

Petrol, d.d.
2002 annual report
confirmed by Petrol Management
Board on March 10, 2003

PETROL

Business Report

Key events and factors effecting Petrol's business results	8
Key financial data, results and forecasts	12
Message of the Management Board Chairman	18
Management Board	24
Petrol shares	26
Risk management	30
Core business activities	34
Other business activities	40
Development and investment	44
Employees	48
Business standards	52
Petrol Group	56
Message of the Supervisory Board Chairman	170
Supervisory Board	174

Contents of financial statements section

Part One	Introduction	75
	Message of Finance & Accounting Management Board Member	76
	Preparation of financial statements	80
Part Two	Independent auditors report	82
	Employees classified by educational level - Petrol d.d.	83
	Key financial data - Petrol, d.d.	83
	Key financial ratios - Petrol, d.d.	84
	Income statement - Petrol, d.d.	85
	Balance sheet - Petrol, d.d.	86
	Cash flow statement - Petrol, d.d.	87
	Statement of changes in equity - Petrol, d.d.	88
	Share information - Petrol, d.d.	90
Part Three	Accountings rules and valuation methods	91
Part Four	Income statement - Petrol, d.d.	106
	Revenues by product segment - Petrol, d.d.	107
	Revenues by geographical segment - Petrol, d.d.	107
	Balance sheet - Petrol, d.d.	108
	Statement of changes in equity - Petrol, d.d.	110
	Cash flow statement - Petrol, d.d.	112
	Notes and tables to the financial statements - Petrol, d.d.	113
Part Five	Presentation of Petrol Group and accounting principals	150
	Independent auditor's report	155
	Income statement - Petrol Group	156
	Revenues by product segment - Petrol Group	157
	Revenues by geographical segment - Petrol Group	157
	Balance sheet - Petrol Group	158
	Cash flow statement - Petrol Group	159
	Statement of changes in equity - Petrol Group	160
	Employees classified by educational level - Petrol Group	161
	Notes and tables to the financial statements - Petrol Group	162



Operations

Petrol, the leading oil trading company in Slovenia, is the principal strategic supplier of oil and other energy products to the Slovene market. Petrol distributes much of its oil products through a highly developed network of service stations. Through this proprietary distribution network, Petrol provides drivers on Slovenia's roads and highways with a broad range of automotive goods and services as well as a full range of household and food products and sundry goods.

Vision

Petrol is looking beyond its own borders and transforming itself from the largest oil company in Slovenia into one of the leading energy providers throughout Southeastern Europe.

Business principals

Petrol's integrated method of conducting operations is designed to cultivate business excellence. It is based on knowledge and respect for current market demands in the areas of service, information technology and environmental protection.

Competitive capability

Petrol is not only known for its impeccable reputation and its existing high quality goods and services, but also for its development of a range of new and innovative products. Petrol enjoys a solid financial and market position. Its extensive distribution network of state of the art service stations gives Petrol an absolute competitive advantage over potential competitors.

Strategic direction

Oil trading activities remain Petrol's core business and guide Petrol's primary strategic direction. Petrol will continue to maintain its dominant position in the Slovene oil market while pursuing a strategy of geographic diversification into the markets of Southeastern Europe.

Petrol's secondary strategic direction and the most important area of current development is the growing segment of new energy activities. This segment includes the marketing of natural and liquefied gas, heating and electrical energy and, in the long term, technologies to recycle energy resources. Petrol is entering into strategic partnerships and organizing business activities within subsidiary and affiliated companies in order to further these goals.

Contents of annual report



Key events and factors effecting Petrol's business results	8
Key financial data, results and forecasts	12
Message of the Management Board Chairman	18
Management Board	24
Petrol shares	26
Risk management	30
Core business activities	34
Other business activities	40
Development and investment	44
Employees	48
Business standards	52
Petrol Group	56
Message of the Supervisory Board Chairman	170
Supervisory Board	174

Key events and factors effecting Petrol business results



Key business events in 2002

Expansion of retail network

At the end of 2002, Petrol Group's retail distribution network was comprised of 312 service stations, of which 283 were in Slovenia, 17 in Bosnia & Herzegovina and 12 in Croatia. The majority of stations in the network, 79%, operate as part of Petrol's franchise system. Petrol has plans to expand its retail distribution network to Serbia. As part of these plans, Petrol established a subsidiary in the Republic of Serbia that will begin operations in 2003.

Agreement about the restructuring of Nafta Lendava, d.o.o.

Petrol and the Government of the Republic of Slovenia reached an agreement regarding the final restructuring of Nafta Lendava d.o.o. In accordance with this agreement, there are no longer any obligations or claims between Petrol and Nafta Lendava. With the finalization of this agreement, the Petrol Group has created the right conditions for the realization of new projects, in specific those related to increasing the capacity of its warehousing operations and the continued development of the diversified energy and environmental segments.

The establishment of the subsidiary company Petrol skladiščenje, d.o.o.

In July of 2002, Petrol purchased 70 thousand cubic meters of warehouse capacity from Nafta Lendava. The management of the new capacity will be the responsibility of the recently established subsidiary, Petrol skladiščenje d.o.o. (Petrol Warehousing).

The acquisition by the Petrol Group of two energy companies: Energetika Ravne, d.o.o. and Energetika Štore, d.o.o.

With the purchase of 80% interests in the operations of the two companies, the Petrol Group is continuing to develop and expand its activities in the diversified energy segment. The merging of the new companies into the Petrol Group will augment Petrol's coverage of the natural gas and electrical energy markets.

The establishment of the subsidiary company Petroservis, d.o.o.

At year end 2002, Petrol's existing maintenance and support group was dissolved and Petroservis, d.o.o., a wholly owned Petrol Group subsidiary, was established. Petroservis d.o.o. will begin operations in 2003.

Change in the oil pricing model

The government of the Republic of Slovenia enacted modifications in the oil pricing model that became effective on January 22, 2002. The ceiling on gross margins for motor fuels was increased by SIT 0.40 per liter.

Prices of oil and oil derivatives on world markets

In 2002, the average price of oil was USD 25.04 per barrel, USD 0.57 higher than the average price in 2001. Prices for 95-octane unleaded gasoline, diesel fuels and extra light heating oil experienced similar trends. The prices of all energy products reached peaks in December 2002, influenced to a great degree by the increasing tension in relations between the United States and Iraq and the crisis in Venezuela.

Exchange rate of the American dollar

In 2002, the average exchange rate between the US dollar and the Slovene tolar was 240.259 SIT/USD (according to rates published by Bank of Slovenia). The average value of the USD was approximately 1% lower than during the previous year.

Strong competition

With the expansion of operations to the markets of Southeastern Europe, the Petrol Group comes into direct competition with a number of national oil concerns and global energy multinationals. Even on the domestic Slovene market, Petrol saw increasingly intense competition in 2002 with five larger oil companies and 40 smaller concerns engaging in the business of buying and selling oil products.

Key events following close of fiscal year

New ordinance for oil pricing model

In January 2003, the Government of the Republic of Slovenia passed a new ordinance pertaining to the oil pricing model. According to the new ordinance, which will come into force on May 31, 2003, the government will also regulate the price of diesel fuel and extra light heating oil. The new ordinance also adjusted the maximum level on gross margins for all three products.

Ordinance for acyclical excise taxes

In an effort to protect the Slovene economy from shocks resulting from short-term increases in the price of oil on international markets, the Government of the Republic of Slovenia has adopted an acyclical excise tax system. This instrument will have a strong effect on the government budget.

Reappointment of Management Board Chairman

During the board meeting that took place on February 26, 2003, the Supervisory Board reappointed Janez Lotrič as President of the Management Board for a new five year mandate.

Key financial data, results and forecasts



Key financial data

net sales revenues

in SIT 000	2002	2001
	277,394,183	272,567,636

total assets

in SIT 000	2002	2001
	137,404,452	120,061,515

equity

in SIT 000	2002	2001
	67,755,012	63,741,883

net return on equity

%	2002	2001
	8.1	7.0

long-term debt to equity

%	2002	2001
	18.4	12.8

net income

in SIT 000	2002	2001
	5,310,767	4,237,066

net earning per share

in SIT	2002	2001
	2,520	1,953

number of employees

December 31	2002	2001
	2,569	2,422

number of services stations

December 31	2002	2001
	312	294

Quantity of oil products sold

by the Petrol Group in 2002 was 1.85 million tons, 90% of which was sold on the domestic Slovene market and 10% on the markets of Southeastern Europe

Net sales revenues

generated by the Petrol Group in 2002 was SIT 277 billion, an increase of 2% over the previous year. The breakdown of sales shows that oil products sold comprised SIT 245 billion of the total (unchanged from the previous year), supplementary commercial products sold comprised SIT 28.5 billion (a 20% increase over 2001) and sales from services comprised SIT 3.6 billion (an increase of 6%).

Gross profit

generated by the Petrol Group in 2002 was SIT 40.9 billion, an increase of 15% over the previous year.

Profit before tax

generated by the Petrol Group in 2002 was SIT 5.4 billion, a 22% increase over the previous year.

Net profit

generated by the Petrol Group in 2002 was SIT 5.3 billion, a 25% increase over the previous year.

The SIT 55 million difference between the net profit of the unconsolidated parent company (Petrol, d.d.) and the consolidated Petrol Group is the net result of exchange rate differences, increases in inventory values and the write-off of negative goodwill.

Total balance sheet assets

of the Petrol Group at fiscal year end 2002 were SIT 137.4 billion, a 14% increase over the previous fiscal year end.

Working capital

of the Petrol Group at fiscal year end 2002 was SIT 46.6 billion, a 12% increase over the previous fiscal year end.

Equity

of the Petrol Group at fiscal year end 2002 was SIT 67.8 billion, a 6% increase over the previous fiscal year end

Long-term debt

of the Petrol Group at fiscal year end 2002 was SIT 12.6 billion , a 52% increase over the previous fiscal year end.

The higher level of long-term debt was the consequence of intensive investment activities.

Short-term debt

of the Petrol Group at fiscal year end 2002 was SIT 46 billion, a 24% increase over the previous fiscal year end.

Investment into long-term assets

of the Petrol Group reached a level of SIT 20,7 billion in 2002. Eighty percent of invested assets were directed toward the Group's core business activities and 20% toward other business activities.

Forecasts for 2003

Financial results

The Petrol Group is forecasting net sales revenues in 2003 of SIT 307 billion, net income of SIT 5.7 billion and a return on capital of 8.19.

Sales volume

The Petrol Group is forecasting total volume sales of oil products in 2003 of 1.9 million tons. Forecasted sales in the markets of Southeastern Europe will comprise 10% of total Petrol Group sales.

Investments

The Petrol Group is planning to invest SIT 25.8 billion into its fixed asset structure in 2003. The forecasted long-term debt coefficient for 2003 is 0.41.

Employees

Because of the expansion of the retail distribution network of service stations and the introduction of new business activities, the Petrol Group anticipates having a total of 2,726 employees at fiscal year end 2003.

Retail network

The Petrol Group anticipates having a total of 342 service stations in its retail distribution network at fiscal year end 2003, of which 294 will be in Slovenia, 30 in Bosnia & Herzegovina and 18 in Croatia.



Confirmation of business strategy and strong business results

2002 was a successful business year full of important changes and developments for the Petrol Group. Petrol closed the year with net sales revenues of SIT 277 billion and generated net income of SIT 5.3 billion.

Approximately SIT 21 billion in new funds was invested in the fixed asset structure of the Group. In terms of the level of net revenues and net income, Petrol once again earned its ranking among Slovenia's leading companies. More than just excellent business results, Petrol distinguishes itself with one of the largest and most stable investment cycles in Slovene business. In 2002, Petrol proved above all the suitability of its strategic plans to become one of the leading energy concerns in Southeastern Europe.



The development of the Petrol Group

is based on consistent vision, business flexibility, the quality of operations and financial stability. We realise that the formulation of a consistent strategy and the preservation of our competitive advantage on the Slovene domestic market ensure conditions for future capital, business, and market expansion on international markets.

We are building an optimistic development plan on the principals of partnership and reciprocal trust with customers, business partners and the government. All of these factors work together to create a bright future for Petrol and its development into an international energy concern.

The business environment of the Petrol Group

is comprised of three main factors: the international markets for oil and oil derivatives, the domestic pricing policies for oil and oil derivatives and business risk in the markets of Southeastern Europe. In 2002, global economic conditions were mixed. Economic recession and political and military uncertainty increased business risk and elevated the price of oil on international markets. On the other hand, the decline in the value of the dollar decreased the cost of purchasing oil products. In 2002, Slovenia had higher growth than the European Union, though it was accompanied by above average inflation. The Government of the Republic of Slovenia and the Bank of Slovenia were convinced that increases in oil prices were one of the primary causes of domestic inflation. However, the results of economic studies carried out by the Institute of Economic Research in Ljubljana on the impact of the oil pricing model (and, in particular, of movements in gasoline prices) on inflation showed the opposite. In 2002, retail fuel prices increased because of higher supply prices and excise taxes, while profit margins remained largely unchanged. In other words, Petrol, as a domestic supplier, shouldered a part of the macroeconomic cost of increased inflation in 2002.

The successful realisation of strategic goals

was advanced in 2002 with the purchase of two energy companies: Energetika Ravne, d.o.o. and Energetika Štore, d.o.o. With these two acquisitions, Petrol became one of the largest non-government producers of electrical energy in Slovenia. Equally important was the agreement regarding the sale of Petrol's share in and the long-term restructuring of Nafta Lendava that was reached after four years of intensive negotiation between the Slovene government and the management of the company. The agreement provided for the exchange of any remaining Petrol claims against Nafta Lendava for a piece of property on which Petrol will modernise and expand the existing warehousing facilities. A portion of the newly acquired property will also be allocated to environmental and other industrial projects. In such a way, Petrol is now free of old financial burdens and has acquired assets that will allow for the development of important business projects. The third important development in 2002 for Petrol was in the warehousing and storage sector. This included the establishment of a new subsidiary named Petrol skladiščenje, d.o.o. in Lendava and the expansion of warehousing capacity for oil products at the affiliated company, Instalacija, d.o.o., in Koper. This development was also significant because it was the first time that Petrol used its new project financing model that enables the financing of demanding new projects without putting excessive burdens on the balance sheet of the parent company. The fourth

important development took place in the strategic area of expanding the diversified energy activities of Petrol. Namely, Petrol continued to acquire new natural gas concessions (it now has a total of 17) and new concessions for water purification plants. In these and others ways, Petrol confirmed its strategic position as a diversified energy concern.

The core business of Petrol

remains, of course, the trading and sales of oil products. The distribution network of modernised service stations in Slovenia and the expansion of the network to international markets continue to be the Petrol Group's main competitive advantage. There are 283 Petrol service stations in Slovenia, 77% of which are part of the franchise system. In 2002, we expanded our merchandising activities with 15 new Hip Hop sales centers, which bring the total up to 77. We have dedicated a great deal of attention to the expansion of our line of supplementary (non-energy) products and our many new marketing approaches have achieved above average business results. We have also improved the logistics of gasoline distribution to the service stations, which is now on the same level as the most developed energy companies in the European Union.

We are expanding the reach of our retail activities to the markets of Southeastern Europe, mostly through the franchise system. In 2002, one-tenth of Petrol's total sales were transacted in these markets. During 2002, we established sufficient market penetration and concentration of business activities to move toward Petrol's final strategic goals on foreign markets. Specifically, in the coming years, we aim to open approximately 150 new or renovated service stations in the markets of Southeastern Europe.

The development of internal business excellence

represents the fundamental source of Petrol's ability to maintain its competitive advantage. Controlling expenses, mastering business processes and achieving appropriate and measurable degrees of business excellence are all important routes on the roadmap of Petrol's development. In 2002, Petrol ran twenty major business projects in which some 200 employees were involved. The common thread in all these projects is the introduction of modern management methods and the evolution of our own proprietary business model that is now comparable to the most successful diversified energy companies in Europe. Petrol is not only developing the organisational methods of a diversified energy concern, but also a leadership and business culture founded on teamwork, shared goals and insistence on excellent financial results. In 2002, these were the most important components in the training of the Petrol management corps.

Three important strategic projects,

deserve special mention. Petrol's most important strategic project and indeed the cornerstone of the Petrol business environment are coworkers and partners. We are developing a special corporate culture among both our employees and our business partners. For this reason, we are introducing new methods for enhancing intellectual capital in human resources management. In this area, Petrol takes the lead in Slovene business practice. We

realise that without expert knowledge, strong motivation and common goals shared by employees who believe in the strategic vision of the company, we cannot realise our principal development goals. Petrol's second strategic project is called business re-engineering. Substantially strengthened in 2002, it involves the smooth regulation of financial indicators, internal economics and automation of business processes. This approach will allow us to continue the rationalisation and enhancement of efficient business methods. In this regard, we are especially proud to have achieved great progress in the gradual integration of business processes into the information system. As a result, we undoubtedly rank among the top range of comparable companies in this regards. The third strategic project relates to business standardisation, quality control systems and the achievement of comprehensive business excellence. In this area, we are striving for the integration of quality control systems and their expansion to every level of the Petrol organisation: from the parent company to subsidiaries to affiliated companies. Our success in this area represents one of the strongest pillars in the development of the Petrol Group.

The fundamental value

that defines the Petrol Group is trust. The Petrol parent company at the top of the Group must build and develop partnerships within the Group itself but also with the external business environment. Partnership is based on trust and relationships built on trust – in the narrowest sense of the word – with customers, owners, employees, business partners and the government are absolutely crucial. We also realise that good business results are, to a large degree, the measure of the commitment of Petrol employees: their efforts, their entrepreneurial initiative, and their drive to attain Petrol's strategic goals. Of equal importance is the collaboration and trust of our business partners who share these same strategic goals. In 2002, Petrol reached important development agreements with the Slovene government that will allow both parties to continue working for the stable supply of energy to Slovene markets. The business partners with which we are building a new business system respect Petrol's criteria for quality and excellence. Not least, Petrol's return on equity and share value has earned the trust of its shareholders.

The future of Petrol

and its primary business goals are absolutely clear. The road we've already traveled provides proof that the ongoing realisation of our primary development strategies has greatly enhanced the internal and external image of Petrol. From an ordinary oil supplier to the domestic Slovene market, Petrol is developing into an integrated provider of a wide range of energy products and environmental services. On the international level, we are growing into an energy concern that will contribute importantly to the building of modern energy markets in Southeastern Europe. Detailed strategic analysis, solid business decisions and efficient everyday operations have yielded strong results in 2002. It is these results that most convincingly prove that our business plans are prudent and realisable and that Petrol is a concern worthy of trust.

Janez Lotrič

Management Board Chairman



Appointed for a five-year
mandate May 28, 1998
Reappointed for a new five-year
mandate February 26, 2003

Management Board Chairman

Janez Lotrič

Prior to Petrol, Mr. Lotrič first worked at ITEO, followed by positions in the legal services department at Žito and at Agrostroj international markets and lastly as the director of general human resources at Yulon. He has worked at Petrol since 1989. His first position was as legal adviser to the international markets department. He then became systems director while simultaneously serving as director of the international finance division. In 1995, he was appointed assistant to the then General Director. In 1997, he served on the Management Board in charge of the supply division.

Members of Management Board

Janez Bedenk

Born 1950. Degree in mechanical engineering. Mr. Bedenk has been employed at Petrol since 1976. He held various mid-management positions before becoming the head of the technology and quality control segment. He now serves as director of technical services.

Poldka Breznik

Born 1949. Degree in economics. Ms. Breznik has been employed at Petrol since 1970. She held positions as junior and senior accountant before becoming the director of the finance and accounting segment.

Mariča Lah

Born 1956. Degree in economics and MBA. Ms. Lah has been employed at Petrol since 1980. She started as an analyst, was promoted to the head of the pricing segment and then to the director of the pricing and systems segment before being appointed to the Management Board as a replacement for the director of domestic markets.

Borut Meh

Born 1953. Degree in economics. Prior to Petrol, Mr. Meh served as the assistant to the General Director of the Velenje-based company, ERA, and then as assistant to the President of the Board. He served as a member of Gorenje's board. He also served as a management deputy at Nova Ljubljanska Banka while simultaneously replacing the president of the management of the Slovene steel industry.

Hinko Lobe

Born 1952. Degree in sociology. Mr. Lobe has been employed at Petrol since 1984. During these years, he served as the Management Board member in charge of general employee relations.

Bojan Herman

Born 1951. Mr. Herman has been employed at Petrol since 1975. He has worked in the information, commercial and logistics segments. During this period, he has also served as vice-president of the youth organization, the president of the union and the vice-president of the labor board. Before being appointed as a member of management, he worked in an independent organizational function of the logistics segments.

technology and energy

Appointed for a five-year mandate
June 24, 1997.
Mandate extended to May 28, 2003
on June 25, 2002.

finance and accounting

Appointed for a five-year mandate
June 24, 1997.
Mandate extended to May 28, 2003
on June 25, 2002.

core business activities

Appointed for a five-year mandate
June 24, 1997.
Mandate extended to May 28, 2003
on June 25, 2002.

other business activities

Appointed for a five-year mandate
December 23, 1998.
Served from April 1, 1999
until August, 2002.

director/representative employees

(until September 24, 2002)
Appointed for a five-year mandate
September 24, 1997.

director/representative of employees

(from September 25, 2002)
Appointed for a five-year
mandate September 25, 2002.



Petrol shares

Petrol shares have been traded with an A quotation on the Ljubljana Stock Exchange since May 5, 1995. In 2002, Petrol's shares experienced stronger growth than the SBI stock index, its price per share increasing by 77.2% between December 28, 2001 and December 30, 2002. Petrol's share price has increased by 138.7% since it was first quoted on the exchange. In 2002, the average price per Petrol share was SIT 33,347, 57.2% higher than the average share price during the previous year.

**Petrol shares
on the Ljubljana stock exchange
from 1998 to 2002**

In November 2002, Petrol shares reached the price of SIT 43,762, the highest price recorded during the entire history of Petrol's quotation on the exchange. Before 2002, the highest price recorded for Petrol shares had been in 1998, a period that was characterized by general optimism on the Ljubljana exchange. In 1999, a period of pessimism and price stagnation on the exchange, the price of Petrol shares was relatively stable. In 2002, a year characterized by a generally upward trend on the domestic exchange, Petrol shares exceeded the growth of the SBI index by 19.5%.

More than SIT 23 billion in volume traded

In 2002, the total volume of Petrol shares traded was SIT 23.1 billion, 75% higher than the previous year. Including block and cross trades, the volume of Petrol shares traded in 2002 totaled SIT 33.4 billion. In terms of this volume, Petrol was ranked third on the Ljubljana stock exchange. Not including block and cross trades, an average of SIT 1.9 billion in Petrol shares changed hands during every month of 2002. Transactions in Petrol shares took place every single business day in 2002, which means that Petrol shares enjoyed 100% liquidity throughout the year.

Third place on the Ljubljana stock exchange

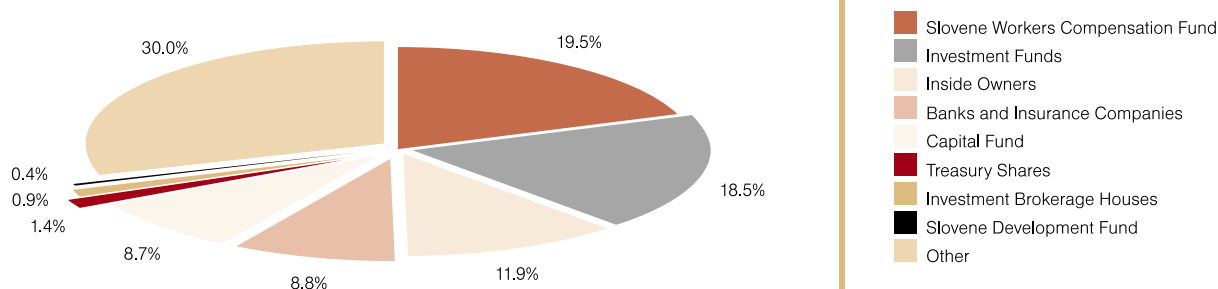
On the last day of the 2002, the market capitalization of Petrol reached SIT 85.6 billion, which is 8.5% of the total market capitalization on the Ljubljana stock exchange. In terms of market capitalization, Petrol advanced from the fourth largest company on the exchange in 2001 to the third largest in 2002. Petrol shares are one of the three securities in the SBI index that represent a maximum 10% in the calculation of the index.

	2002	2001	2000	1999	1998
Highest share price	43,762	23,850	25,676	29,386	30,067
Lowest share price	23,124	18,275	17,966	24,484	19,757
Average annual share price	33,347	21,208	20,426	26,429	24,032
Share price on the last day of the fiscal year	41,009	23,147	19,367	24,807	27,722
Increase (decrease) in share price from Jan 1 to Dec 31	77.17 %	19.27 %	- 20.39 %	- 6.91 %	39.10 %
Increase in average share price in current year since May 1995	94.12 %	23.45 %	18.90 %	53.84 %	39.89 %

Optimistic financial indicators

In 2002, Petrol achieved earnings per share of SIT 2,520, which was 29% above the level of the previous year. Cash flow per share was SIT 4,974 in 2002, an increase of 21,3% over the previous year. Return per share reached 77.2%. Including the 2.6% dividend paid out in 2002, total return per share was 79.8% in 2002. Over the year, Petrol's share price appreciated faster than the Company's book value: the ratio between the two increasing from 0.76 in 2001 to 1.26 in 2002. The Company's price-earnings ratio at year end 2002 was 16.27.

Ownership structure



Petrol's ownership structure did not change substantially in 2002. The Slovene Workers Compensation Fund with 406,456 shares continues to be the largest shareholder, followed by the Capital Fund with 181,425 shares. The National Financial Company, Nova KBM, Kmečka družba and Triglav Steber are among Petrol's other large individual shareholders.

At the end of 2002, 10,390 Petrol shares were owned by individuals or companies outside Slovenia, which represents only 0.5% of total ownership.

At the end of 2002, Petrol had 47,240 shareholders, as compared to 49,121 shareholders reported at the end of the previous year. This represents a decrease of 3.8%. Although the trend has slowed in recent years, the number of shareholders has consistently fallen since Petrol shares were first quoted on the Ljubljana stock exchange.

Share repurchase program

Petrol did not repurchase any shares in 2002. The Company maintains a treasury stock fund that was created on the basis of applicable corporate by-laws and in accordance with the Board Resolution dated April 4, 1997. The fund may not exceed 5% of total capital, 28,952 shares or 1.39% of registered common capital. The total book value of the fund as of December 31, 2002 was SIT 600 million. Market value of the shares on the same day was slightly lower at SIT 587 million.

Dividend policy

One of the cornerstones of Petrol's development strategy is the long-term maximisation of returns to shareholders. For this reason, Petrol's management strives to ensure the stability of dividend payouts over the long-term. This is the most appropriate policy for the development needs of the Company because it delivers predictable returns to shareholders and the long-term stability of Petrol's share price.

In accordance with its long-term dividend policy, Petrol intends to pay out dividends of SIT 600 per share during the period from 2002 to 2005 (calculated in 2002 prices):

business period	total dividend payout in SIT	gross dividends per share in SIT
1993–1995	1,460,410,700	700
1996	417,260,200	200
1997	1,564,725,750	750
1998	1,251,780,600	600
1999	834,520,400	400
2000	1,043,150,500	500
2001	1,251,780,600	600

Calculated profit

In 2002, Petrol reported calculated profit of SIT 5,471,518,000.



NOVI TESTAMENT
Novi Testamenti Evangelii libri octo
Apostolorum, Petri et Pauli
Evangelii, S. Petri et Pauli
S. et c.

SYRIA DALMATINA
S. et c.

WITENBERGA
S. et c.

Risk management

As a result of its core business activities, the Petrol Group is regularly exposed to price and exchange rate risk. In order to minimise these risks, Petrol consistently and thoroughly tracks relevant trends and important events on domestic and international markets and makes use of a variety of financial instruments and hedging mechanisms. From the standpoint of financial risk, Petrol's operations are run in a conservative and highly controlled manner.

The oil and dollar markets

The Petrol Group sources oil and oil products on the international markets and makes payment in American dollars. It sells oil and oil products for the most part on the Slovene domestic market and therefore receives payment in Slovene tolar. It is precisely these two financial markets – the oil and dollar markets – which are among the most volatile in the world today. In transacting its core business, Petrol Group is regularly exposed to exchange rate risk (changes in the SIT/USD rate) and price risk (changes in the price of oil and oil derivatives).

- In the case of unfavorable movements in relative prices on international and domestic markets, Petrol makes use of appropriate financial instruments to increase the certainty of its operations and business results. The Company's exposure to price risk was significantly reduced with the introduction of the official oil pricing model by the government of Slovenia (April 2000), which ensures that domestic oil prices will follow trends in oil prices on international markets. The Company takes additional precautions against price risk by coordinating the supply and sales prices formulas of various oil products. Where such coordination cannot be guaranteed because of the long-term nature of a contract, the Company hedges its risk with commodity swaps purchased on OTC markets. Petrol's counterparties in these transactions are multinational financial organisations, banks and large energy suppliers and traders.
- Petrol generally makes payment for its purchases of oil derivatives with a slight time lag which exposes the Company to foreign exchange risk – that is, to changes in the SIT/USD exchange rate that may occur during the period between transaction date and payment date. The goal of exchange risk management is to match the exchange rates recognized in the official oil pricing model. The Company hedges against unfavorable dollar movements by entering into forward foreign exchange contracts (EUR/USD, SIT/USD and SIT/EUR) with Slovene banks as its counterparties.

"2002 Rating of the Year"

Petrol enjoys the highest credit rating from its domestic and foreign trading counterparties and customers. Because of its excellent financial condition and business results, Dun & Bradstreet has given Petrol its highest credit rating. This year, Dun & Bradstreet along with the Slovene rating agency (I poslovne informacije) gave Petrol special recognition with the »2002 Rating of the Year«.

The highest credit rating reflects a company's ability to meet its financial obligations on a timely basis, its position on the market, its financial strength and flexibility, stable cash flow and added value from operations.

Because of its financial strength and low level of indebtedness, Petrol enjoys the best possible financing conditions on domestic and international markets.

Mastering business risk

In 2002, the Petrol Group carried out a thorough internal study in order to define the main kinds of risk to which the Company is exposed. The study was augmented with a project called »Mastering Business Risk« that will enable the Company to protect itself from significant business risk.

As a part of the project, Petrol created a Internal Revision Service that systematically, independently and objectively monitors and controls operations, evaluating risk management mechanisms and internal control systems. The advisory function of the Internal Revision Service will have a positive impact on the added value of Petrol Group operations.

Safe and high quality payment capability

Petrol's short-term payment ability is guaranteed by prudent cash flow planning and strict avoidance of the risks of undisciplined cash flow.

Petrol ensures its ongoing payment capability through the management of appropriate cash and liquidity reserves as well as the availability of revolving credit lines with domestic and international banks that, when undrawn, incur no additional financing cost. The Company's ample long-term provisions represent another source of long-term financing.

From the standpoint of payment capability, Petrol receives the highest ratings from its business partners.

Active receivable management

Petrol is also exposed to receivable risk, though the extension of credit represents a relatively small porportion of its overall billing structure. Short-term operations receivable arise to meet the credit needs of those customers who have met specific credit criteria. The ability to extend credit to creditworthy customers permits a higher level of overall sales volume.

Petrol actively monitors the status of its customer accounts receivable and, in particular, does not allow concentration among its receivable pool. Because of the use of receivable insurance, the intensive monitoring of receivables and, when necessary, claims and arbitration, Petrol has succeeded in keeping overdue and questionable receivables at an acceptable level.

Minimal exposure

Given Petrol's ample capital base and the low level of indebtedness, its exposure to interest rate risk is minimal. Moreover, the Company's long-term debt is partly valued in SITs and partly in EURs. Because of this, interest rate risk is diversified over a number of factors: potential growth in exchange rates and in TOM and potential changes in domestic and international interest rates. All Petrol's long-term credit arrangements have variable (floating) interest rates based on TOM or EURIBOR.

In terms of counterparty risk, Petrol is not exposed to any individual or group of individuals to the extent that a failure would pose a significant risk. Given the nature of the product and Petrol's market share, the Company's customer base is extremely wide and diversified.



Oil trading and sales represents the core business activity of the Petrol Group. The core business is a stable and reliable source of long-term revenues and cash flow.

In 2002, activities related to the sale of oil products, supplementary commercial merchandise and services were carried out within the Petrol Group on the level of the parent company, Petrol, d.d., and five subsidiaries. The parent company is the main carrier of core business operations and in terms of quantities sold and all financial criteria will remain the primary operating company for several years to come.

