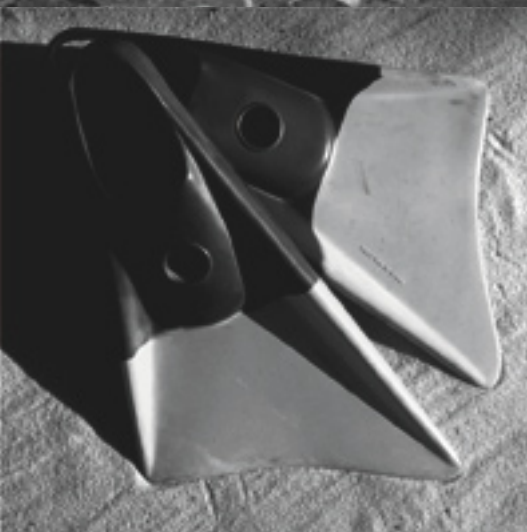


**Finanční část /
Financial Statement**



AUDITORS' REPORT

to the shareholders of SPOLANA a.s.

BDO CS s.r.o. has audited the financial statements of SPOLANA a.s. for the year ended December 31, 2003 in accordance with the Law on Auditors and with the auditing standards issued by The Chamber of Auditors of the Czech Republic.

The accounting records and the financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The Auditing Standards require that we plan and perform our audit so as to obtain reasonable assurance that 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 assessment of the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

There were three matters which arose during our audit which, although do not affect our opinion, we would wish to draw to your attention. Firstly, the company's loss for the year exceeded one half of the registered capital. Secondly, section 2.1 of the notes to the financial statements contains a statement by UNIPETROL a.s, which was the owner of 81.78% of the shares of SPOLANA a.s. as at 31.12.2003. This statement says that the company's continuation in 2004 is not endangered. However under the ongoing privatisation process, 62.99% of the shares of UNIPETROL a.s., held by the National Property Fund of the Czech Republic, are currently for sale and therefore the ownership of SPOLANA a.s. may soon change and this guarantee would no longer apply. Thirdly, section 3.18 of the notes to the financial statements says that the issue of financing the clean-up of old environmental problems has not yet been fully resolved. It is likely that this will be financed by the National Property Fund of the Czech Republic.

In our opinion the financial statements give in all material respects a true and fair view of the assets, liabilities, equity and financial position of SPOLANA a.s. as of December 31, 2003 and of the result for the year then ended in accordance with the Act on Accounting and the accounting standards applicable in the Czech Republic.

Prague, 27 February 2003

BDO CS s.r.o.
Olbrachtova 5
140 00 Praha 4
Certificate CACR No. 18

Ing. Radomír Kosina, CSc.
Auditor - Certificate No.119
Partner BDO CS s.r.o.

Ing.Vlastimil Hokr, CSc.
Auditor - Certificate No. 071
Partner BDO CS s.r.o.

Balance sheet full version as of December 31, 2003 (in CZK thousand)

Denotation	Current accounting period					Previous period.
	ASSETS	Line	Gross	Adjustment	Net	Net
a	b	c	1	2	3	4
TOTAL ASSETS (lines 02-019-038)		001	15 743 534	11 587 871	4 155 663	6 983 347
B.	Fixed assets (lines 03-08-015)	002	14 215 940	11 322 378	2 893 562	5 340 770
B. I.	Intangible fixed assets (lines 05 to 08)	003	157 682	150 112	7 570	10 952
B. I. 1.	Software	004	20 408	16 618	3 790	3 643
2.	Valuable rights (patents, licences, know-how)	005	133 937	130 157	3 780	6 821
3.	Other intangible fixed assets	006	3 337	3 337	0	0
4.	Acquisition of intangible fixed assets in progress	007	0	0	0	488
B. II.	Tangible fixed assets (lines 9 to 14)	008	14 053 144	11 170 611	2 882 533	5 324 869
B. II. 1.	Land	009	106 782		106 782	114 689
2.	Structures	010	4 175 157	2 907 726	1 267 431	1 911 162
3.	Machinery, tools & equipment, vehicles & fixtures	011	9 756 655	8 255 120	1 501 535	3 233 368
4.	Other tangible fixed assets	012	217	0	217	217
5.	Acquisition of tangible fixed assets in progress	013	14 333	7 765	6 568	62 021
6.	Prepayments for tangible fixed assets	014	0	0	0	3 412
B. III.	Non-current financial assets (lines 16 to 18)	015	5 114	1 655	3 459	4 949
B. III. 1.	Shares and ownership interests in subsidiaries	016	300	200	100	100
2.	Shares and ownership interests in associates	017	0	0	0	1 490
3.	Other securities and ownership interests	018	4 814	1 455	3 359	3 359
C.	Current assets (lines 020+025+028+034)	019	1 509 970	265 493	1 244 477	1 621 990
C. I.	Stocks (lines 21 to 24)	020	419 043	52 309	366 734	488 195
C. I. 1.	Materials	021	259 464	45 392	214 072	257 896
2.	Work-in-progress and semi-finished products	022	56 558	843	55 715	74 771
3.	Finished products	023	103 020	6 074	96 946	155 097
4.	Purchased goods for resale	024	1	0	1	431
C. II.	Long-term receivables (lines 26 to 27)	025	41 845	0	41 845	49 702
C. II. 1.	Trade receivables	026	21 789	0	21 789	22 896
2.	Receivables from partners and consortium members	027	20 056	0	20 056	26 806
C. III.	Short-term receivables (lines 29 to 33)	028	932 577	213 184	719 393	686 982
C. III. 1.	Trade receivables	029	508 774	96 051	412 723	299 725
2.	Receivables from partners and consortium members	030	27 413	5 678	21 735	69 725
3.	Taxes receivable	031	76 030	0	76 030	89 874
4.	Estimated pre-paid items	032	208 735	0	208 735	227 265
5.	Other receivables	033	111 625	111 455	170	393
C. IV.	Cash and cash equivalents (lines 35 to 37)	034	116 505	0	116 505	397 111
C.IV. 1.	Cash on hand	035	782	0	782	785
2.	Cash held with banks	036	115 723	0	115 723	372 826
3.	Current financial assets	037	0	0	0	23 500
D. I.	Temporary assets (lines 39 to 40)	038	17 624	0	17 624	20 587
D. I. 1.	Deferred expenses	039	16 890	0	16 890	20 548
2.	Accrued income	040	734	0	734	39
Control number (lines 01 to 040)		999	62 956 512	46 351 484	16 605 028	27 912 801

Balance Sheet full version as of December 31, 2003 (in CZK thousand)

Denotation	Liabilities and equity	Line	Current accounting period	Previous accounting period
a	b	c	5	6
	TOTAL LIABILITIES (lines 042+052+070)	041	4 155 663	6 983 347
A.	Equity (lines 043+045+047+049+051)	042	886 623	3 495 719
A. I.	Share capital (line 044)	043	4 998 494	4 998 494
A. I. 1.	Share capital	044	4 998 494	4 998 494
A. II.	Capital Funds (line 046)	045	3 055	3 055
A. II. 1.	Other capital funds	046	3 055	3 055
A. III.	Reserve funds, non-distributable funds and other funds created from profits (line 048)	047	2 835	2 943
A. III. 1.	Statutory and other funds	048	2 835	2 943
A. IV.	Retained profit or loss from prior years	049	-1 508 773	-1 017 415
A. IV.1.	Accumulated losses from previous years	050	-1 508 773	-1 017 415
A. V.	Profit (loss) of current year (lines 01- (+043+045+047+049+052+070))	051	-2 608 988	-491 358
B.	Liabilities (lines 053+056+059+068)	052	3 256 512	3 448 366
B. I.	Reserves (lines 054 to 055)	053	161 954	161 480
B. I. 1.	Statutory reserves	054	6 154	5 257
2.	Other reserves	055	155 800	156 223
B. II.	Long-term liabilities (lines 057 to 058)	056	1 015 403	1 052 964
B. II. 1.	Trade payables	057	555	0
2.	Other payables	058	1 014 848	1 052 964
B. III.	Short-term liabilities (lines 060 to 067)	059	1 277 898	1 529 413
B. III. 1.	Trade payables	060	585 250	668 479
2.	Payables to partners and consortium members	061	0	19 883
3.	Payables to members, co-operative members and association members	062	135 558	80 227
4.	Payables to employees	063	17 902	22 120
5.	Social security and health insurance	064	9 914	11 369
6.	Taxes payable and subsidies	065	3 175	5 911
7.	Estimated payables	066	245 052	399 705
8.	Other payables	067	281 047	321 719
B. IV.	Bank loans and borrowings (line 069)	068	801 257	704 509
B. IV. 1.	Short-term bank loans	069	801 257	704 509
C. I.	Temporary liabilities (lines 071 to 072)	070	12 528	39 262
C. I. 1.	Accrued expenses	071	9 770	26 554
2.	Deferred income	072	2 758	12 708
	Control number (lines 041 to 072)	999	19 219 112	28 385 484

Profit & Loss Account full version as of December 31, 2003 (in CZK thousand)

Denotation	TEXT	Line number	Accounting period	
a	b	c	1	2
I.	Sales of goods purchased for resale	01	4 595	24 209
A.	Cost of goods sold	02	4 684	23 362
+	Gross margin (lines 01-02)	03	-89	847
II.	Production (lines 05+06+07)	04	4 505 268	3 709 755
II. 1.	Sale of own products and services	05	4 693 511	3 690 376
2.	Change in finished goods and work-in-progress	06	-188 247	11 333
3.	Own work capitalized	07	4	8 046
B.	Purchased consumables and services (lines 09+10)	08	4 177 801	3 448 813
B. 1.	Consumables	09	3 564 363	2 917 626
B. 2.	Services	10	613 438	531 187
+	Added value	11	327 378	261 789
C.	Staff costs (lines 13 to 16)	12	377 556	438 937
C. 1.	Wages and salaries	13	276 979	321 213
C. 2.	Remuneration of board members	14	2 943	3 711
C. 3.	Social insurance and health insurance	15	92 971	107 629
C. 4.	Social benefits	16	4 663	6 384
D.	Taxes and charges	17	21 982	20 463
E.	Depreciation of intangible and tangible fixed assets	18	550 386	545 709
III.	Sale of fixed assets and material (lines 20+21)	19	142 641	294 378
III. 1.	Sale of fixed assets	20	137 890	273 636
2.	Sale of material	21	4 751	20 742
F.	Net book value of fixed assets and material sold (lines 23+24)	22	33 143	103 419
F. 1.	Net book value of sold fixed assets	23	31 325	84 133
2.	Sold material	24	1 818	19 286
G.	Additions to reserves, settlement of complex deferred expenses	25	1 788 878	-55 626
IV.	Other operating income	26	894 114	1 245 600
H.	Other operating expenses	27	1 074 931	1 111 991
*	Operating profit or loss (lines 11-12-17-18+19-22+26-25-27)	28	-2 482 743	-363 126
VI.	Proceeds from sale of securities and ownership interests	29	5 554	6 000
J	Cost of securities and ownership interests sold	30	11 071	1 005
VII	Income from non-current financial assets (line 32)	31	152	155
1.	Income from other non-current financial assets	32	152	155
M.	Change in financial reserves and adjustments	33	-5 581	4 817
X.	Interest income	34	2 231	2 299
N.	Interest expense	35	114 596	138 613
XI.	Other financial income	36	69 851	100 941
O.	Other financial expenses	37	83 947	125 222
*	Financial profit (loss) (lines 29-30+31-33+34-35+36-37)	38	-126 245	-160 262
**	Ordinary profit (loss) (lines 28+38)	39	-2 608 988	-523 388
XIII.	Extraordinary income	40	0	719 356
R.	Extraordinary expenses	41	0	687 326
*	Extraordinary profit (loss) (lines 40-41)	42	0	32 030
***	Profit (loss) of the current year	44	-2 608 988	-491 358
	Control number	99	15 594 686	19 448 733

