



**Annual Report
2005**

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Mission

Petrol, Slovenia's leading 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.

Competitive positioning

The company is known for its high quality goods and services, its impeccable reputation, strong brand, and a solid financial position.

Including the staff of the franchised service stations, the Petrol Group had a total of 2,693 employees at the end of 2005. With net sales revenues of 420 billion tolar (according to IFRS, 420 billion tolar), net profit of 8.1 billion tolar (according to IFRS, 8.4 billion tolar), and total assets of 204 billion tolar (according to IFRS, 204 billion tolar), it is one of the largest companies in Slovenia. Its investments in non-current assets of more than 12.6 billion tolar in 2005 reflect its explicit focus on development.

Core line of business

The Petrol Group's principal line of business is trading in oil, and its main competitive advantage is its wide network of 348 modern service stations inside and outside Slovenia. In 2005 the group sold 2 million tonnes of refined petroleum products, and supplementary merchandise worth 45 billion tolar (according to IFRS, 45 billion tolar).

Development guidelines

The Petrol Group's principal area of development is the introduction of new lines in the energy sector, including marketing of gas, heat and electricity, the management of major environmental projects, and, in the long-term, marketing of renewable energy resources. In 2005 the group sold 37 thousand tonnes of liquefied petroleum gas, 24 thousand tonnes of natural gas, almost 308 thousand MWh of electricity and 56 thousand MWh of heat. It held 21 gas concessions, two concessions for waste water treatment, and one concession for heat supply.

Modus operandi

The Petrol Group's overall modus operandi is based on business excellence, and on following and meeting the latest demands of the market in terms of services, information technology and environment protection.

Business future

The Petrol Group is growing from Slovenia's national oil corporation into an integrated provider of energy and environmental services. Based on its clear strategic orientations and development priorities, it 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 the South Eastern Europe.

Major Business Events in 2005

New supervisory board of Petrol, d.d.

At the 11th general meeting of shareholders on 4 April 2005, six shareholder representatives were elected to the supervisory board for a four-year term of office: Mr Matjaž Gantar, Mr Igor Irgolič, Dr Mičo Mrkaić, Mr Milan Podpečan, Mr Viktor Baraga and Dr Jože Zagožen.

At its session on 9 February 2005, Petrol d.d.'s workers' council reappointed Samo Gerdin, Cvetka Žigart and Ciril Pirš for a four-year term in the supervisory board.

At its founding session of 11 April 2005, the supervisory board elected Dr Jože Zagožen as president of the supervisory board, and Mr Milan Podpečan as vice-president of the supervisory board.

On 20 July 2005 Dr Mičo Mrkaić withdrew from the supervisory board, and on 1 December Mr Igor Irgolič.

New management board of Petrol, d.d.

On 1 December 2005 started the term of the new management board of the company with the following composition: Marko Kryžanowski, president of the management board, Igor Irgolič, vice-president of the management board, Boštjan Napast, member of the board, Alenka Vrhovnik Težak, member of the board, and Bojan Herman, worker director. In compliance with the division of areas, for which the president of the management board and individual board members are held responsible, an organisational change of business functions has also been implemented.

Network of 348 service stations

At the end of 2005 the Petrol Group had 348 service stations, of which 298 in Slovenia, 31 in Bosnia and Herzegovina, 18 in Croatia, and the first Petrol service station also in Serbia.

Activation of the plant for combined heat and power generation

A modern plant for combined heat and power generation (CHP) started operating in Terme Zreče. The project, half of which is financed by Petrol, d.d., and the other half by Unior, d.d., is not a reference project only due to the fact that it ensures rational energy consumption, but also because its implementation makes use of financing by a third party and contractually guaranteed savings.

Sale of 75 per cent interest in Petrol Gostinstvo, d.o.o.

Petrol, d.d. signed an agreement with the company Marché International Ltd. on sale of 75 per cent interest in its subsidiary Petrol Gostinstvo, d.o.o., keeping 25 per cent interest in the newly named company Marché Gostinstvo, d.o.o., whilst Marché International Ltd. took over operational management of catering capacities. Catering facilities remained 100 per cent owned by Petrol d.d.

Operational start-up of Karkasa, d.o.o.

Karkasa, which was established in 2004 and 50 per cent of which is owned by Petrol, d.d. and the same share by Sava Tires, d.o.o., started carrying out its operations in 2005. The company specialises in tyre refitting and reconditioning.

New quality certificates and environmental certificates obtained

Petrol Trgovina Zagreb, d.o.o. obtained the ISO 9001:2000 quality certificate as the first subsidiary abroad, and Petrol Plin, d.o.o. the ISO 14001:1996 environmental certificate.

Contractors for the clean-up and supervision of the clean-up of the bitumen dump at Pesniški dvor selected

On the basis of the agreement on the clean-up of the bitumen dump at Pesniški dvor, which was signed in 2004 by Petrol, d.d. and the Ministry of the Environment and Spatial Planning of the RS, a public tender was carried out, which resulted in the selection of the company Gorenje gospodinjski aparati, d.d. as the contractor for the clean-up and the company Hidroinženiring, d.o.o. as the supervisor of the clean-up. Agreements with both contractors were signed in December 2005.

Gas concession obtained in the Municipality of Slovenska Bistrica

Petrol Plin, d.o.o. concluded an agreement with the Municipality of Slovenska Bistrica, based on which it will build a gas network in the territory of the municipality, thus supplying Slovenska Bistrica and its surroundings with natural gas. The concession in Slovenska Bistrica is the 21st gas concession the Petrol Group obtained by the end of 2005.

Key Impacts on Operations in 2005

Formation of prices of refined petroleum products

The prices of petrol and middle distillates in Slovenia were till 31 July 2005 formed in compliance with the Regulation on the Price Methodology for Oil Derivates, which the Government of the Republic of Slovenia adopted already on 1 August 2004. According to this regulation, margins are adjusted to prescribed fixed amounts, which partially cover the inflation impact.

From 1 August to 9 October 2005 the prices of petroleum products were formed in compliance with the Regulation the Government of the Republic of Slovenia adopted on 1 August 2005, according to which margins remained unchanged during the time of the Regulation being in force.

On 10 October 2005 the Government of the Republic of Slovenia adopted the new Regulation on the Price Methodology for Oil Derivates. Margins remain unchanged also under this Regulation, but the 14-day period of price adjusting was changed to a 28-day period and the five lowest and highest daily quotations of the previous period are excluded from the calculation of the average.

Prices of oil and refined petroleum products on the world market

Crude oil prices were fluctuating between 38.24 and 67.35 US dollar per barrel, the average purchase price of crude oil on the world oil market being 54.55 US dollar per barrel, a rise of 42% on the average oil price in 2004. Similar movements were seen for 95-octane unleaded petrol, diesel fuel and extra light fuel oil.

Exchange rates

The average exchange rate of the US dollar to the Slovenian tolar was 192.7 tolar for a US dollar. The average middle exchange rate of the euro to the tolar was 239.6 tolar for one euro, whilst the average exchange rate of the US dollar to the euro was 1.24 US dollar for one euro (Bank of Slovenia middle rate).

Important Events after the End of 2005

General meeting of shareholders of Petrol, d.d.

At its 14th session held on 14 March 2006, the general meeting of shareholders of Petrol, d.d. decided that, beginning with 1 January 2006, the annual financial report and all interim financial statements of the company would be prepared only in accordance with International Financial Reporting Standards, carried out substitute elections for two new members of the supervisory board and appointed Bojan Šrot and Aleš Marinček new members of the supervisory board as well as approved the proposed amendments to the by-laws and change in the company's activity.

Gas concession obtained in the Municipality of Slovenske Konjice

In February 2006, Petrol Plin, d.o.o. obtained as the best bidder the concession to build pipeline infrastructure and supply the municipality of Slovenske Konjice with natural gas. This concession was the 22nd gas concession the Petrol Group obtained.

Prices of refined petroleum products

The price of a barrel of oil was fluctuating around 60 US dollars, with the rate between the US dollar and the euro moving around 1.19 dollar per euro.

In Slovenia, prices of petrol and middle distillates are formed according to the Regulation on the Price Methodology for Oil Derivatives, which the Government of the Republic of Slovenia adopted on 1 January 2006 and will be in force till 8 July 2006. The substance of the Regulation is equal to the previous one. The conversion of prices is based on a 28-day period, excluding the five highest and five lowest stock exchange quotations from the calculation of the average. The margin also remains unchanged.

Performance Indicators for the Petrol Group

All financial data for 2005 is disclosed in accordance with
SAS.

		2005	2004
Net sales revenues	SIT 000	420,262,166	352,423,083
Total assets	SIT 000	204,306,991	182,619,259
Equity	SIT 000	86,749,945	79,487,208
Net return on equity	in %	9,8	9,2
Long-term debt to equity		0,35	0,35
Net profit	SIT thousands	8,113,706	6,946,310
Net earnings per share (excluding treasury stock)	SIT	3,339	3,136
Book value of share	SIT	41,596	38,165
Number of employees (including franchised service stations)	31/12	2,693	2,848
Number of retail outlets	31/12	348	343

All financial data for 2005 is disclosed in accordance with IFRS.

		2005	2004
Net sales revenues	SIT 000	420,211,762	352,362,066
Total assets	SIT 000	204,288,879	184,297,024
Equity	SIT 000	85,207,958	79,680,703
Net return on equity	in %	10,2	6,3
Long-term debt to equity		0,36	0,35
Net profit	SIT 000	8,397,784	4,900,485
Net earnings per share (excluding treasury stock)	SIT	3,537	2,906
Book value of share	SIT	36,655	34,710
Number of employees (including franchised service stations)	31/12	2,693	2,848
Number of retail outlets	31/12	348	343

Key Results

Volume of petroleum products sold

The Petrol Group sold 2 million tonnes of petroleum and petroleum products in 2005, which is similar to quantities achieved in 2004 and in compliance with the quantities planned.

Volume of gas sold

Sales of liquefied petroleum gas equalled 37 thousand tonnes, 1% less than in 2004 and 2% less than forecast. Natural gas sales totalled 24 thousand tonnes, 6% more than in the preceding year and also 6% more than forecast.

Sale and distribution of electricity and heat

The Petrol Group sold 307,835 MWh of electricity, 5% more than forecast and 5% more than in 2004. Compared to the year before, sales of heat of 56,197 MWh is by 3% lower, but still higher than forecast by 1%.

Sales of supplementary merchandise

The Petrol Group sold supplementary merchandise of 45 billion tolars (according to IFRS, 45 billion tolars), an increase of 11% over 2004 and 6% more than the forecast figure.

Net sales revenues

of the Petrol Group totalled 420 billion tolars (according to IFRS, 420 billion tolars), an increase of 19% over 2004.

Gross profit from sales

of the Petrol Group totalled 47.7 billion tolars (according to IFRS, 47.7 billion tolars), an increase of 9% over 2004.

Pre-tax profit

generated by the Petrol Group was 10 billion tolars, up 23% from 2004 (according to IFRS, 10 billion tolars and 72% more than in 2004).

Net profit

of the Petrol Group, which also includes capital gains generated on sales of interest in Nacionalna finančna družba, d.d. and in Petrol Gostinstvo, d.o.o. in the total amount of 2 billion tolars, stood at 8.1 billion tolars, being by 17% higher than in 2004 (according to IFRS, 8.4 billion tolars and by 71% higher than in 2004).

Total assets

of the Petrol Group at year end amounted to 204.3 billion tolars, a 12% increase over year end 2004 (according to IFRS, 204.3 billion tolars, which is by 11% more than in the end of 2004).

Current assets

of the Petrol Group at year end totalled SIT 79.6 billion, up 27% from year end 2004, mostly due to the increase in the value of inventories. (According to IFRS, current assets in the end of 2005 stood at SIT 79 billion, which is 31% more as compared to the end of 2004).

Equity

of the Petrol Group at year end stood at 86.7 billion tolars, up 9% from year end 2004 (according to IFRS, 85.2 billion tolars, which is 7% more than in the end of 2004).

Long-term debt

of the Petrol Group at year end totalled 31 billion tolars, up 10% from year end 2004 (according to IFRS, long-term debt equalled 38 billion tolars in the end of 2005, which is 5% more than in the end of 2004). The increase in long-term debt results from intensive investment activity and financing of working capital.

The Petrol Group's investments in non-current assets

totalled 12.6 billion tolars in 2005, of which 48% was earmarked for investments in the core lines of business on the domestic market, and 24% was earmarked for investments in petroleum trading on the markets of the South Eastern Europe. The Petrol Group allocated 23% of its total investments to new lines of business in 2005, whilst the remaining 5% were investments in the modernisation of the IT and other infrastructure.

Plans for 2006

Financial indicators

For 2006, the Petrol Group is forecasting net sales revenues of 431 billion tolar, pre-tax profit of 9.3 billion tolar, net profit of 7 billion tolar, and, based on these results, return on equity of 8.1%.

Volume of petroleum products sales

The Petrol Group is forecasting 1.93 million tonnes of petroleum products sales for 2006.

Gas

The Petrol Group is forecasting to hold 21* natural gas concessions by the end of 2006, supplying liquefied petroleum gas to users via 1,810 gas depots.

Investments

The Petrol Group is planning to invest 13.9 billion tolar in non-current assets in 2006, and forecasts a long-term debt ratio of 0.4.

Employees

The Petrol Group and franchised service stations are forecasting a total of 2,788 employees at the end of 2006.

Retail network

The Petrol Group anticipates to finish 2006 with a total of 365 service stations in its retail distribution network, of which 308 in Slovenia and 57 abroad.

Financial data for 2006 was prepared in accordance with IFRS.

*The Petrol Group acquired its 22nd gas concession in February 2006.

**Message from the President
of the Management Board**

“To be the best
is also to
have the greatest
responsibility”



At Petrol we are proud to be Slovenia's leading energy company, and the country's largest business group in terms of revenues. It gave us great satisfaction to increase our revenues once again last year, and we finished 2005 in great shape. We generated record net sales revenues of SIT 420 billion, and a net profit of SIT 8 billion. Revenues were up 19% and net profit was up 23%. And we are committed to maintaining this level of growth and performance in the future. At Petrol we strive to please our customers, our shareholders and our employees, while aiming for growth and profitability.

These record revenues were achieved under conditions of fierce global competition and rising energy prices. Our business environment became even tougher last year. The price of crude ranged from just over \$38 to a record high of more than \$67 per barrel. This demanded exceptional prudence and flexibility in planning our sources and chains of supply. Nevertheless the Petrol Group succeeded in maintaining its stable growth in turnover as planned. The majority of our financial indicators also point to long-term growth, and this is supported by all the major quantitative performance indicators.

Petroleum and merchandising remains our core line of business, and was responsible for the majority of revenues. But each year we generate more and more revenues from our new energy sector business and in trading on markets outside Slovenia. The Petrol Group aims to develop as an energy company inside and outside Slovenia, both in our selling of oil and oil products, natural gas and electricity, and in particular in our environmental services and alternative sources of energy. Helping us to establish ourselves in this broad energy sector, in addition to our state-of-the-art network of 348 service stations, are our 21 natural

gas concessions and the 1,352 gas depots and stations from which we supply a huge number of consumers with LPG, while we also supply a large number of households and industrial consumers with electricity and heat in the north-eastern part of Slovenia. This makes us one of the largest suppliers in the country, and we are now establishing ourselves as a private producer of electricity.

The development of new products and services in creating our integrated energy service, which is always bringing new challenges and new experiences, was again seen in our first three energy efficiency projects. In 2005 the Petrol Group built and started up three advanced CHP plants, which allow for much more efficient energy use. Projects of this type as part of our energy and environmental services enable us to once again display our traditional virtues of adaptability and openness to genuine business challenges. The know-how and experience that we have gained represent a vital competitive advantage in our long-term development.

Our competitive advantage is also being significantly strengthened by the volume of business that we are doing outside Slovenia, which the Petrol Group is gradually increasing as we expand our retail network by building new service stations or buying and refitting privately owned stations already in operation. Here it is worth noting the fundamental change made to the franchise system under which the service stations in Bosnia-Herzegovina and Croatia have operated to date. In 2005 the Petrol Group extended the standards and methods applied by the service stations in Slovenia to the rest of the retail network abroad. This decision has already yielded positive results in an improvement in quality and greater efficiency, but its beneficial effects are certain to be even more pronounced in the long term.

Expanding and modernising the chain of service stations is a constant theme in Petrol's trading in Slovenia. We added five new service stations to the domestic retail network in 2005, and thoroughly refitted numerous others, we expanded the network of petromat rapid payment systems, we made it possible to buy fuel at unmanned stations during night hours in areas of heavy traffic, and we equipped the major transit service stations with rapid diesel pumps designed specially for goods vehicles. Our first 24-hour unmanned station opened last year. Three of our motorway service stations now offer LPG for vehicles alongside the more traditional fuels. All of these projects and innovations are helping the Petrol Group to reinforce its position as the reliable market leader in Slovenia, and are showing us the way to become the same in the region as a whole.

A broad range of projects that from the outside are less conspicuous but are extremely well-conceived and executed is helping us to make constant improvements in efficiency. They include numerous IT development projects, projects aimed at applying the highest technical and commercial standards, and the design and introduction of modern market research methods and other ways of monitoring the feeling among customers. Over 150,000 people visit Petrol Group service stations each day on average, while our database of active consumers of fuel oil and gas encompassed more than 200,000 households in 2005 and there were more than 197,000 Magna card users at the end of the year. These figures are both a major responsibility and a major commitment for the Petrol Group, our aim and our purpose in business being to have satisfied customers who are happy to return to the best supplier on the market.

To be the best is also to have the greatest responsibility, something that the Petrol Group is well aware of and has the highest respect for. As a company that even today shows the highest degree of social responsibility, our strategy and development is based primarily on the benefits that we bring to the wider environment, to our employees, suppliers, shareholders and investors, and of course to our customers. It is harmony and satisfaction among all these groups that affects our performance and our development, and they are our guide in reaching new, even more important targets in our future. On this healthy footing the entire management board will strive to see that Petrol keeps its place as Slovenia's leading energy company, and becomes an even more important and assertive player on oil markets outside Slovenia. The new elements introduced into the methods and substance of the work of the Petrol Group by the new management board have been gradual yet positive – those that a fresh view from outside brings. I can assure Petrol employees, our shareholders, our customers, our suppliers and our other partners that we will continue to use all our know-how and energy to strengthen Petrol's confidence, to increase its enterprising spirit and to accelerate its commercial development. I am counting on you to stand behind us, to support us in these endeavours, and to trust us.

Marko Kryžanowski,

President of the management board

The Management Board



Bojan Herman, Igor Irgolič, Marko Kryžanowski, Alenka Vrhovnik Težak, Boštjan Napast

President of the management board:**Marko Kryžanowski**

Appointed for a five-year term beginning 1 December 2005.
Born in 1966.
Bachelor of Science in Electrical Engineering.

Areas:

- Purchasing, Risk Management and Logistics,
- Marketing,
- General Affairs.

Vice-president and member of the management board:**Igor Irgolič**

Appointed for a five-year term beginning 1 December 2005.
Born in 1963.
Bachelor of Science in Engineering,
Specialisation in Management.

Areas:

- Retail,
- Wholesale,
- International Sales.

Management board members:**Alenka Vrhovnik Težak**

Appointed for a five-year term beginning 1 December 2005.
Born in 1968.
UBachelor of Science in Economics and
Master of Science in Economics.

Areas:

- Finance,
- Accounting.

Boštjan Napast

Appointed for a five-year term beginning 1 December 2005.
Born in 1971.
Bachelor of Science in Engineering.

Areas:

- Energy,
- Quality Control, Environmental Issues and Safety,
- Investments.

Bojan Herman

Appointed for a five-year term beginning 25 September 2002. Born in 1951. Grammar school graduate.
Worker Director.

President of the management board:**Janez Lotrič**

President of the management board till 30 November 2005.
Born in 1955.
Bachelor of Science in Law.

Areas:

- General Affairs,
- Quality Control, Environmental Issues and Safety,
- Investments.

Management board members:**Mariča Lah**

Member of the management board till 30 November 2005.
Born in 1956.
Bachelor of Science in Economics and
Master of Science in Economics.

Areas:

- Retail.

Vladimir Jančič

Member of the management board till 30 September 2005.
Born in 1970.
Bachelor of Science in Economics.

Areas:

- Energy,
- Finance.

**Report of the
Supervisory Board:**

“The solid financial
position points
to stable, long-term
growth in turnover”



Operations of the supervisory board

At its founding session of 11 April 2005, the supervisory board elected its president and deputy president.

In 2005, the supervisory board held eleven sessions and carried out its work based on its rules of procedure. Sessions were convened in writing by the president of the supervisory board, who also defined their agenda. He was informed about the contents of material to be discussed at sessions in advance. Invitations and materials were sent to members of the supervisory board a week before a session took place.

Materials were prepared in a professional manner, thus enabling supervisory board members to adopt adequate resolutions based on high-quality and comprehensive information. If supervisory board members wished to obtain additional explanations for specific subjects, management board members provided an insight into any such materials directly at sessions; if issues were raised by supervisory board members that required additional preparation, members of the management board replied to such any such issue at the next session.

Members of the supervisory board prepared for sessions in advance, provided suggestions and recommendations concerning the company's operations, adopting qualified business decisions in compliance with their legal authorisations. The efforts of members of the supervisory board were focused on bringing into line the management board's suggestions and viewpoints of the supervisory board in a constructive manner.

The company's management board was always invited to the supervisory board's sessions. All members of the supervisory board and the management board always attended the sessions, except in rare cases, for which they always provided an apology.

Press releases were prepared immediately after sessions of the supervisory board ended.

Monitoring of the company's operations

Information about the public limited company Petrol, d.d., operations of Petrol, d.d. in 2002, 2003 and 2004, and the business policy of the Petrol Group in 2005 together with strategic orientations

At the first session held on 11 April 2005, the management board familiarised members of the supervisory board with the company as a whole, its operations in previous years and strategic orientations for 2005. It was estimated that the company's operations were satisfactory and the results achieved as expected. Ambitious plans were presented for the company's core line of business, organic growth was emphasised and expansion to the markets of Croatia, Bosnia and Herzegovina and Serbia was stressed. Presented were also the company's ownership structure and internal organisation.

Clarifications of the management board on the company's report for the 2004 financial year

Members of the supervisory board wished to obtain additional clarifications on the operations in 2004, thus they demanded the management board to provide written answers to the issues concerning certain groups of costs for consulting services rendered by McKinsey for the project of international benchmarking and business process optimisation as well as costs related to due diligence and implementation activities of IES Mantova.

At the third session held on 5 July 2005, clarifications of the management board on the company's annual report for the 2004 financial year were discussed. The supervisory board estimated that the nature of the costs presented was adequate and clarifications of the management board on the company's 2004 annual report satisfactory.

First-quarter, semi-annual and third-quarter report for 2005

At the 2nd session of the supervisory board held on 24 May 2005, the management board reported on the company's operations in the first quarter of 2005. The supervisory board's assessment was that operating results were good.

Operations of the Petrol Group in the first half of the year were discussed at the 5th session held on 27 July 2005. Members of the supervisory board established that the results of operations were better than in the year before and that they exceeded the results planned.

The report on the operations of the Petrol Group in the first nine months of 2005 was discussed at the 7th session held on 26 October 2005. Members of the supervisory board were of the opinion that the Petrol Group's operations were satisfactory and that the indicators achieved were favourable.

At the same session the supervisory board decided about convening the general meeting of shareholders and giving discharge to the company's supervisory board for the work in 2004.

Members of the supervisory board recommended the management board to prepare all information about operations during the year in the form of a business report with adequate analyses of the business environment and performance factors. The management board followed this recommendation.

Adoption of the business policy of the Petrol Group for 2006

At the 12th supervisory board's session held on 1 February 2006, the business policy of the Petrol Group for 2006 was discussed. The president of the management board presented the business policy based on cost efficiency, financial consistency as well as safety and reliability of energy product supply. Petroleum activity remains the core line of business for 2006. Expansion of the core activity on the domestic market and on the markets of the South Eastern Europe is the primary strategic orientation of the Petrol Group. The field of development will be focused on improving the offer in Slovenia and abroad. In order to achieve the 2006 business objectives, the most important orientations will be business excellence, introduction of modern market mechanisms, information technology and environment protection. The supervisory board approved the business policy of the Petrol Group for 2006 presented to it.

Annual report

At the 14th session held on 27 February 2006 the supervisory board was presented with the report on unaudited operating results of the Petrol Group for 2005, discussed it and established that the operating results were very good since all key performance indicators planned for 2005 were achieved or even exceeded.

At its 15th session held on 31 March 2006 the supervisory board discussed the 2005 annual report in the presence of a certified auditor.

Summary of the company's business report for 2005

In the 2005 financial year the company increased the value of the owners' assets by due asset management and realisation of well-designed marketing despite harsher conditions on the world oil market. Its economic position is stable and ranks the company among the leading Slovenian companies. Petrol's operations are focused on achieving long-term and stable growth in harmony with the environment, economy, local authorities and shareholders.

The ownership structure did not change substantially in 2005. The biggest shareholders remain Slovenska odškodninska družba with 19.6 per cent share and the group Kapitalska družba with 8.8 per cent share.

Excellent business results prove that the company was operating well in 2005. In 2005, the Petrol Group generated pre-tax profit of SIT 10 billion, which is by 23 per cent more than in 2004, and net profit of SIT 8.1 billion, which is 17 per cent more than in 2004. The Petrol Group recorded 9.8 per cent return on equity and invested SIT 12.6 billion in non-current assets, with long-term debt to equity equalling 35 per cent.

In 2005, Petrol d.d. generated SIT 6.9 billion net profit, which is 6 per cent more than in 2004. Net earnings per share stood at SIT 3,339, and book value of share at SIT 41,596. The average price of a Petrol share was SIT 65,546, exceeding the price from 2004 by 3 per cent.

