	3,165	(5,169)	8,358	34,270
2003 Total	836,754	8,334	(59,452)	115,753	901,389

2003 Accumulated depreciation

	Opening balances	Depreciation charge	Disposals	Transfers	Closing balances
Research and development	(15,150)	(6,050)	-	-	(21,200)
Software	(328,153)	(101,908)	53,895	-	(376,166)
Royalties	(109,357)	(33,251)	389	-	(142,219)
Intangible assets in the course of construction	-	-	-	-	-
2003 Total	(452,660)	(141,209)	54,284	-	(539,585)
2003 Net book value	384,094				361,804

3 FIXED ASSETS (continued)

a) Intangible fixed assets (CZK'000) (continued)

2002 Cost

	Opening balances	Additions	Disposals	Transfers	Closing balances
Research and development	22,141	13,601	-	-	35,742
Software	388,694	18,196	-	120,344	527,234
Royalties	197,347	6,294	-	42,221	245,862
Intangible assets in the course of construction	69,228	14,630	(38,091)	(17,851)	27,916
2002 total	677,410	52,721	(38,091)	144,714	836,754

2002 Accumulated depreciation

	Opening balances	Depreciation charge	Disposals	Transfers	Closing balances
Research and development	(11,977)	(3,173)	-	-	(15,150)
Software	(209,261)	(118,462)	-	(430)	(328,153)
Royalties	(78,247)	(30,946)	-	(164)	(109,357)
Intangible assets in the course of construction	-	-	-	-	-
2002 Total	(299,485)	(152,581)	-	(594)	(452,660)
2002 Net book value	377,925				384,094

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

3 FIXED ASSETS (continued)

b) Tangible fixed assets (CZK'000)

2004 Cost

	Opening balances	Additions	Disposals	Transfers	Closing balances
Constructions	3,939,231	141,216	(1,119)	123,402	4,202,730
Machinery and equipment	14,237,841	525,076	(41,541)	236,431	14,957,807
Artworks and collections	1,090	-	-	-	1,090
Other tangibles fixed assets	167,565	28	-	-	167,593
Tangible assets					
in the course of construction	219,307	236,002	-	(52,098)	403,211
Advances for tangible fixed assets	323,895	-	-	(320,245)	3,650
Adjustment to acquired property	1,269,312	-	-	-	1,269,312
2004 Total	20,158,241	902,322	(42,660)	(12,510)	21,005,393

2004 Accumulated depreciation

	Opening balances	Depreciation charge	Disposals	Transfers	Closing balances
Constructions	(409,625)	(92,203)	30	(127)	(501,925)
Machinery and equipment	(3,837,314)	(986,731)	(30)	22,299	(4,801,776)
Artworks and collections	-	-	-	-	-
Other tangibles fixed assets	(44,684)	(5,585)	-	-	(50,269)
Tangible assets					
in the course of construction	-	-	-	-	-
Advances for tangible fixed assets	-	-	-	-	-
Adjustment to acquired property	(676,966)	(84,621)	-	-	(761,587)
2004 Total	(4,968,589)	(1,169,140)	-	22,172	(6,115,557)
2004 Net book value	15,189,652				14,889,836

3 FIXED ASSETS (continued)

b) Tangible fixed assets (CZK'000) (continued)

2003 Cost

	Opening balances	Additions	Disposals	Transfers	Closing balances
Constructions	3,693,551	243,033	(919)	3,566	3,939,231
Machinery and equipment	13,332,051	1,023,471	(125,519)	7,838	14,237,841
Artworks and collections	1,090	-	-	-	1,090
Other tangibles fixed assets	759,887	-	(592,322)	-	167,565
Tangible assets					
in the course of construction	816,273	796,695	(1,266,504)	(127,157)	219,307
Advances for tangible fixed assets	344,404	381,721	(402,230)	-	323,895
Adjustment to acquired property	1,269,312	-	-	-	1,269,312
2003 Total	20,216,568	2,444,920	(2,387,494)	(115,753)	20,158,241