Notes to the Financial Statements for the year ending December 31, 2003

1. GENERAL INFORMATION

1.1 Description of Company

SPOLANA a.s. (hereinafter referred to as the "Company") is a Czech legal entity, a joint-stock company established on May 1, 1992. Its Company Registration Number is 45147787, and its registered office is at ul. Práce 657, Neratovice, Postal Code: 277 11, Czech Republic. The Company is incorporated in the Companies Register of the Municipal Court in Prague, Section B, File No. 1462.

According to the entry in the Commercial Register, its core business is chemical production of the industrial type. The registered capital of the Company is CZK 4,998,494 thousand.

Entities holding 10% and more (Securities Act) of the Company's registered capital:

UNIPETROL a.s.	81.78%
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The Company is part of the UNIPETROL consolidation unit. For the accounting period of 2003, the unit consisted of the following companies:

AGROBOHEMIE a.s.	CHEMOPETROL BM a.s.
ALIACHEM a.s.	UNIPETROL -DOPRAVA, a.s.
UNIPETROL RAFINÉRIE	PARAMO, a.s.
KAUČUK, a.s.	Paramo Trysk a.s.
SPOLANA, a.s.	KORAMO, a.s.
BENZINA a.s.	UNIPETROL TRADE, a.s.
BENZINA Trade a.s.	ALIACHEM Benelux B.V.
PETROTRANS, a.s.	Aliapharm GmbH
ČESKÁ RAFINÉRSKÁ, a.s.	UNIPETROL CHEMICALS IBERICA S.A
CRC POLSKA Sp. z o.o.	ALIACHEM Vervaltungs GmbH
ČESKÁ RAFINÉRSKÁ SLOVAKIA s.r.o.	UNIPETROL AUSTRIA HmbH
CHEMOPETROL, a.s.	CHEMAPOL (Schweiz) AG
B.U.T., s.r.o.	UNIPETROL DEUTSCHLAND GmbH
HC CHEMOPETROL, a.s.	UNIPETROL, a.s.

The summary below lists companies in which SPOLANA a.s., as the parent company, holds over 20% of the registered capital.

Company	Registered Office	Share of Registered Capital in %
NeraAgro, spol. s r.o.	Neratovice, ul. Práce 657, Postal Code: 277 11	100
NeraPharm, spol. s r.o.	Neratovice, ul. Práce 657, Postal Code: 277 11	100

The Company has not concluded a control contract or contracts on transfer of profit with its subsidiaries.

In June 2003 SPOLANA a.s. sold its ownership interest in SPOLSIN, spol. s r.o. and in September 2003 it sold its interest in NERASERVIS, spol. s r.o.

The companies are not included in the UNIPETROL, a.s. consolidation unit, as the companies' contribution to the consolidation unit is insignificant.

Members of the statutory and supervisory bodies in 2003:

	Supervisory Board (as of December 31, 2003)	Board of Directors (as of December 31, 2003)
Chair	Ing. Pavel Krtek	Ing. Pavel Švarc Csc.
Vice-Chair	Michaela Kukrechtová	Ing. Stanislav Bruna Ing. Miroslav Kuliha
Member	doc. Ing. Jiří Štepek Ing. Eva Veselá Miloslav Troušilek	Mgr. Richard Brabec Ing. Jan Landa

During 2003, the statutory and supervisory bodies underwent the following changes:

- On January 29, 2003 the Supervisory Board discussed the resignation of Ing. Jaroslav Zich from his position as member of the Supervisory Board, he ceased to be a member of the Supervisory Board as of December 31, 2002;
- On February 28, 2003 Ing. Jan Stoklasa resigned as a member of the Board of Directors. Mgr. Richard Brabec was appointed a new member of the Board of Directors from March 1, 2003;
- On March 19, 2003 following elections Miloslav Troušilek and Ivan Chocenský became members of the Supervisory Board. Ing. Petr Hudec CSc. ceased to be a member of the Supervisory Board as of the same day;
- On June 12, 2003 Ing. Vlasta Hudcová CSc. resigned from her position as member of the Supervisory Board;
- The Company's ordinary general meeting was held on June 12, 2003. Ing. Michaela Kukrechtová, who had been appointed to the Supervisory Board, ceased to be a member of the Supervisory Board on that day. Ing. Miroslav Kuliha and Mgr. Richard Brabec, who were appointed to the Board of Directors, ceased to be members of the Board of Directors on that day. The general meeting elected Ing. Eva Veselá and Ing. Michaela Kukrechtová to the Supervisory Board. The general meeting elected Ing. Miloslav Kuliha and Mgr. Richard Brabec to the Board of Directors;
- Ivan Chocenský's employment relationship ended on 31st October 2003, terminating his membership of the Supervisory Board (Mr. Chocenský had been elected to the Supervisory Board for the employees). The change was registered in the Commercial Register in the second half of February 2004, but had not become effective as of the day of the financial statements. As Mr. Chocenský was appointed to the Supervisory Board as a representative of the employees, a new member of the Supervisory Board will be elected in March 2004.

In addition to the aforementioned changes in the Company's statutory and supervisory bodies, the court of registration registered a change to the Company's objects in the Commercial Register at the Company's request, as of 22nd July 2003. The following objects were deleted as a part of the change:

- Lifting and relocation of burdens;
- Production and repair of metal and non-metal spare parts including surface finishing;
- Business in waste disposal (with the exception of dangerous waste);
- Accommodation services;
- Operation of rail transport (in accordance with licence serial number L/1995/0159 dated November 30, 1995);
- Production of electricity (in accordance with authorisation reference number 37572/95/4111 dated January 24, 1996);
- Distribution of electricity (in accordance with authorisation reference number 37573/95/4111 dated February 14, 1996);
- Distribution of heat (in accordance with authorisation reference number 37570/95/4110 dated April 19, 1996);
- Production of heat (in accordance with authorisation reference number 37571/95/4110 dated July 16, 1996);
- Operation of railway branch line "Vlečka a.s. Spolana Neratovice";
- Performance of semi-operational tests to order;
- Promotional activities.

The following was registered:

- Production of electricity;
- Distribution of electricity;
- Production of heat energy;
- Distribution of heat energy;
- Provision of technical services;
- Operation of petrol stations with fuels and lubricants.

As of the same day, i.e. July 22, 2003, and following a request by the Company, the court of registration registered a change to the manner representatives act for the Company. The new text reads as follows: The Board of Directors acts together for the Company in all company matters through two of its members, one of which shall be the Chairman of the Board of Directors or the Vice-Chairman of the Board of Directors. If neither a Chairman nor Vice-Chairman has been elected, no less than three members shall act for the Company. Members of the Board of Directors authorised to act for the Company sign for the Company by appending their signatures to the Company's name.

The above changes in the Company's objects and the manner representatives act for the Company were registered in the Commercial Register through an amendment to the Company's articles of association approved by the ordinary general meeting on June 27, 2002. The year's delay was caused by an error made by the Court of Registration when registering the changes in the Company's bodies in the first half of 2002. The error first had to be corrected and then it was possible to submit an

application for further changes in accordance with a resolution of the general meeting dated June 27, 2002.
The organisational chart of the Company is attached in Informational part.

An organisational change was made in the Company on August 1, 2003 and the commercial section was closed and a commercial and technical Groups directly subordinate to the Managing Director created.

1.2 Average Number of Employees and Personnel Costs

The average numbers of employees and the related personnel costs in 2003, 2002 and 2001 were as follows (in CZK thousand):

	Employees			Total of that: Directors and Officers		
	2003	2002	2001	2003	2002	2001
Average number	1 245	1 565	1 882	39	38	132*
Wages and salaries	276 979	321 213	352 371	27 726	31 491	63 905
Social security and health insurance	92 971	107 629	124 965	9 609	10 170	22 366
Social expenses	4 663	6 384	8 099	-	-	-
Total personnel expenses	374 613	435 226	485 435	37 335	41 661	86 271

*The officers of the Company in 2003 and 2002 are listed up to N-2 level (in 2001, up to N-4 level).

In addition to the above costs, the Company paid remuneration to the members and former members of its statutory and supervisory bodies totalling CZK 2,943 thousand (CZK 3,711 thousand in 2002; CZK 4,434 thousand in 2001).

The Company's costs further included an estimated accrued expense of CZK 6,750 thousand for unpaid portions of salary to the officers of the Company (including social security and health insurance), which are performance-related, and an estimated accrued expense of CZK 124 thousand for unpaid portions resulting from the health and safety salary motivation program.

1.3 Loans, Credits and Other Performance Rendered

In 2003, members of the statutory bodies were granted no loans, guarantees or advances. The benefits related to using company cars for personal use amounted to

CZK 345 thousand (1% a month of the purchase price of the company car). The company paid CZK 2.4 thousand as contributions to supplementary pension insurance for members of statutory and supervisory bodies.

As of December 31, 2003 members of the statutory and supervisory bodies and directors of the Company held 30 shares of the Company (as of December 31, 2002 they held no shares and as of December 31, 2001 they held 384 shares).

