

Annual Report 2003

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PETROL

Business Report

Petrol, d.d.
Annual Report
2003

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ABECEDARI

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Operations	<p>Petrol, the leading Slovenian energy company, is the principal strategic supplier of oil and other energy products to the Slovenian market. Through an extensive distribution network of proprietary service stations, Petrol provides drivers on Slovenia's roads and highways with a broad range of automotive goods and services and a wide selection of household and food products and other merchandise.</p>
Competitive position	<p>The Company is known not only for its high quality goods and services and for its impeccable reputation, but also for its development of a range of new and innovative products. Moreover, Petrol enjoys a solid financial position.</p> <p>Including the employees in the franchise service stations, at the end of 2003 the Petrol Group had a total of 2,581 employees. With net sales revenues of SIT 304 billion, a net profit of SIT 6 billion and total assets of SIT 154 billion, Petrol is one of the biggest companies in Slovenia. Investments in fixed assets in 2003 totalling almost SIT 19 billion attest to the Company's strong focus on development.</p>
Core business activities	<p>The core area of operations of the Petrol Group is oil trading activities. Petrol's principal competitive advantage over potential competitors is its extensive network of 331 modern service stations in Slovenia and abroad. In 2003 the Petrol Group sold 1.86 million tonnes of oil products and SIT 36.6 billion worth of consumer goods.</p>
Development direction	<p>The principal development direction of the Petrol Group is the introduction of new energy activities, in particular the sale of gas, heat and electricity, but in the long run also renewable energy sources. In 2003 the Petrol Group sold 36 thousand tonnes of liquefied petroleum gas, 15 thousand tonnes of natural gas, 263 thousand MWh of electricity and 65 thousand MWh of heat. It managed 17 gas supply concessions and two waste water treatment concessions.</p>
Business principles	<p>The Petrol Group's overall operational approach is founded on the cultivation of business excellence through monitoring and responding to contemporary market demands relating to services, information technology and environmental protection.</p>
Strategic direction	<p>The Petrol Group is developing from a Slovenian oil trader into a comprehensive provider of energy and environmental services. Based on its clear strategic orientations and development priorities, Petrol is not only playing an important role in shaping the energy sector in Slovenia but is also becoming a significant player in the wider energy market of south-east Europe.</p>



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Key events and factors affecting operations

Changes in the Management Board of Petrol, d.d.

On 26 February 2003 the Supervisory Board reappointed Janez Lotrič as chairman of the Management Board. He began his new five-year term on 28 May 2003.

On 28 May 2003 Mariča Lah began a new five-year term as member of the Management Board responsible for core business activities, while the term of the board members responsible for finance and accounting and for technology and energy ended on the same day. Vladimir Jančič was appointed as the new member of the Management Board for finance and energy. His term began on 28 May 2003.

Network of 331 service stations

At the end of 2003 the Petrol Group had 331 service stations: 287 were in Slovenia, 28 in Bosnia and Herzegovina, 15 in Croatia and Petrol also opened its first service station in Serbia.

Commencement of operations of Petrol d.o.o., Belgrade and Petroservis, d.o.o.

Petrol d.o.o, Belgrade, a wholly-owned subsidiary of Petrol, d.d., began operations at the start of the year. The primary activity of the company, which was formally established at the end of 2002, is to establish a retail network in Serbia and Montenegro.

Petroservis, d.o.o., likewise formally established at the end of 2002, also began independent operation in 2003. Another wholly-owned subsidiary of Petrol, d.d., Petroservis, d.o.o. is responsible for maintenance of plant and equipment in companies within the group.

Takeover of Petrol-Energetika Štore, d.o.o. by Petrol-Energetika Ravne, d.o.o.

Since April 2003 Energetika Ravne, d.o.o. and Energetika Štore, d.o.o., which were brought into the Petrol Group in 2002, have operated as the single company Petrol Energetika, d.o.o. The basic reason for the merger was to improve cost efficiency and development opportunities.

Significant
business events
and achievements
of the Petrol Group
in 2003

Key events and factors affecting operations

Signing of a contract for construction and long-term lease of storage tanks

In September 2003 Petrol, d.d. and the Institute for Compulsory Stocks of Crude Oil and Petroleum Products signed a contract on the construction and long-term lease of storage tanks for middle distillates under which Petrol, d.d. will build and manage two storage tanks in Lendava with a combined capacity of 40,000 m³.

New quality certificates and environmental certificates acquired

Four companies in the Petrol Group obtained the ISO 9001 : 2000 quality assurance certificate in 2003: Petrol Plin, d.o.o., Petrol Skladiščenje, d.o.o., Petroservis, d.o.o. and Petrol Energetika, d.o.o. In addition, Petroservis, d.o.o. and Petrol Skladiščenje, d.o.o. also obtained the ISO 14001 environmental certificate.

Encouraging findings by McKinsey experts

In a comparative study of retail sales and logistics, the international consultants McKinsey found that Petrol is highly comparable with best international practice in terms of all the key operating indicators. In addition, McKinsey produced an analysis of the efficiency of the corporate functions and proposed measures to improve efficiency.

Recognition for special achievements in 2003

Petrol, d.d. received recognition from the Republic of Slovenia for business excellence in 2003 in the form of a diploma for special achievements in recognition of the progress made in introducing the business excellence model.

Award for Annual Report 2002

Petrol received its sixth successive award for its annual report. In a competition organised by the business daily *Finance*, Petrol received an award for best annual report in other aspects of public communication and was runner up in the category best annual report 2002.

Environmentally friendly company of 2002

Petrol received first prize for “Environmentally Friendly Company of 2002” in a competition organised by the business magazine *Gospodarski vestnik*.

New decree on the setting of prices of refined petroleum products

In January 2003 the Slovenian government adopted a decree bringing under government control in addition to petrol prices also the prices of diesel and extra light fuel oil. The maximum permitted gross margin on all energy products was also adjusted. At the same time the government introduced a system of acyclical excise duties in an attempt to protect the domestic economy from potential short-term shocks that could result from a rapid rise in the price of oil and oil products on the world market because of the war in Iraq.

Emergency decree on the setting of prices of refined petroleum products

In March 2003 the Slovenian government adopted an emergency decree extending the 14-day interval for calculating the average market price of refined petroleum products to 28 days. This measure too was designed to protect the domestic economy from strong price fluctuations.

On 1 May 2003 the Slovenian government issued a new decree laying down the same price setting criteria that had been in force prior to the adoption of the emergency decree. Despite the normalisation of conditions on the world oil market the prices of diesel and extra light fuel oil remained under government control. Originally valid until the end of October 2003, the decree was extended on 2 November for a further six months.

Prices of oil and refined products on the world market

The average purchase price of crude oil on the world oil market in 2003 was USD 28.86 a barrel, a rise of 15.3% on the average oil price in 2002. Prices of 95-octane unleaded petrol, diesel and extra light fuel oil saw a similar rise.

US dollar exchange rate

The average US dollar/Slovenian tolar exchange rate in 2003 was SIT 207.17 to the dollar (Bank of Slovenia middle rate). The average value of the US dollar in 2003 fell by almost 14% compared to the previous year.

Key factors affecting the operations of the Petrol Group in 2003

Key events
after financial
year-end
2003

Key events and factors affecting operations

Amendments to the Trade Act

Subsequent to the result of a referendum in Slovenia on the restricting of Sunday trading, the National Assembly drew up proposed amendments to the Trade Act which substantially limit Sunday trading in shops whose sales area is greater than 80 square metres. These restrictions therefore apply to many service stations.

Reorganisation of three areas of business

Based on the results of a comparative study of retail sales and logistics and proposals for increasing the effectiveness of the corporate functions drawn up by the consultancy firm McKinsey, the Petrol Group reorganised domestic retail sales of oil products, warehousing and maintenance.

Risk management policy

Based on a review of 67 different operational risks the Petrol Group defined the key risks and formulated a policy for managing and controlling them so as to further increase the safety of operations. An Operational Risks Committee was also set up.

Signing of a contract with the environment ministry

Petrol, d.d. and the Ministry of the Environment, Spatial Planning and Energy signed an agreement on the clean-up of the bitumen dump at Pesniški dvor, under which Petrol's financial commitment is limited to the amount of its unutilised long-term environmental provisions, while the remainder of the required funds will be secured by the ministry.

Constitutional Court ruling

The Constitutional Court of the Republic of Slovenia has ruled (Decision No. U-I-265/2004-14 of 15 January 2004) that certain articles contained in the Decree on the Setting of Prices of Refined Petroleum Products (Official Gazette RS, No. 88/2000) were not in conformity with the constitution.

Key financial data, results and forecasts

Petrol, d.d.
Annual Report
2003

Financial data
for the
Petrol Group

net sales revenues

SIT 000	2003	2002
	303,571,939	277,394,183

total assets

SIT 000	2003	2002
	154,323,289	137,846,786

equity

SIT 000	2003	2002
	72,295,114	67,755,012

net return on equity

%	2003	2002
	8.6	8.1

long-term debt to equity

	2003	2002
	0.33	0.18

net profit

SIT 000	2003	2002
	6,002,512	5,310,767

net earnings per share (excluding treasury stock)

SIT	2003	2002
	2,939	2,556

book value of share

SIT	2003	2002
	34,696	32,464

number of employees

31 December	2003	2002
	2,581	2,569

number of service stations

31 December	2003	2002
	331	312

Key financial data, results and forecasts

Key results

Volume of oil products sold

The Petrol Group sold 1.86 million tonnes of oil and oil products in 2003, the same volume as in 2002.

Volume of gas sold

The Petrol Group sold 36 thousand tonnes of liquefied petroleum gas in 2003, 16% more than in 2002. The volume of natural gas sold, some 15 thousand tonnes, was over twice as much as in 2002.

Sale and distribution of electricity and heat

The Petrol Group sold 262,624 MWh of electricity and 64,586 MWh of heat in 2003.

Sale of consumer goods

The Petrol Group sold SIT 36.6 billion worth of consumer goods in 2003, an increase of 28% over the previous year.

Net sales revenues

generated by the Petrol Group in 2003 totalled SIT 304 billion, an increase of 9% over the previous year.

Gross profit from sales

generated by the Petrol Group in 2003 was SIT 44 billion, 7% up on the previous year.

Profit before tax

of the Petrol Group in 2003 was SIT 6 billion, an increase of 20% over the previous year.

Key financial data, results and forecasts

Net profit

generated by the Petrol Group in 2003 was SIT 6 billion, an increase of 13% over the previous year.

Total balance sheet assets

of the Petrol Group at year-end were SIT 154 billion, a 12% increase over year-end 2002.

Current assets

of the Petrol Group at year-end were SIT 52 billion, a 12% increase over year-end 2002.

Equity

of the Petrol Group at year-end was SIT 72 billion, a 7% increase over year-end 2002.

Long-term debt

of the Petrol Group at year-end totalled SIT 24 billion, an increase of 87% over year-end 2002.

The increase in long-term debt results from intensive investment activity.

Short-term debt

of the Petrol Group at year-end was SIT 47 billion, 3% more than at year-end 2002.

Group investments in long-term assets

totalled SIT 18.9 billion. Eighty-one per cent of funds invested in 2003 were directed towards the core business activities and 19% towards the other business activities of the Petrol Group.

Key financial data, results and forecasts

Forecasts for 2004

Financial results

The Petrol Group is forecasting net sales revenues of SIT 319 billion in 2004, a net profit of SIT 6.3 billion and a return on equity of 8.5%.

Oil products

The Petrol Group is forecasting total sales of 1.9 million tonnes of oil products in 2004. Planned sales in the markets of south-east Europe total 198 thousand tonnes, or just over 10% of the total volume of Petrol Group sales.

Gas

The Petrol Group is forecasting a 6% increase in the volume of natural gas and liquefied petroleum gas sold in 2004. It intends to achieve this target through continued expansion of the gas networks and the setting up of 165 new gas depots.

Investments

The Petrol Group is planning to invest SIT 22.2 billion in its fixed asset structure in 2004. The forecast long-term debt co-efficient for 2004 is 0.42.

Employees

Because of the expansion of the service station network, the Petrol Group and the leased service stations are planning a total of 2,731 employees at the end of 2004, an increase of 6% on the 2003 figure.

Retail network

The Petrol Group anticipates having a total of 367 service stations in its retail distribution network at the end of 2004, of which 300 will be in Slovenia and 67 will be abroad.

A B C D E F G H I K L M

Independent business strategy justified

The financial year 2003 was the most successful year for the Petrol Group in its medium-term history. In terms of net sales revenues and net profit, Petrol once again ranked at the very top of Slovenian business, and it has one of the largest and most stable investment cycles.

In 2003 the Petrol Group consolidated its position as the leading Slovenian oil trading company, developed into an important gas provider and became one of the biggest suppliers to the oil market in Bosnia and Herzegovina. Petrol shares were among the most heavily traded on the Ljubljana stock exchange.

All these developments point clearly to the coherence of the Company's strategic orientations and clear development priorities. Petrol's resoluteness and independent business strategy have been justified.

A dynamic business environment

Again in 2003, three factors had a decisive influence on the operations of the Petrol Group: the world oil market, domestic pricing policies for refined petroleum products and business risk in the markets of south-east Europe.

Developments on the world oil market were particularly affected by political uncertainty stemming from the US-led invasion of Iraq. While this was reflected in a falling US dollar, meaning lower trading costs, it also meant strong price fluctuations and higher average prices for oil and refined products.

Expectations of price shocks potentially resulting from the Iraq crisis led the Slovenian government at the start of 2003 to bring under government control in addition to petrol prices also the prices of diesel and extra light fuel oil. Price fluctuations were further cushioned by adjustments to excise duties, which meant that retail fuel prices were held steady throughout the year. In order to achieve the target inflation rate the government also lowered the average maximum permitted gross margin. Consequently, in 2003 the Petrol Group shouldered part of the macroeconomic burden of reducing inflation.

South-east Europe is generally a fluctuating environment in which to do business, and in 2003 it was characterised in particular by changes to tax and customs policy and by the privileged position enjoyed by domestic oil companies. These developments necessitated a high degree of operational flexibility and caution by the Petrol Group again in 2003.

Encouraging operating results

Despite this, not only the parent company but also all 12 companies in the Petrol Group recorded a profit in 2003. The Petrol Group closed the year with net sales revenues of SIT 304 billion, an increase of 9.4% over the previous year. Net profit of SIT 6 billion was 13.0% higher than in 2002, and return on equity rose from 8.1% to 8.6%. SIT 18.9 billion was invested in the development of business activities.

The volume of oil products sold was the same as in 2002. Liquefied petroleum gas sales were up 16%, while natural gas sales were more than double the volume sold in 2002. The value of consumer goods sold by the Petrol Group was 28% higher than in 2002.

These results not only confirm the appropriateness of the Petrol Group's development strategy but also point to a very high level of operational flexibility, innovativeness, quality and excellence, and hence efficiency on the part of the Petrol Group .

Chairman's statement



Consistent realisation of development goals

We are fully on schedule to realise our strategic development goals. With the purchase in 2002 of two energy companies (Energetika Ravne and Energetika Štore), Petrol became one of the largest non-government producers of electricity in Slovenia. And the merging of the two companies, which have operated as Petrol Energetika, d.o.o. since April 2003, has significantly increased Petrol's cost efficiency and development prospects in this field.

Petrol has continued the process of expanding its warehousing and storage activities. One of the most important developments in this area was the signing of a contract with the Institute for Compulsory Stocks of Crude Oil and Petroleum Products in 2003 on the construction and long-term lease of two storage tanks for middle distillates. By the middle of next year Petrol will be managing an additional 40 thousand cubic metres of storage capacity, which will thoroughly consolidate its position as the leading Slovenian oil storage operator.

The Petrol Group increased its importance and role in the marketing of gas in 2003. With 17 gas concessions Petrol is among the leading gas concession-holders in Slovenia. Networks were installed in 15 municipalities in 2003, leading to a significant expansion in the volume of natural gas sales, which will continue to grow strongly in the coming years.

The Petrol Group's development into a comprehensive provider of energy services is increasingly evident.

Success in the core business

The primary area of business of the Petrol Group remains the selling of oil products, an activity in which we faced very strong competition in 2003. Five large oil companies and 40 smaller companies were engaged in oil trading activities in Slovenia, while Petrol's main competitors outside Slovenia are national oil companies and the global oil majors.

A major contribution to Petrol's success has certainly come from the network of 331 modern service stations in Slovenia and abroad. In 2003 alone as many as 19 new service stations were added to the network. The total sales area was expanded with the opening of 15 new Hip-Hop shops, bringing the total to 92, and Petrol also opened its first combined retail centre and service station, offering customers the opportunity to carry out most of their essential daily tasks at the same time as buying their fuel.

In 2003 the standards to which Petrol's service stations in Slovenia operate were rapidly being extended to the operational methods of its service stations outside Slovenia. In addition, sales of Petrol's own brand car care and maintenance products were launched in Croatia and Bosnia-Herzegovina. And in 2003 Petrol opened its first service station in Serbia.

Chairman's statement

To meet the changes taking place in the wholesale market we have reorganised our wholesale division with the aim of ensuring strategic coverage of Slovenia and implementing a proactive sales policy, and we have set up central management and formulation of individual commercial policies for major customers.

Increasing operational efficiency

Controlling costs, risks and business processes and achieving business excellence on a par with the best of the European competition are the strategic goals underlying the creative efforts of the Petrol Group. In pursuit of these goals, in 2003 we carried out an extensive benchmarking project in collaboration with McKinsey & Company, an international firm of consultants, in which we compared our operating methods in different areas of business with comparable European companies. The results of the project were encouraging. Many of Petrol's operating indicators were found to be entirely comparable with best international practice.

We can be particularly proud of the very high level of integration achieved between information technology and business processes, which is an area in which, among European companies in our field of business, we are at the very top. And the same is true for the level of operational and technical standardisation achieved.

At the same time a whole range of strategically important projects were in progress within Petrol in 2003 aimed at developing our own proprietary business model and introducing contemporary management models. Linked to these projects was the restructuring of many business processes and areas, as well as changes to the management approach and internal organisation of the Petrol Group. This was reflected in a change to the structure of the Company's Management Board.

Development of strategic projects

Among the strategically important projects being pursued within the Petrol Group in 2003, at least three deserve special mention.

The first is the development of a key managerial competences model, which we have used to define a comprehensive system of criteria for identifying key personnel and personnel with strong development potential. In the future this system will enable us to recognise and bring on the best managers in order to increase the effectiveness of the management structure.

An equally important project is the introduction of three-year rolling strategic planning, which will be brought into the Group's operations in 2004. The development assumptions and goals will be reviewed on an annual basis, allowing us to modify the Group's development orientations in line with trends and events taking place in the wider business environment and, as a consequence, more effectively achieve our goals.

Chairman's statement

The third strategically important project concerns the reorganisation of the Group's corporate functions, which will involve changes to the way in which domestic retail sales, logistics and maintenance are organised and to the way in which the Slovenian and foreign subsidiaries are controlled. We expect the new management and operation model for the subsidiaries to bring marked improvements in efficiency in all three areas.

Success built on partnerships

Business success is, of course, a result of a whole range of coherent activities, including most importantly the committed and responsible input of everyone connected in any way with the Petrol Group. And we must certainly not overlook the dependability of our business partners, the professional support we receive from various institutions or the loyalty of our customers.

But it is the employees, the driving creative force behind the key business achievements of the Petrol Group, who must take the credit for all the recognition and respect earned by Petrol for its enterprise and dedication. I also believe an open dialogue, a strong focus on training and development, a high level of legal and social security, and clear development goals and priorities have contributed to the employees' commitment to our shared goals.

A bright future

In 2003 the Petrol Group consolidated its position as the leading Slovenian oil trading concern, developed into an important gas provider in Slovenia and became one of the biggest suppliers to the oil market in Bosnia and Herzegovina. Petrol shares were among the most attractive to investors on the Ljubljana stock exchange in 2003.

Our ambition, set out at the turn of the millennium, to transform Petrol from a Slovenian oil supplier into an important energy concern in south-east Europe, is certainly being realised, and as this process takes shape the business image, characteristics and philosophy of the Petrol Group are changing too.

The changes in analytical and operational approach were again in 2003 supported by strong results, providing the most convincing evidence of our clear development vision and appropriate strategic direction, our ability to foresee developments in the business environment, and our ability to respond to those developments in a timely and appropriate manner.

Petrol is a successful and stable energy concern with very strong potential for development. All the more reason to conclude that our independent business strategy is fully justified.

Janez Lotrič

Management Board Chairman

Stimonici.

A e i o u.

Management Board

Management Board Chairman:

Janez Lotrič

Born 1955. University law graduate.

Appointed
for a five-year term
on 28 May 1998.
On 26 February 2003
he was reappointed
for a further five-year term
beginning
on 28 May 2003.

Prior to Petrol, Mr Lotrič first worked as a researcher for ITEO, followed by positions in the legal office of Žito and at Agrostroj's foreign trade department, and lastly as manager of the general personnel department of Yulon. He has been with Petrol since 1989, first as a foreign trade legal adviser, then systems manager and later also international finance manager at the same time. In 1995 he was appointed assistant to the then managing director, and in 1997 as member of the Management Board responsible for purchasing.

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Obed, C
Paul, Pe
Quirin
Ricardu
Shtefan
Tomas
Valētin
Xantos

Management Board

core business activities

Appointed for a five-year term
on 24 June 1997.
On 25 June 2002 her term was
extended until 28 May 2003,
when she was reappointed
for a further five-year term.

finance and energy – since 28 May 2003

Appointed for a five-year term
on 28 May 2003.

technology and energy – until 28 May 2003

Appointed for a five-year term
on 24 June 1997.
On 25 June 2002 his term was
extended until 28 May 2003.

finance and accounting – until 28 May 2003

Appointed for a five-year term
on 24 June 1997.
On 25 June 2002 her term was
extended until 28 May 2003.

director / representative of employees

Appointed for a five-year term
on 25 September 2002.

Members of the Management Board:

Mariča Lah

Born 1956. University economics graduate and MBA.
Employed by Petrol since 1980. Initially employed as an analyst, then head of the pricing department and later systems and pricing manager. She was deputy domestic markets manager before being appointed to the Management Board.

Vladimir Jančič

Born 1970. University economics graduate.
His positions before coming to Petrol included member of the Management Board of the investment firm Publikum, manager of the investment department of Kapitalski sklad and acting manager of the investment banking department of Nova Ljubljanska banka.

Janez Bedenk

Born 1950. University graduate in mechanical engineering.
Employed by Petrol since 1976. He has held various management positions and was head of technical services before being appointed to the Management Board.

Poldka Breznik

Born 1949. Economist.
Employed by Petrol since 1970. First as a junior accountant and then senior accountant, and later head of accounting. Manager of the accounts department prior to her appointment to the Management Board.

Bojan Herman

Born 1951.
Employed by Petrol since 1975. He has worked in the information technology, sales and logistics departments. Simultaneously held the posts of deputy president of the youth organisation, president of the union and president of the workers' council. Prior to his appointment to the Management Board he worked in an independent organisational capacity in the logistics department.

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Petrol shares

Petrol shares have been traded on the official market of the Ljubljana Stock Exchange since 5 May 1997. In 2003 they again experienced stronger growth than the SBI share index.

In the 12 months to the end of December 2003 the price of Petrol shares rose by 37.1%, which is 19.3 percentage points more than the rise in the SBI index. Since it was first listed the Petrol share price has gained 227.2%.

The average price of a Petrol share in 2003 of SIT 43,496 was 30.4% higher than the average price during the previous year.

In December 2003 the Petrol share price reached an all-time high since it was listed on the Ljubljana Stock Exchange of SIT 60,020.

Second most traded share on the Ljubljana Stock Exchange

Petrol shares generated a trading volume of SIT 13.2 billion in 2003, representing 6.2% of the total volume of trading on the official market of the Ljubljana Stock Exchange, and 12.3% of the volume of share trading. By volume of trading the Petrol share ranked second on the Ljubljana Stock Exchange. An average of SIT 1.1 billion in Petrol shares changed hands every month during 2003. Petrol shares were traded on every single trading day in 2003, which means they enjoyed 100% liquidity throughout the year.

In terms of market capitalisation Petrol climbed to second place on the Ljubljana Stock Exchange in 2003. Its market capitalisation on the last day of 2003 was SIT 117.3 billion, which is 6.9% of the total market capitalisation of the official market. Petrol shares were one of four securities contributing the maximum 10% to the calculation of the SBI index.

Petrol shares on the Ljubljana Stock Exchange from 1998 to 2003

	2003	2002	2001	2000	1999
Highest share price (SIT)	60,020	43,762	23,850	25,676	29,386
Lowest share price (SIT)	38,006	23,124	18,275	17,966	24,484
Average annual share price (SIT)	43,496	33,347	21,208	20,426	26,429
Share price on last trading day in year (SIT)	56,208	41,009	23,147	19,367	24,807
Rise/fall in share price from 1 Jan to 31 Dec	37.06%	77.17%	19.27%	- 20.39%	- 6.91%
Rise in average annual share price compared to 5 May 1997	153.18%	94.12%	23.45%	18.90%	53.84%

In December 2003 Petrol shares reached a price of SIT 60,020, the highest price recorded since they were first listed on the Ljubljana Stock Exchange. Previously, the highest price recorded was in 1998 during a period characterised by general optimism on the Ljubljana market. In 1999 the Petrol share price was relatively stable, while in 2000, during a period of general pessimism on the market, the trend was more or less downward. Since the start of 2001, however, the Petrol share price has been rising faster than the SBI index.

Petrol shares

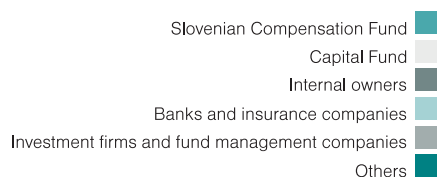
Encouraging financial indicators

The earnings per share figure in 2003 of SIT 2,939 was 15% above the level of the previous year. Cash flow per share in 2003 was SIT 5,351, an increase of 6.1% over the previous year. Return per share was 37.1%. Including the 1.7% dividend paid out in 2003, the total yield was 38.8%. Over the year, Petrol's share price appreciated faster than the book value, the ratio between the two increasing from 1.26 in 2002 to 1.62 in 2003. The Company's price-earnings ratio at year-end was 19.1.

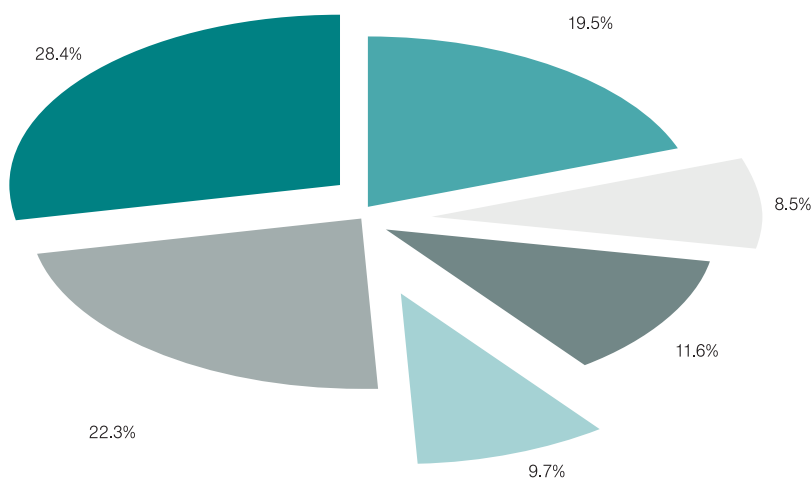
There was very little change in the ownership structure in 2003.

With 406,456 shares, the Slovenian Compensation Fund continues to be the largest shareholder, followed by the Capital Fund with 176,547 shares.

Nacionalna finančna družba, Nova kreditna banka Maribor, Kmečka družba and Triglav Steber 1 are among Petrol's other large shareholders.



Ownership structure



At the end of the year 27,117 Petrol shares were owned by individuals or companies outside Slovenia, which represents 1.3% of total ownership. Between the end of 2002 and the end of 2003 the number of shareholders fell by 2.7% from 47,240 to 45,983. Although the number of shareholders has been falling since Petrol shares were first quoted on the stock market, the trend is slowing each year.

Share repurchase programme

Petrol did not repurchase any shares in 2003. At the end of 2003 the Company had 27,349 shares in its treasury stock fund, which is 1,603 fewer than at the end of 2002 and represents 1.3% of the registered share capital. The total book value of the fund at 31 December 2003 was SIT 566,773,996, which was SIT 970,445,742 less than the market value.

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 advocates a stable dividend payout 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 long-term stability of Petrol's share price.

In its strategy for the period from 2002 to 2005 Petrol envisaged paying a dividend of SIT 600 per share (calculated in 2002 prices).

Business period	Total dividend payout (SIT)	Gross dividend per share (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
2002	1,460,410,700	700

Calculated profit

In 2003 Petrol reported a calculated profit of SIT 7,084,293 thousand.

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Risk management

Based on a comprehensive internal review, the Petrol Group has defined the most important and most likely risks to which it is exposed and set out a policy for managing and monitoring them.

Given the nature of its core business activities, the Petrol Group is exposed principally to price and exchange rate risk. But by consistently and thoroughly monitoring developments in its business environment Petrol protects against these risks in a timely manner using a variety of financial instruments and hedging mechanisms.

From the point of view of financial risks the Petrol Group's operations are conducted in a safe and conservative manner – control of financial risks is integrated into all aspects of operations and all levels of management within the Petrol Group.

Careful monitoring of oil and dollar markets

The Petrol Group sources oil products on international markets and makes payment in US dollars. However, it sells those products for the most part on the Slovenian domestic market and therefore receives payment in Slovenian tolar. Importantly for Petrol, the oil and dollar markets are among the most volatile financial markets in the world today and therefore in transacting its core business the Group is exposed to exchange rate risk (changes in the SIT/USD rate) and price risk (changes in the price of oil and oil products).

- In order to protect against unfavourable 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 for oil products by the Slovenian government in April 2000, which ensures that domestic oil prices follow trends in oil prices on international markets. And 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 producers and traders. The Petrol Group's exchange rate risks are fully hedged, using both balance sheet and dynamic hedging mechanisms, with the aim of ensuring a neutral dollar position.
- Petrol generally makes payment for its purchases of oil products 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 recognised in the official oil pricing model. The Company hedges against unfavourable dollar movements by entering into forward foreign exchange contracts (EUR/USD, SIT/USD and SIT/EUR) with Slovenian banks as its counterparties.
- The Company enters into transactions with derivative financial instruments exclusively in order to hedge against price and exchange rate risk and not for speculative reasons.

Highest credit rating

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. The highest rating reflects a company's ability to meet its financial obligations in a timely manner and its financial strength, based on its position in the market, its financial 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.

Risk management

Ensuring 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. 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

Counterparty risk relates to the extension of credit, although this represents a relatively small proportion of the Company's overall billing structure.

Petrol uses a state-of-the art information system to actively monitor the creditworthiness of its business partners, and with appropriate insurance, effective recovery and immediate resolution of disputed receivables the Company has succeeded in keeping overdue and questionable receivables at an acceptable level.

Minimal exposure

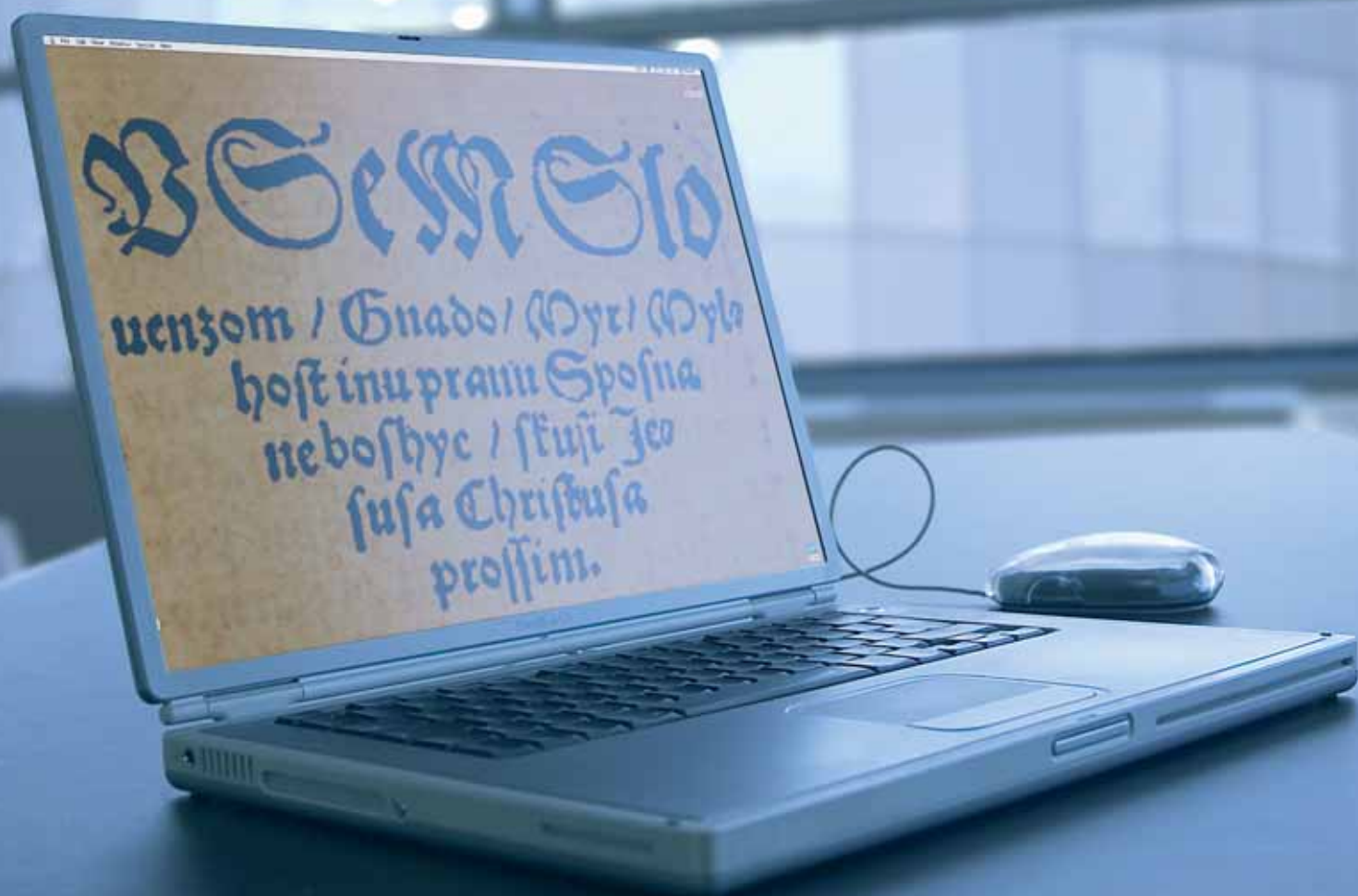
Given Petrol's ample capital base and the low level of indebtedness, its exposure to interest rate risk is minimal. Moreover, the Company's long-term debt is partly denominated in SIT and partly in EUR. Because of this, interest rate risk is diversified over a number of factors: potential growth in exchange rates and potential changes in domestic and international interest rates. Most of Petrol's long-term credit arrangements have variable (floating) interest rates, although a certain number have a fixed rate. For this purpose the Company has concluded forward (interest swap) contracts.

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 products and Petrol's market share, the Company's customer base is extremely wide and diversified.

Improved operational safety

The Petrol Group has carried out a comprehensive internal review of 67 different business risks. On this basis it has defined the 19 key risks and set out a policy for managing and monitoring them.

The risk management mechanisms and internal control systems are independently and systematically monitored by the Internal Audit Service, whose advice and recommendations have a positive impact on added value and on improving the Group's operations.