2003 Accumulated depreciation

	Opening balances	Depreciation charge	Disposals	Transfers	Closing balances
Constructions	(325,031)	(85,513)	-	919	(409,625)
Machinery and equipment	(3,036,682)	(919,075)	-	118,443	(3,837,314)
Artworks and collections	-	-	-	-	-
Other tangibles fixed assets	(177,307)	(17,103)	-	149,726	(44,684)
Tangible assets					
in the course of construction	-	-	-	-	-
Advances for tangible fixed assets	-	-	-	-	-
Adjustment to acquired property	(592,345)	(84,621)	-	-	(676,966)
2003 Total	(4,131,365)	(1,106,312)	-	269,088	(4,968,589)
2003 Net book value	16,085,203				15,189,652

3 FIXED ASSETS (continued)

b) Tangible fixed assets (CZK'000) (continued)

2002 Cost

	Opening balances	Additions	Disposals	Transfers	Closing balances
Constructions	3,048,304	683,600	(39,060)	707	3,693,551
Machinery and equipment	11,837,232	1,695,147	(200,615)	287	13,332,051
Artworks and collections	-	1,090	-	-	1,090
Other tangibles fixed assets	789,465	-	(29,578)	-	759,887
Tangible assets					
in the course of construction	1,748,385	1,593,433	(2,379,837)	(145,708)	816,273
Advances for tangible fixed assets	754,530	521,211	(931,337)	-	344,404
Adjustment to acquired property	1,269,312	-	-	-	1,269,312
2002 Total	19,447,228	4,494,481	(3,580,427)	(144,714)	20,216,568

2002 Accumulated depreciation

	Opening balances	Depreciation charge	Disposals	Transfers	Adjustment	Closing balance
Constructions	(248,153)	(80,217)	(150)	3,489	-	(325,031)
Machinery and equipment	(2,327,961)	(933,624)	744	184,159	40,000	(3,036,682)
Artworks and collections	-	-	-	-	-	-
Other tangibles fixed assets	(156,510)	(25,519)	-	4,722	-	(177,307)
Tangible assets						
in the course of construction	(20,000)	-	-	-	20,000	-
Advances for tangible fixed assets	-	-	-	-	-	-
Adjustment to acquired property	(507,725)	(84,620)	-	-	-	(592,345)
2002 Total	(3,260,349)	(1,123,980)	594	192,370	60,000	(4,131,365)
2002 Net book value	16,186,879					16,085,203

3 FIXED ASSETS (continued)

b) Tangible fixed assets (CZK'000) (continued)

The valuation adjustment to acquired property was recognised in 1995 as the difference between the value of property in accordance with valuation done for the purposes of contributing those assets into the Company and the net book value of the property as recorded in the accounting records of the contributing entities (Note 3). The amount is depreciated on a straight-line basis over 15 years. The depreciation expense for the adjustment to acquired property in the year 2004, 2003 and 2002 totalled CZK 84,621 thousand, CZK 84,621 thousand and CZK 84,620 thousand respectively.

c) Long-term financial asset (CZK'000)

Summary of changes in investment in subsidiaries and associated undertakings:

	As at 31. 12. 2002			As at 31. 12. 2003			As at 31. 12. 2004
	Additions	Revaluation	Disposal	Revaluation			
Subsidiaries	92,850	-	5,033	97,883	87,339	-	10,544

In 1999 a subsidiary, ČESKÁ RAFINÉRSKÁ SLOVAKIA s.r.o., was established with its registered office in Bratislava. The company was incorporated on 24 November 1999 and its business activities are the buying and selling of goods.

In 2000, a subsidiary, CRC Polska Sp. z o.o., was established with its registered office in Wroclaw. The company was incorporated on 24 November 2000 and its business activities were the buying and selling of goods. Company was liquidated on 28 December 2004. However, the liquidation was not registered in the Commercial Register as at the date of issue of the financial statements.