2. INFORMATION ON APPLIED ACCOUNTING METHODS, GENERAL ACCOUNTING PRINCIPLES AND METHODS OF VALUATION

2.1 Basis for Preparation of Financial Statements

The enclosed financial statements were prepared in accordance with the Act on Accounting No. 563/1991 Coll., as amended, and related regulations concerning the accounting procedures for businesses. A reader abroad should check whether the requirements of the Czech Accounting Act are similar to or different from those to which he or she is accustomed.

The financial statements were prepared on the historical cost basis. In addition, they were prepared assuming unlimited operation of the Company and contain no adjustments relating to the return on and classification of the reported assets or classification of the reported liabilities which would be necessary should the Company be unable to continue to operate. In connection with the assumption of unlimited operation, the parent company UNIPETROL, a.s. sent the auditor of SPOLANA a.s. a comfort letter stating the following:

(1) UNIPETROL, a.s. owned 81.78% of shares in SPOLANA a.s. as of 31st December 2003;

(2) The Board of Directors of UNIPETROL, a.s. regularly discussed the balance of assets and liabilities and the results of the subsidiary SPOLANA, a.s., as well as its general financial situation and its outlook for the future and, in our opinion, the duration of the company will not come under threat in 2004.

In connection with this statement, however, we would like to draw attention to the current privatisation process for the sale of 62.99% of shares in UNIPETROL, a.s. owned by the National Property Fund of the Czech Republic. The company's Board of Directors cannot end guess the future owners' plans and strategy. End of quotation.

2.2 Accounting Methods, Accounting Principles and Methods of Valuation

The valuation methods applied by the Company in preparing the 2003 financial statements were in principle identical to those used in 2002, and were as follows:

Intangible Fixed Assets

Intangible fixed assets are valued at acquisition cost, which includes the purchase price and costs related to acquisition. They are depreciated into costs on the basis of the estimated lifetime of the asset.

Costs of technical improvement to intangible fixed assets increase the acquisition cost if they exceed CZK 40 thousand. If not, they are recorded as costs.

Tangible Fixed Assets

Tangible fixed assets are valued at acquisition cost, which includes the purchase price, costs of transportation, customs fees and costs related to acquisition. The acquisition costs also include interest and other financial expenses related to the acquisition of a tangible fixed asset until the time it is put into operation. After the acquired asset is put into operation, the costs become part of financial expenses.

Tangible fixed assets produced by the Company are valued at manufacturing cost, which includes direct material and wage expenses and the manufacturing overhead relating to the production of the tangible fixed asset.

Tangible fixed assets acquired free-of-charge are valued at reproduction purchase price and are recorded in the Other Capital Funds account. The reproduction purchase price of these assets is determined on the basis of an expert estimate. There was no such case in 2003.

Costs of technical improvement to tangible fixed assets increase the acquisition cost of an item if they exceed CZK 40 thousand during one year. If they do not, they are recorded as costs, and the acquisition price does not increase. Regular repair and maintenance are recorded as costs.

No adjustment to acquired assets was booked.

Accounting depreciation is calculated on the basis of the acquisition cost and the estimated lifetime of the asset.

Financial Investments

Securities are valued at purchase price upon acquisition. If the price on the public capital market is lower, an adjustment to the asset is created amounting to the difference between the purchase price and the market price, or the price determined by an expert.

Ownership interests in subsidiaries are valued at acquisition cost. Should a significant decline in the value of the investment occur with these companies (due to a negative value of the company's equity, for instance), the difference would be considered a temporary reduction in value and would be recorded in the financial statements as an adjustment to financial investments.

Inventory

Purchased inventory is valued at weighted average value. The acquisition cost of inventory includes the purchase price and costs related to acquisition (transport, customs fees, commission, etc.).

Work-in-progress is valued at the planned price of materials and semi-finished products; internally-made semi-finished products and products are valued at the planned manufacturing cost. Manufacturing costs include direct costs (material, energy) and production overhead. Production overhead includes depreciation, wages, costs of repair, and other overhead, and is distributed proportionate to the volume of products manufactured.

If the inventory of finished products and semi-finished products in stock is valued higher than the selling price less direct sales costs, and if such a fact is discovered when preparing the financial statements, an adjustment is made for such a difference.

Adjustments to material in stock are made following a utility value analysis of the stock, performed while conducting an inventory. Adjustments are created to material in stock that is classified as unusable during the analysis, amounting to the book value of the stock reduced by the estimated net proceeds from its disposal.

Receivables

Receivables are recorded at their nominal value. The value of bad debts is reduced to its realisation value through adjustments debited to costs.

Loans Taken

Short-term and long-term loans are recorded at their nominal value. Parts of long-term loans that are due in less than a year

from the date of the financial statements are also deemed to be short-term loans.

Financial Leasing

In the case of a financial lease with the subsequent purchase of the leased item, the leasing instalments are booked in the period to which their objective is related. At the time of purchasing the leased item, the asset so acquired is recorded in the relevant tangible fixed assets account at surrender price.

Foreign Exchange Transactions

Assets acquired in foreign currency were recorded in CZK using the Czech National Bank rate valid as of the acquisition date (except for business trips abroad, where a fixed yearly rate is applied).

Financial investments, receivables and payables in a foreign currency are converted into CZK (using the exchange rate valid as of the date on which they occur). At the end of the year, they were converted using the Czech National Bank exchange rate valid as of December 31, 2003.

Exchange rate gains and losses are accounted for as revenues or costs, respectively, of the current year.

Change in Methodology

The Company made two changes to how it reports in 2003, both changes leading to a fairer reflection of facts in the financial statements. Loans provided by ČKA are reported on the balance sheet as other long-term liabilities (long-term part) and their short-term part as other short-term payables, from 2003. The same change was made in the "previous period" column – see below. The change was made because ČKA is not a bank and the reporting of such loans with bank loans would not be precise.

Insurance premiums are reported with other operating costs in the profit and loss account in 2003, whereas until 2002 they were reported in other financial expenses. This change was also made in the "previous period" column.

The following alterations were made in the "previous period" column to ensure comparability between periods, in connection with changes to the reporting of some items for 2003 on the balance sheet and in the profit and loss account. In addition to the two changes described above, the other changes were caused by amendments to generally binding legislation.

Balance Sheet:

- Estimated pre-paid items of CZK 227,265 thousand are reported on the balance sheet on line 032 as a part of short-term receivables;
- Estimated payables of CZK 399,705 thousand are reported on the balance sheet on line 066 as a part of short-term payables;
- Long-term loans from ČKA of CZK 969,705 thousand are reported on line 058 as other long-term liabilities;
- Short-term loans from ČKA of CZK 273,288 thousand are reported on line 067 as other short-term payables;
- Long-term receivables from subsidiaries of CZK 26,806 thousand are reported on line 027 as long-term receivables from partners and consortium members (they were originally part of long-term trade receivables);
- Short-term receivables from subsidiaries of CZK 69,725 thousand are reported on line 030 as short-term receivables from partners and consortium members (they were originally part of short-term trade receivables);
- Short-term payables to subsidiaries of CZK 19,883 thousand are reported on line 061 as short-term payables to partners and consortium members (they were originally part of short-term trade payables).

Profit and Loss Account:

- Sale of fixed assets and material was divided into two separate lines (lines 20 and 21);
- The net book value of fixed assets and material sold was divided into two separate lines (lines 23 and 24);
- The creation and clearing of adjustments and the creation of clearing of reserves to operating expenses and operating income is reported together on line 25 as a change in operating reserves and adjustments totalling (CZK 55,626 thousand);
- The clearing of adjustments to financial income and clearing of adjustments to financial expenses is reported together on line 33 as a change in financial reserves and adjustments totalling CZK 4,817 thousand;
- Insurance costs of CZK 37,901 thousand were moved from line 37 other financial expenses to line 27 other operating expenses.

Accounting for Costs and Revenues

Accrued accounting is applied to revenues and costs, i.e. items are accounted for in the period to which their objective is related.

In conformity with the rule of caution, the Company charges to costs the creation of reserves and adjustments to cover all risks, losses and devaluations that are known as of the financial statements date.

Income Tax

Using the applicable tax rate, due income tax is assessed from the accounting profit increased or decreased by permanent or temporary tax-irrelevant expenses and non-taxable revenues (such as creation and accounting for other reserves and adjustments, representation costs and the difference between accounting and tax depreciation).

The Company is not obligated to account for differences resulting from accounting for other items (such as adjustments and reserves) in different periods for the purposes of accounting and taxation.

In calculating the deferred tax, the Company considers all the relevant time differences adjusted by the income tax rate for the following year (28% for 2004), particularly the difference between the accounting and tax book value of tangible and intangible assets, the differences between the accounting and tax value of adjustments and the tax loss to be transferred to the following years. Such a calculation would cause a deferred tax receivable to arise for the Company. As the Company is not likely to realise such deferred tax receivable, it does not account for any such tax receivable, following the rule of caution.

3. SUPPLEMENTARY INFORMATION ON BALANCE SHEET AND PROFIT AND LOSS STATEMENT

3.1 Fixed Assets

Intangible Fixed Assets (in CZK thousand)

Balances and changes in intangible fixed assets are stated in Annex 1.

The most significant addition to intangible fixed assets in 2003 was the acquisition of an Elanor Global information system.

Depreciation of intangible fixed assets recorded as costs in 2003 amounted to CZK 3,513 thousand (CZK 8,225 thousand in 2002; CZK 16,067 thousand in 2001).

The sum of minor intangible fixed assets not recorded on the balance sheet (acquired before January 1, 1999 at an acquisition cost of CZK 40,000 and less, and since January 1, 2002 at an acquisition cost of CZK 60,000 and less) totalled CZK 12,356 thousand at acquisition cost as of December 31, 2003 (CZK 12,011 thousand as of December 31, 2002; CZK 11,527 thousand as of December 31, 2001).

Tangible Fixed Assets (in CZK thousand)

Balances and changes in tangible fixed assets are stated in Annex 2.

The most significant additions to tangible fixed assets in 2003 were the following investments: modified method of using demi-water, sludge dewatering, modernisation of the electricity substation and the salt water store. Significant disposals included the sale of real estate and movables used by the subsidiary NERASERVIS, spol. s r.o., as well as the sale of rail tankers, PAD line technology, Jiříce waterworks, a hydro-electric plant and a recreation facility in Chlum u Třeboně.

Accounting depreciation is calculated on the basis of the acquisition cost and the estimated lifetime of the asset. The estimated lifetimes are as follows:

	Estimated Lifetime in Years
Buildings, halls and structures	20 -60
Machinery, vehicles and equipment	2 -24

Depreciation of tangible fixed assets recorded as costs amounted to CZK 544,531 thousand in 2003 (CZK 537,422 thousand in 2002; CZK 570,137 thousand in 2001).