Core business activities

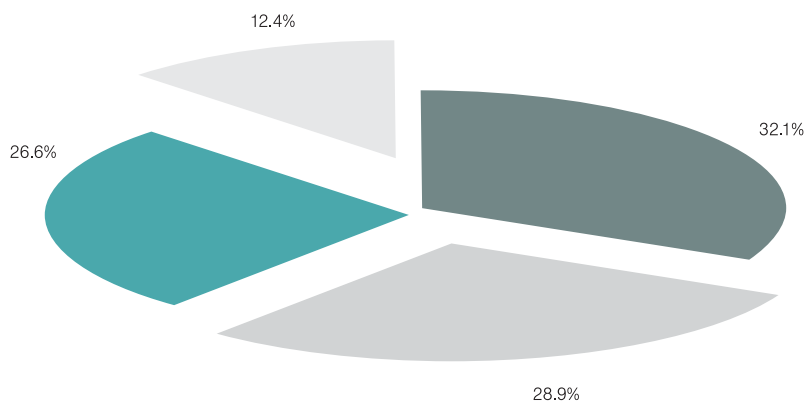
Oil trading is the core business activity of the Petrol Group. This is its principal source of stable and reliable long-term revenues and cash flow.

Activities related to the sale of oil products, commercial merchandise and services in 2003 were carried out within the Petrol Group by the parent company and eight subsidiaries. The parent company is the main carrier of core business operations and in terms of volumes and financial criteria will remain the primary operating company in the coming period.

1.86 million tonnes of oil and oil products sold

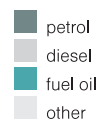
In 2003 the Petrol Group sold 1.86 million tonnes of oil and oil products. The total volume sold was the same as in 2002 and exceeded forecasts by 1%.

Most of this amount, 1.70 million tonnes of oil and oil products, was sold on the domestic Slovenian market in 2003, which is 2% more than the previous year and 3% more than forecast. Some 8% of total Group sales volume in 2003, 155 thousand tonnes, was sold on the markets of south-east Europe.



Breakdown of 2003 sales volume by oil product

The breakdown of individual categories within total oil sales has remained more or less unchanged for several years. Petrol remains the largest component of the total, followed by diesel and extra light fuel oil. While the volume of petrol and fuel oil sold in 2003 was slightly less than the previous year, the volume of diesel fuel sold in 2003 was 8% higher than the previous year.



Rising sales of supplementary merchandise

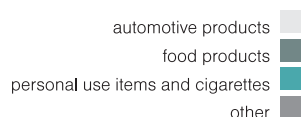
In 2003 Petrol generated SIT 36.6 billion of net revenues from the sale of supplementary merchandise, an increase of 28% over the previous year.

The largest proportion of supplementary merchandise sales within the Petrol Group was accounted for by Petrol, d.d., which generated SIT 34.6 billion in net revenues from the sale of supplementary products in 2003, an increase of 22% over the previous year and 8% in excess of the forecast level.

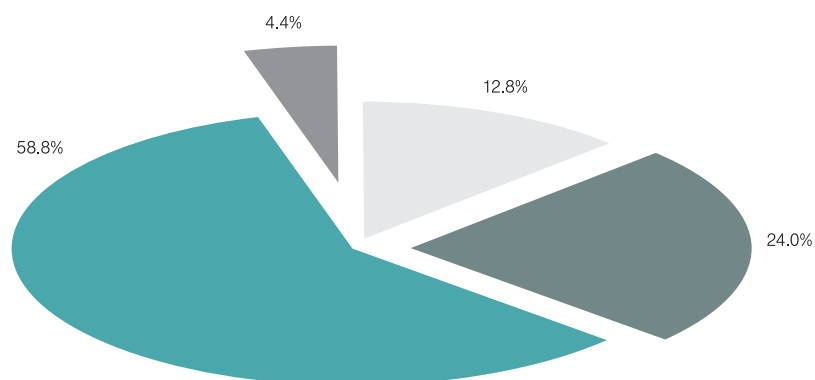
Core business activities

Breakdown of 2003 supplementary merchandise sales

Sales of all individual product segments in Petrol's line of supplementary merchandise saw increases in 2003 compared to the previous year. This improvement is principally due to renovation of the retail sales space, an appropriate selection of products and the suitable positioning of those products. The relative positions of individual product segments were virtually unchanged in 2003 compared to the previous year. The largest specific increases in 2003 compared to 2002 were seen in the sales of automotive and cleaning products (up 29%), followed by sales of personal use items and cigarettes (up 21%). Revenues from the sale of food products were 17% higher in 2003 than in 2002.



Petrol's success in supplementary product sales is also demonstrated by the increase in this type of revenue per litre of fuel sold. Compared to the previous year this figure rose by almost 16%. Furthermore, average revenues from sales of supplementary products per square metre of sales space increased by 7% in 2003 compared to the previous year, while total sales space rose by 12% during the course of the year.

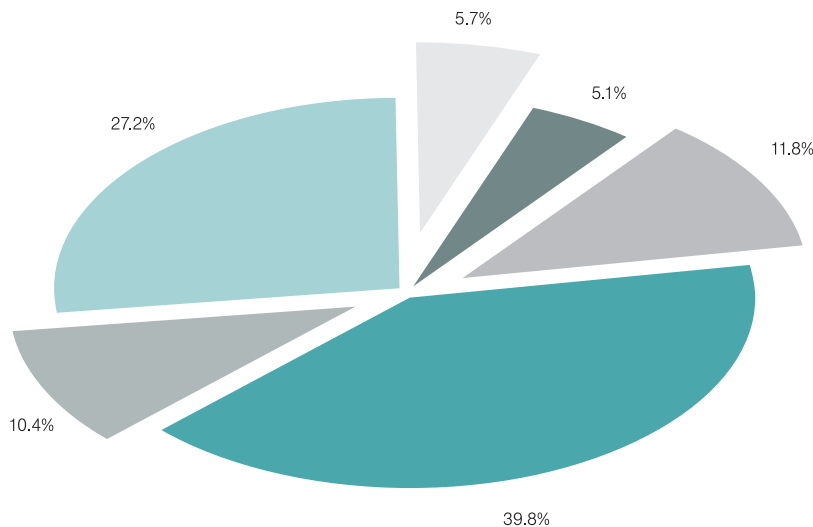


Higher revenues from services

In 2003 the Petrol Group generated net revenues from the sale of services of SIT 7.2 billion, an increase of 99% over the previous year. Petrol, d.d. accounted for SIT 4.4 billion of this total, which was 19% more than forecast and 20% more than in 2002.

Sales of services include fees related to foreign exchange transactions, rental income, transportation, car wash revenues and laboratory and other services. The most important component of the service category is Petrol's payment cards, which at the end of 2003, their tenth anniversary, were held by over 146 thousand customers. Petrol's Magna card is one of the most widely used payment cards in Slovenia, and after ten years is continuing to expand its customer base. Its strategic advantage lies not just in its contribution to direct revenues but also in its importance as far as promoting sales and preserving customer loyalty are concerned.

Core business activities



Adapting to the market

In 2003 the Petrol Group generated over half of its oil product revenues and as much as 85% of its revenues from non-oil products through its retail distribution network, which at the end of 2003 was comprised of 331 service stations. Given that the domestic oil market in Slovenia has virtually no capacity to accommodate growth in oil products, over the last few years the Petrol Group has been focusing not only on expanding into the markets of south-east Europe but also on increasing its non-oil sales. To this end it has been using regular market research to identify opportunities for improvement and ways of adapting its retail distribution network as far as possible to customer needs and expectations. In developing its service stations and expanding its sales space the Petrol Group consistently adheres to the strictest environmental requirements and quality standards.

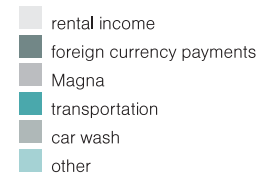
Well organised wholesale network

The Petrol Group transacts approximately 45% of all its all oil sales and 15% of non-oil sales through its wholesale network. The basic characteristics of the wholesale network are its strategic coverage of Slovenia, daily monitoring of the requirements of major customers and a highly qualified product-oriented sales network supplying small and medium-sized companies.

Breakdown of 2003 service revenues

The breakdown of sales of services in 2003 remained unchanged from 2002. The largest component of the service category was again transportation, followed by Magna payment card revenues. In third position was car wash revenues, followed by rental income and fees.

Among other significant components in the service category, the most important is storage and laboratory services provided by the Petrol Group for external customers.



Magna payment card

As a tool for building customer loyalty, the Magna payment card is one of the most important instruments in Petrol's active cooperation with customers, both wholesale and retail.

Petrol launched the Magna card ten years ago, and the number of holders has grown every year. In 2003 an additional 13,000 users were signed up. This customer database represents significant capital that already allows the Petrol Group to use effective direct marketing methods, which will gradually be built up into a comprehensive system of customer relationship management (CRM). Magna is one of the most widely used payment cards in Slovenia. It offers customer benefits including deferred payment and discounts on most products available at Petrol's service stations. The card can also be used in service stations in Croatia and Bosnia and Herzegovina.

Core business activities

A reorganisation of the wholesale network, an active sales policy, changes in sales methods, and a partnership relationship with customers and suppliers were reflected in lower costs and increased sales in 2003.

Modern and extensive retail network

The modernisation and expansion of the network of service stations represents a logical part of the operations of the Petrol Group. A total of 17 new or fully renovated service stations were opened in 2003 (at a further eight service stations construction work will be concluded in 2004), and 17 new sites were purchased.

The Petrol Group is expanding its retail distribution network outside Slovenia by buying existing private filling stations and building new service stations. In 2003 a total of 15 service stations were incorporated into this retail network: 11 in Bosnia and Herzegovina, three in Croatia and a first service station in Serbia. At the end of the year construction work was being completed at a further two locations in Croatia and 10 service stations were being built or renovated in Bosnia and Herzegovina.

Three oil depots were being renovated in 2003. At the Rače storage complex, which underwent a comprehensive refit in 2002, the entire fire system was renovated in 2003. Construction of two storage tanks for middle distillates at the Lendava storage complex was begun in 2003 and will be completed in 2004. And minor investment and maintenance work was in progress at all the other storage facilities in the Petrol Group.

Intense competition

The main direct competitors to the Petrol Group in the markets of south-east Europe are national oil companies and the global oil majors.

In Slovenia, too, the level of competition is intense. In 2003 the Petrol Group had four serious competitors in its retail and wholesale oil product operations.



Other business activities

The range of other business activities of the Petrol Group in 2003 included the ongoing development of infrastructure and the creation of conditions for the sale and distribution of gas and electricity, the development of new environmental projects, and activities in the hotel and catering sector.

These are activities in which the parent company plays a significantly less pronounced role than in the core business activity of the Petrol Group.

Four Petrol subsidiaries were engaged in the distribution of gas and electricity and in hotel and catering activities in 2003, and were set up or acquired specifically for these purposes.

Natural gas and LPG

Natural gas and liquefied petroleum gas (LPG), because of their long-term potential as alternatives to traditional sources of heat, are an area in which the Petrol Group has been intensively building a presence over the past five years. The construction of gas networks and the distribution and marketing of natural gas and LPG form part of the Petrol Group's efforts to offer its customers a comprehensive range of energy supply products.

In 2003 the Petrol Group operated 17 gas concessions and also supplied LPG from 896 gas depots to certain areas of Slovenia not covered by concession.

The Company sold 36,200 tonnes of LPG in 2003, exceeding by 16% both the previous year's sales volume and the forecast volume for 2003. In 2003 Petrol sold over 15 thousand tonnes (21.7 million cubic metres) of natural gas, sales of which are primarily linked to the rate of construction of gas pipeline networks. The volume of natural gas sold in 2003 was more than double the volume sold in the previous year and the forecast level for 2003.

In addition, in 2003 the Petrol Group sold over three thousand tonnes of technical gases, and facilitated the distribution of more than 24 thousand tonnes of natural gas and four thousand tonnes of technical gases.

Electricity

The marketing of electricity was brought into the Petrol Group's portfolio in 2001, when the parent company obtained a licence to sell electricity. Production, distribution and marketing of electricity within the Group were taken over by Petrol-Energetika Ravne and Petrol-Energetika Štore, which were acquired by Petrol in the middle of 2002. In April 2003 these two companies merged to form Petrol Energetika, d.o.o.

For the Petrol Group's electricity activities, 2003 was a year of major organisational changes, connected primarily to the planned expansion of its electricity business beyond the Ravne economic zone into the rest of Slovenia, and to the process of bringing its operations into line with the requirements of the Energy Act.

Nevertheless, in 2003 the Petrol Group sold 263 million kWh of electricity, of which it purchased 229 million kWh and produced 33 million kWh.

Gas sales

The Petrol Group's decision to incorporate gas sales into its activity portfolio goes back to 1998. Since then sales of liquefied petroleum gas have grown very rapidly. And since 2001, when the first customers were connected to the gas networks then in place, there has also been a rapid increase in sales of natural gas. The Petrol Group forecasts similar growth in gas sales over the coming years. It has long-term plans to acquire approximately 30% of all the natural gas concessions in Slovenia, to supply liquefied petroleum gas to 15% of the large commercial customers, and to set up 10% of all the individual gas depots in Slovenia.

Petrol Energetika, d.o.o.

The procedures involved in the takeover of Petrol-Energetika Štore by Petrol-Energetika Ravne began at the end of 2002 and were concluded in April 2003. The merging of the two companies will have a positive impact on the development potential and efficiency of Petrol Energetika. One of its basic competitive advantages is that it operates according to the "multi-utility" model, offering a comprehensive range of energy services.

Other business activities

Restaurant chain

Development of roadside catering within the Petrol Group is the responsibility of Petrol Gostinstvo, which operates the brand names "Na jasi" and "N" and in 2003 ran a chain of five restaurants and six cafeteria.

The Čatež motel has been closed since the end of 2003 because of the construction of the motorway. The total seating capacity of the catering facilities is still close to 1,000, which meant that Petrol Gostinstvo was again the leading provider of restaurant services on the Slovenian motorway network in 2003.

Hotel activities in the Petrol Group are run by the subsidiary company Hotel Špik, which in addition to a hotel also manages a campsite and recreational facilities.

Hotel and catering activities

The catering activities of the Petrol Group primarily involve the development of a chain of specialised roadside restaurants which complement Petrol's concept of supplying travellers' total needs. This business segment is particularly important because of the synergies made possible by Petrol's network of service stations.

In 2003 the Petrol Group operated its catering activities in Slovenia through 14 facilities, and generated SIT 1.8 billion in net sales revenues from catering, an increase of 2% over the previous year. Net revenues from the sale of hotel services of SIT 245 million were up almost 22% on the previous year.

Challenging environmental projects

In 2003 the Petrol Group had two concessions for construction and management of waste water treatment plants in the municipalities of Murska Sobota and Mežica. Through its significant interest in Aquasystems, Petrol is also involved in treatment of waste water in the municipality of Maribor, for which Aquasystems holds the concession.

The activities of the Petrol Group in 2003 were focused on the construction of the central treatment plant in Murska Sobota, which is expected to come into operation in March 2004. At the same time, all the relevant permits have been obtained to begin construction of the treatment plant in Mežica.

The central treatment plant in Maribor began mechanical purification in 2002, and construction of the biological and chemical purification stages was completed in 2003.

Other important environmental projects are Petrol's participation in the clean-up of a bitumen dump and its development of procedures for handling hazardous waste appropriately and professionally.



Investments and development

The Petrol Group is in a growth phase. Annually it invests around SIT 20 billion in the development of its business activities.

For a number of years it has been one of the biggest investing companies in Slovenia, its control of the key business processes is fully comparable with best international practice, and it is a leader in the development and application of the latest information technology.

The development component is integrated into all areas of activity and all levels of operation of the Petrol Group, which enables it to identify business opportunities in good time and to preserve key competitive advantages over the long run.

SIT 18.9 billion invested in development of business activities

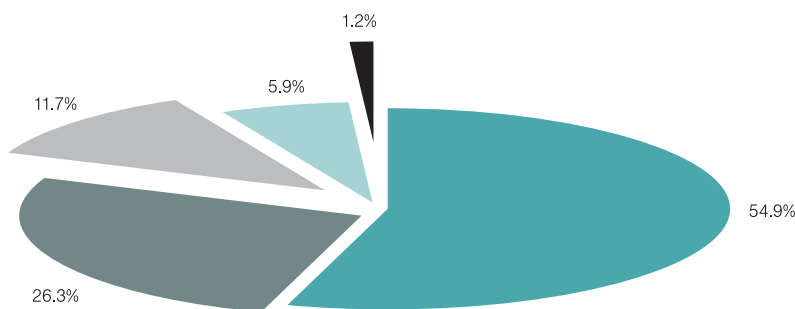
In 2003 the Petrol Group invested SIT 18.9 billion in its fixed asset structure.

Investments in the core business activity of oil trading totalled SIT15.4 billion in 2003. 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.

In 2003 a total of 17 service stations were newly built or fully renovated in Slovenia, and 15 service stations were added to the retail network outside Slovenia. Construction and renovation works were also in progress at two storage complexes.

Petrol invested SIT 3.3 billion in the development of new business activities in 2003, particularly in the gas and electricity segments and in major environmental and energy projects. The majority of the funds were allocated to the ongoing construction of gas networks and the construction of waste water treatment plants.

The remaining investments of SIT 237 million were allocated to renovation and modernisation of catering facilities.



Breakdown of funds invested by Petrol Group in 2003



Introduction of new development information concept

In 2003 business management and integration of information technology management reached a level enabling the Petrol Group to introduce the new development concept of Real-Time Enterprise (RTE). Based on instantaneous capture, processing and dissemination of up-to-date and accurate information on operations to Group employees as well as customers and suppliers, this concept represents a cornerstone of the Petrol Group's strategic development of business information technology.

As a result, management of the business processes and acquisition of the required RTE technologies formed the major part of Petrol's information technology development in 2003. Solutions were developed to ensure a high level of transparency in the business processes. The information infrastructure was upgraded with the appropriate RTE technologies, which brought computerisation to those parts of the business processes which previously could not be integrated into the information system.

"Best Practice"

The integration and application of RTE technologies in the Petrol Group will allow many new information solutions to be developed. The most obvious examples are the so-called info kiosks selling supplementary services at the larger service stations, and pay-at-the-pump machines have been introduced allowing customers to pay for their fuel without entering the sales premises of the service station.

Experts from two international consulting firms (the Gartner Group and McKinsey) carried out a comparative analysis which confirmed that the Petrol Group follows best practice in the area of information technology.

Investments and development

Service station innovations

In 2003 the Petrol Group was intensively developing a new service station concept in which operations will be fully automated. With customers able to use all the modern forms of payment available, the service station will be able to operate unmanned. All the necessary arrangements were also made in 2003 for implementation of the "growing service station" project. This is a new concept in the construction of service stations which will be reflected in increased cost efficiency both in the construction itself as well as in subsequent alterations, and will enable increased demand to be catered for by means of simple modifications. The Petrol Group will begin construction of its first service stations applying this concept in 2004.

The Petrol Group also upgraded its electronic operations with business partners and individual customers, increasing its historical competitive advantage in the key business processes relating to sales, customer management and business decision-making and analysis.

Development of new service activities

In 2003 Petrol opened its first combined retail centre and service station in Ljubljana, where customers can purchase not only fuel but also a wide range of commercial goods and services and so carry out most of their every-day tasks in the same place. As well as a modern station forecourt, including pay-at-the-pump facilities allowing customers to buy fuel without entering the sales premises, and a well stocked shop with a sales area of over 300 square metres, this service centre also includes a car wash, a florist, a dry cleaner and a bar with a beer garden.

In 2003 the Petrol Group also undertook all the necessary preparations for launching the Tip – Top project in which, in collaboration with partners, it will establish a network of quick service and tyre-repair workshops. In this way it will increase its share of sales of car and lorry tyres and vehicle care and maintenance products, as well as providing customers with rapid, high-quality and reasonably priced vehicle servicing.

Changes in brand policy and image

In 2003 the Petrol Group offered the first physical evidence of the changes in its brand management policy. Where previously there was a confusing number of product brands, including well-known ones such as Proton and Vitrex, in 2003 they were unified under the Petrol brand name. This now covers a wide range of vehicle care and maintenance products which, until the end of 2002, were marketed under more than 30 different names. With their unification under one brand name, which was restyled in 2003 to give it a new and identifiable image, the Petrol Group has lowered the cost of its brand management and also increased the possibilities for suitable positioning of the Petrol brand within and outside Slovenia.

Hip – Hop is the brand name the Petrol Group gives to its chain of service station shops. In 2003 this brand was expanded to include food products, including its sandwich range which it introduced last year. In the future Petrol plans to use the Hip – Hop brand to market several other fast food products.

The Magna service mark, which covers Petrol's range of payment cards, acquired a new image in 2003. And the Petrol Group also began preparations for a comprehensive review and upgrading of the corporate image of its service stations.



Employees

The fundamental goal pursued by the Petrol Group in its human resource management is to achieve an optimum personnel and education structure.

Along with a well-planned recruitment policy, human resource management also comprises an effective remuneration and promotion system, continuing employee training and development, and monitoring of employee satisfaction.

This long-term and systematic approach was reflected in 2003 in an improved educational structure of the workforce, a positive attitude towards training, increased innovativeness and self-initiative and a healthier organisational climate.

At the end of 2003 the Petrol Group, including the franchise system, had 2,581 employees.

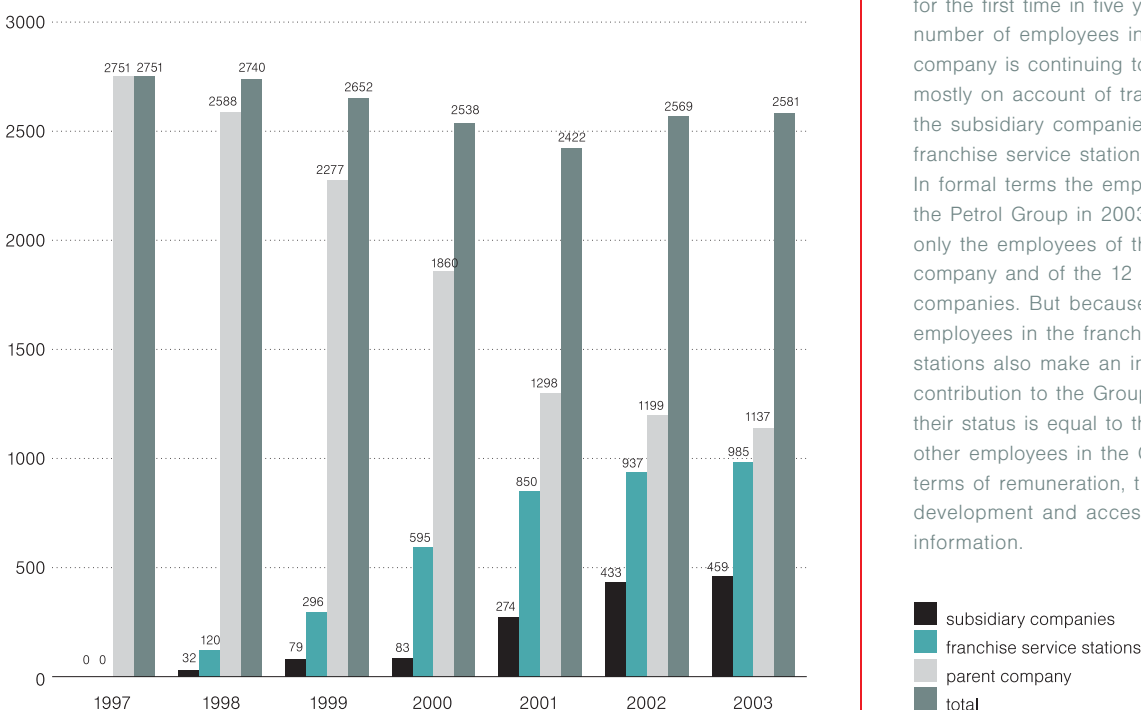
Employment policy

At the end of 2003 a total of 1,596 people were formally employed in the Petrol Group. Including the employees in the franchise system the number contributing to the operating results of the Group was 2,581 – 12 more than at the end of 2002.

In 2003 the Petrol Group took on 164 new employees. New employment was related principally to the new development projects, the restructuring of many business processes and the expansion of the retail network. The decision to take on each new employee was a carefully considered one. Priority in the hiring of new staff was given to young, highly qualified individuals.

Part of the need for staff was met through internal transfers. A total of 87 employees were transferred internally within the Petrol Group in 2003.

A total of 152 people left the Petrol Group in 2003, mostly owing to retirement or the end of fixed-term contracts. The level of voluntary turnover remains exceptionally low.



The Petrol Group began a policy of actively scaling back its workforce at the end of 1997. A steady decline in the total number of employees followed until 2002, when the acquisition of three new companies into the Group saw the number rise for the first time in five years. The number of employees in the parent company is continuing to fall, mostly on account of transfers to the subsidiary companies and the franchise service stations. In formal terms the employees of the Petrol Group in 2003 comprised only the employees of the parent company and of the 12 subsidiary companies. But because the employees in the franchise service stations also make an important contribution to the Group results, their status is equal to that of the other employees in the Group in terms of remuneration, training, development and access to information.

Employees

Improving the educational structure

As a result of statutory requirements and because of the nature of the work at service stations and in catering establishments, the share of employees with lower levels of education in the Petrol Group is relatively high, but it has been falling in recent years. The proportion of employees with further or higher education at the end of 2003 had already risen to over 13%.

The improvement in the education structure has been achieved partly through recruitment of highly qualified new personnel and partly through education of existing employees. In 2003 a total of 144 employees were taking courses leading to formal educational qualifications.

Intensive supplementary training

The Petrol Group is also increasing employee efficiency through supplementary training and educational programmes, in which SIT 182 million was invested in 2003, or an average of over SIT 70 thousand per employee.

A safe and healthy working environment

The Petrol Group pays close and regular attention to the health of its employees and the safety of their working environment. A total of 1,661 medical check-ups were carried out in 2003. The Group also organised 61 seminars on health and safety at work topics in 2003, which were attended by 1,218 employees. Inspections and equipment tests were carried out at 146 facilities, and measurements were also taken of the microclimate and of potentially hazardous substances in the air. Instructions were compiled on the use of work equipment and appliances, and in cooperation with labour inspectors 28 rescue and evacuation plans were drawn up for service stations.

A healthy organisational climate

In 2003, as part of its "You're ok" project, the Petrol Group carried out its third successive research study among employees into the organisational climate and job satisfaction. The average score given by employees to the organisational climate was virtually unchanged from 2002 (3.45 on a scale of 1 to 5).

The results of the research showed, among other things, that the key competitive advantages of the Petrol Group are its attitude towards quality, innovativeness and initiative, and the loyalty and motivation of its employees. Comparative data also indicate that employee satisfaction in the Petrol Group was almost 5% above the Slovenian average, which in 2003 was 3.29.

Measuring human capital

Since 2001 the Petrol Group has been monitoring the success of its human capital management, in which it applies the international methodology developed by the consulting firm EP First Saratoga. In the first year the Petrol Group compared its operations in terms of 11 key indicators with certain foreign oil companies in order to identify its strengths and weaknesses. And since 2002 it has compared the results with those from the previous year. On this basis it determines the positive and negative movements and plans appropriate measures in response to the findings.



Customer monitoring

The work of the Petrol Group centres around the needs, demands and wishes of its customers.

Evidence of the Group's explicit market focus are its ongoing modernisation of the retail sales network, a customer-oriented range of products and services, the introduction of advanced ordering and payment methods, the upgrading of electronic operations, the provision of a complete service for travellers and the development of a comprehensive energy supply.

Regular customer monitoring is the cornerstone in the planning of all key business activities of the Petrol Group, and also its main tool for maintaining its long-term competitive advantages.

A very broad customer base

An average of over 100 thousand customers use Petrol service stations every day. The Company's database of active fuel oil and gas customers in 2003 contained over 150 thousand names, and more than 146 thousand customers use Petrol payment cards.

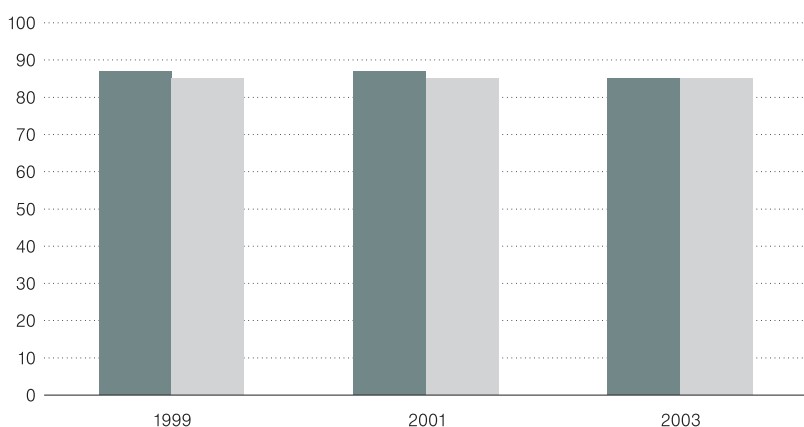
Even excluding the many large-scale commercial and industrial users whose operations with Petrol are conducted on the basis of individual commercial policies, the Petrol Group customer base is so broad and diverse that it needs to be regularly and systematically monitored.

Therefore the Petrol Group uses various types of market research to determine the situation in particular markets, the trends and any changes in customer behaviour and satisfaction.

Understanding service station customers' habits and sentiments

The Petrol Group has been conducting research into the segmentation of convenience store customers on a regular basis since 2001. In this way it can monitor customers' habits, learn about the position of its own sales outlets, define key target customer segments and also identify opportunities for further development of the product range in its shops.

Every other year the Petrol Group also measures the satisfaction levels of its customers. The results point to an extremely high level of customer satisfaction, both in terms of the targets the Group has set as well as by comparison with the competition.



Principal research conducted by the Petrol Group in 2003:

- customer satisfaction at service stations
- comparison of customer satisfaction at Petrol and competing service stations
- buying habits and customer satisfaction – fuel oil and gas
- buying habits – roadside restaurants
- natural gas consumers
- effectiveness of all advertising campaigns
- satisfaction of Magna card users

Customer satisfaction at service stations in comparison with target levels

■ actual satisfaction level
■ target satisfaction level

Customer monitoring

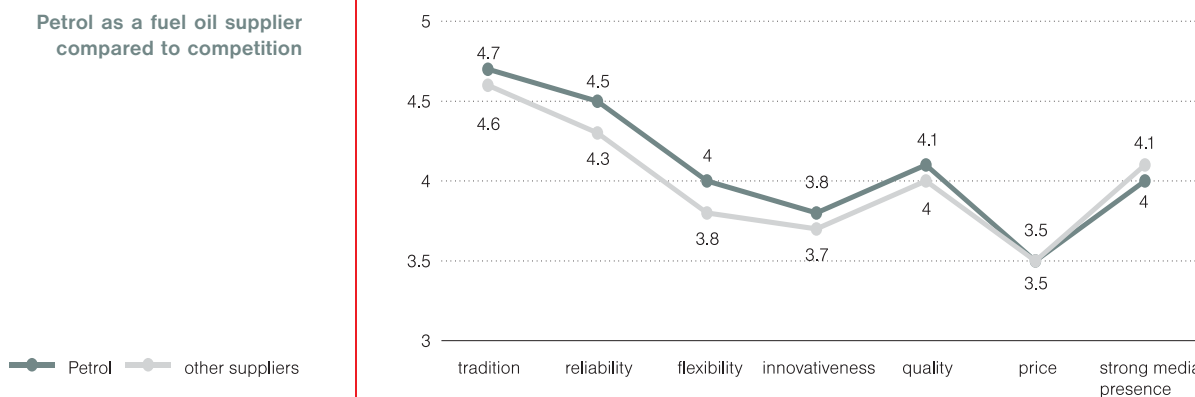
Position of the Petrol Group among heating fuel consumers

The Petrol Group is the largest Slovenian supplier of fuel oil. It is also rapidly expanding its natural gas and liquefied petroleum gas operations. Consequently, it carries out regular monitoring of its position in the heating fuel market.

The results of research carried out in 2003 show that Petrol is known as a supplier of fuel oil by fully 94% of all fuel oil customers in Slovenia. It also scores better than the competition in terms of a number of qualitative criteria.

As a gas supplier, too, Petrol's results in terms of recognition are very encouraging. Here again the Petrol Group is in first place, with a score of 39%, which given its relatively late entry into the market points, among other things, to the effectiveness of its advertising and other marketing activities.

Petrol as a fuel oil supplier compared to competition



Advertising effectiveness

With the aid of market research the Petrol Group is increasing the effectiveness of its advertising. It uses market research to plan its advertising strategies, and determines their suitability in practice by measuring the effects achieved.

Every advertising campaign is analysed from the point of view of suitability relative to the target group, and also in terms of achievement of the goals that have been set.

The Petrol Group monitors the success achieved in promoting sales by means of monthly analyses, which at the end of the year are combined into a comprehensive report on the effectiveness of sales promotion. Appropriate changes are formulated and introduced on this basis.



Operational standards

The Petrol Group plays an important role in helping to shape Slovenian economic and social life. Because its actions are often seen as an example to others, it maintains a very high level of environmental awareness and social responsibility.

The Petrol Group's business methods are founded on high quality standards, consistent adherence to strict environmental protection criteria and the establishment of partnership relations both internally and with the external environment.

Petrol Group employees conduct business in a socially responsible manner and in accordance with the rules of contemporary business ethics.

High operational and technical standards

In 2003 the Petrol Group continued to pursue a strategy of business excellence based on observance of the strictest environmental protection criteria and continuing development of quality standards in all areas of operation.

The parent company has been operating in line with ISO 9001 criteria since 1997, and from 2000 onwards also in compliance with the ISO 14001 environmental standard. Through regular certification procedures external assessors again confirmed Petrol's adherence to appropriate operational and environmental standards in 2003, and also the transition to the ISO 9001:2000 system. Accreditation of the Petrol Laboratory under the SIST EN ISO/IEC 17025 standard was again confirmed in 2003.

Four companies in the Petrol Group were also awarded the ISO 9001:2000 quality management certificate in 2003. They were Petrol Plin, Petrol Skladiščenje, Petroservis and Petrol Energetika. Petrol Skladiščenje and Petroservis also received the ISO 14001 environmental management certificate in 2003.

Respect for the natural environment

Concern for the environment is a cornerstone of the Petrol Group's energy strategy. With its tradition, its experience and its know-how in the area of environmental protection, the Petrol Group is one of the most important partners of Slovenia and its economy.

In 2003 it continued to strengthen cooperation with government agencies and with scientific and research institutions. The Petrol Group has endorsed the importance of strict environmental criteria among its employees, customers, suppliers and other partners and informed them of its sustainable development guidelines. These guidelines have been followed in the development of business processes and of new products and services. Close attention has been paid to ensuring professional and properly supervised removal of hazardous waste and to the flawless functioning of the entire distribution chain. And in 2003 activities aimed at reducing harmful emissions, achieving efficient use of natural resources and reducing the possibility of accidents were being undertaken with a particular intensity.

Implementation of operational standards in all subsidiaries

In 2003 the parent company completed the process of combining the existing operational and technical standards in the areas of quality management, environmental management, food management, and health and safety at work into a unified system. In 2003 this system was also introduced in three of the subsidiary companies. It will be brought into the remaining subsidiaries in line with the strategic programme.

New environmental projects

For a number of years the Petrol Group has been studying the possibility of developing and marketing biodiesel.

In December 2003 it joined the international CIVITAS project, which aims to have the public transport fleet in three European cities (Ljubljana, Debrecen and Toulouse) running on biodiesel.

In 2003 all the necessary preparations were completed for setting up gas stations enabling liquefied petroleum gas to be supplied for use in cars.

Slovenia will see its first service station offering this equipment in 2004.

Operational standards

Business ethics

Ethics and morals are a logical component of the Petrol Group's business policy, while the fundamental value on which its development is built is trust.

The Petrol Group ensures its long-term business success by founding all its positions on firm moral principles based on honesty, conscientiousness, trust, abiding by agreements and exhibiting generally responsible behaviour towards all parties having an interest in the Company. Precisely because of this consistent respect for ethical principles, both the parent company and the entire Petrol Group have been able to restructure more quickly and adapt more easily to the new circumstances in the market. Respect for ethical norms ensures a level of security for all participants in the business process, which in turn allows them to devote themselves more fully to the Company's fundamental mission.