The subsidiaries are part of the ČESKÁ RAFINÉRSKÁ consolidated Group for 2004, 2003 and 2002, respectively.

ČESKÁ RAFINÉRSKÁ, a.s. is the sole owner of ČESKÁ RAFINÉRSKÁ SLOVAKIA s.r.o.

3 FIXED ASSETS (continued)

c) Long-term financial assets (CZK'000) (continued)

The Company's subsidiaries and associated undertakings as at 31 December 2004:

Name	ČESKÁ RAFINÉRSKÁ SLOVAKIA s.r.o.
Registered office	Bratislava, Slovakia
% of capital	100 %
Total assets (CZK'000)	11,371
Equity (CZK'000)	10,544
Registered capital and capital funds (CZK'000)	157
Other capital funds (CZK'000)	15
Retained earnings (CZK'000)	20,915
Net profit/(loss) for the current period (CZK'000)	(10,553)
Cost of acquisition	167
Dividends (CZK'000)	-

The Company's subsidiaries and associated undertakings as at 31 December 2003:

Name	ČESKÁ RAFINÉRSKÁ SLOVAKIA s.r.o.	CRC Polska Sp. z o.o.
Registered office	Bratislava, Slovakia	Wroclaw, Poland
% of capital	100 %	100 %
Total assets (CZK'000)	147,502	217,591
Equity (CZK'000)	21,097	76,786
Registered capital and capital funds (CZK'000)	167	83,024
Other capital funds (CZK'000)	15	6,967
Retained earnings (CZK'000)	2,675	(1,755)
Net profit/(loss) for the current period (CZK'000)	18,240	(11,450)
Cost of acquisition	167	83,024
Dividends (CZK'000)	-	-

ČESKÁ RAFINÉRSKÁ, a. s.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2004

3 FIXED ASSETS (continued)

c) Long-term financial assets (CZK '000) (continued)

The Company's subsidiaries and associated undertakings as at 31 December 2002:

Name	ČESKÁ RAFINÉRSKÁ SLOVAKIA s.r.o.	CRC Polska Sp. Z o.o.
Registered office	Bratislava, Slovakia	Wroclaw, Poland
% of capital	100 %	100 %
Total assets (CZK'000)	237,052	402,470
Equity (CZK'000)	2,859	89,991
Registered capital and capital funds (CZK'000)	167	83,024
Other capital funds (CZK'000)	-	-
Retained earnings (CZK'000)	(4,924)	(10,121)
Net profit/(loss) for the current period (CZK'000)	7,613	17,088
Cost of acquisition	167	83,024
Dividends (CZK'000)	-	-

Financial information for ČESKÁ RAFINÉRSKÁ SLOVAKIA and CRC Polska was obtained from their audited financial statements.

Summary of changes in other long-term financial assets:

	As at 31. 12. 2002		As at 31. 12. 2003		As at 31. 12. 2004	
	Additions	Revaluation	Disposal	Revaluation		
Other long-term financial assets	- 654,090	-	-	-	-	654,090

Other long term financial assets represent a commodity loan of 110 thousand tonnes of crude oil to the Processors. The commodity loan was provided for the entire period during which the Company operates in the processing refinery mode in accordance with the processing agreement signed between the Company and the Processors on 31 July 2003. The loan bears an interest rate of 2.818% and is to be repaid in 2023 in a single instalment. The loan was valued using market prices of crude oil as at 1 August 2003. The loan has not been revalued as at 31 December 2004 as there is no supporting evidence to relative crude oil on value expected at maturity date.

4. INVENTORIES

(CZK'000)	2004	2003	2002
Raw material	1,075,053	1,007,562	3,653,580
Work-in-progress	10,659	114,796	542,520
Finished goods	148,499	201,036	1,022,778
Goods for sale	-	-	12,648
Advances paid for inventories	7,055	-	-
Total inventories	1,241,266	1,323,394	5,231,526
Provision	(192,386)	(21,000)	-
Net book value	1,048,880	1,302,394	5,231,526

Raw material represents mainly spare parts amounting CZK 1,018,527 thousand as at 31 December 2004.