During 2003, 2002 and 2001, no interest on loans was capitalised into tangible fixed assets.

The sum of acquisition costs of minor tangible fixed assets not recorded in the balance sheet totalled CZK 55,047 thousand as of December 31, 2003 (CZK 54,577 thousand as of December 31, 2002; CZK 68,869 thousand as of December 31, 2001). This class included movables with an acquisition cost of CZK 500 to 20,000 per item before January 1, 1999, CZK 500 to 1,000 per item from January 1, 1999 and CZK 500 to 40,000 per item since January 1, 2002.

As of December 31, 2003 the Company's off-balance records included tangible fixed assets worth CZK 391,301 thousand. In particular, these assets were a toxic waste deposit and DON subsidised by the National Property Fund in the total amount of CZK 361,578 thousand, computer technology leased from T-Systems of CZK 19,139 thousand, hired company passenger cars with a total acquisition cost of CZK 3,687 thousand and leased cars amounting to CZK 6,897 thousand.

Assets that are subject to liens are listed in Article 3.9 – Loan Security.

Financial Investments (in CZK thousand)

Summary of Investments in Companies with Controlling or Substantial Influence

Company	Share in registered capital as a % as of December 31, 2003	Equity in CZK '000 as of December 31, 2003	Profit (loss) in CZK '000 as of December 31, 2003	Financial investment in CZK '000			Adjustment in CZK '000 as of December 31, 2003
				2003	2002	2001	
Controlling Influence:							
ZSD servis, spol. s r. o.	-	-	-	-	-	1 000	-
NERASERVIS, spol. s r. o.	-	-	-	-	5 000	5 000	-
NeraAgro, spol. s r. o.	100	5 614	+279	100	100	100	0
NeraPharm, spol. s r. o.	100	-3 270	+294	200	200	200	200
contribution to reserve fund:							
ZSD, spol. s r. o.	-	-	-	-	-	5	-
NERASERVIS, spol. s r. o.	-	-	-	-	5	5	-
Total	-	-	-	300	5 305	6 310	200
Substantial Influence							
SPOLSIN, spol. s r. o.	-	-	-	-	2 066	2 066	-
Total	-	-	-	-	2 066	2 066	-

With all of the above companies, the investments are stated at their nominal value in the accounting books. On the basis of the companies' economic results, adjustments were created for NeraPharm in the amount of the total investment. As in previous years, the Company received no shares in profit from the above companies in 2003.

In June 2003, the Company sold its ownership interest in SPOLSIN, spol. s r.o. (the Company had held 50% of its registered capital) and in September 2003 the Company sold its ownership interest in NERASERVIS, spol. s r.o. (the Company had held 100% of its registered capital).

The equity and profit (loss) figures for NeraAgro spol. s r.o. and NeraPharm, spol. s r.o. for 2003 are not final, as no audit has yet been carried out in these companies.

Summary of Other Financial Investments (in CZK thousand) as at December 31, 2003

Company	Ownership interest (%)	Number of shares	Nominal value of shares	Acquisition cost	Adjustment	Dividends
Technoexport a.s.	0,60	13	100	1 300	0	152
TIÚ-PLAST a.s.	15,27	10 295	1	3 514	1 455	0
TOTAL				4 814	1 455	152

As at December 31, 2002

Company	Ownership interest (%)	Number of shares	Nominal value of shares	Acquisition cost	Adjustment	Dividends
Technoexport a.s.	0,60	13	100	1 300	0	155
TIÚ-PLAST a.s.	15,27	10 295	1	3 514	1 455	0
TOTAL				4 814	1 455	155

As at December 31, 2001

Company	Ownership interest (%)	Number of shares	Nominal value of shares	Acquisition cost	Adjustment	Dividends
Technoexport a.s.	1,55	13	100	1 300	0	428
TIÚ-PLAST a.s.	15,27	10 295	1	3 514	1 455	0
TOTAL				4 814	1 455	428

Adjustments to Fixed Assets

	2003	2002	2001
Intangible fixed assets	0	0	0
Licences for selective acetylene hydrogenation	1 310	0	0
Total	1 310	0	0

Tangible fixed assets under construction

- Reconstruction of K5 boiler – project suspended	0	0	6 630
- S5 waste dump	6 378	0	0
- Old electrolysis cleanup	314	0	0
- DON cleanup	1 073	0	0
Total	7 765	0	6 630

Tangible fixed assets

- "Květák" hostel	0	0	14 484
- "Stříž" viscose staple	76 219	82 776	81 279
- Energy plant and water management	20 959	10 190	11 285
- Former sodium sulphate production	22 588	20 555	21 706
- Former Lindan production	68	141	215
- Former rehabilitation building	0	785	827
- Sewer	12 836	13 510	0
- Liquid chlorine store	5 489	0	0
- ALFA LAVAL centrifuge	10 513	0	0
- Technical development	1 318	0	0
- Caprolaktam plant	162	0	0
- Other unused real estate	20 800	18 454	6 016
- LAO	1 761 118	0	0
- LIO	83 712	0	0
- BL4	52 793	0	0
Total	2 068 575	146 411	135 812

Financial investments

- TIU shares	1 455	1455	1 455
- Investment in NERASERVIS, spol. s r.o.	0	5 005	0
- Investment in NeraPharm, spol. s r.o.	200	200	0
- Investment in SPOLSIN, spol. s r.o.	0	576	964
Total	1 655	7 236	2 419
TOTAL ADJUSTMENTS TO FIXED ASSETS	2 058 612	153 647	144 861

The adjustment to the tangible fixed assets under construction created in the past was specified (reduced) by the value of depreciation in 2003. Adjustments to EVH plant assets, the sodium sulphate plant and other unused real estate were increased by the part of movables for which a reserve was created in the past. The reserve was charged to costs in 2003. New adjustments to unused assets were created (in particular the LAO plant taken out of operation on July 28, 2003, BL4 – wastewater treatment plant for LAO and LIO plant taken out of operation on January 31, 2004).

An adjustment to the financial investment in TIÚ-PLAST a.s. shares was created in 2001. Following the sale of the Company's ownership interests in NERASERVIS, spol. s r.o. and SPOLSIN, spol. s r.o., adjustment to these financial investments was cancelled.

3.2 Inventory

Adjustments to Inventory (in CZK thousand)

	2003	2002	2001
Material	45 392	31 705	41 864
Work-in-progress	0	8 326	
Semi-finished products	843	5 829	3 771
Finished products	6 074	105 165	84 606
TOTAL	52 309	151 025	130 241

The Company wrote off CZK 30,867 to costs in 2003. The largest items were the writing off of unnecessary stock totalling CZK 16,419 thousand (in particular auxiliary material and spare parts) and the writing off of stock destroyed by flooding totalling CZK 11,925 thousand.

An adjustment to materials in the financial statements for 2003 is the devaluation of unnecessary stock, particularly spare parts and auxiliary material. For the most part, this is stock for production that had been suspended.

Adjustments to the stock of semi-finished products and finished products represent the difference between their stock value as of December 31, 2003 and their utility value as determined upon stocktaking. The significant fall in such adjustments in 2003 was caused by the suspension of LAO production, as most of the adjustments created in the past were related to LAO.

3.3 Receivables

The customary contractual due period for the Company's receivables is between 30 and 90 days. The Company created adjustments to outstanding receivables that are considered bad debts in the amount of CZK 213,184 thousand as of December 31, 2003 (CZK 257,302 thousand as of December 31, 2002; CZK 377,849 thousand as of December 31, 2001). The adjustments were determined on the basis of the amounts of receivables past due – according to the delay period and coefficients set by an internal directive of the Company. An adjustment equal to 100% of the value of a receivable is made to receivables filed in bankruptcy, liquidation or court proceedings and bad debts over 1 year past the due date. Adjustments are entered in the balance sheet in the "Corrections" column.

Short-term receivables reduced by adjustments of CZK 213,184 thousand were CZK 719,393 thousand as of December 31, 2003. Short-term (gross) trade receivables including receivables from partners and consortium members were CZK 536,187 thousand as of this date. An adjustment of CZK 101,729 thousand was created as of this date.

2003	Not yet due	1 – 30 days overdue	31 – 180 days overdue	181 and more days overdue	Total
Short-term receivables	368 773	48 928	23 266	206 845	647 812
In consortium	144 346	0	7 765	0	152 111
Outside consortium	224 427	48 928	15 501	206 845	495 701
Short-term receivables:	4 225	0	2 577	206 382	213 184
In consortium	0	0	12	0	12
Outside consortium	4 225	0	2 565	206 382	213 172

Short-term receivables in the table include trade receivables and other receivables (in particular a receivable from Chemapol Group). The balance sheet also contains tax receivables of CZK 76,030 thousand and estimated pre-paid items of CZK 208,735 thousand in short-term receivables.

An adjustment of CZK 4,225 thousand was created to receivables from NeraAgro which are expected not to be paid in connection with the sale of this subsidiary.

2002	Not yet due	1 – 30 days overdue	31 – 180 days overdue	181 and more days overdue	Total
Short-term receivables:	323 038	45 061	1 927	257 119	627 145
In consortium	111 486	11 227	0	0	122 713
Outside consortium	211 552	33 834	1 927	257 119	504 432
Short-term receivables:	0	0	205	257 097	257 302
In consortium	0	0	0	0	0
Outside consortium	0	0	205	257 097	257 302

Short-term receivables in the table include trade receivables and other receivables (in particular a receivable from Chemapol Group). The balance sheet also contains tax receivables of CZK 89,874 thousand in short-term receivables.

Total net short-term receivables are CZK 459,717 thousand.

2001	Not yet due	1 – 30 days overdue	31 – 180 days overdue	181 and more days overdue	Total
Short-term receivables:	461 263	40 316	5 906	378 730	886 215
In consortium	117 779	9 762	0	0	127 541
Outside consortium	343 484	30 554	5 906	378 730	758 674
Short-term receivables:	0	0	8	377 841	377 849
In consortium	0	0	0	0	0
Outside consortium	0	0	8	377 841	377 849

Short-term receivables in the table include trade receivables and other receivables (in particular a receivable from Chemapol Group). The balance sheet also contains tax receivables of CZK 45,671 thousand and a receivable (loan) from the subsidiary ZSD servis, spol. s r.o. totalling CZK 3,500 thousand in short-term receivables.