Breakdown of Petrol's sponsorship activities in 2003

The breakdown of Petrol's sponsorship activities in 2003 was little changed from the previous year, reflecting the fact that cooperation between the Petrol Group and its sponsorship partners is generally of a long-term nature. In 2003 more than half of Petrol's sponsorship funding was again allocated to sports. A third of the sponsorship budget in 2003 went on culture, including not only major cultural projects but also many smaller, but no less worthy, events. The remaining 15% was allocated to charitable purposes and to support environmental projects.

sport
culture
other

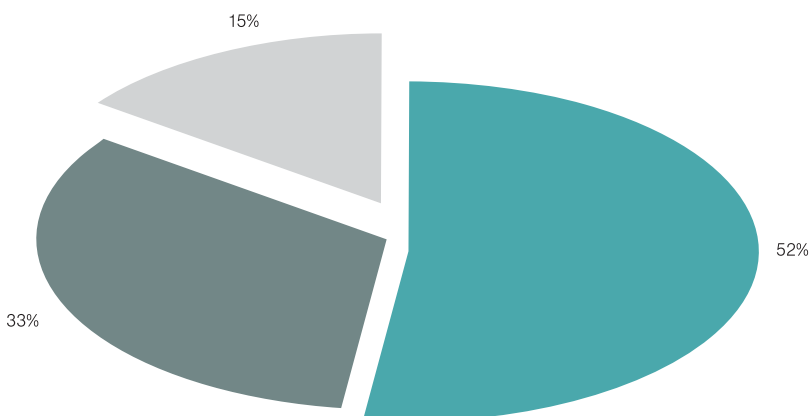
Social responsibility

The Petrol Group recognises that the support of the environment in which it operates has an important impact on its business and its development. Consequently, it has been striving for a number of years to promote a more active lifestyle among the wider social community and a generally higher quality of life. Support for numerous sporting, cultural, humanitarian and environmental projects forms part of Petrol's responsible social attitude.

In 2003 the biggest share of sponsorship funds went into competitive sports – swimming, football, Nordic ski disciplines, ice hockey and basketball, and also towards development of motor racing and karting.

The Petrol Group also plays an important role in supporting cultural events. In 2003 it continued its association with four well-known festivals that form part of the Association of Slovenian Festivals, as well as with the Slovenian National Theatre and the Slovenska matica publishing house. For the thirteenth year running the parent company organised a visual arts competition entitled "Children to Adults", and in 2003 also became the general sponsor of the renowned opera singer Mercedes Sosa.

Particularly worth mentioning among the environmental projects supported by the Petrol Group in 2003 is its cooperation in a long-term project entitled "Let's preserve the pearls of Slovenia's sea", the aim of which is to maintain the excellent state of Slovenia's coastal waters. In collaboration with the environment ministry, Petrol contributed in 2003 towards furthering our understanding of the loggerhead turtle (*Caretta caretta*) and its importance for Slovenia's maritime biodiversity.





Companies in the Petrol Group

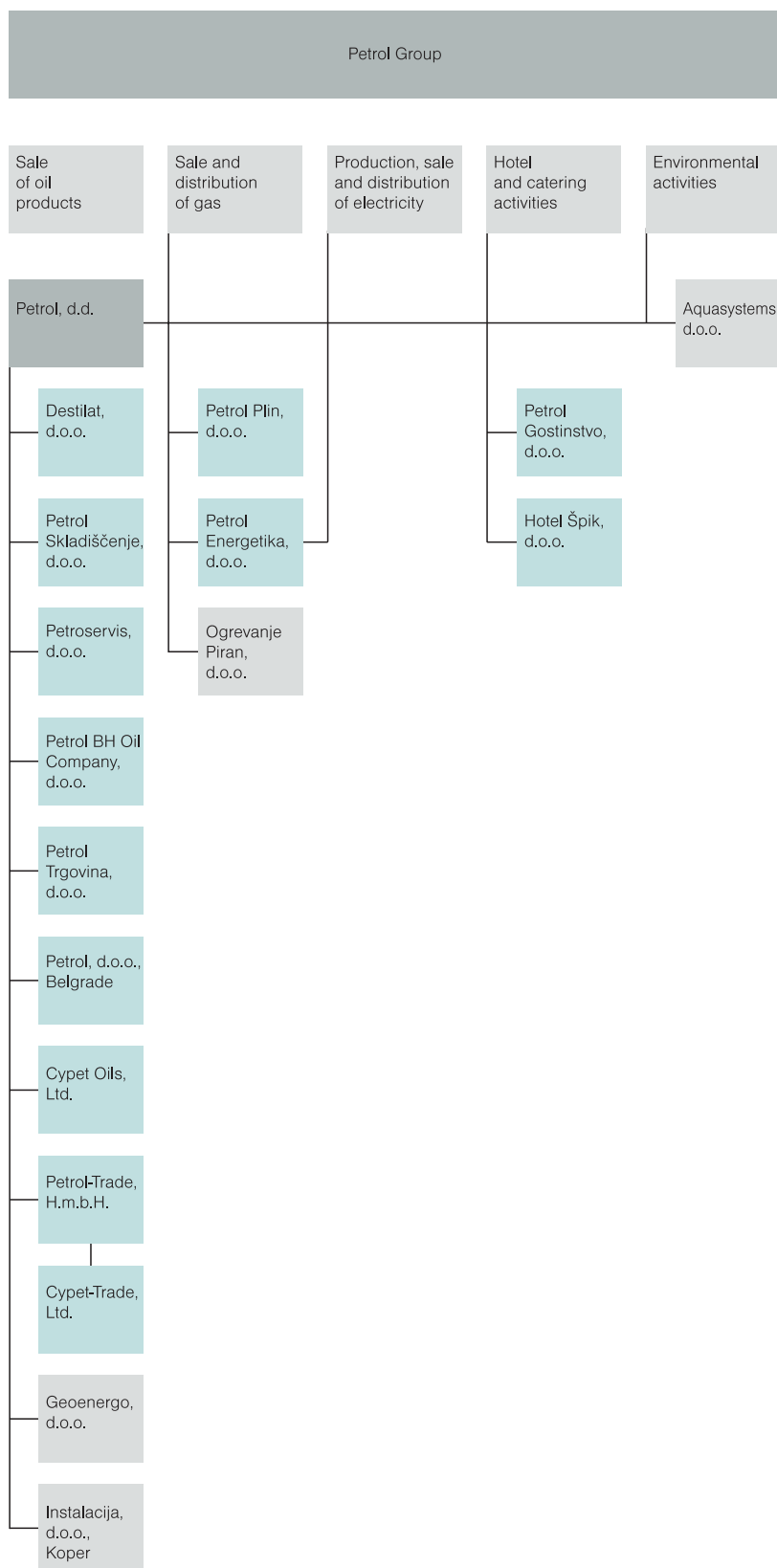
At the end of 2003 the Petrol Group comprised the parent company Petrol, d.d., seven domestic subsidiaries, five foreign subsidiaries, two affiliated companies and two joint ventures.

All of these companies are included in the consolidated financial statements of the Petrol Group.

Group business activities comprise five key areas: sale of oil products and other merchandise; sale and distribution of gas; production, sale and distribution of electricity; hotel and catering activities; and environmental activities.

Companies in the Petrol Group

Petrol, d.d.
Annual Report
2003



■ parent company
■ subsidiary companies
■ joint ventures and affiliated companies

Companies in the Petrol Group

Address:
Dunajska c. 50
Ljubljana
Slovenia

Telephone:
00386 (1) 47 14 232

E-mail:
info@petrol.si

Status:
public limited company

Chairman:
Janez Lotrič

Petrol d.d., Ljubljana

Petrol, d.d. was formally established on 5 June 1945 as the Slovenian subsidiary branch of the then state-owned company Jugopetrol. Until 1996, when it was converted into a public limited company under non-government ownership, Petrol operated under a variety of different organisational forms.

The core activities of the Company are the selling of oil products, supplementary merchandise and services. On the domestic Slovenian market, Petrol, d.d. distributes oil products through a network of 287 retail service stations, enjoying a 69% share of the domestic oil market in 2003 and an important position in the consumer goods distribution market as well. As the absolute or majority owner of 12 subsidiary companies engaged in similar activities, Petrol, d.d. is the controlling company of the Petrol Group and conducts the largest portion of operations and generates the majority of revenues contributing to the financial results of the Group as a whole.

In 2003 Petrol, d.d. sold 1.79 million tonnes of oil, oil products and gas, exceeding forecasts by 2%. It generated revenues of SIT 34.6 billion from the sale of supplementary merchandise, exceeding forecasts by 8%, and generated revenues of SIT 4.4 billion from the sale of services, exceeding forecasts by 19%.

The Company closed the financial year 2003 with SIT 284 billion in net sales revenues and a net profit of SIT 6 billion. Given a capital base of SIT 72 billion, this represents a return on equity of 8.6%.

In comparison with 2002 results, Petrol, d.d. increased the level of net sales revenues by 8% in 2003, while its net profit increased by 15%.

Companies in the Petrol Group

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

Petrol-Trade was the first subsidiary in the Petrol Group and represents an important link in the oil and chemical product supply chain of the entire Group. It owns 100% of Cypet-Trade, a company engaged in the facilitation of oil trading which was founded in 1998.

In 2003 Petrol-Trade sold 651,410 tonnes of oil and chemical products, some 94% of the forecast volume. It generated SIT 38.7 billion in net sales revenues. Together with Cypet-Trade it generated a net profit of SIT 969.9 million.

At year-end 2003 Petrol-Trade H.m.b.H. reported capital of SIT 1.7 billion.

Cypet Oils, Ltd., Cyprus

Cypet Oils was established at the end of 1989. Like Petrol-Trade of Vienna, Cypet Oils markets and finances oil transactions and is integral to the operations of the Petrol Group.

In 2003 Cypet Oils sold 898,222 tonnes of oil products, which was 95% of the forecast volume of sales. It generated net sales revenues of SIT 54.3 billion and a net profit of SIT 866.6 million.

At year-end 2003 Cypet Oils Ltd. reported capital of SIT 2.6 billion.

Petrol, d.d.
Annual Report
2003

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Ownership:

wholly-owned subsidiary of
Petrol d.d., Ljubljana

Managing director:

Marko Malgaj

Board:

Janez Lotrič
Mariča Lah
Poldka Breznik

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Ownership:

wholly-owned subsidiary
of Petrol d.d., Ljubljana

Managing director:

Lojze Blenkuš

Board of directors:

Janez Lotrič
Žiga Medič
Pangratis Liveras

Companies in the Petrol Group

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igor.meh@petrol.si

Ownership:

wholly owned subsidiary
of Petrol d.d., Ljubljana

Managing director:

Igor Meh

Supervisory board:

Mariča Lah
Silvo Komar
Poldka Breznik

Petrol Trgovina d.o.o., Zagreb

Petrol Trgovina was established in 1996. It is engaged in the sale of oil products and consumer goods in the Croatian market.

In 2003 Petrol Trgovina again operated in a changeable environment requiring a very high degree of caution and flexibility. A decree passed by the Croatian government at the end of the year requiring importers of refined petroleum products to create stocks amounting to 10% of the volume imported in the previous year meant significant changes in the logistical process. In addition, the tie-up between Mol and the national oil company Ina, d.d. also brought marked changes in the last quarter to the conditions under which Petrol Trgovina purchases oil products.

Nevertheless, in 2003 Petrol Trgovina succeeded in increasing the scale of its wholesale business, although in its retail business it was faced with the problem of retail prices not moving in line with price movements on the world oil market.

At the end of 2003 Petrol Trgovina had a network of 15 service stations operating on a franchise basis.

It sold 54,615 tonnes of oil products in 2003, exceeding the forecast volume by 27% and generating net sales revenues of SIT 9.8 billion and a net profit of SIT 47.3 million.

At year-end 2003 Petrol Trgovina d.o.o. reported capital of SIT 4.7 billion.

Petrol BH Oil Company d.o.o., Sarajevo

Petrol BH Oil Company began operations at the start of 1999. The company was established as an independent Petrol subsidiary engaging in whole-sale, retail and other commercial activities and investments in Bosnia and Herzegovina.

The company's operations in 2003 were again characterised by a process of responding rapidly to numerous changes in the business environment. In the most recent operating period the government of Bosnia and Herzegovina twice changed the method of taxing liquid fuels. Retail price setting was not subject to controls and Ina, d.d. further consolidated its competitive position because reduced customs rates on imports of liquid fuels of Croatian origin allowed it to sell at lower prices.

A free trade agreement between Croatia and Bosnia and Herzegovina caused a partial decline in the wholesale business of Petrol BH Oil Company in 2002 already, leading to the company focusing more intensively on the expansion of its proprietary retail distribution network. Eleven new service stations were opened in 2003, bringing the total to 28, the majority of which are operated on a franchise basis.

Petrol BH Oil Company sold 30,849 tonnes of oil products in 2003, generating net sales revenues of SIT 4.0 billion and a net profit of SIT 81.8 million. In addition to Petrol BH Oil Company, the parent company Petrol, d.d. also sells directly to the Bosnian market, and in 2003 sold a total of 69,954 tonnes of oil products to customers in Bosnia and Herzegovina.

At year-end 2003 Petrol BH Oil Company d.o.o. reported capital of SIT 7.2 billion.

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Ownership:

wholly owned subsidiary
of Petrol d.d., Ljubljana

Managing director:

Roman Mazi

Supervisory board:

Mariča Lah
Poldka Breznik
Silvo Komar

Companies in the Petrol Group

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Serbia and Montenegro

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Ownership:

wholly owned subsidiary
of Petrol d.d., Ljubljana

Managing director:

Alojz Kovše

Supervisory board:

Silvo Komar
Poldka Breznik
Mariča Lah

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Ownership:

wholly owned subsidiary
of Petrol d.d., Ljubljana

Managing director:

Mariča Lah

Procurator:

Poldka Breznik

Petrol d.o.o., Belgrade

Petrol d.o.o., Belgrade was formally established in December 2002 and began operations at the start of 2003. Its primary activity is the selling of solid, liquid and gaseous fuels.

The company did not engage in any trading in energy products in 2003 but carried out comprehensive research of the Serbian oil market on behalf of the parent company. At the end of the year Petrol d.o.o., Belgrade bought its first service station.

It closed the year with net sales revenues of SIT 17 million and a net profit of SIT 283 thousand.

At year-end 2003 Petrol d.o.o., Belgrade reported capital of SIT 0.2 billion.

Destilat, d.o.o.

In 1999 the parent company acquired Shell Slovenija and registered the subsidiary under the name Destilat, which leases its service stations to the parent company. The revenues generated in this activity are reported at the level of the parent company.

In 2003 the Management Board of the parent company changed the name of Destilat to Petrol Maloprodaja, d.o.o. with an amendment to its founding act. The company will begin operating under its new name and with new management bodies in 2004.

In 2003 Destilat generated net sales revenues of SIT 74.3 million, which was mostly rental income, and an additional SIT 73 million from interest income. It closed the year with a net profit of SIT 70.8 million.

At year-end 2003 Destilat, d.o.o. reported capital of SIT 3.4 billion.

Petrol Skladiščenje, d.o.o.

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

At the end of 2003 the parent company appointed new management bodies to Petrol Skladiščenje and made all the necessary preparations for an expansion of operations, which will see Petrol Skladiščenje take over the management of all the Petrol Group's warehouse and storage capacities in 2004.

In 2003 Petrol Skladiščenje generated net sales revenues of SIT 62.5 million and closed the year with a net profit of SIT 8 thousand.

At year-end 2003 Petrol Skladiščenje, d.o.o. reported capital of SIT 3 million.

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Ownership:

wholly owned subsidiary
of Petrol d.d., Ljubljana

Managing director:

Rok Blenkuš

Procurator:

Roman Mazi

Petroservis, d.o.o

At the end of 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 began operations during 2003. At the end of 2003 new management bodies were appointed to the company, which will operate in 2004 with a new managing director and new supervisory board members. All the building maintenance and general service activities in the Petrol Group will now be combined within Petroservis.

In 2003 Petroservis, d.o.o. generated net sales revenues of SIT 685.3 million and closed the year with a net profit of SIT 21.3 million.

At year-end 2003 Petroservis, d.o.o. reported capital of SIT 201 million.

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ales.povse@petrol.si

Ownership:

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Managing director:

Aleš Povše

General meeting:

Janez Bedenk
Jana Škrinjar
Igor Matičič

Companies in the Petrol Group

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Ownership:
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Managing director:
Štefan Mitja Lebar

General meeting:
Vladimir Jančič
Matjaž Janežič
Janez Bedenk

Petrol Plin, d.o.o.

At the end of 2001 Petrol, d.d. acquired a 100% interest in Apegas, d.o.o., with which it merged its own gas operations to form Petrol Plin. The new company began operations at the start of 2002.

At the end of 2003 Petrol Plin managed 14 natural gas concessions, and sold liquefied petroleum gas through 896 gas depots. Petrol Plin sold 6,994 tonnes of liquefied petroleum gas and 4.9 million cubic metres of natural gas in 2003. It also facilitated the distribution of an additional 1.9 million cubic metres of natural gas.

With these activities Petrol Plin generated SIT 1.27 billion in net sales revenues and a net profit of SIT 22.6 million.

At year-end 2003 Petrol Plin, d.o.o. reported capital of SIT 2.2 billion.

Petrol Energetika, d.o.o.

In mid-2002 the parent company Petrol, d.d. purchased an 80% interest in Energetika Ravne and Energetika Štore from Slovenske železarne, d.d. In April 2003 Petrol-Energetika Štore was taken over by Petrol-Energetika Ravne, which has since operated under the name Petrol Energetika, d.o.o.

The company operates according to the multi-utility model and is engaged in the production, sale and distribution of electricity and heat, and the sale and distribution of natural gas and other energy products for the metal and machine industries.

By means of a recapitalisation in September 2003 the parent company increased its stake in Petrol Energetika from 80% to 91.2%. And at the end of 2003 it bought a 7.65% interest from the trustee company D.P.R. družba pooblaščenka Ravne d.d., to increase its holding to almost 99%. This was entered in the register of companies in 2004.

For Petrol Energetika 2003 was therefore a year of major organisational and operational changes connected primarily with the planned expansion of its activities beyond the Ravne economic zone into other areas of Slovenia and with the processes involved in bringing its operations into line with the Energy Act.

At the end of 2003 the company managed three gas concessions. It sold 267 million kWh of electricity in 2003, of which it purchased 234 million kWh and produced 33 million kWh. In addition, it sold 9.3 million cubic metres of natural gas and distributed 33 million cubic metres of natural gas. A total of 65 million kWh of heat energy was produced and distributed in 2003.

Through these activities the company generated SIT 4.4 billion in net sales revenues and a net profit of SIT 6.97 million.

At year-end 2003 Petrol-Energetika, d.o.o. reported capital of SIT 2.1 billion.

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Ravne na Koroškem
Slovenia

Telephone:

00386 (2) 870 61 00

E-mail:

mojca.kos@petrol.si

Ownership:

Petrol d.d., Ljubljana
has a 98.85% interest
1.15% is owned by Železar Štore,
d.p., delniška družba
pooblaščenka, d.d.

Managing director:

Mojca Kert Kos

Companies in the Petrol Group

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Gozd Martuljek
Slovenia

Telephone:

00386 (4) 588 01 20

E-mail:

hotel.spik@petrol.si

Ownership:

wholly owned subsidiary
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Managing director:

Ljudmila Potočnik

General meeting:

Gordana Višinski
Ljubomil Jasnič
Iztok Bajda

Address:

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Slovenia

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00386 (1) 75 08 410

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ljubo.jasnic@petrol.si

Ownership:

wholly owned subsidiary
of Petrol d.d., Ljubljana

Managing director:

Ljubomil Jasnič

General meeting:

Gordana Višinski
Nevenka Šubelj
Jana Škrinjar

Hotel Špik, d.o.o.

Hotel Špik, d.o.o. was formally established as an independent subsidiary in December 1999. Previously it had operated within the hotel and catering activities of the parent company. Hotel Špik operates a hotel, campsite and recreational facilities.

In 2003 the company recorded 28,833 overnight stays in the hotel and 20,491 overnight stays at the campsite, generating net sales revenues of SIT 245 million and a net profit of SIT 2.1 million.

At year-end 2003 Hotel Špik, d.o.o. reported capital of SIT 31 million.

Petrol Gostinstvo, d.o.o.

Petrol Gostinstvo was established at the end of 2000 and began operations in 2001.

In 2003 the company operated six motorway cafeteria, an internal canteen and five specialised motorway restaurants (under the name "Na jasi"). For most of the year it also ran a motel in Čatež, but this was closed towards the end of the year because of the construction of the motorway. The total seating capacity of the catering facilities is still around a thousand, making Petrol Gostinstvo the leading provider of restaurant services on the Slovenian motorway network.

The company generated net sales revenues of SIT 1.8 billion in 2003 and closed the year with a net profit of SIT 8.7 million.

At year-end 2003 Petrol Gostinstvo, d.o.o. reported capital of SIT 608 million.

Joint ventures and affiliated companies

Instalacija, d.o.o., Koper

head office:

Sermin 10a, Koper, Slovenia

activity:

storage and transloading of oil products

ownership interest of Petrol, d.d.:

49%

Geoenergo, d.o.o.

head office:

Rudarska 1, Lendava, Slovenia

activity:

extraction of and exploration for mineral raw materials, oil and natural gas

ownership interest of Petrol, d.d.:

50%

Aquasystems, d.o.o.

head office:

Prešernova 34, Maribor, Slovenia

activity:

construction and operation of waste water treatment facilities

ownership interest of Petrol, d.d.:

26%

Ogrevanje Piran, d.o.o.

head office:

Fornače 33, Piran, Slovenia

activity: supply of gaseous fuels, production and distribution of steam and heat

ownership interest of Petrol, d.d.:

40%

All these companies reported a profit in 2003.

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1	2	3	4	5	6	7	8	9	10	11
xīī	xīīī	xīīīī	xv	xvī	xvīī	xvīīī	xix			
12	13	14	15	16	17	18	19			
xx	xxī	xxīī	xxīīī	xxīīīī	xxv	xxvī				
20	21	22	23	24	25	26				
xxvīī	xxvīīī	xxix	xxv	xxvī	xxvīī					
27	28	29	30	31	32					
xxvīīī	xxvīīīī	xxv	xxvī	xxvīī						
33	34	35	36	37						
xxvīīīī	xxix	xl	xlī	xlīī	xlīīī	xlīīīī				
38	39	40	41	42	43	44				
xlv	xlī	xlīī	xlīīī	xlīīīī	l	lī	līī	līīī		
45	46	47	48	49	50	51	52	53		
līīīī	lv	lvī	lvīī	lvīīī	lix	lx	lxī	lxīī		
54	55	56	57	58	59	60	61	62		
lxīīī	lxīīīī	lv	lvī	lvīī	lvīīī	lxix				
63	64	65	66	67	68	69				
lxx	lxxī	lxxīī	lxxīīī	lxxīīīī	lxxv					
70	71	72	73	74	75					

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Introduction

The financial statements of the Petrol Annual Report are presented in seven parts.

The first part of the financial statements section of the Annual Report is comprised of an introduction. This is followed by the financial statements of 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 Slovenian accountings standards (SRS) and used in the preparation of the financial statements of Petrol, Slovenian Energy Company, d.d. ("Petrol d.d., Ljubljana") and the 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., Ljubljana 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 fifth part of the financial statements section is comprised of the financial statements of Petrol d.d., Ljubljana in compliance with the provisions of the Commercial Public Services Act and the Energy Act.

The sixth part of the financial statements section of the Annual Report contains additional notes in compliance with the Securities Market Act.

The last part of the financial statements section of the Annual Report 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.

The financial statements of Petrol d.d., Ljubljana and of the Petrol Group for the year ending 31 December 2003 were audited by Deloitte & Touche revizija, d.o.o., Ljubljana on the basis of a resolution passed at the ninth general meeting of shareholders held on 27 May 2003 and in accordance with Article 54 of the Companies Act.

The auditors Deloitte & Touche audited the financial statements of all the subsidiary companies in the Petrol Group apart from the foreign subsidiaries Cypet Oils, Ltd, Cypet-Trade, Ltd and Petrol-Trade H.m.b.H. Deloitte & Touche reviewed the audited financial statements of these foreign subsidiaries included in the 2003 audited financial statements of the parent company Petrol d.d., Ljubljana and of the Petrol Group.

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

The audit was carried out from 22 September to 17 October 2003 and from 9 February to 12 March 2004.

Excellent development potential



The Petrol Group
generated net sales revenues
in 2003 of SIT 303.6 billion.

The gross profit was SIT 43.7 billion
and the net profit SIT 6 billion.

The Group invested SIT 18.9 billion in
its fixed asset structure in 2003,
and achieved a long-term debt-to-equity ratio
of 0.33 at the end of the year.

The return on equity rose to 8.6% in 2003
from 8.1% the previous year.

The financial results in 2003
were the most successful
in the Petrol Group's medium-term past.

Report of Management Board member

Encouraging results

The Petrol Group posted good operating results in 2003. The forecast financial indicators and the indicators for 2002 were exceeded. Net sales revenues were 9% up on the previous year, gross profit was 7% higher and the Group's net profit was 13% higher than in 2002.

The Petrol Group thus ended 2003 with an excellent asset base, a healthy capital structure and strong short-term and long-term solvency. The Group enjoys a strong financial position and the highest possible credit rating from business partners and financial institutions.

Stable share growth

Investor confidence strengthened further. The Petrol share was among the most heavily traded and highest yielding on the Ljubljana Stock Exchange in 2003. The return per share was 37.1%. Including the 1.7% dividend paid out in 2003, the total yield was 38.8%. The market price of the share appreciated faster than the book value, and also faster than the SBI index. In 2003 the Petrol share was the second most traded share on the Ljubljana Stock Exchange, and also climbed to second place in terms of market capitalisation.

Not only the clear development strategy and good business results but also the numerous discussions with domestic and international analysts and the regular provision of information to the financial community about the results and all other important business developments concerning Petrol contributed greatly to the interest among investors.

Strong investment potential

For a number of years the Petrol Group has been highly active in the investment field. In 2003 a total of SIT 18.9 billion was invested in development projects. The majority of funds flowed into the expansion of the retail network at home and abroad and into the development of energy and environmental activities. These activities increased the Group's long-term debt-to-equity percentage from 18.4% at the end of 2002 to 33% at the end of 2003. This is a suitable capital ratio and still leaves the Group every opportunity for further borrowing, as the Petrol Group plans to maintain the intensity and dynamics of its development activities in the future.

Suitable capital policy

Petrol's capital policy is aligned with its investment needs. The capital policy is based on long-term maximisation of returns to shareholders and on establishing the optimum ratio between equity and debt. For this reason, the Company's Management Board advocates a stable dividend payout over the long-term because this delivers greater predictability of returns and long-term stability of Petrol's share price.

At all previous annual general meetings the Company's shareholders have confirmed this dividend strategy, and it is again the basis for the proposed distribution of the 2003 profit.

Report of Management Board member

Effective strategic financial function

The dynamics of the organisational and substantive changes which the Petrol Group is introducing into its operating methods necessitate a strengthening and enhancement of the efficiency of its strategic financial function.

In 2003 this covered the areas of strategic and operational finance, financial risk management, planning, analysis and control of operations, monitoring and controlling of subsidiary companies, accounting, and managing relations with shareholders and the financial environment.

The strong financial position, excellent asset base and good development opportunities attest to the effectiveness of Petrol's financial function. The Company enjoys the highest credit ratings from banks and other financial and business partners and hence the best possible financing terms.

Safe and transparent operations

The Petrol Group's operations are conducted in a safe and conservative manner from the point of view of financial risks. Given the nature of its core business activities, the Petrol Group is exposed principally to price and exchange rate risk. But by consistently and comprehensively monitoring developments in its business environment, Petrol protects against these risks in a timely manner using a variety of financial instruments and hedging mechanisms. For this purpose a comprehensive internal review of 67 different business risks was carried out in 2003. On this basis 19 key risks were defined and a policy set out for managing and monitoring them.

Additional safety and transparency in the operations of the Petrol Group are secured by means of an effective system of Group planning. This was enhanced in 2003 with the introduction of a three-year rolling strategic planning model which will allow the Group's development orientations and priorities to be modified in line with trends and events taking place in the business environment.

Solid development assurance

The strategic orientations of the Petrol Group have been well thought through. Ambitious plans are supported by good financial results. The development priorities are clear, and the confidence of the owners, market and financial analysts and business partners is justified.

The professional support received from banks and other financial institutions is founded on trust and on the Company's consistent respect for agreements. The business relationships that we have established within our business and financial environments are correct and built on a partnership basis. These relationships, too, contribute to Petrol's success.

Petrol's future is thus built on strong and healthy foundations. The Group has an excellent asset base, appropriate capital structure and high solvency. The investment potential is strong. What is more, all the other financial indicators also point strongly to the Petrol Group enjoying sufficient financial strength to realise its development ambitions and maintain its competitiveness not only domestically but also in the international arena.

Vladimir Jančíč

Member of the Management Board

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Independent auditor's report

Deloitte.

INDEPENDENT AUDITORS' REPORT

To the shareholders of the company

PETROL, Slovenska energetska družba, d.d., Ljubljana


We have audited the accompanying balance sheet of PETROL, Slovenska energetska družba, d.d., Ljubljana (»the Company«) as of December 31, 2003 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 and the business report 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, enumerated in the first paragraph, present fairly, in all material respects, the financial position of the Company as of December 31, 2003, 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 consistent with the audited financial statements.

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


Alenka Podbevšek
Director / Partner
Certified Auditor

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


Jelka Blejčec
Certified Auditor

Ljubljana, March 12, 2004

Unofficial translation from Slovene language for the users of the financial statements of the Company
Audit. Tax. Consulting. Financial Advisory.

Deloitte Touche Tohmatsu

Accounting Report Petrol, d.d. 2003

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

	31. 12. 03	31. 12. 02	Index 03/02
Level I	78	85	92
Level II	198	218	91
Level III	42	48	88
Level IV	768	760	101
Level V	746	742	101
Level VI	80	81	99
Level VII	184	177	104
Master's degrees and doctorates	26	25	104
	2,122	2,136	99
*of which, employees of franchise service stations	985	937	105

Accounting Report Petrol, d.d. 2003

Key financial data – Petrol, d.d.

SIT 000	2003	2002	Index 03/02
Gross sales revenues	337,475,647	313,352,210	108
Taxes (VAT)	53,137,889	49,878,762	107
Net sales revenues	284,337,758	263,473,448	108
Gross profit	37,789,652	34,468,362	110
Operating profit	4,530,498	3,338,664	136
Net income for the year	6,051,573	5,258,004	115
Investments in non-current assets	21,091,444	18,414,979	115
Total assets	156,153,441	138,080,406	113
Equity	72,386,391	67,729,389	107
Financial debt	37,790,108	22,418,801	169
Long-term financial debt	21,935,981	10,861,438	202

Key financial ratios – Petrol, d.d.

	2003	2002	Index 03/02
Gross profit / net sales revenues (%)	13.29	13.08	102
Operating profit / net sales revenues (%)	2.12	2.00	106
Net profit / average equity (%)	8.63	8.00	108
Operating profit (not incl. amort. and revaluations of fixed assets) / net sales revenues sales (%)	3.65	3.38	108
Operating profit / net sales revenues (%)	1.59	1.27	125
Current assets / current liabilities	0.90	0.82	110
Debt / equity	0.52	0.33	158
Long-term financial debt / equity	0.30	0.16	189
Interest coverage*	6.88	7.58	91

* (net profit + interest expenses) / interest expenses

Accounting Report Petrol, d.d. 2003

Key financing ratios – Petrol, d.d.

		2003	2002
1. Self-financing ratio	total equity / equity and liabilities	0.46	0.49
2. Long-term financing ratio	total equity and long-term debt (including provisions) / equity and liabilities	0.66	0.64
3. Fixed asset investment ratio	fixed assets (not including impairment losses) / total assets	0.48	0.51
4. Long-term investment ratio	fixed assets (not including impairment losses), long-term investments and receivables / total assets	0.70	0.71
5. Capital / fixed asset coverage ratio	equity / fixed assets (not including impairment losses)	0.96	0.97
6. Quick ratio	liquid assets / current liabilities	0.14	0.08
7. Accelerated liquidity ratio	liquid and current assets / current liabilities	0.67	0.55
8. Working capital ratio	current assets / current liabilities	0.90	0.81
9. Operating efficiency ratio	operating revenues / operating expenses	1.02	1.01
10. Net return on capital	net profit / average equity (not including profits from the current year)	0.09	0.08
11. Dividend return ratio*	dividends / average share capital	-	0.12

* Amount of 2003 dividends not yet determined.

Accounting Report Petrol, d.d. 2003

Income statement – Petrol, d.d.

SIT 000	Note	2003	2002	Index 03/02
Net sales revenues	A., 01.;	284,337,758	263,473,448	108
Cost of sales	B., 02.;	(246,548,106)	(229,005,086)	108
Gross profit		37,789,652	34,468,362	110
Distribution costs	C., 02.;	(27,253,402)	(25,748,144)	106
Administrative expenses	C., 02.;	(7,798,919)	(6,548,247)	119
Other operating income	07.;	1,793,167	1,166,693	154
Operating profit		4,530,498	3,338,664	136
Income from shareholding interests	08.;	2,833,029	2,779,880	102
Income from non-current financial investments	09.;	271,682	240,229	113
Income from current financial investments	10.;	5,121,511	4,496,090	114
Finance income	E.;	8,226,222	7,516,199	109
Impairment of investments	11.;	(459,884)	(1,388,510)	33
Interest and other finance costs	12.;	(4,953,501)	(3,528,348)	140
Finance costs	E.;	(5,413,385)	(4,916,858)	110
Income from continuing operations		7,343,335	5,938,005	124
Extraordinary income	F., 13.;	31,556	79,322	40
Extraordinary expenses	F., 14.;	(986,696)	(759,323)	130
Extraordinary items		(955,140)	(680,001)	140
Profit before tax		6,388,195	5,258,004	121
Income tax expense	G., 15.;	(336,622)	0	-
Net profit for the year		6,051,573	5,258,004	115

Accounting Report Petrol, d.d. 2003

Balance sheet – Petrol, d.d.

SIT 000	Note	31. 12. 03	31. 12. 02	Index 03/02
Assets				
A) NON-CURRENT ASSETS				
I. Intangible assets	H., 16.;	1,170,245	1,227,154	95
II. Fixed assets	H., 17., 18.;	73,966,780	68,857,789	107
III. Non-current investments	K., I., 19., 20.;	34,353,181	27,590,594	125
Total non-current assets		109,490,206	97,675,537	112
B) CURRENT ASSETS				
I. Inventories	L., 21.;	11,695,951	12,679,776	92
II. Trade receivables		27,568,374	23,440,542	118
a) Non-current trade receivables	M., 22.;	251,533	295,578	85
b) Current trade receivables	N., 23., 24.;	27,316,841	23,144,964	118
III. Current investments	I., 25.;	5,818,108	1,382,904	421
IV. Cash and cash equivalents	O., 26.;	1,286,914	2,608,884	49
Total current assets		46,369,347	40,112,106	116
C) Deferred costs and accrued revenues	P., 27.;	293,888	292,763	100
TOTAL ASSETS		156,153,441	138,080,406	113
Equity and liabilities				
A) EQUITY				
I. Share capital		12,517,806	12,517,806	100
II. Capital reserves		54,991	23,880	230
III. Reserves from profits*	30.;	35,521,528	30,525,667	116
IV. Accumulated profits		1,989,932	2,842,516	70
V. Net profit for the year*		3,025,786	2,629,002	115
VI. Capital inflationary adjustments		19,276,348	19,190,518	100
Total Equity	R., 28., 29.;	72,386,391	67,729,389	107
B) PROVISIONS				
Provisions for donations received		20,290	0	-
Other provisions		8,855,796	9,460,370	94
Total Provisions	S., 31.;	8,876,086	9,460,370	94
C) FINANCE AND TRADE PAYABLES				
I. Non-current finance and trade payables				
a) Non-current finance payables	T., 32.;	21,935,981	10,861,438	202
b) Non-current trade payables	U., 33.;	9,987	138,935	7
Total non-current liabilities		21,945,968	11,000,373	200
II. Current finance and trade payables				
a) Current finance payables	T., 34.;	15,854,127	11,557,363	137
b) Current trade payables	U., 35.;	35,689,724	37,469,188	95
Total current liabilities		51,543,851	49,026,551	105
D) Accrued costs and deferred revenues	J., V., 36.;	1,401,145	863,723	162
TOTAL EQUITY AND LIABILITIES		156,153,441	138,080,406	113

* In accordance with Article 228, paragraph 3, of the amended Companies Act (ZGD-F), undistributed net profits have been reduced by half and transferred to the reserve account.