5. RECEIVABLES

(CZK'000)	2004	2003	2002
Long-term receivables	384,795	424,674	76,670
Short-term trade receivables	462,565	1,861,183	5,152,484
- receivables overdue more than 360 day	117,027	83,383	87,599
State tax receivables	38,301	252,153	3,083
Anticipated receivables	-	160,832	50,401
Other receivables	6,731,662	3,982,947	3,972
Total receivables	7,617,323	6,681,789	5,286,610
Provision for doubtful receivables	(484,706)	(421,172)	(92,759)
Net receivables	7,132,617	6,260,617	5,193,851

As at 31 December 2004, the Company recorded a long-term trade receivable that will be gradually settled until 2010. Due to uncertainty of the collectibility of this receivable, the Company established a provision of CZK 379,977 thousand.

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

5. RECEIVABLES (continued)

Other receivables include mainly a receivable for paid excise tax due from the Processors.

The Company has receivables from related parties (see Note 19).

6. PROVISIONS

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

Changes in the provision accounts during 2004, 2003 and 2002 were as follows (CZK'000):

Provisions	Fixed assets	Inventories	Receivables - tax allowed	Receivables - other	Total
Balance at 31 December 2001	60,000	20,000	31,468	45,153	156,621
Charge for the year	-	-	24,660	14,765	39,425
Written off during the year	(60,000)	(20,000)	(172)	(23,115)	(103,287)
Balance at 31 December 2002	-	-	55,956	36,803	92,759
Charge for the year	-	21,000	8,883	332,807	362,690
Written off during the year	-	-	(8,971)	(4,306)	(13,277)
Balance at 31 December 2003	-	21,000	55,868	365,304	442,172
Charge for the year	-	192,386	14,881	72,845	280,112
Written off during the year	-	(21,000)	(4,398)	(19,794)	(45,192)
Balance at 31 December 2004	-	192,386	66,351	418,355	677,092

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

7. FINANCIAL ASSETS

Short-term securities and shares represent short-term bank promissory notes held to maturity. Their nominal value is CZK 958,645 thousand, CZK 1,957,700 thousand and CZK 463,828 thousand as at 31 December 2004, 2003 and 2002, respectively.

The Company has bank accounts, which allow the Company to maintain an overdraft facility. At 31 December 2004, 2003 and 2002, the overdraft balance totalled CZK 1,678 thousand (in accordance with the agreed credit limit), respectively CZK nil and CZK 151,507 thousand, and were classified as short-term bank loans in the accompanying balance sheet (Note 12).

8. OTHER ASSETS

Prepaid expenses include mainly prepaid rent and the value of catalysts in use, and are expensed in the income statement in the relevant period when the relevant service is provided or material used.

Anticipated receivables include mainly receivables from Processors for recharged transport costs, and are accounted to revenues in the period in which the relevant service is provided.

9. EQUITY

Share capital of the Company comprises of 934,824 registered shares fully subscribed and paid for, with a nominal value of CZK 10 thousand.

The shareholder structure is described in the financial statements in the note 1 “General Information”.

Changes in share capital and statutory reserve fund (CZK'000):

	No. of shares	Share capital	Statutory reserve fund
Balance as at 31 December 2001	934,824	9,348,240	445,951
Balance as at 31 December 2002	934,824	9,348,240	445,951
Balance as at 31 December 2003	934,824	9,348,240	445,951
Changes in 2004	-	-	16,593
Balance as at 31 December 2004	934,824	9,348,240	462,544

A decision on the net profit of 2004 amounting to CZK 18,241 thousand has not been made by the General Meeting of Shareholders by the date of issue of the 2004 financial statements.