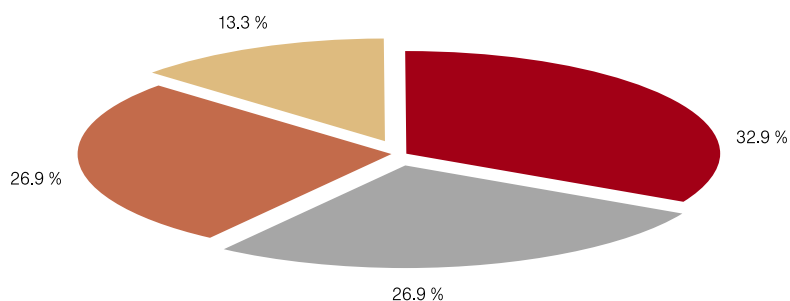
Core business activities

1.85 million tons of oil products sold

In 2002, Petrol Group sold 1.85 million tons of oil products. The total volume sold is in line with forecasted amounts.

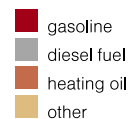
Most of this amount, 1.67 million tons of oil products, was sold on the domestic Slovene market. Approximately one-tenth of this amount, 176 thousand tons of oil products, were sold on the markets of Southeastern Europe, a level which exceeded forecasts by 6%.

The sale of oil products generated net revenues of SIT 245 billion, which is on the same level as the previous year.



Breakdown of 2002 sales volume by oil product

The breakdown of individual categories within total oil sales did not change significantly compared to 2001. Gasoline remains the largest component of the total, followed by extra light heating oil and diesel fuel. While the volume of gasoline and heating sold in 2002 lagged slightly behind the previous year, the volume of diesel fuel sold was 10% higher in 2002 than in the previous year.



Breakdown of 2002 supplementary merchandise sales

In 2002, the sales of all individual product segments in Petrol's line of supplementary merchandise saw increases compared with the previous year. To a large extent, this improvement is due to the renovation of the retail sales space, an appropriate selection of merchandise and the correct positioning of the merchandise in the store. The relative positions of individual product segments did not change significantly in 2002. The largest specific increases in 2002 were seen in the sales of personal use items and cigarettes (25% higher than in 2001), followed by food products (15% higher than in 2001).

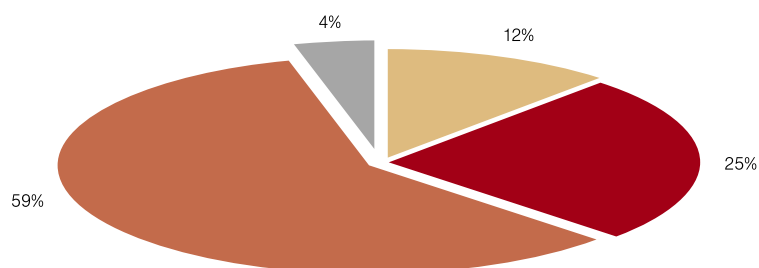
Revenues from the sale of automobile related items and cleansers increased by 11% as compared to 2001.

automobile and cleaning products
food products
personal use items and cigarettes
other

Twenty percent increase in supplementary merchandise sold

In 2002, Petrol generated SIT 28.5 billion of net revenues from the sale of supplementary commercial products, an increase of 20% over the previous year and 11% higher than forecasted levels.

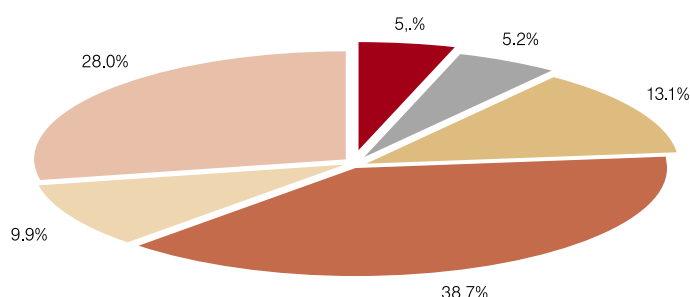
Petrol's success in supplementary products sales is also demonstrated by the increase in this type of revenue per liter of gasoline sold. Compared to the previous year, this figure increased by almost 17%, from SIT 19.35 in supplementary revenues generated per liter sold in 2001 to SIT 22.60 in 2002. Average revenues generated per square meter of sales space increased in 2002 by 4%, from SIT 139,716 in 2001 to more than SIT 145,717 in 2002.



Revenues from services exceed forecasts

In 2002, Petrol generated net revenues from the sale of services of SIT 3.6 billion, an increase of 6% over the previous year.

Sales of services include fees related to foreign exchange transactions, rental income and income for transportation, car wash, laboratory and other services. From a strategic standpoint, the most important component of the service category is Petrol's payment cards, which at year end 2002 had a customer base of 140,000. In addition to the direct revenues generated by the Petrol payments cards, the strategic advantages of their use have great importance. These include efficiency, contribution to growing sales and preservation of customer loyalty.



Breakdown of 2002 service revenues

In 2002, the largest component of the service category was transportation services, though revenues from this segment lagged slightly behind the previous year. Revenues from transportation services are followed by Magna payment card revenues which, largely because of increasing use and growing customer base (1,500 new cardholders in 2002), saw a 21% increase in revenues over 2001. Car wash revenues increased by 29% in 2002. The other significant components in the service category are those performed by Petrolservis, Petrol laboratory and warehouse for outside customers.



Changes in sales methods

In 2002, the Petrol Group generated approximately 55% of its oil products revenues and the majority of its revenues from the sales of supplementary commercial merchandise through its retail distribution network that was comprised of 312 service stations at year end. Given the maturity of the domestic oil market, which can no longer experience substantial growth rates in oil sales, the Petrol Group has spent the last several years focusing on increasing its non-oil sales. The individual sales points in its retail network have been transformed from traditional service stations to modern quick-stop convenience stores selling a wide variety of everyday goods.

Integrated sales offerings

One of the most important elements of Petrol's long-term partnerships with its wholesale customers has been the development of integrated sales offerings. More than just preserving its high product quality, the Company has regularly added to its proprietary product line and created a wide range of goods and services that have helped its customers to find solutions for technical, investment, environmental and other key issues.

Quality of Petrol retail network

In 2002, Petrol began to introduce the same high quality of operations for which its retail network is known in Slovenia to its service stations in Croatia and Bosnia & Herzegovina: namely, top quality products and services, environmental safety standards, state of the art information systems and contemporary sales methods and techniques. Petrol's international retail network will soon be on the same level as its domestic network in terms of quality and, in the long term, in terms of size and reach.

Forty-five percent of oil sales in 2002 were transacted on the wholesale market. Petrol's success on the wholesale market is primarily the result of providing the daily needs of the largest oil users, the expert knowledge and specialized capability of Petrol's sales representatives and the design of individually tailored commercial policies that have been developed with state of the art information applications adapted to each individual customer.

Modernising the retail network

In 2002, the Petrol Group opened 11 new or fully renovated service stations in Slovenia. The Company began to build new service stations on 7 additional locations and purchased 12 property lots where construction work will begin in 2003.

In terms of Petrol's retail network outside of Slovenia, the Company purchases existing private gasoline pumps or constructs new ones. In 2002, 15 service stations were added to the international network: 7 in Croatia and 6 in Bosnia & Herzegovina. In 2002, Petrol purchased 9 new property lots outside of Slovenia for the construction of new service stations.

Three oil warehouses were also renovated during 2002. The Rače warehousing complex was outfitted with the most advanced technological and environmentally sound equipment including a modern tank car loading station as well as new oil reservoirs and other technological installations. A similar overhaul was begun at the Celje warehouse. In 2002, a new extension with state of the art oil and water separators was added to the Zalog storage and distribution center .

Expansion of warehousing activities

The most important project in Petrol's warehousing segment is its expanded efforts to provide storage services for the Slovene government's required reserves of oil inventory. For that specific purpose, the Petrol Group acquired 70 thousand cubic meters in warehousing capacity from Nafta Lendava in 2002. The facility will be managed by the newly established subsidiary, Petrol skladiščenje. Plans have been designed for the transformation of the existing Lendava warehouse complex into a renovated and expanded facility of 160 thousand cubic meters. Project documentation needed to obtain building permits for the first phase of the expansion is currently in preparation. It is anticipated that construction will begin in 2003.



In 2002, the range of other business activities of the Petrol Group included the ongoing development of corporate infrastructure and the creation of favorable conditions for the sales and distribution of gas and electrical energy. It also included the tourist and hotel segment.

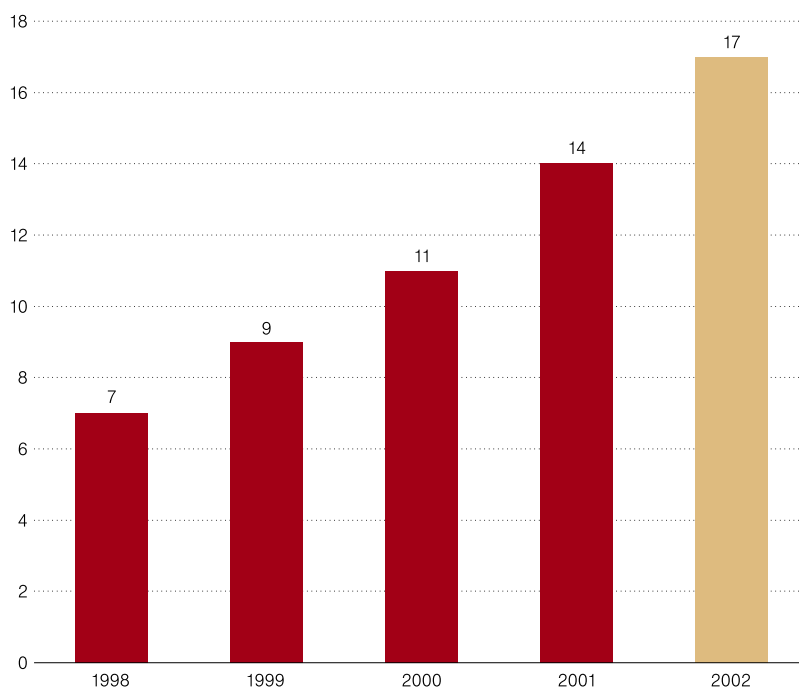
The area of other business activities relates to business segments that are significantly less developed and less mature than the Company's core business sector. In 2002, five Petrol subsidiaries engaged in the distribution of natural gas and electrical energy and in the tourist business. These subsidiaries were created precisely in order to make these other business segments independent of the operations of the parent company, Petrol, d.d.

Other business activities

Natural and liquefied gas

Because of its long-term potential as an alternative to traditional sources of heat and energy, Petrol has been building its presence in the area of natural and liquefied gas since 1998. During this time, the development of a natural gas network and distribution and marketing system has represented an important part of the investment and strategic development activities of Petrol Group. The ultimate goal is Petrol's ability to offer its customers a fully integrated range of energy products.

In 2002, the Petrol Group operated 17 natural gas concessions and provided liquefied gas to customers not covered by concession through 763 liquefied gas storage units. In 2002, the company sold 31 thousand tons of liquefied gas, an increase of 2% over the previous year. In 2002, Petrol sold 6 thousand tons (8.8 million cubic meters) of natural gas, the distribution of which is primarily linked to the ongoing construction of gas and water distribution networks. This represents an increase of 4% over the previous year during which Petrol's first customers were connected to the natural gas network. Besides the amount supplied through the network, Petrol Group distributed an additional 27 thousand tons (38.3 million cubic meters) of natural gas in 2002.



Dynamic acquisition of natural gas concessions from 1998 to 2002

At the end of 2002, the Petrol Group had acquired the right to either construct or manage a total of 17 natural gas concessions. Of this total, 14 concessions are managed by Petrol Plin and 3 are managed by Petrol-Energetika Ravne.

Petrol Group has long-term plans to acquire rights for approximately 30% of the natural gas concessions in Slovenia. As far as liquefied gas is concerned, Petrol Group aims to supply 15% of the market to large users and to provide approximately 10% of all liquefied gas storage units in Slovenia.

Acquisition of Energetika Ravne and Štore

Petrol-Energetika Ravne and Petrol-Energetika Štore became part of the Petrol Group in mid-2002 when the parent company, Petrol, d.d., acquired 80% ownership stakes in each of the two companies. The merging of these companies with the Petrol Group will have a positive impact on the development potential of the two companies and on their overall efficiency. Precisely in order to maximise efficiency, steps have been taken in 2002 to merge the activities of Petrol-Energetika Štore with those of Petrol-Energetika Ravne.

Roadside restaurants and hotels

The development and marketing of Petrol's network of roadside restaurants servicing travelers on Slovene roadways is operated through the subsidiary, Petrol Gostinstvo. The subsidiary manages a chain of roadside tourist facilities that, with a total seating capacity of 1,105, is the leading provider of restaurant services on the Slovene highway network.

The hotel activities of the Group are run by the subsidiary company, Hotel Špik, which, in addition to the hotel, manages a car camp and recreational facilities.

Electrical energy

In 2001, Petrol obtained a license to sell electricity in Slovenia and electrical energy took a place in Petrol's portfolio of energy activities. At that time, the Company established a joint ownership company called ElektroPetrol together with a foreign partner.

In 2002, Petrol divested its business interest in ElektroPetrol and transferred the production, distribution and sales functions of electrical energy into two newly acquired companies: Petrol-Energetika Ravne and Petrol-Energetika Štore, which became members of the Petrol Group in mid 2002.

In 2002, the Petrol Group distributed 243 thousand MWh of electrical energy. Of this total amount, it sold 63.7 thousand MWh of electrical energy in inventory and cogenerated 34.3 thousand MWh of electrical energy.

Hotel and tourism activities

The tourism activities of the Petrol Group are primarily focused on the development of a chain of specialized roadside restaurants that will complete Petrol's concept of supplying the total needs of all travelers on Slovenia's highway network. This business segment is important because of its synergies with the core business activities of the Group: namely, its marketing of oil products and supplementary merchandise through a highly developed retail network.

In 2002, the Petrol Group operated its hotel-tourism activities through 14 facilities.

Net revenues from sales in the tourism sector totaled SIT 1.7 billion, exceeding forecasts by 1%.

Net sales revenues in the hotel sector totaled SIT 201 million, lagging behind forecasts. The lackluster performance resulted from unfavorable weather conditions and the temporary closure of the hotel for urgent repairs and renovations.

Investment and development

Strategic development and planning is one of the five key corporate functions of the Petrol Group.

All of Petrol's business segments and management levels are imbued with the principals of Petrol's strategic development principals and are able to recognize and take advantage of development opportunities in a timely manner. In this way, the Company not only develops new projects but also maintains its existing competitive advantage over the long term.

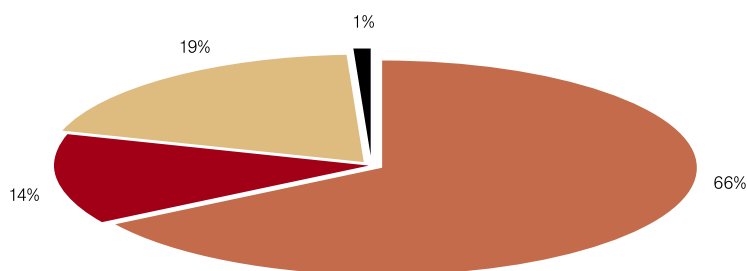
Investment into development activities

In 2002, the Petrol Group invested 20.7 billion in its fixed asset structure. The majority of these investments, 89%, took place at the level of the parent company, Petrol, d.d.

Investments into Petrol's core business activities in 2002 totaled SIT 16.42 billion. Most of these funds flowed into the construction, renovation and modernisation of service stations and warehouse facilities in Slovenia and into the expansion of the retail distribution network outside of Slovenia.

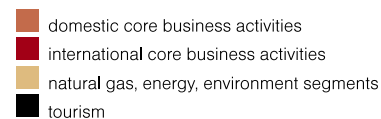
Investments into Petrol's new business activities in 2002, and in particular into the natural gas and electrical energy segments and into larger environmental and energy projects, totaled SIT 4 billion.

The remaining amount of invested funds, SIT 200 million, flowed into renovation and modernisation of tourist facilities.



Breakdown of Petrol's investments in 2002

In accordance with Petrol's overall strategic development plans, the Company invested the largest portion of funds into the structure that supports its core business activities. Nevertheless, the difference between the level of funds invested into the traditional oil/supplementary merchandise sector and the level of funds invested into new business activities narrowed in 2002. The annual portion of funds invested into the development of the new energy segment will continue to grow in the coming years.



Contemporary information systems applications

In 2002, the Petrol Group continued to develop the information systems applications that will support the overall strategic goals of the Group.

Among the most important developments in this area in 2002 was the development of applications that will support the management, monitoring and control mechanisms for the integrated activities of the Group as a whole. Subsidiary companies that are just now becoming a part of the Petrol Group were also integrated on the level of information systems. Applications that support the sales of goods and services were adapted to the specific needs of markets in Southeastern Europe and were introduced into the operating methods of Petrol's subsidiaries in Croatia and Bosnia & Herzegovina.

In the area of electronic business transactions, Petrol's efforts in 2002 focused on the creation and expansion of electronic business systems with business partners (B2B applications), with customers (B2C applications) and within the Group itself (A2A). In this way, Petrol has achieved a high level of automated information processing which gives the Company a strong competitive advantage in many key business areas: from sales, management and supply of the retail distribution network, to managing the relationship with business partners and customer, to providing the best analysis to support decision-making processes.

Internet technologies

In 2002, Petrol expanded its information systems to include the development of mobile technology in business applications. Certain information systems applications were adapted to include the use of new internet technologies that make it possible to consolidate a new generation of applications, WEB user interface systems, multilingual support systems, unified and simplified protection systems, simpler integrations with external information systems.

Other important development projects

Economics of business processes

In 2002, Petrol began the first phase of a project for calculating business expenses of and returns on specific products at specific sales points. The implementation of this project will permit faster reaction to business events, better control of operations and added-value along the entire distribution chain, improved methods of evaluating the competition and enhanced profitability and business results.

Reducing product returns

This project will ensure the transparent flow of the returns and reclamation process and will shorten overall turnaround time. Systematic analysis of the extent, the types and the trends of returns and exchanges will also make it possible to address the source of the problem and to eventually reduce their number.

Target management and annual discussion

In the 2002 annual discussion, defined goals and the role of management and employees in attaining these goals were presented and the accomplishments of individual managers were evaluated and praised. The general process of target management has been expanded to include lower levels of management in the parent company as well as the management teams of subsidiary companies.

Intellectual capital

In 2002, Petrol concluded the first phase of a project in which 11 key indicators were identified for measuring success in human resource management. The project will continue to compare Petrol's management methods with those of comparable domestic and foreign companies.

Management of financial policies

In 2002, the ongoing standardisation of the financial policies of the Group was expanded to include new implementation concepts. One of these is the preparation of a regulation handbook that will be a tool in the implementation of standardised financial policies in all Petrol Group subsidiaries. The regulation handbook will be completed in 2003.

Loyalty schemes

In 2002, Petrol introduced a special loyalty scheme to the holders of Magna payment cards. So called »Magna payers« receive additional discounts when purchasing various goods available at Petrol sales points. The goal of the programme is to enhance customer loyalty and to increase the level of sales.

Management of oil distribution chain

In 2002, Petrol took the first steps in the implementation of a project that entails the construction and modernisation of sufficient warehousing facilities to store the required government reserves of oil and oil derivative products. At the same time, Petrol is implementing additional expert controls on its core business activities that will reduce potential fuel losses incurred along the entire oil distribution and sales chain to an absolute minimum.

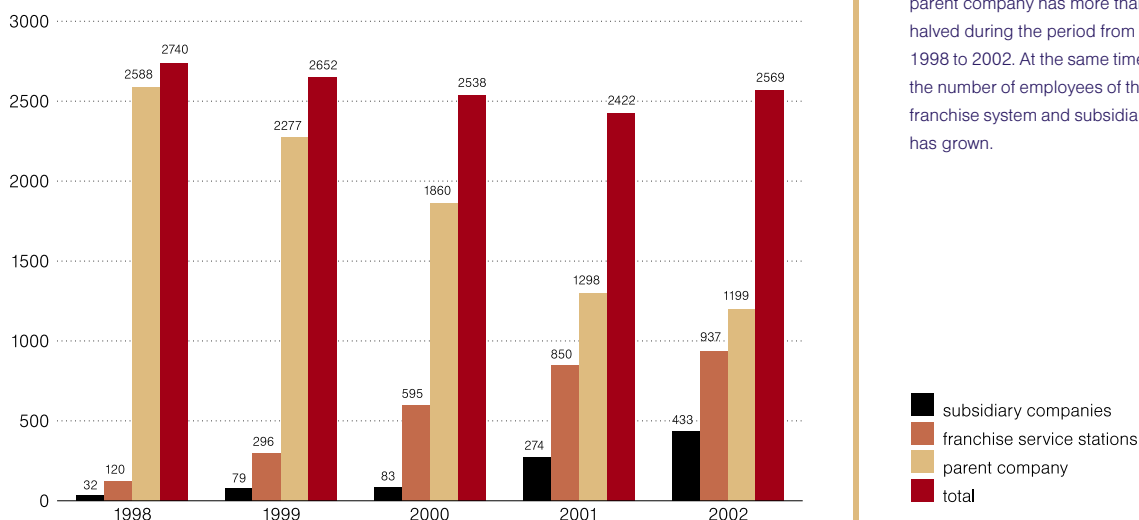
In 2002, the Petrol Group completed the five-year period during which one of the Company's primary human resources goal was the reduction of the overall number of employees. The total number of employees at year end 2002 was slightly higher than at the end of the previous year. The Company anticipates a continuation of the upward trend in employee numbers in the coming years. For the most part, the creation of new work positions will be linked to Petrol's intensive development plans and to the expansion of new business segments.

Employees

2,569 Petrolers

Formally, Petrol's employment base includes employees of the parent company and of its subsidiaries. Employees of the retail service stations in the franchise system, while not formally Petrol employees, also contribute significantly to the business results of the Group. Because of this, the status of franchise employees from the standpoint of recognition, training, development and access to internal communication networks is identical to that of formal employees of the Petrol Group.

At year end, the Petrol Group formally employed 1,632 employees. Including employees in the franchise system, the number contributing to the business results of the Group reaches 2,569. This number is up 6% from the previous year when Petrol and its franchise networks employed 2,422 people.



Trend in Petrol employment figures from 1998 to 2002

The number of Petrol employees, which had fallen in all the years from 1998 to 2001, saw a 6% increase in 2002. This was largely due to the acquisition of 3 new subsidiary companies. The previous reduction was mostly the consequence of the growth in the franchise system and the shift of employees from the parent company to subsidiaries. The parent company ended 2002 with 1,199 employees, nearly 8% less than at the end of 2001. The number of employees at the parent company has more than halved during the period from 1998 to 2002. At the same time, the number of employees of the franchise system and subsidiaries has grown.

Low level of turnover

In 2002, the Petrol Group took on 281 new employees. Of this increase, 135 resulted from the redesign of work processes, new investment projects and external hiring, and 146 of the increase resulted from the acquisition of three new subsidiary companies. During 2002, 134 employees left Petrol because of retirement, contract rollover and other reasons.

The level of voluntary turnover remains exceptionally low at Petrol. Only 32 employees voluntarily left Petrol for other employment in 2002, which is a mere 1.3% of the total average number of employees.

Supplementary training programmes

Of all Petrol 2002 training programs, the most positive response was received by the »Academy Petrol« which, through a variety of educational methods, provides employees with expert knowledge not included in more traditional programmes. In 2002, a number of innovations were introduced to the »Academy Petrol«: namely, a round table entitled »Management Culture in Corporations« with the guest speaker Janez Benčin from IBM Slovenia; a two-part workshop on the theme of team work run by Bojan Erjavšek from Biro Praxis, and; a workshop entitled »Marketing and Managing Brand Name Products« run by Professor Reinhard Angelmar from the French business school, INSEAD.

Slovenija 2002 ■
Industry 2002 ■
Petrol, d.d. 2002 ▲

Organisational climate 2002

In 2002, the average satisfaction rate of Petrol Group employees hardly changed from the previous year; employees gave the organisational climate of Petrol a rating of 3.47 on a scale of five. Comparative data indicates that the satisfaction level of Petrol Group employees is almost 4% higher than the Slovene average (3.34 in 2002). Compared with the previous year, this figure did not experience a significant change.

Employment structure

The average age of a Petrol employee in 2002 was 40.5 years. It is anticipated that, because of new employment resulting from intense investment activities, the average age of Petrol employees will decrease in 2003. The Petrol employee base is 74% men and 26% women.

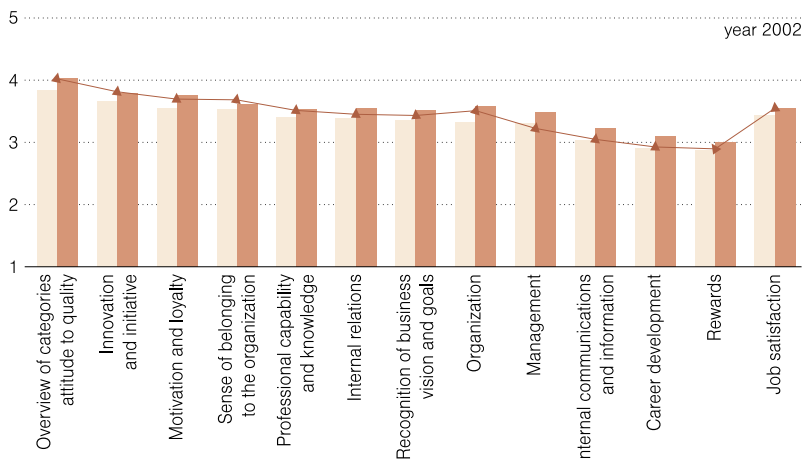
As a result of certain legal requirements and of the nature of work at service stations, the average educational level of Petrol employees is relatively low. At the parent company, however, the number of relatively uneducated employees has decreased from 70% of the total to 40% of the total during the period from 1998 to 2002, while the number of higher and highly educated employees has increased from 9% of the total to 23%.

The efficiency of employees of the Petrol Group has been increasing largely as a result of supplementary training and educational programmes. In 2002, Petrol invested SIT 149 million in these programs, or an average of SIT 58 thousand per employee.

In 2002, 85% of the training programs were internally run which allows for highest level of specificity and adaptation of material to Petrol employees' needs.

Organizational climate

In 2002, the Petrol Group conducted its fifth research study of the satisfaction of its employees. In order to achieve more meaningful value and comparability results, the 2001 study took place simultaneously with identical polls from 25 other large Slovene companies. In 2002, the study took place in the context of the so-called »You're OK Project« in which 5,000 employees from 51 Slovene companies participated.





SAZHETKIE BILA BESEDA



Vinu Besheda je bila per Bugu, inu ta Besheda je bila Bug. Ta vezhna Boshja Besheda, katera je bila vsazhetki per Bugu. I Vse rizhy to skusi toillo da, kusi katera to vse rizhy Boshjane, le ten inu Luzh teh Luzh, temuzh de bi on od te Luzhi vanie.

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Operational standards

Petrol Group's business methods are designed to stimulate business excellence, to constantly improve and integrate operational standards and to make its internal operations and external environment transparent to business partners.

Petrol Group employees are encouraged to conduct business in a socially responsible manner and to respect contemporary rules of professional ethics.

Operational and technical standardization

In 2002, the Petrol Group continued pursuing its strategy of business excellence with projects designed to encourage teamwork, to promote the generation and analysis of new business ideas, to provide leadership in the business community through development of industry conferences and to coordinate individual business standards and create systems that protect people and the environment.

In 2002, the parent company of the Petrol Group merged its existing business, technical and quality control standards (ISO 9001), environmental protection standards (ISO 14001), food quality standards (HACCP) and health and safety conditions (OHSAS 18001) into a uniform system that will eventually also include the two currently now autonomous quality control systems of the Petrol Laboratory (SIST EN ISO/IEC 17025 in SIST EN 45004). In this way, it is anticipated that an integrated and uniform system of business and technical standards will be implemented in all of Petrol's subsidiary companies as early as 2003.

Regular evaluations processes

From 1997 on, the parent company of the Petrol Group has conducted its business in accordance with the ISO 9001 international standards. From 2000 on, the Company also adapted its work practices with the environmental protection criteria of the ISO 14001 standards. Petrol's adherence to appropriate operational and environmental standards is regularly confirmed during evaluations processes. External evaluators confirmed Petrol's standing in 2002. The Petrol Laboratory also renewed its accreditation in 2002 in accordance with the SIST EN ISO/IEC 17025 standards.

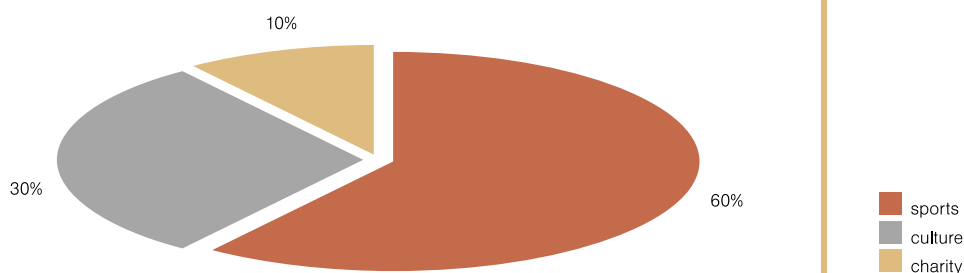
Responsibility to the community

Most of Petrol's sponsorship activities are undertaken with sponsorship partners and are long-term in nature. For this reason, the breakdown of Petrol's 2002 sponsorship activities hardly differs from the previous year. In 2002, more than half of Petrol's support went into sporting events, 30% of sponsorship funds went to culture and the arts and the remaining 10% went to various charities.

For many years now, the Petrol Group has been striving to promote a more active life style and a generally higher quality of life among the people and envi-

Breakdown of Petrol's sponsorship activities in 2002

Sponsorship is an integral part of the communication and public relations function and represents an efficient means of strengthening Petrol's corporate image. It occupies the most important place in the Company's many efforts to participate in the wider social environment.



Long-term partnership

The »Rating of the Year 2002« recognition and Petrol's generally high credit rating, the confidence of its business partners and the favorable financing conditions it enjoys on various financial markets are to a large degree the consequence of its business policies, transparent relations with its business partners and ability to meet all the financial obligations arising from these relationships.

Petrol's strong reputation on international markets is reflected in its domestic environment. The Petrol Group is considered to be one of the best employers in Slovenia and attracts the most promising candidates in the workplace. It has a very low turnover rate. Also important, the Petrol Group views work safety standards as a fundamental component of its ethical business policy, not merely as fulfilling its legal obligations.

ronment that support Petrol's continued operations and development. Petrol demonstrates its affiliation with and responsibility to the wider community with a variety of continuing projects in the areas of sports, cultural and humanitarian efforts.

One common theme in Petrol Group's sponsorship activities is the active support of and cooperation with developments in the sphere of the automobile. In 2002, the »Petrol Racing« team participated in three important championship races: Seicento Vega, the Mobi Cup and the Slovene National Cup. These events offer young drivers the opportunity to be daring and agile in a safe environment. Petrol makes use of these events both to promote its brand name products in oils, lubricants and automotive accessories and to promote values such as cooperation, teamwork and fair play.

Petrol Group also plays an important role in supporting cultural events and making them accessible to a wider public. In 2002, the parent company participated in the organization of the five festivals program that is a member of the Association of Slovene Festivals. As a general sponsor of the oldest Slovene publishing house (Slovenska matica), the Petrol Group sponsored the publication of philosophical works and, for the twelfth year running, the »Child to Adult« visual arts competition that gives young people the opportunity to express themselves and measure their artistic skills against others. For several years now, Petrol has also sponsored a number of smaller but no less high-quality cultural and artistic projects.

Business ethics

Issues of business responsibility to the community may have received more than usual attention this year because of the accounting scandals in America, but Petrol has been paying attention to them for many years. Business ethics and morality are an important ingredient in Petrol Group policies.