Accounting Report Petrol, d.d. 2003

Cash flow statement – Petrol, d.d.

SIT 000	2003	2002	Index 03/02
Cash from operating activities	283,155,594	262,592,755	108
Operating income	284,394,851	263,903,860	108
Extraordinary income from continuing operations	31,556	79,322	40
Change in trade receivables	(1,269,688)	(1,385,097)	92
Change in deferred costs and accrued revenues	(1,125)	(5,330)	-
Cash used in operating activities	273,517,109	253,166,697	108
Operating costs less amortisation, depreciation and provisions	271,388,995	254,151,280	107
Extraordinary expenses from continuing operations	986,696	759,323	130
Taxes paid	336,622	0	-
Change in inventories	(983,825)	3,330,230	-
Change in trade payables	2,045,683	(4,742,354)	-
Change in accrued costs and deferred revenues	(257,062)	(331,782)	77
Net cash from/(used in) operating activities	9,638,485	9,426,058	102
Cash from investing activities	3,059,648	3,021,073	101
Investment income (not including revaluation)	3,059,648	2,247,676	136
Net decrease in current investments (not including revaluation)	0	773,397	-
Cash used in investing activities	24,502,276	19,366,104	127
Net increase in intangible assets (not including revaluation)	117,222	988,665	12
Net increase in fixed assets (not including revaluation and capital investments)	12,716,118	11,618,303	109
Net increase in non-current investments (not including revaluation)	7,231,806	6,759,136	107
Net increase in current investments (not including revaluation)	4,437,130	0	-
Net cash from/(used in) investing activities	(21,442,628)	(16,345,031)	131
Cash from financing activities	16,598,970	10,873,338	153
Finance income	1,662,019	3,468,058	48
Increase in capital (not including net profit)	31,111	21,215	147
Net increase in non-current financial liabilities (not including revaluation)	10,613,395	2,489,697	426
Net increase in current financial liabilities (not including revaluation)	4,292,445	4,894,368	88
Cash used in financing activities	6,116,797	4,751,466	129
Finance costs	4,487,763	3,290,712	136
Net decrease of provisions (not including revaluation)	117,522	141,900	83
Decrease in shareholder payables (dividends and other participations)	1,511,512	1,318,854	115
Net cash from/(used in) financing activities	10,482,173	6,121,872	171
Net increase/(decrease) in cash and cash equivalents	(1,321,970)	(797,101)	166
Cash and cash equivalents at end of year	1,286,914	2,608,884	49
Net increase/(decrease) in cash and cash equivalents	(1,321,970)	(797,101)	166
Cash and cash equivalents at beginning of year	2,608,884	3,405,985	77

Accounting Report Petrol, d.d. 2003

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

SIT 000	Share capital	Capital reserves	Regulatory reserves
Balance at 31 December 2001	12,517,806	2,665	14,701,323
Transfers into capital accounts			
Transfer of income for the year	0	0	0
Transfer of paid-in surplus arising from transactions with treasury shares	0	21,215	0
Transfers within capital accounts			
Distribution of 50% of net profit for 2002 to other capital accounts by resolution of Management and Supervisory Boards	0	0	0
Release of treasury share reserves and distribution to other capital accounts	0	0	37,924
Distribution of calculated profit for 2001 to other reserves from profits by resolution of general meeting in 2002	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 31 December 2002	12,517,806	23,880	14,739,247
Calculated profit	0	0	0
Transfers into capital accounts			
Transfer of income for the year	0	0	0
Transfer of special capital inflationary adjustments	0	0	0
Other increases to capital	0	31,111	0
Transfers within capital accounts			
Distribution of 50% of net profit for 2003 to other capital accounts by resolution of Management and Supervisory Boards	0	0	0
Release of treasury share reserves and distribution to other capital accounts	0	0	33,221
Distribution of calculated profit for 2002 to other reserves from profits by resolution of general meeting in 2003	0	0	0
Distribution of calculated profit for 2002 to accumulated profit by resolution of general meeting in 2003	0	0	0
Transfers from capital accounts			
Payment of dividends by resolution of general meeting in 2003	0	0	0
Payment of bonuses to Supervisory Board members in 2003	0	0	0
Balance at 31 December 2003	12,517,806	54,991	14,772,468
Calculated profit	0	0	0

Accounting Report Petrol, d.d. 2003

Treasury share reserves	Other reserves from profits	Accumulated profits	Net profit for the year	General capital inflationary adjustments	Special capital inflationary adjustments	Total equity
637,919	10,433,462	4,247,742	2,037,590	19,190,518	0	63,769,024
0	0	0	5,258,004	0	0	5,258,004
0	0	0	0	0	0	21,215
0	2,629,002	0	(2,629,002)	0	0	0
(37,924)	0	0	0	0	0	0
0	2,842,516	(2,842,516)	0	0	0	0
0	0	2,037,590	(2,037,590)	0	0	0
0	(718,555)	(600,299)	0	0	0	(1,318,854)
599,995	15,186,425	2,842,516	2,629,002	19,190,518	0	67,729,389
0	0	2,842,516	2,629,002	0	0	5,471,518
0	0	0	6,051,573	0	0	6,051,573
0	0	0	0	0	85,830	85,830
0	0	0	0	0	0	31,111
0	3,025,786	0	(3,025,786)	0	0	0
(33,221)	0	0	0	0	0	0
0	1,970,074	(1,970,074)	0	0	0	0
0	0	2,629,002	(2,629,002)	0	0	0
0	0	(1,440,553)	0	0	0	(1,440,553)
0	0	(70,959)	0	0	0	(70,959)
566,774	20,182,286	1,989,932	3,025,786	19,190,518	85,830	72,386,391
0	2,068,575	1,989,932	3,025,786	0	0	7,084,293

Accounting Report Petrol, d.d. 2003

Share information – Petrol, d.d.

	31. 12. 03	31. 12. 02	Index 03/02
Number of common shares issued	2,086,301	2,086,301	100
- number of repurchased shares	27,349	28,952	94
Book value per share (SIT) (capital / no. of common shares issued)	34,696	32,464	107
Market value per share on Ljubljana Stock Exchange			
Maximum price (SIT)	60,020	43,762	137
Minimum price (SIT)	38,006	23,124	164
Average share price (SIT)	43,496	33,347	130
Price on last trading day (SIT)	56,208	41,009	137
Market valuation (SIT 000) (no. of ordinary shares issued x price on last trading day)	117,266,807	85,557,138	137
Return on capital in current year (SIT) (price on last trading day of 2003 - price on last trading day of 2002)	15,199	18,462	82
Yield per share in current year (price on last trading day of 2003 / price on last trading day of 2002)	37%	80%	46
P/BV (Average share price / book value per share)	1,25	1,03	122
P/E (Average share price / earnings per share)	14,80	13,05	113
P/CE (Average share price / cash flow per share)	8,13	6,61	123
EPS - Earnings per share (SIT) (net profit for year) / (no. of ordinary shares issued - no. of repurchased shares)	2,939	2,556	115
CEPS - Cash flow per share (SIT) (net profit for year + regular amortisation) / (no. of ordinary shares issued - no. of repurchased shares)	5,351	5,044	106
Dividend policy			
Net profit for the year (SIT)*	7,084,293	5,471,518	129
Sources of dividend payments (SIT)*	*	1,460,410,700	-
Remuneration of Management Board and Supervisory Board (SIT)*	*	70,959,051	-
Dividend per share (SIT)*	*	700	-
Number of shareholders	45,983	47,240	97

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

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Accounting rules and valuation methods

1. Basis for preparation and presentation of the financial statements

In preparing and presenting the financial statements at 31 December 2003 the Company took account of the following:

- Slovenian Accounting Standards (2002);
- the provisions of the Companies Act applying to large companies;
- the provisions of the Securities Market Act (Official Gazette RS, no. 32/93) and the accompanying regulations;
- SRS 35 – accounting treatments in public enterprises;
- the Commercial Public Services Act (Official Gazette RS, nos. 32/93 and 30/98);
- the Energy Act (Official Gazette RS, no. 79/99);
- commercial public service contracts (concession contracts and other contracts of a similar nature).

Slovenian Accounting Standards (2002)

The financial statements of Petrol d.d., Ljubljana have been prepared in accordance with the accounting and reporting requirements of Slovenian Accounting Standards (SRS). These standards are based in large part on generally accepted international accounting practices (in particular, international financial reporting standards), the financial concept of capital and the need for real preservation of capital.

The basic accounting assumptions are: accrual, going concern and true and fair presentation in conditions of a fluctuating value of the euro.

Commercial Public Services Act and SRS 35

In accordance with the provisions of the Commercial Public Services Act (ZGJS), Petrol d.d., Ljubljana performs energy and utility activities based on commercial public service contracts (concession contracts) awarded by local authorities. As a result, in its financial reporting the Company is obliged to abide by the provisions of the ZGJS and SRS 35 – accounting treatments in public enterprises. The Company carries out the following activities falling under the scope of the ZGJS:

- utilities: waste water treatment;
- energy: distribution and supply of natural gas and management of a distribution network.

Accounting rules and valuation methods

Under the provisions of the ZGJS a company is obliged to keep separate accounts for each type of commercial public service it provides. If a company receives budget funds the management board must put in place an effective system of internal control to monitor the purpose, effectiveness and rationality of the use of budget funds. And at the end of the financial year it must compile a special report on the purpose, effectiveness and rationality of the use of budget funds in accordance with the ZGJS.

SRS 35 also applies to private law entities where so provided in the commercial public service contract, with the exception of the provisions on assets under management.

Provisions of the Energy Act in relation to the presentation of financial statements

Petrol d.d., Ljubljana provides a commercial public service in the field of energy and in accordance with Article 38 of the Energy Act is obliged to prepare separate financial statements for 2003 for each type of energy activity and other activities. On this basis the Company prepares separate financial statements for:

- distribution and supply of natural gas and management of a distribution network.

Commercial public service contracts (concession contracts)

In its accounting and financial reporting the Company abides by the provisions of individual concession contracts which it has signed.

The financial statements of Petrol d.d., Ljubljana broken down in compliance with the Energy Act and the Commercial Public Services Act are presented in detail in the fifth part of the Financial Statements section of the Annual Report.

2. Assets and liabilities denominated in foreign currency

Assets and liabilities denominated in foreign currencies are converted into the domestic currency at the middle exchange rate of the Bank of Slovenia at the date they arise and at the balance sheet date. Exchange rate gains and losses arising until the date of settlement or the balance sheet date are entered in the income statement as finance income or finance expenses.

3. Revaluation of economic categories resulting from changes in the purchasing power of the domestic currency (general revaluation)

Under the SRS (2002) only the capital accounts are revalued (general revaluation adjustment) to account for changes in the purchasing power of the domestic unit of currency. This is described in detail in relation to characteristic accounting policies concerning the capital accounts.

Accounting rules and valuation methods

A general revaluation adjustment of the capital accounts is made on the basis of changes in the value of the euro vis-a-vis the Slovenian tolar, but only when that growth in the previous financial year has been higher than 5.5%. It is recognised as a general revaluation of the capital accounts debited to the revaluation adjustment of profit, which is an extraordinary expense. It may also be debited to the revaluation adjustment of individual fixed assets and non-current investments if it relates to items in which no permanent impairment can be expected. Because in 2002 and 2003 the rise in the euro against the Slovenian tolar was lower than 5.5%, a general revaluation of the capital accounts in 2002 and 2003 was not made and not recognised in the Company's books.

Although a general revaluation of the capital accounts was not required, the Company makes a separate disclosure of the financial results calculated on the basis of a general revaluation in order to preserve the purchasing power of capital in euros and on the basis of the consumer price index.

4. Revaluation of economic categories resulting from changes in the prices of economic categories

Under the new SRS regulations a revaluation resulting from changes in the prices of economic categories is made to account for the strengthening or impairment of liabilities and the strengthening or impairment of assets. Revaluation to account for the impairment of assets and the strengthening of liabilities is compulsory, while revaluation to account for the strengthening of assets and the impairment of liabilities is optional. The Company's policy is not to strengthen assets or impair liabilities.

5. Business and geographical segments

The business segments are the parts of the Company that produce various products (or groups of related products) or perform various services (or groups of related services) which are mostly sold to the Company's customers. In its preparation and presentation of the financial statements the Company uses the following business segments:

- oil products and other oil products;
- supplementary products and other merchandise;
- services.

The geographical segments are the parts of the Company which operate in geographical areas in individual countries or groups of countries appropriate to the circumstances of their operations. In its preparation and presentation of the financial statements the Company uses the following geographical segments:

- Slovenia;
- Croatia;
- Bosnia and Herzegovina;
- Austria;
- other countries.

The provisions of the relevant standards are applied to the reporting and valuation of account items, except for the valuation of account items where the standards offer the possibility of choosing between different valuation methods. The policies applied are described under the following point.

Accounting rules and valuation methods

6. Changes in accounting policies and accounting estimates

In 2003 the same accounting policies were used as in previous years, except for:

- a) accounting policies relating to the valuation of non-current investments in affiliated companies and joint ventures;
- b) accounting policies relating to the recognition of current commodity credit receivables;
- c) accounting policies relating to the revaluation of non-current capital investments in subsidiary companies.

Detailed explanations of the reasons for and effects of the changed accounting policies are contained in the notes to the financial statements relating to items where changes have occurred:

- a) rule E and note 8: Finance income from investments – Petrol, d.d.,
rule I: Investments,
rule R and note 28: Equity – Petrol, d.d.,
- b) rule O and note: 26,
- c) note: 7.

A) Net sales revenues

Net sales revenues are revenues arising from the sale of products and services and other operating income associated with products and services.

Net sales revenues comprise the sales value of merchandise and materials and the rendering of services that have taken place during the accounting period. Revenues are calculated based on the sales price, evidenced in invoices and other documents, less discounts on the day of sale. Such amounts are reduced later, if necessary, to reflect any goods which are returned. Revenues from services, other than services giving rise to financial income, are calculated at the sales prices of the completed service.

Other operating income associated with products and services comprises mainly income from the release and use of provisions and revaluation operating income.

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.

B) Cost of sales

Cost of sales of refined petroleum products sold during the accounting period is calculated using the weighted average price during the accounting period or the most recent acquisition cost (Petrol Trgovina d.o.o., Zagreb), and for other merchandise and materials the Company uses the most recent acquisition cost method.

Accounting rules and valuation methods

Cost of sales of refined petroleum products sold during the accounting period is comprised of the net invoice price, disbursements for customs duties and other import costs, excise tax, CO₂ tax, a fee for compulsory commodity reserves 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 sale of goods and services incurred during the accounting period.

Because distribution and administrative expenses do not affect inventory valuation, they are recognised 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.

In financial accounting these expenses are classified on initial recognition by primary types as:

- a) material expenses;
- b) service expenses;
- c) amortisation expenses;
- d) compensation expenses;
- e) taxes not dependent on the operating result.

Compensation expenses

Compensation expenses are:

1. employees' salaries (gross);
2. gross salary compensation paid by the Company to its employees in accordance with regulations or employment contracts for periods when they are absent from work;
3. allowances paid to employees that are not directly connected with work and have the nature of salaries (transportation expenses, meal allowances);
4. contributions in kind, gifts and bonuses to employees;
5. termination benefits;
6. contributions additionally accrued on the above items which are charged against the payer.

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

Accounting rules and valuation methods

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 used.

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.

In 2003 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, fixed assets in the construction process and works of art are not amortised.

The following average amortisation rates were used in 2003 for Petrol d.d., Ljubljana and the Petrol Group:

	2003	2002
Intangible assets:	3.33–20.00 %	3.33–20.00 %
Concessions	4.00–20.00 %	4.00–20.00 %
Computer software	20.00–50.00 %	20.00–50.00 %
Other rights	3.33–20.00 %	3.33–20.00 %
Long-term deferred costs (expenses)	12.50–33.33 %	12.50–33.33 %
Tangible assets:		
Plant:		
Buildings at service stations	2.50–7.00 %	2.50–7.00 %
Underground and above ground storage tanks	2.85–7.00 %	2.85–7.00 %
Underground service roads at service stations	5.00–14.30 %	5.00–14.30 %
Other buildings	1.43–50.00 %	1.43–50.00 %
Equipment:		
Equipment – machinery and electronics used in general maintenance	10.00–25.00 %	10.00–25.00 %
Equipment at gas terminals	3.33–20.00 %	3.33–20.00 %
Pumping equipment at service stations	5.00–25.00 %	5.00–25.00 %
Motor vehicles	10.00–33.30 %	10.00–33.30 %
Goods vehicles – tank wagons	25.00 %	25.00 %
Computer equipment	16.00–50.00 %	16.00–50.00 %
Office equipment – furniture	10.00–12.50 %	10.00–12.50 %
Other inventory	33.33 %	33.33 %
Environmental fixed assets	5.00–25.00 %	5.00–25.00 %

Concessions are amortised over the contractual life of the concession, which is usually from 25 to 30 years.

Accounting rules and valuation methods

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 recognised 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 and in the joint venture company Instalacija d.o.o., Koper is accounted for at the time the subsidiary reports its profits. But in accordance with the changed accounting principles relating to the valuation of long-term investments in affiliates and joint ventures, profit participations in affiliated companies and in the joint venture company Geoenergo d.o.o. are recognised when they are actually paid. In 2002 Petrol d.d., Ljubljana included the profit participation in these companies among finance income when they reported their profit.

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.

F) Extraordinary income (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 is primarily in the form of compensation, contractual penalties and recoveries of written-off receivables.

Extraordinary expenses are primarily in the form of compensation, penalties and grants made to subsidiary companies.

G) Taxes

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.

Accounting rules and valuation methods

The tax basis can be decreased by the following amounts as a tax abatement:

- 40% of the total amount invested in intangible assets;
- 30% of the total amount invested in tangible assets (with the exception of cars);
- and a further 10% of the total amount invested in equipment (with the exception of cars, furniture and office equipment).

Value added tax

Under the Value Added Tax Act, VAT is paid on the sale of goods and services by persons liable for VAT as part of an activity pursued for gain in Slovenia and on the import of goods into Slovenia.

VAT is charged at a general rate of 20% and at a reduced rate of 8.5% for the supply of goods and services defined in Article 25 of the VAT Act.

Excise duties

Excise duty is a type of tax imposed per unit of measurement. It is levied on alcohol and alcoholic beverages, tobacco products, mineral oils and gas. The excise liability arises when excisable products produced in or imported into Slovenia are released for circulation. Excise duty is charged on the basis of records on the sale of excisable goods.

In some of its warehouses Petrol d.d., Ljubljana has excise permits allowing it to defer the payment of excise duty, but only for movements of excise goods between excise warehouses or exempted persons. On the basis of the excise permit we have to keep the records set out in the Excise Duty Act. In our operations the majority of excise goods transit through the excise warehouses with a deferral on payment of the excise debt. When the goods are transferred from the excise warehouse to the service stations and to other customers the excise liability is incurred.

In the case of direct imports the customs authorities charge excise duties based on the import documents together with VAT and import taxes.

Taxes

- decree on CO₂ emissions tax

In Slovenia the Environmental Protection Act regulates the protection of the living environment, the natural environment and the general conditions for exploiting natural resources. On the basis of this law the Slovenian government introduced a decree levying a tax on carbon dioxide emissions. This decree lays down the basis for calculating the tax and determines who is liable to pay it, the deadlines and the method of payment. The basis for calculating the tax is the number of pollution units caused by carbon dioxide emissions. The tax is charged using a price per pollution unit following the same payment method and deadlines as for excise duty. In the case of direct imports the customs authorities charge the CO₂ emissions tax based on the import documents together with VAT and import taxes.

Accounting rules and valuation methods

– fee for compulsory stocks of crude oil and petroleum products

In accordance with a government decree all importers and producers who imported or produced more than 25 tonnes of refined petroleum products in the current year or the previous year are obliged to pay a commercial public service fee to the Institute for Compulsory Stocks of Crude Oil and Petroleum Products. The fee is calculated on the basis of the quantities of refined petroleum products imported, and is 1.80 SIT/l for petrol and 1.70/l SIT for middle distillates. For the purpose of calculating the fee the value of imported refined petroleum products may be decreased by the value of exported quantities.

H) Intangible and fixed assets

Intangible assets

Intangible assets are comprised of non-current deferred expenses, patents and licences, other rights, intangible assets in the process of acquisition and advances for intangible assets.

On initial recognition they are valued at acquisition cost, including import taxes and non-refundable purchase taxes.

At the end of the accounting period the Company estimates the net carrying amount of intangible assets and determines their recoverable amount. Intangible assets are revalued to account for their impairment when their book value exceeds the recoverable amount.

The Company reports the current value of individual intangible assets at the end of the financial year taking into account the degree of materiality, which is 5% of the current value of intangible assets on the balance sheet date, or more than SIT 60,000 thousand.

Fixed assets

The fixed assets of the Company are comprised of real estate, buildings, other equipment, fixed assets in the process of acquisition and advances for fixed assets. 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 EUR 500.

A fixed asset acquired on the basis of a financial lease is part of the class of fixed assets to which it belongs. Its acquisition cost is equal to the lower of the fair value or current value of the minimum lease payment.

On initial recognition it is valued at acquisition cost, comprised of original purchase price plus import duties, non-refundable purchase taxes and the costs directly attributable to bringing the asset to working condition for its intended use, notably the cost of delivery and installation costs. Intangible assets acquired prior to 1 January 1993 were revalued at that date in compliance with privatisation regulations.

Accounting rules and valuation methods

Until the new SRS (2002) accounting standards came into force (on 31 December 2001), the Company revalued the cash value of fixed assets during inflationary conditions, making upward adjustments to reflect new price levels based on the consumer price index. The effects of revaluation were reported as finance income within the revaluation results. The Company did not revalue property because, on the basis of appraisals, it was deemed that the revalued cash value of real estate assets would exceed fair value.

At the end of the accounting period the Company estimates the net carrying amount of fixed assets and determines their recoverable amount. Fixed assets are revalued to account for their impairment if their book value exceeds the recoverable amount represented by the higher of the net selling price or the value of the asset in use.

The difference between the net selling price and the carrying amount of the fixed asset disposed of is recognised as a revaluation income if the former exceeds the latter and as a revaluation expense if the latter exceeds the former.

Subsequent expenditure on an item of fixed assets increases its acquisition cost when it increases its future economic benefits in excess of the originally assessed future economic benefits. Expenditure on repairs or maintenance of fixed assets intended to restore or maintain the future economic benefits expected on the basis of the originally assessed level of performance of the assets is recognised as an expense when incurred.

The Company conducts a separate set of accounts for its environmental fixed assets, which were established when it 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. These provisions were set aside in the opening balance sheet in compliance with privatisation regulations.

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.

The value of disposed assets less the selling price is reported as a revaluation expense, and any profit as a revaluation income.

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

The Company reports the current value of individual fixed assets at the end of the financial year taking into account the degree of materiality, which is 0.7% of the current value of fixed assets on the balance sheet date, or more than SIT 500,000 thousand.

Fixed assets under management (SRS 35)

Fixed assets under management are the assets that the government or a municipality have placed with the provider of a commercial public service for use and management without simultaneous transfer of title. These assets are defined in detail in the regulations governing the relevant commercial public service (SRS 35.52).

Accounting rules and valuation methods

Part of the Company's activities involve the provision of commercial public services on the basis of concession contracts concluded with local authorities. The types of concession contract differ depending on the nature of the commercial public service. The Company's rights also differ in relation to the fixed assets (land, plant, equipment) it uses to provide the commercial public service which it acquires from the awarder of the concession to use or manage but not own.

The Company has not so far received the appropriate documentation and other relevant information relating to fixed assets acquired for management from the municipality of Domžale, which has awarded a concession to the Company. Therefore the Company has not reported these assets either on or off its balance sheet.

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 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 increase or decrease to the extent that the Company, as investor, shares in the income or losses incurred by the affiliate following acquisition of the investment, decreases by the amounts of payments received from net profit, amortisation of adjusted positive differences and amortisation of goodwill, and increases by reversal of negative goodwill.

The result of the revaluation of the parent company's financial investments from the income generated by the subsidiary companies and the joint venture company Instalacija d.o.o., Koper increases its finance income from investments because of the certainty that participation in the profit will be paid in the future.

The result of the revaluation of financial investments in other affiliated and joint venture companies increases the parent company's revaluation adjustment to capital in connection with financial investments. Distributions of net profits from these affiliated and joint venture companies reduce the provisional special revaluation adjustment to capital and increase finance income from investments.

Financial investments are not revalued as a result of their value gain. However, they are revalued to account for their impairment if either their reliably measurable fair value or their redemption value exceeds their carrying amount. The carrying amount of such investments is reduced to their fair value or redemption value, and the difference is reported as revaluation finance expenses in connection with investments and consequently affects profits.

For financial instruments that lose value the Company reports a revaluation adjustment as a finance cost and marks down the carrying value of the asset below its original acquisition cost as soon as there is documentary evidence to do so.

Accounting rules and valuation methods

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 the 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, exchange 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 Company uses these instruments to hedge its future financial commitments. The Company's hedging activities generally relate to future financial commitments arising from forecast transactions involving the purchase of inventories and a corresponding liability. These commitments and forecast 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 forecast 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 middle exchange rate published by the Bank of Slovenia. Unrealised losses are reported in the income statement as finance costs.

K) Treasury shares (repurchased shares)

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 value.

Disposals of repurchased shares are accounted for at the average price. Any gains arising from the sale of repurchased shares (sales price exceeding book value) are reported in capital reserves as a surplus above acquisition value, while any losses arising from the sale of repurchased shares are reported as a reduction to reserves.

On the basis of the Articles of Association and in accordance with the general meeting resolution of 4 April 1997, the Company created a fund of treasury shares, which may not exceed 5% of capital. According to a resolution taken at the first general meeting of shareholders, shares can only be repurchased in cases of

Accounting rules and valuation methods

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 691,887,493. At the time of 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 an 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 a resolution reached at the fourth general meeting of shareholders of Petrol, d.d., 2,002 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 an aggregate 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.

In 2003, 1,603 repurchased shares with an aggregate value of SIT 64.3 million were distributed in compensation and bonus packages to members of the Supervisory and Management Boards. The surplus above acquisition value of SIT 31.1 million was reported in 2003 as an increase in the value of capital reserves.

On 31 December 2003 the book value of repurchased shares was SIT 566,774 thousand.

Transaction	No. of shares	Acquisition 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)
Bonus payments in 2003	(1,603)	(33,220,187)
Total bonus payments	(8,793)	(186,179,862)

	No. of shares	Market value (SIT)
Balance at 31 December 2003	27,349	1,537,232,592

Accounting rules and valuation methods

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 and non-refundable taxes. 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 refined petroleum 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, oil product inventories are revalued using the weighted average acquisition price during the accounting period, while the subsidiary company Petrol Trgovina d.o.o. Zagreb, as an exception, uses the most recent acquisition cost method. 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.

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

Receivables are divided according to their maturity into non-current and current. Both non-current and current receivables are components of current assets.

Non-current receivables arise in connection with long-term credit sales. In the balance sheet non-current receivables which will fall due for payment within one year of the balance sheet date are shown as current receivables.

N) Current trade receivables

Receivables are no longer revalued as a result of changes in the purchasing power of the Slovenian 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

Accounting rules and valuation methods

currency 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 their book value exceeds their fair value (defined 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 an appropriate level of charges (as a percentage) against outstanding accounts receivable based on the age of the receivable in question. Such adjustments allow for the gradual impairment of the receivable to be accounted for in the impairment cost account 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, composition or liquidation proceedings (not including insured receivables);
- 100% against receivables that are over 60 days past due (not including insured receivables);
- and for large customers an adjustment is made to the value of the receivable on a case-by-case basis in an absolute amount.

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

The Company reports the amounts of outstanding receivable items from individual business partners at the last day of the financial year if they exceed 1% of the current value of trade receivables on the last day of the financial year, or SIT 400,000 thousand.

O) Cash and cash equivalents

Cash and cash equivalents are comprised of domestic and foreign currency in cash registers, money in transit from cash registers to the relevant bank account, and deposits held at banks and other financial institutions. Cash and cash equivalents are stated at current nominal value.

To meet the requirements of the SRS accounting standards (2002), in 2003 the Company changed its accounting treatment of uncashed personal cheques in relation to the sale of goods on credit. In previous years it included uncashed personal cheques as cash but in 2003 reported them as current trade receivables.

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

Accounting rules and valuation methods

P) Deferred costs and accrued revenues

On the asset side of the balance sheet, this category includes deferred cost 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.

R) 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., Ljubljana is comprised of the share capital nominally defined in the Company's Articles of Association 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 authorised committee responsible for drafting 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 revaluation adjustments to capital. During the consolidation process, a special consolidation adjustment is made to capital.

On 31 December 2003 general capital inflationary adjustments were comprised of the reconciliation of revalued adjustments made to capital prior to 2002, when the new SRS regulations entered into force. The new SRS allow the revaluation of capital accounts only when the growth of the euro against the Slovenian tolar in the previous year exceeds 5.5%.

Accounting rules and valuation methods

In 2003 the Company reported a specific revaluation adjustment to capital arising from changes to accounting principles relating to the valuation of long-term investments in affiliated companies (Instalacija d.o.o., Koper is an exception) and joint ventures. The amount of the adjustment comprises the profit participation in these companies. A specific revaluation adjustment to capital enables an enterprise to finance subsequent impairments of the same economic categories until it has been transferred to operating revenues or operating expenses on disposal of the relevant assets.

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

S) Provisions

Provisions for capital improvements represent non-current accruals and deferrals posted in full prior to the introduction of the new SRS (2002). They are intended 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. The provisions are treated in a similar fashion to deferred income in that they are transferred from operating income at the time the related expenses are created (amortisation 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 realise a profit as these provisions are released.

Provisions set up for fixed assets acquired without cost are used in accordance with the amortisation charge.

T) 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 also comprise payables on loans due within less than one year.

Accounting rules and valuation methods

U) Trade payables

Trade payables are for the most part comprised of supplier credits for purchased goods and services, current compensation payable 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.

The Company reports the amounts of outstanding payable items to individual business partners at the last day of the financial year if they exceed 1% of the current value of trade payables on the last day of the financial year, or SIT 300,000 thousand.

V) Accrued costs and deferred revenues

On the liability side of the balance sheet this category includes accrued costs and short-term deferred revenues.

Accrued expenses 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. Short-term accrued expenses are expenses which already affect results although they have not yet arisen.

Short-term deferred revenues arise where services which have not yet been performed have already been recognised or even paid. Short-term deferred revenues are revenues which do not yet affect results.

Z) 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.

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Financial statements of the parent company

Income statement – Petrol, d.d.

SIT 000	Note	2003	2002	Index 03/02
Net sales revenues	A., 01.;	284,337,758	263,473,448	108
Cost of sales	B., 02.;	(246,548,106)	(229,005,086)	108
Gross profit		37,789,652	34,468,362	110
Material		(1,447,206)	(1,387,771)	104
Services		(17,699,449)	(15,644,845)	113
Compensation	C., 03.;	(8,016,757)	(7,705,470)	104
Amortisation	D., 04.;	(5,450,922)	(5,622,680)	97
Impairment of fixed assets	05.;	(797,560)	(774,614)	103
Impairment charge on receivables	05.;	(893,181)	(450,034)	198
Other expenses	06.;	(484,376)	(579,300)	84
Operating expenses	02.;	(34,789,451)	(32,164,714)	108
Other operating income	07.;	1,793,167	1,166,693	154
Other operating expenses		(262,870)	(131,677)	200
Operating profit		4,530,498	3,338,664	136
Income from shareholding interests	08.;	2,833,029	2,779,880	102
Finance income from non-current receivables	09.;	271,682	240,229	113
Finance income from current receivables	10.;	5,121,511	4,496,090	114
Finance income	E.;	8,226,222	7,516,199	109
Impairment losses on investments	11.;	(459,884)	(1,388,510)	33
Interest and other expenses	12.;	(4,953,501)	(3,528,348)	140
Finance costs	E.;	(5,413,385)	(4,916,858)	110
Income from continuing operations		7,343,335	5,938,005	124
Extraordinary income	F., 13.;	31,556	79,322	40
Extraordinary expenses	F., 14.;	(986,696)	(759,323)	130
Extraordinary items		(955,140)	(680,001)	140
Profit before tax		6,388,195	5,258,004	121
Income tax expenses	G., 15.;	(336,622)	0	–
Net profit for the year		6,051,573	5,258,004	115

Financial statements of the parent company

Business segments – Petrol, d.d.

SIT 000	2003	2002	Index 03/02
Net sales revenues			
Oil products and other oil products	245,365,859	231,361,750	106
Supplementary products and other merchandise	34,602,901	28,478,623	122
Services	4,368,998	3,633,075	120
Total	284,337,758	263,473,448	108

Geographical segments – Petrol, d.d.

SIT 000	2003	2002	Index 03/02
Net sales revenues			
Slovenia	276,124,697	254,452,779	109
Croatia	48,239	43,252	112
Bosnia and Herzegovina	4,963,554	6,034,151	82
Austria	16,149	142,736	11
Other countries	3,185,119	2,800,530	114
Total	284,337,758	263,473,448	108

Financial statements of the parent company

Balance sheet – Petrol, d.d.