The net profit of CZK 331,854 thousand for 2003 was approved and allocated by the General Meeting of Shareholders on 15 December 2004:

Profit for 2003	331,854
Contribution to Reserve fund	(16,593)
Dividends - liabilities	(147,701)
Transfer to retained earnings	167,560
Retained earnings as at 31 December 2003	6,499,913
Transfer of profit for 2003	167,560
Retained earnings as at 31 December 2004	6,667,473

9. EQUITY (continued)

Based on the General Meeting of Shareholders dated 28 April 2003, the 2002 loss was approved and allocated to retained earnings (CZK'000):

Loss for 2002	(735,589)
Retained earnings as at 31 December 2002	7,235,502
Compensation of loss for 2002	(735,589)
Retained earnings as at 31 December 2003	6,499,913

Based on the General Meeting of Shareholders dated 17 May 2002, the 2001 loss was approved and allocated to retained earnings (CZK'000):

Loss for 2001	(60,635)
Retained earnings as at 31 December 2001	7,296,137
Compensation of loss for 2001	(60,635)
Retained earnings as at 31 December 2002	7,235,502

In 2003 and 2002, the Company paid out no dividends. The Company will pay dividends in 2005 in the amount of CZK 147,701 thousand, which are recorded in liabilities in 2004.

10. RESERVES

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

Reserves	Tax allowed	For FX losses	Other
Balance as at 31 December 2001	374,200	74,412	41,627
Change for the year	88,617	-	50,141
Used in the year	(127,000)	(74,412)	(41,627)
Balance as at 31 December 2002	335,817	-	50,141
Change for the year	157,074	-	-
Used in the year	(143,158)	-	(50,141)
Balance as at 31 December 2003	349,733	-	-
Change in the year	143,607	-	-
Used in the year	(204,592)	-	-
Balance as at 31 December 2004	288,748	-	-

10. RESERVES (continued)

The tax allowed reserve for the purpose of repairs of tangible fixed assets was created in 2004, 2003 and 2002.

Other reserves represent restructuring reserves were created primarily in 2001 and 2002.

11. SHORT-TERM LIABILITIES

As at 31 December 2004, 2003 and 2002, the Company had no overdue short-term liabilities.

The Company records payables to related parties (Note 19).

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 180,000 thousand.

12. BANK LOANS AND OTHER BORROWINGS

At 31 December 2004, the Company records one long-term bank loan.

Loans overview (CZK '000):

Type	2004	2003	2002
Long-term loan due after 1 year	325,357	1,342,105	1,333,333
Current portion of long-term loan			
within one year	118,311	357,895	666,667
Overdrafts	1,678	-	151,507
Total	445,346	1,700,000	2,151,507

The interest expense relating to bank loans and short-term notes for 2004, 2003 and 2002 was CZK 44,091 thousand, CZK 70,030 thousand and CZK 131,129 thousand respectively.

The interest rate for the period of loan drawing is PRIBOR + 0.675%. The loan is being repaid in quarterly instalments. The maturity date is set as at 2008.

Bank loans have certain financial covenants attached to them. Violation of these covenants would accelerate the maturity of the debt.

13. OTHER LIABILITIES

Accruals include mainly unbilled services and are expensed in the 2004 income statement.

14. TAXATION

The calculation of 2004, 2003 and 2002 income tax is as follows (CZK'000):

	2004	2003	2002
Profit/loss before tax	50,584	416,227	(1,122,728)
Non-taxable income	(84,471)	(60,987)	(290,425)
Non-tax deductible expenses	643,941	573,994	307,511
Difference between accounting and tax depreciation	(133,385)	(301,173)	(181,462)
Tax base (loss)	476,669	628,061	(1,287,104)
Utilized tax loss (portion of 2002, 2003)	(476,669)	(628,061)	-
Taxable income	-	-	-
Income tax rate	28%	31%	31%
Prior year adjustment	-	-	-
Current tax due	-	-	-

The calculation of the 2004 income tax is based on the preliminary income tax calculation.

According to Income Tax Act, the Company may carry forward tax losses generated in 2001 and 2002 for up to seven years. The remaining tax loss carried forward from 2001 and 2002 amounted to CZK 1,314,893 thousand as at 31 December 2004.