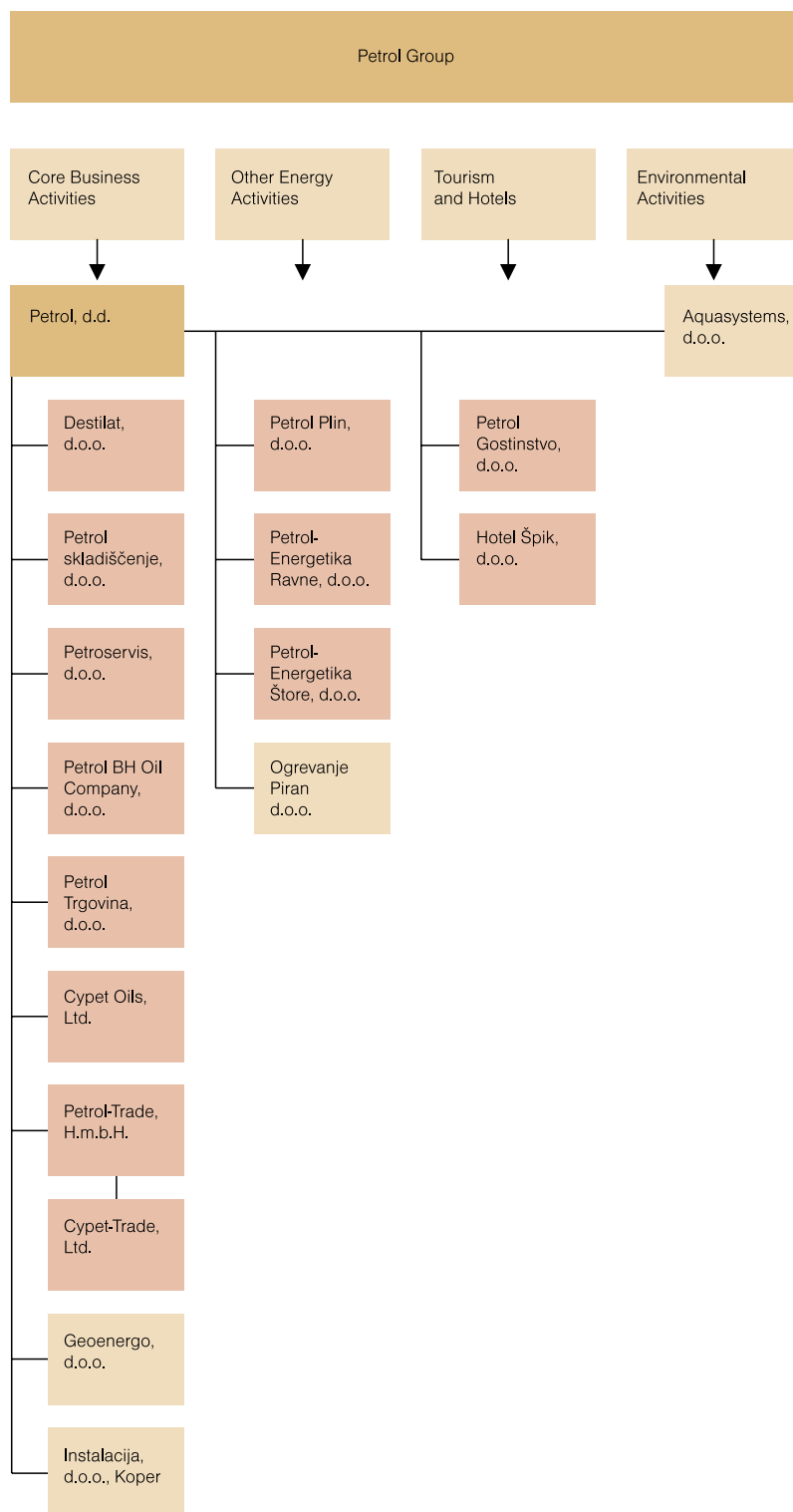
The Petrol Group ensures its long-term business success by building it on solid moral foundations such as honesty, loyalty, confidence, respect and generally responsible behavior toward all parties that have an interest in the Company. Precisely because of its ethical policies, the parent company and the entire Petrol Group is able to react quickly to developments in the community and to new circumstances in the market place. Respect of certain ethical norms ensures a level of safety to all participants in the business process which in turn allows the Company to deepen the foundations of the business organization.



Companies in the Petrol Group

At the end of 2002,
the Petrol Group
was comprised of
the parent company,
Petrol, d.d., eight
domestic
subsidiaries, five
international
subsidiaries, three
affiliated companies
and one joint
venture.

The
abovementioned
companies are
included in the
consolidated
financial statements
of the Petrol Group.



parent company
 subsidiary company
 joint ventures and affiliated companies

Address:

Dunajska 50
Ljubljana
Slovenia

Telephone:

00386 (1) 47 14 232

E-mail:

info@petrol.si

Ownership:

publicly-traded shareholder company

President:

Janez Lotrič

Petrol, d.d.

Petrol, d.d. was formally established on June 5, 1945 as a Slovene subsidiary branch of the then national company Jugopetrol. Until 1996 when it was transformed into an independent shareholder company, Petrol operated under a variety of different organizational umbrellas.

The core activities of the Company are buying and selling oil products, supplementary commercial merchandise and other goods and services. On the domestic Slovene market, Petrol, d.d. distributes oil products through a network of 283 retail service stations and enjoys a 70% market share of the domestic oil market and an important position in the food distribution market as well. As the absolute or majority owner of 13 subsidiary companies that are engaged in similar activities, Petrol, d.d. is the dominant company in the Petrol Group and continues to conduct the largest portion of operations and to generate the majority of revenues that make up the financial results of the Group as a whole.

In 2002, Petrol sold 1.8 million tons of oil products, exceeding forecasts. It generated revenues of SIT 28.5 billion from the sales of supplementary commercial merchandise, exceeding forecasts by 11% and it generated revenues of SIT 3.6 billion on the sales of goods and services, exceeding forecasts by more than 20%.

Petrol closed fiscal year 2002 with SIT 263.5 billion in net sales revenues and net profits of SIT 5.3 billion. Given Petrol's capital base of SIT 67.7 billion, this represents return on capital of 8%.

In comparison with 2001 results, Petrol, d.d. increased the level of net sales revenues by 1% in 2002, while its net income increased by a full 29% in 2002.

Petrol-Trade, H.m.b.H.

Petrol-Trade was the first established subsidiary of the Petrol Group and has been the most important foreign trading subsidiary of the parent company since 1987. In addition to trading in oil and oil derivatives, Petrol-Trade also imports and exports chemical products. It operates actively throughout Central European markets. It owns 100% of Cypet-Trade.

In 2002, Petrol-Trade sold 723,667 tons of oil and chemical products, exceeding forecasted sales by 3%. It generated SIT 3.9 billion in net sales revenues. Together with Cypet-Trade, it generated net profits of SIT 675.1 million.

At year end 2002, Petrol-Trade reported capital of SIT1.2 billion.

Address:

Elisabethstrasse 10
Vienna
Austria

Telephone:

0043 (1) 585 54 73

E-mail:

petrol-trade@petrol-trade-at

Ownership:

wholly owned subsidiary of Petrol, d.d.

Director:

Marko Malgaj

Supervisory board members:

Janez Lotrič
Poldka Breznik
Mariča Lah

Cypet Oils, Ltd.

Cypet Oils was established at the end of 1989. Similar to Petrol-Trade, Cypet Oils markets and finances oil transactions. Its activities are closely linked to the activities of the Petrol Group.

In 2002, Cypet Oils sold 952,460 tons of oil products, exceeding forecasted levels by 4%. It generated net sales revenues of SIT 50.2 billion and net profits of SIT 148.3 million.

At fiscal year end 2002, Cypet Oils reported capital of SIT 2.9 billion.

Address:

Ariadne House, Office 52
333 28th October Street
Limassol
Cyprus

Telephone:

00357 (5) 586 039

E-mail:

cypet@logos.cy.net

Ownership:

wholly owned subsidiary of Petrol, d.d.

Director:

Lojze Blenkuš

Board of directors:

Janez Lotrič
Žiga Medič
Marios Tziortzis

Address:

Ilica 71
Zagreb
Croatia

Telephone:

00385 (1) 484 69 17

E-mail:

igor.meh@petrol.si

Ownership:

wholly owned subsidiary of Petrol, d.d.

Director:

Igor Meh

Supervisory board members:

Mariča Lah
Poldka Breznik
Silvo Komar

Petrol Trgovina, d.o.o.

Petrol Trgovina was established in 1996. The subsidiary is engaged in the sales of oil products and supplementary commercial merchandise on the Croatian market.

In 2002, Petrol Trgovina operated through a network of 12 proprietary retail service stations. It sold 35,602 tons of oil products, generating net sales revenues of SIT 6.3 billion and net profits of SIT 33.7 million.

At year end 2002, Petrol Trgovina reported capital of SIT 1.8 billion.

Address:

Fra Andela Zvizdovića 1
Sarajevo
Bosnia & Herzegovina

Telephone:

00387 33 295 287

E-mail:

anton.pustovrh@petrol.si

Ownership:

wholly owned subsidiary of Petrol, d.d.

Director:

Anton Pustovrh

Members of the supervisory board:

Mariča Lah
Poldka Breznik
Silvo Komar

Petrol BH Oil Company, d.o.o.

Petrol BH Oil Company began operations in the beginning of 1999. The company was established as an independent Petrol subsidiary engaging in wholesale, retail and other commercial activities and investments on the Bosnian market.

At the end of 2001, Petrol BH Oil Company operated through a retail network of 17 service stations that are run as part of the franchise system.

In 2002, Petrol BH Oil Company sold 27,957 tons of oil products, generating net sales revenues of SIT 2.75 billion and net profits of SIT 149.7 million.

In 2002, Petrol BH Oil Company was recapitalised so that it reported a capital level of SIT 2.8 billion at fiscal year end 2002.

Destilat, d.o.o.

In 1999, Petrol acquired the company Shell Slovenija and registered the subsidiary under the name Destilat. Destilat is the subsidiary through which the parent company distributes franchises of service stations. The revenues generated in this activity are reported at the level of the parent company.

In 2002, Destilat generated rental/franchise revenues of SIT 81.9 million and interest income of SIT 49.4 million. It closed the year with net profits of SIT 43.9 million.

At fiscal year end 2002, Destilat reported capital of SIT 3.4 billion.

Address:

Dunajska 50
Ljubljana
Slovenia

Telephone:

00386 (1) 4714 815

E-mail:

marija.lah@petrol.si

Ownership:

wholly owned subsidiary of Petrol, d.d.

Director:

Mariča Lah

Petrol skladiščenje, d.o.o.

Petrol skladiščenje, d.o.o. (Petrol Warehousing) was formally established in July 2002 and started operations in September 2002. Its primary activity is the management of the warehousing facilities acquired by Petrol, d.d. from Nafta Lendava in July 2002.

In 2002, Petrol skladiščenje generated net sales revenues of SIT 19.7 million and net profits of SIT 980 thousand.

At year end 2002, it reported capital of SIT 3.1 million.

Address:

Zaloška 259
Ljubljana-Polje
Slovenia

Telephone:

00386 (1) 47 14 359

E-mail:

rok.blenkus@petrol.si

Ownership:

wholly owned subsidiary of Petrol, d.d.

Director:

Rok Blenkus

Address:

Zaloška 259
Ljubljana-Polje
Slovenia

Telephone:

00386 (1) 520 36 00

E-mail:

ales.povse@petrol.si

Ownership:

wholly owned subsidiary of Petrol, d.d.

Director:

Aleš Povše

Members of the board:

Janez Bedenk
Jana Škrinjar
Igor Matičič

Petroservis, d.o.o

At year end 2002, the parent company Petrol, d.d. merged its building maintenance and general service activities and placed them under the umbrella of a newly formed subsidiary called Petroservis, d.o.o. The subsidiary was formally established in November 2002 and will begin operations during 2003.

At year end 2002, Petroservis reported capital of SIT 180 million.

Address:

Dunajska 50
Ljubljana
Slovenia

Telephone:

00386 (1) 4714 911

E-mail:

stefan.lebar@petrol.si

Ownership:

wholly owned subsidiary of Petrol, d.d.

Director:

Štefan Mitja Lebar

Members of the board

Janez Bedenk
Žiga Medič
Iztok Bajda

Petrol Plin, d.o.o.

In 2001, Petrol, d.d. merged the activities of Apegas into a new organisational unit that would manage all the natural and liquefied gas business of the Petrol Group. The new entity was called Petrol Plin and it began activities in 2002.

At year end 2002, Petrol Plin managed 14 natural gas concessions. It distributed liquefied gas to end consumers through 763 liquefied gas storage units. In 2002, Petrol Plin sold 6,293 tons of liquefied gas and 4.2 million cubic meters of natural gas. It also provided for the distribution of an additional 1.9 million cubic meters of natural gas.

With these activities, Petrol Plin generated SIT 948 million in net sales revenues and SIT 9.3 million in net profits.

At year end, Petrol Plin reported capital of SIT 1.3 billion.

Petrol-Energetika Ravne, d.o.o.

In midyear 2002, the parent company, Petrol, d.d. purchased an 80% ownership interest in the company, Energetika Ravne, d.o.o., from Slovenska železarna. The newly-acquired company is engaged in the production, sale and distribution of electrical and heating energy as well as the sales and distribution of natural gas and other forms of energy for metallurgical uses and the machine industry.

During 2002, Energetika Ravne distributed 136 thousand MWh of electrical energy, of which 40.9 thousand MWh were sold from inventory and 34.3 thousand MWh were cogenerated. In addition to these activities, the company distributed 60 thousand MWh of heating energy, 3,300 tons of technical gases and 43.7 million cubic meters of natural gas of which 3.4 million cubic meters were sold from inventory and 15 cubic meters were generated by the company.

With these activities, Energetika Ravne generated SIT 2.1 billion in net sales revenues, which exceeded forecasts by 7%. It closed the year with net profits of SIT 3.5 million.

At year end 2002, Petrol-Energetika Ravne reported capital of SIT 1.3 billion.

Address:

Koroška 14
Ravne na Koroškem
Slovenia

Telephone:

00386 (2) 870 61 00

E-mail:

mojca.kos@petrol.si

Ownership:

80% subsidiary of Petrol, d.d.
20% owned by D.P.R. Ravne, d.d.

Director:

Mojca Kert Kos

Petrol-Energetika Štore, d.o.o.

At the same time that it acquired a majority stake in Energetika Ravne, Petrol d.d. also purchased an 80% ownership interest in Energetika Štore, d.o.o. which is engaged in the marketing, sales and distribution of electrical energy, natural gas and other industrial energy sources.

In 2002, Energetika Štore distributed 107 thousand MWh of electrical energy, of which 22.8 thousand MWh were sold from inventory. The company also distributed 11.3 million cubic meters of natural gas, of which 1.2 million cubic meter were sold from inventory. During 2002, the company also sold 3,400 tons of industrial gases.

With these activities, Energetika Štore generated net sales revenues of SIT 735 million, which exceeded forecasts by 5%. It closed the year with net profits of SIT 8.6 million.

At year end 2002, Petrol-Energetika Štore reported total capital of SIT 343.8 million.

Address:

Železarska 3
Štore
Slovenia

Telephone:

00386 (3) 780 57 40

E-mail:

dusan.mavcic@petrol.si

Ownership:

80% subsidiary of Petrol, d.d.
20% owned by Železar Štore D.P., d.d.

Director:

Dušan Mavčič

Address:

Jezerci 21
Gozd Martuljek
Slovenija

Telephone:

00386 (4) 588 01 20

E-mail:

hotel.spik@petrol.si

Ownership:

wholly owned subsidiary of Petrol, d.d.

Director:

Ljudmila Potočnik

Members of the board:

Gordana Višinski
Ljubomil Jasnič
Iztok Bajda

Hotel Špik, d.o.o.

In December 1999, Hotel Špik, d.o.o. was formally established as an independent subsidiary company of the Petrol Group in order to operate the Group's tourist activities. Hotel Špik operates hotels, a car camp and other recreational centers.

In 2002, Hotel Špik recorded 26,719 overnight stays, 12% below forecasts. The subsidiary generated net sales revenues of SIT 201 million and closed the year with a net loss of SIT 14.6 million. This result, which fell below forecasts, was primarily the result of unfavorable weather conditions and temporary closure of the hotel for urgent renovation and repairs.

At fiscal year end 2001, Hotel Špik reported capital of SIT 14.7 million.

Address:

Notranjska 71
Logatec
Slovenia

Telephone:

00386 (1) 75 08 410

E-mail:

ljubo.jasnic@petrol.si

Ownership:

wholly owned subsidiary of Petrol, d.d.

Director:

Ljubomil Jasnič

Members of the board:

Gordana Višinski
Nevenka Šubelj
Jana Škrinjar

Petrol Gostinstvo, d.o.o.

The subsidiary, Petrol Gostinstvo, was established during 2000 and began operations in 2001.

In 2002, Petrol Gostinstvo ran six roadside cafes, Petrol's corporate cafeteria, a motel and five specialised roadside restaurants that are part of the »Na jasi« chain. With a total capacity to seat 1,105 diners, it represents the leading food service company on the Slovene highway system.

In 2002, Petrol Gostinstvo generated SIT 1.7 billion in net sales revenues, 1% higher than forecasted, and SIT 10.8 million in net profits.

At year end 2002, Petrol Gostinstvo reported capital of SIT 599.1 million.

Joint ventures and affiliated companies

Aquasystems, d.o.o.

- headquarters:
Prešernova 34, Maribor, Slovenia
- activity:
construction and management of industrial and communal water purification facilities
- ownership interest of Petrol, d.d.:
26 %

Geoenergo, d.o.o.

- headquarters:
Rudarska 1, Lendava, Slovenia
- activity:
acquisition and research of mineral, oil and natural gas products
- ownership interest of Petrol, d.d.:
50 %

Instalacija, d.o.o., Koper

- headquarters:
Sermin 10 a, Koper, Slovenia
- activity:
warehousing and treatment facility for oil products
- ownership interest of Petrol, d.d.:
49 %

Ogrevanje Piran, d.o.o.

- headquarters:
Fornače 33, Piran, Slovenia
- activity:
supplier of gas fuels, production and distribution of steam and heat
- ownership interest of Petrol, d.d.:
40 %





Financial statements 2002

Contents of financial statements section

Introduction	75	Part One
Message of Finance & Accounting Management Board Member	76	
Preparation of financial statements	80	
Independent auditors report	82	Part Two
Employees classified by educational level - Petrol d.d.	83	
Key financial data - Petrol, d.d.	83	
Key financial ratios - Petrol, d.d.	84	
Income statement - P2etrol, d.d.	85	
Balance sheet - Petrol, d.d.	86	
Cash flow statement - Petrol, d.d.	87	
Statement of changes in equity - Petrol, d.d.	88	
Share information - Petrol, d.d.	90	
Accountings rules and valuation methods	91	Part Three
Income statement - Petrol, d.d.	106	Part Four
Revenues by product segment - Petrol, d.d.	107	
Revenues by geographical segment - Petrol, d.d.	107	
Balance sheet - Petrol, d.d.	108	
Statement of changes in equity - Petrol, d.d.	110	
Cash flow statement - Petrol, d.d.	112	
Notes and tables to the financial statements - Petrol, d.d.	113	
Presentation of Petrol Group and accounting principals	150	Part Five
Independent auditor's report	155	
Income statement - Petrol Group	156	
Revenues by product segment - Petrol Group	157	
Revenues by geographical segment - Petrol Group	157	
Balance sheet - Petrol Group	158	
Cash flow statement - Petrol Group	159	
Statement of changes in equity - Petrol Group	160	
Employees classified by educational level - Petrol Group	161	
Notes and tables to the financial statements - Petrol Group	162	
Message of Supervisory Board President	174	Conclusion

Introduction

The Financial Statements of the Petrol Annual Report are presented in five parts.

The first part is comprised of an introductory message from the Petrol management board member responsible for the financial and accounting departments. This section is followed by the financial statements of Petrol, d.d., the parent company of the Petrol Group: the income statement, the balance sheet, the cash flow statement and the statement of changes in equity. These statements are complemented by the presentation of key ratios and financial indicators.

The third part of the Financial Statements section presents the accounting rules and valuation methods based on Slovene accountings standards (SRS) and used in the preparation of the financial statements of Petrol, The Slovene Oil Company, d.d. and Petrol Group.

The fourth part of the Financial Statements section provides a detailed breakdown of the income statement and balance sheet of Petrol, d.d. and is accompanied by explanatory notes for individual account balances. The explanatory notes are an integral part of the financial statements and the financial statements should be read in conjunction with them.

The last part of the Financial Statements section is comprised of the consolidated financial statements of the Petrol Group: the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement and the consolidated statement of changes in equity. These consolidated statements are accompanied by detailed notes for individual account balances.

Solid confirmation of strong development

Petrol Group
ended 2002
with net
sales revenues
of SIT 277 billion.

The Group
reported
gross profits
of SIT 40.9 billion
and net profits
of SIT 5.3 billion.

Capital
investments
made
during the year
reached
SIT 20.7 billion.

At year end,
the Group's
long-term debt
to capital ratio
was 18.4%.

Petrol's
interest expense
coverage ratio,
its quick ratio
and its
accelerated
liquidity ratio
were all
more than ample.

Comparative results

The financial results of the Petrol Group in 2002 were very strong. Actual financial indicators and results exceeded both forecasts and the financial results from the previous year. In 2002, net sales revenues were 2% higher than in 2001, gross profits increased by 15% and consolidated net profits were 25% higher than in the previous year. Return on capital increased from 7.0% in 2001 to 8.1% in 2002. The Petrol Group anticipates the same promising business results in 2003 as well.

Stable share growth

The outlook for Petrol shares is also, according to all relevant indicators, extremely optimistic. In 2002, net earnings per share saw a 29% increase over the previous year. Cash flow per share saw a 21.3% increase as compared to the previous year. The growth in Petrol share price was 77.2% in 2002, which together with the 2.6% dividend rate brought the over-all profitability of shares up to 79.8%. In 2002, the price of Petrol shares on the Ljubljana Stock Exchange grew faster than both book value per share and the SBI index. Petrol shares were among the most profitable and the most traded shares on the Ljubljana Stock Exchange.

More than anything else, the reason for the success of Petrol shares is the Company's clear development strategy which, along with its excellent financial results, have strengthened from year to year investor confidence in the future of Petrol. In 2002, investor confidence was also enhanced by our many conversations with both domestic and international analysts and the regular public disclosure of information regarding financial results and the most important events that affect Petrol's business.

A promising future

Petrol's future promise is also reflected in its robust development activities and the rapid realisation of its strategic transformation into an integrated energy concern. In 2002, Petrol injected SIT 20.7 billion into capital improvements and development projects, a figure that is more than a quarter of its existing fixed asset base. Petrol plans to continue this level of capital investment in both its core business and its strategic development projects through 2005.

In 2002, the majority of capital investment was directed toward the expansion of the Company's domestic and international retail distribution networks, toward the

continued development of its warehousing activities and to operational segments engaged in the diversified energy businesses. Because of these investments, Petrol's long-term debt to equity ratio increased from 12.8% in 2001 to 18.4% in 2002. Despite the increase, Petrol's financial condition and capital position remain healthy and the Company still has the potential in its balance sheet to take on more debt if necessary. In 2002, Petrol Group was exceptionally active in terms of its investment activities.

Conservative management of capital

Petrol also adapts its capital management policies to the needs of its investors. Therefore, its policies are based on the long-term maximisation of shareholder profitability and on the maintenance of the optimal relationship between equity and debt capital. The dividend policy of Petrol's management aims to ensure the long-term stability of dividend payments and guarantee greater predictability of returns and the long-term stability of Petrol's share price.

Petrol's shareholders have approved the Company's approach to dividend payments at all past shareholder meetings and, in coordination with dividend policy, made recommendations for the distribution of calculated profit, which in 2002 was SIT 5,471,518 thousand.

Transparent operations

The dynamic and substantive organisational changes that are an integral part of Petrol's way of doing business require, from time to time, the expansion and increased efficiency of the Company's strategic financial function. During the past management mandate, we have designed models for optimising sources of financing and for defining optimal investment policies and capital structure for the Petrol Group. We have also designed a Company-wide system for planning and forecasting, for measuring success and for efficiently monitoring and controlling individual responsibility and performance.

In 2002, we standardised the management policies of the financial and accounting function for the entire Petrol Group. We began work on a Company handbook to be completed in 2003 that outlines financial and procedural operations for all Petrol subsidiaries. We undertook a complete overview of Petrol's business activities, defined the principal types of business risks to which we are exposed and outlined strategies for successful and efficient risk management. We also created an internal review and audit function that systematically, independently and objec-

tively monitor the business of the Group and evaluate risk management mechanisms, internal control and supervision.

In coordination with the new SRS accounting standards that came into force in 2002, we undertook a full inventory of the value of our assets and, when appropriate, marked assets to their market or fair value. However, the new accounting standards did not exert a considerable influence on Petrol's reported financial results.

Partnership with the financial environment

Petrol's strong financial condition, its ample current and non-current payment capability, its excellent development potential all indicate that the Company's financial functions are operating with great efficiency. Petrol enjoys the highest credit rating and the most favourable borrowing conditions from its banks and its other financial and operating partners. From the standpoint of financial risk, Petrol is run in an extremely conservative manner. Our success in this area was confirmed by the international credit rating agency, Dun & Bradstreet which gave Petrol its highest credit rating 5A1 in 2002 and, together with the Slovene rating agency »I poslovne informacije«, gave Petrol the prestigious »2002 Rating of the Year« award.

Indeed, Petrol's standing in both the domestic and international financial environment and its relationship with its financial partners are excellent. We highly value the support of banks and other financial institutions and our relationships with exchange and financial analysts. Petrol's clear development strategy and its strong financial results have greatly enhanced investor trust in the Group.

Justifiable optimism

The excellent performance of the Petrol Group in 2002 is the final proof that our strategic direction is the right one and that our goals are clear and realizable. The Petrol Group closed the year with a strong and stable financial condition, a healthy capital structure and high current and non-current liquidity and payment capability. For these reasons, I am certain that Petrol has more than adequate financial strength to continue on its path of becoming an integrated international energy concern and successfully realising its strategic goals.

Poldka Breznik

Member of Management Board
Finance and Accounting

Preparation of financial statements

The financial statements of Petrol, The Slovene Oil Company, d.d. and of the Petrol Group for the year ending on December 31, 2002 were audited by Deloitte & Touche d.o.o., Ljubljana, in accordance with the recommendations of the eighth annual meeting of Petrol shareholders held on July 19, 2002 and in accordance with the 54th paragraph of the Law Governing Economic Companies.

The income statements, balance sheets, cash flow statements and statements of changes in equity of Petrol, The Slovene Oil Company, d.d. and the Petrol Group were prepared for the year ended on December 31, 2002. The audit was made in accordance with International Standards on Auditing and general auditing requirements that have been adopted by the Slovenian Institute of Auditors.

Deloitte & Touche revizija, d. o. o. Ljubljana also reviewed the financial statements of Cypet Oils, Ltd., Cypet Trade, Ltd., and Petrol Trade, H.m.b.H., included in the 2002 financial statements of the parent company, Petrol, d. d., Ljubljana, and the 2002 consolidated statements of the Petrol Group.

The management of Petrol, The Slovene Oil Company, d.d. is responsible for the financial statements. The auditors' opinions expressed therein are the responsibility of Deloitte & Touche d.o.o., Ljubljana.

The audit was carried out from September 23 to October 11, 2002 and from February 10 to March 14, 2003.

Financial statements of the parent company 2002

**Deloitte
& Touche**

INDEPENDENT AUDITORS REPORT

To the shareholders of the company

PETROL, Slovenska naftna družba, d.d., Ljubljana

We have audited the accompanying balance sheet of PETROL Slovenska naftna družba, d.d., Ljubljana («the Company») as of December 31, 2002 and the related statements of income, cash flows and changes in equity and notes to the financial statements for the year then ended. We have also reviewed the Company's management business report. These 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.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about 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 policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements, stated in the first paragraph, present fairly, in all material respects, the financial position of the Company as of December 31, 2002, and the results of its operations, cash flows and changes in equity for the year then ended in accordance with Slovene Accounting Standards.

The business report is in compliance with the audited financial statements.

Deloitte & Touche revizija d.o.o., Ljubljana

Alenka Podbevšek
Alenka Podbevšek
Director / Partner
Certified Auditor

**Deloitte
& Touche**
revizija d.o.o.

Ljubljana, March 14, 2003

**Deloitte
Touche
Tohmatsu**

Petrol, d.d. Employees classified by educational level (including employees of franchise service stations)

	31. 12. 2002	31. 12. 2001	Index 02/01
I. level	85	84	101
II. level	218	204	107
III. level	48	41	117
IV. level	760	804	95
V. level	742	749	99
VI. level	81	84	96
VII. level	177	152	116
Post graduate degrees	25	30	83
	2,136	2,148	99

Key financial data - Petrol, d.d.

SIT 000	2002	2001	Index 02/01
Gross sales revenues	313,352,210	308,838,690	101
Taxes	49,878,762	46,814,850	107
Net sales revenues	263,473,448	262,023,840	101
Gross profit	34,468,362	32,430,300	106
Operating profit	3,338,664	3,722,447	90
Net income for the year	5,258,004	4,075,180	129
Cash flow (net income + amortisation)	10,377,863	8,553,826	121
Investments in non-current assets	18,414,979	8,178,056	225
Total assets	138,080,406	121,816,766	113
Equity	67,729,389	63,769,024	106
Financial debt	22,418,801	14,799,571	151
Long-term financial debt	10,861,438	8,136,575	133

Key financial ratios - Petrol, d.d.

(%)	2002	2001	Index 02/01
Gross profit / net sales revenues (%)	13.08	12.38	106
Operating profit / net sales revenues (%)	2.00	1.56	128
Net profit / average equity (%)	8.00	6.76	118
Operating profit (not incl. amortisation and revaluations of fixed assets) / net sales revenues(%)	3.38	3.32	102
Operating profit / net sales revenues (%)	1.27	1.42	89
Current assets / current liabilities	0.82	0.97	85
Debt / equity	0.33	0.24	138
Long-term financial debt/equity	0.16	0.13	123
Interest coverage*	7.58	9.07	84

* (net profit + interest expenses) / interest expenses

Key financing ratios - Petrol, d.d.

		2002	2001
1. Self-financing ratio	total equity / equity and liabilities	0.49	0.52
2. Long-term financing ratio	total equity and long-term debt (including provisions) / equity and liabilities	0.64	0.67
3. Fixed asset investment ratio	fixed assets (not including impairment losses) / total assets	0.51	0.52
4. Long-term investment ratio	fixed assets (not including impairment losses), long-term investments and receivables / total assets	0.71	0.69
5. Capital/fixed asset coverage ratio	equity / fixed assets (not including impairment losses)	0.97	1.00
6. Quick ratio	liquid assets / current liabilities	0.08	0.14
7. Accelerated liquidity ratio	liquid and current assets / current liabilities	0.55	0.72
8. Working capital ratio	current assets / current liabilities	0.81	0.96
9. Operating efficiency ratio	operating revenues / operating expenses	1.01	1.01
10. Net return on capital	net profit / average equity (not including profits from the current year)	0.08	0.07
11. Dividend return ratio *	dividends / average share capital	—	0.10

* Amount of 2002 dividends not yet determined.

Income statement - Petrol, d.d.

SIT 000	Note	2002	2001	Index 02/01
Net sales revenues	A., 01.;	263,473,448	262,023,840	101
Cost of sales	B., 02.;	(229,005,086)	(229,593,540)	100
Gross profit		34,468,362	32,430,300	106
Distribution costs	C., 02.;	(25,748,144)	(24,362,499)	106
Administrative expenses	C., 02.;	(6,548,247)	(5,459,394)	120
Other operating income	07.;	1,166,693	1,114,040	105
Operating profit		3,338,664	3,722,447	90
Income from shareholding interests	08.;	2,779,880	1,799,619	154
Income from non-current financial investments	09.;	240,229	208,436	115
Income from current financial investments	10.;	4,496,090	4,111,162	109
Revaluation adjustments		0	141,525	—
Finance income	E.;	7,516,199	6,260,742	120
Impairment of investments	11.;	(1,388,510)	(789,211)	176
Interest and other finance costs	12.;	(3,528,348)	(5,176,875)	—
Finance costs	E.;	(4,916,858)	(5,966,086)	82
Income from continuing operations		5,938,005	4,017,103	148
Extraordinary income	F., 13.;	79,322	113,163	70
Extraordinary expenses	F., 14.;	(759,323)	(26,673)	2847
Extraordinary items		(680,001)	86,490	—
Profit before tax		5,258,004	4,103,593	128
Income tax expense	G., 15.;	0	(28,413)	—
Net profit for the year		5,258,004	4,075,180	129

* The financial results for the previous year (2001) have not been restated in accordance with the new SRS accounting regulations that came into force in 2002 and, for this reason, the 2001 net income figure remains unchanged from the previous year's report. However, individual income and expense entries have been disclosed in a manner that adheres in all material respects to the new accounting rules.

Balance sheet - Petrol, d.d.