SIT 000	Note	31. 12. 03	31. 12. 02	Index 03/02
ASSETS				
A) NON-CURRENT ASSETS				
I. Intangible assets	H., 16.;	1,170,245	1,227,154	95
Property		20,001,436	18,627,205	107
Plant		40,860,950	39,403,129	104
Equipment		5,238,933	4,302,246	122
Fixed assets in the construction process		7,793,980	6,436,530	121
Advances for acquisition of fixed assets		71,481	88,679	81
II. Fixed assets	H., 17., 18.;	73,966,780	68,857,789	107
Investments in subsidiaries		23,429,236	15,216,229	154
Investments in affiliated companies		567,624	484,503	117
Investments in joint ventures		3,299,365	3,159,320	104
Other shareholding interests and investments		3,510,219	3,741,811	94
Non-current finance receivables from subsidiaries		2,177,519	2,621,200	83
Non-current finance receivables from affiliated companies		455,378	443,021	103
Other non-current receivables		347,067	1,324,516	26
Treasury shares	K.;	566,774	599,994	94
III. Non-current investments	I., 19., 20.;	34,353,181	27,590,594	125
Total non-current assets		109,490,206	97,675,537	112
B) CURRENT ASSETS				
Raw materials		210,805	301,314	70
Finished goods		11,483,074	12,377,703	93
Advances for inventories		2,072	759	273
I. Inventories	L., 21.;	11,695,951	12,679,776	92
Non-current trade receivables from subsidiaries		7,127	0	-
Non-current trade receivables from customers		12,856	12,501	103
Non-current trade receivables from others		231,550	283,077	82
II. a) Non-current trade receivables	M., 22.;	251,533	295,578	85
Current receivables from subsidiaries		1,865,965	267,762	697
Current receivables from affiliated companies		34,429	42,110	82
Current receivables from joint ventures		11	0	-
Current customer receivables		18,056,402	17,035,498	106
Other current receivables		7,360,034	5,799,594	127
II. b) Current trade receivables	N., 23., 24.;	27,316,841	23,144,964	118
Current loans receivable to subsidiaries		91,478	72,270	127
Current loans receivable to others		5,664,329	1,128,414	502
Interest receivable from subsidiaries		0	23,607	-
Other interest receivable		62,301	158,613	39
III. Current investments	I., 25.;	5,818,108	1,382,904	421
IV. Cash and cash equivalents	O., 26.;	1,286,914	2,608,884	49
Total current assets		46,369,347	40,112,106	116
C) Deferred cost and accrued revenues	P., 27.;	293,888	292,763	100
TOTAL ASSETS		156,153,441	138,080,406	113

Financial statements of the parent company

SIT 000	Note	31.12.2003	31.12.2002	Index 03/02
EQUITY AND LIABILITIES				
A. EQUITY				
I. Share capital		12,517,806	12,517,806	100
II. Capital reserves		54,991	23,880	230
Regulatory reserve		14,772,468	14,739,247	100
Treasury share reserves	K;	566,774	599,995	94
Other reserves from profits*		20,182,286	15,186,425	133
III. Reserves from profits	30.;	35,521,528	30,525,667	116
IV. Accumulated profits		1,989,932	2,842,516	70
V. Net profit for the year *		3,025,786	2,629,002	115
General capital inflationary adjustments		19,190,518	19,190,518	100
Special capital inflationary adjustments		85,830	0	-
VI. Adjustments to capital		19,276,348	19,190,518	100
TOTAL EQUITY	R., 28., 29.;	72,386,391	67,729,389	107
B. PROVISIONS				
Provisions for capital improvements		2,037,366	2,037,365	100
Provisions for environmental fixed assets		6,818,430	7,423,005	92
Other provisions		20,290	0	-
TOTAL PROVISIONS	S., 31.;	8,876,086	9,460,370	94
C) FINANCE AND TRADE LIABILITIES				
I. Non-current finance and trade payables				
Non-current finance payables to banks		20,949,771	9,493,836	221
Non-current finance payables to others		986,210	1,367,602	72
a) Non-current finance payables	T., 32.;	21,935,981	10,861,438	202
Non-current trade payables to others		9,987	9,716	103
Non-current payables to affiliated companies		0	129,219	-
b) Non-current trade payables	U, 33.;	9,987	138,935	7
II. Current finance and trade payables				
Current loans payable to subsidiaries		4,515,225	1,865,146	242
Current loans payable to banks		11,041,659	9,682,557	114
Other current loans payable to others		297,243	9,660	3077
a) Current finance payables	T., 34.;	15,854,127	11,557,363	137
Current trade payables to subsidiaries		10,014,301	13,834,590	72
Current trade payables to joint ventures		132,202	135,867	97
Current trade payables to suppliers		11,139,243	10,009,075	111
Current compensation payables		648,434	769,234	84
Current government payables		13,235,925	12,168,256	109
Advances received		44,784	86,719	52
Dividends payable		108,362	103,220	105
Other current trade payables		366,473	362,227	101
b) Current trade payables	U., 35.;	35,689,724	37,469,188	95
Total liabilities		73,489,819	60,026,924	122
D) ACCRUED COSTS AND DEFERRED REVENUES				
	J., V., 36.;	1,401,145	863,723	162
TOTAL EQUITY AND LIABILITIES		156,153,441	138,080,406	113

* In accordance with Article 228, paragraph 3, of the amended Companies Act (ZGD-F), undistributed net profits have been reduced by half and transferred to the reserve account.

Financial statements of the parent company

Cash flow statement – Petrol, d.d.

SIT 000	2003	2002	Index 03/02
Cash from operating activities	283,155,594	262,592,755	108
Operating income	284,394,851	263,903,860	108
Extraordinary income from continuing operations	31,556	79,322	40
Change in trade receivables	(1,269,688)	(1,385,097)	92
Change in deferred costs and accrued revenues	(1,125)	(5,330)	-
Cash used in operating activities	273,517,109	253,166,697	108
Operating costs less amortisation, depreciation and provisions	271,388,995	254,151,280	107
Extraordinary expenses from continuing operations	986,696	759,323	130
Taxes paid	336,622	0	-
Change in inventories	(983,825)	3,330,230	-
Change in trade payables	2,045,683	(4,742,354)	-
Change in accrued costs and deferred revenues	(257,062)	(331,782)	77
Net cash from/(used in) operating activities	9,638,485	9,426,058	102
Cash from investing activities	3,059,648	3,021,073	101
Investment income (not including revaluation)	3,059,648	2,247,676	136
Net decrease in current investments (not including revaluation)	0	773,397	-
Cash used in investing activities	24,502,276	19,366,104	127
Net increase in intangible assets (not including revaluation)	117,222	988,665	12
Net increase in fixed assets (not including revaluation and capital investments)	12,716,118	11,618,303	109
Net increase in non-current investments (not including revaluation)	7,231,806	6,759,136	107
Net increase in current investments (not including revaluation)	4,437,130	0	-
Net cash from/(used in) investing activities	(21,442,628)	(16,345,031)	131
Cash from financing activities	16,598,970	10,873,338	153
Finance income	1,662,019	3,468,058	48
Increase in capital (not including net profit)	31,111	21,215	147
Net increase in non-current financial liabilities (not including revaluation)	10,613,395	2,489,697	426
Net increase in current financial liabilities (not including revaluation)	4,292,445	4,894,368	88
Cash used in financing activities	6,116,797	4,751,466	129
Finance costs	4,487,763	3,290,712	136
Net decrease of provisions (not including revaluation)	117,522	141,900	83
Decrease in shareholder payables (dividends and other participations)	1,511,512	1,318,854	115
Net cash from/(used in) financing activities	10,482,173	6,121,872	171
Net increase/(decrease) in cash and cash equivalents	(1,321,970)	(797,101)	166
Cash and cash equivalents at end of year	1,286,914	2,608,884	49
Net increase/(decrease) in cash and cash equivalents	(1,321,970)	(797,101)	166
Cash and cash equivalents at beginning of year	2,608,884	3,405,985	77

Financial statements of the parent company

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

SIT 000	Share capital	Capital reserves	Regulatory reserves
Balance at 31 December 2001	12,517,806	2,665	14,701,323
Transfers into capital accounts			
Transfer of income for the year	0	0	0
Transfer of paid-in surplus from transactions with treasury shares	0	21,215	0
Transfers within capital accounts			
Distribution of 50% of net profit for 2002 to other capital accounts by resolution of Management and Supervisory Boards	0	0	0
Release of treasury share reserves and distribution to other capital accounts	0	0	37,924
Distribution of calculated profit for 2001 to other reserves from profits by resolution of general meeting in 2002	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 31 December 2002	12,517,806	23,880	14,739,247
CALCULATED PROFIT	0	0	0
Transfers into capital accounts			
Transfer of income for the year	0	0	0
Transfer of special capital inflationary adjustments	0	0	0
Other increases to capital	0	31,111	0
Transfers within capital accounts			
Distribution of 50% of net profit for 2003 to other capital accounts by resolution of Management and Supervisory Boards	0	0	0
Release of treasury share reserves and distribution to other capital accounts	0	0	33,221
Distribution of calculated profit for 2002 to other reserves from profits by resolution of general meeting in 2003	0	0	0
Distribution of calculated profit for 2002 to accumulated profit by resolution of general meeting in 2003	0	0	0
Transfers from capital accounts			
Payment of dividends by resolution of general meeting in 2003	0	0	0
Payment of bonuses to Supervisory Board members in 2003	0	0	0
Balance at 31 December 2003	12,517,806	54,991	14,772,468
CALCULATED PROFIT	0	0	0

Financial statements of the parent company

Treasury share reserves	Other reserves from profits	Accumulated profits	Net profit for the year	General capital inflationary adjustments	Special capital inflationary adjustments	Total equity
637,919	10,433,462	4,247,742	2,037,590	19,190,518	0	63,769,024
0	0	0	5,258,004	0	0	5,258,004
0	0	0	0	0	0	21,215
0	2,629,002	0	(2,629,002)	0	0	0
(37,924)	0	0	0	0	0	0
0	2,842,516	(2,842,516)	0	0	0	0
0	0	2,037,590	(2,037,590)	0	0	0
0	(718,555)	(600,299)	0	0	0	(1,318,854)
599,995	15,186,425	2,842,516	2,629,002	19,190,518	0	67,729,389
0	0	2,842,516	2,629,002	0	0	5,471,518
0	0	0	6,051,573	0	0	6,051,573
0	0	0	0	0	85,830	85,830
0	0	0	0	0	0	31,111
0	3,025,786	0	(3,025,786)	0	0	0
(33,221)	0	0	0	0	0	0
0	1,970,074	(1,970,074)	0	0	0	0
0	0	2,629,002	(2,629,002)	0	0	0
0	0	(1,440,553)	0	0	0	(1,440,553)
0	0	(70,959)	0	0	0	(70,959)
566,774	20,182,286	1,989,932	3,025,786	19,190,518	85,830	72,386,391
0	2,068,575	1,989,932	3,025,786	0	0	7,084,293

Notes and tables to the financial statements Petrol, d.d.

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

SIT 000	2003	2002	Index 03/02
Oil products	233,655,486	220,575,976	106
Other oil products	11,710,372	10,785,773	109
Services	4,368,998	3,633,075	120
Supplementary products and other merchandise	34,602,901	28,478,623	122
Total	284,337,758	263,473,448	108

SIT 000	2003	2002	Index 03/02
Domestic net sales revenues:	276,124,697	254,452,779	109
- subsidiaries	1,015,470	777,273	131
- affiliated companies	94,494	98,511	96
- joint ventures	80	438	-
- other	275,014,653	253,576,557	108
International net sales revenues:	8,213,061	9,020,669	91
- subsidiaries	914,462	309,030	296
- other	7,298,599	8,711,639	84
Total	284,337,758	263,473,448	108

In 2003 Petrol, d.d. generated net sales revenues of SIT 284,337,758 thousand. Of this amount, SIT 233,655,486 thousand was generated from the sale of oil products and SIT 11,710,372 thousand from the sale of other oil products. In addition to revenues generated from the sale of oil products, Petrol generated net revenues of SIT 34,602,901 thousand in 2003 from the sale of supplementary products and other merchandise and SIT 4,368,998 thousand from the sale of various services.

The Company includes among:

- **oil products:** liquid fuels, liquefied petroleum gas, aviation fuel, petroleum fractions, fuel oil, petrol and diesel;
- **other oil products:** natural gas, special paraffins and aromats, paraffins and vaselines, bitumens, oils, fluids and industrial lubricants;
- **supplementary products:** automotive products, accessories, tobacco products and lottery products;
- **other merchandise:** unprocessed chemicals and chemical products, packaging and cylinders.

Notes and tables to the financial statements Petrol, d.d.

Note 2: Cost of sales and other operating expenses – Petrol, d.d.

SIT 000	2003	2002	Index 03/02
Cost of sales	246,548,106	229,005,086	108
Materials	1,447,206	1,387,771	104
Services	17,699,449	15,644,845	113
Compensation	8,016,757	7,705,470	104
Revaluation	7,141,663	6,847,328	104
- of amortisation	5,450,922	5,622,680	97
- of intangible and fixed assets	797,560	774,614	103
- of current assets	893,181	450,034	198
Other expenses	484,376	579,300	84
Other trade expenses	262,870	131,677	200
Total	281,600,427	261,301,477	108

SIT 000	Cost of sales	Distribution cost (with amortisation)	Administrative expenses (with amortisation)	Total
Cost of sales	246,548,106	0	0	246,548,106
Materials	0	1,297,658	149,548	1,447,206
Services*	0	14,930,128	2,769,321	17,699,449
Compensation	0	5,650,513	2,366,244	8,016,757
Revaluation	0	4,903,070	2,238,593	7,141,663
- of amortisation	0	4,903,070	547,852	5,450,922
- of intangible and fixed assets	0	0	797,560	797,560
- of current assets	0	0	893,181	893,181
Other expenses	0	224,311	260,065	484,376
Other trade expenses	0	247,722	15,148	262,870
Total	246,548,106	27,253,402	7,798,919	281,600,427

* distribution costs within costs of services include franchise compensation costs of SIT 3,820,843 thousand

In 2003 cost of sales is principally comprised of the purchase price of oil products, of which the following amounts were purchased from Petrol subsidiaries:

- 898 thousand tonnes from Cypet Oils, Ltd;
- 597 thousand tonnes from Petrol-Trade, H.m.b.H., Vienna.

The cost of sales is comprised of costs of SIT 211,294,793 thousand relating to oil products, SIT 9,105,066 thousand relating to other oil products and SIT 28,441,922 thousand relating to supplementary products and other merchandise.

Cost of sales rose 8% compared to the previous year, attributable to the rise in crude oil prices on the world market: in 2003, the average purchase price of crude oil on the world market rose to USD 28.86 a barrel, an increase of 15.3% compared to the previous year.

In 2003 the Company incurred SIT 34,789,451 thousand in operating costs. This represents an 8% increase over the previous year in nominal terms and a 2% increase in real terms.

Expenses related to services incurred in 2003, which represent 51% of the total expense structure, increased

Notes and tables to the financial statements Petrol, d.d.

by 13% compared to the previous year in nominal terms and by 7% in real terms. The largest component in the service category is transportation expenses. In 2003 the Company reported SIT 5,556,266 thousand in transportation expenses, an increase of 4% compared to 2002 in nominal terms and a decrease of 1% in real terms. The Company reported SIT 5,906,104 thousand in other service expenses, an 11% increase over the previous year in nominal terms and a 6% increase in real terms. The largest component in the other service expense category is expenses paid to franchise holders. In 2003 the Company reported SIT 4,439,639 thousand in such expenses, an increase of 12% over the previous year in nominal terms and 6% in real terms. These increases are due to the larger number of service stations in the franchise system.

Amortisation expenses also include amortisation of environmental fixed assets in the amount of SIT 485,168 thousand.

Compensation expenses in 2003 represented 23% of the total expense structure. Compensation increased in nominal terms by 4% compared to 2002 and decreased by 1% in real terms.

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

SIT 000	2003	2002	Index 03/02
Salaries:	6,153,722	5,925,133	104
- payroll	5,785,505	5,550,474	104
- food expenses	167,960	171,322	98
- transportation expenses	200,257	203,337	98
Social security	1,390,677	1,331,005	104
- pension	511,778	500,158	102
Other compen. exp. (subsidies, additional pension costs, severance, awards)	472,358	449,332	105
- additional pension costs	142,948	141,835	101
Total	8,016,757	7,705,470	104

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

SIT 000	2003	2002	Index 03/02
Amortisation of intangible assets – regular	174,132	151,141	115
Amortisation of tangible fixed assets – regular	4,791,622	4,968,718	96
Amortisation of environmental fixed assets	485,168	502,821	96
Total	5,450,922	5,622,680	97

Note 5: Revaluation costs – Petrol, d.d.

SIT 000	2003	2002	Index 03/02
Revaluation costs in connection with intangible and tangible fixed assets	797,560	774,614	103
- due to revalued revenues stream resulting from asset impairment	569,369	589,665	97
Revaluation costs in connection with current assets	893,181	450,034	198
Total	1,690,741	1,224,648	138

Notes and tables to the financial statements Petrol, d.d.

In 2003 costs arising from the revaluation of fixed assets are comprised of the impairment of real estate at the Hotel Špik of SIT 528,807 thousand, and losses on the disposal of assets of SIT 228,191 thousand.

Costs arising from the revaluation of current assets are principally comprised of adjustments to the value of receivables of SIT 850,357 thousand in accordance with the Company's accounting policies.

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

SIT 000	2003	2002	Index 03/02
Environmental safety expenses and other contributions	50,548	8,467	597
Other (severance, early retirement and awards)	431,237	566,337	76
Stipends and educational expenses	2,591	4,496	58
Total	484,376	579,300	84

Other expenses of SIT 431,237 thousand comprise:

- prepaid legal fees (SIT 159,027 thousand);
- sponsorship expenses (SIT 111,237 thousand);
- grants for cultural, scientific and sporting purposes (SIT 48,624 thousand);
- severance pay to terminated employees (SIT 32,552 thousand);
- other expenses not associated with operations (SIT 79,797 thousand).

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

SIT 000	2003	2002	Index 03/02
Income from release of environmental provisions	700,105	519,315	135
Income from release of other provisions	118	0	-
Revaluation of operating income	471,971	155,470	304
- revaluation of non-current assets	470,455	150,431	313
- revaluation of current assets	1,516	5,039	30
Other operating income	620,973	491,907	126
Total	1,793,167	1,166,693	154

Income from the release of environmental provisions (SIT 700,105 thousand) in 2003 refers mostly to:

- amortisation of environmental assets (SIT 485,168 thousand),
- costs associated with the clean-up of the Pesniški dvor dump.

The revaluation of operating income (SIT 471,971 thousand) is comprised of gains on the sale of fixed assets (SIT 470,455 thousand) and the reversal of impairment charges against receivables taken in previous years (SIT 1,516 thousand). The biggest income from the sale of fixed assets came from the sale of land and equipment at Čatež to DARS d.d., Celje (SIT 169,276 thousand) and from the sale of the land at the Bršljin service station (SIT 85,094 thousand).

The majority of other operating income is comprised of the corresponding part of the reversal of negative goodwill on the balance sheet in relation to Petrol Energetika d.o.o. (SIT 563,998 thousand).

Notes and tables to the financial statements Petrol, d.d.

Note 8: Finance income from investments – Petrol, d.d.

SIT 000	2003	2002	Index 03/02
Income from investments in subsidiaries	1,230,968	1,081,691	114
Income from investments in affiliated companies	0	42,324	-
Income from investments in joint ventures	307,460	1,202,972	-
Income from other investments	1,294,601	452,893	286
- revaluation income	220,789	189,177	117
Total	2,833,029	2,779,880	102

In 2003 finance income from shareholding interests is comprised of income from the profits of subsidiary companies (SIT 1,230,968 thousand), the joint venture company Instalacija, d.o.o. (SIT 307,460 thousand) and other companies (SIT 1,073,812 thousand) and revaluation gains (SIT 220,789 thousand).

Finance income from subsidiary companies:

- Petrol-Trade H.m.b.H, Vienna	SIT 969,637 thousand
- Petrol BH Oil Company d.o.o., Sarajevo	SIT 81,825 thousand
- Destilat, d.o.o.	SIT 70,787 thousand
- Petrol Trgovina d.o.o., Zagreb	SIT 47,293 thousand
- Petrol Plin, d.o.o.	SIT 22,624 thousand
- Petroservis, d.o.o.	SIT 21,285 thousand
- Petrol Gostinstvo, d.o.o.	SIT 8,716 thousand
- Petrol Energetika, d.o.o.	SIT 6,360 thousand
- Hotel Špič, d.o.o.	SIT 2,150 thousand
- Petrol Beograd d.o.o.	SIT 283 thousand
- Petrol Skladiščenje, d.o.o.	SIT 8 thousand

In accordance with the changed accounting principles relating to the valuation of financial investments in affiliated and joint venture companies, the Company reports the income generated together with the joint venture company Instalacija d.o.o., Koper among finance income from investments because of the certainty that the dividends will be paid in the future.

Income generated from the affiliated companies Aquasystems, d.o.o. and Ogrevanje Piran d.o.o., (a total of SIT 83,122 thousand) and the joint venture company Geoenergo d.o.o. (SIT 2,709 thousand) increases the special revaluation adjustment to capital. These incomes in 2002 were also reported among finance income from investments.

The majority of income from other companies is comprised of income from the profits of Geoplin, d.o.o. (SIT 672,772 thousand) and Koroška banka, d.d. (SIT 78,116 thousand).

Revaluation income of SIT 220,789 thousand is principally comprised of:

- foreign exchange gains derived from the revaluation of investments in foreign subsidiaries in order to preserve the value of capital: Petrol BH Oil Company, d.o.o. (SIT 122,831 thousand), Petrol-Trade, H.m.b.H. (SIT 22,145 thousand), Petrol Trgovina, d.o.o., Zagreb (SIT 12,418 thousand) and Petrol d.o.o. Belgrade (SIT 5,999 thousand);
- gains on the disposal of capital investments in other domestic companies (SIT 21,624 thousand).

Notes and tables to the financial statements Petrol, d.d.

Note 9: Finance income from non-current receivables – Petrol, d.d.

SIT 000	2003	2002	Index 03/02
From subsidiaries	109,961	86,198	128
From affiliated companies	45,465	23,659	192
Other finance income from non-current receivables	116,256	130,372	89
Total	271,682	240,229	113

Finance income from non-current receivables is comprised of interest on long-term loans to:

- subsidiary companies: Petrol Plin d.o.o. (SIT 62,207 thousand), Petrol BH Oil Company d.o.o. (SIT 12,780 thousand) and Petrol Energetika d.o.o. (SIT 34,974 thousand);
- the affiliated company Aquasystems d.o.o. (SIT 33,108 thousand);
- other companies (SIT 51,425 thousand);
- and interest on long-term housing loans (SIT 16,498 thousand).

Finance income from non-current finance receivables also includes foreign exchange gains derived from long-term loans with foreign exchange clauses:

- to the affiliated company Aquasystems d.o.o. (SIT 12,357 thousand);
- to others (SIT 48,333 thousand).

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

SIT 000	2003	2002	Index 03/02
From subsidiaries	3,720	3,746	99
From affiliated companies	63	0	-
Other finance income from current receivables	5,117,728	4,492,344	114
- interest received from others	1,017,769	1,012,185	101
- gain on foreign exchange rate differences	3,846,408	3,069,834	125
- gain on exercise of futures contracts	219,158	172,829	127
- other finance income	34,393	237,496	14
Total	5,121,511	4,496,090	114

Finance income from current receivables is comprised of interest on long-term loans recorded under short-term loans to subsidiary companies as follows: Petrol Plin d.o.o. (SIT 3,691 thousand), Petrol Skladiščenje d.o.o. (SIT 12 thousand), Destilat d.o.o. (SIT 12 thousand), Hotel Špik d.o.o. (SIT 3 thousand) and Petrol Gostinstvo d.o.o. (SIT 2 thousand).

Interest income from others is comprised of interest on short-term loans to other companies (SIT 17,629 thousand), interest on short-term bank deposits (SIT 140,744 thousand), interest receivable on the sale of heating oil on instalment plans (SIT 284,361 thousand), late interest payments on the retail sale of goods and services (SIT 573,239 thousand) and interest from other current receivables (SIT 1,796 thousand).

Notes and tables to the financial statements Petrol, d.d.

Foreign exchange gains are comprised of adjustments to short-term loans with foreign exchange clauses (SIT 469 thousand), foreign exchange gains from exchange office operations (SIT 3 thousand) and positive exchange rate differences on imported goods (SIT 3,845,936 thousand).

The foreign exchange risks of the Petrol Group are comprehensively hedged, both on the balance sheet and dynamically. From the point of view of hedging against risks in the first place we use natural hedging (so-called balance sheet hedging), while the difference is hedged dynamically (settlement of forward contracts and option contracts on a daily basis) with the aim of ensuring a neutral dollar position. Gains on foreign exchange differences on imported goods must be looked at in combination with losses on exchange rate differences (SIT 1,405,462 thousand), gains on the settlement of futures contracts (SIT 219,158 thousand) and losses on the settlement of futures contracts (SIT 1,963,974 thousand) used to hedge the Company's foreign exchange risk and revaluation finance expenses for write-offs of financial investments (SIT 427,523 thousand).

Other finance income from current receivables is comprised of gains on the disposal of current financial investments (SIT 3,071 thousand) and other finance income (SIT 31,322 thousand).

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

SIT 000	2003	2002	Index 03/02
Impairment of investments in subsidiaries	0	987,069	-
Impairment of other investments	459,884	401,441	115
Total	459,884	1,388,510	33

Revaluation finance costs are comprised of foreign exchange losses arising from value preservation of the Company's investment in the subsidiary Cypet Oils Ltd (SIT 427,523 thousand), foreign exchange losses arising from value preservation of short-term loans (SIT 1,953 thousand), revaluation finance costs arising from the impairment of long-term financial investments in other companies (SIT 15,166 thousand), finance costs arising from the impairment of short-term loans (SIT 14,800 thousand) and finance expenses arising from the write-off of long-term housing loans (SIT 442 thousand).

Note 12: Interest and other finance costs – Petrol, d.d.

SIT 000	2003	2002	Index 03/02
Interest and costs paid to subsidiaries	159,513	67,037	238
Interest and other costs paid to affiliated companies	0	0	-
Other interest and finance cost	4,793,988	3,461,311	139
- interest paid to others	926,103	731,638	127
- loss on foreign exchange rate differences	1,871,204	1,131,978	165
- loss on the exercise of futures contracts	1,963,974	1,586,971	124
- other finance costs	32,707	10,724	305
Total	4,953,501	3,528,348	140

Notes and tables to the financial statements Petrol, d.d.

Interest and other financial payables to subsidiary companies are comprised principally of interest payable on short-term loans received from the following companies: Destilat d.o.o. (SIT 72,935 thousand), Petrol Plin d.o.o. (SIT 30,765 thousand), Petrol Energetika d.o.o. (SIT 26,372 thousand), Petrol Gostinstvo d.o.o. (SIT 19,844 thousand), Cypet Oils Ltd (SIT 4,370 thousand), Petrol Trgovina d.o.o., Zagreb (SIT 2,795 thousand), Petroservis d.o.o. (SIT 1,402 thousand) and Hotel Špik d.o.o. (SIT 1,030 thousand).

Other finance costs include interest and other financial payables related to long-term loans from other companies and banks (SIT 848,105 thousand) and short-term loans from other companies and banks (SIT 77,998 thousand).

Other finance costs also include foreign exchange losses related to the import of goods (SIT 1,405,465 thousand), foreign exchange losses arising from value preservation of long-term loans (SIT 461,148 thousand), foreign exchange losses arising from value preservation of short-term loans (SIT 4,320 thousand), and foreign exchange losses arising from value preservation of other non-current payables (SIT 271 thousand).

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

SIT 000	2003	2002	Index 03/02
Recovery of impaired receivables	3,529	34,319	10
Recovery of damages	18,114	44,047	41
Collection of punitive fees	9,552	695	1,374
Other extraordinary income	361	261	138
Total	31,556	79,322	40

Extraordinary income includes recovery of damages from insurance companies (SIT 17,632 thousand) and from others (SIT 482 thousand).

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

SIT 000	2003	2002	Index 03/02
Damages	8,136	83,359	10
Punitive fees	610	1,777	34
Other extraordinary expenses	977,950	674,187	145
- due to subsidiaries in Slovenia	181,343	671,859	27
- due to foreign subsidiaries	795,279	0	-
Total	986,696	759,323	130

Extraordinary expenses include grants paid to subsidiary companies (SIT 976,622 thousand) and other extraordinary expenses (SIT 1,328 thousand).

Notes and tables to the financial statements Petrol, d.d.

The main grants paid to subsidiary companies were:

- to Petrol BH Oil Company d.o.o., Sarajevo to cover expenses related to the revaluation of real estate and receivables (SIT 795,279 thousand);
- to Petrol Gostinstvo, d.o.o. to cover redundancy costs (SIT 144,831 thousand), employee training costs (SIT 6,959 thousand), and expenses related to the disposal of old catering equipment at Čatež (SIT 4,727 thousand) and Petra I and II (SIT 4,843 thousand);
- to Hotel Špik, d.o.o., to cover operating losses incurred in 2002 (SIT 14,633 thousand).

Note 15: Income tax – Petrol, d.d.

SIT 000	2003	2002	Index 03/02
Income (following ZDDPO provisions)	292,107,644	269,675,161	108
Expenses (following ZDDPO provisions)	(286,286,091)	(264,064,719)	108
Tax Basis I	5,821,553	5,610,442	104
Increase in tax basis	685,724	729,366	94
Decrease in tax basis	(559,365)	(631,983)	89
Tax Basis II	5,947,912	5,707,825	104
Tax abatement	(4,601,423)	(5,707,825)	81
Tax Basis III	1,346,489	0	-
Total income tax expense	336,622	0	-

The net increase in Tax Basis I is principally a consequence of the disposal of fixed assets for which the Company had received a tax abatement in previous years (SIT 127,086 thousand).

In 2003 the Company received tax abatements for new investments of SIT 3,863,336 thousand and created an investment reserve of SIT 594,791 thousand, which prohibits the Company from distributing dividends for the next three years from earnings retained in 2003. In the event that the company does pay dividends out of 2003 retained earnings it will have to increase its tax basis in the year the 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 558,638 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:

- 30% of the total amount invested in fixed assets (with the exception of cars) and in intangible assets (SIT 3,621,190 thousand);
- 10% of the total amount invested in equipment (with the exception of cars) and intangible assets (SIT 242,146 thousand);
- investment reserves created in the amount of 10% of Tax Basis II (SIT 594,791 thousand).

Notes and tables to the financial statements Petrol, d.d.

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

SIT 000	2003	2002	Index 03/02
Acquisition value			
Balance at 1 January 2003	1,811,713	849,387	213
Balance at 1 January 2003 – advances for intangible assets	0	40,562	-
Acquisitions	157,529	987,784	16
Reductions	(97,124)	(39,679)	245
Reductions – recapitalisation of Petrol Plin, d.o.o.	0	(12,212)	-
Reductions – recapitalisation of Petroservis, d.o.o.	0	(14,129)	-
Balance at 31 December 2003	1,872,119	1,811,713	103
Adjustments			
Balance at 1 January 2003	584,559	440,980	133
Amortisation	174,132	151,141	115
Reductions	(56,817)	0	-
Reductions – recapitalisation of Petroservis, d.d.	0	(7,562)	-
Balance at 31 December 2003	701,874	584,559	120
Current value at 31 December 2003	1,170,245	1,227,154	95

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

	Non-current deferred costs, development costs	Patents and licences	Other rights and other expenses	Intan. assets in acquisition process	Advances for intan. assets	Total
Acquisition value						
Balance at 1 January 2003	473,622	458,206	828,438	10,885	40,562	1,811,713
Acquisitions	0	0	0	157,529	0	157,529
Transfer from assets in process	0	65,259	94,570	(159,829)	0	-
Reductions	(3,016)	(11,456)	(42,090)	0	(40,562)	(97,124)
Balance at 31 December 2003	470,606	512,009	880,918	8,585	-	1,872,119
Adjustments						
Balance at 1 January 2003	(203,189)	(273,118)	(108,252)	0	0	(584,559)
Amortisation in year	(40,123)	(76,560)	(57,449)	0	0	(174,132)
Reductions	3,016	11,456	42,345	0	0	56,817
Balance at 31 December 2003	(240,296)	(338,222)	(123,356)	-	-	(701,874)
Current value at 31 December 2003	230,310	173,787	757,562	8,585	-	1,170,245
Current value at 1 January 2003	270,433	185,088	720,186	10,885	40,562	1,227,154

Notes and tables to the financial statements Petrol, d.d.

All the reported intangible assets are owned by the Company and are unencumbered.

A total of SIT 157,529 thousand was invested in intangible assets in 2003.

Large increases in material rights stem from:

- a joint investment in the construction of the Ig service station (SIT 63,500 thousand);
- a joint investment in the construction of a transformer station in the municipality of Črnuče (SIT 19,931 thousand) together with Elektro Ljubljana.

The increase in licences is due to the purchase of software (SIT 65,259 thousand), while the decrease in patents and licences was due to an inventory write-off of software (SIT 11,456 thousand).

The decrease in other rights (SIT 42,090 thousand) was due to the impairment of inventories and relates principally to the exclusion of the co-financing right in relation to the Trzin service station.

The decrease in long-term accrued costs was due to write-offs during the physical inventory (SIT 3,016 thousand).

Major intangible assets items at 31 December 2003

(SIT 000)	Net book value at 31 December 2003
Concession – construction of gas network in municipality of Domžale	466,000
Right to use real estate owned by municipality of Murska Sobota	194,634
Concession – treatment plant in Murska Sobota	169,179

Note 17: Fixed assets – Petrol, d.d.

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Property	20,001,436	18,627,205	107
Plant	40,860,950	39,403,129	104
Equipment	5,238,933	4,302,246	122
Fixed assets in the construction process	7,793,980	6,436,530	121
Advances for fixed assets	71,481	88,679	81
Total	73,966,780	68,857,789	107

Notes and tables to the financial statements Petrol, d.d.

Fixed assets – Petrol, d.d.

SIT 000	2003	2002	Index 03/02
Acquisition value			
Balance at 1 January 2003	116,542,656	108,372,222	108
Acquisitions	12,222,725	14,160,064	86
Sales	(3,044,280)	(2,977,531)	102
Reductions – recapitalisation of Petrol Plin, d.o.o.	0	(62,732)	-
Reductions – recapitalisation of Petroservis, d.o.o.	0	(418,529)	-
Reductions – recapitalisation of Skladiščenje, d.o.o.	(192,425)	0	-
Impairment of assets	(815,010)	(1,020,839)	80
Impairment of invigoration	98,820	0	-
Change in advances	(7,148)	(1,509,999)	-
Balance at 31 December 2003	124,805,338	116,542,656	107
Adjustments			
Balance at 1 January 2003	47,684,867	44,907,431	106
Amortisation – regular	4,948,057	4,969,824	100
Amortisation – environmental fixed assets	485,168	502,821	96
Amortisation – impairment of assets	(156,435)	(431,174)	36
Reductions	(1,940,969)	(1,917,447)	101
Reductions – recapitalisation of Petroservis, d.o.o.	0	(346,588)	-
Reductions – recapitalisation of Skladiščenje, d.o.o.	(4,798)	0	-
Adjustments of advances	10,050	0	-
Impairment of assets	(286,202)	0	-
Impairment of invigoration	98,820	0	-
Balance at 31 December 2003	50,838,558	47,684,867	107
Current value at 31 December 2003	73,966,780	68,857,789	107

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

SIT 000	2003	2002	Index 03/02
Fuel terminals	777,991	1,215,191	64
Service stations	7,082,903	7,119,492	99
Information systems	589,055	378,766	156
Other investments	3,621,258	4,101,900	88
Investments in fixed assets:	12,071,207	12,815,349	94
Investments in intangible assets:	157,529	987,784	16
Total investments	12,228,736	13,803,133	89

Notes and tables to the financial statements Petrol, d.d.

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
Acquisition value						
Balance at 1 January 2003	18,627,205	67,948,608	23,440,702	6,436,530	88,679	116,541,724
Additions	0	0	0	12,071,208	151,517	12,222,725
Transfer from assets in process	2,084,099	5,601,254	2,809,760	(10,505,186)	0	(10,073)
Reductions	(447,218)	(1,088,342)	(1,138,558)	(208,572)	(158,665)	(3,041,355)
Reductions – recapit. of Skladiščenje, d.o.o.	(163,802)	(28,623)	0	0	0	(192,425)
Impairment of assets	(98,848)	(716,162)	0	0	0	(815,010)
Impairment of invigoration	0	98,820	0	0	0	98,820
Balance at 31 December 2003	20,001,436	71,815,555	25,111,904	7,793,980	81,531	124,804,406
Adjustments						
Balance at 1 January 2003	0	(28,545,479)	(19,138,456)	0	0	(47,683,935)
Amortisation	0	(3,636,984)	(1,796,241)	0	0	(5,433,225)
Amortisation - impairment of assets	0	156,435	0	0	0	156,435
Reductions	0	879,243	1,061,726	0	0	1,940,969
Reductions - recapit. of Skladiščenje, d.o.o.	0	4,798	0	0	0	4,798
Adjustments of advances	0	0	0	0	(10,050)	(10,050)
Impairment of assets	0	286,202	0	0	0	286,202
Impairment of invigoration	0	(98,820)	0	0	0	(98,820)
Balance at 31 December 2003	0	(30,954,605)	(19,872,971)	0	(10,050)	(50,837,626)
Current value						
at 31 December 2003	20,001,436	40,860,950	5,238,933	7,793,980	71,481	73,966,780
Current value at						
at 1 January 2003	18,627,205	39,403,129	4,302,246	6,436,530	88,679	68,857,789

All the reported fixed assets are the property of the Company and are unencumbered.

In 2003 Petrol, d.d. invested SIT 12,071,208 thousand in capital improvements. Of this, SIT 2,844,137 thousand was in plant and equipment and SIT 9,227,071 thousand was in real estate.

Major investments (over SIT 300,000 thousand) in capital fixed assets in 2003 are comprised of:

- Murska Sobota treatment plant;
- construction of Ljubljana-Celovška retail/service centre;
- construction of Šentjur pri Celju service station;
- construction of Novo mesto IV Bršljin service station;
- construction of Letališka cesta service station;
- construction of storage capacities in Lendava.

Notes and tables to the financial statements Petrol, d.d.