The volume of petroleum products the Petrol Group sold equalled 2 million tonnes, which is also the volume forecast. Revenues from sale of non-oil merchandise stood at SIT 45 billion, exceeding the figure forecast by 6 per cent. In the end of 2005, the company was operating at 348 service stations, of which 298 in Slovenia, 31 in Bosnia and Herzegovina, 18 in Croatia and 1 in Serbia.

In 2005 the Petrol Group sold 37 thousand tonnes of liquefied petroleum gas and 34,813 thousand cubic metres or 24 thousand tonnes of natural gas. It also sold 307,835 MWh of electricity, which is 5 per cent more than planned. In 2005 it supplied liquefied petroleum gas to customers via 1,352 gas depots and held 21 gas concessions.

The Petrol Group was successful in continuing its strategy of diversification and expansion of operations in individual segments. In 2005 it concluded the first three projects for efficient energy consumption, which are a novelty on the Slovenian energy market.

Despite the fact that in 2005 oil prices were record high and that prices of petrol and middle distillates were still under government control, the company ended 2005 with good results due to carefully thought out business and market measures, which certainly proves that the company's employees have thorough knowledge of the market and respond to changes on it in a timely and well considered manner.

Other important issues

Other important issues discussed by the supervisory board in 2005 also include the following:

- sale of interest in Petrol Gostinstvo, d.o.o. to Marché International Ltd,
- purchase of storage facilities Žitnjak,
- business and industrial zone Brnik,
- amendments to the supervisory board's rules of procedure, bringing it in line with the Management Code for Publicly Traded Companies.

Commission for selecting the management board's members for finances and energy and commission for selecting the management board' president

The supervisory board appointed a commission for selecting two members of the management board, a member for finances and a member for energy, with the following composition: Dr Jože Zagožen, president, Matjaž Gantar, Igor Irgolič, Ciril Pirš, members.

The commission met twice. Based on the documentation received and interviews with candidates carried out, members of the commission proposed the two most suitable candidates for these positions to the supervisory board to approve.

The supervisory board also appointed a commission for selecting the president of the management board with the following composition: Dr Jože Zagožen, president, Matjaž Gantar, Ciril Pirš, Milan Podpečan, members. The commission met three times and carried out all procedures prescribed for the job competition. Based on the documentation received and interviews with candidates for the president of the management board carried out, it proposed the most suitable candidate to the supervisory board to approve.

Approval of the annual report on the company's operations in 2005 with the auditors' report and opinion of the audit committee

On the basis of its verification of the annual report for 2005, the financial statements and corresponding notes, and the auditor's report, the supervisory board approved at its session on 31 March 2006 without reservations the annual report on the company's operations in 2005 together with the official auditors' report, expressing a positive position on the auditors' report in so doing.

Ljubljana, 31 March 2006

Dr Jože Zagožen,

President of the supervisory board

Statement of Compliance with the Management Code for Publicly Traded Companies

The company Petrol d.d., Ljubljana hereby gives its statement of compliance with the Management Code for Publicly Traded Companies (Official Gazette of the RS, no. 118/2005 dated 17 December 2005) for the period from 1 January 2005 to 31 March 2006.

The company followed the recommendations under the Management Code for Publicly Traded Companies, which is in force from 14 December 2005, except for the situations described below. The company is in compliance with all legally prescribed obligations, including those of the issuer as defined by implementing regulations of competent regulators of the securities market. Some recommendations of the Code are not relevant for the company, thus the company cannot violate them and does not describe them specifically. The company will meet obligations imposed on it and its bodies for specific cases should such cases arise.

In the continuation we provide certain explanations concerning provisions of the Code and explanations for binding recommendations of the Code not yet followed by the company:

1.2.6: Promotion of the execution of shareholders' rights through financial and other organisations and authorised persons (organised collection of authorisations):

Organised collection of authorisations is being implemented actively to a limited extent for participants of internal buyout and other employees of the company. More extensive collection of authorisations would be cost-ineffective due to the fragmented ownership structure resulting from ownership restructuring, but the company is encouraging financial and other organisations to participate by announcing general meetings and corresponding materials at its website.

1.3.12: Publication of the general meeting's resolutions:

Besides absolute results of voting on resolutions, the management board will also ensure all recommended data from the 2nd to the 4th indent of paragraph 2 for all future general meetings.

2.3.8: Disclosure of total payments, reimbursements and other benefits of the management board's members:

Total payments, reimbursements and other benefits of the management board's members are published in gross amounts in line with recommended groups of receipts.

3.1.5: Access to the supervisory board's rules of procedure for all shareholders:

The rules of procedure of the supervisory board are not publicly published.

3.1.9: Use of information technology to disseminate materials and convene the supervisory board's sessions:

Due to insufficient safety of telecommunications and high level of data confidentiality, the use of information technology is not yet possible until all members have available sufficiently safe connections and protocols to prevent any unauthorised access to documents.

3.2.1: Appointment and discharge of the management board's members:

A new management board was appointed in 2005, consisting of a president and three members, of which two from within the company's senior management, thus ensuring continuity in the company's governance.

3.4.6 and**3.4.7: Liability insurance for the supervisory board's members:**

The company did not conclude any liability insurance for the supervisory board's members.

3.5.2: Performance of senior or management functions or consulting tasks for competing companies:

The supervisory board's members provide a statement that the supervisory board as well as shareholders of the company have been informed about any conflicts of interests.

3.5.5 to**3.5.7: Existence of a conflict of interests between the company and the supervisory board's members:**

Recommendations from the Code will be incorporated into the new supervisory board's rules of procedure, and any existent conflicts of interests will be disclosed at least in the company's annual report for 2006.

7.1.2: Publication of communications in the English language:

In the future the company will ensure publication of communications at its website also in the English language.

7.3.4: The company's internal regulation on trading restrictions:

The company did not adopt any internal regulation to additionally prescribe rules on trading restrictions besides the legally prescribed provisions and rules, but persons with access to internal information sign a special statement on internal information protection.

7.5: The company's web pages:

New web pages are being prepared for the company and these will provide all recommended information.

The company will follow recommendations of the Code also in the future. Should it be the case that the company is not able to follow any of the obligations under the Code, the management board and the supervisory board will prepare a reasoned explanation.

The notice is permanently published also at the company's website www.petrol.si.

Marko Kryžanowski,

President of the management board

Dr Jože Zagožen,

President of the supervisory board

Ljubljana, 31 March 2006

President of the supervisory board:**Dr Miran Mejak**

till 4 April 2005

President of the Pharos Foundation
Appointed for a four-year term at the 6th general meeting of shareholders on 30 March 2001.
Term of office: 5 April 2001 to 4 April 2005

Shareholder representatives:**Uroš Slavinec**

till 4 April 2005

president of the management board of Helios, d.o.o..
Appointed for a four-year term at the 6th general meeting of shareholders on 30 March 2001.
Term of office: 5 April 2001 to 4 April 2005

Jože Stanič

till 15 July 2005

Before retirement president of the management board in Gorenje, d.d.
Appointed for a four-year term at the 7th general meeting of shareholders on 5 July 2001.
Term of office: 16 July 2001 to 15 July 2005

Igor Irgolič

5 April 2005 to 30 November 2005

General director of Robert Bocsh Slovenija, d.o.o., later consultant to the director in Top Service.
Appointed for a four-year term at the 11th general meeting of shareholders on 4 April 2005.
Beginning of term: 5 April 2005
Withdrawal from the supervisory board: 1 December 2005

Milan Podpečan, podpredsednik

since 5 April 2005

President of the management board of Slovenska odškodninska družba, d.d.
Appointed for a four-year term at the 11th general meeting of shareholders on 4 April 2005.
Beginning of term: 5 April 2005

Bojan Šrot

since 14 March 2006

Mayor of the City Municipality of Celje, attorney
Appointed for the period from 14 March 2006 to 5 April 2009 at the 14th general meeting of shareholders on 14 March 2006.
Term of office: 14 March 2006 to 5 April 2009

President of the supervisory board:**Dr Jože Zagožen**

since 5 April 2005

General Director of Holding Slovenske elektrarne, d.o.o.
Appointed for a four-year term at the 11th general meeting of shareholders on 4 April 2005.
Beginning of term: 5 April 2005

Shareholder representatives:**Irena Starman**

till 4 April 2005

Head of internal audit in Slovenska odškodninska družba, d.d.
Appointed for a four-year term at the 6th general meeting of shareholders on 30 March 2001.
Term of office: 5 April 2001 to 4 April 2005

Dr Mičo Mrkaič

5 April 2005 to 20 July 2005

Lecturer at the Faculty of Organisational Sciences, University of Maribor
Appointed for a four-year term at the 11th general meeting of shareholders on 4 April 2005.
Beginning of term: 5 April 2005
Withdrawal from the supervisory board: 20 July 2005

Matjaž Gantar

since 5 April 2005

Director of companies KD Group and KD Holding
Appointed for a four-year term at the 11th general meeting of shareholders on 4 April 2005.
Beginning of term: 5 April 2005

Viktor Baraga

since 16 July 2005

Honorary Consul of Australia in the Republic of Slovenia
Appointed for a four-year term at the 11th general meeting of shareholders on 4 April 2005.
Beginning of term: 16 July 2005

Aleš Marinček

since 14 March 2006

Consultant to the director of the Public Guarantee and Maintenance Fund of the RS
Appointed for the period from 14 March 2006 to 5 April 2009 at the 14th general meeting of shareholders on 14 March 2006.
Term of office: 14 March 2006 to 5 April 2009

Employee representatives:

till 20 February 2005

Nina Potisek

Petrol - Quality Control, Environmental Issues and Safety

Appointed for a four-year term at the session of the workers' council on 15 February 2001.

Term of office:
20 February 2001 to 20 February 2005.

Silvan Simčič

Petrol - Quality Control, Environmental Issues and Safety

Appointed for a four-year term at the session of the workers' council on 15 February 2001.

Term of office:
20 February 2001 to 20 February 2005.

Miran Obreza

Petrol Skladiščenje d.o.o.

Appointed for a four-year term at the session of the workers' council on 8 October 2002.

Term of office:
8 October 2002 to 20 February 2005.

Andrej Medved

Petrol - Retail

Appointed for a four-year term at the session of the workers' council on 15 February 2001.

Term of office:
20 February 2001 to 20 February 2005.

Tomaž Jamnik

Petrol- Operations Organisation

Appointed for a four-year term at the session of the workers' council on 15 February 2001.

Term of office:
20 February 2001 to 20 February 2005.

Ciril Pirš

Petrol - Retail

Appointed for a four-year term at the session of the workers' council on 15 February 2001.

Term of office:
20 February 2001 to 20 February 2005.

Employee representatives:

since 21 February 2005

Ciril Pirš

Petrol - Retail

Re-appointed for a four-year term at the session of the workers' council on 9 February 2005.

Beginning of term:
21 February 2005

Cvetka Žigart

Petrol - Wholesales

Appointed for a four-year term at the session of the workers' council on 9 February 2005.

Beginning of term:
21 February 2005

Samo Gerdin

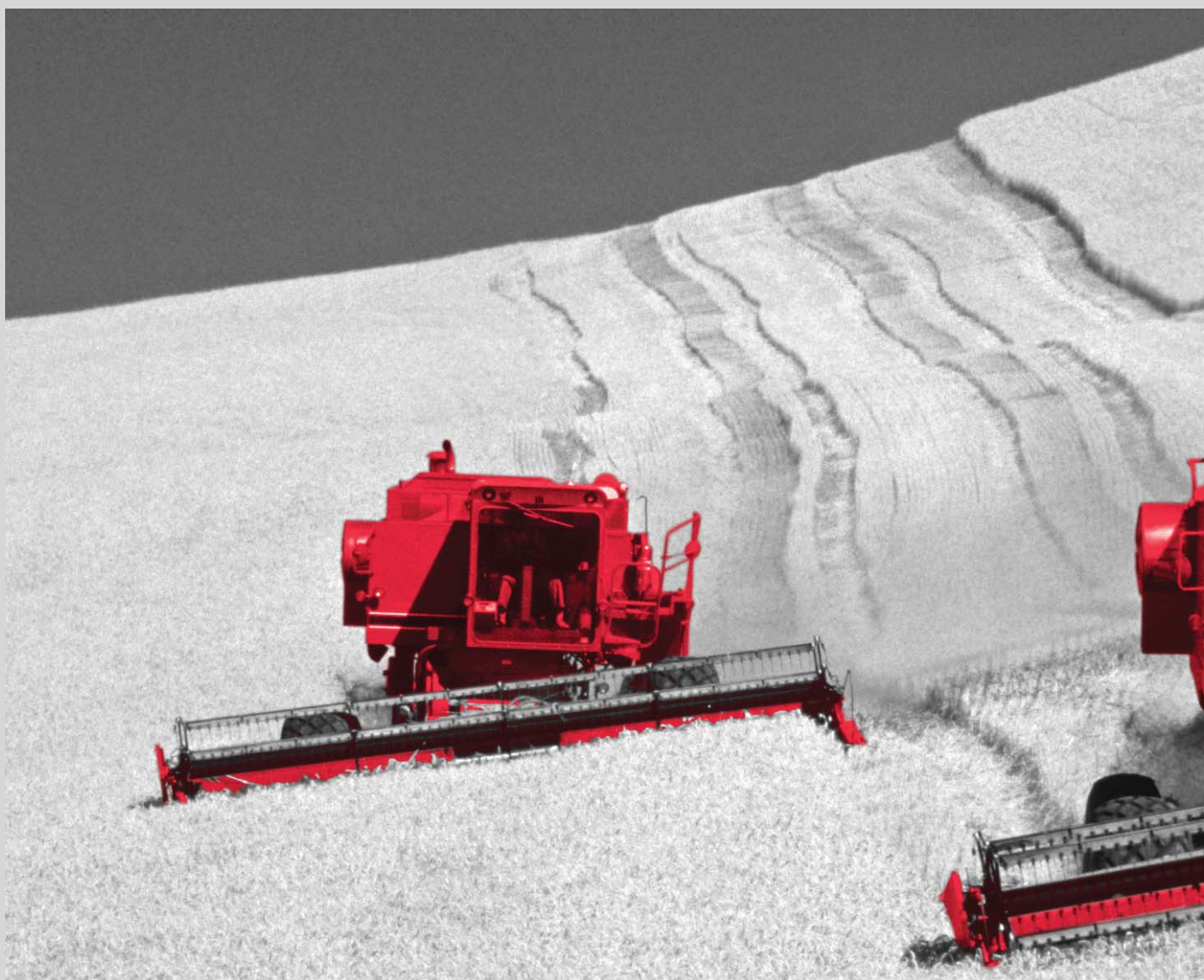
Petrol - Quality Control, Environmental Issues and Safety

Appointed for a four-year term at the session of the workers' council on 9 February 2005.

Beginning of term:
21 February 2005

Petrol's Share Performance:

Petrol shares are
again among
the most attractive
on the Ljubljana
stock exchange



The price of a Petrol share, which has been on the A list since 5 May 1997, rose by 6.9 per cent in 2005, taking the total gain since listing to 311.8 per cent.

The average price of a Petrol share was 65,546 tolar, exceeding the price from 2004 by 2.7 per cent.

In December 2005 the Petrol's share price climbed to 72,518 tolar, which is a record breaking level since its listing on the Ljubljana Stock Exchange.



RICH HARVEST

Volume of trading and market capitalisation

The volume of trading in Petrol shares in 2005 amounted to SIT 10.5 billion, down 18.8% from the previous year. Shares in Petrol accounted for 12.5% of the total trading volume on the Ljubljana Stock Exchange, and 13.9% of the total volume of share trading at the Exchange.

By volume of trading, shares in Petrol ranked third on the Ljubljana Stock Exchange, the same as in the

year before. Petrol shares reached a monthly average of SIT 873.4 million of trading and 100% liquidity in 2005.

In terms of market capitalisation Petrol remained in second place in 2005. Its market capitalisation on the last day of 2005 was SIT 147.6 billion, which is 6.3% of the total market capitalisation of the official market. Petrol's share was one of the four shares contributing the maximum of 10% to the calculation of the SBI index.

Petrol shares on the Ljubljana Stock Exchange from 2001 to 2005

	2005	2004	2003	2002	2001
High	72,518	68,046	60,020	43,762	23,850
Low	58,400	55,955	38,006	23,124	18,275
Average annual share price	65,546	63,834	43,496	33,347	21,208
Share price on last trading day of the year	70,741	65,943	56,208	41,009	23,147
Rise/fall in share price from 1 Jan to 31 Dec	6.89 %	17.85 %	40.58 %	77.34 %	19.27 %
Cumulative gain in average price since 5 May 1997	281.55 %	271.58 %	153.19 %	94.11 %	23.45 %

In the period from beginning of 2001 to the end of 2003, growth in the Petrol share exceeded the growth in the SBI index. In 2004 this ration changed to the benefit of the SBI index, but in 2005 the growth in the Petrol share was faster than the stock exchange index again. The Petrol share achieved its highest level, i.e. 72,518 Slovenian tolar, which is also record high value since its listing on the Ljubljana Stock Exchange, in December 2005.

Financial indicators

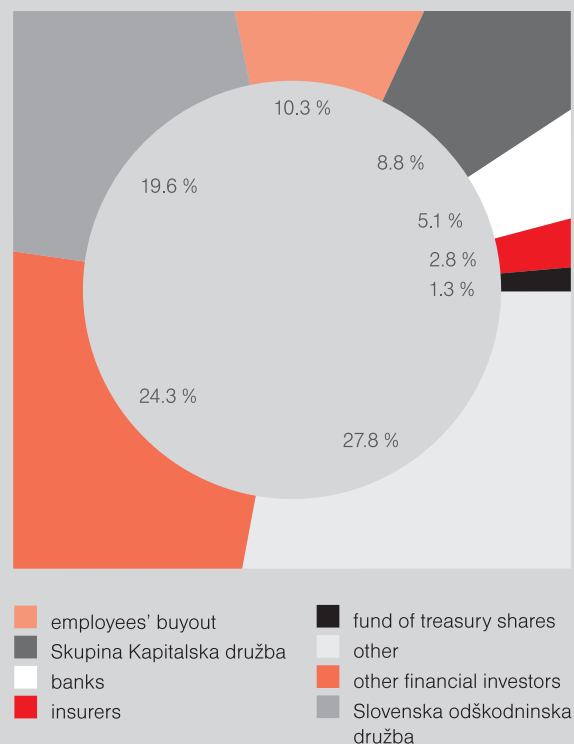
Net earnings per share stood at SIT 3,339 in 2005 (according to IFRS, SIT 3,537) and were by 6.5 per cent higher as compared to 2004 (according to IFRS, 22 per cent). Cash flow per share reached SIT 5,924 (according to IFRS, SIT 6,272), up 5.5 per cent as compared to the year before (according to IFRS, 13 per cent). Return per share was 7.3 per cent (according to IFRS, 7.3 per cent). Including the 1.36% dividend paid out (according to IFRS, 1.36%), the total return was 8.66% (according to IFRS, 8.66%).

The market price of share grew in the same way as the book value in 2005, the latter reaching 41,596 tolar by year end, whilst the price of the share was increasing faster on the market as its book value according to IFRS, standing at 36,655 tolar at the end of the year. The ratio of the market to the book value of share remained in 2005 at the same level as in 2004, i.e. 1.7 (according to IFRS, 1.9). The ratio of the share price at year end and the earnings per share stood at 21.2 (according to IFRS, 20).

Ownership structure of Petrol

The ownership structure of the company Petrol, d.d. did not change much over the last couple of years. In 2005 it also did not change substantially. The biggest single shareholder remains Slovenska odškodninska družba with 408,785 shares, followed by the group Kapitalaska družba with 184,447 shares. Nacionalna finančna družba, Kmečka družba funds, Triglav Steber, Istrabenz, and Nova kreditna banka Maribor are among Petrol's other major shareholders. As 2005 ended, 27,811 or 1.3 per cent of all Petrol shares were owned by foreign legal and natural entities. The total number of Petrol shares issued equalled 2,086,301.

The number of shareholders decreased from 45,076 as at the end of 2004 to 43,920 or 2.56 per cent as at the end of 2005. Although the number of shareholders has been falling since the public limited company started operating, this trend is slowing down each year.



10 biggest shareholders of Petrol d.d. as at 31 Dec. 2005

Shareholder	Address	No. of shares	Share in %
1. Slovenska odškodninska družba, d.d.	Mala ulica 5, 1000 Ljubljana	408,785	19.59 %
2. Kapitalaska družba, d.d.	Dunajska cesta 119, 1000 Ljubljana	170,719	8.18 %
3. NFD 1 delniški investicijski sklad d.d.	Trdinova 4, 1000 Ljubljana	95,055	4.56 %
4. KD Galileo, vzajemni sklad	Celovška cesta 206, 1000 Ljubljana	60,950	2.92 %
5. Istrabenz d.d.	Cesta Zore Perello-Godina 2, 6000 Koper	50,574	2.42 %
6. VS Triglav Steber I	Slovenska cesta 54, 1000 Ljubljana	49,031	2.35 %
7. Nova KBM d.d.	Ulica Vita Kraigherja 4, 2000 Maribor	42,892	2.06 %
8. KD ID, delniška ID, d.d.	Celovška cesta 206, 1000 Ljubljana	37,260	1.79 %
9. KD Rastko, delniški vzajemni sklad	Celovška cesta 206, 1000 Ljubljana	34,263	1.64 %
10. Petrol d.d., Ljubljana	Dunajska cesta 50, 1527 Ljubljana	26,161	1.25 %

Number of shares owned by members of the supervisory and management Board of Petrol, d.d.

Balance 31. 12. 2005			
First and last name	Position	No. of shares delnic	Equity share
Supervisory board		599	0.03 %
Internal members		599	0.03 %
Ciril Pirš	Member	543	0.0260 %
Samo Gerdin	Member	-	0.0000 %
Cvetka Žigart	Member	56	0.0027 %
External members		-	0.00 %
Jože Zagožen	President	-	0.0000 %
Milan Podpečan	Vice-president	-	0.0000 %
Viktor Baraga	Member	-	0.0000 %
Matjaž Gantar	Member	-	0.0000 %
Uprava		1,064	0.05 %
Marko Kryžanowski	President	125	0.0060 %
Igor Irgolič	Vice-president	-	0.0000 %
Alenka Vrhovnik Težak	Member	500	0.0240 %
Boštjan Napast	Member	-	0.0000 %
Bojan Herman	Member - worker director	439	0.0210 %

Treasury Shares

Petrol did not repurchase any treasury shares in 2005. On 31 December 2005 the company had 26,161 treasury shares, which is 144 less than at the end of 2004 and represents 1.25% of the registered share capital. Their total book value on the last day of 2005 equalled 661.02 million tolars. On the same day it was by 1,189,624 thousand tolars lower than the market value of shares.

Dividend policy

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

Distributable profit

Under SAS, the amount of distributable profit of Petrol, d.d. stood at 9,795,866 thousand tolars for 2005.

In its strategy for the period from 2002 to 2005, Petrol envisaged paying a dividend of 600 tolars per share (calculated in 2002 prices). In 2005, gross dividend per share stood at 900 tolars according to the general meeting's resolution.

Overview of dividend distribution over years

Operating period	Total amount of dividends under the general meeting's resolution (in SIT)	Gross dividend per share (in SIT)
1993–1995	1,460,410,700	700
1996	417,260,200	200
1997	1,564,725,750	750
1998	1,251,780,600	600
1999	834,520,400	400
2000	1,043,150,500	500
2001	1,251,780,600	600
2002	1,460,410,700	700
2003	1,460,410,700	700
2004	1,877,670,900	900

Core Line of Business:

Petrol's supremacy
in petroleum
and merchandising
has good
foundations

Oil trading is the core line of business of the Petrol Group, and is also its principal source of stable and reliable long-term revenues and cash flows.

Most subsidiaries from the Petrol Group were involved in trading of refined petroleum products, supplementary merchandise and other services in 2005.

The parent company has the prime responsibility for core business operations, and will continue to account for the majority of turnover in the period ahead in terms of volume and financial criteria.





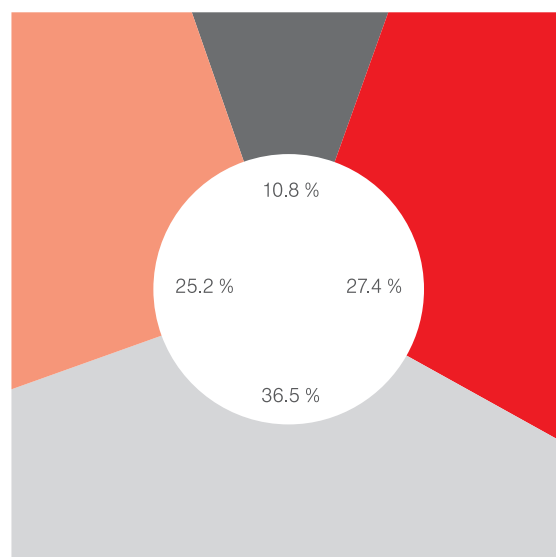
LIGHT TRAVELS IN ALL DIRECTIONS

Sales of oil and refined petroleum products

In 2005 the Petrol Group sold two million tonnes of oil and refined petroleum products. The quantities sold, which are similar to the 2004 quantities, are in accordance with the forecast figures.

By one per cent lower forecast volume of quantities sold results from expected lesser scope of public procurement in 2005, which the Petrol group successfully compensated for by selling to other customers. Excluding public procurement, sales were by two per cent higher as compared to 2004.

Most oil and refined petroleum products, more precisely 1.7 million tonnes, were again sold on the domestic market in 2005. 230 thousand tonnes or 12 per cent of total quantities sold were achieved on the markets of the South Eastern Europe, whilst 29 thousand tonnes, equalling one per cent of total quantities sold in 2005, were sold by the Petrol Group on the market of the European Union. Sales outside Slovenia were in accordance with the forecast and by 23 per cent higher than in 2004.