SIT 000	Note	31. 12. 2002	31. 12. 2001	Index 02/01
ASSETS				
A) Non-current assets				
I. Intangible assets	H., 16.;	1,227,154	408,407	300
II. Fixed assets	H., 17., 18.;	68,857,789	63,464,792	108
III. Investments	I., K., 19., 20.;	27,590,594	20,095,648	137
Total non-current assets		97,675,537	83,968,847	116
B) Current assets				
I. Inventories	L., 21.;	12,679,776	9,349,546	136
II. Trade receivables		23,440,542	22,648,541	103
a) Non-current trade receivables	M., 22.;	295,578	21,019	1,406
b) Current trade receivables	N., 23., 24.;	23,144,964	22,627,522	102
III. Current investments	I., 25.;	1,382,904	2,156,414	64
IV. Cash and cash equivalents	O., 26.;	2,608,884	3,405,985	77
Total current assets		40,112,106	37,560,486	107
C) Deferred costs and accrued revenues	P., 27.;	292,763	287,433	102
TOTAL ASSETS		138,080,406	121,816,766	113
EQUITY AND LIABILITIES				
A) Equity				
I. Share capital		12,517,806	12,517,806	100
II. Capital reserves		23,880	2,665	896
III. Other reserves from profits *	30.;	30,525,667	25,772,704	118
IV. Accumulated profits		2,842,516	4,247,741	67
V. Undistributed current income *		2,629,002	2,037,590	129
VI. Capital inflationary adjustments		19,190,518	19,190,518	100
Total Equity	R., 28., 29.;	67,729,389	63,769,024	106
B) Provisions				
Other provisions		9,460,370	10,121,586	93
Total Provisions	S., 31.;	9,460,370	10,121,586	93
C) Non-current liabilities				
a) Non-current financial and trade payables				
Non-current financial payables	T., 32.;	10,861,438	8,136,575	133
Non-current trade payables	U., 33.;	138,935	136,025	102
Total non-current liabilities		11,000,373	8,272,600	133
b) Current financial and trade payables				
Current portion of long-term debt	T., 34.;	11,557,363	6,662,996	173
Trade payables	U., 35.;	37,469,188	32,549,370	115
Total Current Liabilities		49,026,551	39,212,366	125
D) Accrued costs and deferred revenues	J., V., 36.;	863,723	441,190	196
TOTAL EQUITY AND LIABILITIES		138,080,406	121,816,766	113

* In accordance with Paragraph 3 of Article 228 of the Law Governing Economic Companies - Appendix F, undistributed net profits have been reduced by half and transferred into the reserve account.

** The balance sheet accounts for the previous fiscal year (2001) have not been restated in accordance with the new SRS accounting regulations that came into force in 2002. However, individual asset and liability entries have been disclosed in a manner that adheres in all material respect to the new accounting regulations.

Cash flow statement - Petrol, d.d.

SIT 000	2002	2001	Index 02/01
Cash from operating activities	262,592,755	267,399,781	98
Operating income	263,903,860	262,226,693	101
Extraordinary income from continuing operations	79,322	113,164	70
Change in trade receivables	(1,385,097)	4,926,493	—
Change in deferred costs and accrued revenues	(5,330)	133,431	—
Cash used in operating activities	253,166,697	270,459,851	94
Operating costs less amortisation, depreciation and provisions	254,151,280	253,437,691	100
Extraordinary expenses from continuing operations	759,323	26,672	2,847
Taxes paid	0	28,413	—
Change in inventories	3,330,230	(1,897,876)	—
Change in trade payables	(4,742,354)	18,003,255	—
Change in accrued costs and deferred revenues	(331,782)	861,696	—
Net cash from/(used in) operating activities	9,426,058	(3,060,070)	—
Cash from investing activities	3,021,073	6,754,743	45
Investment income (not including revaluation)	2,247,676	3,180,302	71
Extraordinary income from investing activities	0	0	—
Net decrease in intangible assets (not including revaluation)	0	0	—
Net decrease in fixed assets (not including revaluation or capital investments)	0	0	—
Net decrease in non-current investments (not including revaluation)	0	0	—
Net decrease in current investments (not including revaluation)	773,397	3,574,441	22
Cash used in investing activities	19,366,104	8,359,424	232
Investment costs	0	74,951	—
Extraordinary expenses from investing activities	0	0	—
Net increase in intangible assets (not including revaluation)	988,665	155,099	637
Net increase in fixed assets (not including revaluation and capital investments)	11,618,303	5,233,693	222
Net increase in non-current investments (not including revaluation)	6,759,136	2,895,681	233
Net increase in current investments (not including revaluation)	0	0	—
Net cash from/(used in) investing activities	(16,345,031)	(1,604,681)	1,019
Cash from financing activities	10,873,338	10,124,276	107
Finance income	3,468,058	2,892,005	120
Extraordinary income from financing activities	0	0	—
Increase in capital (not including net profit)	21,215	1,453	1,460
Net increase in provisions (not including revaluation)	0	0	—
Net increase in non-current financial liabilities (not including revaluation)	2,489,697	2,118,644	118
Net increase in current financial liabilities (not including revaluation)	4,894,368	5,112,174	96
Cash used in financing activities	4,751,466	6,120,833	78
Finance costs	3,290,712	4,571,277	72
Extraordinary expenses from financing activities	0	0	—
Decrease in capital (not including net losses for the year)	0	0	—
Net decrease of provisions (not including revaluation)	141,900	468,319	30
Net decrease in non-current financial liabilities (not including revaluation)	0	0	—
Net decrease in current financial liabilities (not including revaluation)	0	0	—
Decrease in shareholders payables (dividends and other participations)	1,318,854	1,081,237	122
Net cash from/(used in) investing activities	6,121,872	4,003,443	153
Net increase/(decrease) in cash and cash equivalents	(797,101)	(661,308)	121
Cash and cash equivalents at end of year	2,608,884	3,405,985	77
Net increase/(decrease) in cash and cash equivalents	(797,101)	(661,308)	121
Cash and cash equivalents at beginning of year	3,405,985	4,067,293	84

* The cash flow statement for the previous year (2001) has not been restated in accordance with the new SRS accounting regulations that came into force in 2002. However, individual entries in the cashflow statement have been disclosed in a manner that adheres in all material respects to the new accounting regulations.

Statement of changes in equity - Petrol, d.d.

SIT 000	Share capital	Capital reserves	Regulatory reserves
Balance at December 31, 2000	12,517,806	1,107	13,722,082
Transfers into capital accounts			
Transfer of income for the year	0	0	0
Capital inflationary adjustments	0	105	960,986
Other increases to capital	0	1,453	0
Transfers within capital accounts			
Distrib. of profits to other capital accounts in accordance with Mgm't. and Super. Boards	0	0	0
Release of treasury share reserves and distributions to other capital accounts	0	0	18,255
Other transfers of capital	0	0	0
Transfers from capital accounts			
Payment of dividends and bonuses to Management and Supervisory Board members	0	0	0
Balance at December 31, 2001	12,517,806	2,665	14,701,323
CALCULATED PROFIT	0	0	0
Transfers into capital accounts			
Transfer of income for the year	0	0	0
Other increases to capital	0	21,215	0
Transfers within capital accounts			
Distrib. of profits to other capital accounts in accordance with Mgm't. and Super. Boards	0	0	0
Release of treasury share reserves and distribution to other capital accounts	0	0	37,924
Distrib. of cal. profit to reserve accounts in accordance with Mgm't. and Super. Boards	0	0	0
Other transfers within capital accounts	0	0	0
Transfers from capital accounts			
Payment of dividends and bonuses to Management and Supervisory Board members	0	0	0
Balance at December 31, 2002	12,517,806	23,880	14,739,247
CALCULATED PROFIT	0	0	0

Treasury share reserves	Other reserves from profits	Accumulated profits	Net profit for the year	Capital inflationary adjustments	Total equity
617,892	6,935,400	3,999,443	1,911,935	17,116,141	56,821,806
0	0	0	4,075,180	0	4,075,180
38,282	504,505	373,568	0	2,074,377	3,951,823
0	0	0	0	0	1,453
0	2,037,590	0	(2,037,590)	0	0
(18,255)	0	0	0	0	0
0	955,967	955,967	(1,911,935)	0	0
0	0	(1,081,237)	0	0	(1,081,237)
637,919	10,433,462	4,247,742	2,037,590	19,190,518	63,769,024
0	736,791	4,247,742	2,037,590	0	7,022,123
0	0	0	5,258,004	0	5,258,004
0	0	0	0	0	21,215
0	2,629,002	0	(2,629,002)	0	0
(37,924)	0	0	0	0	0
0	2,842,516	(2,842,516)	0	0	0
0	0	2,037,590	(2,037,590)	0	0
0	(718,555)	(600,299)	0	0	(1,318,854)
599,995	15,186,425	2,842,516	2,629,002	19,190,518	67,729,389
0	0	2,842,516	2,629,002	0	5,471,518

Share information - Petrol, d.d.

	31. 12. 2002	31. 12. 2001	Index 02/01
Number of shares	2,086,301	2,086,301	100
Book value per share (SIT)	32,464	30,566	106
Market value per share			
Maximum (SIT)	43,762	23,850	183
Minimum (SIT)	23,124	18,275	127
Average share price (SIT)	33,347	21,208	157
Price on last trading day (SIT)	41,009	23,147	177
Market valuation (SIT 000)	85,557,138	48,291,609	177
Return on capital in current year (SIT) *	18,462	4,280	431
Yield per share in current year (%)	80%	22%	363
P/BV (Average share price/ book value per share)	1.03	0.70	147
P/E (Average share price/ earnings per share)	13.20	10.86	122
P/CE (Average share price/ cash flow per share)	6.70	5.18	129
EPS - Earnings per share (SIT)	2,520	1953	129
CEPS - Cash flow per share (SIT)	4,974	4,100	121
Dividend policy			
Net profit for the year (SIT)	5,471,518	7,022,123	78
Sources of dividend payments (SIT)	**	1,233,544,600,00	—
Bonus distributions (SIT)	**	85,309,793,91	—
Dividends per share (SIT)	**	600	—
Number of shareholders	47,240	49,121	96

* The level of dividends for the current year will be determined at the annual Petrol shareholders meeting.

Accounting rules and valuation methods

The Company keeps its books in accordance with all applicable rules and regulations.

The accounting statements of Petrol, The Slovene Oil Company, d.d., Ljubljana are prepared in accordance with Slovene accounting and reporting standards. Slovene accounting standards (hereafter referred to as SRS) are based in large part on international accounting practices (in particular, generally accepted international accounting standards), the financial concept of capital and the need for the real preservation of capital.

In 2002, the Company used the same accounting methods as in previous years with the exception of the rules and methods proscribed in new SRS regulations. Where a change in accounting treatment has been applied, detailed explanations regarding the effect of the change are included in the notes to individual accounting entries.

With the new SRS rules that came into effect on January 1, 2002, Slovene accounting standards now resemble in all key respects currently prevailing international accounting standards.

Although statements for the previous year (2001) have not been restated in their entirety in accordance with the new SRS rules, individual accounting entries for 2001 have been disclosed in a manner that adheres in all material respects to the new regulations.

The new SRS regulations eliminate the practice of revalorising assets and liabilities based on the level of the domestic consumer price index. In accordance with the new rules, only capital accounts will be revalorised (revalued) and only when the growth of the EUR vis-à-vis the SIT in the previous fiscal year has been higher than 5.5%. In 2002, the revaluation of capital accounts was not required because the growth of the EUR vis-à-vis the SIT was lower than the abovementioned limit. However, it is mandatory to disclose financial results calculated on the basis of the value of the EUR and on the basis of growth in the consumer price index (SRS 8.40). This requirement is in accordance with SRS 8.40 and the need to preserve the purchasing power of capital relative to the EUR.

In the consolidation of Petrol Group's accounting statements, the effects of all intercompany transactions between the subsidiaries of the Group have been eliminated. Entries in the accounting statements of subsidiaries that conduct business in foreign countries are stated in their domestic equivalent (SIT) using the average annual median exchange rate of the Bank of Slovenia. Balance sheet entries are stated in the domestic equivalent (SIT) using the median Bank of Slovenia rate on the last day of the fiscal year.

Individual accounting entries in the statements of Petrol, d.d. and Petrol Group are disclosed based on their materiality and the materiality is determined by the magnitude of individual accounts.

All of Petrol's energy activities in the area of natural gas distribution were transferred to the subsidiary company Petrol Plin, d.o.o., Ljubljana as of January 1, 2002. Therefore, provisions of the Energy Law and SRS 35 do not influence the presentation of the financial statements.

A) Net sales revenues

Net sales revenues are revenues that arise from the continuing operations of the Company. Revenues that are not generated from the regular continuing operations of the Company are reported as other income. The revenue category includes the sales value of merchandise and material and the rendering of services that have taken place during the accounting period. Revenues are calculated based on the sales price, evidenced in receipts and other documents, less discounts on the day of sale. Such amounts are reduced later, if necessary, to reflect any goods which are returned.

If, at the time goods or services are sold, it is not realistic to expect that payment will be made in the near future, then the applicable amount is reported in the accrued revenue account.

Value added tax is not accounted for as a component of revenues, but as a tax obligation to the government.

Revenues are also comprised of capitalised proprietary products and services. These are products manufactured and services rendered by the Company and then capitalised as intangible or fixed assets.

B) Cost of sales

Cost of sales is comprised of the cost of goods and materials sold during the accounting period and is calculated using the weighted average price during the accounting period and in accordance with applicable inventory valuation methods.

Cost of sales is comprised of the net invoice price of goods, disbursements for customs duties and other import costs, excise tax, CO₂ tax, and other applicable taxes included in the supplier's price. Cost of sales also includes transportation costs, insurance costs and other expenses. Cost of sales is reduced by supplier discounts and quantity rebates.

C) Distribution and administrative expenses (with amortisation)

Distribution and administrative expenses (with amortisation) are comprised of all overhead expenses related to commercial and administrative activities as well as variable expenses related to the sales of goods and services incurred during the accounting period.

Because distribution and administrative expenses do not effect inventory valuation, they are recognized during the accounting period in which they are incurred.

Individual types of expenses are recorded in specific expense categories, a practice that enables the Company to allocate them as either general administrative expenses or distribution costs. General administrative expenses and distribution costs comprise 20% and 80% respectively of total expenses.

D) Amortisation

The Company amortises the cost of individual intangible and fixed assets on a straight-line basis over the estimated useful life of the individual asset. The estimated useful life of individual assets is derived from the expected physical wear, technical age, economic age and other factors which might affect the length of use (such as relevant legal restrictions). When calculating amortisation, the shortest estimated useful life for individual assets is utilized.

The amortisation of an asset begins to be calculated on the first day of the month after the asset becomes available for use. The amount of amortisation is calculated based on the total original acquisition price, adjusted to reflect any possible impairment of the asset.

In 2002, there was no material adjustment to previous calculations of the estimated useful life of amortised assets.

Expenses related to the amortisation of environmental fixed assets are reported in the income statement in the corresponding expense category. Such expenses reduce the value of provisions for environmental assets that were created for this purpose. The expenses are recovered in the form of operating income.

The Company uses the straight-line amortisation method. Amortisation schedules are calculated on individual assets. Property, advances for fixed assets and fixed assets in the construction process are not amortised.

Because 2002 was a period of rising asset values, the Company did not revalue any of its fixed assets in 2002 and, as a result, did not make any special revaluation adjustments to asset values. Therefore, all amortisation expenses were recognised during the current accounting period.

The following amortisation rates were used in 2002:

(%)	2002	2001
Intangible assets:	3.33 - 20.00 %	10.00 - 20.00 %
Fixed assets:		
Plant:		
Buildings at service stations	5.00 %	5.00 %
Underground and aboveground reservoirs	2.85 - 5.00 %	2.85 - 5.00 %
Underground service roads at service stations	14.30 %	14.30 %
Equipment:		
Equipment – machinery and electricity used in general maintenance	25.00 %	25.00 %
Equipment at liquefied gas terminals	10.00 - 20.00 %	10.00 - 20.00 %
Pumping equipment at service stations	25.00 %	25.00 %
Motor vehicles	14.30 - 33.30 %	14.30 - 33.30 %
Trucks – cabins and cisterns	25.00 %	25.00 %
Computer equipment	50.00 %	50.00 %
Other inventory:	33.33 %	33.33 %
Environmental fixed assets:	5.00 - 25.00 %	5.00 - 25.00 %

Natural gas concessions are amortised over the contractual life of the concession, which is usually from 25 to 30 years. The Company uses a 50% amortisation rate for computer equipment.

E) Finance income and costs

Finance income is comprised of revenues from investments and is generated from financial investments and receivables. It includes interest income, profit participations in shareholding interests and revaluation costs. Finance income is divided into two categories: income that is not dependent on the financial results of other parties and income that is dependent on the financial results of other parties. If there is no doubt as to the magnitude of income to be received, its maturity or final delivery, finance income is recognized whether or not the payment has actually been received.

Interest income on loans is calculated based on the unpaid principal portion of the loan and the applicable interest rate during the accounting period. Profit participation in subsidiary companies is accounted for at the time the subsidiary re-

ports its profits. Such income is accounted for using the equity method and the underlying asset is reported as a non-current financial investment in the equity of the subsidiary or affiliated company. In 2002, investments in affiliated companies were accounted for in this manner if the parent company's percentage of ownership in the equity of affiliated companies represented a controlling interest and ensured the certainty of future dividend payments. Prior to 2002, profits from affiliated companies were accounted for using the investment method in accordance with the then applicable SRS regulations.

Income on investments in unaffiliated companies is recognised when received in accordance with the investment method. The underlying assets are accounted for on the balance sheet as non-current investments in the equity of other companies using the capital method.

Finance costs include impairments costs arising from the revaluation or write-off of non-current and current investments, interest expenses, losses on foreign exchange rate differences and other finance costs.

Assets and liabilities that are valued in a foreign currency are stated in the financial statements in their domestic equivalent (SIT) using the median exchange rate published by the Bank of Slovenia on balance sheet date. Exchange rate differences are reported in the income statement as finance income or costs.

F) Extraordinary income and expenses

Extraordinary income (expenses) is comprised of exceptional items that increase (decrease) the financial results generated by the continuing operations of the Company.

Extraordinary income includes recovery of unrealised losses from previous financial periods.

Extraordinary expenses include provisions taken to cover potential losses, if it is probable that future events will cause an impairment in the value of balance sheet assets and a subsequent loss will be reported in the income statement. In such cases, it is necessary to make the best estimate of the amount of the potential loss.

Also included in extraordinary expenses are unrealised losses from previous financial periods accounted for as the reduction of a liability, and non-returnable grants given by the parent company to subsidiary companies during the accounting period.

G) Income tax expense

Income tax expense is calculated based on the revenues and expenses reported in the income statement and in accordance with all relevant laws and regulations. The applicable tax rate is 25% of taxable income. The tax basis can be decreased by up to 40% as a tax abatement for new capital investments made in intangible and fixed assets (with the exception of motor vehicles).

H) Intangible and fixed assets

The intangible assets of the Company are comprised of non-current deferred expenses, material rights and other non-current intangible assets.

The fixed assets of the Company are comprised of property, plant and equipment. Also included in this category is certain inventory that has a useful life longer than one year and the individual value of which does not exceed the SIT equivalent of 500 EUR.

Also included in this category are fixed assets in the construction process along with corresponding materials and parts.

The Company conducts a separate set of accounts for its so-called environmental assets. These accounts were established when the Company set aside long-term provisions for investment in environmental modernisation and clean-up projects and have been adjusted as the provisions have been released and the projects implemented.

The start-up values of environmental fixed asset provisions were determined on January 1, 1993 in the context of the privatisation of Petrol and in accordance with asset valuation methods legislated by the government of the Republic of Slovenia. Acquisitions of fixed assets that took place after January 1, 1993 were accounted for using the acquisition cost method.

Intangible and fixed assets are stated at acquisition cost plus any expenses that can be directly attributed to these assets. The property of the Company is stated at its acquisition cost and, if that is not known, at fair value.

Advances for fixed assets are valued according to their nominal value if there is no doubt that the contract will be performed.

Advances for fixed assets that are denominated in a foreign currency are stated in the financial statements at their domestic equivalent using the prevailing exchange rate on settlement date or balance sheet date. Any exchange rate difference that

arises between settlement date and balance sheet date is reported as income or expense from financing activities.

Fixed assets in the construction process are valued at the actual cost of the construction or renovation work.

Fixed assets that have suffered impairment and can no longer be used are written down and the subsequent impairment loss is reported as a revaluation expense.

The decreased value of disposed assets, reduced by the sale proceeds, is reported as an extraordinary revaluation expense and any increase as revaluation income.

The book value of fixed assets is verified at least once during each fiscal year. New book values are determined by licensed appraisers. Any impairment loss on assets is reported as a revaluation expense and any increase in value is reported as a special revaluation adjustment to capital.

Interest due and exchange rate gains related to the construction of fixed assets do not increase the acquisition value of fixed assets and are reported as finance income.

Until December 31, 2001, the Company revalued the cash value of fixed assets during inflationary conditions, making upward adjustments to reflect new price levels. The consumer price index was used as the basis for revaluation. The effects of revaluation were reported as revaluation results. The Company did not revalue property because, on the basis of official appraisals, it was deemed that the revalued cash value of real estate assets would exceed fair value.

I) Investments

Non-current and current investments are initially stated using the valuation method appropriate for each specific investment.

Investments in subsidiaries, affiliated companies and joint ventures that are part of the Petrol Group and are included in the Company's consolidated statements are accounted for using the equity method. Investments in minority-owned companies that are not included in the Company's consolidated statements and other financial investments are accounted for using the investment method.

In accordance with the equity method, investments are accounted for at their original acquisition value. The book value of the investments increases or decreases to the extent that the Company, as investor, shares in the income or losses incurred by

the affiliate following acquisition of the investment. Participation in the net profit or loss of subsidiaries, affiliated companies and joint ventures is reported as finance income in the current accounting period because of the high probability that these subsidiaries, affiliated companies and joint ventures will make future payments to the parent company in the form of dividends. Distributions of net profits received from the subsidiary, affiliated company or joint venture reduce the carrying value of the corresponding financial investment in the books of the parent company.

Financial instruments are valued at lower of cost or market. Any increases in the market value of financial investments are not reported in the income statement as revaluation income.

Investments in marketable securities, the market value of which were lower than their original book value as of December 31, 2002, are reported at market value and the difference is reported in the income statement as a finance cost.

For financial instruments that lose value, a revaluation adjustment is reported as a finance cost and the carrying value of the asset is marked down below its original acquisition cost as soon as there is documentary evidence to do so. If the value of the asset later increases, the impairment loss is reversed.

Investments that are valued in a foreign currency are reported in the financial statements at their domestic equivalent (SIT) using the prevailing exchange rate on the day they were booked. Any exchange rate difference between the date the asset was booked and balance sheet date is treated as a finance income or finance cost.

J) Derivative financial instruments

A financial instrument is any contract entered into between two parties on the basis of which a financial asset will attach to one party and a financial obligation or capital instrument to the other party or bank.

Derivative financial instruments are financial instruments:

- a) the value of which fluctuates as a result of changes in the value of underlying financial securities, interest rates, exchanges rates and other factors;
- b) that require no initial net investment or a very low initial net investment;
- c) that will be settled at some future date.

Derivative financial instruments include forward contracts in commodities and financial securities, foreign exchange rate and commodity swaps, and options. The Com-

pany uses these instruments to hedge its future financial commitments. The Company's hedging activities generally relate to future financial commitments arising from forecasted transactions involving the purchase of inventories and a corresponding liability. These commitments and forecasted transactions expose the Company to risks related to the uncertainty of future cash flows. Because it is not possible to accurately predict the value of future liabilities or the settlement value of forecasted transactions, the Company hedges its commitments with appropriate derivative financial instruments. Realised gains or losses on future contracts are recorded as finance income or finance cost when the contract is exercised. Open derivative financial instruments and contracts are reported in the domestic equivalent (SIT) using the median exchange rate published by the Bank of Slovenia. Unrealised gains or losses are reported in the income statement as finance income or finance costs.

K) Treasury shares (repurchased shares)

According to new SRS regulations, repurchased shares that are classified as treasury shares must be formally accounted for as a non-current financial investment because they reduce the level of share capital.

Repurchased shares are valued at the lower of cost or market.

Reductions in repurchased shares are accounted for according to the weighted average price method. Any gains arising from the sale of repurchased shares are reported in capital reserves. Any losses arising from the sale of repurchased shares are reported as a reduction to reserves.

On the basis of corporate by-laws and in accordance with the board resolution of April 4, 1997, the Company created a fund of treasury shares, which may not exceed 5% of capital. According to a board resolution taken at the first board meeting, shares can only be repurchased in cases of urgency to prevent serious and direct damage to the Company and to pay bonuses to members of the Supervisory and Management Boards.

During the period from May 1997 to December 2000, the Company repurchased 36,142 of its shares, an amount representing 1.73% of total registered share capital. The aggregate value of the repurchased shares was SIT 692 million. At the time of the purchase, the purchase price of the shares was lower than their market value.

Of the total amount of shares that were repurchased in 1997 and 1998 respectively, 1,144 shares with the aggregate value of SIT 25.1 million and 1,092 shares with an aggregate value of SIT 23.5 million were distributed in compensation and bonus packages to members of the Supervisory and Management Boards.

In accordance with the board resolution reached at Petrol's fourth shareholders meeting, 2002 shares of repurchased stock with an aggregate value of SIT 43.5 million were distributed in compensation and bonus packages to members of the Supervisory and Management Boards.

In 2001 and 2002 respectively, 1,112 repurchased shares with an aggregate value of SIT 22.8 million and 1,830 repurchased shares with a value of SIT 37.9 million were distributed in compensation and bonus packages to members of the Supervisory and Management Boards. In 2002, the surplus above acquisition value of SIT 21.2 million was reported as an increase in the value of capital reserves.

On December 31, 2002, the book value of repurchased shares was SIT 600 million.

Transaction	Number of shares	Value (SIT)
Purchases		
1997	9,218	150,747,915
1998	25,748	523,280,666
1999	1,176	17,858,912
Total purchases	36,142	691,887,493
Payments – Sales		
Bonus payments in 1997	1,144	25,125,672
Bonus payments in 1998	1,092	23,517,312
Bonus payments in 1999	715	14,902,866
Bonus payments in 2000	1,287	28,663,072
Bonus payments in 2001	1,122	22,826,276
Bonus payments in 2002	1,830	37,924,477
Total bonus payments	7,190	152,959,675
	Total number	Market value
Balance at 31. 12. 2002	28,952	1,187,292,857.52

At year end 2002, Petrol, d.d., Ljubljana pledged 8,500 repurchased shares as collateral for a short-term loan with a value of SIT 201.4 million.

L) Inventories

Inventories of goods and material intended for sale are stated at cost that is composed of original purchase price plus import duties and direct expenses. Original purchase price is reduced by the amount of discounts. Direct expenses include transportation and transportation insurance expenses, loading, reloading, unloading and handling expenses, expenses related to brokerage and agency arrangements and other sundry expenses borne by the purchaser. Discounts include those that are indicated on the sales bill as well as those that are given at a later date and relate to specific purchases.

Inventories of oil derivative products held in non-excite warehouses and at service stations are stated at acquisition cost plus the following components: import tax, excise tax, CO2 tax, contributions and fees related to obligatory reserves of the Republic of Slovenia.

At the end of each month, inventories are revalued using the weighted average acquisition price during the accounting period. Any resulting increase or decrease in the value of inventories will increase or decrease the purchase price of a corresponding quantity of that specific inventory.

Sold inventories and the cost of sales are calculated on the basis of average market price of goods during the accounting period.

Inventories are revalued as a result of impairment when book value exceeds market value. Impairment occurs in the value of inventories when the book value of the inventories (reflecting most recent acquisition cost) is greater than market value. Inventories are then marked down to the market value (which replaces book value). In cases where market value is higher than net realisable value, inventories are reported at their net realisable value. In cases, where the market value of the goods is less than net realisable value, then the inventories are reported at net realisable value less gross profit margins. A reduction in the value of inventories, materials and sundry equipment is accounted for as a charge against expenses. A reduction in the value of inventories held for sale is reported in the income statements as an operating cost.

M) Non-current trade receivables

Non-current trade receivables are comprised of a receivable from the municipal government of Nova Gorica in consideration of Petrol's overpayment of fees for environmental damages, a receivable from Petrol Energetika, d.o.o. related to the transfer of interest receivables from the Zavod za blagovne reserve (Slovene Institute for Commodity Reserves), a non-current receivable from Nafta Lendava related to loans that will be paid out of the profits of Geonergo, d.o.o. and receivables related to the purchase price of real estate in financial lease transactions.

N) Current trade receivables

Receivables are no longer revalued as a result of changes in the purchasing power of the Slovene domestic currency. Exceptions are made for transactions valued in foreign currency where there is a change in the applicable exchange rate following the booking of the receivable and for transactions valued in domestic cur-

rency if revaluation and preservation of the real value of the receivable is agreed to by both parties to the transaction. Resulting increases or decreases in the value of receivables are reported in the income statement as finance income or finance cost related to continuing operations.

The value of receivables is impaired if book value is exceeded by fair value (defined here as net realisable value). Overdue receivables and receivables for which there exists the possibility that they will not be repaid in full by a certain date are reported as doubtful or, in cases where a claim has been filed in court, as disputed.

Based on the Company's past experience and expectations for the current accounting period, the Company makes appropriate charges against outstanding accounts receivable. Such adjustments are based on the age of the receivable in question and allow for the gradual impairment of the receivable to be accounted for in the appropriate expense categories and for corresponding adjustments to be made to the carrying value of the receivable.

The following adjustments are made to domestic receivables that are doubtful or disputed:

- 70% against all doubtful or disputed receivables including those from customers in bankruptcy or forced liquidation proceedings (not including insured receivables);
- 100% against receivables that are over 60 days past due (not including insured receivables).

The Company takes a 100% charge against receivables that are doubtful or disputed from foreign companies and individuals (not including insured receivables).

O) Cash and cash equivalents

Cash and cash equivalents are comprised of domestic and foreign currency in cash registers, money in transit, and deposits held at banks and other financial institutions. Cash and cash equivalents are stated at current nominal value. In 2002, uncashed cheques are also included in this category because the settlement dates are short-term and risk of non-payment is insured. In the context of introducing transaction accounts for customers and other new payment instruments, the Company will be replacing cheques with suitable alternative payment and evidentiary methods.

Foreign currency is stated at its domestic equivalent (SIT) using the median exchange rate of the Bank of Slovenia on balance sheet date.

P) Deferred costs and accrued revenues

On the asset side of the balance sheet, this category includes deferred costs and unrecognised future income. Deferred costs represent those amounts that, at the time they are incurred, do not arise from the current operational activities of the Company and therefore do not have an influence on the Company's current operating results. Such deferred costs are reported in the income statement in future financial periods. Unrecognised future income is generated when the completion of current operating results is based on the recognition of income, the payment of which the Company has not yet received.

Q) Equity

The capital account expresses the investment of shareholders in the Company and reflects the Company's obligations to its shareholders. Included in this category are not only amounts that the Company's shareholders originally invested into the Company but also the net profits of the Company, which also belong to the shareholders.

The total capital of the Company includes share capital, capital reserves, reserves from profit, accumulated profits, capital inflationary adjustments and undistributed profits from the current year.

The basic capital of Petrol, d.d. is comprised of the capital nominally defined in the Company's by-laws that has been officially registered. The value of these common shares is SIT 12,517,806 thousand. The number of common shares issued is 2,086,301 and the nominal value per share is SIT 6,000.00.

Capital reserves are comprised of amounts exceeding the book value incurred during disposal of provisionally redeemed treasury shares (capital surplus). Capital reserves are also realised during subsequent sales or disposal of redeemed treasury shares as a surplus of the sales value over the nominal value of the shares.

Reserves from profits are withheld amounts from the profits of previous years and are intended for the settlement of possible future losses. Reserves from profits are segregated from regulatory reserves, treasury share reserves, statutory reserves and accumulated profits. The level of reserves from profits is determined by the competent authorized committee that is responsible for the drafting of the Company's annual report.

Accumulated profits are those portions of profits from previous years that were not paid out as dividends or distributed to other capital or reserve accounts. Capital inflationary adjustments are comprised of both general and specific revalua-

tion adjustments to capital. During the consolidation process, a special consolidation adjustment is made to capital.

On December 31, 2002, general capital inflationary adjustments were comprised of the reconciliation of revalued adjustments made to capital prior to 2002. The new SRS regulations disallow the revaluation of capital accounts except when the growth of the EUR against the domestic currency in the previous year exceeds 5.5%.

The level of undistributed profits from the current year is determined based on the calculation of estimated needs for the current operating period.

R) Provisions

Provisions for capital improvements represent non-current accruals and deferrals posted to cover future obligations related to investment in and the maintenance of sales and service stations, warehouses, terminals and other plants. Provisions for capital improvements are drawn against actual expenses for capital improvements, or are treated as other operating income.

Environmental provisions are earmarked for that portion of fixed assets that must be equipped with environmentally-safe plant and machinery. The provisions were set up as a charge against the capital of Petrol's opening balance sheet dated January 1, 1993. The provisions are treated in a similar fashion as deferred income in that they are transferred from operating income at the time the related expenses are created (amortization of environmental assets and other expenses). The coverage of such expenses with provisions has no effect on Petrol's reported results because the Company does not realize a profit as these provisions are released.

S) Financial payables

Financial payables are comprised of non-current and current loans. The starting balance of such payables is valued based on the underlying loan agreement and documents indicating the receipt of borrowed funds or the repayment of such funds. Financial payables are not revalued because of changes in the purchasing power of the domestic currency, except in cases where the loan is denominated in a foreign currency and is reported on the balance sheet in its domestic equivalent using the appropriate exchange rate, or in cases where the loan is denominated in domestic currency and revaluation is agreed to in the loan documents by both the lender and the borrower in order to preserve the real value of the loan. In such cases, the increased amount of the financial payable is reported in the income statement as a finance cost from continuing operations and the decreased amount

of the financial debt is reported as finance income from continuing operations. Financial obligations are not revalued in the case of impairment.