The decrease in fixed assets in the construction process in 2003 of SIT 208,572 thousand is principally comprised of:

- an inventory write-down of impaired assets in the construction process (following changes to urban planning regulations certain project documents can no longer be used);
- the transfer of the investment in the reconstruction of the Ptujška cesta service station to the subsidiary company Destilat, d.o.o., which owns this and a further two service stations that are operated by the parent company Petrol d.d., Ljubljana.

The increase in the level of fully operational plant and equipment of SIT 10,505,186 thousand in 2003 is mainly due to completion of the following projects:

- SIT 2,084,099 thousand for purchase of real estate;
- SIT 8,411,014 thousand for completion of plant and equipment.

Large reductions (in terms of current values) of fixed assets of SIT 1,288,013 thousand in 2003 were comprised of the following:

- SIT 1,029,690 thousand for the disposal of real estate, plant and equipment (generating a profit of SIT 468,019 thousand);
- SIT 188,192 thousand for the recapitalisation of the subsidiary Petrol Skladiščenje d.o.o., Ljubljana;
- SIT 168,948 thousand for the accelerated amortisation of fixed assets.

In 2003 Petrol d.d., Ljubljana identified the impairment of certain of its plant and buildings that are revenue generating assets. On 31 December 2003 the Company revalued the real estate relating to the Hotel Špik by SIT 528,808 thousand. The basis for the impairment loss on the real estate was the calculation of the net current value of future cash flows for the period 2000-2008 and an agreement on an intended recapitalisation. The book value of the real estate of the Hotel Špik was SIT 1,077,108 thousand prior to impairment losses and SIT 548,301 after impairment losses.

Significant outstanding fixed asset items at 31 December 2003

(SIT 000)	Net book value at 31.12.2003
Plant and buildings	
Zalog fuel depot	3,909,545
Business premises, Dunajska 50	2,759,718
Rače warehouse facilities	1,349,549
SDC Zalog	789,470
Business premises, Dunajska 48	609,857
Škofja Loka service station	599,590
Skladišče Lendava	554,958
Real estate	
Lendava	1,008,266
Zalog	982,570

Notes and tables to the financial statements Petrol, d.d.

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

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Plant	7,950,178	8,071,000	99
Equipment	3,338,778	3,367,639	99
Revaluation of plant	(2,454,635)	(2,123,502)	116
Revaluation of equipment	(3,338,778)	(3,332,541)	100
Total	5,495,543	5,982,596	92

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

SIT 000	Plant	Equipment	Total
Acquisition value			
Balance at 1 January 2003	8,071,000	3,367,639	11,438,639
Reductions	(120,822)	(28,861)	(149,683)
Balance at 31 December 2003	7,950,178	3,338,778	11,288,956
Adjustments			
Balance at 1 January 2003	(2,123,502)	(3,332,541)	(5,456,043)
Amortisation	(450,070)	(35,098)	(485,168)
Reductions	118,937	28,861	147,798
Balance at 31 December 2003	(2,454,635)	(3,338,778)	(5,793,413)
Current value at 31 December 2003	5,495,543	-	5,495,543
Current value at 1 January 2003	5,947,498	35,098	5,982,596

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 31 December 2003 the gross acquisition value of these assets was SIT 11,288,956 thousand. This is also the value of total non-current provisions set aside for this purpose.

At 31 December 2003 the current value of the environmental fixed assets less revaluation adjustments, amortisation and other reductions was SIT 5,495,543 thousand.

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

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Investments and shareholding interests	31,373,217	23,201,857	135
Non-current receivables from other companies	2,979,964	4,388,737	68
Total	34,353,181	27,590,594	125

Notes and tables to the financial statements Petrol, d.d.

Investments in majority owned subsidiaries

Domestic

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Petroservis, d.o.o., Ljubljana (100%)	201,287	180,003	112
Petrol plin, d.o.o., Ljubljana (100%)	2,176,793	1,304,169	167
Petrol Skladiščenje, d.o.o., Ljubljana (100%)	3,088	3,080	100
Destilat, d.o.o., Ljubljana (100%)	3,436,108	3,365,321	102
Hotel Špik, d.o.o., Gozd Martuljek (100%)	31,453	14,670	214
Petrol Gostinstvo, d.o.o., Ljubljana (100%)	607,781	599,065	101
Petrol Energetika d.o.o., Ravne na Koroškem (91.2%)	1,919,473	715,137	268
Petrol Energetika Štore, d.o.o., Štore (80%)*	0	100,860	-
Total majority interests in Slovenian subsidiaries	8,375,983	6,282,305	133

* On 1 April 2003 Petrol Energetika Štore, d.o.o. merged with Petrol Energetika Ravne, d.o.o., which changed its name to Petrol Energetika d.o.o.

International

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Petrol Trade, H.m.b.H., Vienna, Austria (100%)	1,676,293	1,243,149	135
Cypet Oils Ltd, Limassol, Cyprus (100%)	2,553,637	2,981,160	86
Petrol Trgovina, d.o.o., Zagreb, Croatia (100%)	3,353,897	1,873,718	179
Petrol BH Oil Company, d.o.o., Sarajevo, Bosnia & Herzegovina (100%)	7,232,450	2,835,897	255
Petrol d.o.o., Belgrade, Serbia and Montenegro (100%)	236,974	0	-
Total majority interests in international subsidiaries	15,053,251	8,933,924	168

Investments in affiliated companies

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Aquasystems, d.o.o., Maribor (26%)	341,135	263,214	130
Ogrevanje Piran, d.o.o., Piran (40%)	226,489	221,289	102
Total minority interests in Slovenian affiliated companies	567,624	484,503	117

Investments in joint ventures

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Instalacija, d.o.o., Koper (49%)	3,296,656	3,159,320	104
Geoenergo, d.o.o., Lendava (50%)	2709	0	-
Total investments in joint ventures	3,299,365	3,159,320	104

Notes and tables to the financial statements Petrol, d.d.

Other shareholding interests

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Geoplin, d.o.o., Ljubljana (16.48%)	2,470,994	2,470,994	100
Other	1,039,226	1,270,817	82
Other shareholding interests	3,510,220	3,741,811	94

Investment in treasury shares

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Treasury shares	566,774	599,994	94
Total investments in treasury shares	566,774	599,994	94
Total non-current investments	31,373,217	23,201,857	135

Movement of non-current investments – Petrol, d.d.

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Balance at 1 January 2003	26,990,600	19,457,729	139
Balance at 1 January 2003 – treasury shares	599,994	637,919	94
Profit participations	1,624,259	2,326,988	70
Dividend payouts	(728,763)	(689,740)	106
New investments and share purchases	7,805,901	4,957,639	157
New loans	307,356	2,877,435	11
Disposal of shares	(217,522)	(127,605)	170
Disposal of treasury shares	(33,220)	(37,924)	88
Repayment of loans	(1,596,330)	(378,484)	422
Other reductions	(571)	(236)	242
Revaluation adjustments	(15,607)	(1,005,689)	2
Net foreign exchange differences	(208,587)	(245,938)	85
Refinancing of investments	(174,329)	(181,500)	96
Balance at 31 December 2003	34,353,181	27,590,594	125

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

Investments in debt securities are carried at redemption value.

Notes and tables to the financial statements Petrol, d.d.

In the presentation of the Petrol Group contained in the business part of the Annual Report the Company discloses the amount of its equity at 31 December 2003 and the operating result for the year then ended separately for each subsidiary company.

In 2003 non-current investments increased by the amount of profit generated in subsidiary companies (SIT 1,230,968 thousand), affiliated companies (SIT 83,122 thousand) and joint ventures (SIT 310,169 thousand).

New increases in non-current investments in 2003 of SIT 7,805,901 thousand are mostly comprised of:

- the establishment of the wholly owned subsidiary Petrol, d.o.o., Belgrade (SIT 230,691 thousand);
- the recapitalisation of the subsidiaries Petrol BH Oil Company, d.o.o., Sarajevo (SIT 4,191,897 thousand), Petrol Trgovina d.o.o., Zagreb (SIT 1,420,468 thousand), Petrol Plin d.o.o. (SIT 850,000 thousand) and Petrol Energetika d.o.o. (SIT 511,980 thousand);
- the reversal of negative goodwill of SIT 563,997 thousand.

In 2003 Petrol Energetika Štore, d.o.o. was taken over by Petrol Energetika Ravne, d.o.o., which changed its name to Petrol Energetika d.o.o. On the basis of a recapitalisation of its investment in this company and the purchase of an interest from the trustee company in 2003, Petrol, d.d. increased its equity participation in Petrol Energetika d.o.o., Ravne from 80% at the end of 2002 to 91.2% at the end of 2003.

The decrease in non-current investments of SIT 946,285 thousand in 2003 is mostly comprised of the transfer of profits from companies in the Petrol Group totalling SIT 728,763 thousand (of which, SIT 558,638 thousand from Petrol-Trade H.m.b.H., Vienna and SIT 170,125 thousand from the joint venture Instalacija d.o.o., Koper).

Non-current loans receivable increased in 2003 by SIT 307,356 thousand, mostly relating to loans to:

- the subsidiary company Petrol Plin, d.o.o. (SIT 72,479 thousand);
- individual fuel oil transporters (SIT 179,176 thousand).

Non-current loans receivable decreased in 2003 by SIT 1,596,330 thousand, mostly relating to:

- the conversion of non-current loans thereby increasing current receivables from Petrol Trgovina d.o.o., Zagreb (SIT 640,178 thousand) for recapitalisation and subscription to new interests;
- the repayment of a loan by the subsidiary company Petrol Plin d.o.o. (SIT 666,101 thousand).

The fair market value of non-current investments in the shares of companies listed on the stock exchange at 31 December 2003 was SIT 239,497 thousand, while their book value was SIT 96,969 thousand as the Company does not revalue its investments on the basis of a rise in the market price.

Notes and tables to the financial statements Petrol, d.d.

Note 20: Non-current financial receivables – Petrol, d.d.

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Domestic long-term loans:	2,836,943	3,579,997	79
• to subsidiaries	2,034,499	2,652,133	77
• to affiliated companies	455,378	443,021	103
• to unaffiliated companies	227,461	350,279	65
• to others	119,605	134,564	89
Foreign non-current loans receivable – subsidiaries	143,021	808,740	18
Total	2,979,964	4,388,737	68

Investments in debt securities are carried at redemption value.

At 31 December 2003 the balance of non-current financial receivables of Petrol, d.d., Ljubljana from subsidiary companies was comprised of loans to Petrol Plin, d.o.o., Ljubljana of SIT 1,201,685 thousand and to Petrol Energetika, d.o.o. of SIT 832,814 thousand.

Non-current financial receivables from affiliated companies comprised a long-term loan to Aquasystems, d.o.o., Maribor of SIT 455,378 thousand.

Non-current financial receivables from other companies are mostly comprised of loans of SIT 164,298 thousand to road hauliers for purchase of road tankers.

Non-current financial receivables from others comprise housing loans to employees and former employees.

Non-current financial receivables from foreign subsidiaries are comprised of a loan of SIT 143,021 thousand to Petrol BH Oil Company, d.o.o., Sarajevo.

Note 21: Inventories – Petrol, d.d.

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Raw material	212,877	296,305	72
Other inventories	0	5,009	-
Finished goods	11,483,073	12,378,461	93
• oil products	8,217,852	9,359,401	88
• other oil products	669,330	680,478	98
• other merchandise	2,595,891	2,338,582	111
Total	11,695,951	12,679,776	92

Notes and tables to the financial statements Petrol, d.d.

Inventories of other merchandise are valued at purchase price, which also represents net realisable value.

During the 2003 physical inventory a net merchandise shortfall of SIT 215,089 thousand was established.

None of the Company's inventories are pledged as collateral for payables.

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

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Non-current trade receivables from subsidiaries:	7,127	0	-
• Petrol Energetika, d.o.o.	535,741	535,741	100
• Petrol Plin, d.o.o.	7,127	0	-
Adjustments to non-current trade receivables from subsidiaries:			
• Petrol Energetika, d.o.o.	(535,741)	(535,741)	100
Non-current trade receivables from others:	231,550	283,077	82
• municipal government	231,550	283,077	82
• Nafta Lendava, d.o.o.	337,616	328,454	103
Adjustments to non-current trade receivables from others:			
• Nafta Lendava, d.o.o.	(337,616)	(328,454)	103
Non-current customer leasing receivables from financial leasing	12,856	12,501	103
Total	251,533	295,578	85

Non-current receivables from subsidiaries are comprised principally of loans from the Slovenian Commodity Reserves Institute to Petrol Energetika, d.o.o. of SIT 535,741 thousand that have been assumed by Petrol, d.d. The Company 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 due from the municipality of Nova Gorica are the consequence of a legal settlement between Petrol d.d., Ljubljana and the municipality of Nova Gorica regarding a payment dispute over punitive taxes for environmental damage. The municipality of Nova Gorica will pay the underlying receivable together with contractual interest to Petrol d.d., Ljubljana in four annual instalments of SIT 91,927 thousand. The first instalment fell due for payment in 2003. At the end of the year the Company transfers the sum of the instalment falling due for payment in the following year to the current trade receivables category. At 31 December 2003 the balance of non-current trade receivables from the municipality of Nova Gorica was SIT 183,853 thousand.

Notes and tables to the financial statements Petrol, d.d.

Since 2003 the Company has also posted a non-current receivable of SIT 45,620 thousand from the municipality of Mengeš among non-current trade receivables. This relates to payment of a fee for a concession awarded by the municipality of Mengeš on the basis of the confirmed site plans of contractors for renovation of the municipal infrastructure in Mengeš. The amount of the concession fee, SIT 200 million, is set out in appendix no. 2 to the concession contract concluded between Petrol, d.d. and the municipality of Mengeš on 22 October 2003.

Under an agreement between Petrol, d.d., Ljubljana and the Slovenian Government concerning the conditions pertaining to the restructuring of Nafta Lendava, d.o.o., Petrol, d.d. was obliged to provide long-term operating assets of SIT 328,454 thousand for Nafta Lendava, d.o.o. In 2003 interest of SIT 9,162 thousand was added to the balance of this non-current receivable, which totalled SIT 337,616 thousand at 31 December 2003. 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., and therefore Petrol took a 100% charge against this receivable.

Note 23: Current trade receivables – Petrol, d.d.

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Domestic trade receivables	19,747,260	17,761,922	111
Charges against domestic trade receivables	(2,447,832)	(2,059,816)	119
Foreign trade receivables	1,340,131	1,421,104	94
Charges against foreign trade receivables	(427,278)	(87,712)	487
Trade receivables from subsidiaries	326,541	267,762	122
Trade receivables from affiliated companies	34,414	42,110	82
Trade receivables from joint ventures	11	0	-
Foreign account trade receivables	1,705	0	-
Other trade receivables	8,741,889	5,799,594	151
• government and other institutions	1,323,191	1,284,920	103
• warranties and advances	24,398	47,943	51
• other	6,011,691	4,638,475	33
• other trade receivables from subsidiaries	1,539,424	0	-
• other trade receivables from affiliated companies	15	0	-
• charges against other receivables	(156,830)	(171,744)	-
Total	27,316,841	23,144,964	118

Changes in charges against receivables – Petrol, d.d.

SIT 000	Current trade receivables	Current interest receivables	Total
Revaluation adjustments to receivables			
31 December 2002	(2,319,272)	(429,469)	(2,748,741)
Charges against receivables			
• effect on operating result (impairment of current receivables)	(827,462)	(22,895)	(850,357)
• no effect on operating result	(6,034)	(78,827)	(84,861)
Write-offs	120,828	38,871	159,699
31 December 2003	(3,031,940)	(492,320)	(3,524,260)

Notes and tables to the financial statements Petrol, d.d.

At 31 December 2003 the Company reported domestic customer receivables of SIT 19,747,260 thousand (of which SIT 1,932,564 thousand were doubtful or disputed). Of this amount, SIT 12,298,768 thousand were current and SIT 7,448,492 thousand were past due, and of these the majority (SIT 4,140,988 thousand) were not more than 60 days past due.

Charges taken against current trade receivables in the aggregate amount of SIT 2,447,832 thousand comprise SIT 1,095,037 thousand for receivables more than 60 days past due and SIT 1,352,795 thousand for receivables from customers in claims court, composition or bankruptcy proceedings. In accordance with adopted accounting policies the Company does not take a charge against the value of receivables from certain large customers, mostly construction companies, because they are offset. At 31 December 2003 the amount of charges not made against receivables from large customers was SIT 280,389 thousand.

At the end of the year the Company reported current trade receivables of SIT 1,340,131 thousand from foreign customers, of which SIT 641,187 thousand were current and SIT 698,944 thousand were past due.

A charge of SIT 427,278 thousand against receivables from foreign customers relates to unsecured due customer receivables, for most of which legal claims have been filed (SIT 419,910 thousand). The Company has not created a charge against the remaining due receivables (SIT 271,666 thousand), which are fully secured by hypothecation of assets or guarantees.

Current trade receivables from others of SIT 7,202,450 thousand include:

- receivables from holders of payment cards and individuals of SIT 5,296,768 thousand (comprising SIT 4,764,226 thousand from payment card sales and SIT 532,542 thousand from individuals based on sales by instalments);
- receivables from the state and government institutions of SIT 1,323,191 thousand (of which SIT 1,216,255 thousand are receivables arising from input VAT which have not yet been recognised);
- other receivables of SIT 739,321 thousand, which relate to external purchases made with Magna, UTA and DKW credit cards;
- a charge of SIT 156,830 thousand against current trade receivables from others, which relates principally to receivables from individuals.

Other current trade receivables from subsidiary companies of SIT 1,539,424 thousand are comprised of receivables for recapitalisation and subscription to new equity interests in the subsidiaries Petrol Trgovina d.o.o., Zagreb (SIT 1,351,232 thousand) and Petrol Skladiščenje, d.o.o. (SIT 188,192 thousand). The Company reports receivables for recapitalisation until it receives an extract from the register of companies which demonstrates that its equity interest has been entered in the register and which is the basis for the relevant entry to be made under investments in the books.

Significant outstanding current trade payables at 31 December 2003 by business partner:

SIT 000	Sum outstanding at 31.12.2003
Primorje d.d., Ajdovščina	796,771
Slovenske Železnice, d.o.o.	707,483
Nova KBM d.d., Aktiva payment card	535,709
NLB d.d., Eurocard payment card	441,244
CM Celje, d.d.	430,253

Notes and tables to the financial statements Petrol, d.d.

Note 24: Aging report of current trade receivables – Petrol, d.d.

SIT 000	Current	Aging report:				Total
		30 days overdue	31 till 60 days overdue	61 till 90 days overdue	More than 90 days overdue	
Current customer receivables	12,939,955	3,277,142	1,044,472	423,257	3,402,565	21,087,391
• domestic	12,298,768	3,174,249	966,739	363,958	2,943,546	19,747,260
• charges against	0	0	0	0	(2,447,832)	(2,447,832)
• foreign	641,187	102,893	77,733	59,299	459,019	1,340,131
• charges against	0	0	0	0	(427,278)	(427,278)
Current receivables from subsidiaries	315,955	10,085	13	29	459	326,541
Current receivables from affiliated companies	34,356	58	0	0	0	34,414
Current receivables from joint ventures	11	0	0	0	0	11
Foreign account trade receivables	1,705	0	0	0	0	1,705
Other current receivables	6,829,544	200,555	63,679	43,365	222,137	7,359,280
• charges against	0	0	0	0	(156,830)	(156,830)
Other current receivables from subsidiaries	1,539,151	262	11	0	0	1,539,424
Other current receivables from affiliated companies	15	0	0	0	0	15
Total	21,660,692	3,488,102	1,108,164	466,651	593,221	27,316,841

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

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Certificates of deposit	3,169,665	515,459	615
Current loans receivable to subsidiaries	91,478	72,270	127
Current loans receivable to other companies	594,560	986,628	60
Current investments in equities	2,292,637	13,407	-
Current investments in debt securities	4,109	15,367	27
Assets under management	17,623	17,623	100
Revaluation adjustments to current investments	(414,265)	(420,070)	99
Interest receivables from subsidiaries	0	23,607	-
Interest receivables from others	554,621	588,082	94
Revaluation adjustments to interest receivables	(492,320)	(429,469)	115
Total	5,818,108	1,382,904	421

Current investments are comprised of current loans receivable from subsidiary companies and other companies, short-term bank deposits, current investments in equities and debt securities, current interest receivable and the portion of non-current loans receivable falling due for payment within one year of the balance sheet date.

Investments in debt securities are carried at redemption value.

Current loans receivable from subsidiary companies of SIT 91,478 thousand at 31 December 2003 refer to the following subsidiaries:

- Petrol BH Oil Company d.o.o., Sarajevo (SIT 44,006 thousand);
- Petrol Plin d.o.o. (SIT 17,192 thousand);
- Petrol Energetika d.o.o. (SIT 30,280 thousand).

At 31 December 2003 the balance of current investments in other companies of SIT 594,560 thousand is comprised primarily of the current portion of non-current loans (SIT 106,307 thousand), current loans receiv-

Notes and tables to the financial statements Petrol, d.d.

able from other companies (SIT 13,000 thousand) and other current investments in other companies related to doubtful accounts (SIT 475,253 thousand) for which a charge of SIT 414,265 thousand has been taken.

Current interest receivable from others of SIT 554,621 thousand is comprised of:

- interest receivable from customers of SIT 155,102 thousand;
- interest receivable related to other current disputed investments of SIT 168,626 thousand;
- interest receivable related to composition and bankruptcy proceedings of SIT 218,280 thousand;
- interest receivable from loans of SIT 12,613 thousand.

In 2003 revaluation adjustments to interest receivable of SIT 492,320 thousand were comprised for the most part of the 100% impairment loss of interest receivable related to other current disputed investments (SIT 168,626 thousand) and the impairment loss of current interest receivable from customers (SIT 323,694 thousand).

The fair market value of current investments in the shares of companies listed on the stock exchange at 31 December 2003 was SIT 2,891,417 thousand (of which SIT 2,818,865 thousand was in NFD shares), while their book value was SIT 2,268,255 thousand (of which SIT 2,237,225 thousand was in NFD shares), as the Company does not revalue its investments on the basis of a rise in the market price.

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

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Cash and uncashed cheques	252,275	1,628,889	15
Domestic bank balances	1,034,639	979,995	106
Total	1,286,914	2,608,884	49

In 2003 Petrol, d.d. changed its accounting treatment of uncashed personal cheques to meet the requirements of the SRS accounting standards (2002) in relation to the sale of goods on credit. In previous years it included uncashed personal cheques as cash but in 2003 reported them as current trade receivables (SIT 532,542 thousand at 31 December 2003; SIT 1,210,021 thousand at 31 December 2002).

Note 27: Deferred costs and accrued revenues – Petrol, d.d.

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Current deferred costs	72,589	109,456	66
Accrued revenues	221,299	183,307	121
- due to foreign subsidiaries	1,497	4,576	33
- due to affiliated companies	64,576	31,469	205
Total	293,888	292,763	100

Notes and tables to the financial statements Petrol, d.d.

Accrued revenues of SIT 221,299 thousand comprise mainly:

- accrued interest income from due receivables (2003: SIT 112,228 thousand; 2002: SIT 147,387 thousand);
- accrued loan interest not yet due (2003: SIT 109,403 thousand; 2002: SIT 36,405 thousand). The increase in accrued interest not yet due in 2003 of SIT 72,998 thousand refers principally to interest on a loan to the affiliated company Aquasystems, d.o.o. (SIT 33,107 thousand) and interest on a tolar-denominated certificate of deposit with Banka Celje, d.d. (SIT 32,185 thousand).

Applying the principle of caution, accrued interest is not recorded among financial income but among accrued costs and deferred revenues.

Note 28: Equity – Petrol, d.d.

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Share capital	12,517,806	12,517,806	100
Capital reserves	54,991	23,880	230
Other reserves from profits	35,521,528	30,525,667	116
Accumulated profits	1,989,932	2,842,516	70
Net profit for the year	3,025,786	2,629,002	115
Capital inflationary adjustments	19,276,348	19,190,518	100
Total	72,386,391	67,729,389	107

Disclosure of operating results calculated on the basis of a general revaluation to preserve purchasing power in euros and on the basis of the consumer price index

SIT 000	In the income statement	Using EUR growth	Using consumer price index
General inflationary capital adjustment	-	1,873,798	3,093,673
Net profit for the year	6,051,573	4,177,775	2,957,900

Growth in Bank of Slovenia middle rate for EUR in 2003: 2.7893% (31/12/2003: SIT 236.6903 and 31/12/2002: SIT 230.2673).
Consumer price index in 2003: 4.6%

The share capital of Petrol, d.d. of SIT 12,517,806 thousand is divided among 2,086,301 common shares of which the nominal value per share is SIT 6,000. All the shares are paid-up in full.

All 2,086,301 common shares (code: PETG) are listed on the Ljubljana Stock Exchange. The market price per share on 31 December 2003 was SIT 56,207.53, compared to SIT 41,009 at the end of 2002. The book value per share on 31 December 2003 was SIT 34,692, compared to SIT 32,464 at the end of 2002.

Notes and tables to the financial statements Petrol, d.d.

At the 9th annual general meeting of Petrol, d.d., which took place on 27 May 2003, the shareholders adopted the following resolutions:

1. In accordance with the provisions of Articles 228, 274a and 282 of the Companies Act, the calculated profit generated by Petrol, d.d. in 2002 in the amount of SIT 5,471,518,003.12 will be distributed as follows:
 - dividends to be paid to shareholders of SIT 1,460,410,700.00 or SIT 700.00 per share (gross);
 - bonus payments to be made to the 12-member Supervisory Board under the profit sharing plan of SIT 70,959,050.90 (gross), payable in shares of the Company using the average market value of the shares in the first quarter of 2003, which was SIT 40,131.80;
 - SIT 1,970,074,126.11 to be transferred to other reserves from profit;
 - the method of distribution of accumulated profits of SIT 1,970,074,126.11 will be determined at some future date.
2. Profits from 1997 will be used to fund the payment of shareholder dividends and Supervisory Board bonuses.
3. Amendments to the Articles of Association of Petrol d.d., Ljubljana:

In the section of the Company's Articles of Association concerning increases and decreases in share capital, point 8 has been added which relates to the Company's approved capital. The general meeting confirmed that, subject to the consent of the Supervisory Board, the Management Board of the Company may, for an additional three years after the entry of the third amendment to the Articles of Association in the register of companies, without a specific resolution by the general meeting, increase the share capital of the Company by 20%, which represents a nominal amount of SIT 2,503,561,200.00 (approved capital). The purposes for which the approved capital may be used will be determined by the Management Board of the Company with the approval of the Supervisory Board.

In accordance with Article 228, paragraph 3, of the amended Companies Act (ZGD-F), the net profit for 2003 has been reduced by half and transferred to other reserves from profits.

In 2003 the Company took a special revaluation charge against capital of SIT 85,830 thousand which relates to the profits for 2003 from the affiliated and joint venture companies accruing to Petrol, d.d. on the basis of its interest as follows:

- SIT 83,121 thousand from affiliated companies (Aquasystems SIT 77,921 thousand and Ogrevanje Piran SIT 5,200 thousand);
- SIT 2,709 thousand from the joint venture company Geoenergo d.o.o.

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 growth in domestic consumer prices. If the Company revalued its capital accounts in 2003 to reflect their purchasing power in EUR (EUR/SIT exchange rate growth in 2003: 2.78%), net profits in 2003 would be reduced by SIT 1,873,798 thousand to a level of SIT 4,177,775 thousand. If the Company revalued its capital accounts in 2003 based on a coefficient derived from the domestic consumer price index (2003: 4.6%), net profits in 2003 would be reduced by SIT 3,093,673 thousand to a level of SIT 2,957,900 thousand.

Notes and tables to the financial statements Petrol, d.d.

Note 29: Calculated profit – Petrol, d.d.

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Obligatory distribution of net profits			
Net profits	6,051,573	5,258,004	115
- 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 distributions	6,051,573	5,258,004	115
- distributions to other reserves from profits	3,025,786	2,629,002	115
Remaining net profits	3,025,786	2,629,002	115
Calculated profit			
Remaining net profits	3,025,786	2,629,002	115
+ transferred net profits	1,989,932	2,842,516	70
+ other reserves from profits	2,068,575	0	-
Calculated profit	7,084,293	5,471,518	129

Note 30: Reserves from profit – Petrol, d.d.

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Regulatory reserves	14,772,468	14,739,247	100
Treasury share reserves	566,774	599,995	94
Other reserves from profits	20,182,286	15,186,425	133
Total	35,521,528	30,525,667	116

Other reserves from profits were increased by half of total net profits generated in 2003 (SIT 3,025,786 thousand) in accordance with a resolution passed at the 9th general meeting of shareholders regarding the distribution of calculated profits of SIT 1,970,074,126.11.

Note 31: Provisions – Petrol, d.d.

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Provisions for environmental investments	6,818,430	7,423,005	92
Provisions for capital improvements	2,037,366	2,037,365	100
Provisions from received donations	20,290	0	-
Total	8,876,086	9,460,370	94

Notes and tables to the financial statements Petrol, d.d.

The establishment of provisions for investments in the environmental modernisation of service stations, road tankers, fuel terminals and depots and the clean-up of the bitumen dump at Pesniški dvor was approved by the Ministry of the Environment as part of the Company's ownership transformation. These provisions, posted against the capital account in the Company's opening balance sheet in the initially recognised amount of SIT 5.357 billion on 1 January 1993, have been used as a source of funds for environmental improvements.

The unutilised portion of these provisions refers to the funds earmarked for the clean-up of the bitumen dump at Pesnica in the amount of SIT 1,322,887 thousand.

In 2003 the remaining provisions for investments in environmental assets of SIT 604,575 thousand were released as follows:

- SIT 487,053 thousand utilised to cover remaining environmental expenses: specifically, SIT 485,168 thousand for amortisation of environmental fixed assets, and the remainder representing the release of environmental fixed assets in 2003 in the amount of SIT 1,885 thousand,
- SIT 117,522 thousand utilised 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 programme.

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 in the period from 1 January 1994 to 31 December 2005. In 2003 the Company did not reduce its provisions for capital improvements nor did it release provisions for material costs because it is planning major maintenance work in 2004.

In 2003 the Company established provisions for fixed assets acquired without cost which are amortised on an annual basis. In 2003 the amortisation charge was SIT 118 thousand. At 31 December 2003 the balance of provisions for fixed assets acquired without cost was SIT 20,290 thousand.

Note 32: Non-current financial payables – Petrol, d.d.

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Non-current financial payables to banks	20,949,771	9,493,836	221
Non-current financial payables to others	986,210	1,367,602	72
Total	21,935,981	10,861,438	202

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, with a floating interest rate based on EURIBOR (except for tolar credit).

On 31 December 2003 the balance of non-current financial payables with maturities longer than five years was SIT 18,572,819 thousand.

Notes and tables to the financial statements Petrol, d.d.

On 31 December 2003 Petrol reported total non-current loans from banks in Slovenia of SIT 17,763,555 thousand, of which EUR 72,635,537 (SIT 17,192,127 thousand) was denominated in foreign currency and SIT 571,429 thousand was denominated in domestic currency. The balance of loans from foreign banks is comprised of foreign currency loans with a total value of EUR 13,461,537 (SIT 3,186,215 thousand).

At the end of the year Petrol, d.d. transferred the portion of non-current financial liabilities to banks maturing in 2004 of SIT 4,781,904 thousand into the current portion of long-term debt, of which SIT 4,496,190 thousand was denominated in foreign currency (EUR 7,644,436) and SIT 285,714 thousand in domestic currency.

Petrol, d.d. has a foreign currency loan of EUR 4,166,667 (SIT 986,210 thousand) from the Slovenian Export Corporation.

At the end of the year Petrol, d.d. transferred the portion of non-current financial liabilities to the Slovenian Export Corporation maturing in 2004 of EUR 833,333 (SIT 197,242 thousand) into the current portion of long-term debt.

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

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Non-current trade payables to others	9,987	9,716	103
Non-current trade payables to affiliated companies			
• Aquasystems, d.o.o.	0	129,219	-
Total	9,987	138,935	7

Non-current trade payables of SIT 9,987 thousand are comprised of trade payables from pooled funds for joint investment that are not yet due.

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

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Current finance payables to domestic subsidiaries	2,616,194	1,865,146	140
• Destilat, d.o.o.	1,418,525	1,613,978	88
• Hotel Špik, d.o.o.	24,625	4,761	517
• Petrol Plin, d.o.o.	435,338	0	-
• Petrol Gostinstvo, d.o.o.	314,445	211,376	149
• Petroservis, d.o.o.	21,112	35,031	60
• Petrol Energetika, d.o.o.	402,149	35,031	1,148
Current finance payables to foreign subsidiaries	1,899,031	0	-
• Cypet Oils Ltd	1,899,031	0	-
Current finance payables to banks	11,041,659	9,682,557	114
Current finance payables to others	297,243	9,660	3,077
Total	15,854,127	11,557,363	137

Notes and tables to the financial statements Petrol, d.d.

Current finance payables to subsidiary companies of SIT 2,616,194 thousand are comprised of deposits received from subsidiary companies.

Current finance payables to banks of SIT 11,041,659 thousand are comprised principally of:

- short-term domestic bank loans to cover excise and tax payments of SIT 6,250,000 thousand;
- interest payable on current loans of SIT 7,096 thousand;
- the portion of long-term debt falling due for payment in 2004 of SIT 4,781,904 thousand.

The main component of current finance payables to others (SIT 297,243 thousand) is the current portion of a long-term loan with a foreign currency clause from the Slovenian Export Corporation of EUR 833 thousand (SIT 197,242 thousand) which will fall due for payment in 2004.

Note 35: Current trade payables – Petrol, d.d.

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Current trade payables to subsidiaries:	10,014,301	13,834,590	72
• Destilat, d.o.o.	5,922	4,889	121
• Hotel Špik, d.o.o.	5,508	8,942	62
• Petrol Plin, d.o.o.	12,698	670,077	2
• Cypet Oils Ltd	7,263,937	8,972,447	81
• Petrol Trade H.m.b.H.	1,807,748	4,067,540	44
• Petrol BH Oil Company, d.o.o.	795,581	109	-
• Petrol Trgovina, d.o.o., Zagreb	1,586	46,377	3
• Petrol Gostinstvo, d.o.o.	52,507	58,209	90
• Petroservis, d.o.o.	60,864	0	-
• Petrol Skladiščenje, d.o.o.	7,950	6,000	133
Current trade payables to joint ventures	132,202	135,867	97
• Instalacija, d.o.o., Koper	132,202	135,867	97
Current trade payables to other suppliers:	11,139,243	10,009,075	111
• domestic suppliers	10,380,003	9,509,666	109
• foreign suppliers	759,240	499,409	152
Compensation payables	648,434	769,234	84
Government payables	13,235,925	12,168,256	109
Advances received	44,784	86,719	52
Other current payables to shareholders	108,362	0	-
Other current trade payables	366,473	465,447	79
Total	35,689,724	37,469,188	95

Current payables include obligations to government institutions as follows: customs and import duties payable (SIT 1,922,268 thousand), excise taxes payable (SIT 8,951,518 thousand), a payable arising from the difference between input VAT and output VAT (SIT 1,754,612 thousand), payables arising from fines for carbon dioxide emissions (SIT 411,898 thousand), an income tax liability (SIT 336,622 thousand) and other sundry payables.

Current trade payables to others of SIT 366,473 thousand are largely comprised of obligations related to purchases made with Magna payment cards at external (non-Petrol) purchase points (SIT 364,833 thousand).

Notes and tables to the financial statements Petrol, d.d.

Significant outstanding current trade payables at 31 December 2003 by business partner:

SIT 000	Sum outstanding at 31 Dec. 2003
Tobačna Grosist, d.o.o.	617,365
SGP Pomgrad, d.d.	600,529
Philip Morris Ljubljana, d.o.o.	584,070
Mobitel, d.d., Ljubljana	478,002
Nafta Strojna, d.o.o.	417,120
Agip Slovenija, d.o.o., Ljubljana	364,031
SCT, d.d., Ljubljana	318,990

Note 36: Accrued costs and deferred revenues – Petrol, d.d.