Breakdown of petroleum products sales in 2005

Shares in the sales structure are more or less the same as those from 2004. The highest share, i.e. 36.5 per cent share, was again achieved by diesel fuel, followed almost equally by petrol (27.4 per cent) and extra light fuel oil (25.2 per cent).

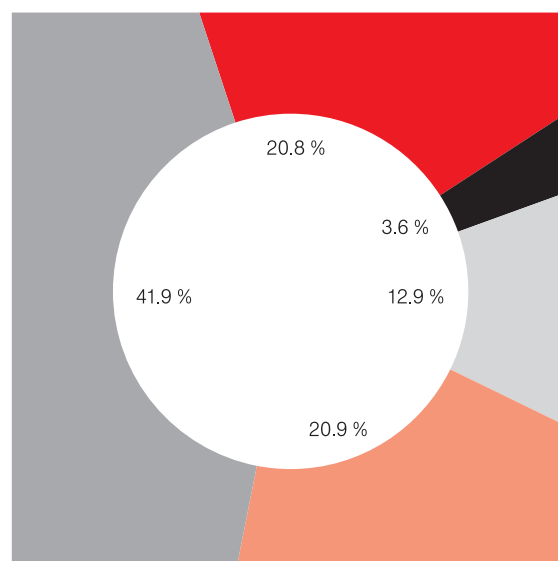
Whilst sales of petrol in 2005 lagged behind sales from the year before by 5 per cent, volume of sales of diesel fuel rose by 10 per cent as compared to 2004. Quantities of extra light fuel oil sold in 2005 dropped by 8 per cent as compared to 2004, mostly due to customers switching to cheaper heating sources.

Sales of supplementary merchandise

The Petrol Group sold supplementary merchandise of a total value over SIT 45 billion net revenues (according to IFRS, SIT 45 billion), an increase of 11 per cent over 2004 and 6 per cent more than the forecast figure. Slightly over 80 per cent of sales of supplementary merchandise were generated by the Petrol Group at service stations, whilst the remaining 20 per cent were achieved in the wholesale network. Most sales, as much as 43.7 billion tolars, were achieved by the parent company.

Further indication of good sales performance came from the rise in sales revenues per litre of fuel sold, which was for the Petrol Group up 12 per cent from 2004. In addition average revenues from sales of supplementary merchandise per square metre of floorspace rose by 8 per cent as compared to the year before.

The successful sales of supplementary merchandise in 2005 can be attributed to several factors, of which the most important ones are highly qualified sales force, modernised and well-stocked stores, adequate positioning of goods, efficient mechanisms of sales promotion and inclusion of business partners in joint promotion.



- automotive products
- foodstuffs
- accessories
- lottery products
- other

Breakdown of supplementary merchandise sales

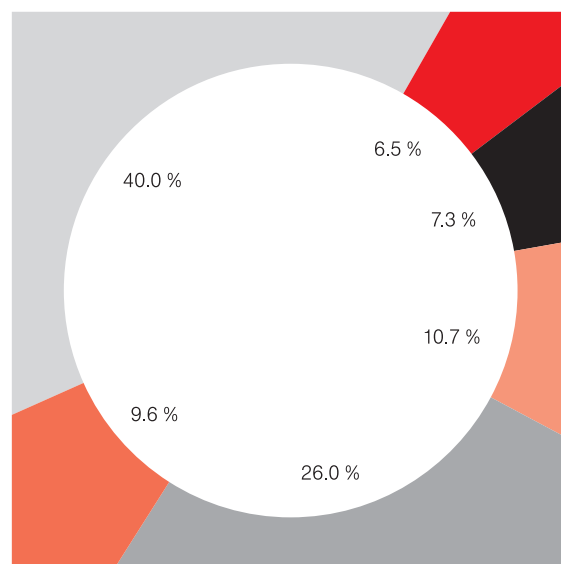
Sales of all individual product segments in Petrol's line of supplementary merchandise saw increases compared to the previous year, whilst the sales structure did not change significantly as compared to the year before.

As compared to 2004, revenues from sales of tobacco and lottery products increased the most, by 15 per cent, revenues from sales of automotive products rose by 13 per cent, revenues from sales of accessories were by 6 per cent higher and revenues from sales of foodstuffs rose by 5 per cent.

Sales of services

The Petrol Group generated SIT 7.1 billion of net sales revenues from services in 2005 (according to IFRS, SIT 7.1 billion), up 9 per cent from 2004, the majority of which were accounted for by the parent company.

The services included commissions from payments in foreign currency, rental fees, transportation, carwashes, treatment plants, and lab and other services, but the central place still belongs to Petrol payment cards, which were held by more than 197 thousand users by the end of 2005. The Magna payment card is one of the most important charge cards in Slovenia, and is also a card whose number of users has been constantly rising since its introduction in 1993. Net revenues generated via payment cards do not account for more than one good tenth in the structure of revenues from sales of services, but the Magna card is much more important for the Petrol Group as a tool of sales promotion and customer loyalty than in terms of net revenues generated.



Breakdown of service revenues of Petrol d.d.

The breakdown of sales of services in 2005 remained more or less unchanged from 2004. The largest share of the service category was again transportation, followed by almost equal Magna payment card revenues and carwashes, which were closely followed by revenues from commissions and rental fees. The most important of the other services were warehousing, treatment plants and laboratory services.

Improved offer in 2005

Successful operations in the field of oil trading activity were importantly supported by numerous novelties introduced in 2005, by way of which the Petrol Group ensured its customers complete offer on the road.

We should particularly emphasise the network of *petromats* for quick fuel payment, which were introduced at 89 Petrol service stations by the end of 2005, sales of fuel without sales staff in the third shift, quick pumping facilities for diesel fuel for cargo vehicles and opening of the first 24-hour unmanned service station. In 2005 Petrol further upgraded its offer of fuels by the alternative autogas - liquefied petroleum gas for motor vehicles.

The Petrol Group expanded its offer of merchandise and services by several novelties in the field of foodstuffs, particularly in the segment of sandwiches and sweet and salty pastry, also significantly expanding the existent offer of bread and other bakery products. The Magna prepayment card is another novelty that was well accepted by customers.

Retail network

In 2005 the retail network of the Petrol Group consisted of 348 service stations, which are mostly franchised. Besides the retail network of service stations with the supplementary merchandise, 83 car washes, 62 bars and 6 auto mechanic and tyre fitting workshops were also operational.

The total number of service stations is increasing gradually, but changes at locations are very dynamic. The Petrol Group is namely gradually closing and efficiently replacing points of sale not achieving the break-even point because of changes in transport ways or other reasons with new, modern service stations built at more attractive locations. Changes in the lifestyle and buying habits of customers are taken into account by constantly upgrading the offer of products and services as well as adjusting opening hours of retail points of sale.

Wholesale network

On average, the Petrol Group sells in its wholesale network approximately half of all petroleum products and almost one fifth of supplementary merchandise.

In 2005, Petrol's wholesale network with highly professionally qualified and product-oriented sales representatives was efficiently adjusting to market developments. By way of well designed supply systems, which enable a high level of adaptability and comprehensive, reliable and regular supply, it managed to acquire some bigger customers besides keeping the existent ones. The network of sales representatives includes also specialists for chemical products, which enabled the Petrol Group to substantially exceed the quantities planned despite extremely difficult conditions.

The competitive race in the field of wholesale has moved to an even faster speed than in retail sale of petroleum products. Yet numerous activities related to increasing the wholesale network efficiency also reflected in sales, which did not lag behind the 2004 figures despite the decreased scope of public procurement.

New Lines of Business:

Petrol is visibly
establishing itself
on the wider
energy market

The Petrol Group's new lines of business in 2005 included the ongoing development of infrastructure for marketing gas, creation of conditions for marketing electricity and heat, management of treatment plants, and marketing of integrated energy services.



RED IS SOMETIMES GREEN

These are activities in which the parent company plays a significantly less prominent role than in the group's core line of business.

Marketing of gas, electricity and heat was in 2005 also predominantly carried out by two subsidiaries established for this purpose, whilst the parent company was active in the management of treatment plants and implementation of major energy-related projects.



Gas energy

By constructing gas networks and distributing and marketing natural and liquefied petroleum gas the Petrol Group is expanding its offer of energy products for its customers.

In 2005 the Petrol Group acquired another gas concession, namely in the Municipality of Slovenska Bistrica. At the end of the year it thus held 21 natural gas concessions, supplying liquefied petroleum gas to users via 1,352 gas depots, of which 241 were erected in 2005.

It sold 36.7 thousand tonnes of liquefied petroleum gas, which is a quantity similar to the one achieved in 2004, lagging behind the forecast by 2 per cent. Sales of natural gas, related primarily to the speed of constructing gas networks and connection of end consumers to networks, stood at 24 thousand tonnes or 34.8 million cubic metres in 2005. As compared to 2004, the figure is by 6 per cent higher, but also 6 per cent lower than forecast. In 2005 the group distributed 49 thousand tonnes of natural gas. It also sold almost 3 thousand tonnes of industrial gases.

Petrol's concessions for network construction and supply with natural gas

In the end of 2005, the Petrol Group held concessions for the construction of the natural gas network and supply with natural gas in 21 Slovenian municipalities. The group is either constructing the network in or supplying gas to the municipalities of Beltinci, Divača, Domžale, Dravograd, Mengeš, Mežica, Idrija, Ilirska Bistrica, Odranci, Postojna, Prevalje, Radovljica, Ravne na Koroškem, Rogatec, Semič, Sežana, Slovenska Bistrica, Trzin, Tržič, Turnišče and Vodice.

Electricity and heat

Marketing of electricity and heat was brought into the Petrol Group's portfolio in 2001, when the parent company obtained a licence to trade electricity. The production, distribution and marketing of electricity and heat has been taken over within the group by Petrol Energetika d.o.o., which was included in the Petrol Group in 2002 for this exact purpose.

In 2005 the Petrol Group thus sold 307.8 million kWh of electricity, 5% more than forecast and 5% more than in 2004. Of total quantity sold, 270.8 million kWh of electricity was also distributed.

In 2005 the Petrol Group sold also 56.2 million kWh of heat, exceeding the planned figure by one per cent, and distributed 59.2 million kWh of heat.

The role of Petrol Energetika d.o.o.

The company Petrol Energetika d.o.o. is responsible for supplying customers in economic areas in north-eastern Slovenia with energy and fuels, and also supplies heat and gas for four municipalities. The company also acts as a trader, dealer and broker in the marketing of fuels, and has a role as a system operator in distribution systems.

The multi utility model

The multi utility model is a result of corporate and capital developments in the field of implementing economic public services on the market of natural gas, heat and electricity. The model is primarily about an integrated supply of customers with different types of energy and also includes the management, financing and implementation of a comprehensive energy project in a way ensuring optimum utilisation and management of energy plants, consequently cutting energy costs. The model is particularly interesting for customers in economically integrated areas, geographically connected municipalities or business and industrial zones.

Projects for efficient energy use

For the Petrol Group the preparation, management and implementation of projects for efficient use of energy are a logical step ahead and a systematic integration of existent business activities, consequently also their new value added. The group is carrying out these projects in a way that includes also a specific form of financing, i.e. third party financing, which is a new form of offering integrated energy services in Slovenia.

The Petrol Group started developing concrete projects for efficient use of energy in 2004 and in 2005 it already completed the first three projects. In the industrial sector, two plants for combined heat and power generation thus started operating; and renovation of the boiler room for supply with heat and warm water was also carried out in a similar way. All three projects enable clients efficient use of energy, substantial savings as compared to the situation before the implementation of the investment, and reliable supply of required energy.

Besides the abovementioned projects successfully implemented in 2005, the Petrol Group was actively informing potential users in the public sector, in particular at hospitals and schools, about the projects for efficient energy use. For this purpose, the group implemented numerous presentations, performed the first energy checks and prepared the necessary technical documentation for projects to be implemented in future years.

Environmental projects

In 2005 the Petrol Group held two concessions for construction and management of the facility for urban waste water purification, in Murska Sobota and Mežica. It is also included in purification of urban waste water in the Municipality of Maribor as a major shareholder in the company Aquasystems, which holds the concession.

In 2005 the test running period for the purification plant constructed in 2004 in Murska Sobota also expired, and the plant has been operating regularly since April 2005. The purification plant with the projected size of 42 thousand population units ensures urban and industrial waste water treatment, and also enables to receive and purify cesspit sewage. The purification plant in Mežica also started operating regularly in 2005 after its test running period expired. Its projected size is 4 thousand population units and it ensures standard mechanical and biological level of urban waste water treatment. The effects of purification plants have already shown in improved condition of local water courses of Ledava and Meža, which will gradually achieve higher quality grades.

The expiry of test running of purification plants was in 2005 followed also by numerous further activities related to adequate plant management. These include introduction of technical personnel and implementation of the protocol for cooperation with the plant manager.

Combined heat and power generation (CHP)

Plants for combined heat and power generation won their space in the national energy programme due to the important role in efficient use of energy. Compared to the classic separated production, combined generation namely enables higher utilisation rates in the production of heat and power.

Reference plant for combined heat and power generation in Terme Zreče

This is a very demanding project in terms of substance, technology and investments, in which the classic boiler technology was replaced by the new CHP technology, which enables concurrent production of power with a higher level of safety, reliability and environment friendliness. Heat produced at the new plant is transferred to the remote heating system to meet the needs for heat at Terme Zreče. Power produced concurrently is sold by the client to the local distribution company. The Petrol Group took over planning of the entire investment and method of operating the energy plant, supply of energy product, entire implementation of the investment, including its financing and further cash flows required, as well as supervision and motivation of users for rational use of energy.



A FORCE THAT TAKES YOUR BREATH AWAY



Investments and Development:

Petrol
is reinforcing
its competitiveness
in the long run

The Petrol Group has been ranked for several years in a row as one of the strongest Slovenian companies in terms of investments.

Its management of key business processes is comparable to the best world practice, and it is also at the top in terms of development and application of modern information technologies.

This proves that the development component has been fully integrated in all areas of operations and management of the Petrol Group, which enables it to identify business opportunities in good time and preserve key competitive advantages.

12.6 billion tolar invested in the development of business activities

In 2005 the Petrol Group invested 12.6 billion tolar in non-current assets.

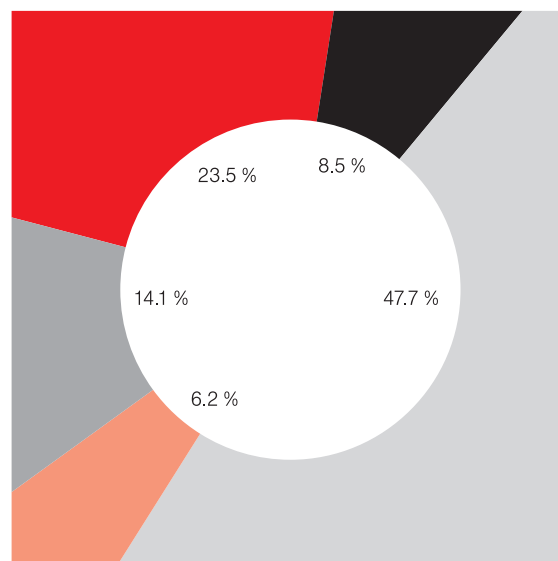
The group allocated almost 9 billion tolar or 71 per cent of total investments to the core oil trading activity. Of these funds approximately two thirds flowed into the construction, renovation and modernisation of service stations and storage facilities in Slovenia, and approximately 3 billion tolar into the expansion of the retail distribution network outside Slovenia.

In 2005, 8 service stations were thus newly built or completely renovated in Slovenia, and minor modernisation works were carried out at several locations. The same holds true for Petrol's retail network outside Slovenia, which the group develops with newly constructed services stations or purchases of existent private service stations.

Construction or renovation works were also in progress at three storage facilities in 2005. In Celje, the trap pools were overhauled, rainwater and industrial sewage and fire safety systems were renovated, and the cleaning up of the filling station was also completed. The trap pools were overhauled also at the Rače storage facility and the filling station at the Lendava storage facility.

The Petrol Group allocated 2.6 billion tolar to new lines of business in 2005. Most funds were used to construct gas networks and implement energy projects. The remaining billion tolar were invested in modernising information and other infrastructure.

Breakdown of investments of the Petrol Group in 2005



- core business in Slovenia
- energy and environment
- gas
- core business outside Slovenia
- other

Novelties in the IT area

In 2005 the Petrol Group fully implemented its plan for further IT development. Most efforts had the aim of improving and increasing the capacity of the entire computer network of the Petrol Group; development activities related to individual lines of business of the Petrol Group were also very intense.

Within the framework of the retail information system that anticipates a new generation of integrated solutions, the project enabling the group to closely monitor economic soundness of operations by individual product, was concluded.

In the retail field, the automatic fuel payment system was extended to 89 service stations, the prepayment Magna card was introduced and support to the international truck card Aris Baltija was implemented.

Sales of fuel oil were supported in 2005 by the new generation of mobile solutions, which are intended for road tankers and enable the connection between electronic fuelling measuring devices and payment by payment cards.

Supply chains were also supported by new IT solutions in 2005. Introduced were a new automation and optimisation system for ordering fuel and goods in units and a new supplier in the e-commerce system, the support for conducting business with Mercator was re-established.

Individual components of the information system, available to the network of Petrol service stations in Slovenia, were also introduced into the operations of the retail network in Bosnia and Herzegovina as well as Croatia.

The financial and accounting function were upgraded with the system enabling automated approach to operational management of cash resources and the IT function with the project of IT security management.

Best practice

In terms of its efficiency and IT function development, the Petrol Group belongs to the group of companies with best practices, which was also confirmed in benchmark analyses carried out by experts from two consulting companies, Gartner Group and McKinsey. The key strategic orientations of the IT function in the Petrol Group are support to the business strategy and objectives, support to concern organisation, development of e-commerce, integration of the IT function with all business processes, development and realisation of the Real Time Enterprise concept, development and use of modern information technologies and provision of high-quality IT services.

Development of services

In 2005 the Petrol Group extended its offer by numerous novelties related to complete offer on the road, which were predominantly created by regularly monitoring trends and systematically conducting market research.

These novelties certainly include the first unmanned service station, which began operating in 2005. The service station, which operates 24 hours a day without personnel, enables quick gas fuelling and payment by card, is mostly intended for truck drivers and transit customers. The Petrol Group also offered its customers the option to fill the tank and pay for it in the third shift, i.e. when a service station is not open, also at some classic service stations. Quicker purchases, which proved as highly desirable among our customers, were largely enabled by *petromats* for non-cash payments introduced in 2004. By the end of 2005, *petromats* were already introduced at each third Petrol service station in Slovenia.

In 2005 the Petrol Group enabled its customers for the first time the pre-payment Magna card. This enables the customers to pre-pay any amount for subsequent purchases of goods or services at Petrol service stations. The pre-payment Magna card was warmly welcomed by customers and also proved an interesting sales promotion tool for other companies, in particular vehicle traders.

Risk Management:

Petrol responds to developments in the wider business environment in a prompt but measured manner

Given the nature of its lines of business, the Petrol Group is primarily exposed to price, exchange rate and interest risks, to which it responds timely and appropriately by systematically monitoring trends in the business environment.

Since risk management is integrated in all areas and levels of the group's operations, the risks are controlled and operations are safe from the viewpoint of risks.



P E R S I S T E N C E



SURMOUNTS INFINITE DISTANCES

Price and foreign exchange risks

The Petrol Group sources refined petroleum products under market conditions on international markets, makes payments in US dollars and receives payments in local currencies. The oil market and the dollar market are among the most volatile of the world's financial markets, thus exposing the Petrol Group to both exchange rate and price risks.

Petrol primarily safeguards itself against discrepancies between prices on the world market and the domestic market by using appropriate financial instruments. Its exposure to price risks was significantly reduced with the introduction of the official oil pricing model for refined petroleum products in April 2000, which ensures that domestic prices follow trends in oil prices on international markets. The group takes additional precautions against price risks by coordinating the supply and sales price formulas of refined petroleum products. In certain cases the group secures prices of refined petroleum products using commodity swaps on OTC markets. Petrol's partners in this area are multinational financial organisations, banks and major oil corporations as suppliers of the Petrol Group.

Petrol generally makes payments for its purchases of refined petroleum products with a slight time lag, which exposes it to exchange rate risks, i.e. changes in the tolar/dollar exchange rate occurring in the period between the transaction date and payment date. The goal of exchange rate risk management is to match the exchange rates recognised in the official oil pricing model. For this purpose, the Petrol Group concludes forward contracts in the euro and US dollar with Slovenian banks and enters into transactions with derivative instruments only to hedge itself against price and foreign exchange risks.

Solvency risk

The Petrol Group ensures short-term solvency by prudent cash flow planning and matching as well as strict avoidance of the risks of undisciplined cash flows. This makes it more difficult to plan inflows from sales with deferred payment.

The Petrol Group ensures its ongoing payment capability by managing an appropriate liquidity reserve as well as credit lines with domestic and international banks, thus preserving the highest rating with business partners and financial organisations at home and abroad.

The group ensures its long-term solvency by maintaining and increasing owners' equity and ensuring adequate financial balance by forming and continuously setting up adequate structure and maturity of financing.

Settlement risk

The group is actively monitoring balances of operating receivables according to the decentralisation principle and follows a single policy for payment terms and conditions and potential exposure. Receivables are monitored in a systematic manner by maturity, region and organisational unit, quality and buyer. Employees from various fields of the Petrol Group are actively participating in this process. Efficient receivable management is achieved by special computer software that ensures constant monitoring of payment default by customer, thus also timely response.

Settlements risk for extension of credit represents a relatively small proportion of the group's overall billing structure. Deferred payments result from the need to provide credit to customers at least partially and thus increase sales revenues.

The Petrol Group uses a state-of-the art information system to actively monitor credit ratings of its customers and suppliers. Taking into account risk assessment, receivables are adequately secured using a wide range of instruments.

Interest risk

The Petrol Group also regularly monitors its exposure to interest risks. Its long-term loans are based on variable interest rate tied to EURIBOR, thus changing part of variable interest rate to fixed interest rate using derivative financial instruments to hedge itself against interest risk exposure. The Petrol Group secures its interest risk exposure up to half of its net interest position.

Risk of exposure to individuals or groups of individuals

The Petrol Group 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, its customer base is extremely wide and diversified.

Petrol's risk management policy

The Petrol Group assessed the most important and probable business risks identified according to the criteria of materiality and probability, reviewed the key mechanisms of internal controls and designed a set of improvements for the process of business risk management. According to the methodology of risk assessment and assessment of 67 different business risks, which are classified as environment risks, process risks and information for decision-making risks, the group identified 19 key risks. Separate risk profiles were prepared for these risks, which include policies of managing these risks and adequate control mechanisms.

Environment risks are risks caused by external factors, which can impact the feasibility and realisation of the business strategy and achievement of business objectives of the Petrol Group.

Process risks influence the Petrol Group's ability to execute its business model. These risks include the information technology risk, for which the group initiated and finished the project of IT safety as well as established the disaster recovery system with the purpose of maximum management of this specific risk in the Petrol Group.

Information for decision-making risk is the risk of adequacy, reliability and correctness of information the group uses in preparing operating and strategic business plans.

Business risks committee

The Petrol Group appointed a special business risks committee. Its primary mission is to ensure support to employees in making decisions related to risk management, both on strategic and operating levels. The committee's tasks and responsibilities include preparation of criteria and methodology as well as the resulting improvements in the system of business risks management.

Efficient internal audit role

The internal audit function of the Petrol Group is organised as an independent service responsible directly to the president of the management board, whilst also reporting to the audit committee of the supervisory board of Petrol, d.d.. Its work predominantly includes verifying efficiency of risk management and internal controls system within the entire Petrol Group.

The highest rating for Petrol

The Petrol Group enjoys the highest credit rating from domestic and foreign trading partners and financial organisations. Because of its financial strength, it enjoys the best possible financing conditions on domestic and international financial markets.



INFINITE LIGHTNESS OF MOVEMENT



Employees:

At Petrol
the right positions
are filled by
the right people

The primary objective
the Petrol Group set for itself in the field
of HR management is to form
and maintain an optimum structure
of human resources
and their educational level.

The fundamental fields
of HR management are thus besides
well-elaborated recruitment policy
also efficient remuneration
and promotion system,
care for continuous employee training
and development as well as
monitoring of employee satisfaction.

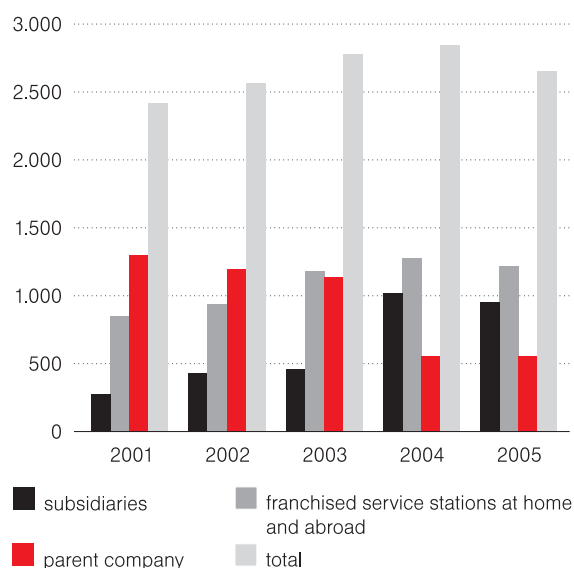
2,693 employees in 2005

At the end of 2005 the Petrol Group formally employed 1,448 workers and 2,693 employees with franchised service stations, which is 155 fewer than in the end of 2004.

In 2005, 157 employees joined the Petrol Group. New hires, for which the Petrol Group gives preference to young, professionally qualified people, were mostly related to the restructuring of business processes and expansion of the retail network. A lot of needs for new hires were also satisfied by internal transfers; the number of latter was as high as 252.

Due to the elimination of the catering activity from the Petrol Group and also due to retirements and expiry of contracts for definite period of time, 312 employees left the group in 2005. Despite this, the level of employee turnover still remains extremely low.