Current financial payables are composed of payables on loans due within of less than one year.

T) Trade payables

Trade payables are for the most part comprised of supplier credits for purchased goods and services, current compensation payables to employees for services rendered, current finance and interest payables, current taxes payable to the government and current payables arising from the distribution of profits. The original amount of such payables is based on the underlying loan agreement or other documentation that indicates the value of goods and services received, the amounts of payments to be made, calculated expense or profit distribution. Trade payables are not revalued because of changes in the purchasing power of the domestic currency, except in cases where the payable is denominated in a foreign currency and is reported on the balance sheet in its domestic equivalent using the appropriate exchange rate, or in cases where the payable is denominated in domestic currency and revaluation is agreed to by both the creditor and the debtor in order to preserve the real value of the payable. In such cases, the increased amount of the trade payable is reported in the income statement as a finance cost from continuing operations and the decreased amount of the trade payable is reported as a finance income from continuing operations. Trade payables are not revalued in the case of impairment.

U) Accrued costs and deferred revenues

On the liability side of the balance sheet, this category includes accrued costs and short-term deferred revenues. Accrued costs arise when there is a charge taken for an amount equal to one of the Company's operating activities or results, or when expenses related to inventory are anticipated but not yet recognised. Accrued costs cover expenses that will be taken in a subsequent period.

V) Cash flow statement

The cash flow statement shows the effect of cash inflows and cash outflows on the level of cash and cash equivalents during the accounting period. Cash flows are reported in accordance with the indirect method whereby the difference in the beginning and ending balances of the financial period is presented. All non-cash transactions are eliminated in order to arrive at the most accurate estimate of actual cash flows.

Income statement - Petrol, d.d.

SIT 000	Note	2002	2001	Index 02/01
Net sales revenues*	A., 01.;	263,473,448	262,023,840	101
Cost of sales*	B., 02.;	(229,005,086)	(229,593,540)	100
Gross profit		34,468,362	32,430,300	106
Material		(1,387,771)	(1,162,771)	119
Services		(15,644,845)	(14,292,710)	109
Compensation	03.;	(7,705,470)	(7,609,013)	101
Amortisation	D., 04.;	(5,622,680)	(5,143,352)	109
Impairment of fixed assets	05.;	(774,614)	(353,022)	219
Impairment charge on receivables	05.;	(450,034)	(481,368)	93
Other expenses	06.;	(579,300)	(441,493)	131
Operating expenses	02.;	(32,164,714)	(29,483,729)	109
Other operating expenses		(131,677)	(338,164)	39
Other operating income	07.;	1,166,693	1,114,040	105
Operating profit		3,338,664	3,722,447	90
Income from shareholding interests	08.;	2,779,880	1,799,619	154
Finance income from non-current receivables	09.;	240,229	208,436	115
Finance income from current receivables	10.;	4,496,090	4,111,162	109
Revaluation result		0	141,525	—
Finance income	E.;	7,516,199	6,260,742	120
Impairment losses on investments	11.;	(1,388,510)	(789,211)	176
Interest and other expenses	12.;	(3,528,348)	(5,176,875)	68
Finance costs	E.;	(4,916,858)	(5,966,086)	82
Income from continuing operations		5,938,005	4,017,103	148
Extraordinary income	F., 13.;	79,322	113,163	70
Extraordinary expenses	F., 14.;	(759,323)	(26,673)	2847
Extraordinary items		(680,001)	86,490	—
Profit before tax		5,258,004	4,103,593	128
Income tax expenses	G., 15.;	0	(28,413)	—
Net profit for the year		5,258,004	4,075,180	129

* The financial results for the previous year (2001) have not been restated in accordance with the new SRS accounting regulations that came into force in 2002 and, for this reason, the 2001 net income figure remains unchanged from the previous year's report. However, individual income and expense entries have been disclosed in a manner that adheres in all material respects to the new accounting rules.

Net revenues by product segment - Petrol, d.d.

SIT 000	Oil and oil products	Non-oil products	Other sales segments	Total
For the year ending December 31, 2002				
Net revenues from sales	231,361,750	28,478,623	3,633,075	263,473,448

Net revenues by geographical segment - Petrol, d.d.

SIT 000	Net sales revenues
For the year ending December 31, 2002	
Slovenia	254,452,779
Croatia	43,252
Bosnia and Herzegovina	6,034,151
Austria	142,736
Other countries	2,800,530
Total	263,473,448

Balance sheet - Petrol, d.d.

SIT 000	Note	31. 12. 2002	31. 12. 2001	Index 02/01
ASSETS				
A) NON-CURRENT ASSETS				
I. Intangible assets	H., 16.;	1,227,154	408,407	300
Property		18,627,205	16,282,849	114
Plant		39,403,129	38,304,313	103
Equipment		4,302,246	4,248,118	101
Fixed assets in the construction process		6,436,530	4,490,345	143
Advances for acquisition of fixed assets		88,679	139,167	64
II. Fixed assets	H., 17., 18.;	68,857,789	63,464,792	108
Investments in Petrol Group members		15,216,229	11,617,813	131
Investments in affiliated companies		3,643,823	2,488,781	146
Other shareholding interests and investments		3,741,811	3,305,229	113
Non-current receivables from Petrol Group members		2,621,200	1,553,884	169
Non-current receivables from affiliated companies		443,021	0	—
Other non-current receivables		1,324,516	492,022	269
Treasury shares	K.;	599,994	637,919	94
III. Non-current investments	I., 19., 20.;	27,590,594	20,095,648	137
Total non-current assets		97,675,537	83,968,847	116
B) CURRENT ASSETS				
Raw materials		301,314	353,574	85
Finished goods		12,377,703	8,995,972	138
Advances for inventories		759	0	—
I. Inventories	L., 21.;	12,679,776	9,349,546	136
Non-current trade receivables from customers		12,501	21,019	59
Non-current trade receivables from others		283,077	0	—
II. a) Non-current trade receivables	M., 22.;	295,578	21,019	1406
Current receivables from Petrol Group members		267,762	630,059	42
Current receivables from affiliated companies		42,110	1,017,168	4
Current customer receivables		17,035,498	16,032,126	106
Other current receivables		5,799,594	4,948,169	117
II. b) Current trade receivables	N., 23., 24.;	23,144,964	22,627,522	102
Current investments in Petrol Group members		72,270	241,246	30
Current investments in affiliated companies		0	0	—
Other current investments		1,128,414	1,692,575	67
Interest receivables from Petrol Group members		23,607	1,410	1674
Interest receivables from affiliated companies		0	64,945	—
Other interest receivables		158,613	156,238	102
III. Current investments	I., 25.;	1,382,904	2,156,414	64
IV. Cash and cash equivalents	O., 26.;	2,608,884	3,405,985	77
Total current assets		40,112,106	37,560,486	107
C) ACCRUALS AND DEFERRALS	P., 27.;	292,763	287,433	102
TOTAL ASSETS		138,080,406	121,816,766	113

SIT 000	Note	31. 12. 2002	31. 12. 2001	Index 02/01
EQUITY AND LIABILITIES				
A) EQUITY				
I. Share capital		12,517,806	12,517,806	100
II. Capital reserves		23,880	2,665	896
Regulatory reserves		14,739,247	14,701,323	100
Treasury share reserves	K.;	599,995	637,919	94
Other reserves from profits *		15,186,425	10,433,462	146
III. Reserves from profits	30.;	30,525,667	25,772,704	118
IV. Accumulated profits		2,842,516	4,247,741	67
V. Net profit for the year *		2,629,002	2,037,590	129
Capital inflationary adjustments		19,190,518	19,190,518	100
VI. Adjustments to capital		19,190,518	19,190,518	100
Total equity	R., 28., 29.;	67,729,389	63,769,024	106
B) PROVISIONS				
Provisions for capital improvements		2,037,365	2,037,764	100
Provisions for environmental fixed assets		7,423,005	8,083,822	92
Total provisions	S., 31.;	9,460,370	10,121,586	93
C) NON-CURRENT LIABILITIES				
a) Non-current financial and trade payables				
Non-current financial payables to banks		9,493,836	8,136,575	117
Non-current financial payables to others		1,367,602	0	—
Non-current financial payables	T., 32.;	10,861,438	8,136,575	133
Non-current trade payables		9,716	136,025	7
Non-current payables to affiliated companies		129,219	0	—
Non-current trade payables	U., 33.;	138,935	136,025	102
b) Current finance and trade payables				
Current loans payable to Petrol Group members		1,865,146	480,904	388
Current loans payable to affiliated companies		9,682,557	6,161,945	157
Other current loans payables		9,660	20,147	48
Current financial payables	T., 34.;	11,557,363	6,662,996	173
Current trade payables to Petrol Group members		13,834,590	9,432,073	147
Current trade payables to affiliated companies		135,867	217,540	62
Current trade payables to others		10,009,075	8,159,298	123
Current compensation payables		769,234	708,220	109
Current government payables		12,168,256	12,522,008	97
Advances received		86,719	540,685	16
Dividends payable		0	93,580	—
Other current trade payables		465,447	875,966	53
Current trade payables	U., 35.;	37,469,188	32,549,370	115
Total liabilities		60,026,924	47,484,966	126
D) DEFERRALS AND ACCRUALS	J., V., 36.;	863,723	441,190	196
TOTAL EQUITY AND LIABILITIES		138,080,406	121,816,766	113

* In accordance with Paragraph 3 of Article 228 of the Law Governing Economic Companies - Appendix F, undistributed net profits have been reduced by half and transferred into the reserve account.

** The balance sheet accounts for the previous fiscal year (2001) have not revalued in accordance with the new SRS accounting regulations that came into force in 2002. However, individual asset and liability entries have been disclosed in a manner that adheres in all material respect to the new accounting regulations.

Statement of changes in equity - Petrol, d.d.

SIT 000	Share capital	Capital reserves	Regulatory capital
Balance at December 31, 2000	12,517,806	1,107	13,722,082
Transfers into capital accounts			
Transfer of income for the year	0	0	0
Capital inflationary adjustments to capital	0	105	960,986
Other increases to capital	0	1,453	0
Transfers within capital accounts			
Distrib. of profits to other capital accounts in accord. with Mgm't. and Super. Boards	0	0	0
Release of treasury share reserves and distribution into other capital accounts	0	0	18,255
Other transfers within capital accounts	0	0	0
Transfers from capital accounts			
Payment of dividends and bonuses to Mgm't. and Supervisory Board members	0	0	0
Balance at December 31, 2001	12,517,806	2,665	14,701,323
CALCULATED PROFIT	0	0	0
Transfers into capital accounts			
Transfer of income for the year	0	0	0
Other increases to capital	0	21,215	0
Transfers within capital accounts			
Distrib. of profits to other capital accounts in accord. with Mgm't. and Super. Boards	0	0	0
Release of treasury share reserves and distribution into other capital accounts	0	0	37,924
Distrib. of calc. profit to other capital accounts in accord. with Mgm't. and Super. Boards	0	0	0
Other transfers within capital accounts	0	0	0
Transfers from capital accounts			
Payment of dividends and bonuses to Mgm't. and Supervisory Board members	0	0	0
Balance at December 31, 2002	12,517,806	23,880	14,739,247
CALCULATED PROFIT	0	0	0

Treasure share reserves	Other reserves from profit	Accumulated profits	Net profit for the year	Capital inflationary adjustments	Total capital
617,892	6,935,400	3,999,443	1,911,935	17,116,141	56,821,806
0	0	0	4,075,180	0	4,075,180
38,282	504,505	373,568	0	2,074,377	3,951,823
0	0	0	0	0	1,453
0	2,037,590	0	(2,037,590)	0	0
(18,255)	0	0	0	0	0
0	955,967	955,967	(1,911,935)	0	0
0	0	(1,081,237)	0	0	(1,081,237)
637,919	10,433,462	4,247,742	2,037,590	19,190,518	63,769,024
0	736,791	4,247,742	2,037,590	0	7,022,123
0	0	0	5,258,004	0	5,258,004
0	0	0	0	0	21,215
0	2,629,002	0	(2,629,002)	0	0
(37,924)	0	0	0	0	0
0	2,842,516	(2,842,516)	0	0	0
0	0	2,037,590	(2,037,590)	0	0
0	(718,555)	(600,299)	0	0	(1,318,854)
599,995	15,186,425	2,842,516	2,629,002	19,190,518	67,729,389
0	0	2,842,516	2,629,002	0	5,471,518

Cash flow statement - Petrol, d.d.

SIT 000	2002	2001	Index 02/01
Cash from operating activities	262,592,755	267,399,781	98
Operating income	263,903,860	262,226,693	101
Extraordinary income from continuing operations	79,322	113,164	70
Change in trade receivables	(1,385,097)	4,926,493	—
Change in deferred costs and accrued revenues	(5,330)	133,431	—
Cash used in operating activities	253,166,697	270,459,851	94
Operating costs less amortisation, depreciation and provisions	254,151,280	253,437,691	100
Extraordinary expenses from continuing operations	759,323	26,672	2,847
Taxes paid	0	28,413	—
Change in inventories	3,330,230	(1,897,876)	—
Change in trade payables	(4,742,354)	18,003,255	—
Change in accrued costs and deferred revenues	(331,782)	861,696	—
Net cash from/(used in) operating activities	9,426,058	(3,060,070)	—
Cash from investing activities	3,021,073	6,754,743	45
Investment income (not including revaluation)	2,247,676	3,180,302	71
Extraordinary expenses from investing activities	0	0	—
Net decrease in intangible assets	0	0	—
Net decrease in fixed assets (not including revaluation and capital investments)	0	0	—
Net decrease in non-current investments (not including revaluation)	0	0	—
Net decrease in current investments (not including revaluation)	773,397	3,574,441	22
Cash used in investing activities	19,366,104	8,359,424	232
Finance costs (not including revaluation)	0	74,951	0
Extraordinary expenses from investing activities	0	0	—
Net increase in intangible assets (not including revaluation)	988,665	155,099	637
Net increase in fixed assets (not including revaluation and capital investments)	11,618,303	5,233,693	222
Net increase in non-current investments (not including revaluation)	6,759,136	2,895,681	233
Net increase in current investments (not including revaluation)	0	0	—
Net cash from/(used in) investing activities	(16,345,031)	(1,604,681)	1,019
Cash from financing activities	10,873,338	10,124,276	107
Finance income (not including revaluation)	3,468,058	2,892,005	120
Extraordinary income from financing activities	0	0	—
Increase in capital (not including net profit)	21,215	1,453	1,460
Net increase in non-current provisions (not including revaluation)	0	0	—
Net increase of non-current financial payables (not including revaluation)	2,489,697	2,118,644	118
Net increase of current financial payables (not including revaluation)	4,894,368	5,112,174	96
Cash used in financing activities	4,751,466	6,120,833	78
Finance costs	3,290,712	4,571,277	72
Extraordinary expenses from financing activities	0	0	—
Decrease in capital (not including net losses)	0	0	—
Net decrease in provisions	141,900	468,319	30
Net decrease in non-current financial payables (not including revaluation)	0	0	—
Net decrease in current financial payables (not including revaluation)	0	0	—
Decrease in shareholder payables (dividends and other participations)	1,318,854	1,081,237	122
Net cash from/(used in) investing activities	6,121,872	4,003,443	153
Net increase/(decrease) in cash and cash equivalents	(797,101)	(661,308)	121
Cash and cash equivalents at end of year	2,608,884	3,405,985	77
Net increase/(decrease) in cash and cash equivalents	(797,101)	(661,308)	121
Cash and cash equivalents at beginning of year	3,405,985	4,067,293	84

* The financial results for the previous year (2001) have not been restated in accordance with the new SRS accounting regulations that came into force in 2002 and, for this reason, the 2001 net income figure remains unchanged from the previous year's report. However, individual income and expense entries have been disclosed in a manner that adheres in all material respects to the new accounting rules.

Note 1: Net sales revenues - Petrol, d. d.

SIT 000	2002	2001	Index 02/01
Oil derivatives	220,575,976	224,830,169	98
Other oil products	10,785,773	10,102,371	107
Services	3,633,075	3,426,635	106
Other merchandise	28,478,623	23,664,665	120
Total	263,473,448	262,023,840	101

SIT 000	2002	2001	Index 02/01
Domestic sales revenues	256,750,473	252,243,916	102
- Petrol Group members	1,023,161	596,658	171
- affiliated companies	98,949	38,283	258
- other	255,628,363	251,608,975	102
Revenues from the sales of proprietary goods and services	0	0	—
International sales revenues	6,722,975	9,779,924	69
- Petrol Group members	311,844	2,101,786	15
- other	6,411,131	7,678,138	83
Total	263,473,448	262,023,840	101

In 2002, Petrol, d.d. generated net sales revenues of SIT 263 billion. Of this amount, SIT 220.5 billion was generated from the sale of liquid fuels and SIT 11 billion from the sale of other oil products. In addition to revenues generated from the sale of oil and natural gas products, Petrol generated revenues of SIT 28.5 billion in 2002 from the sale of supplementary commercial merchandise and SIT 3.6 billion from the sale of various services.

Note 2: Cost of sales and other comprised - Petrol, d.d.

SIT 000	2002	2001	Index 02/01
Cost of sales	229,005,086	229,593,540	100
Materials	1,387,771	1,162,771	119
Services	15,644,845	14,292,710	109
Compensation	7,705,470	7,609,013	101
Revaluation of:	6,847,328	5,977,742	115
- amortisation	5,622,680	5,143,352	109
- intangible and fixed assets	774,614	353,022	219
- current assets	450,034	481,368	93
Other expenses	579,300	441,493	131
Other trade expenses	131,677	338,164	39
Total expenses	261,301,477	259,415,433	101

SIT 000	Costs of products and materials	Distribution and amortisation expenses	Administrative expenses (with amortisation)	Total
Cost of sales	229,005,086	0	0	229,005,086
Materials	0	1,244,002	143,769	1,387,771
Services	0	13,383,178	2,261,667	15,644,845
Compensation	0	5,583,925	2,121,545	7,705,470
Revaluation of:	0	5,024,337	1,822,991	6,847,328
- amortisation	0	5,024,337	598,343	5,622,680
- intangible and fixed assets	0	0	774,614	774,614
- current assets	0	0	450,034	450,034
Other expenses	0	395,424	183,876	579,300
Other trade expenses	0	117,277	14,400	131,677
Total expenses	229,005,086	25,748,144	6,548,247	261,301,477

In 2002, cost of sales is principally comprised of the purchase price of oil products, of which the following amounts were purchased from Petrol subsidiaries:

- 956 thousand tons from Cypet Oils, Ltd.,
- 650 thousand tons from Petrol Trade, H.m.b.H., Vienna.

In 2002, the Company incurred slightly over SIT 32.1 billion in operating costs. This represents a 9% increase over the previous year in nominal terms and a 1% increase in real terms.

In 2002, expenses related to services, which represent 49 % of the total expense structure, increased by 9% as compared to the previous year in nominal terms and by 2% in real terms. The largest component in the service category is transportation expenses. In 2002, the Company reported SIT 5,318,023 thousand in transportation expenses, an increase of 1% as compared to 2001 in nominal terms and a decrease of 8% in real terms. The Company reported SIT 5,300,184 thousand in other service expenses, a 23% increase over the previous year in nominal terms and a 14% increase in real terms. The largest component in the other service expense category is expenses paid to franchise holders. In 2002, the Company reported SIT 3,990,570 thousand in such expenses, an increase of 23% over the previous year in nominal terms and 15% in real terms. These increases are due to the larger number of service stations in the franchise system.

In 2002, revaluation expenses include amortisation of SIT 5,622,680 thousand, operating costs related to the revaluation of non-current fixed assets of SIT 774,614 thousand and operating costs related to the revaluation of current assets of SIT 450,034 thousand.

Amortisation expenses also include amortisation of environmental fixed assets in the amount of SIT 503 million.

In 2002, compensation expenses represented 24% of the total expense structure. Compensation increased in nominal terms by 1% as compared to 2002 and decreased by 6% in real terms.

Note 3: Compensation expenses - Petrol, d.d.

SIT 000	2002	2001	Index 02/01
Salaries :	5,925,133	5,933,662	100
- Payroll	5,550,474	5,528,022	100
- Food expenses	171,322	191,135	90
- Transportation expenses	203,337	214,505	95
Social security	1,331,005	1,280,569	104
- Pension	500,158	494,540	101
Other compensation expenses (subsidies, severance, awards)	449,332	394,782	114
Total compensation expenses	7,705,470	7,609,013	101

Note 4: Amortisation expenses - Petrol, d.d.

SIT 000	2002	2001	Index 02/01
Amortisation - regular	5,119,859	4,478,646	114
Amortisation - environmental fixed assets	502,821	664,706	76
Total	5,622,680	5,143,352	109

Note 5: Impairment costs - Petrol, d.d.

SIT 000	2002	2001	Index 02/01
Revaluation costs in connection with intangible and fixed assets	774,614	353,022	219
- due to revalued revenue stream resulting from asset impairment	589,665	0	—
Revaluation costs in connection with current assets	450,034	481,368	93
Total revaluation costs	1,224,648	834,390	147

In 2002, costs arising from the revaluation of fixed assets are comprised of the following: the impairment of real estate at the Hotel Špik of SIT 442,767 thousand, the impairment of real estate at Motel Čatež of SIT 146,898 thousand and losses on the disposal of assets of SIT 184,949 thousand.

Costs arising from the revaluation of current assets are comprised of the following: adjustments to the value of receivables of SIT 344,258 thousand and write-off of receivables of SIT 105,776 thousand.

Note 6: Other operating expenses - Petrol, d.d.

SIT 000	2002	2001	Index 02/01
Environmental safety expenses and other contributions	8,467	6,523	130
Other (severance, early retirement and awards)	566,337	426,677	133
Stipends and educational expenses	4,496	8,293	54
Total	579,300	441,493	131

Other expenses of SIT 566,337 thousand include severance pay to terminated employees (SIT 250,184 thousand), funds donated to culture, science and sports events and activities (SIT 36,359 thousand), sponsorship expenses (SIT 109,567 thousand) and prepaid legal fees (SIT 121,751 thousand).

Note 7: Other operating income - Petrol, d.d.

SIT 000	2002	2001	Index 02/01
Income from the release of environmental provisions	519,315	664,706	78
Revaluation of operating income	155,470	246,481	63
Revaluation of non-current assets	150,431	221,911	68
Revaluation of current assets	5,039	24,570	21
Other operating income	491,907	202,853	242
Total	1,166,693	1,114,040	105

Income related to the release of environmental assets provisions (SIT 519,315 thousand) are comprised of amortisation of environmental assets (SIT 502,821 thousand) and expenses connected with the clean-up of the bitumen dump at Pesniški dvor (SIT 16,494 thousand).

The revaluation of operating income (SIT 155,470 thousand) is comprised of gains on the sale of fixed assets (SIT 150,431 thousand) and the reversal of impairment charges against receivables taken in previous years (SIT 5,039 thousand).

Most of the remaining amount in other income is comprised of the return of an overpayment of punitive fees related to environmental damages from the municipal government of Novo Mesto Gorica (SIT 367,707 thousand).

Note 08:

Finance income from investments - Petrol, d.d.

SIT 000	2002	2001	Index 02/01
Income from investments in Petrol Group members	1,081,691	1,167,007	93
Income from investments in affiliated companies	1,245,292	0	—
Income from investments in joint ventures	4	0	—
Income from other investments	452,893	632,612	72
Revaluation income	189,177	383,158	49
Total	2,779,880	1,799,619	154

In 2002, finance income from shareholding interests is comprised of income from Petrol Group subsidiaries (SIT 1,081,691 thousand), affiliated companies (SIT 1,245,292 thousand), joint ventures (SIT 4 thousand) and unaffiliated companies (SIT 263,716 thousand). Finance income also includes revaluation gains (SIT 189,177 thousand).

In 2002, finance income from Petrol Group subsidiaries was as follows:

- Petrol - Trade H.m.b.H, Vienna	SIT 675,058 thousand
- Cypet Oils Ltd., Cyprus	SIT 148,339 thousand
- Petrol BH Oil Company, d.o.o., Sarajevo	SIT 149,706 thousand
- Petrol Trgovina, d.o.o., Zagreb	SIT 33,697 thousand
- Destilat, d.o.o.	SIT 43,942 thousand
- Petrol Gostinstvo, d.o.o.	SIT 10,885 thousand
- Petrol Plin, d.o.o.	SIT 9,315 thousand
- Petrol - Energetika Štore, d.o.o.	SIT 6,897 thousand
- Petrol - Energetika Ravne, d.o.o.	SIT 2,819 thousand
- Petrol Skladiščenje, d.o.o.	SIT 980 thousand
- Petroservis, d.o.o.	SIT 53 thousand

Finance income from affiliated companies was as follows:

- Instalacija, d.o.o., Koper	SIT 1,202,968 thousand
- Aquasystems, d.o.o.	SIT 29,524 thousand
- Ogrevanje Piran, d.o.o.	SIT 12,800 thousand

Finance income from joint ventures was as follows:

- Geoenergo, d.o.o.	SIT 4 thousand
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Income generated from affiliated companies is reported as income from continuing operations because Petrol's controlling interest in these companies ensures the certainty of future dividend payments to the parent company.

The majority of the income from other companies is comprised of dividends from Geoplin, d.o.o. (SIT 211,999 thousand) and Koroške banke, d.d., (SIT 41,578 thousand).

Revaluation income is comprised of foreign exchange gains derived from the revaluation of investments in foreign affiliates in order to preserve the value of capital (SIT 110,313 thousand), gains on the disposal of shareholding interests in com-

panies (SIT 56,651 thousand) and income derived from the reconciliation of the capital accounts of the subsidiary Hotel Špik, d.o.o. to cover the losses of this subsidiary (SIT 22,213 thousand).

Note 9:

Finance income from non-current receivables - Petrol, d.d.

SIT 000	2002	2001	Index 02/01
Finance income from non-current receivables			
From Petrol Group members	86,198	42,146	205
Affiliated companies	23,659	70,732	33
Other finance income from non-current receivables	130,372	95,558	136
Total	240,229	208,436	115

Finance income from non-current receivables is comprised of interest on long-term loans received from companies in the Petrol Group (SIT 86,198 thousand), affiliated companies (SIT 23,659 thousand) and from other unaffiliated companies and banks (SIT 83,167 thousand), interest receivable on long-term mortgage loans to employees (SIT 18,498 thousand) and foreign exchange gains derived from long-term loans with foreign exchange clauses (SIT 28,707 thousand).

Note 10: Finance income from current receivables - Petrol, d.d.

SIT 000	2002	2001	Index 02/01
Finance income from current receivables			
From Petrol Group members	3,746	0	—
From affiliated companies	0	0	—
Other finance income from current receivables	4,492,344	4,111,162	109
- interest received from others	1,012,185	1,190,336	85
- gain on foreign exchange rate differences	3,069,834	1,832,906	167
- gain on exercise of futures contracts	172,829	1,001,013	17
- other finance income	237,496	86,907	273
Total	4,496,090	4,111,162	109

Finance income from current receivables is comprised of interest on short-term loans to companies in the Petrol Group (SIT 3,746 thousand).

Interest income from others is comprised of interest on short-term loans to other companies (SIT 100,893 thousand), interest on short-term bank deposits (SIT 193,699 thou-

sand), interest receivable on the sale of heating oil on instalment plans (SIT 266,839 thousand), late interest payments on the retail sale of goods and services (SIT 417,519 thousand) and interest from other current receivables (SIT 33,235 thousand).

Foreign exchange gains are comprised of adjustments to short-term loans with foreign exchange clauses (SIT 1,501 thousand) and positive exchange rate differences on imported goods (SIT 3.067.930 thousand). Gains on foreign exchange differences on imported goods must be looked at in combination with losses on exchange rate differences (SIT 894.341 thousand), gains on the settlement of futures contracts (SIT 172,829 thousand) and losses on the settlement of futures contracts (SIT 1,586,971) used to hedge the Company's foreign exchange risk. In 2002, the net gain on these four accounts was SIT 759,447 thousand. Petrol's exposure to foreign exchange risk is hedged on a daily basis, generally with EUR/USD forward contracts. The goal of the Company's hedging activities is to protect the profit margins on its oil transactions dictated by the official oil price model.

Other finance income from current receivables is comprised of gains on the disposal of current financial investments (SIT 10,117 thousand) and other finance income (SIT 227,379 thousand). The majority of other finance income is comprised of payments from Kredit bank Triglav in connection with bankrupt estate sales (SIT 208,597 thousand).

Note 11: Finance costs from the impairment of investments - Petrol, d.d.

SIT 000	2002	2001	Index 02/01
Finance costs from the impairment of non-current and current investments			
Impairment of investments in Petrol Group members	987,069	714,261	138
Impairment of other investments	401,441	74,950	536
Total	1,388,510	789,211	176

Finance costs from the impairment of financial investments are comprised of impairment of the Company's investment in the subsidiary Hotel Špik, d.o.o. in the amount of the subsidiary's 2002 losses (SIT 14,633 thousand) and impairment of the investment in the joint venture Geoenergo, d.o.o. for the total amount of the investment (SIT 955 thousand).

Other finance costs are comprised of revaluation expenses related to negative foreign exchange rate differences incurred in preserving the capital value of the Company's investment in the subsidiary Cypet Oils (SIT 382,821 thousand), the

impairment of long-term financial investments in other companies resulting from the lower market value of shares (SIT 17,665 thousand) and the write-off of long-term mortgage loans (SIT 955 thousand SIT).

Note 12:

Interest and other finance costs - Petrol, d.d.

SIT 000	2002	2001	Index 02/01
Interest and other finance costs			
Interest and costs paid to Petrol Group members	67,037	8,620	778
Interest and other costs paid to affiliated companies	0	637	—
Other interest and finance costs	3,461,311	5,167,618	67
- interest paid to others	731,638	508,693	144
- loss on foreign exchange rate differences	1,131,978	3,880,082	29
- loss on the exercise of futures contracts	1,586,971	697,019	228
- other finance costs	10,724	81,824	13
Total	3,528,348	5,176,875	68

The largest component of interest expenses and other finance costs is comprised of interest payable to companies in the Petrol Group in consideration of short-term loans received (SIT 65,075 thousand).

Other finance costs include interest and other financial payables related to long-term loans from other companies and banks (SIT 656,286 thousand) and short-term loans from other companies and banks (SIT 51,243 thousand).

Other finance costs also include foreign exchange losses related to the import of goods (SIT 894,341 SIT), foreign exchange losses arising from value preservation of long-term loans (SIT 235,540 thousand) and foreign exchange losses resulting from short-term loans with foreign exchange clauses (SIT 2,097 thousand).

Note 13: Extraordinary income - Petrol, d.d.

SIT 000	2002	2001	Index 02/01
Recovery of impaired receivables	34,319	48	71,498
Recovery of damages	44,047	19,500	226
Collection of punitive fees	695	0	—
Other extraordinary income	261	93,616	0
Total	79,322	113,163	70

Extraordinary income includes recovery of damages from companies in the Petrol Group (SIT 30,579 thousand), insurance companies (SIT 11,754 thousand) and others (SIT 1,714 thousand).

Note 14: Extraordinary expenses - Petrol, d.d.

SIT 000	2002	2001	Index 02/01
Damages	83,359	14,830	562
Punitive fees	1,777	1,678	106
Other extraordinary expenses	674,187	10,164	6633
Total	759,323	26,673	2847

Extraordinary expenses include payments made to companies in the Petrol Group (SIT 671,859 thousand) and other extraordinary expenses (SIT 2,328 thousands). Payments to companies in the Petrol Group are comprised of a payment to the subsidiary Petrol Plin, d.o.o., Ljubljana to cover expenses related to the impairment of fixed assets (SIT 648,946 thousand) and to the subsidiary Hotel Špik, d.o.o. to cover operating losses incurred in 2001 (SIT 22,213 thousand).

Note 15: Income tax - Petrol, d.d.

SIT 000	2002	2001	Index 02/01
Income (following ZDDPO provisions)	269,675,161	267,533,586	101
Expenses (following ZDDPO provisions)	(264,064,719)	(264,398,126)	100
Tax Basis I	5,610,442	3,135,460	179
Increase in tax basis	729,366	1,952,138	37
Decrease in tax basis	(631,983)	(1,567,028)	40
Tax Basis II	5,707,825	3,520,570	162
Tax abatement	(5,707,825)	(3,406,918)	168
Tax Basis III	0	113,652	—
Total income tax expense	0	28,413	—

The net increase in Tax Basis I is principally the consequence of the disposal of fixed assets for which the Company had received a tax abatement in previous years (SIT 97,535 thousand).