14. TAXATION (continued)

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

Deferred tax			2004		2003		2002	
	Base	Tax rate *)	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between accounting and tax net book value of fixed assets	(121,339)	26%	-	(31,548)	-	(2,877)	-	(642,669)
	(2,221,834)	24%	-	(533,240)	-	(546,795)	-	-
Other differences								
Provision to inventories	170,570	24%	40,937	-	5,880	-	-	-
Provision to finished goods	21,816	24%	5,236	-	-	-	-	-
Provision to receivables	418,355	24%	100,405	-	102,285	-	11,409	-
Revaluation of derivatives			-	-	-	-	351	-
Adjustment to acquired fixed assets	(84,621)	26%	-	(22,001)	-	(23,694)	-	(209,860)
	(423,103)	24%	-	(101,545)	-	(123,546)	-	-
10% reinvestment tax relief	730,347	24%	175,283	-	164,080	-	193,983	-
Social and health expenses payable in 2005	6,040	26%	1,570	-	-	-	-	-
Expenses of 2005	7,799	26%	2,028	-	-	-	-	-
Reserves	-	-	-	-	-	-	15,544	-
	362,800	26%	94,328	-	101,920	-	-	-
Tax losses	952,093	24%	228,502	-	315,045	-	707,912	-
Total			648,289	(688,334)	689,210	(696,912)	929,199	(852,529)
Net				(40,045)		(7,702)	76,670	

*) Tax rates stated above are in accordance with valid tax rate for the accounting period of 2004 and known tax rates for consecutive account periods. Tax rates used for the 2002 and 2003 deferred tax calculation were in accordance with legislation valid in those periods.

The Company has calculated the individual components of the deferred tax taking into account the expected rate in the year in which the tax will be realised.

15. LEASES

The Company uses assets under finance lease contracts that are not recorded as fixed assets in the financial statements (Note 2k).

Assets that are being used by the Company under finance leases (i.e., the residual value of leased assets is capitalized at the true of cease contract expiration) as at 31 December 2004, 2003 and 2002, respectively, are as follows (CZK'000):

Description	Terms/ condition	Instalments related to the whole rent period	Financial leases payments			Payments due in following years	
			31. 12. 2004	31. 12. 2003	31. 12. 2002	Due within 1 year	Due after 1 year
Isomerisation unit	As per contract	585,703	585,703	585,703	585,703	-	-
Cars	As per contract	54,540	46,334	37,742	25,599	3,935	4,271

16. COMMITMENTS AND CONTINGENCIES

Company has a long-term (15 year) transport contract with Mero ČR a.s., effective since 1 January 1996 and an annual transport contract with Transpetrol, a.s. which stipulates a minimum annual throughput of crude oil through the IKL and Druzba pipelines.

As at 31 December 2004, the Company had issued the following guarantees:

Type of guarantee	on behalf of	Beneficent	Reason	Amount (CZK'000)	Currency	Amount (CZK'000)
Company guarantee	CRC Slovakia	Citibank Slovakia	Overdraft	30,000	SKK	23,589
Total						23,589

16. COMMITMENTS AND CONTINGENCIES (continued)

As at 31 December 2003, the Company had issued the following guarantees:

Type of guarantee	on behalf of	Beneficent	Reason	Amount (CZK'000)	Currency	Amount (CZK'000)
Company guarantee	CRC Slovakia	Citibank Slovakia	Overdraft	130,000	SKK	102,323
Company guarantee	CRC Slovakia	Citibank Slovakia	Custom guarantee	60,000	SKK	47,226
Company guarantee	CRC Polska	ING Bank Slaski	Credit contract	9,000	PLN	62,028
Company guarantee	CRC Polska	Bank Handlowy w Warszawie	Credit contract	6,000	PLN	41,352
Company guarantee	CRC Polska	TuiR Warta S.A.	Custom guarantee	13,000	PLN	89,596
Total						342,525