Employees of the Petrol Group from 2001 to 2005



Employee structure

At the end of 2005 the average age of the Petrol Group's employees was 42.9 years. Men are prevailing in the employee structure with 72 per cent, thus leaving only 28 per cent to women. Even though men are much stronger in the structure, the ratio of women to men has been gradually changing over the last years due to increased recruitment of women at service stations.

The educational structure of employees is also improving. In 2005 the average educational level of the Petrol Group's employees was 4.6 (on a scale of 1 - primary school to 8 - doctor of science), which means an average employee has finished a secondary school. The share of employees with high and higher education is 15 per cent. The improved educational structure results from new hires of employees with higher education and additional formal education of existent employees.

As much as 143 or 5.2 per cent of employees were thus participating in educational programmes for obtainment of formal qualifications; the Petrol Group also increased efficiency of employees by additional training. Each employee in the Petrol Group thus allocated on average 35 school hours to education, totalling 243.8 million tolar or 88 thousand tolar per employee.

Remuneration and promotion

The basis for the remuneration system of the Petrol Group consists of the fixed and variable part. The latter includes overall performance, which is calculated monthly, and individual performance, which the group recognises to employees in the form of awards for extraordinary performance or through promotion.

The group awarded 274 or 11 per cent of employees for extraordinary performance in 2005. Promotion was granted to 10 per cent of employees, whose salaries increased on average by 12 per cent.

Organisational climate

In 2005, the group carried out among its employees the fifth organisational climate and job satisfaction survey in a row, this time involving all employees of the Petrol Group from Slovenia.

The average assessment of the organisational climate in 2005 was 3.59 (on a scale to 5) and is higher than the one from 2004 as well as the average of the 91 Slovenian companies participating in the survey. Similar results were achieved for job satisfaction, which turned out to equal 3.69 in 2005, higher than in 2004 and the Slovenian average.

The working environment

The Petrol Group pays close and regular attention to the health of its employees and safety of their working environment. For this purpose, all companies in the group have prepared and adopted the safety statement with risk assessment. Where working and technological procedures have changed or existent precaution safety measures were no longer adequate, an audit of the risk assessment was also made in 2005.

In 2005 the Petrol Group arranged 1,700 medical check-ups for its employees. Regular monitoring of employee health included focused and target-oriented medical check-ups of the total value of 70 million tolar in 2005. The group also took care of employees who were no longer capable to perform their work without limitations.

As much as 1,551 employees took part in training for occupational health and safety, fire safety and environmental awareness in 2005; additionally, all students working at the group's locations were also included in this training.

Overview of the results of the organisational climate survey from 2001 to 2005

	2001	2002	2003	2004	2005
Petrol Group					
Organisational climate (average)	3.49	3.47	3.45	3.55	3.59
Satisfaction (average)	3.53	3.57	3.54	3.64	3.69
All companies					
Organisational climate (average)	3.41	3.36	3.31	3.22	3.24
Satisfaction (average)	3.53	3.43	3.44	3.42	3.45



ENERGY AMONG US



Customers:

The customers are the focus when Petrol is making its business plans

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

For this purpose, the Petrol Group established a comprehensive market research system, thus carrying out 10 in-depth surveys in 2005, including surveys for which it developed its own methodology in cooperation with external experts.

Extremely broad customer base

An average of over 150 thousand customers use Petrol service stations every day. Petrol's database of active fuel oil and gas customers in 2005 contained over 200 thousand names and more than 197 thousand of active users of Petrol's payment cards.

Excluding the many large-scale commercial and industrial users doing business with the Petrol Group 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. The ever-increasing complexity of the Petrol Group's business, which is related to its expansion into new markets and new lines of business in the face of even tougher competition, is another factor in favour of market research. 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.

Systematic market research

The Petrol Group finished 2004 with a comprehensive market research system, using it in 2005 to conduct surveys. Over ten different market research projects were carried out, including some in which Petrol developed a whole new methodology together with external consultants.

Proof of Petrol's focus on the customer partly comes from its market research system, which is extremely comprehensive, and also has a high useful value. The general level of market awareness and customer understanding is also increased by involving a relatively wide circle of employees from all areas of the Petrol Group's business, consequently encouraging constructive discussion in parallel with the interpretation of the findings.

Important research projects of the Petrol Group in 2005:

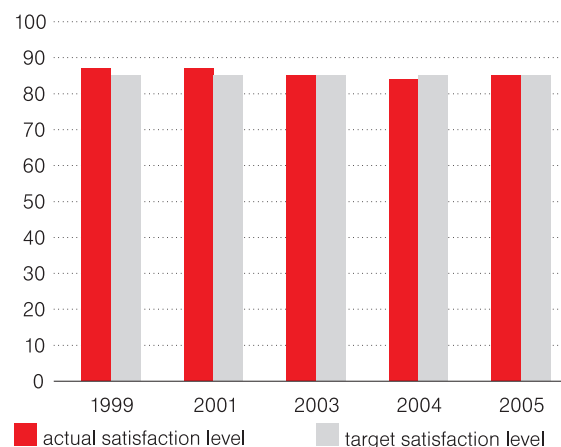
- customer satisfaction at service stations
- buying and nutrition habits of Slovenian consumers
- customer segmentation
- comparison of customer satisfaction at service stations of Petrol and competitors
- buying habits and customer satisfaction for fuel oil and gas
- effectiveness of all advertising campaigns
- Datamonitor.

Understanding service station customers' habits and sentiments

The Petrol Group segmented for the second time convenience store customers. In this way it can monitor customers' habits and changes in these 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 at its shops.

The group also measured the level of customer satisfaction, in 2005 already for the fifth time in a row. Generally speaking, results point to an extremely high satisfaction level, both as compared to objectives set and competitors.

Satisfaction of customers at service stations as compared to the objectives set

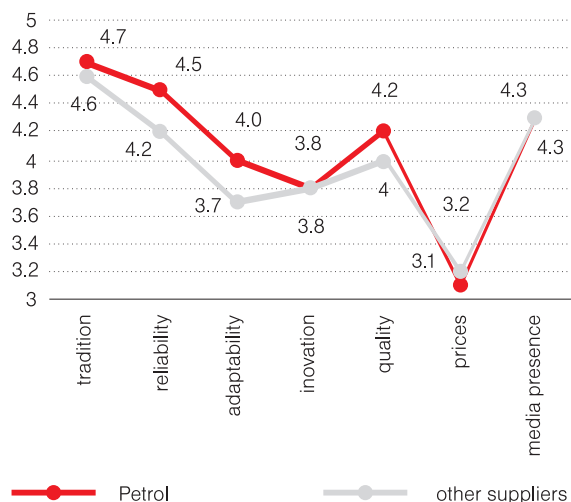


In 2005 the Petrol Group measured the level of customer satisfaction using the methodology it developed together with a research agency in 2004. The factors influencing the level of satisfaction were expanded, thus improving the accuracy of individual indicators.

Strong position of the Petrol Group on the heat market

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 on the heating fuel market.

Petrol as supplier of extra light fuel oil in comparison with competitors (in 2005)



The results of the survey carried out in 2005 show that Petrol is known as supplier of fuel oil by the highest number, as much as 95 per cent, of all fuel oil customers in Slovenia. It also scored better than competitors in terms of a number of qualitative criteria. As a gas supplier, too, Petrol's results in terms of recognition are very encouraging.

Monitoring communications effectiveness

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

Each 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 are at the end of the year combined into a comprehensive report on the effectiveness of sales promotion, used as a basis for defining and enforcing appropriate changes.

Development of the contact centre

The Petrol Group placed itself among the most innovative companies in formation of modern market methods already in 2002 with the introduction of the call centre for free fuel oil ordering. Today, the call centre is positioned among customers as one of important sales channels for comprehensive heat supply, through which the Petrol Group in 2005 marketed, besides extra light fuel oil, liquefied petroleum gas, gas depots and selected services related to the maintenance and servicing of heating devices. In 2005, the call centre also took over an active role in winning new holders of the Magna card.

The centre receives an average of 260 thousand calls annually. Such direct contact with customers means for the Petrol Group an invaluable source of information, thus up-to-date monitoring of trends among customers, whilst also enabling constant availability and quick responsiveness.

In 2005 the Petrol Group thus designed a project for upgrading the call centre into a contact centre to ensure itself a tool for efficient interactions with customers and systematic management of customer relations.

Operating Standards:

Petrol is
a company of
social responsibility,
ethics and
business excellence



The Petrol Group's overall modus operandi is based on high quality standards, monitoring and meeting the latest demands of the market in terms of services, information technology and the environment. It also promotes business excellence and establishment

of partnership relations with its internal and external environment.

The Petrol Group is one of the most important creators of the Slovenian economic and social sphere, often being a role model due to its attitude to the environment in which it operates.



ONLY THE SKY IS THE LIMIT

Operational and technical standardisation

In 2005 the Petrol Group continued pursuing the strategy of business excellence based on compliance with the strictest environmental criteria and developing quality standards in all areas of its operations.

In 2005, the first subsidiary abroad, Petrol Trgovina Zagreb, d.o.o., obtained the ISO 9001 : 2000 quality certificate, whilst the environmental certificate ISO 14001 : 1996 was awarded to Petrol Plin, d.o.o..

Six companies of the Petrol Group, including the controlling company, had their quality certificates renewed, and five had their environmental certificates renewed.

Accreditation according to the standard SIST EN ISO/IEC 17025 of the Petrol petroleum laboratory, which was the first laboratory in Slovenia to have obtained it, was extended. Accreditation under the standard SIST EN 45004 for testing fuel pumping and certificate under the standard SIST EN 60079 - 14: 1998 for the installation of Ex-equipment and for its maintenance were in 2005 extended also to Petrol Tehnologija, d.o.o..

Excellent business practice

The Petrol Group endeavours to consistently operate according to the European model of total quality management, so that it never ceases to compare itself at all levels with the best world practices. Evidence that it is a model of excellent practice came in the form of the National Business Excellence Award received by Petrol in 2004. The group did not rest on the laurels of the award in 2005, but continued with its efforts. According to the EFQM model, which is an excellent tool for managing and testing results and possible improvements, numerous projects were also carried out with the purpose of innovation in customer orientation, partner relationships development, informatization and automation of business processes as well as in environment-friendly operations.

Integrated quality system

In 2005, the Petrol Group's integrated quality system included standards from the field of quality management system EN ISO 9001, environment management system EN ISO 14001, food safety management system HACCP and occupational health and safety system OHSAS. Simultaneously, the IT security project based on the standard BS 7799-2 was also carried out. In 2006 it will also be integrated in the quality system.

Environmental responsibility

Concern for the environment is the cornerstone of Petrol's long-term energy strategy. Besides ensuring adequate quality of fuels, safe energy resources management and construction of technically impeccable facilities, this concern also includes development of as environmentally friendly products and services as possible.

These certainly include development and implementation of projects for efficient energy use, which the group started elaborating and planning already in 2004. In 2005 three of such facilities (two for combined heat and power generation and one for supply with heat and warm water) already started operating. In 2005, the Petrol Group also promoted the importance and benefits of rational energy use in the public sector.

The group engaged in quite intense cooperation with national, scientific and research institutions by developing environment protection programmes and priority national environmental projects, developing environmentally friendly technologies and promoting the use of renewable energy sources. Within the framework of the latter the group signed an annex to the agreement on the clean-up of the bitumen dump at Pesniški dvor, and, based on this agreement, chose the contractor for the clean-up and supervision of the clean-up of the bitumen dump in a public tender.

Novelties in the field of fuel quality

The quality of fuels on the Slovenian market is gradually being adjusted to European standards. In compliance with the European Directive 98/70/EC and the Slovenian Rules on the Physical and Chemical Properties of Liquid Fuels, the maximum allowed content of sulphur in motor fuels was on 1 April decreased to the maximum of 50 mg per kg. Fuels of the Petrol Group meet all the requirements of this standard.

The requirements related to low-temperature properties of diesel fuel during the winter also changed. The required fuel filterability under the standard SIST EN 590 dropped to minus 20° C from the previous minus 15° C. The requirements of this standard are not binding on suppliers of fuel in Slovenia, yet the Petrol Group met them completely. In the middle of November it thus offered its customers the so-called winter diesel, which is a diesel fuel with improved low-temperature properties.

Social responsibility

The Petrol Group recognises that support for 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 in the wider social community and a generally higher quality of life. Support for numerous sporting, cultural, humanitarian and environmental projects forms a major part of Petrol's responsible social attitude.

In 2005 the biggest share of sponsorship and donorship funds went to competitive sports – swimming, football, handball, hockey and also development of automotive sports. Petrol also found a place for itself as sponsor of the national football stadium in Celje, which will thus be known as Arena Petrol till 2008.

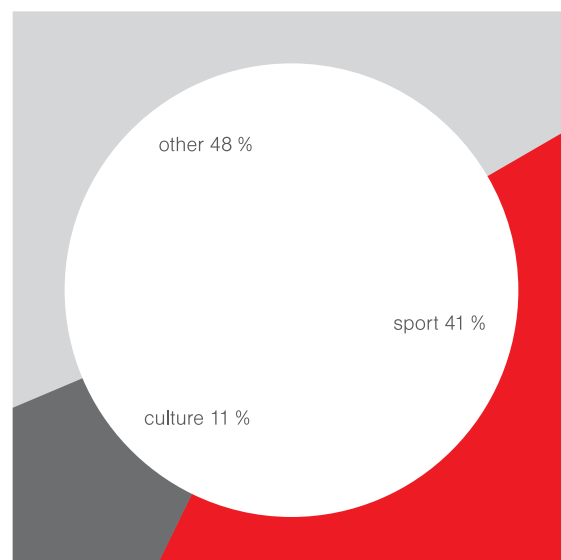
Involvement of Petrol in the cultural sphere in 2005 took form of cooperation with the festivals Lent and Trnfest, and continued cooperation with Drama, Slovenian National Theatre, where the Petrol Group took over the role of exclusive sponsor of the drama Alamut, which was awarded at the Salzburg Festival. At the same time the group enabled Slovenska Matica to publish books of the Philosophical Collection and organised the visual arts competition Children to Adults for the fifteenth year running.

The prime position among the environmental projects in 2005 was again given to the Discovering the Pearls of Slovenian Seas project, through which Petrol and the Ministry of the Environment and Spatial Planning promote awareness of the turtle species *Caretta caretta* and its significance for the biodiversity of Slovenia's seas.

Petrol's commitment to the local community was also proven by the help given to the City Municipality of Koper in collecting funds to expand children playgrounds and modernise sports facilities.

Breakdown of sponsorship funds in 2005

Given the long-term nature of most sponsorship, the breakdown of sponsorship funding has remained more or less unchanged for several years. In 2005 almost half of Petrol's sponsorship funds was again allocated to charity and environmental projects. Slightly over 40 per cent of funds went to sports and 11 per cent to culture, including, besides demanding culture projects, also numerous smaller, but no less quality events.



Companies in the Petrol Group:

Petrol is an
integrated energy
concern

At the end of 2005, the Petrol Group comprised the parent company Petrol, d.d. and five domestic and five foreign subsidiaries, three jointly controlled companies and four affiliated companies.

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

The group's lines of business encompass three key areas: sale of refined petroleum products, supplementary merchandise and services in Slovenia, sales of refined petroleum products and supplementary merchandise on the markets of the South Eastern Europe and environment and energy and environmental services.





AS FAR AS THE EYE CAN SEE

Petrol Group

Oil and merchandise
in Slovenia

Oil and merchandise
in SE Europe

Environment and energy
services

Petrol d.d.

Cypet Oils
Ltd.

Petrol Plin,
d.o.o.

Petrol-Trade
H.m.b.H.

Petrol Energetika
d.o.o.

Cypet-Trade.
Ltd

Petrol Maloprodaja
Slovenija, d.o.o.

Petrol BH Oil Company
d.o.o.

Petrol Skladiščenje
d.o.o.

Petrol Trgovina,
d.o.o.

Petrol d.o.o.
Beograd

Petrol Tehnologija,
d.o.o.

Marché Gostinstvo
d.o.o.

Geoplin
d.o.o.

Karkasa,
d.o.o.

Aquasystems
d.o.o.

Instalacija, d.o.o.
Koper

Ogrevanje Piran,
d.o.o.

Geoenergo
d.o.o.

- parent company
- subsidiary
- jointly controlled and affiliated companies

The Parent Company

Petrol d.d., Ljubljana

Address:	Slovenia, Ljubljana, Dunajska c. 50
Telephone:	00386 (1) 47 14 232
E-mail:	info@petrol.si
Form of organisation:	public limited company
President of the management board:	Marko Kryžanowski

Petrol d.d. was formally established on 5 June 1945 as the Slovenian subsidiary 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 company's core lines of business are trading in oil products, supplementary merchandise and services. On the Slovenian retail market, Petrol d.d. distributed refined petroleum products through a network of 298 retail service stations, enjoying a 68% share of the domestic oil market in 2005 and an important position in the consumer goods distribution market as well. As the absolute or majority owner of ten subsidiaries engaged in similar or related activities, Petrol d.d. is the parent company of the Petrol Group, and generates the majority of the group's turnover, revenues and net profit.

Petrol d.d. sold 1.9 million tonnes of oil and refined petroleum products in 2005, exceeding the forecast figure by 3 per cent. It generated revenues of 43.7 billion tolar from the sale of supplementary merchandise (according to IFRS, 43.7 billion tolar), exceeding the forecast by 7 per cent, and revenues of 6.2 billion tolar from the sale of services (according to IFRS, 6.2 billion tolar), exceeding the forecast by 8 per cent.

Petrol d.d. finished the year with 384.5 billion tolar of net sales revenues (according to IFRS, 384.5 billion tolar), pre-tax profit in the amount of SIT 8.6 billion (according to IFRS, 9 billion tolar), and net profit of 6.9 billion tolar (according to IFRS, 7.3 billion tolar). In comparison with its results in 2004, Petrol d.d. increased net sales revenues by 20 per cent (according to IFRS, 20 per cent). As compared to the year before, its pre-tax profit increased by 14 per cent (according to IFRS, by 28 per cent), and its net profit by 6 per cent (according to IFRS by 22 per cent).

Subsidiaries

Petrol-Trade H.m.b.H.

Address:	Austria, Vienna, Elisabethstrasse 10
Telephone:	0043 (1) 585 54 73
E-mail:	petrol-trade@via.at
Ownership:	100% owned by Petrol, d.d., Ljubljana
Managing director:	Marko Malgaj
Supervisory board:	till 24 February 2006: Janez Lotrič, Mariča Lah, Poldka Breznik after 24 February 2006: Marko Kryžanowski, Alenka Vrhovnik Težak, Igor Irgolič, Boštjan Napast

Petrol-Trade H.m.b.H. was the first subsidiary established in the Petrol Group, and has worked on all the parent company's major foreign deals since 1987. In addition to trading oil and refined petroleum products, it also imports and exports chemical products. It is active all over Central Europe. It owns 100% of Cypet-Trade Ltd., a company established in 1998 that engages in trading and financing of transactions with oil and refined petroleum products.

Petrol-Trade H.m.b.H. sold 655,994 tonnes of oil and chemical products in 2005, exceeding the plan by 6 per cent. It generated net sales revenues of SIT 68.9 billion (according to IFRS, 68.9 billion toolars) and net profit of SIT 179.1 million toolars (according to IFRS, 179.1 million toolars). Net revenues generated in 2005 exceeded the forecast by 37 per cent, and net profit exceeded the plans by as much as 203 per cent. These extraordinary results are related to the prices on the world oil market, which were higher than planned, and the fact that in 2005 the planned sales quantities were also exceeded.

In the end of 2005, the company's equity stood at 532.2 million toolars (according to IFRS, 532.2 million toolars).

Cypet-Trade Ltd.

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

Telephone: 00357 25 586 039

E-mail: cypet@logos.cy.net

Ownership: 100% owned by
Petrol-Trade H.m.b.H.

Managing director: Lojze Blenkuš

Board of directors: till 1 January 2006: Janez Lotrič,
Žiga Medič, Marko Malgaj,
Christakis Myrianthous
after 1 January 2006:
Marko Kryžanowski,
Boštjan Napast, Marko Malgaj,
Christakis Myrianthous
Demetra Vasiliou
(since 30 December 2005)

Cypet Trade Ltd. is a subsidiary, which is 100% owned by Petrol-Trade H.m.b.H. from Vienna. Cypet-Trade was established at the end of 1998. Since 1 January 2004, when all the business activities of Cypet-Oils were transferred to Cypet-Trade, its principal line of business has been trading and financing of oil, refined petroleum products and supplementary merchandise.

In 2005 Cypet-Trade Ltd. generated 132.3 billion net sales revenues (according to IFRS, 132.2 billion tolars), exceeding the forecast by 37 per cent, and net profit of 337.8 million tolars (according to IFRS, 337.8 million tolars), exceeding the plan by 141 per cent. The financial results exceeding the forecast are related to higher than planned quantities sold, higher than planned prices of oil and petroleum products on the world market and the US dollar exchange rate, which was also higher than planned.

In the end of 2005, the company's equity stood at 1.3 billion tolars (according to IFRS, 1.3 billion tolars).

Cypet Oils, Ltd., Cyprus

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

Telephone: 00357 25 586 039

E-mail: cypet@logos.cy.net

Ownership: 100% owned by
Petrol, d.d., Ljubljana

Managing director: Lojze Blenkuš

Board of directors: till 1. January 2006 Janez Lotrič,
Žiga Medič, Xamitin Ltd.
since 1 January 2006
Marko Kryžanowski,
Boštjan Napast, Xamitin Ltd.

Cypet Oils was established at the end of 1989. Like Petrol-Trade H.m.b.H. and Cypet-Trade Ltd., Cypet Oils Ltd. has also always been closely involved in the Petrol Group's operations via oil trading and financing deals. On 1 January 2004 its business activities were transferred to Cypet-Trade Ltd.

Based on revenues from financing, the company finished the year with net profit of 2.4 million tolars (according to IFRS, 2.4 million tolars).

In the end of 2005, the company's equity stood at 425.8 million tolars (according to IFRS, 425.8 million tolars).

Petrol Maloprodaja Slovenija, d.o.o.

Address: Slovenia, Ljubljana,
Dunajska 50
Telephone: 00386 (1) 4714 832
E-mail: igor.mravljja@petrol.si
Ownership: 100% owned by
Petrol, d.d., Ljubljana
Managing director: Igor Mravljja
General meeting: Igor Irgolič, Marko Kryžanowski,
Boštjan Napast

In 1999 the parent company acquired Shell Slovenija d.o.o., and renamed it to Destilat, d.o.o. in the Companies Register and later to Petrol Maloprodaja Slovenija, d.o.o. The company is now responsible for all of the Petrol Group's retail sales of refined petroleum products and supplementary merchandise on the Slovenian market. Service stations and merchandise remain property of the parent company.

Petrol Maloprodaja Slovenija d.o.o. finished the year with 2.7 billion tolar of net sales revenues (according to IFRS, 2.7 billion tolar), interest income in the amount of 63.3 million tolar (according to IFRS, 63.3 million tolar), and net profit of 358 thousand tolar (according to IFRS, loss of 5.6 million tolar).

In the end of 2005, the company's equity stood at 3.4 billion tolar (according to IFRS, 3.2 billion tolar).

Petrol Skladiščenje d.o.o.

Address: Slovenia, Ljubljana-Polje,
Zaloška 259
Telephone: 00386 (1) 58 63 456
E-mail: miran.obreza@petrol.si
Ownership: 100% owned by
Petrol, d.d., Ljubljana
Managing director: Miran Obreza
General meeting: Boštjan Napast, Igor Irgolič,
Rok Blenkuš

Petrol Skladiščenje, d.o.o., 100% owner of which is Petrol, d.d., was established in 2002. The company manages all storage facilities owned by the parent company and is also responsible for the storage of refined petroleum products owned by third parties.

In 2005 the company generated 507 million tolar net sales revenues (according to IFRS, 507 million tolar), thus achieving 97 per cent of the plan, and ended the year with net profit of 250 thousand tolar (according to IFRS, loss of 1.8 million tolar).

In the end of 2005, the company's equity stood at 192 million tolar (according to IFRS, 133 million tolar).

Petrol Tehnologija, d.o.o

Address:	Slovenia, Ljubljana-Polje, Zaloška 259
Telephone:	00386 (1) 520 36 00
E-mail:	anja.kocjancic@petrol.si
Ownership:	100% owned by Petrol, d.d., Ljubljana
Managing director:	Anja Kocjančič
General meeting:	Matjaž Janežič, Barbara Jama Živalič, Edo Škufca, Mojca Kert-Kos

At the end of 2002 the parent company merged its building and plant maintenance services and placed them under the umbrella of a newly established subsidiary called Petroservis d.o.o.. The subsidiary was formally established in November 2002 and began operating in 2003.

In 2004 Petroservis was renamed Petrol Tehnologija, d.o.o.. The company is 100% owned by Petrol d.d., and is responsible for maintaining buildings, industrial equipment and tanks, maintaining and building industrial installations, maintaining and building power plants, controlling criteria and technically overseeing service stations. In 2005 its activities were expanded by maintenance and testing of gas depot leakproofness, environmental and other measurements as well as obtainment of own representations for purchasing spare parts, installations and devices. Its activities thus cover the needs of the Petrol Group, and outside clients.

In 2005 Petrol Tehnologija d.o.o. generated 1.4 billion tolar net sales revenues (according to IFRS, 1.4 billion tolar), and ended the year with net profit of 24.4. million tolar (according to IFRS, 8.7 million tolar). Its net revenues were by 23 per cent higher than planned, whilst net profit exceeded the forecast by 11 per cent. Higher than planned financial results predominantly result from successful marketing of services to external clients.

In the end of 2005, the company's equity stood at 242.6 million tolar (according to IFRS, 164.8 million tolar).