Total net short-term receivables are CZK 557,537 thousand.

Long-Term Receivables (in CZK thousand)

The Company does not report overdue long-term receivables or adjustments thereto. The Company does not report long-term receivables to companies in the UNIPETROL a.s. consolidation unit.

Summary of long-term receivables – not yet due (outside the consortium)

Company	Description	Amount
2003		
T-Systems Czech s.r.o.	Sale of computer technology	1 900
NeraPharm, spol. s r.o.	Sale of work-in-progress	20 056
Municipal Authority in Neratovice	Sale of a cultural centre, kindergarten, hostel	19 889
Total		41 845
2002		
T-Systems Czech s.r.o.	Sale of computer technology	2 700
NeraPharm, spol. s r.o.	Sale of work-in-progress	26 806
Municipal Authority in Neratovice	Sale of a cultural centre, kindergarten, hostel	19 889
Sklovariant s.r.o.	Sale of a hostel	300
Václav Zbořil, Neratovice	Lease of non-residential premises	7
Total		49 702
2001		
TJ Spolana Neratovice	Sale of a residential building	5 879
Municipal Authority in Neratovice	Sale of a cultural centre, kindergarten, hostel	39 779
NERASERVIS, spol. s r.o.	Sale of material	2 900
Sklovariant s.r.o.	Sale of a hostel	356
NOTEX CZ a.s.	Receivable from sale of viscose staple	418
Total		49 332

Of the total long-term receivables as of December 31, 2003, CZK 10,944 thousand worth of receivables are due in over 5 years (CZK 1,000 thousand from T-Systems Czech s.r.o., and CZK 9,944 thousand from the Municipal Authority in Neratovice).

Adjustments to Short-Term Receivables (in CZK thousand)

	2003	2002	2001
Statutory adjustments	87 190	129 028	225 345
Non-tax adjustments	125 994	128 274	152 504
Total	213 184	257 302	377 849

The most significant adjustment is CZK 111,340 thousand to a receivable from CHEMAPOL GROUP, a.s. in bankruptcy for a security bill of exchange equal to the amount to be paid by Spolana to Credit Lyonnais as a security for a bank loan not repaid to the bank by the Chemapol Group. Another important group contains adjustments to receivables from companies in bankruptcy (CZK 83,543,000 thousand).

No deduction of tax costs was claimed for outstanding receivables due by the end of 1994, which were CZK 7,315 thousand as at December 31, 2003 (CZK 35,767 thousand as at December 31, 2002 and CZK 141,049 thousand as at December 31, 2001), the receivables have been registered in bankruptcy or court proceedings.

Furthermore, the Company wrote off into costs receivables classified as bad debts, from rejected bankruptcy or composition agreements, amounting to CZK 16,434 thousand in 2003 (CZK 142,852 thousand in 2002; CZK 24,801 thousand in 2001). These write-offs mainly included receivables of CZK 15,845 thousand due to the conclusion of bankruptcy proceedings (particularly Univerzal, výr. družstvo, Rempo Bratislava, Pestachem, s r.o. and Plast Econ, v.o.s.).

The Company's off-balance records include issued and unpaid penalty invoices amounting to CZK 5,821 thousand as of December 31, 2003 (CZK 7,467 thousand as of December 31, 2002; CZK 10,262 thousand as of December 31, 2001) and written-off receivables as of December 31, 2003 totalling CZK 181,981 thousand (CZK 164,863 thousand as of December 31, 2002 and CZK 42,137 thousand as at December 31, 2001).

Receivables from Related Entities (in CZK thousand)

– the Company was not incorporated in the Unipetrol Group until December 2001

Company	2003	2002	2001
Receivables from Unipetrol Group – short-term			
ALIACHEM, a. s.	9 321	122	8 532
KAUČUK, a. s.	258	1 034	643
ČESKÁ RAFINÉRSKA, a. s.	100	119	227
CHEMOPETROL, a. s.	4 195	11 616	14 820
UNIPETROL – DOPRAVA, a. s.	1 182	1 371	0
PARAMO, a. s.		5 362	0
KORAMO, a. s.		3	0
ALIACHEM Benelux B.V.	17 590	10 471	1 212
Aliapharm GmbH		0	1 817
UNIPETROL CHEMICALS IBERICA S.A	26 424	2 492	30 110
UNIPETROL AUSTRIA HmbH	10 804	3 312	16 942
CHEMAPOL (Schweiz) AG	31 503	22 882	4 968
UNIPETROL DEUTSCHLAND GmbH	45 867	63 929	48 270
UNÍPETROL, a. s.	121	0	0
TOTAL Unipetrol group	147 365	122 713	127 541
Receivables from subsidiaries – short-term			
ZSD servis, spol. s r. o.	-	-	5 617
NERASERVIS, spol. s r. o.	-	18 073	16 103
NeraAgro, spol. s r. o.	10 940	7 888	11 063
NeraPharm, spol. s r. o.	16 473	43 764	287
Spolsin, spol. s r. o.	-	0	0
TOTAL subsidiaries short-term	27 413	69 725	33 070
Receivables from subsidiaries – long-term			
NERASERVIS, spol. s r. o.	0	0	2 900
NeraPharm, spol. s r. o.	20 056	26 806	0
TOTAL subsidiaries long-term	20 056	26 806	2 900

3.4 Short-Term Financial Assets

Financial assets of the Company as stated in the balance sheet (bank accounts) as of December 31, 2003 amounted to CZK 115,723 thousand (CZK 372,826 thousand as of December 31, 2002; CZK 48,403 thousand as of December 31, 2001), of which foreign currency converted at the CNB rate valid as of December 31, 2003 amounted to CZK 72,793 thousand (CZK 53,308 thousand as of December 31, 2002; CZK 26,050 thousand as of December 31, 2001).

Accounts with Limited Right of Disposal (in CZK thousand)

Ledger Account	Description	2003	2002	2001
2210172	Toxic waste dump	1 405	1 396	1 369
2210171	Toxic waste dump	5 212	4 227	3 364
2210170	Toxic waste dump	167	162	127
2210712	Customs bond -HVB	5 200	5 200	0
2210330	Customs bond - ČSOB	0	5 000	5 000
2210222	Security for a bank loan for ethylene	0	0	227
2210226	Security for a bank loan for ethylene	36 523	3 503	0
2210227	Security for a bank loan for flood damage	0	282 000	0
2211054	Factoring of receivables – ČS	5 195	102	0
Total		53 702	301 590	10 087

3.5 Other Assets

Deferred expenses comprise cost items where the drawing has been distributed over an extended period of time (such as insurance premiums, contact substance for caprolactam production, interest, etc.). The costs are then recorded in the period to which their objective is related.

Deferred revenues comprise unbooked return of charges for atmosphere pollution and unbooked return of insurance premiums, etc. and were recorded as revenues in 2003.

3.6 Equity

The registered capital of the Company comprises 1,500 bearer shares with a nominal value of CZK 65,500 each, and 7,481,288 bearer shares with a nominal value of CZK 655 each. The total registered capital amounts to CZK 4,998,494 thousand.

The other capital funds consist of donations of tangible and intangible fixed assets and inventory.

The other funds are designed for the drawing of non-repayable subsidies and social aid.

Changes in Equity

	Registered capital	Capital funds	Funds from profit	Retained earnings	Profit in approval proceedings	Total equity
Balances as of December 31, 2001	4 998 494	3 306	38 341	-353 033	-699 723	3 987 385
Effect of integrating new companies						
2002 loss					-491 358	-491 358
Transfer to retained earnings deficit (2001)				-699 723	699 723	0
Drawing of funds from profit			-35 398	35 341		-57
Other		-251				-251
Balances as of December 31, 2002	4 998 494	3 055	2 943	-1 017 415	-491 358	3 495 719
Effect of integrating new companies						
2003 loss					-2 608 988	-2 608 988
Transfer to retained earnings deficit (2002)				-491 358	491 358	0
Drawing of funds from profit			-108			-108
Other						
Balances as of December 31, 2003	4 998 494	3 055	2 835	-1 508 773	-2 608 988	886 623

The ordinary General Meeting of the Company held on June 12, 2003 approved the annual financial statements of the Company for 2002 and decided the loss of CZK 491,358 thousand would be paid from profit made in the future.

3.7 Reserves

Changes in Accounts of Reserves (in CZK thousand)

	Statutory reserves for recultivation	Other reserves for recultivation	FX loss reserves	Reserves for planned disposal of fixed assets	Reserves for unused holiday	Reserves for penalties recorded off balance sheet	Reserve for Credit Lyonnais	Other reserves	Total
Balance as of December 31, 2000	3 793	9 900	6 256	74 950	0	700 133	0	3 433	798 465
Creation	596	0	7 898	80 696	4 767	0	49 550	10 060	153 567
Drawing	0	0	-2 073	-106 251	0	-697 802	0	-12 513	-818 639
Balance as of December 31, 2001	4 389	9 900	12 081	49 395	4 767	2 331	49 550	980	133 393
Creation	867	0	0	11 656	171	0	376	36 018	49 088
Drawing	0	0	-12 081	-8 529	0	-392	0	0	-21 002
Balance as of December 31, 2002	5 256	9 900	0	52 522	4 938	1 939	49 926	36 998	161 479
Creation	898	0	0	1 123	0	0	0	52 838	54 859
Drawing	0	0	0	-32 805	-228	-1 483	-11 465	-8 403	-54 384
Balance as of December 31, 2003	6 154	9 900	0	20 840	4 710	456	38 461	81 433	161 954

Statutory reserves are created for the purposes and in amounts stipulated in the Act on Reserves. A statutory reserve for waste deposit recultivation was created in accordance with the Waste Act, No.185/2001 Coll.

Other reserves were created and used in accordance with the Company's decisions.

The balance of the other reserve for recultivation, created in the previous years, represents the estimated increased costs of biological recultivation in excess of the statutory reserve.

The reserve for unused holiday amounts to possible wage compensations, including the relevant health and social insurance.

The reserve for losses from the disposal of tangible fixed assets amounts to the estimated difference between the residual value of and the estimated revenues from unusable assets designated for sale or physical elimination. The reduction in the reserve for assets was mainly a result of expensing reserves for movables in the EVH plant, movables in the sodium sulphate plant and other unused movables. The assets were reclassified as assets with a temporarily reduced utility value and an adjustment was created to them.