In 2002, the Company created investment provisions in the amount of SIT 570,782 thousand and received tax abatements for new investments in the amount of SIT 4,996,926 thousand which, as in previous years, prohibits the Company from distributing dividends for the next five years from earnings retained in 2002. In the event that the Company does pay dividends out of 2002 retained earnings, its tax basis for that year will be increased to the extent that dividends are paid out.

The principal component of both the increase and the decrease in Tax Basis I arises from Petrol's participation in income reported by its foreign subsidiaries (SIT 631,641 thousand) for which income taxes were already paid in the foreign countries where the subsidiaries are located.

The principal components of the decrease in Tax Basis II are as follows: 40% of the total amount invested in fixed assets (with the exception of motor vehicles used by individuals) and in intangible assets (SIT 4,996,926 thousand), investment reserves created in the amount of 10% of Tax Basis II (SIT 570,782 thousand) and other compensation expenses related to the financing of Petrol's pension plan (SIT 140,177 thousand).

Note 16: Intangible assets - Petrol, d.d.

SIT 000	2002	2001	Index 02/01
Gross amount			
Balance at 1 January	849,387	675,551	126
Balance at 1 January - advance for intangible assets	40,562	0	—
Acquisitions	987,784	203,708	485
Decrease / impairment of inventories	(39,679)	(79,476)	50
Recapitalisation of Petrol Plin, d.o.o.	(12,212)	0	—
Recapitalisation of Petroservis, d.o.o.	(14,129)	0	—
Revaluation	0	49,604	—
Acquisition value at 31 December	1,811,713	849,387	213
Adjustments			
Balance at 1 January	440,980	322,892	137
Amortisation	151,141	118,937	127
Reductions/recapitalisation of Petroservis, d.d.	(7,562)	(29,505)	26
Revaluation adjustment	0	28,656	—
Adjustments at 31 December	584,559	440,980	133
Current value at 31 December	1,227,154	408,407	300

Statement of changes in intangible assets - Petrol, d.d.

	Non-current deferred costs, development costs	Patents and licences	Material and other expenses	Intangible assets in acquisition process	Advances for intangible assets	Total
Balance at 31 December 2001	266,756	402,418	118,672	61,541	0	849,387
Transfers from advances at 1 January 2002	0	0	0	0	40,562	40,562
Acquisitions	0	0	0	987,784	415,949	1,403,733
Transfer from assets in process	206,866	69,915	709,765	(986,546)	0	0
Recapitalisation of Petrol Plin, d.o.o.	0	0	0	(12,212)	(415,949)	(428,161)
Recapitalisation of Petroservis, d.o.o.	0	(14,129)	0	0	0	(14,129)
Reductions	0	0	0	(39,679)	0	(39,679)
Net acquisition value at 31 December 2002	473,622	458,204	828,437	10,888	40,562	1,811,713
Adjustments						
Balance at 31 December 2000	(163,818)	(189,151)	(88,011)	0	0	(440,980)
Amortisation	(39,371)	(83,964)	(27,806)	0	0	(151,141)
Reductions/recapitalisation of Petroservis, d.d.	0	7,562	0	0	0	7,562
Adjustments at 31 December	(203,189)	(265,553)	(115,817)	0	0	(584,559)
Current value at 31 December 2002	270,433	192,651	712,620	10,888	40,562	1,227,154
Current value at 31 December 2001	102,938	213,267	30,661	61,541	0	408,407

The largest component of the increase in non-current deferred expenses relates to the rental of water purification equipment in Murska sobota (SIT 205.7 million) in connection with the acquisition of a concession for the performance of public services in the municipality of Murska Sobota. This equipment is used in the purification of communal waste water.

The largest increase in material rights is comprised of the acquisition of the concession for the performance of public services related to the distribution of natural gas in the municipality of Domžale (SIT 466 million) and the acquisition of the concession for the performance of public services related to the purification of communal waste water in the region around the municipality of Murska Sobota (SIT 169.2 million).

The increase in licenses is due to the purchase of programming equipment (SIT 34.4 million).

The decrease in intangible assets of SIT 12.2 million is due to the recapitalisation of the subsidiary company Petrol Plin, d.o.o., Ljubljana (June 7, 2002) with a capital investment – the rights to use the Radovljica boiler.

The decrease in patents and licenses (SIT 6.6 million) is due to the recapitalisation of the subsidiary company Petrolservis, d.o.o. (November 25, 2002) with a capital investment – the license for Baan programming equipment.

The decrease in intangible assets of SIT 39.7 million was due to the impairment of inventories, specifically the write-off of fire-extinguishing foam in the amount of SIT 24.9 million. The remainder is the result of sales to the Zavod za blagovne rezerve (the Slovene Institute of Commodity Reserves).

Note 17: Fixed assets - Petrol, d.d.

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Property	18,627,205	16,282,849	114
Plant	39,403,129	38,304,313	103
Equipment	4,302,246	4,248,118	101
Fixed assets in the construction proces	6,436,530	4,490,345	143
Advances for fixed assets	88,679	139,167	64
Total	68,857,789	63,464,792	108

Fixed assets - Petrol, d.d.

SIT 000	2002	2001	Index 02/01
Balance at 1 January	108,372,222	98,640,456	110
Acquisitions	14,160,064	7,623,773	186
Sales	(2,977,531)	(4,270,680)	70
Recapitalisation of Petrol Plin, d.o.o.	(62,732)	0	—
Recapitalisation of Petroservis, d.o.o.	(418,529)	0	—
Revaluation	0	6,434,164	—
Impairment of assets	(1,020,839)	0	—
Change in advances	(1,509,999)	(55,491)	2,721
Acquisition value at 31 December	116,542,656	108,372,222	108
Adjustments			
Balance at 1 January	44,907,431	39,536,591	114
Amortisation - regular	4,969,824	4,149,305	120
Amortisation - environmental fixed assets	502,821	664,706	76
Disposal and sales	(1,917,447)	(2,314,303)	83
Recapitalisation of Petroservis, d.o.o.	(346,588)	0	—
Revaluation	0	2,871,131	—
Impairment of assets	(431,174)	0	—
Value of adjustments at 31 december	47,684,867	44,907,430	106
Current value at 31 December	68,857,789	63,464,792	108

Investment in intangible and fixed assets - Petrol, d.d.

SIT 000	2002	2001	Index 02/01
Fuel terminals	1,215,191	99,294	1,224
Service stations	7,119,492	5,031,858	141
Information systems	378,766	575,260	66
Other investments	4,101,900	1,983,249	207
Investments in fixed assets:	12,815,349	7,689,662	167
Investments in intangible assets:	987,784	206,526	478
Total investments	13,803,133	7,896,188	175

Statement of changes in fixed assets and environmental fixed assets - Petrol, d.d.

SIT 000	Property	Plant	Equipment	Fixed assets in acquisition process	Advances	Total
Balance at December 31, 2001	16,282,849	64,672,283	22,787,578	4,490,345	139,167	108,372,222
Transfer from fixed assets 1 January 2002	0	0	0	0	(40,562)	(40,562)
Additions	0	0	0	12,815,349	1,459,511	14,274,860
Transfer from assets in process	2,674,873	5,583,856	2,062,050	(10,435,575)	0	(114,796)
Reductions	(330,517)	(1,286,783)	(989,374)	(370,857)	(1,469,437)	(4,446,968)
Reductions - recapitalisation of Petrol Plin, d.o.o.	0	0	0	(62,732)	0	(62,732)
Reductions - recapitalisation of Petroservis, d.o.o.	0	0	(418,529)	0	0	(418,529)
Impairment of assets	0	(1,020,839)	0	0	0	(1,020,839)
Net acquisition value at 31 December 2002	18,627,205	67,948,517	23,441,725	6,436,530	88,679	116,542,656
Adjustments						
Balance at 31 December 2001	0	(26,367,970)	(18,539,461)	0	0	(44,907,431)
Amortisation	0	(3,560,448)	(1,911,089)	0	0	(5,471,537)
Amortisation from previous years	0	(1,108)	0	0	0	(1,108)
Reductions	0	952,964	964,483	0	0	1,917,447
Reductions - recapitalisation of Petroservis, d.o.o.	0	0	346,588	0	0	346,588
Impairment of assets	0	431,174	0	0	0	431,174
Adjustments at 31 December 2002	0	(28,545,388)	(19,139,479)	0	0	(47,684,867)
Current value at 31 December 2002	18,627,205	39,403,129	4,302,246	6,436,530	88,679	68,857,789
Current value at 31 December 2001	16,282,849	38,304,314	4,248,117	4,490,345	139,167	63,464,792

All of the fixed assets presented on the balance sheet are the property of the Company and are entirely unencumbered.

In 2002, the Company invested SIT 12.8 billion in capital improvements. SIT 10.6 billion was invested in real estate as follows:

- a) SIT 2.955 billion for the acquisition of property and necessary permits;
- b) SIT 332.5 million for project documentation;
- c) SIT 6.5 billion for construction work;
- d) SIT 852 million for reservoirs and installations;

In 2002, the Company invested SIT 2.1 billion in plant and equipment, of which the following represent the largest investments:

- a) SIT 1.8 billion for the acquisition of reservoirs and equipment from Nafta Lendava, d.o.o.;
- b) SIT 776.9 million SIT for the construction of a tank car loading station at the Rače warehouse;
- c) SIT 513.8 million for the construction of a new service station at Lukovica south;
- d) SIT 499.7 million for the acquisition of a concession for providing public services related to the distribution of natural gas in the municipality of Domžale;
- e) SIT 436 million for the construction of a replacement service station at Škofja Loka;
- f) SIT 409.7 million for the construction of the Žlebič service station.

In accordance with the recommendations of the inventory and audit committee, assets in the construction process of SIT 12.7 million were written off. Most of these impairment losses related to documentation on individual projects that, because of the scope of urban change, were no longer usable.

In 2002, the level of fixed assets in the construction process decreased as a result of the transfer of the investment in the reconstruction of the Ptujška cesta service station (SIT 162.7 million) to the subsidiary company Destilat, d.o.o. Destilat, d.o.o. is the owner of this and two other service stations that are under the management of the parent company.

Investments in the renovation of reservoirs at the Rače warehouse facilities (SIT 187.5 million) were segregated from other investments. The investment is accounted for in this manner because in 2002 the co-investor in the project, Zavod za blagovne rezerve (the Slovene Institute for Commodity Reserves), made payments in that amount for capital improvements.

The decrease in fixed assets in the construction process was also due to investments in the subsidiary company Petrol Plin, d.o.o. (SIT 62.7 million).

The increase in the level of fully operational plant and equipment is due to the completion of the following projects:

- a) SIT 1.8 billion for reservoirs and other equipment at Lendava;
- b) SIT 513.8 million for plant and equipment at the Lukovica service station;
- c) SIT 493.3 million for plant and equipment at the Lom II service station;
- d) SIT 411 million in computer equipment;
- e) SIT 394.5 million for plant and equipment at the Obrežje service station;
- f) SIT 379.6 million for plant and equipment at the Kamnik Perovo service station;
- g) SIT 356.6 million for plant and equipment at the Šmarje service station;
- h) SIT 303.9 million for plant and equipment at the Žalec service station;
- i) SIT 303.7 million for plant and equipment at the Žlebič service station.

In 2002, the largest reductions (in terms of current values) of fixed assets were comprised of the following:

- SIT 78.4 million for the recapitalisation of the subsidiary company Petroservis, d.o.o. on November 25, 2002;
- SIT 511.6 million for the disposal of business space and equipment that generated a profit of SIT 150.4 million;
- SIT 302 million for the accelerated amortisation of buildings that will be reconstructed or renovated in 2003 (of which SIT 158 million related to service stations and SIT 144 million to the Čatež tourist facilities);
- SIT 13.4 for the writedown of impaired fixed assets according to a resolution taken by the Management Board;
- SIT 12.4 for the writedown of impaired fixed assets following the taking of physical inventory.

In 2002, the parent company, Petrol, d.d. Ljubljana, identified the impairment of certain of its plant and buildings that are revenue generating assets. On December 31, 2002, the company revalued its tourist facilities to SIT 585.4 million. This includes the downward revaluation of the Čatež tourist facility by SIT 146.9 million and the downward revaluation of the Hotel Špik tourist facility by SIT 438.5 million. The basis for impairment losses was an official appraisal performed by P & S, d.o.o., Ljubljana. The book value of the Čatež tourist facility was SIT 339.2 million prior to impairment losses and SIT 192.4 million after impairment losses. The book value of the Hotel Špik tourist facilities was SIT 1.141 billion prior to impairment losses and SIT 702 million after impairment losses.

On December 31, 2002, the amount of non-current financial obligations resulting from the acquisition of fixed assets was SIT 10.861 billion.

18. Note: Environmental fixed assets - Petrol, d.d.

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Plant	8,071,000	8,082,847	100
Equipment	3,367,639	3,468,921	97
Revaluation of plant	(2,123,502)	(1,697,436)	125
Revaluation of equipment	(3,332,541)	(3,359,487)	99
Total	5,982,596	6,494,845	92

Changes in environmental fixed assets - Petrol, d.d.

SIT 000	Plant	Equipment	Total
Acquisition value			
Balance at 31 December 2001	8,082,847	3,468,922	11,551,769
Reductions	(11,847)	(101,283)	(113,130)
At 31 December 2002	8,071,000	3,367,639	11,438,639
Revaluation adjustments			
Balance at 31 December 2001	(1,697,437)	(3,359,487)	(5,056,924)
Amortisation	(428,484)	(74,337)	(502,821)
Reductions	2,419	101,283	103,702
Balance at 31 December 2002	(2,123,502)	(3,332,541)	(5,456,043)
Carrying amount at 31 December 2002	5,947,498	35,098	5,982,596
Carrying amount at 31 December 2001	6,385,410	109,435	6,494,845

Included in the fixed asset category are environmental fixed assets that relate to the environmental restructuring and modernisation of the Company's service stations, warehouses and fuel terminals. At December 31, 2001, the gross acquisition value of these assets was SIT 11.4 billion. This is also the value of total non-current provisions set aside for this purpose.

At December 31, 2002, the current value of these assets less revaluation adjustments, amortisation and other reductions was SIT 5.9 billion.

Note 19: Non-current investments - Petrol, d.d.

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Investments and shareholding interests	23,201,857	18,049,742	129
Non-current receivables from other companies	4,388,737	2,045,906	215
Total	27,590,594	20,095,648	137

Investments in majority owned subsidiaries

Domestic

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Petroservis, d.o.o., Ljubljana (100 %)	180,003	0	—
Petrol plin, d.o.o., Ljubljana (100 %)	1,304,169	1,076,849	121
Petrol Skladiščenje, d.o.o., Ljubljana (100 %)	3,080	0	—
Destilat, d.o.o., Ljubljana (100 %)	3,365,321	3,321,379	101
Hotel Špik, d.o.o., Gozd Martuljek (100 %)	14,670	7,090	207
Petrol Gostinstvo, d.o.o., Ljubljana (100 %)	599,065	588,179	102
Elektropetrol, d.o.o., Ljubljana	0	1,071	—
Petrol Energetika Ravne, d.o.o., Ravne na Koroškem (80 %)	715,137	0	—
Petrol Energetika Štore, d.o.o., Štore (80 %)	100,860	0	—
Total majority interests in Slovene affiliates	6,282,305	4,994,568	126

International

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Petrol-Trade, H.m.b.h., Vienna, Austria (100 %)	1,243,149	1,174,780	106
Cypet Oils, Ltd, Limassol, Cyprus (100 %)	2,981,160	3,215,642	93
Petrol Trgovina, d.o.o., Zagreb, Croatia (100 %)	1,873,718	1,800,854	104
Petrol BH Oil Company, d.j.l., Sarajevo, Bosnia & Herzegovina	2,835,897	431,968	657
Total majority interests in international affiliates	8,933,924	6,623,244	135

Investments in minority owned subsidiaries

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Instalacija, d.o.o., Koper (49 %)	3,159,320	2,008,851	157
Aquasystems, d.o.o., Maribor (26 %)	263,214	233,690	113
Ogrevanje Piran, d.o.o., Piran (40 %)	221,289	0	—
Total minority interests in Slovene affiliates	3,643,823	2,242,541	162

Investments in joint ventures

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Geoenergo, d.o.o., Lendava (50%)	0	0	—
Total investments in joint ventures	0	0	—

Other shareholding interests

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Geoplin, d.o.o., Ljubljana (13.13%)	2,470,994	2,470,994	100
Other	1,270,817	1,080,476	118
Other shareholding interests	3,741,811	3,551,470	105

Investment in treasury shares

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Treasury shares	599,994	637,919	94
Total investments in treasury shares	599,994	637,919	94
Total non-current investments	23,201,857	18,049,742	129

Non-current investments - Petrol, d.d.

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Balance at 1 January	19,457,729	16,107,471	121
Balance at 1 January - treasury shares	637,919	617,892	103
Profit participations	2,326,988	1,167,006	199
Dividend payouts	(689,740)	(1,566,692)	44
New investments and share purchases	4,957,639	2,982,264	166
New loans	2,877,435	1,871,997	154
Disposal of shares	(127,605)	(342,882)	37
Disposal of treasury shares	(37,924)	(22,826)	166
Repayment of loans	(378,484)	(185,382)	204
Other reductions	(236)	(405)	58
Revaluation adjustments	(1,005,689)	(740,571)	136
Net foreign exchange differences	(245,938)	1,281,893	—
Refinancing of investments	(181,500)	(1,074,117)	17
Balance at 31 December	27,590,594	20,095,648	137

Non-current investments include majority and minority interests in the equity of companies, non-current loans receivable and repurchased shares (treasury shares).

Non-current investments are revalued at least once each year and carrying values are adjusted to reflect increases or decreases (impairment) of the assets. The

most recent revaluation date was December 31, 2002. The revaluation of non-current investments is reported in the following accounts:

- a) Finance income from shareholding interests (Note 8)
- b) Finance income from long-term investments (Note 9)
- c) Finance cost from the impairment of current and non-current investments (Note 11)

Investments in debt securities are carried at redemption value.

Majority interest in subsidiaries and affiliated companies were increased by the amount of profits generated by these companies in 2002 (SIT 1,082 billion).

In 2002, the Company purchased an 80% share in the equity of Petrol – Energetika Ravne, d.o.o., Ravne na Koroškem (SIT 712.3 million) and an 80% share in the equity of Petrol - Energetika Štore, d.o.o., Štore (SIT 93.9 million).

In 2002, the Company established the subsidiary Petrol Skladiščenje, d.o.o., Ljubljana (SIT 2.1 million) and Petroservis, d.o.o., Ljubljana (SIT 179.9 million). Both companies are wholly owned subsidiaries.

In cooperation with Nafta Lendava, d.o.o., the Company established a joint venture company called Geonergo, d.o.o., Lendava (SIT 972.4 million). Because of the risk of this venture, Petrol took a 100% impairment provision against this investment.

Petrol recapitalised its investment in the subsidiary company, Petrol BH Oil Company, d.o.o., Sarajevo (SIT 2.208 billion) and in Petrol Plin, d.o.o., Ljubljana (SIT 218.0 million). The latter was offset by the coverage of losses realised in the previous accounting period (SIT 71.3 million).

Investments in subsidiary companies decreased in 2002 because of the transfer of profits from Petrol Trade H.m.b.H., Vienna (SIT 631.6 million) and because of the revaluation of non-current investments arising from the need to preserve the value of capital (SIT 272.4 million).

In December 2002, the Company sold for book value its 51% ownership stake in ElektroPetrol, d.o.o., to the other principal shareholder (the Austrian company, Estag, Graz).

As of January 1, 2002 when the new SRS accounting regulations came into force, the Company began to account for its majority investments in affiliated companies according to the equity method, which meant a change in accounting treatment. Because of the use of the equity method as opposed to the investment method, the carrying value of non-current investments in affiliated companies in-

creased and the Company reported related finance income of SIT 1.239 billion. Revenues generated by affiliated companies are reported in the company's revenues because Petrol's investment in these companies represents a controlling interest and ensures the certainty of future dividend payments to the parent company.

The increase in other shareholding interests is the result of the purchase of shares in the companies Elektro Ljubljana, d.d., Ljubljana (SIT 223.5 SIT), Cestno podjetje Maribor, d.d., Maribor (SIT 116.7 million) and Cestno podjetje Kranj, d.d., Kranj (SIT 100 million).

In 2002, in accordance with a formal agreement with the Government of the Republic of Slovenia, Petrol sold its share in Nafta Lendava, d.o.o., Lendava to the government for SIT1.

In 2002, Petrol sold its 40% share in the company Kmetijstvo Črnci, d.d., (SIT 85 million) which had been acquired in 2001 during a forced liquidation settlement.

The increase in non-current loans receivable in 2002 is for the most part the result of the following discounted loans: to the subsidiary companies Petrol Energetika Ravne, d.o.o., Ravne na Koroškem (SIT 867.2 million), Petrol Plin, d.o.o., Ljubljana (SIT 789.8 million), Petrol Trgovina, d.o.o., Zagreb (SIT 624.4 millions) and to the affiliated companies Aquasystems, d.o.o., Maribor (SIT 265.3 million) and Cestnemu podjetju Maribor, d.d., Maribor (SIT 216 million).

The decrease in non-current loans receivable in 2002 was due to the repayment of a loan from the subsidiary company Petrol Trgovina, d.o.o., Zagreb (SIT 283 million).

20. Note:

Non-current financial receivables - Petrol, d.d.

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Domestic long-term loans:	3,579,997	1,518,271	236
- to Petrol Group members	2,652,133	1,054,754	251
- to affiliated companies	443,021	166,938	265
- to unaffiliated companies	350,279	137,632	255
- to others	134,564	158,947	85
Foreign non-current loans receivable	808,740	499,131	162
Total non-current financial receivables	4,388,737	2,017,402	218

At December 31, 2002, non-current financial receivables was comprised of loans from Petrol, d.d., Ljubljana to subsidiaries: Petrol Plin, d.o.o., Ljubljana of SIT 1.813 billion and Petrol Energetika Ravne, d.o.o. of SIT 839.6 million.

Non-current financial receivables included a loan to the affiliated company Aquasystems, d.o.o., Maribor of SIT 443 million.

Non-current financial receivables also included loans to other companies: Cestno podjetje Maribor, d.d., Maribor in the amount of SIT 216 million and loans with foreign exchange adjustment clauses, the proceeds of which were used to purchase truck cisterns for SIT 41.5 million.

Non-current financial receivables include mortgage loans to employees and former employees used to finance the purchase of apartments.

Non-current financial receivable also include loans to foreign subsidiaries: to Petrol Trgovina, d.o.o., Zagreb of SIT 626.7 and to Petrol BH Oil Company, d.o.o., Sarajevo of SIT 182 million.

Note 21: Inventories - Petrol, d.d.

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Raw material	296,305	349,180	85
Other inventories	5,009	4,394	114
Finished goods	12,377,702	8,995,972	138
- fuel	9,359,401	6,514,911	144
- other oil products	679,719	586,341	116
- non-oil merchandise	2,338,582	1,894,720	123
Advances for inventories	759	0	—
Total	12,679,776	9,349,546	136

At December 31, 2002, inventories were valued at purchase price, which also represents net realizable value.

The increased value of fuel inventories resulted from both higher prices and larger quantity of inventories in stock at the end of the accounting period.

During the 2002 physical inventory, it was determined that certain inventories were accounted for at below normal standards (SIT 436.6 million) and certain inventories were accounted above normal standards (SIT 1.3 million) and the surplus of inventory was SIT 61.3 million.

Note 22:
Non-current trade receivables
- Petrol, d.d.

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Non-current trade receivables from Petrol Group members: Petrol - Energetika Ravne, d.o.o.	535,741	0	—
Adjustments to non-current trade receivables: Petrol - Energetika Ravne, d.o.o.	(535,741)	0	—
Non-current trade receivables from others	283,077	0	—
- Nova Gorica municipal government	283,077	0	—
- Nafta Lendava, d.o.o.	328,454	0	—
- adjustment to Nafta Lendava, d.o.o. receivable	(328,454)	0	—
Non-current customer leasing receivables	12,501	21,019	59
Total	295,578	21,019	1406

Non-current receivables include loans from the Zavod Republike Slovenije za blagovne rezerve (the Slovene Institute of Commodity Reserves) to Petrol Energetika Ravne, d.o.o., Ravne of SIT 535.7 million that have been assumed by the parent company. Petrol has taken a 100% charge against this receivable, because it will be repaid only in the event that the creditor pays the liability in full which is considered doubtful.

Receivables of SIT 283.1 million represent a receivable due from the municipal government of Nova Gorica and are the consequence of a legal settlement between Petrol, d.d. and the municipal government of Nova Gorica regarding a payment dispute over punitive taxes for environmental damages. The municipality of Nova Gorica will make payments to Petrol, d.d. along with contractually-defined late interest payments, in four instalments, the first in 2003 and the last in 2006.

According to an agreement between Petrol, d.d. and the Government of the Republic of Slovenia regarding the conditions pertaining to the restructuring of Nafta Lendava, d.o.o. the company remains indebted to Petrol for SIT 328.4 million. According to the agreement, repayment of this loan will come out of the profits of the newly-established joint venture company, Geoenergo, d.o.o.. Petrol took a 100% charge against this receivable.

Note 23:

Current trade receivables - Petrol, d.d.

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Domestic trade receivables	17,761,922	16,532,077	107
Charges against domestic trade receivables	(2,059,816)	(2,363,936)	87
Foreign trade receivables	1,421,104	1,945,561	73
Charges against foreign trade receivables	(87,712)	(81,576)	108
Trade receivables from Petrol Group members	267,762	630,059	42
Trade receivables from affiliated companies	42,110	1,017,168	4
Trade receivables from others	5,799,594	4,948,169	117
- government and other institutions	1,284,920	801,475	160
- warranties and advances	47,943	123,797	39
- other	4,638,475	4,654,156	100
Charges against other receivables	(171,744)	(631,259)	27
Total	23,144,964	22,627,522	102

At December 31, 2002, the Company reported net domestic customer receivables of SIT 15.702 billion. Of this amount, SIT 10.519 billion was current and SIT 5.183 billion were past due. Overdue receivables are not more than 60 days past due nor do they include individually managed accounts.

The following charges in the aggregate amount of SIT 2.060 million were taken against current trade receivables in 2002:

- SIT 1.184 billion for receivables more than 60 days past due;
- SIT 876 million for receivables from customers in claims court, forced liquidation or bankruptcy proceedings;

Although SIT 344 million in new charges against current receivables was created in 2002, the aggregate amount of charges and adjustments decreased as compared to the previous year. The reduction was largely due to the segregation and revaluation of receivables from Nafta Lendava, d.o.o. that resulted from the 2002 agreement with the Government of the Republic of Slovenia regarding the final dispensation of conditions between Petrol, d.d. and Nafta Lendava, d.o.o.

On December 31, 2002, the Company reported net trade receivables from foreign customers of SIT 1.333 million. Of this amount, SIT 736 million was current and SIT 598 million were past due. Foreign receivables are secured by the hypothecation of assets or guarantees.

Charges of SIT 87.7 million have been made against receivables from customers against whom legal claims have been filed.

On December 31, 2001, the Company reported current net trade receivables from others of SIT 5.800 billion, of which SIT 3.990 billion are from individuals who made payments with payment cards, SIT 1.151 billion are receivables arising from value added tax and SIT 659 million are sundry receivables.

Charges of SIT 171.7 million have been made against receivables from individuals.

Note 24: Aging report of current trade receivable - Petrol, d.d.

SIT 000

Aging report		30 days	60 days	90 days	more than 90	
	Current	overdue	overdue	overdue	days overdue	Total
Current customer receivables	11,254,674	3,070,737	1,178,863	437,089	3,241,663	19,183,026
- domestic	10,518,807	2,921,090	1,096,822	396,815	2,828,388	17,761,922
- charges against	0	0	0	0	(2,059,816)	(2,059,816)
- foreign	735,867	149,647	82,041	40,274	413,275	1,421,104
- charges against	0	0	0	0	(87,712)	(87,712)
Current receivables from Petrol Group members	263,912	3,666	149	0	35	267,762
Current receivables from affiliated companies	39,709	2,401	0	0	0	42,110
Current receivables from other companies	5,419,417	254,845	55,454	37,116	204,506	5,971,338
- charges against	0	0	0	0	(171,744)	(171,744)
Total	16,977,712	3,331,649	1,234,466	474,205	1,126,932	23,144,964

Note 25: Current investments - Petrol, d.d.

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Certificates of deposit	515,459	1,124,724	46
Current loans receivable from Petrol Group members	72,270	241,246	30
Current loans receivable from other companies	986,628	1,052,392	94
Current investments in equities	13,407	57,233	23
Current investments in debt securities	15,367	18,928	81
Assets under management	17,623	17,623	100
Revaluation adjustments to current investments	(420,070)	(578,325)	73
Interest receivables from Petrol Group members	23,607	1,410	1674
Interest receivables from affiliated companies	0	64,945	—
Interest receivables from others	588,082	756,038	78
Revaluation adjustments to interest receivables	(429,469)	(599,800)	72
Total	1,382,904	2,156,414	64

Current investments are revalued at least once each year and carrying values are adjusted to reflect increases or decreases (impairment) of the assets. The most recent revaluation date was December 31, 2002. The revaluation of current investments is reported in the following accounts:

- a) Finance income from current financial receivables (Note 10)
- b) Finance cost from the impairment of current and non-current financial investments (Note 11)

Investments in debt securities are carried at redemption value.

Short-term certificates of deposit are comprised of deposits held at NLB, d.d., Ljubljana of SIT 500 million and at Novi KBM, d.d., Maribor of SIT 15.5 million.

On December 31, 2002, current loans receivable from other companies were largely comprised of a loan due from SCT, d.d., Ljubljana of SIT 201.4 million and a loan from CM Celje, d.d., of SIT 130 million.

In 2002, revaluation adjustments of current loans receivable from others were comprised of loans due from KBT d.d., Ljubljana (SIT 160.2 million), Štern, d.o.o. (SIT 130.3 million), Rajko Pregelj (SIT 44.2 million), Videm cel., Krško (SIT 41.7 million) and others (SIT 43.6 million).

At December 31, 2002, current interest receivables from others were comprised of interest receivables from customers (SIT 222.2 million), interest receivables related to doubtful or disputed accounts – Dadas d.d., Maribor (SIT 168.3 million) – interest receivable related to companies in bankruptcy or forced liquidation (SIT 160.5 million) and interest receivable on loans (SIT 36.7 millions).

In 2002, revaluation adjustments to interest receivables were comprised for the most part of the 100% impairment loss of interest receivables related to doubtful or disputed accents – Dadas, d.d., Maribor (SIT 168.3 million).

Note 26: Cash and cash equivalents - Petrol, d.d.

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Cash and uncashed cheques	1,628,889	1,748,198	93
Bank balances	979,995	1,657,787	59
Total	2,608,884	3,405,985	77

Cash in registers and uncashed cheque balances are largely comprised of cheques received for purchases of heating oil under instalment plans that have not yet been negotiated (SIT 1.427 billion). Petrol is not exposed to non-payment risk as all uncashed cheques are insured by Triglav, d.d.. The majority of these cheques will be negotiated in the first three months of 2003 (SIT 480.8 million in January, SIT 390.1 million in February and SIT 224.0 million in March).

Note 27:

Deferred costs and accrued revenues

- Petrol, d.d.

IN SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Current deferred costs	109,456	29,771	368
Accrued revenues	183,307	257,662	71
Total	292,763	287,433	102

The largest component of deferred revenues is comprised of SIT 183.3 million and represents accrued interest income from overdue receivables at December 31, 2002 (2002: SIT 147.4 million, 2001: SIT 190.5 million).

Note 28:

Equity - Petrol, d.d.

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Share capital	12,517,806	12,517,806	100
Capital reserves	23,880	2,665	896
Other reserves from profits	30,525,667	25,772,704	118
Accumulated profits	2,842,516	4,247,741	67
Undistributed current income (loss)	2,629,002	2,037,590	129
Capital inflationary adjustments	19,190,518	19,190,518	100
Total equity	67,729,389	63,769,024	106

Ordinary shares of Petrol, d.d. of SIT 12,517,806 thousand are divided among 2,086,301 common shares of which the nominal value per share is SIT 6,000.

On December 28, 1998, 2,086,301 Petrol shares carrying a G symbol were listed on the Ljubljana Stock Exchange.

The market price per share on December 31, 2002 was SIT 41,009 as compared to SIT 23,147 at the end of 2001.

The book value per share on December 31, 2002 was SIT 32,464, as compared to SIT 30,566 at the end of 2001.

During the eighth annual Petrol, d.d. shareholder meeting, which took place on June 19, 2002, the following resolutions were adopted.

1. In accordance with Article 228, 274/A and 282 of the Law Governing Economic Companies, the calculated profit generated by Petrol, d.d. in 2001 in the amount of SIT 7,022,122,707.28 will be distributed as follows:

- Dividends to be paid to shareholders of SIT 1,251,780,600.00 or SIT 600.00 per share (gross).
- Bonus payments to be made to 6 members of the Management Board and 12 members of the Supervisory Board under the profit sharing plan of SIT 85,309,793.91 (gross), payable in shares of the Company using the prevailing market value of shares on the day such payment is made.
- SIT 2,842,516,156.68 to be transferred into other reserves from profits.
- The method of distribution of profits of SIT 2,842,516,156.69 will be determined at some future date.