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Accrued costs	1,393,408	794,401	175
Deferred revenues	7,737	69,322	11
Total	1,401,145	863,723	162

Accrued costs or expenses are comprised largely of:

- accrued costs relating to the liability to pay a subscription fee to the Institute for Compulsory Stocks of Crude Oil and Petroleum Products based on the quantity of oil products sold (SIT 316,710 thousand);
- potential future outlays related to settlement of lawsuits where the probability exists that Petrol, d.d. will incur costs of SIT 456,196 thousand (of which SIT 159,027 thousand were booked in 2003);
- accrued current interest payments on loans of SIT 109,403 thousand;
- accrued default interest payments on due receivables of SIT 112,228 thousand;
- accrued expenses related to futures contracts entered into to hedge the Company's foreign exchange exposure of SIT 193,764 thousand.

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

SIT 000	Total annual compensation (not including profit sharing programme)**	Compensation under profit sharing programme (in accordance with shareholder resolutions)	Total
Supervisory Board:	63,998	70,959	134,957
• external advisors	7,341	36,705	44,046
• Petrol employees*	56,657	34,254	90,911
Management Board:	207,886	-	207,886
Contractual employees	1,333,335	-	1,333,335
Total	1,605,219	70,959	1,676,178

* Includes salaries and bonuses of internal members of Supervisory Board of SIT 52,185,000.

** Total annual compensation does not include reimbursement of expenses.

Notes and tables to the financial statements Petrol, d.d.

Note 38: Contingent liabilities and other off-balance sheet items

A) Contingent liabilities related to guarantees

At 31 December 2003 Petrol d.d., Ljubljana guaranteed the financial obligations of companies in the Petrol Group, principally to foreign banks, in the aggregate amount of SIT 31,032,015 thousand. At 31 December 2003 borrowings by Petrol Group companies of SIT 12,459,246 thousand 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	
	2003	2002	2003	2002
ING (BBL) Geneva	19,000,000	19,000,000	25,458	5,583,901
Credit Lyonnaise Paris	10,000,000	10,000,000		
BNP Paribas Geneva	22,000,000	22,000,000		
RZB Vienna	8,000,000	8,000,000	6,171,758	7,663,751
INA Zagreb	unlimited	2,267,555		2,267,555
Glencore Int AG,	unlimited	7,000,000	7,438,052	7,000,000
Statoil, Stavanger	25,000,000		8,889,848	
Total (Elf)	unlimited	16,107,276	8,310,560	16,107,276
Eni Sp.A.	unlimited			
Societe Generale	unlimited	unlimited		
Morgan Stanley	unlimited	unlimited		
Credit Lyonnais S.A. London	unlimited	unlimited		
Total in USD	84,000,000	84,374,831	30,835,676	38,622,483
Total in SIT	15,906,861,600	18,652,811,389	5,839,271,791	8,538,303,215

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

Bank / company	Value of guarantees in USD, ATS, EUR		Value of utilised guarantees in USD, ATS, EUR	
	2003	2002	2003	2002
RZB Vienna	USD 12,000,000	USD 12,000,000	USD 276,516	USD 4,607,727
Bank Austria Creditanstalt Vienna	USD 5,000,000	USD 5,000,000	USD 904,680	USD 1,239,361
Zveza slovenskih zadrug Klagenfurt	USD 5,000,000	USD 5,000,000	USD 119,746	
Bank Austria Creditanstalt Vienna	EUR 13,546,544			
Bank Austria Creditanstalt Vienna	EUR 1,453,457	ATS 20,000,000		
ING (BBL) Geneva	with Cypet Oils	with Cypet Oils	USD 12,997	
INA Zagreb	with Cypet Oils			
Glencore Int. AG,	with Cypet Oils			
Statoil, Stavanger	with Cypet Oils			
Total (Elf)	with Cypet Oils			
Eni Sp.A.	with Cypet Oils		USD 2,352,266	
Total in USD	40,748,500	23,513,920	3,666,204	5,847,088
Total in SIT	7,716,437,462	5,198,241,106	694,259,519	1,292,620,422

Notes and tables to the financial statements Petrol, d.d.

- Petrol Trgovina, d.o.o., Zagreb:

Bank / company	2003	Value of guarantees in USD, EUR, HRK	2003	Value of utilised guarantees in USD, EUR, HRK
		2002		2002
Ina d.d.	unlimited	HRK 7,247,463	HRK 13,513,378	HRK 7,247,463
Splitska banka d.d.(form. HVB Croatia d.d.)	HRK 3,000,000	HRK 3,000,000	HRK 3,000,000	HRK 3,000,000
Splitska banka d.d.(form. HVB Croatia d.d.)	EUR 4,000,000			
SKB d.d. Ljubljana	EUR 3,000,000	EUR 3,000,000	EUR 3,000,000	EUR 3,000,000
Slovenska izvozna družba d.d. Ljubljana	EUR 3,000,000	EUR 3,000,000	EUR 3,000,000	EUR 3,000,000
Slovenska izvozna družba d.d. Ljubljana	EUR 1,000,000	EUR 1,000,000	EUR 1,000,000	EUR 1,000,000
Total in USD	14,239,569	8,720,656	9,239,969	8,720,656
Total in SIT	2,696,510,200	1,927,882,364	1,749,749,000	1,927,882,364

In addition to the guarantees enumerated above, Petrol, d.d. also guarantees the obligations of its subsidiaries Petrol Plin, d.o.o. and Petrol Energetika, d.o.o., the joint venture Instalacija, d.o.o., Koper and the affiliated company Aquasystems, d.o.o.

Bank / company	2003	Value of guarantees SIT 000	2003	Value of utilised guarantees SIT 000
		2002		2002
for Petrol Plin d.o.o.	554,697	569,827	554,697	569,827
Bank Austria d.d., (expires 29. 04. 2005) Ljubljana, Občina Il. Bistrica				
for Instalacija d.o.o., Koper	889,481	865,340	391,776	491,381
Banque Societe Generale Paris (expires 30.04.2007)				
for Instalacija d.o.o., Koper	695,870	681,944	657,335	681,944
Banka Austria Creditanstalt AG Vienna (expires 15. 11. 2011)				
for Petrol Energetika d.o.o.	183,142	178,172	183,142	178,172
Österreichische Elektrizitätswirtschafts-Aktiengesellschaft				
for Aquasystems d.o.o., Maribor	2,389,018	2,695,403	2,389,018	2,695,403
multiple borrowers				
TOTAL IN SIT 000	4,712,207	4,990,686	4,175,967	4,616,727

B) Contingent liabilities related to lawsuits

At 31 December 2003 Petrol, d.d. had lawsuits filed against it by its customers and creditors with an aggregate total of SIT 977,462 thousand. The management of Petrol believes that the Company may experience losses as a result of certain of these lawsuits. Therefore, at 31 December 2003 the Company had short-term provisions specifically related to these claims of SIT 456,196 thousand (SIT 393,327 thousand at 31 December 2002).

Notes and tables to the financial statements Petrol, d.d.

C) Inventories not owned by Petrol

SIT 000	2003	2002
Inventories taken on commission	1,470,442	1,243,905
Commodity reserves of the Republic of Slovenia	9,322,572	1,602,489
Total	10,793,014	2,846,394

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

D) Foreign exchange contracts

At 31 December 2003 Petrol had contracts with banks for the future purchase and sale of foreign exchange (with exchange rates fixed for future settlement date) as follows:

Currency	2003 SIT 000	2003 in foreign currency	2002 SIT 000	2002 in foreign currency
Obligations in USD	(6,412,715)	(33,840,820)	(5,147,844)	(23,285,000)
Obligations in EUR	(757,948)	(3,203,065)	(23,947)	(104,044)
Receivables in EUR	6,603,348	27,899,523	5,273,519	22,901,777
Receivables in USD	761,079	3,996,000	24,086	108,000
(Deficit)/surplus	(193,764)		(125,814)	

All foreign exchange contracts are entered into in order to hedge against the foreign exchange risk arising from the purchase and sale of refined petroleum products.

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

Type of receivable, SIT 000	2003	2002
Current customer receivables	184,000	184,000
Total	184,000	184,000

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 2003.

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 billion.

Notes and tables to the financial statements Petrol, d.d.

Note 39: Subsequent events

Changes to the statutory foundations for company operations will begin to apply as a result of Slovenia joining the European Union on 1 May 2004.

At a session on 3 December 2003 the Management Board of Petrol d.d., Ljubljana adopted a resolution on the founding act of Destilat d.o.o. On the basis of this resolution in 2004 Destilat d.o.o. will change its name to Petrol Maloprodaja Slovenija d.o.o., Ljubljana. The renamed company will be responsible for Petrol Group retail sales in Slovenia.

At the end of 2003 discussions began between Petrol d.d., Ljubljana and a potential buyer of the Hotel Špik complex.

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Financial statements of parent company by activity

Notes to the financial statements by activity

In compiling its financial statements and annual report Petrol, d.d. is obliged to observe the provisions of the Commercial Public Services Act, which provides that in relation to an activity that is a commercial public service a company holding a concession must keep separate accounts under the provisions of the Companies Act, and in doing so shall follow Slovenian Accounting Standard 35.

Petrol d.d., Ljubljana engages in two activities that are commercial public services: in the fields of energy and utilities.

The company's energy activities involve the distribution and supply of natural gas and the management of a distribution network, for which it has obtained a licence and concluded three concession contracts with the municipalities of Trzin, Mengeš and Domžale. Under the provisions of the Energy Act this constitutes an energy activity in the area of natural gas supply for which the company must compile separate financial statements, have them audited and publish the audited financial statements.

The utilities businesses in which Petrol d.d., Ljubljana is engaged are the treatment of municipal water, waste water and rainwater, for which it has concluded two concession contracts with the municipalities of Murska Sobota and Mežica.

For 2003, Petrol d.d., Ljubljana has compiled a balance sheet at 31 December 2003 and income and cash flow statements for 2003 separately for natural gas distribution and supply, water treatment and other activities as required by law.

Financial statements of parent company by activity

Basic rules and criteria for allocating assets, liabilities, income and expenses to particular activities

Cost centres are defined by the individual concessions or contracts to take over the performance of an activity. All assets, liabilities, income and expenses directly connected with a particular cost centre of a concession are recognised directly under that cost centre.

The company has not received any budget subsidies. All intangible assets and fixed assets are financed from the company's own sources.

All transactions with the owners and companies with the same owners are presented in the notes to the full financial statements of Petrol d.d., Ljubljana.

Financial statements of parent company by activity

Balance sheet – Petrol, d.d. by commercial public service activity at 31.12.2003

SIT 000	Natural gas distribution and supply	Water treatment	Market activities	Total
A) NON-CURRENT ASSETS				
I. Intangible assets	443,207	364,206	362,832	1,170,245
II. Fixed assets	905,131	1,285,695	71,775,954	73,966,780
III. Non-current investments	0	0	34,353,181	34,353,181
Total non-current assets	1,348,338	1,649,901	106,491,967	109,490,206
B) CURRENT ASSETS				
I. Inventories	14,171	0	11,681,780	11,695,951
II. Trade receivables	99,250	0	27,469,124	27,568,374
a) Non-current trade receivables	45,620	0	205,913	251,533
b) Current trade receivables	53,630	0	27,263,211	27,316,841
III. Current investments	0	0	5,818,108	5,818,108
IV. Cash and cash equivalents	901	0	1,286,013	1,286,914
Total current assets	114,322	0	46,255,025	46,369,347
C) Deferred costs and accrued revenues	277	0	293,611	293,888
TOTAL ASSETS	1,462,937	1,649,901	153,040,603	156,153,441
A) EQUITY				
II. Share capital	854,457	1,164,939	10,498,410	12,517,806
II. Capital reserves	0	0	54,991	54,991
III. Reserves from profits*	24,865	0	35,496,663	35,521,528
IV. Accumulated profits	1,393	0	1,988,539	1,989,932
V. Net profit for the year*	(90,521)	(14,995)	3,131,302	3,025,786
VI. Capital inflationary adjustments	13,493	0	19,262,855	19,276,348
Total equity	803,687	1,149,944	70,432,760	72,386,391
B) PROVISIONS				
Provisions for donations received	0	0	20,290	20,290
Other provisions	0	0	8,855,796	8,855,796
Total provisions	0	0	8,876,086	8,876,086
C) FINANCE AND TRADE PAYABLES				
I. Non-current finance and trade payables				
a) Non-current finance payables	0	0	21,935,981	21,935,981
b) Non-current trade payables	0	0	9,987	9,987
Total non-current liabilities	0	0	21,945,968	21,945,968
II. Current finance and trade payables				
a) Current finance payables	122,077	0	15,732,050	15,854,127
b) Current trade payables	525,317	499,957	34,664,450	35,689,724
Total current liabilities	647,394	499,957	50,396,500	51,543,851
D) Accrued costs and deferred revenues	11,856	0	1,389,289	1,401,145
TOTAL EQUITY AND LIABILITIES	1,462,937	1,649,901	153,040,603	156,153,441

* In accordance with Article 228, paragraph 3, of the amended Companies Act (ZGD-F), undistributed net profits have been reduced by half and transferred to the reserve account.

Financial statements of parent company by activity

Petrol d.d., Ljubljana has broken down its balance sheet at 31 December 2003 as follows:

- intangible assets and fixed assets are allocated as they are posted to cost centres;
- inventories are allocated as they are posted to cost centres;
- non-current trade receivables are allocated as they are posted to cost centres;
- current trade receivables refer to customer receivables and are allocated to profit centres depending on the profit centre to which the customer belongs;
- cash and cash equivalents are allocated in accordance with key 1;
- deferred costs and accrued revenues are allocated as they are posted to cost centres;
- where there are differences between assets and liabilities, share capital is allocated by activity depending on whether there is a surplus of assets over liabilities or vice versa in a particular activity;
- reserves from profit, accumulated profits and adjustments to capital are allocated in accordance with key 1;
- net profit for the year is allocated in accordance with key 2;
- the key for allocation of current finance payables is the same as the key for allocation of finance payables under concessions. The basis for calculating the key is the full value of an investment in a particular concession from the start of the investment to the end of 2003;
- current trade payables refer to payables to suppliers and are allocated as they are posted to cost centres.

Keys

Key 1 is calculated on the basis of net sales revenues in the current year.

Key 2 is calculated on the basis of the income statement for a particular activity.

Financial statements of parent company by activity

Income statement – Petrol, d.d. by commercial public service activity in 2003

SIT 000	Natural gas distribution and supply	Water treatment	Market activities	Total
Revenues from sale of services	16,581	0	4,352,417	4,368,998
Revenues from sale of goods	180,363	0	279,788,397	279,968,760
Net sales revenues	196,944	0	284,140,814	284,337,758
Cost of sales	(133,441)	0	(246,414,665)	(246,548,106)
Gross profit	63,503	0	37,726,149	37,789,652
Material	(860)	0	(1,446,346)	(1,447,206)
Services	(92,944)	0	(17,606,505)	(17,699,449)
Compensation	0	0	(8,016,757)	(8,016,757)
Amortisation	(18,672)	(14,995)	(5,417,255)	(5,450,922)
Impairment of fixed assets	0	0	(797,560)	(797,560)
Impairment charge on receivables	0	0	(893,181)	(893,181)
Other expenses	0	0	(484,376)	(484,376)
Operating expenses	(112,476)	(14,995)	(34,661,980)	(34,789,451)
Other operating income	0	0	1,793,167	1,793,167
Other operating expenses	255	0	(263,125)	(262,870)
Operating profit	(48,718)	(14,995)	4,594,211	4,530,498
Finance income	0	0	8,226,222	8,226,222
Finance costs	(41,782)	0	(5,371,603)	(5,413,385)
Income from continuing operations	(90,500)	(14,995)	7,448,830	7,343,335
Extraordinary income	0	0	31,556	31,556
Extraordinary expenses	(21)	0	(986,675)	(986,696)
Extraordinary items	(21)	0	(955,119)	(955,140)
Profit before tax	(90,521)	(14,995)	6,493,711	6,388,195
Income tax expenses	0	0	(336,622)	(336,622)
Net profit for the year	(90,521)	(14,995)	6,157,089	6,051,573

Petrol d.d., Ljubljana has broken down its income statement for 2003 as follows:

- net sales revenues are allocated as they are posted to cost centres;
- cost of sale of goods and materials is allocated as it is posted to cost centres;
- costs of materials and services are allocated as they are posted to cost centres;
- costs of amortisation are allocated as they are posted to cost centres;
- other expenses, other operating expenses and extraordinary income and expenses are allocated as they are posted to cost centres;
- the key for division of finance costs is the same as the key for division of finance liabilities based on concessions. The basis for calculating the key is the full value of an investment in a particular concession from the start of the investment to the end of 2003.

Financial statements of parent company by activity

Cash flow statement – Petrol, d.d. by commercial public service activity in 2003

SIT 000	Natural gas distribution and supply	Water treatment	Market activities	Total
Cash from operating activities	145,737	0	283,009,857	283,155,594
Operating income	197,199	0	284,197,652	284,394,851
Extraordinary income from continuing operations	0	0	31,556	31,556
Change in trade receivables	(51,185)	0	(1,218,503)	(1,269,688)
Change in deferred costs and accrued revenues	(277)	0	(848)	(1,125)
Cash used in operating activities	(266,419)	(496,941)	274,280,469	273,517,109
Operating costs less amortisation, depreciation and provisions	227,245	0	271,161,750	271,388,995
Extraordinary expenses from continuing operations	21	0	986,675	986,696
Taxes paid	0	0	336,622	336,622
Change in inventories	12,207	0	(996,032)	(983,825)
Change in trade payables	(494,036)	(496,941)	3,036,660	2,045,683
Change in accrued cost and deferred revenues	(11,856)	0	(245,206)	(257,062)
Net cash from/(used in) operating activities	412,156	496,941	8,729,388	9,638,485
Cash from investing activities	0	0	3,059,648	3,059,648
Investment income (not including revaluation)	0	0	3,059,648	3,059,648
Cash used in investing activities	864,833	1,290,717	22,346,726	24,502,276
Net increase in intangible assets (not including revaluation)	507	8,288	108,427	117,222
Net increase in fixed assets (not incl. revaluation and cap. inv.)	864,326	1,282,429	10,569,363	12,716,118
Net increase in non-current investments (not incl. revaluation)	0	0	7,231,806	7,231,806
Net increase in current investments (not incl. revaluation)	0	0	4,437,130	4,437,130
Net cash from/(used in) investing activities	(864,833)	(1,290,717)	(19,287,078)	(21,442,628)
Cash from financing activities	493,534	793,776	15,311,660	16,598,970
Finance income	0	0	1,662,019	1,662,019
Increase in capital (not including net profit)	460,449	793,776	(1,223,114)	31,111
Net increase in non-current financial liabilities (not incl. revaluation)	0	0	10,613,395	10,613,395
Net increase in current financial liabilities (not incl. revaluation)	33,085	0	4,259,360	4,292,445
Cash used in financing activities	41,782	0	6,075,015	6,116,797
Finance costs	41,782	0	4,445,981	4,487,763
Net decrease of provisions (not including revaluation)	0	0	117,522	117,522
Decrease in shareholder payables (dividends and other participations)	0	0	1,511,512	1,511,512
Net cash from/(used in) financing activities	451,752	793,776	9,236,645	10,482,173
Net increase/(decrease) in cash and cash equivalents	(925)	0	(1,321,045)	(1,321,970)
Cash and cash equivalents at end of year	901	0	1,286,013	1,286,914
Net increase/(decrease) in cash and cash equivalents	(925)	0	(1,321,045)	(1,321,970)
Cash and cash equivalents at beginning of year	1,826	0	2,607,058	2,608,884

Additional notes in accordance with the Securities Market Act

The Petrol Prospectus is published on the company's website. In accordance with Article 63 of the Securities Market Act all amendments to the Prospectus are published each year in the Annual Report, which is also published on the company's website and on the website of the Stock Exchange (SEONET).

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Accounting report Petrol Group 2003

Presentation of the Petrol Group

In accordance with the SRS accounting standards the Petrol Group is comprised of the parent company, subsidiary companies, joint venture companies and affiliated companies:

	Country	Petrol, d.d.'s capital investment (%) 31. 12. 2003	Petrol, d.d.'s capital investment (%) 31. 12. 2002
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., Logatec	Slovenia	100	100
Petrol Skladiščenje, d.o.o., Ljubljana	Slovenia	100	100
Petroservis, d.o.o., Ljubljana	Slovenia	100	100
Petrol - Energetika Ravne, d.o.o.	Slovenia	91.20	80
Petrol - Energetika Štore, d.o.o.	Slovenia	0	80
Cypet Oils Ltd, Limassol	Cyprus	100	100
Petrol-Trade, H.m.b.H., Vienna	Austria	100	100
-Cypet Trade Ltd, Limassol	Cyprus	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., Belgrade	Serbia & Montenegro	100	100
2. Joint ventures			
Instalacija, d.o.o., Koper	Slovenia	49	49
Geoenergo, d.o.o.	Slovenia	50	50
3. Affiliated companies			
Ogrevanje Piran, d.o.o.	Slovenia	40	40
Aquasystems, d.o.o.	Slovenia	26	26

In 2003 the following changes took place within the Petrol Group:

Petrol d.o.o. Belgrade, a wholly owned subsidiary of Petrol d.d., Ljubljana, began operations on 1 January 2003.

In December 2003 the parent company began preparations for an expansion of Petrol Skladiščenje d.o.o. that will see it take over management of all Petrol's warehouse operations in 2004.

Petroservis, d.o.o. began operations on 1 January 2003. At the end of the year the parent company reorganised Petroservis, d.o.o. to combine all the plant and equipment maintenance operations in the Petrol Group within this subsidiary.

In June 2002 Petrol, d.d. acquired an 80% interest in two energy companies, Energetika Ravne, d.o.o. and Energetika Štore, d.o.o., which produce and distribute energy in the economic zones of Ravne and Štore. By the end of 2002 the process had begun for the takeover of Petrol-Energetika Štore, d.o.o. by Petrol-Energetika Ravne, d.o.o. Consequently, on 1 April 2003 the two companies merged to form Petrol Energetika, d.o.o., which the parent company recapitalised on 24 September 2003 and subsequently bought up the interest of the trustee company. At 31 December 2003 Petrol, d.d. held a 91.2% interest in this company.

Accounting report Petrol Group 2003

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

All companies in the Petrol Group reported positive business results in 2003 and generated an aggregate net profit of SIT 1,624,259 thousand. Part of the profit (SIT 1,538,428 thousand) increases the financial income of the parent company and refers to:

- SIT 1,230,968 thousand from subsidiaries;
- SIT 307,460 thousand from the joint venture company Instalacija d.o.o., Koper;

and the remaining SIT 85,831 thousand increases the special inflationary adjustments to capital.

The financial statements of all the subsidiary companies have been audited and all the auditor's opinions are unqualified. 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; Destilat, d.o.o., Ljubljana, Petrol Plin, d.o.o., Ljubljana, Petrol Gostinstvo, d.o.o., Ljubljana, Hotel Špik, d.o.o., Gozd Martuljek, Petrol Skladiščenje d.o.o. Ljubljana, Petroservis d.o.o., Ljubljana and Petrol Energetika d.o.o. Ravne were audited by Deloitte&Touche revizija, d.o.o. Ljubljana; Petrol Trgovina, d.o.o. Zagreb was audited by Deloitte&Touche, d.o.o., Zagreb and Petrol BH Oil Company d.o.o. Sarajevo, was audited by Deloitte&Touche, d.o.o., Sarajevo.

Deloitte&Touche revizija, d.o.o., Ljubljana also reviewed the audited financial statements and accompanying financial data for the purpose of the consolidation of Cypet Oils, Ltd, Cypet-Trade, Ltd and Petrol-Trade, H.m.b.H., Vienna, confirming the correctness of the accounts in the context of the material financial data that was included in the financial statements of the parent company Petrol, d.d., Ljubljana and the 2003 consolidated statements of the Petrol Group.

Fundamental accounting principles of the consolidated financial statements

The consolidated financial statements are prepared in accordance with Slovenian Accounting Standards (SRS). According to these standards, the following entities are consolidated:

- the parent company;
- companies that are subsidiaries on the basis of the parent company's interest in their equity;
- companies that are subsidiary to the parent company because of its dominant management control for other reasons;
- affiliated companies in which the parent company has substantial but not dominant management control;
- joint ventures.

It is considered that the parent company enjoys substantial management control in an affiliated company if its interest in the affiliate's equity 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.

Accounting report Petrol Group 2003

The following accounts are not included in the consolidated statements:

- the accounts of subsidiaries that the parent company intends to direct only temporarily because it has the intention of selling its interest in them 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.

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 31 December 2003 the Petrol Group consolidated statements included the accounts of the parent company Petrol d.d., Ljubljana, seven domestic and six foreign subsidiaries, two joint ventures and two affiliated companies. These companies form part of the Petrol Group and are therefore included in its consolidated statements.

In the compilation of the consolidated financial statements the same accounting principles and valuation methods are used for similar transactions and other financial events in similar circumstances; these are the accounting principles which the parent company uses in the preparation of its unconsolidated financial statements and which are presented in detail in Part Three of the Financial Statements section of the Annual Report.

Non-current investments in affiliated companies and joint ventures

Non-current investments in affiliated companies and joint ventures included in the consolidated financial statements are valued according to the equity method.

In accordance with the SRS the parent company increases its financial income by the amount of the revaluation of non-current investments in the joint venture company Instalacija d.o.o., Koper because the profits will definitely be paid in the future. But sums received from the distribution of net profit are reduced by the sum of investments on the books of the parent company.

The parent company increases its revaluation adjustment to capital in connection with non-current investments by the amount of the revaluation of non-current investments in affiliated companies and the joint venture company Geoenergo d.o.o. because the profits will definitely be paid in the future. But sums received from the distribution of net profit are subsequently reduced in the financial accounts of the parent company by the revaluation adjustments to capital and increased by financial income.

Acquisitions, goodwill and negative goodwill in the consolidated balance sheet

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

Accounting report Petrol Group 2003

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.

Methods of converting the financial statements of subsidiaries located abroad

In the conversion from a foreign currency in which the primary financial statements of subsidiaries are prepared into the reporting currency of the parent company the following procedures are observed:

- assets and liabilities, both monetary and non-monetary, are converted using the middle exchange rate of the Bank of Slovenia at the balance sheet date;
- income and expenses are converted using the average middle exchange rates of the Bank of Slovenia in the financial year;
- exchange differences arising as a result of this conversion are classified as an equity item until the net investment is disposed of.

Equity of parent company and minority interest

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 values on the consolidated balance sheet using the prevailing exchange rate at the balance sheet date.

Also included in the consolidated balance sheet as a component of capital is a specific adjustment to capital which refers to the adjustment of the operating results of individual foreign subsidiaries between the average and the closing exchange rate for particular foreign currencies.

Net income of subsidiaries generated during the accounting period is distributed proportionately to 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.

Also disclosed in the consolidated financial statements is the effect of deferred tax liabilities, which refers to the elimination of unrealised profits in inventories.

The degrees of materiality in the disclosure are the same as with the parent company and are described in Part Three of the Financial Statements section of the Annual Report.

Deloitte.

INDEPENDENT AUDITORS' REPORT

To the shareholders of the company

PETROL, Slovenska energetska družba, d.d., Ljubljana

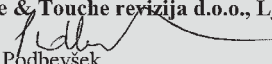
We have audited the accompanying consolidated balance sheet of PETROL, Slovenska energetska družba, d.d., Ljubljana and subsidiaries (»the Company«) as of December 31, 2003 and the related statements of income, cash flows and changes in equity and notes to the financial statements for the year then ended. We have also reviewed the Company's management business report. These financial statements and the business report 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, enumerated in the first paragraph, present fairly, in all material respects, the financial position of the Company as of December 31, 2003, 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 consistent with the audited financial statements.

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


Alenka Podbevšek
Director / Partner
Certified Auditor


Jelka Blejčec
Certified Auditor

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

Ljubljana, March 12, 2004

Audit, Tax, Consulting, Financial Advisory of the financial statements of the company
Slovenia. Družba je članica Deloitte Touche Tohmatsu

Accounting report Petrol Group 2003

Consolidated income statement – Petrol Group

SIT 000	Note	2003	2002	Index 03/02
Net sales revenues	A., 01.;	303,571,939	277,394,183	109
Cost of sales	B., 02.;	(259,887,685)	(236,462,761)	110
Gross profits		43,684,254	40,931,422	107
Distribution costs	C., 02.;	(29,598,666)	(28,318,959)	105
Administrative expenses	C., 02.;	(11,100,498)	(10,095,238)	110
Other operating income		1,933,103	1,478,920	131
Operating profit		4,918,193	3,996,145	123
Income from joint ventures		307,460	1,202,972	26
Income from affiliated companies		0	42,324	-
Other income from shareholding investments		1,259,037	452,893	278
Income from non-current investments		137,889	154,032	90
Income from current investments		5,347,454	4,640,770	115
Finance income	E., 03.;	7,051,840	6,492,990	109
Impairment of investments		(459,884)	(1,435,481)	32
Interest and other finance costs		(5,091,969)	(3,743,741)	136
Finance costs	E., 04.;	(5,551,853)	(5,179,222)	107
Income from continuing operations		6,418,180	5,309,913	121
Extraordinary income	F., 05.;	79,110	96,935	82
Extraordinary expenses	F., 06.;	(10,837)	(20,811)	52
Income from discontinuing operations		68,273	76,124	90
Profit before tax		6,486,453	5,386,037	120
Income tax expense	G., 07.;	(478,042)	(72,841)	656
Net profit for the year		6,008,411	5,313,196	113
Net profit of the parent company		6,002,512	5,310,767	113
Net profit of minority shareholders		5,899	2,429	243

Accounting report Petrol Group 2003

Business segments – Petrol Group

SIT 000	2003	2002	Index 03/02
Net sales revenues			
Oil products and other oil products	259,776,027	245,282,485	106
Supplementary products and other merchandise	36,554,215	28,478,623	128
Services	7,241,697	3,633,074	199
Total	303,571,939	277,394,182	109

Geographical segments – Petrol Group

SIT 000	2003	2002	Index 03/02
Net sales revenues			
Slovenia	282,608,124	259,467,728	109
Croatia	9,785,390	6,213,974	157
Bosnia and Herzegovina	7,925,606	8,786,423	90
Austria	37,218	79,528	47
Other countries	3,215,601	2,846,530	113
Total	303,571,939	277,394,183	109

Accounting report Petrol Group 2003

Consolidated balance sheet – Petrol Group

SIT 000	Note	31. 12. 03	31. 12. 02	Index 03/02
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	H., 08.;	2,106,337	1,326,238	159
Fixed assets	H., 09.;	91,142,017	80,654,687	113
Non-current investments	I., 10.;	8,765,736	8,932,961	98
Total non-current investments		102,014,090	90,913,886	112
CURRENT ASSETS				
Inventories	L., 11.;	12,525,451	13,438,252	93
Non-current trade receivables	M., 12.;	355,283	295,578	120
Current trade receivables	N., 13.;	29,458,503	26,069,425	113
Current investments	I., 14.;	7,840,283	1,715,625	457
Cash and cash equivalents	O.;	1,793,054	5,076,048	35
Total current assets		51,972,574	46,594,928	112
Deferred costs and accrued revenues	P., 15.;	336,625	337,972	100
TOTAL ASSETS		154,323,289	137,846,786	112
EQUITY AND LIABILITIES				
EQUITY				
Share capital		12,517,806	12,517,806	100
Capital reserves		54,991	23,880	230
Other reserves from profits *		35,521,528	30,525,667	116
Accumulated profits		2,015,555	2,860,310	70
Undistributed net profit for the year*		2,976,726	2,686,767	111
General capital inflationary adjustments		19,190,518	19,190,518	100
Special capital inflationary adjustments		85,830	0	-
Specific adjustments to capital		(67,840)	(49,936)	136
Total equity not including minority interests	R., 16.;	72,295,114	67,755,012	107
Minority interests		185,213	326,870	57
Total equity	R., 16.;	72,480,327	68,081,882	106
PROVISIONS				
Provisions from donations received		20,290	0	-
Other provisions		9,118,558	10,083,911	90
Total provisions	S., 17.;	9,138,848	10,083,911	91
NON-CURRENT LIABILITIES				
Non-current finance payables	T., 18.;	23,599,866	12,485,974	189
Non-current trade payables	U., 19.;	18,743	138,935	13
Total non-current liabilities		23,618,609	12,624,909	187
CURRENT LIABILITIES				
Current finance payables	T., 20.;	12,899,364	14,100,528	91
Current trade payables	U., 21.;	34,472,333	31,874,369	108
Total current liabilities		47,371,697	45,974,897	103
Accrued costs and deferred revenues	J., V., 22.;	1,713,808	1,081,187	159
TOTAL EQUITY AND LIABILITIES		154,323,289	137,846,786	112

* In accordance with Article 228, paragraph 3, of the amended Companies Act (ZGD-F), undistributed net profit for the year has been reduced by SIT 3,025,786 and transferred to the reserve account.