The reserve for possible payment to Credit Lyonnais is a deduction from the Company's duty to pay a guarantor obligation for a loan that was not repaid to the bank by the Chemapol Group. Should Spolana default on the payment schedule agreed in the settlement agreement with Credit Lyonnais, it would be obligated to pay the deduction as well. Subsequent to the receipt of notification that the proceeds of bankruptcy proceedings involving the Chemapol Group had been accepted, Credit Lyonnais reduced the discount by CHF 445 thousand in 2003. The reserve amounts to CHF 1,849 thousand as of December 31, 2003 and has been adjusted according to the exchange rate for CHF valid as of December 31, 2002.

The reserve for penalties represents unsettled liabilities arising from the default interest maintained in the off-balance records in conformity with the former accounting procedures.

The balance of the other reserves as of December 31, 2003 comprises a reserve of CZK 27,927 thousand for an anticipated loss resulting from environmental damage (particularly due to chlorine leakage), a reserve of CZK 240 thousand for other court disputes in which the Company is the defendant, a reserve of CZK 4,130 thousand for property transfer tax, a reserve of CZK 41,478 thousand for loss from non-performed LAO contracts and a reserve of CZK 7,658 thousand for loss of commissions claimed by Aliachem Benelux.

3.8 Liabilities

Short-term payables as of December 31, 2003 totalled CZK 1,289,308 thousand.

	Not yet due	1 – 30 days overdue	31 – 180 days overdue	181 and more days overdue	Total
2003					
Short-term payables:	528 365	38 791	13 144	4 950	585 250
in consortium	196 058	21 095	7 969	0	225 122
outside consortium	332 307	17 696	5 175	4 950	360 128
2002					
Short-term payables:	585 598	34 681	47 645	20 438	688 362
in consortium	265 086	1 994	948	0	268 028
outside consortium	320 512	32 687	46 697	20 438	420 334
2001					
Short-term payables:	572 408	112 571	67 536	27 938	780 453
in consortium	135 586	0	184	0	135 770
outside consortium	436 822	112 571	67 352	27 938	644 683

The table contains short-term trade payables. Other significant short-term payables include, for example, other liabilities of CZK 281,048 thousand (in particular the short-term part of loans from ČKA), estimated payables of CZK 256,461 thousand, a loan of CZK 135,558 thousand from Unipetrol and others.

Long-term liabilities as of December 31, 2003 totalled CZK 1,015,403 thousand. The Company has no overdue long-term trade liabilities.

Long-Term Liabilities – outside consortium

Company	Description	Amount in CZK thousand
2003		
Credit Lyonnais	Guarantor obligation	55 670
INELSEV s. r. o.	Modernisation of transformer station - checkoff	442
Vegacom, a. s.	Delivery and installation of warning system - checkoff	113
ŠkoFIN s. r. o.	Obligation under car lease	1 529
Česká konsol. agentura	Loans	957 649
Total		1 015 403
2002		
Credit Lyonnais	Guarantor obligation	74 890
Škoda Praha	Construction work – checkoff	8 240
ČSOB leasing	Obligation under car lease	688
CAC leasing	Obligation under car lease	39
Renault leasing	Obligation under car lease	15
Total		83 872
2001		
Credit Lyonnais	Guarantor obligation	90 842
Total		90 842

All long-term liabilities are payable within five years

Liabilities to Related Entities (in CZK thousand)
– the Company was not incorporated in the Unipetrol Group until December

Company	2003	2002	2001
Payables within Unipetrol Group – short-term			
AGROBOHEMIE, a. s.	8 756	0	0
UNIPETROL RAFINÉRIE, a. s.	303	0	0
KAUČUK, a. s.	0	1	0
BENZINA, a. s.	556	648	0
ČESKÁ RAFINÉRSKÁ, a. s.	5	2 089	0
CHEMOPETROL, a. s.	67 408	98 729	50 887
UNIPETROL – DOPRAVA, a. s.	74 453	42 287	127
KORAMO, a. s.	0	1 039	0
UNIPETROL TRADE, a. s.	1 128	547	593
ALIACHEM Benelux B.V.	596	0	2 548
UNIPETROL CHEMICALS IBERICA S.A.	0	0	434
CHEMAPOL (Schweiz) AG	8 403	2 637	15 293
UNIPETROL DEUTSCHLAND GmbH	65 148	49 814	66 182
UNIPETROL, a. s.	136 028	80 399	0
TOTAL Unipetrol Group	362 784	278 190	136 064
Liabilities to subsidiaries – short-term			
ZSD servis, spol. s r. o.	-	-	5 731
NERASERVIS, spol. s r. o.	-	14 861	24 833
NeraAgro, spol. s r. o.	0	150	3
NeraPharm, spol. s r. o.	0	4 872	0
TOTAL subsidiaries	0	19 883	30 567

3.9 Bank Loans and Borrowings

Summary of Balances of Bank Loans and Borrowings, and their Due Dates (in CZK thousand)

	2003	2002	2001
Short-term loans	801 257	704 509	0
Short-term loans – ČKA	225 939	273 288	1 855 402
Long-term loans	1 027 196	977 797	1 855 402
Long-term loans – ČKA	957 649	969 092	0
Total	1 984 845	1 946 889	1 855 402
of that, due in::			
2002	x	x	1 855 402
2003	x	977 797	x
2004	1 027 196	969 092	x
2005	957 649	x	x

Interest expenses on bank loans and borrowings for 2003 amounted to CZK 114,596 thousand (CZK 138,314 thousand in 2002; CZK 184,059 thousand in 2001).

Long-term loans – are reported as long-term liabilities, as they are provided by a non-banking entity.

Provider	Currency	Basic interest rate	Due date	Collateral	Balance as of December 31, 2003 in CZK thousand
ČKA Praha	CZK	3M Pribor +2.8 p.a.	June 22, 2005	see List of Collateral	79 000
ČKA Praha	CZK	3M Pribor +2.8 p.a.	June 30, 2005	see List of Collateral	618 140
ČKA Praha	CZK	3M Pribor +2.8 p.a.	June 30, 2005	see List of Collateral	260 509
Total long-term loans					957 649

The loans are due within 1-2 years. Interest is paid regularly every month.

Provider	Currency	Basic interest rate	Due date	Collateral	Balance as of December 31, 2002 in CZK thousand
ČKA Praha	EUR	3M Euribor +2.5 p.a.	December 31, 2004	see List of Collateral	81 594
ČKA Praha	CZK	3M Pribor +2.5 p.a.	March 22, 2004	see List of Collateral	39 500
ČKA Praha	CZK	3M Pribor +3.5 p.a.	December 31, 2004	see List of Collateral	589 089
ČKA Praha	CZK	3M Pribor +3.5 p.a.	December 31, 2004	see List of Collateral	258 909
Total long-term loans					969 092

Provider	Currency	Basic interest rate	Due date	Collateral	Balance as of December 31, 2001 in CZK thousand
Total long-term loans					0

Short-term loans

Provider	Currency	Collateral	Balance as of December 31, 2003 in CZK thousand
HVB Praha+Citibank-consortium	CZK	bills, receivables	201 257
HVB Praha+Citibank-consortium	CZK	bill, declaration of guarantor Unipetrol	300 000
HVB Praha+Citibank-consortium	CZK	bill, declaration of guarantor Unipetrol	300 000
Total short-term bank loans			801 257
ČKA Praha	EUR	see List of Collateral	106 939
ČKA Praha	CZK	see List of Collateral	79 000
ČKA Praha	CZK	see List of Collateral	20 000
ČKA Praha	CZK	see List of Collateral	20 000
Total ČKA Praha			225 939

Provider	Currency	Collateral	Balance as of December 31, 2002 in CZK thousand
ČKA Praha	EUR	see List of Collateral	60 588
ČKA Praha	CZK	see List of Collateral	118 500
ČKA Praha	CZK	see List of Collateral	65 400
ČKA Praha	CZK	see List of Collateral	28 800
HVB Praha+Citibank-consortium	CZK	bills, receivables	404 509
HVB Praha+Citibank-consortium	CZK	bill, declaration of guarantor Unipetrol	300 000
Total short-term loans			977 797

Provider	Currency	Collateral	Balance as of December 31, 2001 in CZK thousand
ČKA Praha	EUR	pledge of real estate – caprolaktam plant	180 682
ČKA Praha	CZK	pledge of real estate – TZO and caprolaktam plant	158 000
ČKA Praha	CZK	pledge of real estate – LAO and PVC plant	654 489
ČKA Praha	CZK	pledge of real estate – electrolysis plant	287 709
HVB Praha+Citibank-consortium	CZK	bills	574 522
Total short-term loans			1 855 402

Summary of Pledges for Loan Agreements

Amount of loan as at December 31, 2003 in CZK thousand	Currency	Amount of loan as at December 31, 2003 in foreign currency thousand	Drawing date	Due date	Pledge/collateral	Purpose of loan/contract
Česká konsolidační agentura						
158 000	CZK	0	June 14, 1995	June 22, 2005	pledge of real estate – TZO plant, caprolactam, administrative building, K4 boiler	waste disposal deadline – VCM
106 939	EUR	3 300	May 31, 1999	December 31, 2004	pledge of real estate – caprolactam plant, administrative building, K4 boiler	receivables within due date
280 509	CZK	0	September 27, 2001	June 30, 2005	pledge of real estate – electrolysis plant, administrative building, K4 boiler	current assets
638 140	CZK	0	September 27, 2001	June 30, 2005	pledge of real estate – LAO and PVC plants, administrative building, K4 boiler	current assets

Due to the mutual interconnections among the PVC, electrolysis and TZO operations, the market valuation has been determined for these plants as a whole; as a result, it is impossible to state the market value and the accounting value of the pledged assets for the individual loans.

Česká konsolidační agentura – subject of pledge	Market valuation in CZK thousand	Accounting value of pledged assets as of December 31, 2003 excluding adjustments in CZK thousand	Accounting value of pledged assets as of December 31, 2003 including adjustments in CZK thousand
Administrative building	16 147	15 556	15 556
K4 boiler	47 249	40 260	40 260
Caprolactam plant	243 409	112 043	91 654
LAO plant	512 283	1 692 989	50 000
PVC plant	1 782 259	1 189 381	1 183 892
Electrolysis, TZO			
Total	2 601 347	3 050 229	1 381 362

The above market valuations are based on valuations drafted at the time the assets were pledged, so the market valuation may not correspond to the current state.

The LAO plant was valued using the revenue method and therefore expresses the value of a production unit in operation. After the end of LAO production, there was a significant reduction in the market valuation of the LAO plant; the process of supplementing pledged assets is currently in progress. For this purpose, market valuations of the plant dining hall, electricity plant and water management plant have been made. The process of supplementing pledged assets had not ended as of the date of the financial statements.