Petrol Trgovina, d.o.o., Zagreb

Address:	Croatia, Zagreb, Otok, Oreškovićeve 3D
Telephone:	00385 (1) 66 80 001
E-mail:	igor.meh@petrol.si
Ownership:	100% owned by Petrol, d.d., Ljubljana
President of the management board:	Igor Meh
Supervisory board:	Igor Irgolič, Boštjan Napast, Alenka Vrhovnik Težak

Petrol Trgovina was established in 1996, and sells refined petroleum products and consumer goods in Croatia. For the first three years the company was operating only in the wholesale sector, and in 1999 it started developing its own retail network.

Operating conditions on the Croatian oil market remained more or less the same as in the year before. The Croatian government made no changes to the refined petroleum product price formation model, and all the regulations relating to the creation of compulsory stocks that apply to importers remained the same. In 2005 importers of refined petroleum products had to form stocks at the level of 20 per cent of quantities imported in the year before.

Through its wholesale network and 18 service stations mostly operated under franchise Petrol Trgovina sold 107,147 tonnes of refined petroleum products in 2005, which is 16 per cent less than forecast. It sold 1.3 billion tolar of supplementary merchandise (according to IFRS, 1.3 billion tolar) and 41.4 million tolar of services (according to IFRS, 41.4 million tolar).

The company generated 21.7 billion tolar net sales revenues (according to IFRS, 21.7 billion tolar), lagging behind the plan by 9 per cent. The company ended the year at 143.8 million tolar net operating result (according to IFRS, 143.8 million tolar), which is 85 per cent realisation of the plan. Lagging behind the forecast figures predominantly results from the construction of services stations and loss of customers caused by Ina's prohibition to use the payment card outside its points of sale.

In the end of 2005, the company's equity stood at 8 billion tolar (according to IFRS, 8 billion tolar).

Petrol BH Oil Company d.o.o. Sarajevo

Address:	Bosnia and Herzegovina, Sarajevo, Grbavička 4/4
Telephone:	00387 33 560 088
E-mail:	roman.mazi@petrol.si
Ownership:	100% owned by Petrol, d.d., Ljubljana
Managing director:	Roman Mazi
Supervisory board:	Igor Irgolič, Boštjan Napast, Alenka Vrhovnik Težak

Petrol BH Oil Company began operations at the start of 1999. The company was established as an independent subsidiary engaging in wholesale and retail of solid, liquid and gaseous fuels and related products on the market of Bosnia and Herzegovina.

On the wholesale market the company also in 2005 had to deal with the privileged position enjoyed by the domestic oil companies, who were allowed to pay lower customs duties on imports of liquid fuels under the bilateral free trade agreement between Croatia and Bosnia and Herzegovina. In the Federation of Bosnia and Herzegovina, margins on the sale of refined petroleum products were formed freely in 2005 and importers were paying customs duties on crossing the border. The classic turnover tax was replaced by the value added tax in the beginning of 2006.

In the end of 2005 the company had 31 service stations, which are mostly franchised. In the wholesale and retail sectors it sold 74,157 tonnes of refined petroleum products, 19 per cent more than forecast. It also sold 220.1 million tolars of supplementary merchandise (according to IFRS, 220.1 million tolars) and 67 million tolars of services (according to IFRS, 67 million tolars).

The company thus generated 17.7 billion tolars net sales revenues (according to IFRS, 17.7 billion tolars), exceeding the plan by 64 per cent. Net operating result of 95.9 million tolars (according to IFRS, 95.9 million tolars) was in compliance with the planned.

In the end of 2005, the company's equity stood at 9.2 billion tolars (according to IFRS, 9.2 billion tolars).

Petrol d.o.o. Beograd

Address:	Serbia and Montenegro, Beograd, Dragoslava Jovanovića 13
Telephone:	00381 11 323 81 28
E-mail:	alozj.kovse@petrol.si
Ownership:	100% owned by Petrol, d.d., Ljubljana
Managing director:	Alojz Kovše
Supervisory board:	Marko Kryžanowski, Igor Irgolič, Boštjan Napast

Petrol d.o.o. Beograd was formally established in December 2002, and began operations at the start of 2003.

In 2005 the company was still yet to commence its core line of business of trading solid, liquid and gaseous fuels, but had coordinated activities related to the link-up between Petrol d.d. and Naftna industrija Srbije, at the same time conducting market analyses and keeping documentation for service station renovation, which is owned and leased by the company.

Activities of the company generated 32.5 million tolars net sales revenues (according to IFRS, 32.5 million tolars), thus achieving 93 per cent of the plan and ending the year with net profit of 1.7 million tolars (according to IFRS, of 1.7 million tolars).

The company's equity at the end of 2005 equalled 338.4 million tolars (according to IFRS, 338.4 million tolars).

Petrol Plin, d.o.o.

Address: Slovenia, Ljubljana,
Dunajska 50
Telephone: 00386 (1) 4714 911
E-mail: stefan.lebar@petrol.si
Ownership: 100% owned by
Petrol, d.d., Ljubljana
Managing director: Štefan Mitja Lebar
General meeting: Boštjan Napast, Matjaž Janežič,
Alenka Vrhovnik Težak

Petrol Plin started operating in 2002. It is primarily engaged in supplying gaseous fuels via the pipeline network, supplying steam and hot water, storing and trading gaseous and liquid fuels, and providing project design and consultancy services.

Ever since the establishment, the company has been extremely active in the construction and management of natural gas and LPG networks, and in the erection of gas depots and gas stations for household, commercial and industrial users.

By the end of 2005 Petrol Plin was managing 17 gas concessions, and was selling LPG through 1,352 gas depots. It sold 8,661 tonnes of LPG in 2005, exceeding the forecast by 3 per cent. Sales of natural gas amounted to 7.3 million cubic metres and to 7.5 million cubic metres of natural gas with the three concessions managed by Petrol d.d.. The company distributed 9.3 million cubic meters of natural gas.

Through these activities Petrol Plin generated 2.1 billion tolar net sales revenues (according to IFRS, 2.1 billion tolar), which is 2 per cent more than forecast, and net profit of 172 million tolar (according to IFRS, 152 million tolar), exceeding the planned by 71 per cent. The key reason for good financial results is successful marketing of liquefied petroleum gas.

In the end of 2005, the company's equity stood at 2.4 billion tolar (according to IFRS, 2.3 billion tolar).

Petrol Energetika d.o.o.

Address: Slovenia, Ravne na Koroškem,
Koroška 14
Telephone: 00386 (2) 870 61 00
E-mail: mojca.kos@petrol.si
Ownership: 98.85% owned by
Petrol, d.d., Ljubljana
1.15% owned by
Železar Štore, d.p.,
delniška družba pooblaščenka, d.d.
Managing director: Mojca Kert Kos

Petrol Energetika is engaged in the generation, sale and distribution of electricity and heat, and the sale and distribution of natural gas and other energy products. In the economic zones of Ravne and Štore it supplies major industrial users with an integrated package of power and energy media, and, by managing five concessions, also distributes natural gas and heat to four municipalities.

The company sold 307.9 million kWh of electricity in 2005, of which it generated 34.2 million kWh itself, and distributed 270.8 million kWh. It sold 28 million cubic metres of natural gas and distributed 52.9 million cubic metres of natural gas. The quantity of heat generated, sold and distributed was 56.2 million kWh, and the quantity of hot water sold and distributed was over 42 thousand cubic metres.

Through these activities the company generated 7.3 billion tolar net sales revenues (according to IFRS, 7.3 billion tolar), which is 24 per cent more than forecast, and net profit of 202.4 million tolar (according to IFRS, 188.3 million tolar), exceeding the forecast figure by 11 per cent. Participation of Petrol d.d. in net profit for 2005 stood at 200.1 million tolar (according to IFRS, 186.1 million tolar).

In the end of 2005, the company's equity stood at 2.4 billion tolar (according to IFRS, 2.4 billion tolar).

Jointly controlled companies

Geoenergo d.o.o.

Address:	Slovenia, Lendava, Rudarska ul. 1
Telephone:	00386 (2) 577 22 62
E-mail:	ivan.pavosevic@nafta-lendava.si, alenska.butala@petrol.si
Ownership:	50% owned by Petrol, d.d., Ljubljana 50% owned by Nafta Lendava d.o.o.
Management board:	Ivan Pavoševič, Alenka Butala
Supervisory board:	Janez Bedenk, Radovan Žerjav, Poldka Breznik, Slavko Pivar

Geoenergo, 50% owned by Petrol d.d. and 50% owned by Nafta Lendava d.o.o., was established in 2002. It is engaged in the extraction of natural gas, oil and gas condensate, and conducts these activities in the Mura Basin. It also holds the exploration concession in this area for crude oil, natural gas and geothermal energy sources. It holds a contract with Nemocco Slovenija on a joint investment in hydrocarbon exploration in the oilfields at Petišovci and Dolina.

In 2005 it sold 4 million cubic metres of natural gas, 460 tonnes of crude oil and gas condensate, generating SIT 185.6 million net sales revenues (according to IFRS, 185.6 million tolars). The results were lagging behind the planned by 5 per cent. In 2005, the company impaired its intangible long-term assets in the form of concession rights, and covered the loss arising from impairment by simplified decrease in nominal capital. Taking into account loss covering, its net profit in 2005 stood at 1.9 million tolars (according to IFRS, 1.9 million tolars), of which 963 thousand tolars (according to IFRS, 963 thousand tolars) went to Petrol, d.d..

In the end of 2005, the company's equity stood at 14.2 million tolars (according to IFRS, 14.2 million tolars).

Instalacija, d.o.o. Koper

Address: Slovenia, Koper, Sermin 10a
 Telephone: 00386 (5) 668 21 00
 E-mail: info@instalacija.si
 Ownership: 49% owned by
 Petrol, d.d., Ljubljana
 51% owned by
 Istrabenz d.d. Koper
 Managing director: Boris Gorup

Instalacija, 49%-owned by Petrol d.d. and 51%-owned by Istrabenz d.d., was established in 1991, and is primarily engaged in the storage and reloading of refined petroleum products.

In 2005, 1.8 million tonnes of refined petroleum products were reloaded at Instalacija, which was its record breaking annual volume and exceeded the forecast figure by one per cent. The company thus generated 2.6 billion tolar net sales revenues (according to IFRS, 2.6 billion tolar), exceeding the plan by 2 per cent. The company ended the year at 886.4 million tolar net profit (according to IFRS, 879.5 million tolar), which is 20 per cent more than planned. Participation of Petrol d.d. in net profit for 2005 stood at 434.4 million tolar (according to IFRS, 430.9 million tolar).

In the end of 2005, the company's equity stood at 7 billion tolar (according to IFRS, 7 billion tolar).

Karkasa, d.o.o.

Address: Slovenia, Kranj, Škofjeloška 6
 Telephone: 00386 (4) 207 70 31
 E-mail: borut_andoljšek@goodyear.com
 Ownership: 50% owned by
 Petrol, d.d., Ljubljana
 50% owned by
 Sava Tires d.o.o.
 Managing director: Borut Andoljšek

Karkasa was established at the end of 2004 by Petrol d.d. and Sava Tires d.o.o., the two companies each holding a 50% interest, and is engaged in tyre reconditioning and refitting. It actually began operating at the beginning of 2005.

In 2005 Karkasa reconditioned and refitted 2,252 tyres, exceeding the plan by 6 per cent. It also sold 2,232 refitted and reconditioned tyres, ending the year with 5 per cent higher than planned sales. The company sells these tyres exclusively to its owners, i.e. Petrol d.d. and Sava Tires d.o.o..

Karkasa ended 2005 with 74.6 million tolar net sales revenues (according to IFRS, 74.6 million tolar), exceeding the plan by 9 per cent, and net loss of 19.3 million tolar (according to IFRS, loss of 19.5 million tolar). Net loss of Petrol d.d. in the operating result of Karkasa for 2005 equalled 9.7 million tolar (according to IFRS, 9.8 million tolar).

In the end of 2005, the company's equity stood at 51 million tolar (according to IFRS, 51 million tolar).

Affiliated companies

Ogrevanje Piran, d.o.o.

Registered office:	Slovenia, Portorož, Liminjanska 117
Activity:	supply of gaseous fuels, generation and distribution of steam and heat
Ownership interest of Petrol, d.d.:	40 %

Geoplin d.o.o.

Registered office:	Slovenia, Ljubljana, Cesta Ljubljanske brigade 11
Activity:	trading in natural gas
Ownership interest of Petrol, d.d.:	27,26 %

Aquasystems d.o.o.

Registered office:	Slovenia, Maribor, Dupleška 330
Activity:	construction and operation of industrial and municipal water treatment plants
Ownership interest of Petrol, d.d.:	26 %

Marché Gostinstvo d.o.o.

Registered office:	Slovenia, Logatec, Notranjska 71
Activity:	catering
Ownership interest of Petrol, d.d.:	25 %

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Introduction

The financial report consists of eight parts.

The first part of the financial report is the introduction. This is followed by the financial statements of the parent company: the income statement, the balance sheet, the cashflow 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 report presents the accounting rules and valuation methods based on the Slovenian Accounting Standards that were used to draw up the financial statements of Petrol, Slovenska energetska družba, d.d., Ljubljana (hereinafter referred to as Petrol d.d., Ljubljana) and the Petrol Group

The fourth part of the financial report provides a detailed breakdown of the income statement and balance sheet of Petrol d.d., Ljubljana, and is followed by explanatory notes for individual items in the financial statements. 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 report consists of the financial statements of Petrol d.d., Ljubljana, in accordance with the Public Utilities Act and the Energy Act.

The sixth part of the financial report contains additional clarifications in accordance with the Securities Market Act.

The seventh part of the financial report consists of the consolidated financial statements of the Petrol Group: the consolidated income statement, the consolidated balance sheet, the consolidated cashflow statement and the consolidated statement of changes in equity, followed by the disclosures in individual items in the Petrol Group's financial statements and should be read in conjunction with them.

The last, eighth part of the financial report consists of the financial report of the Group and the company Petrol d.d., Ljubljana, compiled in line with the International Financial Reporting Standards (IFRS), adopted in the European Union. The financial statements are represented in accordance with the IFRS, as are the basic accounting policies, based on which the financial statements and the notes, forming an integral part of the financial statements and to be read in conjunction with them, have been drawn up.

The financial statements of Petrol d.d., Ljubljana, and of the Petrol Group for the business year 2005 were audited by Deloitte & Touche revizija, d.o.o. of Ljubljana on the basis of a resolution passed at the 12th general meeting of shareholders held on 12 July 2005 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, which were included in the audited financial statements of the parent company Petrol d.d. and of the Petrol Group for the 2005 financial year.

The auditor's opinion expressed therein is the responsibility of Deloitte & Touche revizija d.o.o., Ljubljana. The audit was carried out between 26 September and 14 October 2005, and between 20 February and 13 March 2005.

The management board approves the financial statements for the year ended 31 December 2005, the applied accounting policies and notes to financial statements.

On behalf of the management board:



Marko Kryžanowski, president of the management board
Petrol d.d., Ljubljana
Dunajska c. 50, 1000 Ljubljana, Slovenia

6 March 2006

Deloitte.

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AUDITORS' REPORT

to the owners of
PETROL, Slovenska energetska družba, d.d., Ljubljana

We have audited the accompanying balance sheet of PETROL, Slovenska energetska družba, d.d. as of 31 December 2005 and the related statements of income, cash flows and changes in equity, as well as notes to the financial statements for the year then ended. We have also reviewed the Business Report prepared by the Management. The Management of the Company is responsible for the preparation of these financial statements in accordance with Slovenian Accounting Standards. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance the International Standards on Auditing. These 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 principles used and the significant estimates made by the Management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and the notes referred to in the first paragraph give a true and fair view of the financial position of the Company as of 31 December 2005 and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with Slovenian Accounting Standards.

The Business Report is consistent with the audited financial statements.

Deloitte & Touche revizija d.o.o.

Lidija Jezernik
Certified Auditor
Member of the Board

Ljubljana, 10 March 2006



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

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Qualifications of Petrol d.d. personnel

	31. 12. 2005	31. 12. 2004	Index 05/04
Level I	2	2	100
Level II	26	29	90
Level III	3	3	100
Level IV	41	45	91
Level V	204	206	99
Level VI	75	65	115
Level VII	176	177	99
Postgraduate qualifications	24	25	96
	551	552	100

Key financial figures (Petrol d.d.)

SIT 000	2005	2004	Index 05/04
Gross turnover	477,065,993	395,110,658	121
Tax (VAT)	92,525,118	74,338,058	124
Net sales revenues	384,540,875	320,772,600	120
Gross profit	40,787,748	38,612,154	106
Operating profit	5,862,548	5,979,751	98
Net profit for the year	6,877,900	6,460,984	106
Total assets	203,679,329	181,545,667	112
Equity	86,782,196	79,623,523	109
Financial liabilities (non-current and current)	44,639,780	43,436,626	103
Non-current financial liabilities	29,654,805	26,379,942	112

Key financial indicators (Petrol d.d.)

In %	2005	2004	Index 05/04
Gross profit / net sales revenues (%)	10.61	12.04	88
Net profit / net sales revenues (%)	1.79	2.01	89
Net profit / average equity (%)	8.27	8.50	97
Operating profit (minus amortisation, depreciation and revaluation operating expenses) / net sales revenues (%)	2.92	3.62	81
Operating profit / net sales revenues (%)	1.52	1.86	82
Current assets / current liabilities	0.94	0.87	108
Debt / equity	0.51	0.55	94
Non-current financial liabilities / equity	0.34	0.33	103
Interest coverage*	7.46	7.27	103

* (net profit + taxes on profit + interest expenses) / interest expenses

Key financial indicators (Petrol d.d.)

		2005	2004
1. Self-financing ratio	total equity / equity and liabilities	0.43	0.44
2. Long-term financing ratio	total equity and long-term debt (including provisions) / equity and liabilities	0.60	0.62
3. Fixed asset investment ratio	fixed assets (at net book value) / total assets	0.39	0.43
4. Long-term investment ratio	fixed assets (at net book value), non-current investments and non-current trade receivables / total assets	0.64	0.69
5. Capital / fixed asset coverage ratio	equity / fixed assets (at net book value)	1.09	1.02
6. Quick ratio	liquid assets / current liabilities	0.05	0.07
7. Accelerated liquidity ratio	liquid assets and current trade receivables / current liabilities	0.60	0.62
8. Working capital ratio	current assets / current liabilities	0.94	0.87
9. Operating efficiency ratio	operating income / operating expenses	1.02	1.02
10. Net return on equity	net profit / average equity (less operating result from current year)	0.09	0.10
11. Dividend return ratio*	dividends / average share capital	-	0.15

* Amount of dividends not yet determined.

Income statement (Petrol d.d.)				
SIT 000	Note	2005	2004	Index 05/04
Net sales revenues	A., 01.;	384,540,875	320,772,600	120
Historical cost of merchandise sold	B., 02.;	(343,753,127)	(282,160,446)	122
Gross profit		40,787,748	38,612,154	106
Distribution costs	C., 03.;	(29,907,465)	(30,487,663)	98
Administrative costs	C., 03.;	(7,089,580)	(7,512,023)	94
Other operating income	10.;	2,071,845	5,217,397	40
Operating profit		5,862,548	5,829,865	101
Finance income from participating interests	11.;	1,354,646	2,132,207	64
Finance income from non-current receivables	12.;	274,077	216,774	126
Finance income from current receivables	13.;	8,060,532	5,802,822	139
Finance income	E.;	9,689,255	8,151,803	119
Write-downs of investments	14.;	(31,787)	(563,457)	6
Interest expenses and financial expenses for other liabilities	15.;	(6,877,531)	(5,819,161)	118
Finance expenses	E.;	(6,909,318)	(6,382,618)	108
Profit from ordinary activities		8,642,485	7,599,050	114
Pre-tax profit		8,642,485	7,599,050	114
Corporate income tax	G., 16.;	(1,782,702)	(1,138,066)	157
Deferred tax	G., 17.;	18,117	0	-
Undistributed current profit		6,877,900	6,460,984	106

* Notes A to Z and 1 to 42 are an integral part of the financial statements and should be read in conjunction with them.

Balance sheet (Petrol d.d.)				
SIT 000	Note	31. 12. 05	31. 12. 04	Index 05/04
Assets				
A) Non-current assets				
I. Intangible assets	H., 18.;	1,068,804	1,108,541	96
II. Fixed assets	H., 19., 20.;	78,459,479	76,671,121	102
III. Investments	K., I., 21., 22.;	50,092,039	46,675,852	107
Total non-current assets		129,620,322	124,455,514	104
B) Current assets				
I. Inventories	L., 23.;	25,880,040	15,957,478	162
II. Trade receivables		43,397,931	36,068,876	120
a) Non-current trade receivables	G., M., 17., 24.;	464,713	574,127	81
b) Current trade receivables	N., 25., 26.;	42,933,218	35,494,749	121
III. Current investments	I., 27.;	2,883,347	3,733,759	77
IV. Cash and cash equivalents	O., 28.;	1,310,459	1,037,309	126
Total current assets		73,471,777	56,797,422	129
C) Deferred expenses and accrued revenues	P., 29.;	587,230	292,731	201
Total assets		203,679,329	181,545,667	112
Equity and liabilities				
A) Equity				
I. Called-up capital		12,517,806	12,517,806	100
II. Capital reserves		102,032	96,478	106
III. Other profit reserves *	32.;	44,140,335	39,602,794	111
IV. Retained earnings		3,059,317	2,781,413	110
V. Undistributed current profit *		3,438,950	3,230,492	106
VI. Equity revaluation adjustments		23,523,756	21,394,540	110
Total equity	R., 30., 31.;	86,782,196	79,623,523	109
B) Provisions				
Provisions from donations received		18,840	19,378	97
Other provisions		5,812,338	6,972,713	83
Total provisions	S., 34.;	5,831,178	6,992,091	83
C) Non-current liabilities				
a) Non-current financial and trade liabilities				
Non-current financial liabilities	T., 35.;	29,654,805	26,379,942	112
Non-current trade payables	U., 36.;	338,190	350,714	96
Total non-current liabilities		29,992,995	26,730,656	112
b) Current financial and trade liabilities				
Current portion of long-term debt	T., 37.;	14,984,975	17,056,684	88
Trade payables	U., 38.;	63,045,841	47,883,083	132
Total Current Liabilities		78,030,816	64,939,767	120
D) Accrued expenses and deferred revenues	J., V., 39.;	3,042,144	3,259,630	93
Total equity and liabilities		203,679,329	181,545,667	112

* In accordance with the third paragraph of Article 228 of the Companies Act (the ZGD-F), undistributed net profit has been reduced by half and transferred into the profit reserves.

** Notes A to Z and 1 to 42 are an integral part of the financial statements and should be read in conjunction with them.

Cashflow statement (Petrol d.d.)			
SIT 000	2005	2004	Index 05/04
Cash from operating activities	379,209,007	313,887,371	121
Operating income	385,161,981	321,296,245	120
Change in trade receivables	(5,658,476)	(7,410,031)	76
Change in deferred expenses and accrued revenues	(294,498)	1,157	-
Cash used in operating activities	371,615,484	303,631,516	122
Operating expenses less amortisation, depreciation and provisions	375,010,793	309,389,605	121
Taxes paid	1,782,702	1,138,066	157
Change in inventories	9,922,562	4,292,488	231
Change in trade payables	(15,213,721)	(11,489,777)	132
Change in accrued expenses and deferred revenues	113,148	301,134	38
Net cash from/(used in) operating activities	7,593,523	10,255,855	74
Cash from investing activities	6,033,875	4,930,457	122
Investment income (not including revaluation)	5,183,438	2,875,214	180
Net decrease in current investments (not including revaluation)	850,437	2,055,243	41
Cash used in investing activities	15,298,767	14,339,028	107
Net increase in intangible assets (not including revaluation)	131,289	106,350	123
Net increase in fixed assets (not including revaluation and non-cash equity inputs)	8,936,306	9,807,324	91
Net increase in non-current investments (not including revaluation)	6,231,172	4,425,354	141
Net cash from/(used in) investing activities	(9,264,892)	(9,408,571)	98
Cash from financing activities	10,471,899	6,931,250	151
Finance income (not including revaluation)	5,198,277	2,805,679	185
Increase in equity (not including net profit)	5,554	41,487	13
Net increase in non-current financial liabilities (not including revaluation)	3,297,824	4,084,084	81
Net increase in current financial liabilities (not including revaluation)	1,970,244	0	-
Cash used in financing activities	8,527,380	8,028,139	106
Finance expenses (not including revaluation)	6,550,492	5,425,897	121
Net decrease in provisions (not including revaluation)	122,892	79,557	154
Net decrease in current financial liabilities (not including revaluation)	0	1,019,631	-
Decrease in liabilities to owners (dividends and other profit-sharing)	1,853,996	1,503,054	123
Net cash from / (used in) financing activities	1,944,519	(1,096,889)	-
Net cashflow during period	273,150	(249,605)	-
Closing balance of cash and cash equivalents	1,310,459	1,037,309	126
Net cashflow during period	273,150	(249,605)	-
Opening balance of cash and cash equivalents	1,037,309	1,286,914	81

* Notes A to Z and 1 to 42 are an integral part of the financial statements and should be read in conjunction with them.

Statement of changes in equity (Petrol d.d.)