2. Profits from 1993 to 1995 and from 1998 will be used to fund the payment of shareholder dividends and Management and Supervisory Board bonuses.

In accordance with Paragraph 3 of Article 228 of the Law Governing Economic Companies, profits from 2002 will be reduced by half and transferred to other reserves from profits.

In accordance with a resolution passed in 1997 at the Company's first shareholder meeting, the Company created a fund for treasury shares. The fund was originally funded with a transfer from statutory reserves of SIT 1,697,192 thousand, which represented 5% of capital. In accordance with the new SRS accounting regulations, at December 31, 2002 the Company began to account for its treasury shares as a financial investment. In 2002, treasury shares were reduced by the amount of bonus payments to Management and Supervisory Board members and, in accordance with a resolution taken at the shareholders meeting and approved by the Supervisory Board, increased by SIT 37,924 thousand. The increase was funded by the same source as the original treasury share fund.

In accordance with SRS 8.40, the Company revalued capital in order to reflect the real value of capital denominated in EUR and on the basis of the increases in the domestic consumer price index. If the Company revalued its capital accounts in 2002 to reflect their purchasing power in EUR, net profits in 2002 would be reduced by SIT 2.526 billion to a level of SIT 2.731 billion. If the Company revalued its capital accounts in 2002 based on a coefficient derived from the domestic consumer price index, net profits in 2002 would be reduced by SIT 4.560 billion to a level of SIT 0.698 billion.

Note 29:

Calculated profit - Petrol, d.d.

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
OBLIGATORY DISTRIBUTION OF NET PROFITS			
Net profits	5,258,004	4,075,180	129
Distribution to cover prior losses	0	0	—
Distributions to regulatory reserves	0	0	—
Distributions to treasury share fund	0	0	—
Distributions to statutory reserves	0	0	—
Net profits after obligatory distribution	5,258,004	4,075,180	129
Distributions to other reserves from profits	2,629,002	2,037,590	129
Remaining net profits	2,629,002	2,037,590	129
CALCULATED PROFIT			
Remaining net profits	2,629,002	2,037,590	129
+ transferred net profits	2,842,516	4,247,742	67
+ other reserves from profits	0	736,791	-
CALCULATED PROFIT	5,471,518	7,022,123	78

Note 30:

Reserves - Petrol d.d.

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Regulatory reserves	14,739,247	14,701,323	100
Treasury share reserves	599,995	637,919	94
Other reserves from profits	15,186,425	10,433,462	146
Total	30,525,667	25,772,704	118

Other reserves from profits were increased by half of total net profits generated in 2002 (SIT 2,629,001,846.42) and in accordance with the resolution passed at the eighth Petrol, d.d. shareholder meeting regarding the distribution of calculated profits of SIT 2,842,516,156.68. Other reserves from profits were decreased by an amount equal to dividend payments to shareholders of SIT 718,554,600.00.

Note 31:

Provisions - Petrol, d.d.

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Provisions for environmental investments	7,423,005	8,083,822	92
Provisions for capital improvements	2,037,365	2,037,764	100
Total	9,460,370	10,121,586	93

The establishment of provisions for investments into the environmental modernisation of service stations, transport cisterns, fuel terminals and depots and the clean-up of the bitumen dump at Pesniški Dvor was approved by the Slovene Ministry of the Environment in the framework of laws related to the ownership transformation of Slovene companies. These provisions, posted against the capital account in the Company's opening balance sheet in the amount of SIT 5.357 billion on January 1, 1993, have been used as a source of funds for environmental improvements.

With the exception of funds earmarked for the clean up of the bitumen dump at Pesnica in the amount of SIT 1.440 billion at December 31, 2002, environment provisions have been almost entirely utilized.

In 2002, the remaining provisions for investments in environmental assets of SIT 660.8 million were released as follows:

- SIT 512.2 million utilized to cover remaining environmental expenses: specifically, SIT 502.8 million for amortisation expenses and impairment losses related to other environmental fixed assets.
- SIT 148.6 utilized to cover expenses for the maintenance of cleaning equipment used at the bitumen dump at Pesniški dvor and other expenses related to the sanitation and clean-up program.

The Company set aside provisions for capital improvements of SIT 1.300 billion in 1993 and SIT 1.300 billion in 1994 to cover expenses related to future investment in service stations and fuel depots. It was required that these provisions for capital improvements be released and utilised no later than December 31, 2005. Because of this, the Company released the unutilised amount of provisions for capital improvements on December 31, 2002 to cover annual expenses incurred of SIT 679.1 million for such improvements.

Note 32:

Non-current financial payables - Petrol, d.d.

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Non-current financial payables to banks	9,493,836	8,136,575	117
Non-current financial payables to other	1,367,602	0	—
Total	10,861,438	8,136,575	133

All non-current financing is conducted on an unsecured basis, the Company not being required to pledge any collateral for its long-term loans. The longest maturity of non-current debt is seven years and has a floating interest based on EURIBOR.

On December 31, 2002, the balance of non-current financial payables with maturities longer than five years was SIT 5.816 billion.

On December 31, 2002, Petrol reported total non-current loans from banks of SIT 9.494 billion, of which SIT 7.045 billion was denominated in foreign currency (EUR 30,593,159) and SIT 2.449 billions was denominated in domestic currency.

On December 31, 2002, the portion of non-current financial liabilities maturing in 2003 of SIT 2.080 billion was transferred into the current portion of long-term debt, of which SIT 1.503 billion was denominated in foreign currency (EUR 6,529,052) and SIT 576.6 million in domestic currency.

On December 31, 2002, Petrol reported non-current loans from government institutions of SIT 1.368 billion, of which SIT 1.151 billion was denominated in foreign currency (EUR 5,000,000) and represented a loan from the Slovene Export Association and SIT 216.3 million was denominated in domestic currency.

Note 33: Non-current trade payables - Petrol, d.d.

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Non-current trade payables to others	9,716	136,025	7
Non-current trade payables to affiliated companies			
- Aquasystems, d.o.o.	129,219	0	—
Total non-current trade payables	138,935	136,025	102

Non-current trade payables of SIT 129.2 million are comprised of unpaid share capital and interest payables due to the affiliated company, Aquasystems, d.o.o., Maribor.

Note 34: Current finance payables - Petrol, d.d.

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Current finance payables to Petrol Group members	1,865,146	480,904	388
- Destilat, d.o.o.	1,613,978	316,729	510
- Hotel Špik, d.o.o.	4,761	2	—
- Petrol Plin, d.o.o.	0	7,113	—
- Petrol Gostinstvo, d.o.o.	211,376	157,060	135
- Petroservis, d.o.o.	35,031	0	—
Current finance payables to banks	9,682,557	6,161,945	157
Current finance payables to others	9,660	20,147	48
Total current finance payables	11,557,363	6,662,996	173

Current finance payables to Petrol Group members are comprised of the deposits of the subsidiaries with the parent company. Current finance payables to banks are comprised of short-term bank loans at December 31, 2002 borrowed to cover excise and tax payments and the current portion of long-term debt of SIT 2.080 billion.

Note 35:

Current trade payables

- Petrol, d.d.

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Other current payables to Petrol Group members	13,834,590	9,432,073	147
- Destilat, d.o.o.	4,889	110,634	4
- Hotel Špik, d.o.o.	8,942	4,119	217
- Petrol Plin, d.o.o.	670,077	154,990	432
- Cypet Oils Ltd.	8,972,447	8,061,748	111
- Petrol - Trade H.m.b.H.	4,067,540	1,049,548	388
- Petrol BH Oil Company, d.o.o.	109	0	—
- Petrol Trgovina, d.o.o., Zagreb	46,377	320	14493
- Petrol Gostinstvo, d.o.o.	58,209	50,714	115
- Petrol Skladiščenje, d.o.o.	6,000	0	—
Other current payables to affiliated companies	135,867	143,696	95
- Instalacija, d.o.o., Koper	135,867	143,696	95
Payables to suppliers	10,009,075	8,159,298	123
Compensation payables	769,234	708,220	109
Government payables	12,168,256	12,522,008	97
Advances received	86,719	540,685	16
Current payables to others	465,447	1,043,390	45
Total	37,469,188	32,549,370	115

Current payables include gross compensation of SIT 769.2 million which is comprised of severance pay to 33 employees whose employment at Petrol ended in 2002 in the amount of SIT 180 million and salaries payable in the amount of SIT 589.2 million.

Current payables also include obligations to government institutions as follows: customs and import duties payable (SIT 1.940 billion), payables arising from fines for carbon dioxide emissions (SIT 380.1 million), excise taxes payable (SIT 7.939 billion), fees payable for obligatory commodities reserves (SIT 307.4 million) and a payable arising from the difference between input VAT and output VAT (SIT 1.525 billion) and other sundry payables.

Current payables to others are largely comprised of obligations related to purchases made with the Magna payment card at external (non-Petrol) purchase points (SIT 369.2 million).

Note 36: Accrued costs and deferred payables - Petrol, d.d.

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Accrued costs	794,401	430,794	184
Deferred revenues	69,322	10,396	667
Total	863,723	441,190	196

Accrued expenses are comprised largely of accruals arising from potential future outlays related to settlement of lawsuits where the probability exists that Petrol, d.d. will incur costs of SIT 393.3 million (of which SIT 217.9 million were booked in 2002). Accrued expenses also includes accrued current interest payments of SIT 200 million and accrued expenses related to futures contracts entered into to hedge the Company's foreign exchange exposure of SIT 126 million.

Deferred revenues are comprised for the most part of revenues generated from the sale of one of the buildings at the Čatež tourist facility. Because of the ongoing construction of the Slovene highway system in this area, the Company is currently negotiating with the Slovene authorities regarding the other buildings at the Čatež tourist facility.

Note 37: Compensation of Management and Supervisory Board members and contractual employees - Petrol, d.d.

SIT 000	Total annual compensation (not including profit sharing program)	Compensation under profit sharing program (in accordance with shareholder resolutions)	Total
Supervisory Board:	62,646	73,972	136,618
- external advisors	9,285	38,153	47,438
- Petrol employees*	53,361	35,819	89,180
Management Board:	148,212	11,337	159,549
Contractual employees	1,038,035	0	1,038,035
Total	1,248,893	85,309	1,334,202

* This amount does not include salaries paid to internal members of Supervisory Board in the amount of SIT 48,173 thousand.

Note 38:

Contingent liabilities and other off-balance sheet items

A) Contingent liabilities related to guarantees

As of December 31, 2002, Petrol, d.d. guaranteed the financial obligations of its affiliated companies principally to foreign banks in the aggregate amount of SIT 34,126 million. As of December 31, 2002, borrowings by Petrol affiliates of SIT 15,685 million under guaranteed lines of credit were as follows:

— **Cypet Oils** Ltd, Limassol, Cyprus:

Bank/Company	value of guarantees in USD		value of utilised guarantees in USD	
	2002	2001	2002	2001
UEB Geneva				
BBL Geneva	19,000,000	19,000,000	5,583,901	4,005,353
Credit Lyonnaise Paris	10,000,000	10,000,000		
BNP Paribas Geneva	22,000,000	30,000,000		
Credit Agricole Indosuez London B,	20,000,000	20,000,000		1,440,835
RZB Vienna	8,000,000	8,000,000	7,663,751	25,353
INA Zagreb	2,267,555		2,267,555	
Glencore Int. AG, Baar	7,000,000	8,399,092	7,000,000	8,399,092
ELF Trading SA, Geneva	16,107,276	4,837,783	16,107,276	4,837,783
J. Aron&Co.	unlimited	unlimited		
Morgan Stanley	unlimited	unlimited		
Credit Lyonnais S:A: London	unlimited			
TOTAL IN USD	104,374,831	100,236,875	38,622,483	18,708,416

— **Petrol Trade**, H.m.b.H., Vienna, Austria:

Bank/Company	value of guarantees in USD, ATS		value of utilised guarantees in USD	
	2002	2001	2002	2001
RZB Vienna	12,000,000 USD	12,000,000 USD	4,607,727 USD	2,086,830 USD
BBL Geneva	with Cypet Oils	with Cypet Oils		
Creditanstalt Vienna	5,000,000 USD	5,000,000 USD	1,239,361 USD	130,625 USD
Creditanstalt Vienna	20,000,000 ATS	20,000,000 ATS		
Zveza slovenskih zadrug Klagenfurt	5,000,000 USD	5,000,000 USD		377,388 USD
TOTAL IN USD	23,513,920 USD	23,282,388 USD	5,847,088 USD	2,594,843 USD

— Petrol Trgovina, Zagreb:

Bank/Company	value of guarantees in USD, EUR, HRK		value of utilised guarantees in USD, EUR, HRK	
	2002	2001	2002	2001
Ina d.d.	7,247,463 HRK	unlimited	7,247,463 HRK	6,170,986 HRK
HVB Croatia d.d.	3,000,000 HRK		3,000,000 HRK	
Bank Austria CA, Zagreb		2,722,000 EUR		2,722,000 EUR
TOTAL	1,429,457 USD	2,398,366 USD	1,429,457 USD	3,143,813 USD

In addition to the guarantees enumerated above, Petrol, d.d. also guarantees the obligations of its subsidiary, Petrol Plin, d.o.o., and of its affiliated companies Instalacija, d.o.o., Koper and Aquasystems, d.o.o.

Bank/Company	value of guarantees SIT 000		value of utilised guarantees SIT 000	
	2002	2001	2002	2001
for Petrol Plin d.o.o., Ljubljana	569,827	587,740	569,827	587,740
Bank Austria d.d., Ljubljana, Občina Il. Bistrica				
for Petrol Trgovina d.o.o., Zagreb	690,802		690,802	
Slovenska izvozna družba d.d. Ljubljana				
for Petrol Trgovina d.o.o., Zagreb	230,267		230,267	
Slovenska izvozna družba d.d. Ljubljana				
for Instalacija d.o.o., Koper	491,381	578,101	491,381	578,101
B. Societe Generale Paris				
for Instalacija d.o.o., Koper	681,944		681,944	
Banka Austria Creditanstalt AG Vienna				
for Petrol-Energetika Ravne	178,172		178,172	
Österreichische Elektrizitätswirtschafts-Aktiengesellschaft				
for Aquasystems d.o.o., Maribor	2,695,403	2,080,870	2,695,403	2,080,870
multiple borrowers				
TOTAL IN SIT 000	5,537,796	3,246,711	5,537,796	3,246,711

B) Contingent liabilities related to lawsuits

At December 31, 2002, Petrol, d.d. had lawsuits filed against it by its customers and creditors with an aggregate total of SIT 746,259 thousand. The management of Petrol believes that the Company may experience losses as a result of certain of these lawsuits. Therefore, at December 31, 2002, the Company had short-term provisions specifically related to these claims of SIT 393,327 thousand (SIT 175,612 thousand at December 31, 2001).

C) Inventories not owned by Petrol

SIT 000	2002	2001
Inventories taken on commission	1,243,905	1,560,894
Commodity reserves of the Republic of Slovenia	1,602,489	2,925,310
Total	2,846,394	4,489,204

Inventories on commission are reported at the purchase price. Government inventories are reported at forecasted sales price.

D) Foreign exchange contracts

At December 31, 2002, Petrol, d.d. had contracts with banks for the future purchase and sale of foreign exchange (with exchange rates fixed for future settlement date) as follows:

Currency	2002 SIT 000	2002 foreign currency	2001 SIT 000	2001 foreign currency
Obligations in USD	(5,147,844)	(23,285,000)	(6,334,498)	(25,354,000)
Obligations in EUR	(23,947)	(104,044)	(1,640,053)	(7,415,772)
Receivables in EUR	5,273,519	22,901,777	6,326,388	28,581,800
Receivables in USD	24,086	108,000	1,640,808	6,650,000
Surplus/deficit	(125,814)		(7,355)	

Most foreign exchange contracts are entered into in order to hedge against the foreign exchange risk arising from the purchase and sale of oil derivatives.

E) Segregated receivables of the Development Fund of the Republic of Slovenia

SIT 000	2002	2001
Non-current financial receivables – less developed	0	2,877
Current customer receivables	184,000	856,572
Total	184,000	859,449

During its ownership transformation, Petrol, d.d. wrote down its opening capital account for amounts corresponding to receivables from and other assets located in the republics of the former Yugoslavia. These receivables and assets have been removed from the balance sheet and posted as a contingent contractual agreement between Petrol, d.d. and the Development Fund of the Republic of Slovenia.

This contract also created a conditional financial obligation on the part of Petrol, d.d. to the Development Fund. The contract stipulates that no more than one month after the collection of such receivables the Company must deposit such funds with the Development Fund of the Republic of Slovenia. Petrol, d.d. did not receive any such payments during 2002.

In January 2002, the Company signed an annex to this contract regarding Petrol's exposure to off-balance sheet items and contingent liabilities to the Development Fund. The estimated value of non-current financial investments in the former Federation of Yugoslavia is nil and the estimated value of current receivables from the Bosanski Brod refinery is SIT 184 million.

Note 39: Subsequent events

Changes and additions to the current corporate income tax and regulations regarding unrecognised revenues of added-valued tax payers came into effect.

Two new Petrol Group wholly owned subsidiaries, Petroservis, d.o.o., Ljubljana and Petrol Beograd, d.o.o., Belgrade commenced operations.

Tables and notes
to financial statements
Petrol Group

Presentation of Petrol Group

According to the new SRS accounting standards, the Petrol Group is comprised of the parent company, subsidiaries (wholly and majority owned), affiliated companies (minority owned) and joint ventures:

	Country	Petrol, d.d.'s capital investment (%) 31. 12. 2002	Petrol, d.d.'s capital investment (%) 31. 12. 2001
1. Subsidiaries			
Destilat d.o.o., Ljubljana	Slovenia	100	100
Hotel Špik, d.o.o., Gozd Martuljek	Slovenia	100	100
Petrol Plin, d.o.o., Ljubljana	Slovenia	100	100
Petrol Gostinstvo, d.o.o., Ljubljana	Slovenia	100	100
Petrol skladiščenje, d.o.o., Ljubljana	Slovenia	100	0
Petroservis, d.o.o., Ljubljana*	Slovenia	100	0
Petrol-Energetika Ravne, d.o.o.	Slovenia	80	0
Petrol-Energetika Štore, d.o.o.	Slovenia	80	0
Cypet Oils Ltd, Limassol	Cyprus	100	100
Petrol-Trade, H.m.b.H., Vienna	Austria	100	100
Petrol Trgovina, d.o.o., Zagreb	Croatia	100	100
Petrol BH Oil Company, d.o.o., Sarajevo	Bosnia & Herzegovina	100	100
Petrol, d.o.o., Beograd*	Serbia and Montenegro	100	0
* not yet operating in 2002			
2. Affiliated companies			
Instalacija, d.o.o. ,Koper	Slovenia	49	49
Ogrevanje Piran, d.o.o.	Slovenia	40	40
Aquasystems, d.o.o.	Slovenia	26	26
3. Joint ventures			
Geoenergo, d.o.o.	Slovenia	50	0

In 2002, the following changes took place in the Petrol Group:

Petrol Plin, d.o.o., Ljubljana began operations on January 1, 2002

In June 2002, Petrol, d.d., Ljubljana acquired an 80% interest in two energy companies: Energetika Ravne, d.o.o., Ravne na Koroškem and Slovenske železarne – Energetika Štore, d.o.o., Štore.

In July 2002, a new Petrol subsidiary was established, Petrol skladiščenje, d.o.o., Ljubljana. The subsidiary is wholly owned (100%) by Petrol, d.d., Ljubljana.

In November 2002, a new Petrol subsidiary was established, Petroservis, d.o.o.. The subsidiary is wholly owned (100%) by Petrol, d.d., Ljubljana and began to independently operate on January 1, 2003.

In December 2002, Petrol, d.d., Ljubljana sold its 51% interest in the company ElektroPetrol, d.o.o., Ljubljana to its Austrian partner Energie Steiermark Holding AG (»Etag«).

In 2002, Petrol, d.d., Ljubljana acquired a 50% share in the Geoenergo, d.o.o., Lendava. The other owner is Nafta Lendava, d.o.o., Lendava.

In 2002, the subsidiary company Petrol Beograd, d.o.o., Beograd was not yet included in the Petrol Group's consolidated financial statements because its capital was paid in January 2003. The company was officially registered on December 31, 2002.

The operating and accounting periods of all companies in the Petrol Group are coordinated with the calendar year.

All companies in the Petrol Group, with the exception of Hotel Špik, d.o.o., Gozd Martuljek, reported positive business results in 2002. The aggregate net profit of the subsidiary and affiliated companies added SIT 1,081,695 thousand to the results of the parent company.

Preparation of the consolidated financial statements

The financial statements of all Petrol subsidiaries and affiliated companies, with the exception of Petroservis, d.o.o. and Petrol skladiščenje, d.o.o., have been audited and the auditors have issued unqualified opinions. The subsidiary companies Cypet Oils, Ltd., Limassol and Cypet-Trade, Ltd., Limassol were audited by Horwath Philippides & Partners; Petrol - Trade, H.m.b.H., Vienna was audited by Mr. Harald Hruschka; Petrol Trgovina, d.o.o., Zagreb and Petrol BH Oil Company, d.o.o., Sarajevo were audited by Ernst & Young Croatia, d.o.o.; Petrol – Energetika Ravne, d.o.o., and Petrol – Energetika Štore, d.o.o. were audited by KPMG SLOVENIJA, d.o.o.; Destilat, d.o.o., Ljubljana, Petrol Plin, d.o.o., Ljubljana, Petrol Gostinstvo, d.o.o., Ljubljana, and Hotel Špik, d.o.o., Gozd Martuljek were audited, together with the parent company and consolidated accounts, by Deloitte & Touche revizija, d.o.o., Ljubljana. Deloitte & Touche revizija, d.o.o., Ljubljana also collaborated in and monitored the audit of Cypet Oils, Ltd., Cypet-Trade, Ltd. and Petrol-Trade, H.m.b.H., confirming the correctness of the accounts in the context of material financial data that was included in the 2002 financial statements of the parent company, Petrol, d.d., Ljubljana, and in the 2002 consolidated statements of the Petrol Group.

Fundamental accounting principals of the consolidated financial statements

Consolidated financial statements are prepared in accordance with the new Slovene accountings standards (SRS). According to these standards, the following entities are consolidated:

- the parent company;
- affiliated companies, depending on the percentage of parent company's shareholding interest in the affiliate;
- affiliated companies, depending on extent of management control exerted by the parent company and other factors;
- affiliated companies in which the parent company has substantial, though not total, management control;
- joint ventures;

It is considered that the parent company enjoys substantial management control in an affiliated company if its shareholding interest is at least 20%.

A joint venture company is a company where the management and the ownership of the capital of the company are shared with another shareholder on the basis of an agreement.

The following accounts are not included in the consolidated statements:

- the accounts of subsidiaries that the parent company directed only temporarily because the parent company has the intention of selling its interest in the subsidiaries in the near future;
- the accounts of subsidiaries that operate within strict long-term guidelines that substantially reduce the possibility of affecting the financial results of the parent company.

According to the new SRS standards, Petrol must consolidate not only subsidiaries but also joint ventures and affiliated companies.

The accounts of majority-owned subsidiaries are consolidated into the accounts of the parent company. Joint ventures and affiliated companies (minority-owned subsidiaries) are accounted for in the consolidated statements using the equity method.

At December 31, 2002, the Petrol Group consolidated statements included the accounts of the parent company, Petrol, d.d. Ljubljana, five domestic and eight foreign subsidiaries, one joint venture and three affiliated companies. The above mentioned companies are included in Petrol Group consolidated statements.

In the preparation of the consolidated financial statements, the same accounting methods are used for operating transactions and financial events as the parent company uses in the preparation of its unconsolidated financial statements.

The comparable financial statements for the previous year (2001) have not been restated in accordance with the new SRS regulations that came into force on January 1, 2002. However, individual accounts have been disclosed in a manner that adheres in all material respects to the new accounting regulations.

Non-current investments in affiliated companies

Non-current financial investments in affiliated companies are valued according to the equity method.

Acquisitions, goodwill and negative goodwill

In the case of an acquisition by the parent company of a company which begins to function as a subsidiary and the accounts of which will be consolidated, the parent company as the buyer initially accounts for the acquisition as a non-current investment carried at the acquisition value of the net assets of the acquired company. When subsequent financial statements are prepared, the assets and liabilities of the acquired company are accounted for using the fair value method on the date of acquisition. In the event that the acquisition value exceeds fair value, the surplus is accounted for as goodwill in the category of non-current intangible assets. In the event that the acquisition value is less than fair value, the deficit (negative goodwill) is accounted for in the category of provisions.

Equity

In the consolidation of capital on the balance sheet, share capital and other capital accounts of subsidiary companies are reconciled with the non-current investments of the parent company. The capital entry in the consolidated balance sheet is for an equivalent amount of the investment less the interest belonging to other owners, which is accounted for as minority interest.

When the capital of subsidiary companies engaged in business in foreign countries is consolidated, its accounts are restated in domestic equivalent (SIT) on the consolidated balance sheet using the prevailing exchange rate on balance sheet date.

Net income of subsidiaries generated during the accounting period is distributed proportionately to Petrol, d.d. (the parent company) and to minority owners.

Income tax

Income tax on the consolidated level includes income taxes levied on the parent company and income taxes levied on subsidiaries. The amount of income taxes is determined by the income tax rate and the amount of income generated in individual accounting periods.

**Deloitte
& Touche**

INDEPENDENT AUDITORS REPORT

To the shareholders of the company

PETROL, Slovenska naftna družba, d.d., Ljubljana

We have audited the accompanying consolidated balance sheet of PETROL Slovenska naftna družba, d.d., Ljubljana and subsidiaries (»the Company«) as of December 31, 2002 and the related statements of income, cash flows and changes in equity and notes to the financial statements for the year then ended. We have also reviewed the Company's management business report. These 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.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about 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 policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements, stated in the first paragraph, present fairly, in all material respects, the financial position of the Company as of December 31, 2002, and the results of its operations, cash flows and changes in equity for the year then ended in accordance with Slovene Accounting Standards.

The business report is in compliance with the audited financial statements.

Deloitte & Touche revizija d.o.o., Ljubljana

Alenka Podbevšek
Alenka Podbevšek
Director / Partner
Certified Auditor

**Deloitte
& Touche**
revizija d.o.o.

Ljubljana, March 14, 2003

**Deloitte
& Touche
Tohmatsu**

Consolidated income statement - Petrol Group

SIT 000	Note	2002	2001	Index 02/01
Net sales revenues	A., 01.;	277,394,183	272,567,636	102
Cost of sales	B., 02.;	(236,462,761)	(236,820,297)	100
Gross profits		40,931,422	35,747,339	115
Distribution costs	C., 02.;	(28,318,959)	(26,109,425)	108
Administrative expenses	C., 02.;	(10,095,238)	(6,320,726)	160
Other operating income		1,478,920	1,185,145	125
Operating profit		3,996,145	4,502,333	89
Income from Petrol Group members and affiliated companies		1,245,292	0	—
Income from joint ventures		4	0	—
Other income from shareholding investments		452,893	249,454	182
Income from non-current investments		154,032	296,141	52
Income from current investments		4,640,770	4,441,203	104
Revalorization adjustments		0	536,782	—
Finance income	E., 03.;	6,492,990	5,523,580	118
Impairment of investments		(1,435,481)	(74,949)	—
Interest and other finance costs		(3,743,741)	(5,625,115)	67
Finance costs	E., 04.;	(5,179,222)	(5,700,064)	91
Income from continuing operations		5,309,913	4,325,849	123
Extraordinary income	F., 05.;	96,935	164,472	59
Extraordinary expenses	F., 06.;	(20,811)	(70,137)	30
Income from discontinuing operations		76,124	94,335	81
Profit before tax		5,386,037	4,420,184	122
Income tax expense	G., 07.;	(72,841)	(183,118)	40
Net profit for the year		5,313,196	4,237,066	125
Net profit of the parent company		5,310,767	4,237,066	125
Net profit of minority shareholders		2,429	0	—

* The financial results for the previous fiscal year (2001) have not been restated in accordance with the new SRS regulations that came into force in 2002. For this reason, the 2001 net income figure remains unchanged from the previous year's report. However, the individual income and expense entries for 2001 have been disclosed in a manner that adheres in all material respects to the new accounting rules.

Business segments - Petrol Group

SIT 000	Oil, oil products and other energy products	Non-oil products	Other business segments	Total
For the year ending December 31, 2002				
Net sales revenues	245,282,485	28,478,623	3,633,074	277,394,183

Geographical segments - Petrol Group

SIT 000	Net revenues from sales
For the year ending December 31, 2002	
Slovenia	259,467,728
Croatia	6,213,974
Bosnia and Herzegovina	8,786,423
Austria	79,528
Other countries	2,846,530
	277,394,183

Consolidated balance sheet - Petrol Group

ASSETS				
SIT 000	Note	31. 12. 2002	31. 12. 2001	Index 02/01
NON-CURRENT ASSETS				
Intangible assets	H., 08.;	1,326,238	553,680	240
Fixed assets	H., 09.;	80,654,687	70,545,388	114
Non-current investments	I., 10.;	8,932,961	6,941,457	129
Total non-current investments		90,913,886	78,040,525	116
CURRENT ASSETS				
Inventories	L., 11.;	13,438,252	9,846,821	136
Non-current trade receivables	M., 12.;	295,578	21,019	—
Current trade receivables	N., 13.;	26,069,425	24,915,027	105
Current investments	I., 14.;	1,715,625	1,820,001	94
Cash and cash equivalents	O.;	5,076,048	5,119,316	99
Total current assets		46,594,928	41,722,184	112
Deferred costs and accrued revenues	P., 15.;	337,972	298,806	113
TOTAL ASSETS		137,846,786	120,061,515	115
EQUITY AND LIABILITIES				
EQUITY				
Share capital		12,517,806	12,517,806	100
Capital reserves		23,880	2,665	896
Other reserves from profits *		30,526,677	25,772,704	118
Accumulated profits		2,859,300	4,058,715	70
Undistributed current income		2,636,831	2,199,475	120
Capital inflationary adjustments		19,190,518	19,190,518	100
Total equity not including minority interests	R., 16.;	67,755,012	63,741,883	106
Minority interests		326,870	1,029	—
Total equity	R., 16.;	68,081,882	63,742,912	107
PROVISIONS				
Other provisions		10,083,911	10,302,812	98
Total provisions	S., 17.;	10,083,911	10,302,812	98
NON-CURRENT LIABILITIES				
Finance payables	T., 18.;	12,485,974	8,166,575	153
Non-current trade payables	U., 19.;	138,935	136,217	102
Total non-current liabilities		12,624,909	8,302,792	152
CURRENT LIABILITIES				
Current finance payables	T., 20.;	14,100,528	8,941,843	158
Current trade payables	U., 21.;	31,874,369	28,260,606	113
Total current liabilities		45,974,897	37,202,449	124
Accrued costs and deferred revenues	J., V., 22.;	1,081,187	510,550	212
TOTAL EQUITY AND LIABILITIES		137,846,786	120,061,515	115

* In accordance with Paragraph 3 of Article 228 of the Law Governing Economic Companies - Appendix F, undistributed net profit for the year has been reduced of SIT 2,629,002 and transferred to the reserve account.