3.10 Other Liabilities

Deferred expenses, deferred revenues and estimated accruals mainly comprise credit interest, unpaid salary costs for 2003, an unbilled credit note under an invoice for main revenues, uninvoiced material and service supplies (deferred expenses and estimated items). Deferred revenues include invoices issued for products where the supply according to Incoterms was not effected until 2004 and billed sale of fixed assets which, according to the date of registration with the land registry office, belong to revenues for 2004. All these items are recorded as costs and revenues in the period to which their objective is related.

3.11 Income Tax

Estimated Taxes for 2003 (in CZK thousand)

Profit (loss) before taxation	-2 608 988
Additions (+)	+2 219 241
Deductibles (-)	-152
Tax base (tax loss)	-389 899
Deduction of tax loss (-) under Section 34(1) of the Income Taxes Act	-
Deduction of 10% of new tangible fixed assets under Section 34(3) of the Income Taxes Act	-
Deduction of other items (-)	-
Income tax base after deductions	-
Tax rate	31%
Tax	-

The most significant additions to the tax base are the change in reserves and adjustments of CZK 1,824,237 thousand (the most important items are the change in reserves and adjustments to assets totalling CZK 1,893,976 thousand, to inventories totalling (CZK 98,117 thousand), to the reserve for the payment to Credit Lyonnais totalling CZK 11,467 thousand, to the reserve for losses under unperformed LAO contracts totalling CZK 41,478 thousand, to the reserve for loss of commissions claimed by Aliachem Benelux totalling CZK 7,658 thousand and to the reserve for compensation for environmental damage totalling (CZK 6,913 thousand)) and the difference between accounting and tax depreciation of CZK 169,942 thousand.

Deferred Income Tax

The calculation of the deferred tax, considering all relevant time differences, implies that a deferred tax receivable would arise for the Company. Since it is quite unlikely that the Company would be able to realise the tax receivable, no such receivable is accounted for, following the rule of caution.

Calculation of Deferred Income Tax as of December 31, 2003

Deferred tax receivable	Balance as of December 31, 2002	Change billed against current period profit (loss)	Change resulting from FX trends	Balance as of December 31, 2003
Difference between tax and accounting book values of fixed tangible and intangible assets in use				
Adjustments to assets				
Adjustment to fixed assets	153 647	1 925 658		2 079 305
Adjustments to inventories of material, products and semi-finished products	151 026	-98 717		52 309
Adjustments to receivables	128 275	203		128 478
Unclaimed tax loss	4 891 746	-1 385 249		3 506 497
10% reinvestment deductible item	26 776	-18 713		8 063
Revaluation of security operations to real value				0
Other reserves	156 222	1 357	-1 780	155 799
Consolidation alterations				0
Total	5 507 692	424 539	-1 780	5 930 451
Deferred tax liability				
Difference between tax and accounting book values of fixed tangible and intangible assets in use	2 206 039	-170 481		2 035 558
Adjustment to assets				
Net book value of assets for whose acquisition subsidies were provided				
Repair and maintenance reserves				
Receivables from contractual penalties				
Revaluation of security operations to real value				
Consolidation alterations				
Total	2 206 039	-170 481		2 035 558
Deferred tax receivable	5 507 692	424 539	-1 780	5 930 451
Deferred tax liability	2 206 039	-170 481		2 035 558
Net	3 301 653	595 020	-1 780	3 894 893
Tax rate	31%			28%
Deferred tax receivable	1 023 512			1 090 570

3.12 Leasing

Financial Leasing with Subsequent Purchase of Leased Item

During the year, the Company acquired cars on financial leasing from ŠkoFIN s.r.o. During 2002, the Company gradually took over the obligations under financial leases from ZSD servis, spol. s r.o., and continues to pay leasing instalments as follows (it will cease paying them in 2004):

(in CZK thousand)

Subject of lease	Total leasing instalments	Paid as of December 31, 2003	Payable within 1 year	Payable in subsequent years
Cars	8 530	5 369	1 632	1 529
Machinery, equipment, technology	0	0	0	0
Other	0	0	0	0
Total	8 530	5 369	1 632	1 529

3.13 Liabilities Not Recorded on Balance Sheet, Guarantees Provided, Bills of Exchange Given As Security

Liabilities Not Recorded on Balance Sheet

As of December 31, 2003, the Company had monetary liabilities that were not recorded on the balance sheet, but were entered in the off-balance records. These liabilities consist of received, but unpaid penalty invoices. The liabilities amounted to CZK 456 thousand as of December 31, 2003 (CZK 1,939 thousand as of December 31, 2002; CZK 2,331 thousand as of December 31, 2001). The reserve created for these liabilities amounted to CZK 456 thousand as of December 31, 2003 (CZK 1,939 thousand as of December 31, 2002; CZK 2,331 thousand as of December 31, 2001).

Another liability entered in off-balance records is a guarantee for CZK 600 thousand for SPOLSIN, spol. s r.o. for an unpaid loan. A reserve has not been created for this off-balance liability, as SPOLSIN, spol. s r.o. is repaying the loan in accordance with the payment schedule and there is no risk of the guarantee being claimed.

Guarantees Provided, Bills of Exchange Given As Security

Financial instrument	Guarantees securing liability recorded on balance sheet	Other guarantees (for off-balance liabilities)	Total
Avalled bills for bank loans	0	0	0
Promissory notes*	300 000	0	300 000
Promissory notes with no specified amount**	blank	0	0
Other bills without specified amount***	blank	0	0
Guarantees for bank loans and bonds	0	600	600
Customs guarantees	5 200	0	5 200
Total	305 200	600	305 800

*) The promissory note secures a loan from CITIBANK, a.s. for flood damage totalling CZK 300 million (the note does not have a due date)

***) a) A promissory note securing a loan from CITIBANK, a.s. for operational requirements for CZK 300 million (no amount or due date);

b) Two blank promissory notes (without amounts) to order of CITIBANK/HVB securing a loan for the purchase of ethylene, loan frame of CZK 250 million (loan from CITIBANK CZK 100.6 million as at December 31, 2003, loan from HVB CZK 100.6 million as at December 31, 2003, the notes do not have due dates)

c) Two promissory notes to order of Chemopetrol without due date or amount – guarantee of 100% payment of loan for purchase of ethylene by CITIBANK/HVB.

****) Two blank bills (without specified amount) to order of CITIBANK/HVB to secure a loan for the purchase of ethylene, the loan frame is CZK 250 million (the bills do not have a due date).

3.14 Revenues in Current Year

List of Company Revenues from Ordinary Activities (in CZK thousand)

	2003		2002		2001	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
Products	635 829	3 967 556	545 006	3 006 914	973 997	5 451 756
Goods	4 595		23 967	242	1 651	1 163
Energy	44 230		85 977		91 096	
Services	45 209	688	52 479		55 109	
Other revenues	848 511		1 898 626		1 408 477	
Financial revenues	77 789		109 784		63 178	
TOTAL revenues from ordinary activities	1 656 163	3 968 244	2 715 839	3 007 156	2 593 508	5 452 919

The most significant items in other revenues are revenues from assigned receivables of CZK 876,285 thousand, earnings on sale of fixed assets totalling CZK 137,890 thousand, change in inventories produced in-house totalling (CZK 188,247 thousand) and the clearing of an estimated item for flood costs of CZK 11,410 thousand.

The most significant item in financial revenues is FX gains of CZK 69,851 thousand.

3.15 Research and Development Expenditures

A total of CZK 4,285 thousand was expended on research and development and recorded as costs in 2003 (CZK 21,846 thousand in 2002; CZK 30,959 thousand in 2001).

3.16 Significant Items in Extraordinary Profit and Loss

No items were charged to extraordinary profit and loss in 2003.

3.17 Transactions with Related Entities

A summary of transactions carried out between the Company and the other companies within the consortium in 2003 (in CZK thousand) is given in the table below:

Company	Revenues 2003	Purchases 2003	Revenues 2002	Purchases 2002	Revenues 2001	Purchases 2001
AGROBOHEMIE, a. s.		111 597				
ALIACHEM a. s.	137 275	25 938	61 547	17 551	144 341	202
UNIPETROL RAFINÉRIE, a. s.		6 156				
KAUČUK, a. s.	5 538	4	13 193	412	6 991	13
BENZINA a. s.		4 573	0	5 356	0	0
PETROTRANS, a. s.		398				
ČESKÁ RAFINÉRSKÁ, a. s.	2 641	15 850	1 589	18 054	2 018	5 957
CHEMOPETROL, a. s.	51 234	1 291 151	64 914	1 156 035	89 653	2 138 949
UNIPETROL - DOPRAVA, a. s.	7 429	335 860	226 871	102 477	3	127
PARAMO, a. s.	3 594	41	8 465		464	20
KORAMO, a. s.			8 157	108		
UNIPETROL TRADE, a. s.		1 960	0	1 265	0	2 200
ALIACHEM Benelux B. V.	303 250	11 047	342 315	9 260	610 720	11 955
Aliapharm GmbH			0	0	22 042	0
UNIPETROL CHEMICALS IBERICA S. A.	120 352		130 137	875	219 739	1 771
UNIPETROL AUSTRIA HmbH	119 387		76 773	116	150 420	9 600
CHEMAPOL (Schweiz) AG	247 470	49 224	157 147	31 448	157 207	134 412
UNIPETROL DEUTSCHLAND GmbH	599 081	462 829	532 258	334 314	622 398	474 526
UNIPETROL, a. s.	6	7 691	0	4 618	0	0
Total	1 597 257	2 324 319	1 623 366	1 681 889	2 025 996	2 779 732

The most significant revenue items in the table are revenues from the sale of products (particularly Caprolactam, Neraten, Neralit and Sodium Hydroxide) and proceeds from the sale of receivables to Aliachem Benelux and UNIPETROL Austria.

Purchases mainly comprise purchases of raw materials, with the largest items being the purchase of ethylene, cyclohexanon, ammonia and sulphur; significant items further include the lease of tankers and railway trucks, commission for the sale of products, insurance and assigned receivables from ALIACHEM, a.s.

3.18 Environmental Impact of Company

In 2003, the statutory limits imposed on atmospheric pollutants emissions were met. The levels of emissions of the basic pollutants (SO₂, Nox, CO and solids) were at the same level as in the previous two years. The main source of pollution is the Energy section.