SIT 000	Share capital	Capital reserves	Regulatory reserves
Balance as at 31 December 2003	12,517,806	54,991	14,772,468
Transfers into capital accounts			
Transfer of net profit for 2004 financial year	0	0	0
Transfer of specific equity revaluation adjustments	0	0	0
Elimination of adjustment to value of treasury shares	0	0	0
Transfer of paid-up capital surplus from transactions in treasury shares	0	41,487	0
Transfers within capital accounts			
Distribution of 50% of 2004 net profit to other capital accounts pursuant to management board and supervisory board resolution	0	0	0
Release of treasury share reserves and distribution to other capital accounts	0	0	21,636
Distribution of profit for appropriation for 2003 financial year to create other profit reserves pursuant to general meeting resolution in 2004	0	0	0
Distribution of profit for appropriation for 2003 financial year to retained earnings pursuant to general meeting resolution in 2004	0	0	0
Transfers from capital accounts			
Payment of dividends pursuant to general meeting resolution in 2004	0	0	0
Payment of 2003 profit-sharing bonuses to supervisory board pursuant to general meeting resolution in 2004	0	0	0
Balance as at 31 December 2004	12,517,806	96,478	14,794,104
Profit for appropriation for 2004	0	0	0
Transfers into capital accounts			
Transfer of net profit for 2005 financial year	0	0	0
Transfer of specific equity revaluation adjustments	0	0	0
Transfer of paid-up capital surplus from transactions in treasury shares	0	5,554	0
Transfers within capital accounts			
Distribution of 50% of 2005 net profit to other capital accounts pursuant to management board and supervisory board resolution	0	0	0
Release of treasury share reserves and distribution to other capital accounts	0	0	3,639
Distribution of profit for appropriation for 2004 financial year to create other profit reserves pursuant to general meeting resolution in 2005	0	0	0
Distribution of profit for appropriation for 2004 financial year pursuant to general meeting resolution in 2005	0	0	0
Distribution of profit for 2004 for bonuses to the supervisory board as profit-sharing to retained earnings retained profit pursuant to the general meeting resolution in 2005	0	0	0
Transfers from capital accounts			
Payment of dividends pursuant to general meeting resolution in 2005	0	0	0
Allocation of specific equity revaluation adjustment	0	0	0
Balance as at 31 December 2005	12,517,806	102,032	14,797,743
Profit for appropriation for 2005	0	0	0

* Notes A to Z and 1 to 42 are an integral part of the financial statements and should be read in conjunction with them.

Treasury share reserves	Other profit reserves	Retained earnings	Net profit for the period	General equity revaluation adjustment	Specific equity revaluation adjustment	Total equity
566,774	20,182,285	1,989,932	3,025,786	19,190,518	85,830	72,386,391
0	0	0	6,460,984	0	0	6,460,984
0	0	0	0	0	2,118,192	2,118,192
119,523	0	0	0	0	0	119,523
0	0	0	0	0	0	41,487
0	3,230,492	0	(3,230,492)	0	0	-
(21,636)	0	0	0	0	0	-
0	2,234,305	(2,234,305)	0	0	0	-
0	0	3,025,786	(3,025,786)	0	0	-
0	(1,441,997)	0	0	0	0	(1,441,997)
0	(61,057)	0	0	0	0	(61,057)
664,662	24,144,028	2,781,413	3,230,492	19,190,518	2,204,022	79,623,523
0	1,910,717	2,781,413	3,230,492	0	0	7,922,622
0	0	0	6,877,900	0	0	6,877,900
0	0	0	0	0	2,994,847	2,994,847
0	0	0	0	0	0	5,554
0	3,438,950	0	(3,438,950)	0	0	-
(3,639)	0	0	0	0	0	-
0	3,002,968	(3,002,968)	0	0	0	-
0	0	3,230,492	(3,230,492)	0	0	-
0	(50,381)	50,381	0	0	0	-
0	(1,853,996)	0	0	0	0	(1,853,996)
0	0	0	0	0	(865,631)	(865,631)
661,023	28,681,569	3,059,317	3,438,950	19,190,518	4,333,238	86,782,196
0	3,297,599	3,059,317	3,438,950	0	0	9,795,866

Petrol d.d. shares

	31. 12. 2005	31. 12. 2004	Index 05/04
Total number of shares issued	2,086,301	2,086,301	100
- number of repurchased treasury shares	26,161	26,305	99
Book value per share as at last day of financial year (SIT) (equity / no. of shares issued)	41,596	38,165	109
Share price on Ljubljana Stock Exchange			
Yearly high (SIT)	72,518	68,046	107
Yearly low (SIT)	58,400	55,955	104
Yearly average (SIT)	65,546	63,834	103
Year-end (SIT)	70,741	65,943	107
Year-end market capitalisation (SIT 000)	147,587,019	137,576,947	107
Rate of return in current year (SIT)	4,798	9,735	49
Rate of return in current year	7%	17%	42
P/BV (average share price / book value)	1.58	1.67	94
P/E (average share price / earnings per share)	19.63	20.35	96
P/CE (average share price / cashflow per share)	11.06	11.37	97
EPS - earnings per share (SIT)	3,339	3,136	106
CEPS - cashflow per share (SIT)	5,924	5,613	106
Dividend policy			
Profit for appropriation (SIT)*	9,795,866	7,922,622	124
Assets for dividend payments (SIT)*	*	1,853,996	-
Bonuses paid to management board (SIT)*	*	0	-
Dividend per share (SIT)*	*	900	-
Number of shareholders	43,920	45,076	97

* Amounts to be decided by shareholders at general meeting.

1. Basis for the preparation and presentation of the financial statements

In preparing and presenting the financial statements as at 31 December 2005, the company took account of the following:

- the Slovenian Accounting Standards (2002),
- the provisions of the Companies Act (Official Gazette of the RS, nos. 30/93, 29/94, 82/94, 20/98, 84/98, 6/99, 45/01, 57/04, 139/04, 15/05) applying to large companies,
- the provisions of the Securities Market Act (Official Gazette of the RS, nos. 56/99, 86/04, 26/05) and the accompanying regulations,
- SRS 35 (accounting treatments in public enterprises),
- the Public Utilities Act (Official Gazette of the RS, no. 32/93),
- the Energy Act (Official Gazette of the RS, nos. 79/99 and 51/04),
- public utility 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 the Slovenian Accounting Standards (SRS). These standards are based in large part on generally accepted international accounting practices (in particular, the international financial reporting standards) and the financial concept of capital.

The basic accounting assumptions are accrual (matching), a going concern basis, and true and fair presentation in conditions of the fluctuating value of the euro and individual prices.

Public Utilities Act and SRS 35:

In accordance with the Public Utilities Act (the ZGJS), Petrol d.d., Ljubljana, pursues business activities in the energy sector and in municipal utilities and water management. The company pursues these activities on the basis of concession contracts signed with 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).

Petrol d.d., Ljubljana, pursues the following activities falling under the scope of the ZGJS:

- utilities: water treatment,
- energy sector: distribution and supply of natural gas and management of the distribution network.

Under the provisions of the ZGJS, a company is obliged to keep separate accounts for each type of public utility service it provides.

SRS 35 also applies to persons of private law where so provided in the public utility contract, with the exception of the provisions relating to assets under management.

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

Petrol d.d., Ljubljana, provides a public utility service in the energy sector, and in accordance with Article 38 of the Energy Act is obliged to prepare separate financial statements for 2005 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 the distribution network.

Public utility contracts (concession contracts):

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

The financial statements of Petrol d.d., Ljubljana, broken down in compliance with the Energy Act and the Public Utilities Act are presented in detail in the fifth part of the financial 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 as at the date they arise and as 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), there is only a general equity revaluation adjustment to account for changes in the purchasing power of the domestic currency. This is described in detail in relation to characteristic accounting policies in Note R (Equity).

A general equity revaluation adjustment is made on the basis of changes in the value of the euro against the tolar, but only when the appreciation of the euro in the previous financial year has been higher than 5.5%. It is recognised as a general equity revaluation adjustment debited to the revaluation adjustment of net profit, which is an extraordinary expense. It may also be covered from the revaluation adjustment of individual fixed assets and non-current investments if it relates to items in which no permanent impairment can be expected.

Although a general equity revaluation was not required, the company makes a separate disclosure of the net profit 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 value gains or impairments in liabilities and value gains or impairments in assets. Revaluation to account for the impairment of assets and value gains in liabilities is compulsory, while revaluation to account for value gains in assets and the impairment of liabilities is optional. The company's policy is not to record value gains in assets or the impairment of liabilities.

5. Business and geographical segments

The business segments are divisions of the company that cover the sale of various merchandise and services. In its preparation and presentation of the financial statements the company uses the following business segments:

- oil products and other refined petroleum products,
- supplementary products and other merchandise,
- energy activity and
- services.

The geographical segments are parts of the company that 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-Herzegovina,
- Austria,
- other countries.

6. Changes in accounting policies and accounting estimates

In 2005 the same accounting policies were applied as in previous years, except for:

- the accounting guidelines with regard to the valuation of the inventories of other merchandise.

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

- Note B - Historical cost of merchandise sold
and Note 2 - Historical cost of merchandise sold (Petrol d.d., Ljubljana),
- and Note L - Inventories
and Note 23 - Inventories (Petrol d.d., Ljubljana).

A) Operating income

Operating income comprises revenues arising from the sale of products and services and other operating income associated with products and services.

Sales revenues comprise the sales value of merchandise and materials sold and services rendered during the accounting period. Revenues are calculated based on the sales price evidenced in invoices and other documents, less discounts approved on the day of sale or subsequently. Such amounts are reduced later, if necessary, to reflect any quantities that are returned.

Other operating income associated with products and services primarily comprises 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 short-term accrued expenses and deferred revenues account.

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

B) Historical cost of merchandise sold

The use of merchandise and historical cost of quantities of merchandise sold was in 2005 calculated at the actual purchase price. The exception was the use of retail goods in Petrol BH Oil Company, d.o.o., Sarajevo, which was calculated using the purchase value of merchandise sold at the most recent purchase price.

The historical cost of the quantities of refined petroleum products sold during the accounting period is comprised of the net invoice price, disbursements for customs duties and other import taxes, excise duty, carbon dioxide tax, a fee for compulsory commodity reserves and other applicable taxes included in the supplier's price, transportation costs, insurance costs and other dependent costs of procurement. The purchase price of goods is reduced by supplier discounts and quantity rebates.

C) Distribution and administrative costs (including amortisation/depreciation)

Distribution and administrative costs (including amortisation/depreciation) consist of all overhead costs related to commercial and administrative activities, as well as variable costs related to the sale of goods and services incurred during the accounting period.

Because distribution and administrative costs do not affect inventory valuation, they are recognised in their entirety during the accounting period in which they are incurred.

Individual types of cost are recorded at separate cost centres, a practice that allows the company to allocate them directly as either general administrative costs or distribution costs.

In financial accounting these costs are itemised on initial recognition by primary types as:

- a) materials
- b) services
- c) amortisation and depreciation costs
- d) compensation
- e) taxes not dependent on the operating result

Compensation

Compensation comprises:

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 work-related and have the nature of salaries (transportation expenses, meal allowances)
4. contributions in kind, gifts and employee bonuses
5. severance pay
6. contributions additionally accrued on the above items that are charged against the payer

D) Amortisation and depreciation

The company consistently allocates the amortised/depreciated amount for an individual intangible or fixed asset during an individual accounting period to total amortisation/depreciation over the estimated useful life of the asset. The estimated useful life of an individual asset depends on the expected physical wear, technical ageing, economic ageing and other factors that might affect the length of use (such as relevant legal restrictions). The shortest useful life estimated with regard to individual factors is used for each asset.

The depreciation of fixed assets begins to be calculated on the first day of the month after the asset becomes available for use. The amount subject to depreciation is the total original price or historical cost, adjusted to reflect any revaluation.

In 2005 the company Petrol d.d. and the subsidiaries in the Petrol Group changed the estimated useful life of cars. Thus, the applied useful life of cars was 4 years and the depreciation rate 25%.

Costs related to the depreciation of environmental fixed assets are reported upon recognition in the corresponding cost category. Such costs are charged against the provisions for environmental assets that were created for this purpose. The expenses are recovered in the form of other operating income.

The company uses the straight-line depreciation method. Amortisation and depreciation are calculated on individual assets. Land, advances for fixed assets, fixed assets under construction and works of art are not subject to depreciation.

The following average amortisation/depreciation rates were used by Petrol d.d. and the Petrol Group in 2005:

(in %)	2005	2004
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:		
Civil engineering works:		
Buildings at service stations	2.50 – 10.00 %	2.50 – 7.00 %
Underground and above-ground storage tanks	2.85 – 7.00 %	2.85 – 7.00 %
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 station	3.33 – 20.00 %	3.33 – 20.00 %
Pumping equipment at service station	5.00 – 25.00 %	5.00 – 25.00 %
Motor vehicles	10.00 – 25.00 %	10.00 – 33.30 %
Goods vehicles (tank wagons)	25.00 %	25.00 %
Computer hardware	16.00 – 50.00 %	16.00 – 50.00 %
Office equipment (furniture)	10.00 – 12.50 %	10.00 – 12.50 %
Small 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.

E) Finance income and expenses

Finance income is comprised of income from investments, and is generated in connection with financial investments and receivables. It consists of interest charged, dividends and profit-sharing received, and revaluation finance income. Finance income is divided into two categories: income that is not dependent on the net profit of other parties, and income that is dependent on the net profit of other parties.

In 2005 the company applied the accounting policy for valuing non-current investments in subsidiaries, joint ventures and affiliates using the equity method. The company thus only reports the portion of profits actually paid out in the current year among the finance income from profit-sharing.

Dividends and profit-sharing from unaffiliated companies are recognised when received in accordance with the cost method for measuring and declaring non-current investments in the equity of other companies.

If there is no doubt as to the magnitude of income to be received, its maturity or final delivery, finance income from interest and revaluation finance income is recognised whether or not the payment has actually been received. Interest is calculated based on the unpaid principal portion of the loan and the applicable interest rate during the accounting period.

Finance expenses comprise expenses from write-downs of non-current and current investments, interest expenses, losses on foreign exchange rate differences and other finance expenses.

F) Extraordinary income (expenses)

Extraordinary income (expenses) comprises exceptional items that increase (decrease) the pre-tax profit generated by the ordinary activities of the company.

Extraordinary income of the company includes received subsidies, donations, income for covering losses from previous years and other extraordinary income. In 2004 the company posted to extraordinary income also compensation and contractual penalties received, and recoveries of written-off receivables, which are for the purpose of comparison to 2005 disclosed under other operating income.

Extraordinary expenses are provisions for losses arising from difficult contracts and previous years. In 2004 the company posted to extraordinary expenses also compensation and contractual penalties paid out, and grants, which are for the purpose of comparison to 2005 disclosed under other operating expenses.

G) Taxes

Corporate income tax

Corporate income tax is calculated based on the income and expenses reported in the income statement and in accordance with all relevant legislation. The applicable tax rate is 25% of the taxable base.

The following can be deducted from the taxable base for 2005 as tax relief:

- 40% of the total amount invested in intangible assets
- 20% of the total amount invested in fixed assets (with the exception of cars)
- and a further 20% of the total amount invested in equipment (with the exception of cars, furniture and office equipment)

Deferred corporate income tax is provided in full, using the liability method based on the balance sheet, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred corporate income tax is determined using tax rates (and laws) that have been enacted as at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred corporate income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Value added tax

Under the Valued Added Tax Act, VAT is charged on the sale of goods and services by taxable persons as part of the performance of their business activity for payment in Slovenia and on acquisitions of goods and the import of goods into Slovenia.

VAT is charged and paid at a general rate of 20%, or 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 set in an amount per unit of measure. It is levied on alcohol and alcoholic beverages, tobacco products, mineral oils and gas. A liability for excise duty is incurred when excisable products produced in Slovenia or imported into Slovenia are released for consumption. Excise duty is charged on the basis of records of the sale of excisable goods.

Petrol d.d. holds excise permits at some of its storage facilities based on which the liability for payment of excise duty is deferred. This applies only to the movement of excisable goods between excise storage facilities or excise-exempt persons. Use of the excise permit demands that the records set out in the Excise Duty Act are kept. In the company's operations the majority of the excisable goods pass through the excise storage facilities with a deferment of payment of the excise duty. The liability to pay excise duty is incurred when the goods are transferred from the excise storage facilities to the service stations and other customers.

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

Excise duty is only charged on particular types of excisable goods when acquired from EU member-states.

Taxes

- carbon dioxide tax decree

On the basis of the Environmental Protection Act the Slovenian government adopted a decree levying a tax on carbon dioxide emissions. This decree lays down the basis for calculating the tax and defines those 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, in the same manner and with the same deadlines as for excise duty. In the case of imports, the customs authorities charge the carbon dioxide tax based on the import documents together with VAT and import taxes.

- fee for compulsory stocks of crude oil and refined 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 public utility fee to the Institute for Compulsory Stocks of Crude Oil and Refined Petroleum Products. The fee is calculated on the basis of the quantity of refined petroleum products imported. The fee is 1.80 tolars/l for petrol and 1.70 tolars/l for middle distillates. For the purpose of calculating the fee, the value of exported refined petroleum products may be subtracted from the value of the imported quantities.

- environmental tax for the use of lubricant oils and liquids

Under a government decree there is a liability to charge lubricant tax when the goods are first placed on the market or at import, or when acquired in the case of acquisition of lubricant oils and liquids from EU member states.. The basis for charging the tax is the quantity of lubricant oil or liquid produced, acquired or imported in kg. The tax is 38 tolars for the first bracket and 19 tolars for the second bracket, depending on the quality of the lubricant oils.

H) Intangible and fixed assets

Intangible assets

Intangible assets consist of non-current deferred expenses, patents and licences, other rights, intangible assets under acquisition, and advances for intangible assets.

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

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

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

Fixed assets

Fixed assets comprise land, civil engineering works, other equipment, fixed assets under acquisition and advances for fixed assets. Any small inventory that has a useful life longer than one year and whose individual value does not exceed the tolar counter-value of EUR 500 is also classed as a fixed asset made available for use.

On initial recognition they are valued at the historical cost, consisting of the original purchase price plus import taxes, non-refundable purchase taxes and the costs directly attributable to making the asset available for its intended use, notably the transportation and installation costs. Fixed assets acquired prior to 1 January 1993 were revalued on that date in accordance with privatisation regulations.

Until the new SRS (2002) accounting standards came into force (on 31 December 2001), at the end of each year, under inflationary conditions, the company made an indexation revaluation of the historical cost and adjustments to the value of fixed assets declared in the ledgers based on the consumer price index. The effects of revaluation were treated as finance income within the revaluation outcome. In exceptional cases the company did not revalue real estate when a price appraisal determined that the revaluation would increase the net book value to above the fair value.

At the end of the accounting period the company estimates the net book value of fixed assets and determines their recoverable amount. Fixed assets are revalued to account for 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 book value of an alienated fixed asset is recognised as revaluation operating income if the former exceeds the latter and as revaluation operating expenses if the latter exceeds the former.

Costs incurred subsequently on a fixed asset increase its historical cost when they increase its future economic benefits in excess of the future economic benefits originally estimated. In the event of the extension of a fixed asset's useful life, the company reduces the value adjustment charged to date. 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 administers and discloses a separate set of accounts for its environmental fixed assets, which were acquired in the programme for creating and disbursing provisions for investment in environmental modernisation and clean-up projects. These provisions were created in the opening balance sheet of 2003 in accordance with privatisation regulations.

The company values land at its historical cost or, if that is not known, at fair value.

Advances for fixed assets are valued according to their nominal value, assuming the possibility of recovery.

The value of alienated assets minus the selling price is reported as revaluation operating expenses, while any profit is reported as revaluation operating income.

Interest and exchange rate gains related to the purchase and construction of fixed assets do not increase the historical cost of the fixed assets, but are reported in full as finance expense.

The company reports the current value of individual fixed assets as at the end of the financial year, taking into account the degree of materiality, which is 2% of the current value of fixed assets as at the balance sheet date, or more than SIT 1,500,000 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 public utility service for use and management without simultaneous transfer of title. These assets are defined in detail in the regulations governing the relevant public utilities (SRS 35.52).

The counter item to fixed assets under management in liabilities accounts is non-current trade payables to the municipality. Non-current trade payables are reduced by the amount posted to other operating income equalling the depreciation charged.

Part of the company's business activities involves the provision of public utility services on the basis of concession contracts concluded with local authorities. The types of concession contracts differ depending on the nature of the public utility. The company's rights also differ in this context in relation to the fixed assets (land, plants, equipment) that it uses to provide the public utility service and that were acquired from the awarder of the concession for use or management without title.

I) Investments

Non-current and current investments are initially reported at a historical cost corresponding to the cash or other assets invested.

Non-current investments in subsidiaries, affiliated companies and joint ventures in the Petrol Group are accounted using the equity method, while investments in other companies are accounted using the cost method.

Under the equity method, investments are first recorded at their historical cost, and the value in the ledgers increases or decreases by the investor's corresponding share of profit or loss generated after the acquisition of the investment, decreases by the amounts of payments of net profit received, amortisation of adjusted positive differences and amortisation of goodwill, and increases by the reversal of negative goodwill.

The specific equity revaluation adjustment in connection with non-current investments was increased by the effects of the revaluation of non-current investments in subsidiaries, affiliated companies and joint ventures. Amounts received from the distribution of these companies' net profits go to decrease the book value of investments and the previously created equity revaluation adjustment and increase the finance income from participating interests.

The pertaining share of the parent company in the loss of subsidiaries, affiliated companies and joint ventures reduce the book value of investments in these companies and the previously created specific equity revaluation adjustment and are posted to revaluation finance expenses in connection with investments.

Investments are not revalued as a result of value gains. However, they are revalued to account for their impairment if either their reliably measurable fair value or their redemption value is lower than their book value. The book value 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 has an impact on net profit.

Investments denominated in a foreign currency are converted into the domestic currency at 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 finance income or finance expenses.

J) Derivatives

A financial instrument is any contract 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.

Derivatives are financial instruments:

- a) whose value fluctuates as a result of changes in specific interest rates, securities prices, exchange rates and similar variables
- b) that require no initial net investment or a very low initial net investment
- c) that will be settled at some future date

Derivatives include forward contracts in commodities and financial securities, foreign exchange and commodity swaps, and options. The company uses these instruments to hedge against risks. The company designates the purchase of inventories and the corresponding liability, which expose it to risks related to the uncertainty of future cashflows, as a hedged item. Because it is not possible to accurately predict the value of future liabilities or the settlement value of a future transaction, the company does not designate such commitments as a hedged item. Realised gains or losses on future contracts are recorded as finance income or finance expenses as at the date of performance and the balance sheet date. Open derivatives are converted into the domestic currency on the balance sheet date using the middle exchange rate published by the Bank of Slovenia. Losses determined in this process are reported as finance expenses.

K) Treasury shares (repurchased shares)

Repurchased shares that are classified as treasury shares must be formally accounted as separate type of non-current investment because they reduce the level of subscribed capital.

Treasury shares are valued at the historical cost or market value, whichever is the lower.

Alienations of treasury shares are recognised at the average price. Any gains arising from this (a selling price in excess of the book value) go to increase the capital reserves as a paid-up capital surplus, while any losses arising go to decrease the reserves.

L) Inventories

Inventories of merchandise and materials are originally valued at the historical cost, which consists of the purchase price plus import duties and direct procurement costs. Discounts are subtracted from the purchase price. Direct procurement costs include transportation costs, the costs of loading, reloading and unloading, transport insurance costs, handling costs, costs related to brokerage and agency arrangements and other sundry costs until initial storage borne by the purchaser, and non-refundable taxes. Discounts include those that are indicated on the invoice and those acquired subsequently, and relate to specific purchases.

Taxes included in the purchase price of inventories of refined petroleum products held at non-excite storage facilities and at service stations primarily include import taxes, excise duty, carbon dioxide tax and the fee related to the compulsory national commodity reserves.

The inventories of merchandise were in 2005 carried using the FIFO method. In 2004 oil product inventories were revalued using the weighted average purchase price during the accounting period. In accordance with SRS 4.20 the inventories as at 31 December 2004 were valued using the first-in, first-out formula. The company applied the same method to the valuation of the inventories of fuels and introduced the FIFO method in the valuation of inventories of other merchandise, which were in 2004 valued using the most recent purchase price method.

The subsidiaries Petrol Trgovina d.o.o., Zagreb, and Petrol BH Oil Company, d.o.o., Sarajevo, in 2004 valued the inventories using the most recent purchase price method, however, in 2005 the companies applied the FIFO method, with the exception of the inventories of retail goods in Petrol BH Oil Company, d.o.o., Sarajevo, which were valued in line with the most recent purchase price method.

Inventories are revalued as a result of impairment when the book value exceeds the market value, meaning the replacement cost, unless this is higher than the net realisable value (in which case the net realisable value is deemed the market value). A reduction in the value of inventories of materials and small inventory is accounted as costs of material, while a reduction in the value of inventories of goods is reported as operating expenses.

M) Non-current trade receivables

Receivables are divided into non-current and current receivables in terms of when they fall due for payment. Both non-current and current receivables are components of current assets.

Non-current receivables arise in connection with long-term credit sales. Non-current receivables that fall due for payment within one year of the balance sheet date are recorded as current receivables in the balance sheet.

N) Current trade receivables

Receivables are not revalued as a result of changes in the purchasing power of the domestic currency, unless they are denominated in foreign currency and there has been a change in the relevant exchange rate after initial booking or they are denominated in domestic currency and preservation of the real value has been agreed upon by the two contracting parties. The resulting increases or decreases in receivables are reported as finance income or finance expenses.

Receivables are revalued for impairment if their book value exceeds their fair value (i.e. the recoverable amount). Receivables regarding which there exists the possibility that they will not be repaid in full by a certain date are deemed doubtful receivables, or disputed receivables if judicial proceedings have been initiated.

Based on past experience the company makes adjustments to allow for write-downs of receivables to be charged as a debit to revaluation operating expenses and a credit to the corresponding adjustment to the value of the receivable.

Adjustments to receivables from legal entities and private individuals in the country are made as follows:

- 70% for all disputed receivables (including those from customers undergoing bankruptcy, composition or liquidation proceedings), unless secured by collateral
- 100% for other receivables that are more than 60 days overdue, unless secured by collateral
- on a case-by-case basis in an absolute amount for major customers

The company makes a 100% charge against doubtful and disputed receivables from legal entities and private individuals in the rest of the world, unless secured by collateral.

The company discloses the amounts of significant outstanding receivables from individual business partners as at the last day of the financial year if they exceed 1% of the book value of trade receivables as at the last day of the financial year, or SIT 400,000 thousand.

O) Cash and cash equivalents

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

Foreign currency is converted into the domestic currency at the middle exchange rate of the Bank of Slovenia on the balance sheet date.