** The balance sheet for the previous fiscal year (2001) has not been restated in accordance with the new SRS regulations that came into force in 2002. However, individual asset and liability entries for 2001 have been disclosed in a manner that adheres in all material respects to the

Consolidated cash flows statement - Petrol Group

SIT 000	2002	2001	02/01
Cash from operating activities	276,251,910	277,939,397	99
Operating income	278,198,317	272,797,361	102
Extraordinary income from continuing operations	96,935	164,472	59
Change in trade receivables	(2,004,176)	4,838,630	—
Change in deferred costs and accrued revenues	(39,166)	138,934	—
Cash used in operating activities	266,216,210	278,233,933	96
Operating costs less amortisation, depreciation and provisions	266,447,122	262,315,305	102
Extraordinary expenses from continuing operations	20,811	70,136	30
Income taxes paid and other taxes	72,841	183,118	40
Change in inventories	3,591,431	(1,534,010)	—
Change in trade liabilities	(3,436,108)	16,251,453	—
Change in accrued costs and deferred revenues	(479,887)	947,931	—
Net cash from/(used in) operating activities	10,035,700	(294,536)	—
Cash from investing activities	1,761,409	5,360,652	33
Investment income (not including revaluation)	1,658,619	1,886,099	88
Extraordinary income from investing activities	0	0	—
Net decrease in intangible fixed assets (not including revaluation)	0	469,055	—
Net decrease in fixed assets (not including revaluation and capital investments)	0	0	—
Net decrease in non-current investments (not including revaluation)	0	0	—
Net decrease in current investments (not including revaluation)	102,790	3,005,498	3
Cash used in investing activities	20,521,335	7,321,691	280
Investment costs (not including revaluation)	1,416,862	0	—
Extraordinary expenses from investing activities	0	0	—
Net increase in intangible assets (not including revaluation)	942,366	0	—
Net increase of fixed assets (not including revaluation and capital investments)	17,367,888	7,072,239	246
Net increase in non-current investments (not including revaluation)	794,219	249,452	318
Net increase of current investments (not including revaluation)	0	0	—
Net cash from /(used in) investing activities	(18,759,926)	(1,961,039)	957
Cash from financing activities	13,505,917	7,227,532	187
Finance income (not including revaluation)	3,617,957	3,083,972	117
Extraordinary income from financing activities	0	0	—
Increase in capital (not including net profits)	0	0	—
Majority shareholders	21,215	1,453	1,460
Minority shareholders	323,412	36,862	877
Net increase in provisions (not including revaluation)	300,415	0	—
Net increase of non-current financial payables (not including revaluation)	4,084,233	1,891,235	216
Net increase of current financial payables (not including revaluation)	5,158,685	2,214,010	233
Cash used in financing activities	4,824,959	6,502,960	74
Financial costs	3,506,105	4,966,512	71
Extraordinary expenses from financing activities	0	0	—
Decrease in capital (not including losses)	0	0	—
Majority shareholders	0	0	—
Minority shareholders	0	0	—
Net decrease in provisions (not including revaluation)	0	455,211	—
Net decrease in non-current finance payables	0	0	—
Net decrease current finance payables	0	0	—
Decrease in payables to shareholders (dividends and other participations)	1,318,854	1,081,237	122
Net cash from /(used in) investing activities	8,680,958	724,572	1,198
Net increase/(decrease) in cash and cash equivalents	(43,268)	(1,531,003)	3
Cash and cash equivalents at end of year	5,076,048	5,119,316	99
Net increase/(decrease) in cash and cash equivalents	(43,268)	(1,531,003)	3
Cash and cash equivalents at beginning of year	5,119,316	6,650,319	77

* The financial results for the previous year (2001) have not been restated in accordance with the new SRS accounting regulations that came into force in 2002 and, for this reason, the 2001 net income figure remains unchanged from the previous year's report. However, individual income and expense entries have been disclosed in a manner that adheres in all material respects to the new accounting rules.

Consolidated statement of changes in equity - Petrol Group

SIT 000	Share capital	Capital reserves	Regulatory reserves
Balance at December 31, 2000	12,517,806	1,107	13,722,082
Transfers into capital accounts			
Transfer from income for the year	0	0	0
Transfer from general adjustments to capital	0	105	960,986
Other increases to capital	0	1,453	0
Gains on foreign exchange differences	0	0	0
Transfers within capital accounts			
Distribution of profits to other capital accounts in accord. with Mgm't. and Super. Board Members	0	0	0
Release of treasury shares reserves shares and distribution to other capital accounts	0	0	18,255
Other transfers of capital	0	0	0
Transfers from capital accounts			
Payment of dividends and bonuses to Management and Supervisory Board members	0	0	0
Balance at December 31, 2001	12,517,806	2,665	14,701,323
Transfers into capital accounts			
Transfer from income for the year	0	0	0
Other increases to capital	0	21,215	0
Transfers within capital accounts			
Distribution of profits to other capital accounts in accord. with Mgm't. and Super. Board Members	0	0	1,010
Release of treasury shares reserves shares and distribution to other capital accounts	0	0	37,924
Distrib. of calc. profit to other reserves from profits in accord. with Mgm't. and Super. Board Members	0	0	0
Other transfers within capital accounts	0	0	0
Other transfers of capital			
Payment of dividends and bonuses to Management and Supervisory Board Members	0	0	0
Losses on foreign exchange differences	0	0	0
Balance at December 31, 2002	12,517,806	23,880	14,740,257

Treasury share reserves	Other reserves from profits	Accumulated profits	Net profit for the year	General adjustments to capital	Specific adjustments to capital	Total equity
617,892	6,935,400	5,076,589	645,762	17,116,141	0	56,632,779
0	0	0	4,190,264	0	0	4,190,264
38,282	504,505	373,568	0	2,074,377	0	3,951,823
0	0	0	0	0	0	1,453
0	0	0	0	0	46,801	46,801
0	2,037,590	0	(2,037,590)	0	0	0
(18,255)	0	0	0	0	0	0
0	955,967	(310,205)	(645,762)	0	0	0
0	0	(1,081,237)	0	0	0	(1,081,237)
637,919	10,433,462	4,058,715	2,152,674	19,190,518	46,801	63,741,883
0	0	0	5,360,703	0	0	5,360,703
0	0	0	0	0	0	21,215
0	2,629,002	43,924	(2,673,936)	0	0	0
(37,924)	0	0	0	0	0	0
0	2,842,516	(2,842,516)	0	0	0	0
0	0	2,199,476	(2,152,674)	0	(46,801)	0
0	(718,555)	(600,299)	0	0	0	(1,318,854)
0	0	0	0	0	(49,936)	(49,936)
599,995	15,186,425	2,859,300	2,686,767	19,190,518	(49,936)	67,755,012

Number of Petrol Group employees classified by the level of formal education (including service stations employees)

	31. 12. 2002	31.12.2001
I. level	121	120
II. level	244	222
III. level	65	56
IV. level	951	922
V. level	849	814
VI. level	96	92
VII. level	218	166
Post-graduate degrees	25	30
	2,569	2,422

Tables and additional notes to the consolidated financial statements of Petrol Group

Note 01: Net sales revenues - Petrol Group

SIT 000	2002	2001	Index 02/01
Goods	269,909,251	268,489,814	101
Services	7,448,138	4,021,337	185
Capitalised proprietary products and services	36,794	56,485	65
Total	277,394,183	272,567,636	102

Of total consolidated net revenues of sales, 94.6% was generated by the parent company (Petrol, d.d., Ljubljana), 2,2% was generated by Petrol Trgovina d.o.o. Zagreb and the remaining by other companies in the Group.

Note 02: Cost of sales and other expenses - Petrol Group

SIT 000	2002	2001	Index 02/01
Cost of sales	236,462,761	236,820,297	100
Materials	3,081,432	1,338,288	230
Services	16,679,864	14,592,441	114
Compensation	9,464,590	8,614,862	110
Revaluation cost arising from:			
Amortisation	6,100,742	5,728,569	106
Impairment of intangible and fixed assets	1,483,125	355,578	—
Impairment of current receivables	575,219	850,996	68
Other expenses	1,029,225	949,417	108
Total expenses	274,876,958	269,250,448	102

In 2002, cost of sales of the parent company represented 59% of the total cost of sales of the Petrol Group. The cost of sales of subsidiary companies Cypet Oils, Ltd and Petrol-Trade, H.m.b.H. comprised 22.5% and 16% of the total respectively. The other companies in the Petrol Group incurred the remaining 2.5% of the cost of sales category.

In 2002, the cost of materials increased by 130% as compared to the previous year, largely because of the consolidation of the new industrial companies Petrol - Energetika Ravne, d.o.o., and Petrol - Energetika Štore, d.o.o. into the financial statements of the Petrol Group.

In 2002, the cost of services increased by 14% as compared to the previous year. The principal reason for the increase was the higher number of service stations let to franchise holders.

Revaluation costs arising from the impairment of fixed assets was incurred by the company Petrol Plin, d.o.o. (SIT 649,545 thousand) and by the parent company (SIT 774,614 thousand). Revaluation costs arising from the impairment of current assets were incurred primarily by the parent company (SIT 450,034 thousand) with the balance being incurred by subsidiary companies.

The majority of other operating expenses were incurred by the parent company.

Note 03: Income from finance activities - Petrol Group

SIT 000	2002	2001	Index 02/01
Finance income from shareholding interests			
Share in profits from affiliated companies	1,245,292	0	—
Shares in profits from joint ventures	4	0	—
Share in profits from other companies	452,893	249,454	182
	1,698,188	249,454	681
Finance income from non-current receivables			
- from affiliated companies	23,658	0	—
- from others	130,374	296,141	44
Total	154,032	296,141	0
Finance income from current receivables			
- from affiliated companies	3,461,648	4,441,203	78
- from others	1,179,122	0	—
Total	4,640,770	4,441,203	104
Revaluation surplus	0	536,782	—
Total	6,492,990	5,523,580	118

Note 04: Interest expenses and other finance costs - Petrol Group

SIT 000	2002	2001	Index 02/01
Revaluation cost arising from impairment			
- of joint ventures and associated companies	972,436	0	—
- of other assets	463,045	74,949	618
Total	1,435,481	74,949	—
Finance costs			
Interest expenses, finance costs and other	3,743,741	5,625,115	67
Total	3,743,741	5,625,115	67
Total	5,179,222	5,700,064	91

Note 05:

Extraordinary income - Petrol Group

SIT 000	2002	2001	Index 02/01
Recovery of impaired receivables	41,769	34,637	121
Recovery of damages	13,788	19,500	71
Collection of punitive fees	18,409	837	—
Other extraordinary income	22,969	109,498	21
Total	96,935	164,472	59

Note 06:

Extraordinary expenses - Petrol Group

SIT 000	2002	2001	Index 02/01
Damages	14,798	14,734	100
Punitive fees	3,571	1,778	201
Other extraordinary expenses	2,442	53,625	5
Total	20,811	70,137	30

Note 07:

Income tax - Petrol Group

SIT 000	2002	2001	Index 02/01
Income (following ZDDPO provisions)	269,675,161	267,533,586	101
Expenses (following ZDDPO provisions)	(264,064,719)	(264,398,126)	100
Tax Basis I	5,610,442	3,135,460	179
Increase in tax basis	729,366	1,952,138	37
Decrease in tax basis	(631,983)	(1,567,028)	40
Tax Basis II	5,707,825	3,520,570	162
Tax abatement	(5,707,825)	(3,406,918)	168
Tax Basis III	0	113,652	—
Cypet Oils Ltd. and Cypet Trade Ltd.	35,796	36,654	98
Petrol Trade HmbH	33,933	117,950	29
Petroservis d.o.o.	15	0	—
Petrol Skladiščenje d.o.o.	329	0	—
Hotel Špik, d. o. o.	2,768	0	—
Destilat, d. o. o., Ljubljana	0	101	—
Total income tax	72,841	183,118	371

The net increase in Tax Basis I is principally the consequence of the disposal of fixed assets for which the Company had received a tax abatement in previous years (SIT 97,535 thousand).

In 2002, the parent company received tax abatements for new investments of SIT 4,988,811 thousand which, as in previous years, prohibits the Company from distributing dividends for the next five years from earnings retained in 2002. In the event that the Company does pay dividends out of 2002 retained earnings, its tax basis for that year will be increased to the extent that dividends are paid out.

In 2002, the combined income tax of the two subsidiary companies Cypet Oils, Ltd. and Cypet Trade, Ltd. was SIT 35,796 thousand. The 2002 income tax of Petrol – Trade, H.m.b.H was SIT 33,933 thousand, Petroservis, d.o.o. SIT 15 thousand, Petrol skladiščenje, d.o.o., SIT 329 thousand and Hotel Špik SIT 2,768 thousand. Despite negative operating results in 2002, Hotel Špik d.o.o. was required to pay income taxes due to infusions from the parent company to cover current losses.

Note 08: Intangible assets - Petrol Group

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Gross amount			
Balance at 1 January 2002 *	556,334	1,385,088	40
Transfers from advances at 1 January 2002	40,562	—	—
Increases	1.002.037	278,906	359
Transfers from intangible assets in acquisition process	(16,745)	—	—
Reductions	(87,813)	(726,240)	12
Amortisation	(169,555)	(459,309)	37
Impairments	(252)	—	—
Exchange rate differences	1,670	—	—
Revaluation results	0	75,235	—
Total	1,326,238	553,680	240

* The difference is due to the consolidation of Petrol-Energetika Štore in 2002.

Statement of change in intangible assets - Petrol Group

SIT 000	Non-current deferred costs, development costs	Patents and licenses	Goodwill	Material rights and other expenses	Intang. assets in acquisition process	Advances for tangible fixed assets	Total
Balance at 1 January 2002 *	106,560	240,484	15,649	66,873	126,769	—	556,334
Transfers from advances at 1 January 2002	—	—	—	—	—	40,562	40,562
Increases	9,590	14,517	556	—	975,886	1,488	1,002,037
Transfers from assets in acq. process at 1 Jan. 2002	206,866	76,796	—	711,253	(1,010,172)	(1,488)	(16,745)
Reductions	—	(11,764)	—	—	(76,049)	—	(87,813)
Amortisation	(40,409)	(87,317)	(4,948)	(36,881)	—	—	(169,555)
Impairments	—	(252)	—	—	—	—	(252)
Exchange rate differences	180	894	—	240	357	—	1,670
Balance at 31 December 2002	282,786	226,791	11,257	741,485	23,358	40,562	1,326,238

* The difference is due to the consolidation of Petrol-Energetika Store in 2002.

The intangible assets of the parent company comprise 92.5% of the total intangible assets of the Petrol Group. The remaining 7.5% represents the intangible assets of other subsidiaries in the Petrol Group.

Note 09: Fixed assets - Petrol Group

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Property	21,173,539	18,229,573	116
Plant	43,588,347	41,183,522	106
Equipment and machinery	383,943	—	—
Other equipment	5,852,270	5,171,479	113
Fixed assets in construc. process and replace. parts	9,211,641	5,814,516	158
Advances for fixed assets	444,947	146,298	304
Total	80,654,687	70,545,388	114

* The difference of SIT 1,175,768 thousand is due to the consolidation of Petrol-Energetika Ravne and Petrol-Energetika Store in 2002.

Change in fixed assets - Petrol Group

SIT 000	Property	Plant	Equipment and machinery	Other equipment	Fixed assets in acquisition process	Advances	Total
Balance at 1 January 2002	18,326,372	70,294,142	3,438,603	24,139,202	5,818,531	146,298	122,163,148
Transfers from fixed assets	—	—	—	—	—	(40,562)	(40,562)
Increases	1,095,397	965,228	76,751	2,438,455	15,769,899	1,816,021	22,161,751
Transfer from assets in construct. process	—	—	—	—	162,947	—	162,947
Transfer from assets in preparation	2,674,873	6,241,096	—	2,318,836	(11,355,119)	—	(120,314)
Reductions	(939,054)	(1,445,152)	(373,598)	(3,348,453)	(846,811)	(1,477,128)	(8,430,195)
Impairment of assets	—	(1,363,346)	—	(91)	(339,399)	—	(1,702,836)
Foreign exchange rate differences	15,951	22,074	—	7,815	1,593	318	47,751
Net acquisition value at 31 Dec.	21,173,539	74,714,042	3,141,756	25,555,764	9,211,641	444,947	134,241,689
Adjustments							
At 1 January 2002	—	(28,447,474)	(3,051,357)	(18,965,160)	—	—	(50,463,992)
Amortisation	—	(3,757,953)	(66,394)	(2,106,839)	—	—	(5,931,187)
Amortisation from the previous year	—	(1,108)	—	—	—	—	(1,108)
Reductions	—	615,718	360,113	1,368,693	—	—	2,344,524
Impairment of assets	—	465,704	—	66	—	—	465,770
Foreign exchange rate differences	—	(582)	—	(428)	—	—	(1,010)
Adjustments at 31 December	—	(31,125,696)	(2,757,638)	(19,703,669)	—	—	(53,587,003)
Current value at 31 Dec. 2002	21,173,539	43,588,347	384,118	5,852,095	9,211,641	444,947	80,654,687

* The difference of SIT 1,175,768 thousand is due to the consolidation of Petrol-Energetika Ravne and Petrol-Energetika Store in 2002.

The fixed assets of the parent company, Petrol, d.d., comprise 85% of the total fixed assets of the Petrol Group. Four percent of fixed assets are comprised of the fixed assets of Petrol Trgovina, d.o.o., Zagreb, 3% of Petrol Plin, d.o.o., 2.4% of Destilat, d.o.o.. The remaining portion represents the fixed assets of other subsidiaries in the Petrol Group.

Note 10: Non-current investments - Petrol Group

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Shareholding interest in affiliated companies	3,643,823	2,506,287	145
Shareholding interests in other companies	3,760,001	3,305,230	114
Non-current receivables from affiliated companies	443,021	0	—
Non-current receivables from others	486,122	492,021	99
Investments in treasury shares	599,994	637,919	94
Total	8,932,961	6,941,457	129

Note 11: Inventories - Petrol Group

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Raw material	370,381	379,199	98
Finished goods	13,057,505	9,444,758	138
Advances	10,366	22,864	45
Total	13,438,252	9,846,821	136
Inventories	Raw material	Finished goods	Total
Net realisable value	370,381	13,057,505	13,427,886
Surplus at physical inventory	—	167	167
Deficit at physical inventory	—	387,485	387,485
Impairment of inventory	10,778	2,398	13,176
Inventories pledged as collateral	—	—	—

Note 12:

Non-current trade receivables - Petrol Group

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Customer receivables	12,501	21,019	59
Other	283,077	0	—
Total	295,578	21,019	—

Note 13:

Current trade receivables - Petrol Group

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Current customer receivables	19,468,282	19,994,117	97
Current receivables from affiliated companies	46,526	0	—
Other current receivables			
- Receivables from gov't and other institutions	1,585,982	832,831	190
- Warranties and advances	166,549	124,253	134
- Other	4,802,086	3,963,826	121
Total	26,069,425	24,915,027	105

Current trade receivables

Aging report	Current	30 days overdue	60 days overdue	90 days overdue	more then 90 days overdue	Total
Trade receivables	12,550,265	3,487,432	1,379,877	566,159	1,484,549	19,468,282
Receivables - associates	44,125	2,401	—	—	—	46,526
Other receivables	5,956,982	281,860	56,080	44,018	215,677	6,554,617
Total	18,551,372	3,771,693	1,435,957	610,177	1,700,226	26,069,425

Note 14:

Current investments - Petrol Group

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Short-term loans to unaffiliated companies	864,685	1,726,217	50
Bank deposits	836,881	0	—
Shares and participations held for sale	13,408	57,233	23
Other securities held for sale	0	36,551	—
Other	651	0	—
Total	1,715,625	1,820,001	94

Current investments are comprised of current loans receivable. Current loans receivable due to the parent company, Petrol, d.d., represent 87.6% of the total (SIT 757,325 thousand). The remaining 12.4% (SIT 107,038 thousand) is comprised of a current loan receivable on the balance sheet of Petrol Trgovina d.o.o., Zagreb.

Note 15:

Deferred costs and accrued revenues - Petrol Group

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Short-term deferred costs	123,574	250	—
Accrued revenues			
- interest	183,792	263,371	70
- other	30,606	35,185	87
Total	337,972	298,806	113

Of total accrued revenues of SIT 183,792 thousand, the largest component is comprised of accrued interest due on parent company receivables (2002: SIT 147,387 thousand, 2001: SIT 190,527 thousand). At December 31, 2002, these payments had fallen due but had not yet been remitted.

Note 16: Equity - Petrol Group

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Share capital	12,517,806	12,517,806	100
Capital reserves	23,880	2,665	—
Other reserves from profits	30,526,677	25,772,704	118
Accumulated profits	2,859,300	4,058,715	70
Undistributed current income (loss)	2,636,831	2,199,475	120
Capital inflationary adjustment	19,190,518	19,190,518	100
Total equity less minority interest	67,755,012	63,741,883	106
Minority interest	326,870	1,029	—
Total equity	68,081,882	63,742,912	107

Statement of changes in equity - Petrol Group

SIT 000	2002	2001	Index 02/01
Balance at 1 January	63,741,883	56,632,779	113
Dividend payments	(1,233,544)	(1,027,198)	120
Profit sharing programme	(85,309)	(54,039)	158
Effects of trading in treasury shares	21,215	1,453	—
Revaluation for the year	0	3,951,822	—
Net profit for the year	5,310,767	4,237,066	125
Balance at 31 December	67,755,012	63,741,883	106

Note 17: Provisions - Petrol Group

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Provisions for pensions and other obligations	25,099	0	—
Provisions for tax obligations	2,873	0	—
Other provisions			
- non-current deferred expenses	0	25,310	—
- capital improvements	2,037,764	2,037,764	100
- environmental fixed assets	7,423,005	8,083,822	92
Other provisions	595,170	155,916	382
Total	10,083,911	10,302,812	98

The increase in provisions in 2002 is in part the result of negative goodwill in the amount of SIT 442,334 thousand that arose from the acquisition of Petrol – Energetika Ravne, d.o.o. and Petrol – Energetika Štore, d.o.o..

Note 18: Non-current finance payables - Petrol Group

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Loans and notes payable	11,118,372	6,548,123	170
- Creditanstalt-Bankverein A.G. - Vienna	0	1,518,928	—
- Other	1,367,602	99,524	—
Total non-current finance payables	12,485,974	8,166,575	153

At December 31, 2002, Petrol Group reported notes payable to banks in the amount of EUR 42.6 million. Most of this amount, EUR 35.6 million, represents the indebtedness of the parent company. The remaining EUR 7 million represents the loans payable of the subsidiary company, Petrol Trgovina d.o.o. Zagreb.

Note 19: Non-current trade payables - Petrol Group

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Non-current payables to affiliated companies	129,219	0	—
Non-current payables to others	9,716	136,217	7
Total	138,935	136,217	102

Non-current trade payables of SIT 129,219 thousand represents unpaid capital pledged by the parent company to the affiliated company Aquasystems, d.o.o., Maribor.

Note 20: Current finance payables - Petrol Group

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Short-term loans from banks	14,012,551	8,921,696	157
Short-term loans from companies	87,977	20,147	—
Total	14,100,528	8,941,843	158

Current financial obligations are comprised of short-term loans to banks. Of the total amount, SIT 9,682,558 thousand represents the short-term loans payable by the parent company, SIT 2,928,524 thousand the short-term loans payable by the subsidiary company Cypet Oils Ltd. and SIT 1,368,248 thousand the short-term loans payable of the subsidiary company Petrol-Trade H.m.b.H.

Note 21: Current trade payables - Petrol Group

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Current trade payables to affiliated companies	135,867	0	—
Advances received	94,356	562,745	17
Current trade payables to suppliers			
- to domestic suppliers	17,924,705	13,241,223	135
- to foreign suppliers		9,162	—
Current trade payables to others			
- commissions payables	12,144	0	—
- to employees	879,231	765,613	115
- to government and other institutions	12,326,896	12,687,359	97
- other	501,170	994,504	50
Total	31,874,369	28,260,606	113

Current payables include obligations to government institutions as follows: customs and import duties payables (SIT 1,940,144 thousand), payables arising from fines for carbon dioxide emissions (SIT 380,081 thousand), excise taxes payable (SIT 7,939,466 thousand), fees payable for obligatory commodities reserves (SIT 307,362 thousand), payables arising from the difference between input VAT and output VAT (SIT 1,524,581 thousand) and other sundry payables.

Note 22: Accrued costs and deferred payables - Petrol Group

SIT 000	31. 12. 2002	31. 12. 2001	Index 02/01
Deferred revenues	83,330	10,397	—
Accrued costs			
Other accrued expenses	997,857	500,153	200
Total	1,081,187	510,550	212

Accruals and deferrals on the liability side of Petrol Group's balance sheet represent largely the accrued expenses and deferred revenues of the parent company. Only 14.5% (SIT 126,877 thousand) of the amount are the accrued expenses of the subsidiary company Petrol BH Oil Company, d.o.o. arising from deferred tax obligations.

23. Note: Compensation of Management and Supervisory Board members and contractual employees - Petrol Group

SIT 000	Total annual compensation (not including profit sharing program)	Compensation under profit sharing program (in accordance with shareholder resolutions)	Total
Supervisory Board:	62,646	73,972	136,618
- external advisors	9,285	38,153	47,438
- Petrol employees	53,361	35,819	89,180
Management Board:	204,448	11,337	215,785
Contractual employees	1,133,044	0	1,133,044
Total	1,400,138	85,309	1,485,447

* This amount does not include salaries paid to internal members of Supervisory Board in the amount of SIT 48,173 thousand.



Respected Shareholders!

In 2002, your company confirmed its dominant position on the domestic oil market, expanded its business operations and continued its transformation into an integrated energy concern.

The extent of business transacted outside of Slovenia increased in accordance with strategic international diversification plans. Petrol is also continuing to make dynamic use of contemporary concepts in management in its reorganisation into an international energy concern.



Financial results in 2002 were the best in Petrol's medium term past, a period during which net sales revenues have gradually climbed upwards. In 2002, Petrol already achieved its long-term development strategic goals that were slated to be completed in 2005. Because of the rationalisation and increased efficiency of operations, actual net profits in 2002 exceeded forecasts by 25%. Despite capital investments of SIT 20.7 billion, Petrol's long-term debt-to-equity ratio remains relatively low at 18.4, leaving plenty of capacity for future investments.

Petrol's asset base is enviable, reflecting its strong financial and market position. The company made a marked improvement in its net return on capital that, in the past, had been somewhat sluggish. With great satisfaction, I can report that in 2002 the book value of Petrol shares increased by 6% and their market value on the Ljubljana Stock Exchange by 77%.

Petrol manages its exposure to foreign exchange risk by monitoring events on world markets and hedging its exposure with appropriate derivative financial instruments. It similarly manages its exposure to price risk caused by an unfavourable relationship between international and domestic oil prices as defined by the official government pricing model. In 2002, Petrol received the highest possible credit rating from Dun & Bradstreet as well as the »2002 Rating of the Year« award.

In 2002, the Supervisory Board monitored Petrol's management team, reviewing all relevant reports and material issued by the Management Board. It met 9 times during 2002, debated 26 themes and passed 45 resolutions.

The Supervisory Board reviewed the 2002 economic plans and forecasts and the operational policies promulgated by management. It approved the agreement with the government of the Republic of Slovenia defining the final conditions pertaining to the restructuring of Nafta Lendava, d.d., the establishment of the subsidiaries Petrol Beograd and Petroservis and the acquisition and merger with Petrol Energetika Ravne and Petrol Energetika Štore. Special attention was dedicated to the articulation of a continued strategic development plan for the company and the realisation of its future goals.

During the 2002 shareholder meeting, the Supervisory Board confirmed and approved the contents of Petrol's 2002 Annual Report along with the independent auditor's report and the opinion of the internal audit committee.

In accordance with its rights and duties as the representative body of the owners of Petrol, the Supervisory Board performs many functions that serve to increase confidence in Petrol's operations among the general community. In addition to creating new value for Petrol shareholders, the Supervisory Board is also con-

cerned with the satisfaction of Petrol employees, customers, suppliers and business partners in both the domestic and international communities in which Petrol does business. This role has become all the more important since in recent years confidence in the economic and business community has seen a sharp decline, mostly as a result of events that took place abroad but also of certain excesses here in Slovenia as well.

In order to assure the highest level of transparency over Petrol operations, members of the Supervisory Board sit on the following committees: the internal audit committee, the committee responsible for the application of relevant legal statutes and the committee that oversees all individual employment contracts for members of the Management Board.

The audit committee functions on the basis of specific regulations. The periodic audit of all subsidiary companies and ongoing cooperation with Petrol's authorised independent auditors are the principal duties of the audit committee reported to the Supervisory Board. The Supervisory Board is also monitoring the program for the 2003 internal audit. It is preparing recommendations for the application of all relevant statutes from the Law on Economic Companies. The committee overseeing management contracts monitors the changes in compensation of all management board members and gives recommendations for the level of annual bonuses based on individual performance throughout the year.

In closing, I would like, in the name of the entire Supervisory Board, to express my gratitude to all Petrol employees, to the management staff and to Petrol's customers, suppliers and business partners for an extremely successful year.

Mejan Mejak
Supervisory Board Chairman

[illegible]

Supervisory Board Chairman

Dr. Miran Mejak

Appointed for a four-year mandate at the 6th shareholders meeting of March 30, 2001. Beginning of mandate period: April 5, 2001.

President of the Pharos Foundation

Vice President of the Supervisory Board

Ciril Pirš

Appointed for a four-year mandate at the meeting of the employee board of February 15, 2001. Beginning of mandate period: February 20, 2001.

Petrol – Retail Sales Segment

Members of the Supervisory Board

representatives of capital

Milan M. Cvikl

Appointed for a four-year mandate at the 6th shareholders meeting of March 30, 2001. Beginning of mandate period: April 5, 2001.

Executive Director
of Nova Ljubljanska Banka, d.d.

Uroš Slavinec

Appointed for a four-year mandate at the 6th shareholders meeting of March 30, 2001. Beginning of mandate period: April 5, 2001.

President of Management
of Helios, d.d.

Jože Stanič

Appointed for a four-year mandate at the 7th shareholders meeting of July 5, 2001. Beginning of mandate period: July 15, 2001.

President of Management
of Gorenje, d.d.

Irena Starman

Appointed for a four-year mandate at the 6th shareholders meeting of March 30, 2001. Beginning of mandate period: April 5, 2001.

Management Consultant
to capital investments in DZS, d.d.

Stanislav Valant

Appointed for a four-year mandate at the 7th shareholders meeting of July 5, 2001. Beginning of mandate period: July 15,

Director
of National Finance Company, d.d.

Petrol – Operations and Organisational Segment

Petrol – Ljubljana-Kranj
Regional Retail Sales Segment

Petrol – Human
Resources Segment

Petrol – Technical Service Segment

Petrol – Logistics Segment

Petrol – Organizations Segment

Members of the Supervisory Board

representatives of employees

Tomaž Jamnik

Appointed for a four-year mandate at the meeting of employee board of February 15, 2001. Beginning of mandate period: February 20, 2001.

Andrej Medved

Appointed for a four-year mandate at the meeting of employee board of February 15, 2001. Beginning of mandate period: February 20, 2001.

Nina Milač

Appointed for a four-year mandate at the meeting of employee board of February 15, 2001. Beginning of mandate period: February 20, 2001.

Silvan Simčič

Appointed for a four-year mandate at the meeting of employee board of February 15, 2001. Beginning of mandate period: February 20, 2001.

Bojan Herman

Served on the board from February 20, 2001 to September 24, 2002.

Miran Obreza

Began serving four-year mandate on October 8, 2002.

Biblia sacra Latina

10^{to} sc

Vol. Primo stariga
Instrumenta. Del Surja
Palmaria.



Jurij Dalmatin

(1547 – 1589)

author of
monumental
achievement in
translation

and father
of Slovene
literary
standard

He completed the translation in a mere five years. He began as a student of philosophy and Protestant theology at Tübingen University where he received a masters degree in 1569. He acquainted himself with the Slovene language during his studies and included Slovene vocabulary in his German-Latin-Slovene-Italian dictionary: »Dictionarium Quatuor Linguarum«.

Before he reached the age of thirty he had translated the entire Bible into Slovene and the Old Testament was published in several instalments by the first Ljubljana print shop between 1575 and 1580. Because printing was forbidden in the Carniola region of the Austrian Empire, the 1,500 copies were printed over a period of 166 days. The books were secretly transported in barrels and chests around the inner Austrian lands.

Dalmatin's translation of the Holy Bible was the first book published in the Slovene language, but biblical translation represented the first step in the continuing literacy of many peoples, not only Slovenes. The Gothic translation of the Bible from the fourth century was the beginning of the German written language, the Old Church Slavonic version translated by the brothers, Cyril and Methodius, represented the beginning of this written tongue. Indeed, the entire bible was translated into Slovene during the same historical period that it was translated into English, Danish, French, Spanish, Swedish and Icelandic. The Holy Bible, which has been translated into 1,907 world languages, is the most translated work on the globe. Dalmatin's Slovene translation was among the first twenty.

(In Greek,
the word means
pamphlets
or books
and is derived
from the
Greek word
for papyrus
leaves *byblos*
which in turn
comes
from the old
Phoenician
harbour *Byblos*)

The Bible

The work is 1,520 large format pages. The original books were decorated with 222 elaborate woodcuts and chapter headings with illuminated script.

In addition to all 76 books, the Slovene translation of the Holy Bible includes a German dedication to the Carniolan people which describes the translation work and the significance of the Slovene translation and an introduction in the Slovene language which, among other things, explains in detail the principal lessons of the evangelical creed.

Without a doubt, the Dalmatin translation is a unique, timeless and trans-ideological work of art that goes beyond the religious and ecclesiastical values of Slovene Protestants. Its religious, philosophical, literary and historical contents represent the foundation of religious doctrine and European culture in general. At the same time, it laid the cornerstone of Slovene national and ethnic identity in the European spiritual framework. Dalmatin's Bible provided the fundamental means to connect likeminded intellectuals outside of political structures and limitations. In the 19th century, this connection would lead to the political unification of the Slovene people and eventually to an independent Slovene nation.

Dalmatin's Bible belongs among the rare works that avoided the bonfires of the Counter Reformation that consumed so many Protestant books. Seventy-eight copies were preserved: 36 in Slovenia and the rest abroad.

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Reproduction of the Dalmatin Bible
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are preserved.
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