Accounting report Petrol Group 2003

Consolidated cash flow statement – Petrol Group

SIT 000	2003	2002	Index 03/02
Cash from operating activities	300,612,070	276,251,910	109
Operating income	303,716,367	278,198,317	109
Extraordinary income from continuing operations	79,110	96,935	82
Change in trade receivables	(3,184,754)	(2,004,176)	159
Change in deferred costs and accrued revenues	1,347	(39,166)	-
Cash used in operating activities	285,672,286	266,216,210	107
Operating costs less amortisation, depreciation and provisions	288,788,969	266,447,122	108
Extraordinary expenses from continuing operations	10,837	20,811	52
Income taxes paid and other taxes	478,042	72,841	656
Change in inventories	(912,801)	3,591,431	-
Change in trade liabilities	(2,340,501)	(3,436,108)	68
Change in accrued costs and deferred revenues	(352,260)	(479,887)	73
Net cash from/(used in) operating activities	14,939,784	10,035,700	149
Cash from investing activities	2,506,257	1,761,409	142
Investment income (not including revaluation)	2,363,706	1,658,619	143
Net decrease in non-current investments (not including revaluation)	142,551	0	-
Net decrease in current investments (not including revaluation)	0	102,790	-
Cash used in investing activities	25,267,425	20,521,335	123
Investment costs (not including revaluation)	0	1,416,862	-
Net increase in intangible assets (not including revaluation)	1,000,522	942,366	106
Net increase of fixed assets (not including revaluation and capital investments)	18,140,319	17,367,888	104
Net increase in non-current investments (not including revaluation)	0	794,219	-
Net increase of current investments (not including revaluation)	6,126,584	0	-
Net cash from/(used in) investing activities	(22,761,168)	(18,759,926)	121
Cash from financing activities	12,575,537	13,505,917	93
Finance income (not including revaluation)	1,891,682	3,617,957	52
Increase in capital (not including net profits)			
Majority shareholders	31,111	21,215	147
Minority shareholders	0	323,412	-
Net increase in provisions (not including revaluation)	0	300,415	-
Net increase of non-current financial payables (not including revaluation)	10,652,744	4,084,233	261
Net increase of current financial payables (not including revaluation)	0	5,158,685	-
Cash used in financing activities	8,037,147	4,824,959	167
Financial costs	4,697,669	3,506,105	134
Decrease in capital (not including losses)			
Minority shareholders	147,556	0	-
Net decrease in provisions (not including revaluation)	478,301	0	-
Net decrease current financial payables	1,202,109	0	-
Decrease in payables to shareholders (dividends and other participations)	1,511,512	1,318,854	115
Net cash from/(used in) investing activities	4,538,390	8,680,958	52
Net increase/(decrease) in cash and cash equivalents	(3,282,994)	(43,268)	-
Cash and cash equivalents at end of year	1,793,054	5,076,048	35
Net increase/(decrease) in cash and cash equivalents	(3,282,994)	(43,268)	-
Cash and cash equivalents at beginning of year	5,076,048	5,119,316	99

Accounting report Petrol Group 2003

Consolidated statement of changes in equity – Petrol Group

SIT 000	Share capital	Capital reserves	Regulatory capital
Balance at 31 December 2001	12,517,806	2,665	14,701,323
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			
Distribution of profits to other capital accounts by resolution of Management and Supervisory Boards	0	0	0
Release of treasury share reserves and distribution to other capital accounts	0	0	37,924
Distribution of calculated profit to other reserves from profits by resolution of Management and Supervisory Boards	0	0	0
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
Losses on foreign exchange differences	0	0	0
Balance at 31 December 2002	12,517,806	23,880	14,739,247
Transfers into capital accounts			
Transfer from income for the year	0	0	0
Transfer of special capital inflationary adjustments	0	0	0
Other increases to capital	0	31,111	0
Transfers within capital accounts			
Distribution of profits to other capital accounts by resolution of Management and Supervisory Boards	0	0	0
Release of treasury share reserves and distribution to other capital accounts	0	0	33,221
Distribution of calculated profit to other reserves from profits by resolution of general meeting	0	0	0
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
Losses on foreign exchange differences	0	0	0
Balance at 31 December 2003	12,517,806	54,991	14,772,468

Accounting report Petrol Group 2003

Treasury share reserves	Other reserves from profits	Accumulated profits	Net profit for the year	General capital inflationary adjustments	Special capital inflationary adjustments	Specific adjustments to capital	Total capital
637,919	10,433,462	4,058,715	2,152,674	19,190,518	0	46,801	63,741,883
0	0	0	5,360,703	0	0	0	5,360,703
0	0	0	0	0	0	0	21,215
0	2,629,002	44,934	(2,673,936)	0	0	0	0
(37,924)	0	0	0	0	0	0	0
0	2,842,516	(2,842,516)	0	0	0	0	0
0	0	2,199,476	(2,152,674)	0	0	(46,801)	0
0	(718,555)	(600,299)	0	0	0	0	(1,318,854)
0	0	0	0	0	0	(49,936)	(49,936)
599,995	15,186,425	2,860,310	2,686,767	19,190,518	0	(49,936)	67,755,012
0	0	0	6,002,512	0	0	0	6,002,512
0	0	0	0	0	85,830	0	85,830
0	0	0	0	0	0	0	31,111
0	3,025,786	0	(3,025,786)	0	0	0	0
(33,221)	0	0	0	0	0	0	0
0	1,970,074	(1,970,074)	0	0	0	0	0
0	0	2,636,831	(2,686,767)	0	0	49,936	0
0	0	(1,511,512)	0	0	0	0	(1,511,512)
0	0	0	0	0	0	(67,840)	(67,840)
566,774	20,182,286	2,015,555	2,976,726	19,190,518	85,830	(67,840)	72,295,114

Accounting report Petrol Group 2003

Employees classified by education level (including employees of franchise service stations) – Petrol Group

	31. 12. 03	31. 12. 02	Index 03/02
Level I	100	121	83
Level II	234	244	96
Level III	49	65	75
Level IV	965	951	101
Level V	870	849	102
Level VI	103	96	107
Level VII	234	218	107
Master's degrees and doctorates	26	25	104
Total	2,581	2,569	100
*of which, employees of franchise service stations	985	937	105

Notes and tables to the financial statements Petrol Group

Note 1: Net sales revenues – Petrol Group

SIT 000	2003	2002	Index 03/02
Goods	296,330,242	273,761,108	108
Services	7,187,911	3,596,280	200
Capitalised services	53,786	36,794	146
Total	303,571,939	277,394,182	109

The parent company generated 93% of the group net sales revenues. Petrol Trgovina d.o.o., Zagreb accounted for 3.2% and the other companies in the group made up the difference.

Note 2: Cost of sales and other operating expenses – Petrol Group

SIT 000	2003	2002	Index 03/02
Cost of sales	259,887,685	236,462,761	110
Materials	1,893,008	3,081,432	61
Services	18,601,126	16,679,864	112
Compensation	10,355,544	9,464,590	109
Revaluation	8,728,111	8,159,086	107
- of amortisation	6,199,729	6,100,742	102
- impairment of intangible and fixed assets	945,922	1,483,125	64
- impairment of current receivables	1,582,460	575,219	275
Other expenses	1,121,375	1,029,225	109
Total expenses	300,586,849	274,876,958	109

The biggest proportion of the cost of sales in the Petrol Group was incurred by the parent company (60%), followed by Cypet Oils Ltd (20.5%) and Petrol Trade H.m.b.H. (14.5%). The other subsidiaries incurred the remaining 5% of the cost of sales.

Revaluation costs arising from the impairment of fixed assets of SIT 945,922 thousand refer primarily to:

- impairment of the value of property (Hotel Špik) in the bookkeeping records of the parent company (SIT 528,807 thousand);
- impairment of fixed assets (SIT 134,847 thousand) incurred by the subsidiary BH Oil Company, d.o.o., Sarajevo;
- expenses resulting from losses on sales and removal of fixed assets from the bookkeeping records of the parent company.

Notes and tables to the financial statements Petrol Group

The majority of the revaluation costs arising from the impairment of current assets were incurred by the parent company (SIT 893,182 thousand), while the remainder was incurred primarily by the subsidiary BH Oil Company, d.o.o., Sarajevo (SIT 636,844 thousand).

Other operating expenses in the consolidated income statement are comprised of other costs and other operating expenses totalling SIT 1,121,375 thousand, the majority of which were incurred by the parent company (SIT 747,246 thousand) and refer primarily to: accrued legal expenses (SIT 159,027 thousand), sponsorship costs (SIT 111,237 thousand), expenses for use of land at Pesniški dvor in the period 1998-2001 (SIT 96,102 thousand), and other expenses not associated with operations (SIT 79,797 thousand).

Note 3: Income from finance activities – Petrol Group

SIT 000	2003	2002	Index 03/02
Finance income from shareholding interests			
Participation in profits of joint ventures	307,460	1,202,972	26
Participation in profits of affiliated companies	0	42,324	-
Participation in profits of other companies	1,259,037	452,893	278
Total	1,566,497	1,698,188	92
Interest income from non-current receivables			
- from affiliated companies	33,108	23,658	140
- from others	71,002	101,667	70
Total	104,110	125,325	83
Finance income from non-current receivables – exchange gains and other			
- from affiliated companies	12,357	0	-
- from others	21,422	28,707	75
Total	33,779	28,707	118
Interest income from current receivables			
- from affiliated companies	63	0	-
- from others	1,213,817	1,179,122	103
Total	1,213,880	1,179,122	103
Finance income from current receivables – exchange gains and other			
- from others	4,133,574	3,461,648	119
Total	4,133,574	3,461,648	119
Total	7,051,840	6,492,990	109

Notes and tables to the financial statements Petrol Group

Note 4: Interest expenses and other financial costs – Petrol Group

SIT 000	2003	2002	Index 03/02
Revaluation cost arising from impairment			
- of investments in joint ventures	0	972,436	-
- of other assets	459,884	463,045	99
Total	459,884	1,435,481	32
Financial costs			
Interest expenses	1,121,586	986,177	114
Exchange losses and other	3,970,383	2,757,564	144
Total	5,091,969	3,743,741	136
Total	5,551,853	5,179,222	107

Note 5: Extraordinary income – Petrol Group

SIT 000	2003	2002	Index 03/02
Recovery of impaired receivables	25,352	41,769	61
Recovery of damages	18,114	13,788	131
Collection of punitive fees	15,994	18,409	87
Other extraordinary income	19,650	22,969	86
Total	79,110	96,935	82

Note 6: Extraordinary expenses – Petrol Group

SIT 000	2003	2002	Index 03/02
Damages	8,136	14,798	55
Punitive fees	934	3,571	26
Other extraordinary expenses	1,767	2,442	72
Total	10,837	20,811	52

Notes and tables to the financial statements Petrol Group

Note 7: Income tax – Petrol Group

SIT 000	2003	2002	Index 03/02
Income (following ZDDPO provisions)	292,107,644	269,675,161	108
Expenses (following ZDDPO provisions)	(286,286,091)	(264,064,719)	108
Tax Basis I	5,821,553	5,610,442	104
Increase in tax basis	685,724	729,366	94
Decrease in tax basis	(559,365)	(631,983)	89
Tax Basis II	5,947,912	5,707,825	104
Tax abatement	(4,601,423)	(5,707,825)	81
Tax Basis III	1,346,489	0	-
Petrol d.d.	336,622	0	-
Cypet Oils Ltd and Cypet Trade Ltd	42,044	35,796	117
Petrol Trade H.m.b.H.	54,453	33,933	160
Petroservis d.o.o.	8,263	15	-
Petrol Skladiščenje d.o.o.	79	329	24
Hotel Špik, d.o.o.	0	2,768	-
Petrol Gostinstvo, d.o.o.	13,254	0	-
Petrol-Energetika Štore, d.o.o.	14,571	0	-
Deferred income tax	8,756	0	-
Total income tax	478,042	72,841	656

The net increase in Tax Basis I is principally a consequence of the disposal of fixed assets for which the Company had received a tax abatement in previous years (SIT 127,086 thousand).

In 2003 the parent company received tax abatements for new investments of SIT 3,863,336 thousand and created an investment reserve of SIT 594,791 thousand, which prohibits the Company from distributing dividends for the next three years from earnings retained in 2003. In the event that the Company does pay dividends out of 2003 retained earnings it will have to increase its tax basis in the year the dividends are paid out.

In 2003 the income tax of the subsidiary company Cypet-Trade, Ltd was SIT 42,044 thousand, of Petrol-Trade, H.m.b.H. SIT 54,453 thousand, Petroservis, d.o.o. SIT 8,263 thousand, Petrol Skladiščenje, d.o.o. SIT 79 thousand and Petrol Energetika Štore, d.o.o. SIT 14,571 thousand (refers to profit in the period January-March 2003 before the merger with Petrol Energetika Ravne d.o.o.).

In 2003 the Petrol Group disclosed a liability for deferred tax as a result the elimination of unrealised profits in inventories in the amount of SIT 8,756 thousand.

Notes and tables to the financial statements Petrol Group

Note 8: Intangible assets – Petrol Group

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Non-current deferred costs	234,740	282,786	83
Patents and licenses	214,403	233,358	92
Other rights and other expenses	1,618,693	741,485	218
Goodwill	5,426	11,257	48
Intangible assets in acquisition process	33,075	16,791	197
Advances for intangible assets	-	40,562	-
Total	2,106,337	1,326,238	159

Statement of changes in intangible assets – Petrol Group

SIT 000	Non-current deferred costs	Patents and licenses	Other rights and other expenses	Goodwill	Intang. assets in acquisition process	Advan. for intang. assets	Total
Acquisition value							
Balance at 1 January 2003	488,738	623,602	888,341	26,583	16,791	40,562	2,084,617
Increases	-	7,002	451,533	118	169,596	-	628,249
Reductions	(9,618)	(10,056)	(42,087)	-	-	(40,562)	(102,323)
Transfer from assets in const. proc	-	64,980	510,332	-	(575,312)	-	-
Transfer between tang. and intang. assets	-	-	(4,435)	-	422,000	-	417,565
Exchange rate differences	43	3,633	116	-	-	-	3,792
Balance at 31 December 2003	479,162	689,161	1,803,801	26,701	33,075	-	3,031,900
Adjustments							
Balance at 1 January 2003	(205,952)	(390,244)	(146,856)	(15,326)	-	-	(758,378)
Amortisation	(40,123)	(94,018)	(80,534)	(5,949)	-	-	(220,624)
Amortisation - impairment	-	201	-	-	-	-	201
Reductions	1,653	12,819	42,345	-	-	-	56,817
Exchange rate differences	-	(3,516)	(63)	-	-	-	(3,578)
Balance at 31 December 2003	(244,422)	(474,758)	(185,107)	(21,275)	-	-	(925,562)
Current value							
at 31 December 2003	234,740	214,403	1,618,693	5,426	33,075	-	2,106,337
Current value							
at 31 December 2002	282,786	233,358	741,485	11,257	16,791	40,562	1,326,238

The intangible assets of the parent company comprise 55.6% of the total intangible assets of the Petrol Group, the intangible assets of Petrol Trgovina d.o.o., Zagreb comprise 20.3% and the intangible assets of Petrol Energetika d.o.o. Ravne comprise 21.7%.

Notes and tables to the financial statements Petrol Group

Note 9: Fixed assets – Petrol Group

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Property	23,472,208	21,173,539	111
Plant	47,577,960	43,588,347	109
Equipment and machinery	497,661	384,118	130
Other equipment	6,675,063	5,852,095	114
Tangible assets in construction process and replacement parts	12,090,128	9,211,641	131
Advances for tangible assets	828,997	444,947	186
Total	91,142,017	80,654,687	113

Change in tangible assets – Petrol Group

SIT 000	Property	Plant	Equipment and machinery	Other equipment	Fixed assets in acqui- sition process	Advances	Total
Acquisition value							
Balance at 1 January 2003	21,173,539	74,714,042	3,141,756	25,555,764	9,211,641	444,947	134,241,689
Increases	682,357	2,267,042	208,668	465,522	15,474,181	543,489	19,641,259
Reductions	(536,730)	(1,278,381)	(50,351)	(1,630,516)	(857,815)	(158,947)	(4,512,741)
Trans. from assets in const. proc.	2,245,123	6,159,452	6,114	2,918,986	(11,339,748)	-	(10,073)
Trans. between tang. and intang. assets	-	4,435	-	-	(422,000)	-	(417,565)
Impairment of assets	(98,848)	(862,200)	-	-	-	-	(961,048)
Impairment of invigoration	-	359,003	-	-	-	-	359,003
Exchange rate differences	6,767	4,492	-	2,423	23,869	9,558	47,110
Balance at 31 December 2003	23,472,208	81,367,885	3,306,187	27,312,178	12,090,128	839,047	148,387,634
Adjustments							
At 1 January 2003	-	(31,125,696)	(2,757,638)	(19,703,669)	-	-	(53,587,003)
Amortisation	-	(3,995,821)	(79,433)	(2,049,277)	-	-	(6,124,531)
Amortisation – impairment	-	168,580	-	16	-	-	168,596
Reductions	-	1,225,847	28,545	1,114,239	-	-	2,368,631
Change in advances	-	-	-	-	-	(10,050)	(10,050)
Impairment of assets	-	295,083	-	-	-	-	295,083
Impairment of invigoration	-	(359,003)	-	-	-	-	(359,003)
Exchange rate differences	-	1,085	-	1,576	-	-	2,661
Balance at 31 December 2003	-	(33,789,925)	(2,808,526)	(20,637,115)	-	(10,050)	(57,245,616)
Current value at							
31 December 2003	23,472,208	47,577,960	497,661	6,675,063	12,090,128	828,997	91,142,017
Current value at							
31 December 2002	21,173,539	43,588,347	384,118	5,852,095	9,211,641	444,947	80,654,687

The fixed assets of the Petrol Group are comprised of the fixed assets of the parent company (81.1%), the fixed assets of the subsidiary company Petrol BH Oil Company, Sarajevo (6%), the fixed assets of the subsidiary

Notes and tables to the financial statements Petrol Group

company Petrol Trgovina d.o.o., Zagreb (4.4%), the fixed assets of the subsidiary company Petrol Plin d.o.o. (3%), the fixed assets of the subsidiary company Destilat d.o.o. (2.2%) and the remaining portion represents the fixed assets of the other subsidiary companies in the Petrol Group.

Note 10: Non-current investments – Petrol Group

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Shareholding interest in affiliated companies	567,624	3,643,823	16
Shareholding interest in joint ventures	3,299,365	0	-
Shareholding interests in other companies	3,528,917	3,760,001	94
Non-current receivables from affiliated companies	455,378	443,021	103
Non-current receivables from others	347,678	486,122	72
Investments in treasury shares	566,774	599,994	94
Total	8,765,736	8,932,961	98

Note 11: Inventories – Petrol Group

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Raw material	337,270	370,381	91
Finished goods	12,188,181	13,058,264	93
Advances	0	9,607	0
Total	12,525,451	13,438,252	93

Inventories	Raw material	Finished goods	Total
Net realisable value	335,198	12,188,181	12,523,379
Surplus at physical inventory	0	187,298	187,298
Deficit at physical inventory	336	393,541	393,877
Impairment of inventory	13,800	6,477	20,277
Inventories pledged as collateral	-	-	-

Note 12: Non-current trade receivables – Petrol Group

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Customer receivables	12,856	12,501	103
Other	342,427	283,077	121
Total	355,283	295,578	120

Notes and tables to the financial statements Petrol Group

Non-current trade receivables of the Petrol Group are mostly comprised of:

- non-current trade receivables of the parent company from the municipality of Nova Gorica in the amount of SIT 367,704 thousand resulting from a legal settlement between Petrol d.d., Ljubljana and the municipality of Nova Gorica. The underlying receivable together with contractual interest will be paid to Petrol d.d., Ljubljana in four instalments. At the end of the year the Company will transfer the sum of the instalment falling due for payment in the following year to the current trade receivables category. At 31 December 2003 the balance of non-current trade receivables from the municipality of Nova Gorica was SIT 183,853 thousand;
- non-current trade receivables of the subsidiary company Petrol Energetika d.o.o., Ravne in the amount of SIT 103,750 thousand from Slovenske Železarne, d.d. resulting from a dispute with the Commodity Reserves Institute.

Note 13: Current trade receivables – Petrol Group

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Current customer receivables	20,871,295	19,468,282	107
Current receivables from affiliated companies	38,830	46,526	83
Other current receivables	8,548,378	6,554,617	130
• receivables from government and other institutions	2,319,129	1,585,982	146
• warranties and advances	82,363	166,549	49
• other current trade receivables	6,146,871	4,802,086	128
• other current trade receivables from affiliated companies	15	0	-
Total	29,458,503	26,069,425	113

Current trade receivables

SIT 000	Current	30 days overdue	Aging report 31 till 60 days overdue	61 till 90 days overdue	More than 90 days overdue	Total
Trade receivables	14,091,570	3,771,634	1,205,745	469,570	1,332,765	20,871,284
Current receivables from affiliated companies	38,772	58				38,830
Current receivables from joint ventures	11					11
Foreign account trade receivables	1,705					1,705
Other current trade receivables	7,851,229	483,277	101,082	43,365	67,705	8,546,658
Other current trade receivables from affiliated companies	15					15
Total	21,983,302	4,254,969	1,306,827	512,935	1,400,470	29,458,503

Note 14: Current investments – Petrol Group

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Short-term loans to unaffiliated companies	2,979,218	864,685	345
Bank deposits	4,857,274	836,881	580
Shares and participations held for sale	0	13,408	-
Other	3,791	651	582
Total	7,840,283	1,715,625	457

Notes and tables to the financial statements Petrol Group

Current investments are comprised of current loans receivable. Current loans receivable due to the parent company Petrol, d.d. represent 85.8% of the total (SIT 2,556,965 thousand). Current loans receivable on the balance sheet of Petrol Trgovina d.o.o., Zagreb account for 13% (SIT 393,565 thousand) and the other subsidiaries make up the balance.

The parent company's share of total bank deposits is 65.3% (SIT 3,169,665 thousand), Petrol Trgovina d.o.o., Zagreb has 25% (SIT 1,211,729 thousand), and Petrol BH Oil Company d.o.o., Sarajevo 9.8% (SIT 473,380 thousand).

Note 15: Deferred costs and accrued revenues – Petrol Group

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Short-term deferred costs	96,917	123,574	78
Accrued revenues			
• interest	221,631	183,792	121
• other	18,077	30,606	59
Total	336,625	337,972	100

Of total accrued revenues of SIT 239,708 thousand, the largest component is comprised of the accrued revenues of the parent company in the amount of SIT 219,802 thousand, which relate to:

- accrued default interest on due receivables (SIT 112,228 thousand);
- accrued current interest payments on loans (SIT 109,403 thousand).

Note 16: Equity – Petrol Group

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Share capital	12,517,806	12,517,806	100
Capital reserves	54,991	23,880	230
Other reserves from profits	35,521,528	30,525,667	116
Accumulated profits	2,015,555	2,860,310	70
Undistributed net profit for the year	2,976,726	2,686,767	111
General capital inflationary adjustment	19,190,518	19,190,518	100
Special capital inflationary adjustments	85,830	0	-
Specific adjustments to capital	(67,840)	(49,936)	136
Total equity less minority interest	72,295,114	67,755,012	107
Minority interest	185,213	326,870	57
Total equity	72,480,327	68,081,882	106

Notes and tables to the financial statements Petrol Group

Statement of changes in equity – Petrol Group

SIT 000	2003	2002	Index 03/02
Balance at 1 January	67,755,012	63,741,883	106
Dividend payments	(1,440,552)	(1,233,544)	117
Profit sharing programme	(70,959)	(85,309)	83
Effects of trading in treasury shares	31,111	21,215	147
Special capital inflationary adjustments	85,830	0	-
Specific adjustments to capital	(67,840)	(49,936)	136
Net profit for the year	6,002,512	5,360,703	112
Balance at 31 December	72,295,114	67,755,012	107

Note 17: Provisions – Petrol Group

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Provisions for pensions and other obligations	29,112	25,099	116
Provisions for tax obligations	13,633	2,873	475
Other provisions	9,096,103	10,055,939	90
• capital improvements	2,037,366	2,037,764	100
• environmental fixed assets	6,818,430	7,423,005	92
• provisions from donations received	20,290	0	-
• other long-term provisions	220,017	595,170	37
Total	9,138,848	10,083,911	91

Other group provisions are comprised mostly of the following long-term provisions of the parent company:

- provisions for capital improvements relating to costs of capital improvements at service stations and warehouses in the amount of SIT 2,037,366 thousand at 31 December 2003;
- environmental provisions – cost relating to the clean-up of the Pesniški dvor bitumen dump (cost of SIT 117,522 thousand in 2003), totalling SIT 1,322,887 thousand at 31 December 2003;
- non-current environmental provisions relating to the cost of amortisation of environmental fixed assets (amortisation cost of SIT 485,168 thousand in 2003), totalling SIT 5,495,543 thousand at 31 December 2003.

Other long-term provisions of the Petrol Group are comprised mainly of long-term provisions for anticipated legal costs, including default interest, in the amount of SIT 116,346 thousand which are stated on the balance sheet of Petrol Energetika d.o.o., Ravne and relate to a dispute with Litostroj and the Commodity Reserves Institute of the Republic of Slovenia.

Note 18: Non-current finance payables – Petrol Group

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Loans and notes payable	22,613,656	11,118,372	203
Other	986,210	1,367,602	72
Total	23,599,866	12,485,974	189

Notes and tables to the financial statements Petrol Group

At 31 December 2003 the Petrol Group reported notes payable to banks in the amount of EUR 93,097,075. Most of this amount, EUR 86,097,075, represents the indebtedness of the parent company. The remaining EUR 7 million represents the loans payable by the subsidiary company Petrol Trgovina d.o.o. Zagreb.

Note 19: Non-current trade payables – Petrol Group

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Non-current payables to affiliated companies	0	129,219	-
Non-current payables to others	18,743	9,716	193
Total	18,743	138,935	13

Non-current trade payables of SIT 9,987 thousand represent a non-current liability arising from combined funds for joint investment in the parent company, and a sum of SIT 8,756 thousand represents a non-current liability for deferred tax.

Note 20: Current finance payables – Petrol Group

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Short-term loans from banks	12,546,087	14,012,551	90
Short-term loans from companies	353,277	87,977	402
Total	12,899,364	14,100,528	91

Of the total amount of short-term loans to banks, SIT 11,041,659 thousand represents the short-term loans payable by the parent company, SIT 1,173,888 thousand represents the short-term loans payable by the subsidiary company Cypet Oils Ltd and SIT 304,383 thousand the short-term loans payable by Petrol-Trade H.m.b.H.

Note 21: Current trade payables – Petrol Group

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Current trade payables to joint ventures	132,202	135,867	97
Advances received	57,024	94,356	60
Current trade payables to suppliers	19,367,634	17,924,705	108
• to domestic suppliers	18,482,120	17,924,705	103
• to foreign suppliers	885,514	0	-
Current trade payables to others	14,915,473	13,719,441	109
• commissions payable	0	12,144	-
• to employees	790,840	879,231	90
• to government and other institutions	13,628,757	12,326,896	111
• other	495,876	501,170	99
Total	34,472,333	31,874,369	108

Notes and tables to the financial statements Petrol Group

Current payables include obligations to government institutions as follows: customs and import duties payable (SIT 1,937,226 thousand), excise taxes payable (SIT 411,898 thousand), payables arising from the difference between input VAT and output VAT (SIT 1,789,926 thousand), the parent company's income tax liability (SIT 478,042 thousand) and other sundry payables.

Note 22: Accrued costs and deferred revenues – Petrol Group

SIT 000	31. 12. 03	31. 12. 02	Index 03/02
Accrued costs	1,580,612	997,857	158
Deferred revenues	133,196	83,330	160
Total	1,713,808	1,081,187	159

Accruals and deferrals on the liabilities side of the Petrol Group's balance sheet represent largely the accrued expenses and deferred revenues of the parent company totalling SIT 1,398,103 thousand, the majority of which (1,393,733 thousand) comprises the accrued costs of the parent company, including:

- accrued costs relating to the liability to pay a subscription fee to the Institute for Compulsory Stocks of Crude Oil and Petroleum Products based on the quantity of oil products sold (SIT 316,710 thousand);
- potential future outlays related to settlement of lawsuits where the probability exists that Petrol, d.d. will incur costs of SIT 456,196 thousand (of which SIT 159,027 thousand were booked in 2003);
- accrued current interest payments of SIT 250,790 thousand;
- accrued expenses related to futures contracts entered into to hedge the Company's foreign exchange exposure of SIT 193,764 thousand.

Current deferred revenues of SIT 130,154 thousand relate to the subsidiary company Petrol Energetika d.o.o, Ravne based on receivables from Slovenske Železarne d.d. in connection with a lawsuit against the Commodity Reserves Institute.

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

SIT 000	Total annual compensation (not including profit sharing programme)**	Compensation under profit sharing programme (in accordance with shareholder resolutions)	Total
Supervisory Board:	63,998	70,959	134,957
• external advisors	7,341	36,705	44,046
• Petrol employees*	56,657	34,254	90,911
Management Board:	293,664	0	293,664
Contractual employees	1,455,421	0	1,455,421
Total	1,813,083	70,959	1,884,042

* Includes salaries and bonuses of internal members of Supervisory Board of SIT 52,185,000.

** Total annual compensation does not include reimbursement of expenses.



VGRIE

DAIEN

VGRIE

Owners' trust rewarded

In 2003 the Company posted even better results than in 2002, which had been its most successful year in recent times.

By means of careful asset management and well planned marketing, the Company is succeeding in strengthening the assets of its owners.



Positive effects of past efforts

The effects of consolidating the business, lowering all types of costs and optimising operations were solidly reflected in the 2003 results. Despite the fact that business conditions in Slovenia are extremely difficult compared to other countries in the region, Petrol is strengthening its position as a successful, flexible and market oriented enterprise and is one of the leading oil companies in Europe in terms of the efficiency of its business processes.

The Petrol Group earned net sales revenues in 2003 of SIT 6 billion, an improvement of 13% compared to the previous year. With the capital base having risen to SIT 72 billion, this represents a return on equity of 8.6%. Net earnings per share of SIT 2,939 were almost 15% higher than in 2002, while cash flow per share of SIT 5,351 was up 6.1% on the previous year.

Group development

Operational and organisational changes were undertaken within the Petrol Group in 2003 in line with the strategic plan. Its operations in the markets of south-east Europe were consolidated. Owing to the unstable business conditions in this region, the Group is focusing on setting up a proprietary retail network of service stations. In addition to the 43 service stations covering the retail market in Bosnia and Herzegovina and in Croatia, in 2003 it also opened its first service station in Serbia.

Petrol shares

Strong operating results and the successful implementation of the Company's development strategy also had a positive effect on the price of its shares, which rose by over 37% on the Ljubljana Stock Exchange. Including the dividend payout of SIT 700 per share, the total yield on Petrol shares in 2003 was 38.8%. In their proposal for use of the calculated profit for 2003 the Management Board and the Supervisory Board have remained faithful to the capital policy, which is based on the long-term maximisation of returns to shareholders and a stable dividend payout over the long term.

Monitoring the Company's operations during the year

In 2003 the Supervisory Board held seven regular sessions and three correspondence sessions. On each occasion the Management Board prepared timely and extensive material providing high-quality information for the members of the Supervisory Board, enabling a thorough and comprehensive discussion of all the items on the agenda. The chairman and members of the Management Board substantiated the material, gave knowledgeable answers to questions from the Supervisory Board members and

accepted the proposals and advice given at each session in accordance with the statutory powers of the Supervisory Board.

The most important topics deliberated by the Supervisory Board were:

- opportunities for the Company to invest in related enterprises or energy activities in addition to oil and gas distribution;
- implementation of the rolling three-year planning system;
- marketing of liquefied petroleum gas or methane as a fuel for internal combustion engines;
- Petrol's business excellence and quality strategy;
- the return on equity of regional competitors.

Committees and commission of the Supervisory Board

The audit committee is headed by Supervisory Board member Stanislav Valant. The audit committee adopted the auditor's report and proposed the adoption of the annual report by the Supervisory Board, reviewed the procedures for the purchasing and activation of fixed assets, adopted a report on a review of currency risk management, deliberated the dividend policy, confirmed the internal audit plan for 2004, adopted a timetable for compilation of the annual business report and the auditing of the financial statements for 2003, and proposed two specific inspections by the external auditor. The audit committee informed the Supervisory Board of all its resolutions and proposals, and put forward resolutions for adoption.

The committee for harmonisation of the Articles of Association is headed by Milan M. Cvikl. In 2003 it dealt with issues concerning amendments to the Articles of Association and provided an opinion to the Supervisory Board.

The commission for monitoring and supervising implementation of the individual employment contracts of the chairman and members of the Management Board, which is headed by Miran Mejak, examined the salary payments made to these individuals to determine that they were paid in accordance with the contracts. The commission reviewed the new draft contracts for Janez Lotrič, chairman of the Management Board, and for Mariča Lah and Vladimir Jančič, both members of the Management Board, advised the chairman of the Supervisory Board of the content and provisions of the contracts and proposed that they be signed.

Appointment of the chairman and members of the Management Board

The five-year term of Janez Lotrič, chairman of the Management Board, ended on 28 May 2003. Following consultation with its external members, on 26

February 2003 the Supervisory Board unanimously reappointed Mr Lotrič as chairman of the Management Board of Petrol, d.d. for a new five-year term, which began on 28 May 2003. As the term of the members of the Management Board also expired on 28 May 2003, the Supervisory Board decided to appoint two members on the basis of written criteria and the programme of work for the coming five-year period. It decided that henceforth the Management Board will comprise a chairman, two members and a representative of the employees. One member should be someone who was not previously an employee of the Company and the other should be a former member.

The Supervisory Board takes this opportunity to acknowledge and thank Poldka Breznik and Janez Bedenk, outgoing members of the Management Board, for their contribution to the running of the Company.

At its 50th session the Supervisory Board unanimously appointed Mariča Lah as member of the Management Board responsible for core business activities for a five-year term, which began on 28 May 2003, and Vladimir Jančič as member of the Management Board responsible for finance and energy for a five-year term, which also began on 28 May 2003.

Concluding opinion of the Supervisory Board

Despite the fact that the emergency decree on the setting of oil product prices restricted the scope for business initiative, with a comparatively low trading margin the Company has succeeded, through effective business operations, in controlling purchase prices and sales costs. Given that the price of oil on the world market has fluctuated from an acceptable level to over USD 35 a barrel and with the volatility in the dollar exchange rate, this requires the Company's officers to have a thorough understanding of the market and to act appropriately.

Based on its inspection of the 2003 annual report, the financial statements and notes and the auditor's report, at its session on 24 March 2004 the Supervisory Board confirmed without comment the Company's annual report for 2003 and the official auditor's report, by means of which it gave an unqualified opinion on the audit report. In closing, I would like to take this opportunity to extend my sincere thanks to all the employees of the Petrol Group and to the Company's Management Board for their professionalism and hard work.

Dr Miran Mejak

Chairman of the Supervisory Board

Supervisory Board

Petrol, d.d.
Annual Report
2003

Chairman:

Dr Miran Mejak

Appointed for a four-year term at the 6th general meeting of shareholders on 30 March 2001. Term began: 5 April 2001.

President of the
Pharos Foundation

Vice chairman:

Ciril Pirš

Appointed for a four-year term at a meeting of the workers' council on 15 February 2001. Term began: 20 February 2001.

Petrol – Retail Sales

Members - representatives of capital:

Milan M. Cviki

Appointed for a four-year term at the 6th general meeting of shareholders on 30 March 2001. Term began: 5 April 2001.

Assistant to the
Management Board of
Nova Ljubljanska Banka, d.d.

Uroš Slavinec

Appointed for a four-year term at the 6th general meeting of shareholders on 30 March 2001. Term began: 5 April 2001.

Chairman of Management
Board of Helios d.d.

Jože Stanič

Appointed for a four-year term at the 7th general meeting of shareholders on 5 July 2001. Term began: 15 July 2001.

Until retirement,
Chairman of Management
Board of Gorenje d.d.

Irena Starman

Appointed for a four-year term at the 6th general meeting of shareholders on 30 March 2001. Term began: 5 April 2001.

Head of Internal Audit Depart-
ment at Slovenska odškodninska
družba d.d.

Stanislav Valant

Appointed for a four-year term at the 7th general meeting of shareholders on 5 July 2001. Term began: 15 July 2001.

Managing director of
Nacionalna finančna družba d.d.

Supervisory Board

Members - representatives of employees:

Tomaž Jamnik

Petrol – Business
Organisation Department

Appointed for a four-year term at a meeting of the workers' council on 15 February 2001. Term began: 20 February 2001.

Andrej Medved

Petrol – Retail Sales

Appointed for a four-year term at a meeting of the workers' council on 15 February 2001. Term began: 20 February 2001.

Nina Potisek

Petrol – Human
Resources Department

Appointed for a four-year term at a meeting of the workers' council on 15 February 2001. Term began: 20 February 2001.

Silvan Simčič

Petrol – Quality, Environment
and Security Department

Appointed for a four-year term at a meeting of the workers' council on 15 February 2001. Term began: 20 February 2001.

Miran Obreza

Petrol – Business
Organisation Department

Appointed for a four-year term at a meeting of the workers' council on 8 October 2002. Term began: 8 October 2002.





Primož Trubar (1508 – 1586)

Author of the first Slovene book.

First Slovene translator of the Bible.

Founder of the Slovene written language.

Primož Trubar was the greatest Slovene literary pioneer. A popular preacher, he wrote the first Slovene book and was the first person to translate the Bible into Slovene. Trubar is considered the founder of the Slovene written language and of Slovene literature. Addressing his compatriots from abroad as “dear brothers, beloved Slovenes”, he was the first writer to spread knowledge among his homeland through the written word.

He completed nearly thirty works, the most important being *Katekizem* and *Abecednik*, a translation of the New Testament, the Slovene protestant church order, a translation of the psalms of King David, song books and a translation of Luther's House Postil. He founded the Slovene protestant church and was its first leader. He was also the initiator of compulsory education for all social classes and insisted on the use of Slovene both at school and in church.

Primož Trubar was a spiritual giant of European dimension who raised Slovene to the level of a European literary language.

Catechism and Abecedarium

The first Slovene books. Small but priceless, these revolutionary works marked the beginnings of written Slovene and of national awareness.

Catechism (*Katekizem*) and Abecedarium (*Abecednik*) were written in 1550 when Trubar was exiled to the German town of Rothenburg on the Tauber. From there he began calling upon his fellow countrymen to awaken from their cultural backwardness. The books were printed in Tübingen by Ulrich Morhart; in secret and anonymously.

They were originally printed in the *Schwabacher* version of the German *Fraktur* typeface. The second edition (1555) was printed in the Latin typeface of the humanist scholars. Both works were later reprinted in the Glagolitic and Cyrillic alphabets. The language used was not a specific dialect but representative of the Slovene spoken in central Slovenia at the time.

In Trubar's words, the two works represented a first attempt to see if the Slovene language could be read and written. Their main purpose was to educate simple Protestant believers in the fundamental teachings of their faith and to allow them to read and reflect in their own language.

The two books are extremely rare. The only bound copy is kept at the Austrian National Library in Vienna.