P) Deferred expenses and accrued revenues

Deferred expenses and accrued revenues include short-term deferred costs and temporarily accrued revenues.

Short-term deferred costs represent amounts that at the time they arise are not charged against the company's business activities and thus do not influence the operating result.

Temporarily accrued revenues arise when income that the company has good reason to include in the operating result is included, but payment has not yet been received or invoices have not yet been issued.

R) Equity

Equity is an expression of the company's equity financing, and reflects its obligations to its shareholders. Included in this category are not only the amounts that the company's shareholders invested originally, but also the net profits generated by the company, which also pertain to the shareholders.

The company's total equity comprises the called-up capital, capital reserves, profit reserves, retained earnings, equity revaluation adjustments, and undistributed profit from the current year.

The called-up capital of Petrol d.d., Ljubljana, comprises the share capital nominally defined in its articles of association and registered with the court that has been paid up by the shareholders, and amounts to SIT 12,517,806 thousand. There are 2,086,301 issued shares, each with a nominal value of 6,000 tolar.

The capital reserves consist of amounts in excess of the book value generated by the alienation of temporarily repurchased treasury shares (the paid-up capital surplus). They are recognised during the sale or alienation of treasury shares as the surplus of the sale value over the book value of the shares.

Profit reserves are amounts intentionally withheld from the profits of previous years, primarily for the settlement of possible future losses. They are broken down into regulatory reserves, treasury share reserves, reserves under the articles of association and other profit reserves. They are recognised when created by the body responsible for compiling the annual report, or by resolution of the relevant body.

Retained earnings are those portions of net profit from previous years that have not been paid out as dividends or other profit-sharing, or defined specifically as reserves.

Equity revaluation adjustments comprise the general equity revaluation adjustment and specific equity revaluation adjustments. A special consolidation equity adjustment is made during the consolidation process.

The general equity revaluation adjustment as at 31 December 2005 consisted of the indexation revaluations made to the share capital prior to 2002, when the new SRS regulations entered into force. The new regulations only allow for equity revaluation when the euro appreciates more than 5.5% against the tolar in the previous year.

The specific equity revaluation adjustment allows for the coverage of the subsequent impairment of the same economic categories until during the alienation of the assets in question it is transferred to operating income, or finance income in the case of profits declared by subsidiaries, joint ventures and affiliated companies.

S) Provisions

Provisions for major repairs represent non-current accruals and deferrals posted in full prior to the introduction of the new SRS regulations (2002). They are intended to cover the projected costs of the investment maintenance of sales outlets (service stations), storage facilities and other plants. Provisions for major repairs are disbursed when the actual costs of major repairs are incurred, or are eliminated as other operating income.

Provisions for environmental assets were entirely created as a charge against equity in the opening balance sheet drawn up under privatisation regulations. These provisions have the nature of deferred revenues in that they are transferred to operating income when the corresponding costs (depreciation of environmental assets and other costs) for which they were created are incurred. The company realises no profit when they are eliminated.

Provisions created for fixed assets acquired free of charge are used in accordance with the accounted depreciation.

T) Financial liabilities

Financial liabilities primarily consist of long-term and short-term loans on the basis of loan agreements. Upon initial recognition they are valued at the amounts in the relevant documents of their existence, those evidencing the receipt of cash or the repayment of a commercial debt. Financial liabilities are not revalued owing to changes in the purchasing power of the domestic currency, unless they are denominated in a foreign currency and there is a change in the exchange rate after initial booking, or they are denominated in domestic currency and revaluation in order to preserve the real value is agreed upon by the two parties to the loan agreement. Any resulting increase in financial liabilities goes to increase ordinary finance expenses, while a decrease in financial liabilities goes to increase ordinary finance income. Financial liabilities are not revalued for impairment.

Current financial liabilities also consist of those liabilities arising from long-term loans that fall due for payment within one year maximum.

U) Trade payables

Trade payables primarily consist of liabilities to suppliers for purchased goods and services, current liabilities to employees for services rendered, current liabilities to creditors in connection with interest, current liabilities to the government arising from taxes, and current liabilities in connection with the distribution of net profits. Upon initial recognition they are valued at the amounts in the relevant documents of their existence, those evidencing the receipt of goods and services, work performed, and the costs, expenses or profit-sharing charged. Trade payables are not revalued owing to changes in the purchasing power of the domestic currency, unless they are denominated in foreign currency and there has been a change in the relevant exchange rate after initial booking or they are denominated in domestic currency and preservation of the real value has been agreed upon by the two contracting parties. Any resulting increase in trade payables goes to increase finance expenses, while a decrease in trade payables goes to increase finance income. Trade payables are not revalued for impairment.

The company discloses the amounts of significant outstanding payables to individual business partners as at the last day of the financial year if they exceed 1% of the book value of trade payables as at the last day of the financial year, or SIT 300,000 thousand.

V) Accrued expenses and deferred revenues

Accrued expenses and deferred revenues comprise expenses charged in advance and short-term deferred revenues.

Accrued expenses arise on the basis of even charging of costs that are anticipated but not have arisen against a company's business activities or against its net profit or inventories. Accrued expenses subsequently cover the costs of the same type that actually arise. Short-term accrued expenses are expenses that have already influenced the operating result, although they have not yet arisen.

Short-term deferred revenues arise when services that have not yet been provided have already been charged for or even paid for. Short-term deferred revenues are income that has not yet had an influence on the operating result.

Z) Cashflow statement

The cashflow statement shows the effect of cash inflows and cash outflows on the balance of cash and cash equivalents during the accounting period. Under the indirect method the net cashflow is determined as the difference between the opening and closing balance in the accounting period, while it is necessary to eliminate all non-cash transactions in order to arrive at the most accurate estimate of actual cashflows.

The closing balance of cash and cash equivalents represents cash, money underway and cheques received.

Income statement (Petrol d.d.)				
SIT 000	Note	2005	2004	Index 05/04
Net sales revenues	A., 01.;	384,540,875	320,772,600	120
Historical cost of merchandise sold	B., 02.;	(343,753,127)	(282,160,446)	122
Gross profit		40,787,748	38,612,154	106
Materials	04.;	(1,647,147)	(1,462,160)	113
Services	05.;	(22,899,471)	(21,430,655)	107
Compensation	06.;	(5,915,537)	(6,175,170)	96
Depreciation and amortisation	D., 07.;	(5,729,498)	(5,506,294)	104
Losses on disposals, impairment and write-offs of intangible and fixed assets	08.;	(129,347)	(319,026)	41
Write-downs of current assets	08.;	(38,860)	(522,927)	7
Other costs	09.;	(404,010)	(2,538,102)	16
Operating expenses	03.;	(36,763,870)	(37,954,334)	97
Other operating income	10.;	2,071,845	5,217,397	40
Other operating expenses	03.;	(233,175)	(45,352)	514
Operating profit		5,862,548	5,829,865	101
Finance income from participating interests	11.;	1,354,646	2,132,207	64
Finance income from non-current receivables	12.;	274,077	216,774	126
Finance income from current receivables	13.;	8,060,532	5,802,822	139
Finance income	E.;	9,689,255	8,151,803	119
Write-downs of investments	14.;	(31,787)	(563,457)	6
Interest expenses and financial expenses for other liabilities	15.;	(6,877,531)	(5,819,161)	118
Finance expenses	E.;	(6,909,318)	(6,382,618)	108
Profit from ordinary activities		8,642,485	7,599,050	114
Pre-tax profit		8,642,485	7,599,050	114
Corporate income tax	G., 16.;	(1,782,702)	(1,138,066)	157
Deferred taxes	G., 17.;	18,117	0	-
Net profit for the year		6,877,900	6,460,984	106

* Notes A to Z and 1 to 42 are an integral part of the financial statements and should be read in conjunction with them.

Business segments (Petrol d.d.)

SIT 000	2005	2004	Index 05/04
Net sales revenues			
Oil products and other refined petroleum products	334,170,893	275,652,589	121
Other merchandise	43,707,302	39,494,699	111
Services	6,013,813	5,150,568	117
Energy activity	648,867	474,744	137
Total	384,540,875	320,772,600	120

Geographical segments (Petrol d.d.)

SIT 000	2005	2004	Index 05/04
Net sales revenues			
Slovenia	359,704,060	311,329,573	116
Croatia	11,520,524	798,184	1443
Bosnia-Herzegovina	11,517,430	5,491,878	210
Austria	631,476	400,699	158
Other countries	1,167,385	2,752,266	42
Total	384,540,875	320,772,600	120

Balance sheet (Petrol d.d.)

SIT 000	Note	31. 12. 2005	31. 12. 2004	Index 05/04
Assets				
A) Non-current assets				
I. Intangible assets	H., 18.;	1,068,804	1,108,541	96
Land		21,543,475	20,663,764	104
Buildings		45,308,439	45,870,398	99
Other equipment		5,957,304	6,310,559	94
Fixed assets under construction or in production		5,631,448	3,566,618	158
Advances for fixed assets		18,813	259,782	7
II. Fixed assets	H., 19., 20.;	78,459,479	76,671,121	102
Investments in subsidiaries		28,321,328	25,202,635	112
Investments in affiliated companies		12,902,757	12,255,593	105
Investments in joint ventures		3,451,266	3,420,792	101
Other participating interests		1,521,814	1,619,061	94
Non-current financial receivables from subsidiaries		2,009,127	1,997,415	101
Non-current financial receivables from affiliated companies		460,929	461,251	100
Other non-current financial receivables		763,795	1,054,443	72
Treasury shares	K.;	661,023	664,662	99
III. Non-current investments	I., 21., 22.;	50,092,039	46,675,852	107
Total non-current asset		129,620,322	124,455,514	104
B) Current assets				
Materials		0	139,533	-
Merchandise		25,880,040	15,817,945	164
I. Inventories	L., 23.;	25,880,040	15,957,478	162
Non-current trade receivables from subsidiaries		5,394	6,206	87
Non-current trade receivables from others		441,202	567,921	78
Deferred tax assets	G., 17.;	18,117	0	-
II. a) Non-current trade receivables	M., 24.;	464,713	574,127	81
Current trade receivables from subsidiaries		2,651,753	924,910	287
Current trade receivables from affiliated companies		92,360	44,679	207
Current trade receivables from joint ventures		9,472	372	2546
Current trade receivables from customers		28,519,288	22,284,186	128
Other current trade receivables		11,660,345	12,240,602	95
II. b) Current trade receivables	N., 25., 26.;	42,933,218	35,494,749	121
Current investments in subsidiaries		484,204	130,767	370
Current investments in others		2,399,143	3,602,992	67
III. Current investments	I., 27.;	2,883,347	3,733,759	77
IV. Cash and cash equivalents	O., 28.;	1,310,459	1,037,309	126
Total current assets		73,471,777	56,797,422	129
C) Deferred expenses and accrued revenues	P., 29.;	587,230	292,731	201
Total assets		203,679,329	181,545,667	112

Equity and liabilities				
SIT 000	Note	31. 12. 2005	31. 12. 2004	Index 05/04
A) Equity				
I. Called-up capital		12,517,806	12,517,806	100
II. Capital reserves		102,032	96,478	106
Regulatory reserves		14,797,743	14,794,104	100
Treasury share reserves	K.;	661,023	664,662	99
Other profit reserves *		28,681,569	24,144,028	119
III. Profit reserves	32.;	44,140,335	39,602,794	111
IV. Retained earnings		3,059,317	2,781,413	110
V. Undistributed net profit *		3,438,950	3,230,492	106
General equity revaluation adjustment		19,190,518	19,190,518	100
Specific equity revaluation adjustment		4,333,238	2,204,022	197
VI. Equity revaluation adjustments	33.;	23,523,756	21,394,540	110
Total equity	R., 30., 31.;	86,782,196	79,623,523	109
B) Provisions				
Provisions for major repairs		0	637,366	-
Provisions for environmental fixed assets		5,812,338	6,335,347	92
Other provisions		18,840	19,378	97
Total provisions	S., 34.;	5,831,178	6,992,091	83
C) Financial liabilities and trade payables				
a) Non-current financial liabilities and trade payables				
Non-current financial liabilities to banks		29,654,805	26,379,942	112
Non-current financial liabilities	T., 35.;	29,654,805	26,379,942	112
Non-current financial liabilities to others		338,190	350,714	96
Non-current trade payables	U., 36.;	338,190	350,714	96
b) Current financial liabilities and trade payables				
Current financial liabilities to subsidiaries		1,832,057	2,434,059	75
Current financial liabilities to banks		12,793,119	10,376,958	123
Current financial liabilities to others		359,799	4,245,667	8
Current financial liabilities	T., 37.;	14,984,975	17,056,684	88
Current trade payables to subsidiaries		36,247,016	16,130,415	225
Current trade payables to joint ventures		155,176	138,089	112
Current trade payables to affiliated companies		59,534	88,506	67
Current trade payables to suppliers		10,918,141	12,488,034	87
Current trade payables to employees		554,267	592,935	93
Current trade payables to the government		14,887,729	16,460,241	90
Current trade payables from advances		86,796	65,625	132
Current trade payables from distribution of profit		96,276	116,097	83
Other current trade payables to subsidiaries		0	1,300,000	-
Other current trade payables to others		40,906	503,141	8
Current trade payables	U., 38.;	63,045,841	47,883,083	132
Total financial liabilities and trade payables		108,023,811	91,670,423	118
D) Accrued expenses and deferred revenues	J., V., 39.;	3,042,144	3,259,630	93
Total equity and liabilities		203,679,329	181,545,667	112

* In accordance with the third paragraph of Article 228 of the Companies Act (the ZGD-F), undistributed net profit has been reduced by half and transferred into other profit reserves.

** Notes A to Z and 1 to 42 are an integral part of the financial statements and should be read in conjunction with them.

Cashflow statement (Petrol d.d.)			
SIT 000	2005	2004	Index 05/04
Cash from operating activities	379,209,007	313,887,371	121
Operating income	385,161,981	321,296,245	120
Change in trade receivables	(5,658,476)	(7,410,031)	76
Change in deferred expenses and accrued revenues	(294,498)	1,157	-
Cash used in operating activities	371,615,484	303,631,516	122
Operating expenses less amortisation, depreciation and provisions	375,010,793	309,389,605	121
Taxes paid	1,782,702	1,138,066	157
Change in inventories	9,922,562	4,292,488	231
Change in trade payables	(15,213,721)	(11,489,777)	132
Change in accrued expenses and deferred revenues	113,148	301,134	38
Net cash from/(used in) operating activities	7,593,523	10,255,855	74
Cash from investing activities	6,033,875	4,930,457	122
Investment income (not including revaluation)	5,183,438	2,875,214	180
Net decrease in current investments (not including revaluation)	850,437	2,055,243	41
Cash used in investing activities	15,298,767	14,339,028	107
Net increase in intangible assets (not including revaluation)	131,289	106,350	123
Net increase in fixed assets (not including revaluation and non-cash equity inputs)	8,936,306	9,807,324	91
Net increase in non-current investments (not including revaluation)	6,231,172	4,425,354	141
Net cash from/(used in) investing activities	(9,264,892)	(9,408,571)	98
Cash from financing activities	10,471,899	6,931,250	151
Finance income (not including revaluation)	5,198,277	2,805,679	185
Increase in equity (not including net profit)	5,554	41,487	13
Net increase in non-current financial liabilities (not including revaluation)	3,297,824	4,084,084	81
Net increase in current financial liabilities (not including revaluation)	1,970,244	0	-
Cash used in financing activities	8,527,380	8,028,139	106
Finance expenses (not including revaluation)	6,550,492	5,425,897	121
Net decrease in provisions (not including revaluation)	122,892	79,557	154
Net decrease in current financial liabilities (not including revaluation)	0	1,019,631	-
Decrease in liabilities to owners (dividends and other profit-sharing)	1,853,996	1,503,054	123
Net cash from / (used in) financing activities	1,944,519	(1,096,889)	-
Net cashflow during period	273,150	(249,605)	-
Closing balance of cash and cash equivalents	1,310,459	1,037,309	126
Net cashflow during period	273,150	(249,605)	-
Opening balance of cash and cash equivalents	1,037,309	1,286,914	81

* Notes A to Z and 1 to 42 are an integral part of the financial statements and should be read in conjunction with them.

Statement of changes in equity (Petrol, d.d.)

SIT 000	Share capital	Capital reserves	Regulatory reserves
Balance as at 31 December 2003	12,517,806	54,991	14,772,468
Transfers into capital accounts			
Transfer of net profit for 2004 financial year	0	0	0
Transfer of specific equity revaluation adjustments	0	0	0
Elimination of adjustment to value of treasury shares	0	0	0
Transfer of paid-up capital surplus from transactions in treasury shares	0	41,487	0
Transfers within capital accounts			
Distribution of 50% of 2004 net profit to other capital accounts pursuant to management board and supervisory board resolution	0	0	0
Release of treasury share reserves and distribution to other capital accounts	0	0	21,636
Distribution of profit for appropriation for 2003 financial year to create other profit reserves pursuant to general meeting resolution in 2004	0	0	0
Distribution of profit for appropriation for 2003 financial year to retained earnings pursuant to general meeting resolution in 2004	0	0	0
Transfers from capital accounts			
Payment of dividends pursuant to general meeting resolution in 2004	0	0	0
Payment of 2003 profit-sharing bonuses to supervisory board pursuant to general meeting resolution in 2004	0	0	0
Balance as at 31 December 2004	12,517,806	96,478	14,794,104
Profit for appropriation for 2004	0	0	0
Transfers into capital accounts			
Transfer of net profit for 2005 financial year	0	0	0
Transfer of specific equity revaluation adjustments	0	0	0
Transfer of paid-up capital surplus from transactions in treasury shares	0	5,554	0
Transfers within capital accounts			
Distribution of 50% of 2005 net profit to other capital accounts pursuant to management board and supervisory board resolution	0	0	0
Release of treasury share reserves and distribution to other capital accounts	0	0	3,639
Distribution of profit for appropriation for 2004 financial year to create other profit reserves pursuant to general meeting resolution in 2005	0	0	0
Distribution of profit for appropriation for 2004 financial year to retained earnings pursuant to general meeting resolution in 2005	0	0	0
Distribution of profit for 2004 for bonuses to the supervisory board as profit-sharing to retained profit pursuant to the general meeting resolution in 2005	0	0	0
Transfers from capital accounts			
Payment of dividends pursuant to general meeting resolution in 2005	0	0	0
Allocation of specific equity revaluation adjustment	0	0	0
Balance as at 31 December 2005	12,517,806	102,032	14,797,743
PROFIT FOR APPROPRIATION FOR 2005	0	0	0

* Notes A to Z and 1 to 42 are an integral part of the financial statements and should be read in conjunction with them.

Treasury share reserves	Other profit reserves	Retained earnings	Net profit for the period	General equity revaluation adjustment	Specific equity revaluation adjustment	Total equity
566,774	20,182,285	1,989,932	3,025,786	19,190,518	85,830	72,386,391
0	0	0	6,460,984	0	0	6,460,984
0	0	0	0	0	2,118,192	2,118,192
119,523	0	0	0	0	0	119,523
0	0	0	0	0	0	41,487
0	3,230,492	0	(3,230,492)	0	0	-
(21,636)	0	0	0	0	0	-
0	2,234,305	(2,234,305)	0	0	0	-
0	0	3,025,786	(3,025,786)	0	0	-
0	(1,441,997)	0	0	0	0	(1,441,997)
0	(61,057)	0	0	0	0	(61,057)
664,662	24,144,028	2,781,413	3,230,492	19,190,518	2,204,022	79,623,523
0	1,910,717	2,781,413	3,230,492	0	0	7,922,622
0	0	0	6,877,900	0	0	6,877,900
0	0	0	0	0	2,994,847	2,994,847
0	0	0	0	0	0	5,554
0	3,438,950	0	(3,438,950)	0	0	-
(3,639)	0	0	0	0	0	-
0	3,002,968	(3,002,968)	0	0	0	-
0	0	3,230,492	(3,230,492)	0	0	-
0	(50,381)	50,381	0	0	0	-
0	(1,853,996)	0	0	0	0	(1,853,996)
0	0	0	0	0	(865,631)	(865,631)
661,023	28,681,569	3,059,317	3,438,950	19,190,518	4,333,238	86,782,196
0	3,297,599	3,059,317	3,438,950	0	0	9,795,866

Note 01: Net sales revenues (Petrol d.d.)

SIT 000	2005	2004	Index 05/04
Oil products	321,284,656	263,731,760	122
Other refined petroleum products	13,303,314	12,338,050	108
Services	6,245,603	5,208,091	120
Other merchandise	43,707,302	39,494,699	111
Total	384,540,875	320,772,600	120

SIT 000	2005	2004	Index 05/04
Domestic net sales revenues:	359,704,060	311,329,573	116
• subsidiaries	996,466	1,051,394	95
• affiliated companies	451,842	139,137	325
• joint ventures	9,552	1,173	814
• others	358,246,200	310,137,869	116
International net sales revenues:	24,836,815	9,443,027	263
• subsidiaries	15,412,368	2,528,866	609
• others	9,424,447	6,914,161	136
Total	384,540,875	320,772,600	120

Petrol d.d. generated net sales revenues of SIT 384,540,875 thousand in 2005, of which SIT 321,284,656 thousand was generated from the sale of oil products and SIT 13,303,314 thousand from the sale of other refined petroleum products. In addition, Petrol generated net sales revenues of SIT 43,707,302 thousand from the sale of supplementary products and other merchandise, and SIT 6,245,603 thousand from the sale of various services.

The company classifies its products as follows:

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

Note 02: Historical cost of merchandise sold (Petrol d.d.)

SIT 000	2005	2004	Index 05/04
Oil products	297,054,470	240,001,701	124
Other refined petroleum products	10,625,610	9,641,332	110
Supplementary products and other merchandise	36,073,047	32,517,413	111
Total	343,753,127	282,160,446	122

The historical cost of merchandise sold primarily consists of the cost of the sold quantities of refined petroleum products purchased in 2005 via the subsidiaries:

- 1,156 thousand tonnes from Cypet Trade Ltd
- 566 thousand tonnes from Petrol-Trade, H.m.b.H., Vienna

Oil products, other refined petroleum products and supplementary products and other merchandise account for SIT 297,054,470 thousand, SIT 10,625,610 thousand and SIT 36,073,047 thousand of the historical cost of merchandise sold respectively.

Note 03: Costs and other operating expenses (Petrol d.d.)

SIT 000	2005	2004	Index 05/04
Materials	1,647,147	1,462,160	113
Services	22,899,471	21,430,655	107
Compensation	5,915,537	6,175,170	96
Write-downs	5,897,705	6,348,247	93
• amortisation and depreciation	5,729,498	5,506,294	104
• losses on disposals, impairment and write-offs of intangible and fixed assets	129,347	319,026	41
• write-downs of current assets	38,860	522,927	7
Other costs	404,010	2,538,102	16
Other operating expenses	233,175	45,352	514
Total operating expenses	36,997,045	37,999,686	97

SIT 000	Distribution cost (incl. depreciation and amortisation)	Admin. expenses of merchandise (incl. depreciation and amortisation)	Total
Materials	1,489,064	158,083	1,647,147
Services *	19,844,120	3,055,351	22,899,471
Compensation	3,159,289	2,756,248	5,915,537
Write-downs	5,051,366	846,339	5,897,705
• amortisation and depreciation	5,051,366	678,132	5,729,498
• losses on disposals, impairment and write-offs of intangible and fixed assets	0	129,347	129,347
• write-downs of current assets	0	38,860	38,860
Other costs	199,711	204,299	404,010
Other operating expenses	163,915	69,260	233,175
Total	29,907,465	7,089,580	36,997,045

* distribution costs within costs of services comprise franchise compensation in the amount of SIT 4,352,203 thousand

In 2005 costs and other operating expenses amounted to SIT 36,997,045 thousand. The figure is in nominal terms 3% and in real terms 5% lower than in 2004. The decrease was mainly the result of lower other expenses compared to 2004, which is explained in greater detail in Note 9 - Other costs (Petrol d.d.).

The bulk of operating expenses is accounted for by services, i.e. 62%. Costs of services rose by 7% in nominal terms and 4% in real terms in comparison to 2004 and are presented in more detail in Note 5 - Costs of services (Petrol d.d.).

Note 04: Costs of material (Petrol d.d.)

SIT 000	2005	2004	Index 05/04
Costs of consumables	640,923	541,668	118
Energy costs	779,898	667,990	117
Write-off of small inventory	28,776	49,806	58
Other costs of material	197,550	202,696	97
Total	1,647,147	1,462,160	113

Costs of material include costs of consumables, energy costs, write-offs of small inventory and other costs of material.

Costs of consumables (SIT 640,923 thousand) are for the most part accounted for by the costs of cleaning and security (SIT 165,151 thousand), maintenance of fixed assets (SIT 140,822 thousand) and costs of consumed water (SIT 94,023 thousand).

Costs of energy (SIT 779,898 thousand) represent costs of electricity (SIT 547,133 thousand), heating (SIT 96,287 thousand) and network fee for the natural gas transmission grid (SIT 55,802 thousand).

Other costs of material (SIT 197,550 thousand) are costs of office material and literature (SIT 174,250 thousand) and costs of laboratory material (SIT 23,301 thousand).

Note 05: Costs of services (Petrol d.d.)

SIT 000	2005	2004	Index 05/04
Costs of transportation services	5,976,241	5,746,731	104
Costs of fixed asset maintenance services	1,547,826	1,514,363	102
Rents	1,619,909	1,323,769	122
Compensation of work-related expenses to employees	159,505	169,237	94
Costs of payment transactions and bank services	1,094,572	970,632	113
Insurance premium costs	537,658	450,079	119
Costs of intellectual services	954,480	1,462,463	65
Costs of trade fairs, advertising and entertainment	856,381	849,791	101
Costs of other services	10,152,899	8,943,590	114
Total	22,899,471	21,430,655	107

Costs of services include costs of transportation services, costs of fixed asset maintenance services, rents, compensation of work-related expenses to employees, costs of payment transactions and bank services, insurance premium costs, costs of intellectual services, costs of trade fairs, advertising and entertainment and costs of other services.