Emissions of VOC (volatile organic compounds) were 68.4 tons, which is an increase of 13.4 tons in comparison with 2002, but a reduction of 14.6 tons in comparison with 2001. When comparing 2003 with 2002, it is necessary to take into consideration the lower FPD in 2002, which was a consequence of the floods.

The treated waste water released in the Elbe River also met the limits imposed by the relevant water management authority. The situation is the same for the discharge of undetrimental water.

In the field of waste management, there was a greater amount of ash from the Company power plant; the ash is deposited at a special dump. In comparison with 2002, there was a significant fall in the amount of dangerous waste. Both the differences are a consequence of the flooding in 2002.

Sludge from the wastewater treatment plant continued to be stored at the S1-Z dump in 2003 and will subsequently be used for mineral insulation for the recultivation of the area.

There was a positive move towards the cleanup of old environmental problems. In the field of dioxin problems, SITA Bohemia, the company designated by the NPF CR, implemented a successful pilot project in 2003 and is currently drafting the documentation for a larger cleanup. Subsequent to selection proceedings, the NPF CR decided that TCHAS was to deal with the old amalgamation electrolysis and the company started the necessary preparatory work. In addition, the risk analysis was updated, in particular the part concerning underground water contamination and supplemental research was conducted into the unsaturated zone on the Company's premises and the surrounding area. Both documents represent the groundwork for dealing with the last old environmental problems.

Guarantees for the cleanup of old environmental problems under a contract concluded with the NPF CR total CZK 4,329,000 thousand. CZK 381,000 thousand of this amount had been drawn as of December 31, 2002, in particular for cleaning up the toxic waste dump, cleaning up building A 114 contaminated by dioxins and preparatory work for the main cleanup projects – buildings contaminated by dioxins and the main amalgamation electrolysis. In 2003, the NPF CR spent CZK 165,000 thousand, most of which went on pilot project management and the dioxins pilot project implemented by SITA Bohemia.

Based on an updated risk analysis which proposed new measures to deal with the decontamination of underground water and the clean-up of old amalgamation electrolysis, the Company initiated discussions with the NPF CR on an increase of CZK 2,000,000 thousand in the guarantee for the cleanup of old environmental problems, so the guarantee covered the newly-proposed measures. To increase the guarantee, the Company proposes shifting unused guarantees within the UNIPETROL group.

In 2003 there were two internal control audits of the established environmental management system under ISO 14001. In both cases the system was found to be functional and remedial measures were not imposed. The Company also defended its right to use the Responsible Care logo in 2003.

3.19 Significant Events after Balance Sheet Date

Following a decision of the Board of Directors, on January 31, 2004 the production of linear internal olefins (LIO) was closed. The line processed a small part (annual capacity of 6kt) of the LAO production (annual capacity 120kt) and after the end of LAO production on July 28, 2003, the input raw material would have had to be purchased from external suppliers, making the operation of the unit inefficient.

On February 10, 2004 the Company's Board of Directors decided to sell the subsidiary NeraAgro, spol. s r.o. to the winner of selection proceedings. Together with the ownership interest, the new owner will receive selected real estate and movables with a net book value of approx. CZK 9 million and receivables from NeraAgro, spol. s r.o. worth CZK 11,737 thousand will be resolved. As a consequence of these operations with receivables, the Company will probably not receive receivables worth CZK 5,677 thousand. Adjustments were therefore created to these receivables.

4. CASH FLOW STATEMENT IN CZK THOUSAND

	2003	2002	2001
P. Cash and cash equivalents at the beginning of the accounting period	397 111	67 851	247 190
Cash flow from main economic activity – operating activities			
Z. Accounting profit (loss) from ordinary activities before tax	-2 608 988	-523 388	-709 902
A.1 Adjustment for non-cash transactions	2 346 602	562 832	1 225 171
A.1.1 Total depreciation of fixed assets	552 141	701 807	611 862
A.1.2 Total adjustments, reserves, temporary asset and liability accounts	1 783 296	-80 636	-290 530
A.1.3 Profit (loss) from sale of fixed assets	-101 048	-194 498	26 549
A.1.4 Dividends and shares in profit received	-152	-155	-428
A.1.5 Accounted expense and revenue interest	112 365	136 314	181 327
A.1.6 Accounted default interest expenses – Česká inkašní	0	0	686 391
A.* *Net cash flow from operating activities before tax, changes in working capital and extraordinary items	-262 386	39 444	515 269
A.2 Change in working capital	-65 239	26 357	-248 786
A.2.1 Change in receivables from operating activities	18 465	74 268	292 715
A.2.2 Change in short-term payables	-303 881	-38 092	-568 619
A.2.3 Change in inventory	220 177	-9 819	27 118
A.** Net cash flow from operating activities before tax and extraordinary items	-327 625	65 801	266 483
A.3 Interest expenses	-110 900	-138 649	-180 327
A.4 Interest revenues	2 231	2 281	2 711
A.5 Tax paid on income from ordinary activities and additional taxation	28	126	97
A.6 Revenues and expenses connected to extraordinary profit/loss	0	233 885	10 989
A.*** Net cash flow from operating activities	-436 266	163 444	99 953
Cash flow from investment activities			
B.1 Acquisition costs of fixed assets	-106 381	-283 986	-173 534
B1.1 of that, expenses related to acquisition of tangible and intangible fixed assets	-102 381	-283 986	-168 434
B1.2 of that, expenses related to acquisition of financial investments	-4 000	0	-5 100
B.2 Revenues from sale of fixed assets	147 479	281 430	23 932
B.3 Loans and credits to related parties	0	3 500	0
B.*** Net cash flow from investment activities	41 098	944	-149 602
Cash flow from financial activities			
C.1 Change in long-term liabilities (or short-term liabilities).	114 518	164 744	-130 221
C.2 Impact on cash due to change in equity	-108	-27	102
C.2.1 Increase in cash and cash equivalents due to increase in registered capital and reserve fund	0	0	0
C.2.2 Payment of equity shares to partners	0	0	0
C.2.3 Cash donations and subsidies to equity	0	30	0
C.2.4 Reimbursement of loss by partners	0	0	0
C.2.5 Direct payments from funds	-108	-57	102
C.2.6 Dividends paid, incl. withholding tax paid	0	0	0
C.3 Received dividends or shares in profit	152	155	428
C.*** Net cash flow from financial activities	114 562	164 872	-129 691
F. Net increase or decrease of cash and cash equivalents	-280 606	329 260	-179 340
R. Cash and cash equivalents at the end of the accounting period	116 505	397 111	67 850

	Incorporation expenses	Accumulated amortisation	Intangible outcomes of R&D	Accumulated amortisation	Software	Land	Accumulated amortisation	Valuable rights	Accumulated amortisation	Other and minor intangible fixed assets	Accumulated depreciation	Machinery, equipment, vehicles, furniture and fixtures	Acquisition of intangible assets in progress	Advances on acquisition of intangible assets	Buildings, halls and structures	Accumulated amortisation	Total
Balance as of 31/12/00	0	0	0	0	69 159	122 094	-43 317	126 198	-126 198	582	-2 657	10 513	2 128	0	251 201	0	27 970
Additions					10 589		-15 019	2 180	-218	4 167			13 780	113			12 379
Transfers																	
Disposals					-254		254			-62		62	-13 421	-113			-13 534
Balance as of 31/12/01	0	0	0	0	79 494	122 094	-58 082	128 378	-126 416	4 687	-3 733	10 575	2 487	0	251 201	0	26 815
Additions					283		-6 571	5 560	-700		-954		3 889				1 507
Transfers					1 350		-1 350			-1 350	1 350		-45				-45
Disposals					-62 601		51 119						-5 843				-17 325
Balance as of 31/12/02	0	0	0	0	18 526	122 094	-14 884	133 938	-127 116	3 337	-3 337	10 575	488	0	251 201	0	10 952
Additions					1 934		-1 781		-1 732				1 446				-1 443
Transfers																	
Disposals					-52		47	0	0				-1 934				-1 939
Balance as of 31/12/03	0	0	0	0	20 408	122 094	-16 618	133 938	-128 848	3 337	-3 337	10 575	0	0	251 201	-1 310	7 570

Annex 1: Additions and Disposals of Intangible Fixed Assets

Annex 2: Additions and Disposals of Tangible Fixed Assets

CZK thousand

	Accumulated depreciation	Advances on acquisition of fixed tangible assets	Acquisition of tangible assets in progress	Land	Accumulated depreciation	Other and minor fixed tangible assets	Accumulated depreciation	Machinery, equipment, vehicles, furniture and fixtures	Buildings, halls and structures	Accumulated depreciation	Total
Balance as of 31/12/00	12 275	414	96 082	122 094	-2 657	2 872	4 705	10 513	251 201	1	6 233 515
Additions	167	3 034	288 216	1 881	-2 312	2 312	4 647	115 886	51	-1	-239 084
Transfers											
Disposals											
Balance as of 31/12/01	12 275	414	96 082	122 094	-2 657	2 872	4 705	10 513	251 201	1	6 233 515
Additions	442	0	214 150	57	912	5 129	6 494	9 903	251 920	-2	5 762 629
Transfers											
Disposals											
Balance as of 31/12/02	12 275	414	96 082	122 094	-2 657	2 872	4 705	10 513	251 201	1	6 233 515
Additions	444	52 860	198 314	57	912	5 129	6 494	9 903	272	-102	22 852
Transfers											
Disposals											
Balance as of 31/12/03	12 275	414	96 082	122 094	-2 657	2 872	4 705	10 513	251 201	1	6 233 515
Additions	441	3 412	62 021	114 689	0	217	6 587	9 820	230 594	-2	5 324 869
Transfers											
Disposals											
Balance as of 31/12/03	12 275	414	96 082	122 094	-2 657	2 872	4 705	10 513	251 201	1	6 233 515
Additions	771	4 308	70 953	100	0	217	6 587	112 222	7 908	-97	2 292 541
Transfers											
Disposals											
Balance as of 31/12/03	12 275	414	96 082	122 094	-2 657	2 872	4 705	10 513	251 201	1	6 233 515
Additions	842	-7 720	-118 641	-8 007		217	163 636	176 470	63 344	-	-149 795
Transfers											
Disposals											
Balance as of 31/12/03	12 275	414	96 082	122 094	-2 657	2 872	4 705	10 513	251 201	1	6 233 515
Additions	340	0	14 333	106 782	0	217	169 468	9 756 955	175 158	-2 222 804	2 882 533
Transfers											
Disposals											
Balance as of 31/12/03	12 275	414	96 082	122 094	-2 657	2 872	4 705	10 513	251 201	1	6 233 515