As at 31 December 2002, the Company had issued the following guarantees:

Type of guarantee	on behalf of	Beneficent	Reason	Amount (CZK'000)	Currency	Amount (CZK'000)
Company guarantee	CRC Slovakia	Citibank Slovakia	Overdraft	150,000	SKK	112,769
Company guarantee	CRC Slovakia	Citibank Slovakia	Custom guarantee	40,000	SKK	30,072
Company guarantee	CRC Polska	Handlowy Leasing S.A.	Leases	150	PLN	1,180
Company guarantee	CRC Polska	ING Bank Slaski	Credit contract	6,000	PLN	47,190
Company guarantee	CRC Polska	ING Bank Slaski	Credit contract	3,000	PLN	23,595
Company guarantee	CRC Polska	Shell Produkty Polska	Supplier contract	10,000	PLN	78,650
Company guarantee	CRC Polska	Bank Handlowy w Warszawie	Credit contract	6,000	PLN	47,190
Company guarantee	CRC Polska	TuiR Warta S.A.	Custom guarantee	8,000	PLN	62,920
Total						403,566

17. REVENUE ANALYSIS

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

	2004		2003		2002	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
Sale of products		2,515	20,758,620	5,018,404	31,245,353	8,076,352
Sale of services	8,275,990		4,016,050	97,324	377,073	39,728
Sale of goods	636,832		153,021	2,712,849	499,470	481,076
Total revenues	8,912,822	2,515	24,927,691	7,828,577	32,121,896	8,597,156

Due to the conversion to a processing refinery, the Company has had only 4 main customers since 1 August 2003 and these are the Processors.

18. EMPLOYEE ANALYSIS

The analysis of payroll expenses (CZK'000):

	2004		2003		2002	
	Employees	Management	Employees	Management	Employees	Management
Average number of staff	710	26	759	28	822	28
Wages/salaries	334,186	38,678	350,431	43,710	348,018	39,177
Social insurance	112,222	13,009	119,665	15,206	121,196	13,409
Social expenses	12,461	285	12,514	280	14,241	256
Total personnel expenses	458,869	51,972	482,610	59,196	483,455	52,842

The members and former members of statutory and supervisory boards received bonuses and other remuneration totalling CZK 4,035 thousand, CZK 4,051 thousand and CZK 2,668 thousand in 2004, 2003 and 2002, respectively.

19. RELATED PARTY TRANSACTIONS

No loans, guarantees or other benefits were granted to members of statutory bodies in 2004, 2003 and 2002, and they do not hold any shares of the Company.

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

Related party receivables:

Related party	2004	2003	2002
Aliachem, a.s.	-	-	265
Unipetrol Deutschland GmbH	-	-	781
Unipetrol Austria GmbH	-	-	9,432
Spolana, a.s.	-	5	2,089
AGIP Praha, a.s.	1,686,478	101,583	139,074
Benzina, a.s.	-	-	752,268
Chemopetrol, a.s.	70,339	35,534	997,546
Chemopetrol BM, a.s.	-	-	-
Unipetrol doprava a.s.	11	4	4
ConocoPhillips ČR, s.r.o.	1,049,414	354,393	138,153
Kaučuk, a.s.	2,241	6,810	58,260
Shell ČR, a.s.	1,588,556	88,136	363,802
Paramo, a.s.	-	-	3,898
Koramo, a.s.	-	-	40,835
Česká rafinérská Slovakia, s.r.o.	-	70,069	110,900
CRC Polska Sp. z o.o.	-	90,901	144,441
UNIPETROL RAFINERIE a.s.	2,852,419	774,156	-
Total	7,249,458	1,521,591	2,761,748

19. RELATED PARTY TRANSACTIONS (continued)

Related party payables:

Related party	2004	2003	2002
Benzina, a.s.			15,987
Chemopetrol, a.s.	97,424	122,071	123,252
Chemopetrol BM, a.s.	0	113	89
Unipetrol doprava a.s.	122,958	107,813	133,778
HC Chemopetrol, a.s.	-	3	-
AGIP Praha a.s.	811,690	71,172	6,004
ConocoPhillips Czech Republic s.r.o.	2,054	51,320	9,354
Kaučuk, a.s.	51,361	43,457	129,030
Shell Czech Republic a.s.	637,624	85,175	35,874
Unipetrol, a.s.	18,566	16,120	17,809
Spolana, a.s.	209	100	119
Koramo, a.s.	-	-	-
Paramo, a.s.	51		
B.U.T., s.r.o.	2	3	17
Petrotrans, a.s.	-	-	10
UNIPETROL RAFINÉRIE a.s.	<u>620,699</u>	<u>191,405</u>	<u>-</u>
Total	2,362,638	688,752	471,323

Income and expenses resulting from transactions between related parties as at 31 December 2004 amounted to (CZK'000):

Related party	Income	Expenses
AGIP Praha a.s.	1,408,215	107,182
Benzina, a.s.	11,632	-
B.U.T., s.r.o.	-	40
ConocoPhillips Czech Republic s.r.o.	1,448,887	99,634
Chemopetrol, a.s.	63,407	1,004,523
HC Chemopetrol, a.s.	-	63
Kaučuk, a.s.	14,314	488,410
Paramo, a.s.	2,473	2,716
Shell Czech Republic a.s.	1,403,009	105,126
Spolana, a.s.	-	2,357
Unipetrol, a.s.	-	16,156
Unipetrol doprava, a.s.	39	718,818
UNIPETROL RAFINÉRIE a.s.	<u>4,582,154</u>	<u>339,229</u>
Total	8,936,160	2,884,254

19. RELATED PARTY TRANSACTIONS (continued)

Company sales of products and services to related parties in 2003 and 2002 amounted to CZK 23,317,012 thousand and CZK 20,371,451 thousand, respectively.

In 2003 and 2002, purchases of goods and services from related parties amounted CZK 4,069,085 thousand and CZK 3,546,777 thousand, respectively.

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

The Company issued guarantees in favour of ČESKÁ RAFINÉRSKÁ SLOVAKIA, s.r.o. as at 31 December 2004 (Note 16).

As at 31 December 2004, based on Processing Agreement, the Company holds 54 thousand tonnes of crude oil, 36 thousand tonnes of semi-finished goods and 126 thousand tonnes of finished refinery goods for the Processors.

20. RESEARCH AND DEVELOPMENT COSTS

The Company did not incur any research and development costs in 2004, 2003 and 2002.

21. EXTRAORDINARY INCOME AND EXPENSES

Extraordinary expenses and revenues include mainly the following corrections of costs of the previous years relating to conversion to a processing refinery: correction of valuation of own product sold and correction of valuation of the crude oil sold in the previous accounting period.

22. SUBSEQUENT EVENTS

No events have occurred subsequent to year-end that would have a significant impact on the financial statements as at 31 December 2004.

ČESKÁ RAFINÉRSKÁ, a. s.

NOTES TO FINANCIAL STATEMENTS


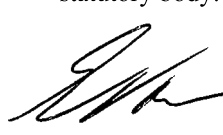
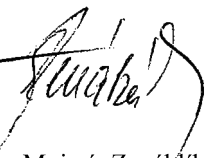
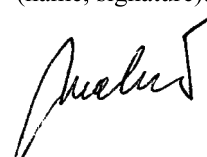
YEAR ENDED 31 DECEMBER 2004

23. CASHFLOW STATEMENT

The cashflow statement was prepared in accordance with the indirect method.

Statutory approvals

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

	Signature of Company's statutory body	Signature of Company's statutory body:	Person responsible for accounting (name, signature):	Person responsible for financial statements (name, signature):
Prepared on:				
28 February 2005	Ivan Souček Chairman of the Board of Directors	Eric van Anderson Vice-chairman of the Board of Directors	Mojmír Zenáhlík Controller	Róbert Molnár Deputy Controller