Costs of transportation services (SIT 5,976,241 thousand) are accounted for by costs of transport (SIT 5,579,331 thousand) as well as postal, telephone and other data transfer services (SIT 396,910 thousand).

Costs of fixed asset maintenance (SIT 1,547,826 thousand) are represented mainly by the plant and equipment maintenance (SIT 1,197,920 thousand), costs of cleaning (SIT 257,649 thousand) and utility services (SIT 75,557 thousand).

The bulk of rental costs (SIT 1,619,909 thousand) is due to the rental of storage facilities and railway wagons (SIT 1,325,650 thousand).

Costs of payment transactions and bank services (SIT 1,094,572 thousand) include chiefly payment card commission (SIT 665,881 thousand) and costs of tolar and foreign-currency payment transactions (SIT 366,129 thousand).

Costs of insurance premiums (SIT 537,658 thousand) arise from insurance premiums for fixed assets and merchandise (SIT 330,858 thousand) and non-cash payments (SIT 142,769 thousand).

Costs of intellectual services (SIT 954,480 thousand) are for the most part due to costs of consulting, legal fees and auditing services (SIT 763,876 thousand), costs of court procedures and detective services connected with debt collection (SIT 58,121 thousand), costs of student and other employment agencies (SIT 80,650 thousand) as well as costs of medical services (SIT 14,180 thousand).

Advertising (SIT 728,860 thousand) represents the major part of the costs of trade fairs, advertising and entertainment (SIT 856,381 thousand).

Costs of other services (SIT 10,152,899 thousand) are mainly costs paid to franchise holders (SIT 5,264,435 thousand), costs of real estate management (SIT 3,209,460 thousand), commission paid to DARS for operation of facilities along motorways (SIT 298,928 thousand) and fee for the use of construction land (SIT 239,785 thousand).

Real estate management costs (SIT 3,209,460 thousand) are largely accounted for by subsidiaries Petrol Maloprodaja Slovenija d.o.o., which manages service stations (SIT 2,637,624 thousand), Petrol Skladiščenje d.o.o., which manages storage facilities (SIT 507,007 thousand) and Petrol Energetika d.o.o., which manages the treatment plant in Mežica (SIT 6,842 thousand).

Note 06: Compensation (Petrol d.d.)

SIT 000	2005	2004	Index 05/04
Salaries	4,228,746	4,628,989	91
• payroll	4,016,525	4,388,677	92
• food allowances	120,943	127,297	95
• transportation expenses	91,278	113,015	81
Social security	1,111,612	1,123,070	99
• pension contributions	388,923	391,199	99
Other compensation expenses (subsidies, supplementary pension costs, severance pay, loyalty bonuses)	575,179	423,111	136
• supplementary pension contributions	104,064	107,432	97
Total	5,915,537	6,175,170	96

Compensation for labour was down 4% from 2004 in nominal terms and 6% in real terms, and accounted for 16% of total costs. The reason for the fall was the personnel transfer from the parent company to subsidiaries, with 471 employees moving to Petrol Maloprodaja Slovenija d.o.o. in March 2004 and 96 to Petrol Skladiščenje d.o.o. in February 2004.

Note 07: Amortisation and depreciation (Petrol d.d.)

SIT 000	2005	2004	Index 05/04
Amortisation of intangible assets - regular	171,026	168,054	102
Depreciation of fixed assets - regular	5,156,352	4,934,714	104
Depreciation of environmental fixed assets	402,120	403,526	100
Total	5,729,498	5,506,294	104

Note 08: Revaluation operating expenses (Petrol d.d.)

SIT 000	2005	2004	Index 05/04
Losses on disposals, impairment and write-offs of intangible and fixed assets	129,347	319,026	41
• of which impairment of fixed assets	3,163	0	-
Write-downs of current assets	38,860	522,927	7
• of which impairment of current assets	3,433	413,473	1
Total	168,207	841,953	20

Revaluation operating expenses on non-current assets (SIT 129,347 thousand) consist of retirements of fixed assets due to sale, renovation and reconstruction (SIT 54,311 thousand), write-offs of construction documentation for individual projects that cannot be used owing to urban planning changes (SIT 40,566 thousand), expenses arising from the change in the useful life of cars to 4 years and the depreciation rate of 25% (SIT 31,307 thousand), and value adjustments of receivables arising from advances given for the purchase of fixed assets (SIT 3,163 thousand).

Revaluation operating expenses on current assets (SIT 38,860 thousand) consist mostly of expenses from write-downs of receivables from customers (SIT 34,847 thousand) and value adjustments for receivables in line with the company's accounting policies (SIT 3,433 thousand).

Note 09: Other costs (Petrol d.d.)

SIT 000	2005	2004	Index 05/04
Taxes not dependent on compensation or operating profit	121,146	44,671	271
Environmental protection expenses	34,353	42,902	80
Stipends	367	708	52
Other expenses	248,144	2,449,821	10
Total	404,010	2,538,102	16

Taxes not dependent on compensation or operating profit (SIT 121,146 thousand) refer chiefly to costs of tax deductions upon the payment of certain income pursuant to Article 68 of the Corporate Income Tax Act (SIT 77,474 thousand).

Other costs (SIT 248,144 thousand) for the most part include costs of sponsoring sports, cultural, educational, environmental and similar projects and events (SIT 74,822 thousand), donations to the subsidiary Petrol Gostinstvo d.o.o. for covering the payables to employees, falling due as the 75% holding in this company was sold (SIT 7,125 thousand), donations for humanitarian, scientific, educational, sports, cultural and similar purposes (SIT 79,830 thousand), and other costs not related to operating activities (SIT 48,389 thousand).

In comparison to 2004 other costs were in nominal terms 84% lower due to the fact that Petrol d.d. in 2004 for the first time recognised current provisions for default interest arising from judicial suits against the company as the debtor in the amount of SIT 1,582,287 thousand, while provisions for judicial suits and interest equalling SIT 26,397 thousand were in 2005 released.

Note 10: Other operating income (Petrol d.d.)

SIT 000	2005	2004	Index 05/04
Income from the release of environmental provisions	523,009	480,423	109
Income from the release of other provisions	650,916	1,401,092	46
Revaluation operating income	349,993	561,914	62
• income from disposal of fixed assets	325,872	425,343	77
• income from current assets	24,121	136,571	18
Compensation received	31,165	40,358	77
• from foreign subsidiaries	0	15,392	-
• from others	31,165	24,966	125
Penalties received	133,412	0	-
Other operating income	383,350	2,733,610	14
• from foreign subsidiaries	18,150	0	-
• from others	365,200	2,733,610	13
Total	2,071,845	5,217,397	40

Income from the release of environmental provisions (SIT 523,009 thousand) in 2005 relates to:

- depreciation charged on environmental assets (SIT 402,120 thousand)
- decrease in environmental fixed assets resulting from the sale of the real estate with pertaining equipment (SIT 19,033 thousand) and costs incurred in connection with the clean-up of the Pesniški Dvor dump (SIT 101,856 thousand)

Income from the elimination of other provisions (SIT 650,916 thousand) mostly relates to income from the elimination of provisions for major repairs. In 2005 these provisions were finally eliminated, so that as at 31 December 2005 the company no longer disclosed provisions for major repairs in its books of account.

Revaluation operating income on non-current assets (SIT 325,872 thousand) consists mainly of income from the sale of non-current assets (SIT 267,630 thousand). The major item in income from the sale of non-current assets is the sale of BS Interspar in the amount of SIT 155,299 thousand.

Revaluation operating income on current assets (SIT 24,121 thousand) consist mostly of income from write-downs of receivables in the past years (SIT 16,449 thousand).

Penalties received (SIT 133,412 thousand) refer to a buyer's incompliance with contractual provisions in the purchase of goods.

Other operating income in the amount of SIT 383,350 thousand consists primarily of:

- income from compensation claims (demurrage) received from the subsidiary Cypet – Trade Ltd in the amount of 18,150 thousand
- income from the elimination of accrued operating expenses totalling SIT 220,157 thousand, made in 2004, of which the bulk is accounted for by shortfall of goods charged in advance for the last quarter of 2004 (SIT 131,911 thousand) and the release of provisions for judicial suits and interest therefrom (SIT 26,397 thousand)
- income from cash discounts in the amount of SIT 33,617 thousand

Compared to 2004, operating income (SIT 383,350 thousand) was in 2005 86% lower. The difference results from the adjustment of the investment in Geoplin d.o.o. to the capital of the aforementioned company using the equity method in the amount of SIT 2,144,398 thousand, as it became part of the Petrol Group in 2004.

Note 11: Finance income from participating interests (Petrol d.d.)

SIT 000	2005	2004	Index 05/04
Finance income from participating interests in subsidiaries	32,278	528,728	6
Finance income from participating interests in affiliated companies	822,254	744,299	110
Other finance income from particip. interests (incl. reval. finance income)	500,114	859,180	58
• of which revaluation finance income	412,779	750,845	55
Total	1,354,646	2,132,207	64

Finance income from participating interests in subsidiaries in 2005 totalling SIT 32,278 thousand consists of the retained profit generated in 2004 by Petrol Gostinstvo d.o.o., which was in line with the accounting policy posted to specific equity revaluation adjustment. In 2005 Petrol d.d. upon the sale of a 75% holding in the above subsidiary disclosed retained profit for 2004 among income from participating interests in subsidiaries.

Finance income from participating interests in affiliated companies in the amount of SIT 822,254 thousand consists of received dividend of Geoplin d.o.o., referring to the pertaining share of the 2004 profit, recorded under specific equity revaluation adjustment. The second portion of pertaining profit payment in the amount of SIT 80,186 thousand was prior to 2004 reported as financial income from participating interests, and thus decreased the investment in the stakes of subsidiaries by the same amount.

Revaluation finance income in the amount of SIT 412,779 thousand comprises:

- foreign exchange gains in order to preserve the value of equity stakes in subsidiaries abroad: Petrol Trgovina, d.o.o., Zagreb (SIT 201,524 thousand) and Cypet Oils Ltd (SIT 54,766 thousand)
- income from the sale of a 75% holding in the subsidiary Petrol Gostinstvo d.o.o. totalling SIT 142,914 thousand
- income from the sale of shares in other companies in the amount of SIT 13,575 thousand

Note 12: Finance income from non-current receivables (Petrol d.d.)

SIT 000	2005	2004	Index 05/04
Finance income from non-current receivables from subsidiaries	89,808	101,784	88
Finance income from non-current receivables from affiliated companies	35,726	38,305	93
Other finance income from non-current receivables	148,543	76,685	194
Total	274,077	216,774	126

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

- subsidiaries: Petrol Plin, d.o.o. (SIT 54,901 thousand), Petrol Energetika, d.o.o. (SIT 33,337 thousand) and Petrol Tehnologija, d.o.o. (SIT 1,570 thousand)
- the affiliated company Aquasystems d.o.o. (SIT 35,726 thousand)
- other companies and banks (SIT 119,758 thousand)
- and interest on long-term housing loans (SIT 5,809 thousand)

Other finance income from non-current receivables also includes foreign exchange gains on long-term liabilities to banks arising from loans with a currency clause in the amount of SIT 22,961 thousand. Foreign exchange gains result from harmonising of the liabilities with the middle exchange rate of the Bank of Slovenia as at 31 December 2005 and the difference between the middle and the buying exchange rates.

Note 13: Finance income from current receivables (Petrol d.d.)

SIT 000	2005	2004	Index 05/04
Finance income from current receivables from subsidiaries	6,533	345	1894
Finance income from current receivables from affiliated companies	260	25	1040
Finance income from current receivables from joint ventures	401	144	278
Other finance income from current receivables	8,053,338	5,802,308	139
• interest received from others	1,045,369	1,014,989	103
• foreign exchange gains	2,003,774	3,913,705	51
• gains on forward transactions	3,149,409	682,222	462
• other finance income	1,854,786	191,392	969
Total	8,060,532	5,802,822	139

Income from interest on short-term loans to subsidiaries in the amount of SIT 6,533 thousand relates to the following subsidiaries: Petrol Plin, d.o.o. (SIT 5,639 thousand), Petrol Maloprodaja Slovenija, d.o.o. (SIT 44 thousand), Petrol Skladiščenje, d.o.o. (SIT 25 thousand), Petrol Tehnologija, d.o.o. (SIT 744 thousand) and Petrol Energetika d.o.o. (SIT 81 thousand).

Interest income from current trade receivables from affiliated companies totalling SIT 260 thousand relates to Ogrevanje Piran d.o.o.

Income from interest on short-term loans to joint ventures in the amount of SIT 401 thousand is accounted for by Karkasa d.o.o.

Interest income from others in the amount of SIT 1,045,369 thousand consists of: interest from the sale of goods and services to customers (SIT 471,779 thousand), interest from the sale of fuel oil in instalments (SIT 421,041 thousand), interest from short-term deposits placed with banks (SIT 134,869 thousand), interest on short-term loans to companies (SIT 3,572 thousand) and interest on other current receivables (SIT 14,108 thousand).

Income from exchange rate gains in the amount of SIT 2,003,774 thousand consists of exchange rate gains during the import of goods (SIT 2,002,051 thousand), exchange rate gains from current liabilities to banks arising from loans with a currency clause (SIT 1,603 thousand), short-term deposits with banks (SIT 26 thousand) and exchange rate gains from exchange office transactions (SIT 94 thousand).

Foreign exchange gains during the import of goods must be considered in combination with exchange rate losses (SIT 4,963,029 thousand), which are explained in Note 15, the gains from forward contracts (SIT 3,149,409 thousand) and losses on forward contracts (SIT 550,774 thousand) used to hedge against foreign exchange risk, and revaluation finance income from the non-current investment in the subsidiary Cypet Oils Ltd based in Limassol, Cyprus (SIT 54,766 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 natural hedging is employed (so-called balance sheet hedging), while the difference is hedged dynamically (conclusion of forward contracts and options on a daily basis) with the aim of ensuring a neutral dollar position.

Other finance income from current receivables in the amount of SIT 1,854,786 thousand consists of income from the sale of current investments in NFD 1 and NFD Holding securities (SIT 1,808,065 thousand), and other finance income (SIT 46,721 thousand).

Note 14: Write-downs of investments (Petrol d.d.)

	2005	2004	Index 05/04
SIT 000			
Revaluation finance expenses on investments in subsidiaries	8,079	58,049	14
Revaluation finance expenses on investments in affiliated companies	7,483	0	-
Revaluation finance expenses on investments in joint ventures	12,612	4,998	252
Other revaluation finance expenses	3,613	500,410	1
Total	31,787	563,457	6

Revaluation finance expenses in the amount of SIT 8,079 thousand consist of expenses from the revaluation of subsidiaries inside and outside Slovenia, viz.:

- Petrol BH Oil Company d.o.o., Sarajevo (SIT 6,338 thousand), Petrol - Trade H.m.b.H. d.o.o., Vienna (SIT 985 thousand) and Petrol d.o.o., Belgrade (SIT 169 thousand) from the adjustment of non-current investments to the capital of these companies due to foreign exchange differences
- Petrol Energetika d.o.o. (SIT 587 thousand) from long-term loan with a currency clause

Revaluation finance expenses on investments in affiliated companies in the amount of SIT 7,483 thousand relate to:

- Ogrevanje Piran d.o.o. (SIT 7,161 thousand) representing the share in loss of the company in excess of specific equity revaluation adjustment
- Aquasystems d.o.o. (SIT 322 thousand) accounted for by exchange rate losses from long-term loan with a currency clause.

Revaluation finance expenses on investments in joint ventures in the amount of SIT 12,612 thousand relate to:

- Karkasa d.o.o. (SIT 9,672 thousand) representing the share in the loss of that company
- Instalacija d.o.o., Koper (SIT 2,940 thousand) arising from profit sharing payment to the director

Other revaluation finance expenses in the amount of SIT 3,613 thousand relate to the impairment of non-current investments in other companies due to the adjustment with the share market price (SIT 3,239 thousand) and long-term loans granted with a currency clause (SIT 374 thousand).

Note 15: Interest expenses and finance expenses for other liabilities (Petrol d.d.)

SIT 000	2005	2004	Index 05/04
Interest expenses and finance expenses for other liabilities to subsidiaries	75,465	203,375	37
Interest expenses and finance expenses for other liabilities to affiliated companies	8,332	0	-
Other interest expenses and finance expenses for other liabilities	6,793,734	5,615,786	121
• interest paid to others	1,255,871	1,038,713	121
• foreign exchange losses	4,963,070	2,303,669	215
• losses on forward transactions	550,775	2,209,891	25
• other finance expenses	24,018	63,513	38
Total	6,877,531	5,819,161	118

Interest expenses and finance expenses for other liabilities in the amount of SIT 75,465 thousand consist of interest on short-term loans from subsidiaries, viz. Petrol Maloprodaja Slovenija d.o.o. (SIT 63,265 thousand), Petrol Energetika, d.o.o. (SIT 7,111 thousand), Petrol Gostinstvo, d.o.o., until the end of May 2005, when it was a subsidiary (SIT 4,678 thousand), Petrol Skladiščenje d.o.o. (SIT 274 thousand), Petrol Tehnologija d.o.o. (SIT 110 thousand) and Petrol Plin, d.o.o. (SIT 27 thousand).

Interest expenses and finance expenses for other liabilities to affiliated companies comprise interest on short-term loans given from Marche Gostinstvo, d.o.o., since 1 June 2005, when it became an affiliated company within the Petrol Group, in the amount of SIT 8,332 thousand.

Other interest expenses and finance expenses for other liabilities in the amount of SIT 6,793,734 thousand include:

- interest expenses on long-term loans from other companies and banks (SIT 1,129,617 thousand), and interest expenses on short-term loans from other companies and banks (SIT 126,254 thousand)
- expenses from exchange rate losses in the amount of SIT 4,963,070 thousand consisting of exchange rate losses during the import of goods (SIT 4,963,029 thousand) and exchange rate losses from exchange office transactions (SIT 41 thousand)
- losses on forward transactions (SIT 550,775 thousand)
- other finance expenses in the amount of SIT 24,018 thousand, comprising finance discounts (SIT 23,194 thousand) and expenses from the sale of securities (SIT 824 thousand), covered against income from dividends received.

Note 16: Corporate income tax (Petrol d.d.)

SIT 000	2005	2004	Index 05/04
Income (in line with Corporate Income Tax Act-1)	395,423,464	332,665,840	119
Expenses (in line with Corporate Income Tax Act-1)	(386,247,433)	(324,765,670)	119
Difference between income and expenses recognised for tax purposes	9,176,031	7,900,170	116
Increase in taxable base	71,678	241,238	30
Taxable base	9,247,709	8,141,408	114
Tax reliefs	(2,116,899)	(3,589,145)	59
Tax base	7,130,810	4,552,263	157
Total corporate income tax	1,782,702	1,138,066	157

The increase in the taxable base is the result of the alienation of non-current assets within three years of purchase, the increase in the amount of SIT 71,678 thousand being the tax relief claimed in the year of purchase.

Tax reliefs in the amount of SIT 2,116,899 thousand, reducing the taxable base, include:

- 20% of the total amount invested in fixed assets (with the exception of cars) and in intangible assets (SIT 1,616,545 thousand)
- 20% of the total amount invested in equipment (with the exception of cars, furniture and office equipment) and in intangible assets (SIT 316,516 thousand)
- voluntary supplementary pension insurance of employees for collective insurance premiums paid (SIT 104,008 thousand)
- donations to humanitarian, charity, cultural, scientific, educational, sports, ecological and religious purposes (SIT 79,830 thousand)

Note 17: Deferred taxes (Petrol d.d.)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Corporate income tax	(1,782,702)	0	-
Deferred taxes	18,117	0	-
Total	(1,764,585)	0	-

SIT 000	Taxable temporary differences	Tax rate	Deferred tax assets
Balance as at 1 January 2005	0	25%	0
Adjustments to trade receivables from customers	3,433	25%	858
Accrued costs	69,037	25%	17,259
Balance as at 31 December 2005	72,470	25%	18,117

Deferred taxes in the amount of SIT 18,117 thousand comprise corporate income tax, which will be refunded in the future periods, and result from deductible temporary differences in expenses, established based on accounting regulations and expenses recognised for tax purposes.

Temporary differences equalling SIT 72,470 thousand represent:

- write-offs of current assets for adjustments to value of receivables (SIT 3,433 thousand), not recognised for tax purposes, which will be recognised in future periods, upon settlement or write-off
- accrued costs of severance pay (SIT 69,037 thousand), not recognised for tax purposes, which will be recognised in 2006, when paid out based on the executed employment termination agreement.

Note 18: Intangible assets (Petrol d.d.)

SIT 000	2005	2004	Index 05/04
Historical cost			
Balance as at 1 January	1,973,382	1,872,119	105
Acquisitions	131,288	106,914	123
Alienations	(2,010)	(5,650)	36
Balance as at 31 December	2,102,660	1,973,382	107
Adjustments to value			
Balance as at 1 January	(864,841)	(701,874)	123
Depreciation	(171,026)	(168,054)	102
Alienations	2,010	5,087	40
Balance as at 31 December	(1,033,857)	(864,841)	120
Net book value as at 31 December	1,068,804	1,108,541	96

Changes in fixed assets (Petrol d.d.)

Historical cost (SIT 000)	Long-term deferred costs, costs, of development	Licenses	Other rights and other costs	Intangible assets in acquisition	Total
Balance as at 1 January 2005	469,633	610,791	890,260	2,698	1,973,382
Acquisitions	0	0	0	131,288	131,288
Transfer from intangible assets in acquisition	13,041	58,359	50,415	(121,815)	0
Alienations	(2,010)	0	0	0	(2,010)
Balance as at 31 December 2005	480,664	669,150	940,675	12,171	2,102,660
Adjustments to value					
Balance as at 1 January 2005	(270,261)	(402,401)	(192,179)	0	(864,841)
Depreciation for the year	(23,778)	(78,629)	(68,619)	0	(171,026)
Alienations	2,010	0	0	0	2,010
Balance as at 31 December 2005	(292,029)	(481,030)	(260,798)	0	(1,033,857)
Net book value as at 31 December 2005					
	188,635	188,120	679,877	12,171	1,068,804
Net book value as at 1 January 2005					
	199,372	208,390	698,081	2,698	1,108,541

All the declared intangible assets are owned by the company and are unencumbered.

A total of SIT 131,288 thousand was invested in intangible assets in 2005.

Major increases in other rights in the amount of SIT 50,415 thousand arose from:

- investments in the boiler facility Hutter block in Maribor (SIT 41,340 thousand)
- a joint investment in the construction of the Mežica treatment plant (SIT 1,463 thousand)
- a joint investment in the purchase of a truck for Cestno podjetje, Maribor (SIT 6,961 thousand)

Major increases in patents and licences in 2005 in the amount of SIT 67,832 thousand comprise the purchase of software.

The increase in long-term accrued expenses in the amount of SIT 13,041 thousand is the result of the acquisition of documentation for the comprehensive graphical image and the renovation of totems, whereas the decrease of SIT 2,010 thousand is the result of an inventory write-off.

Liabilities to suppliers of intangible assets as at 31 December 2005 stood at SIT 26,605 thousand.

Major intangible assets items as at 31 December 2005 (SIT thousands):

Net book value as at 31 December 2005

Right to use gas distribution network in municipality of Domžale	405,420
Right to use real estate owned by municipality of Murska Sobota	178,178
Payment of concession fees to municipality of Murska Sobota	147,750

Note 19: Fixed assets (Petrol d.d.)

	31. 12. 05	31. 12. 04	Index 05/04
SIT 000			
Land	21,543,475	20,663,764	104
Civil engineering works	45,308,439	45,870,398	99
Equipment	5,957,304	6,310,559	94
Fixed assets under acquisition	5,631,448	3,566,618	158
Advances for fixed assets	18,813	259,782	7
Total	78,459,479	76,671,121	102

Tangible assets (Petrol d.d.)			
	2005	2004	Index 05/04
SIT 000			
Historical cost			
Balance as at 1 January	129,114,445	124,804,406	103
Acquisitions	8,317,992	9,766,995	85
Alienations	(2,141,397)	(5,645,257)	38
Alienations - recapitalisation of Petrol Energetika d.o.o.	(155,000)	0	-
Change in advances	(245,332)	188,301	-
Balance as at 31 December	134,890,708	129,114,445	104
Adjustment to value			
Balance as at 1 January	(52,443,324)	(50,837,626)	103
Adjustment of advances	(3,163)	0	-
Depreciation (regular)	(5,156,353)	(4,950,579)	104
Depreciation (environmental fixed assets)	(402,120)	(403,526)	100
Depreciation (impairment)	0	15,866	-
Alienations	1,573,730	3,732,541	42
Balance as at 31 December	(56,431,230)	(52,443,324)	108
Net book value as at 31 December	78,459,479	76,671,121	102

Investments in intangible and fixed assets (Petrol d.d.)			
	2005	2004	Index 05/04
SIT 000			
Construction of storage facilities	184,360	889,500	21
Construction of service stations	4,378,053	5,175,865	85
IT	944,786	608,012	155
Other investments	2,810,793	3,093,618	91
Investments in fixed assets	8,317,992	9,766,995	85
Investments in intangible assets	131,288	106,913	123
Total investments	8,449,280	9,873,908	86

All the disclosed fixed assets are owned by the company and are unencumbered.

Petrol d.d. invested SIT 8,317,992 thousand in fixed assets in 2005, of which SIT 1,970,052 thousand in property and equipment and SIT 6,347,940 thousand in real estate.

Major investments (over SIT 300,000 thousand) in fixed assets comprise:

- construction of the gas distribution network in the municipality of Domžale
- construction of the Zaloke north and south service station
- construction of the Povir north and south service station
- construction of the Maribor service station at Tržaška cesta
- and construction of the Lukovica catering facility

The increase in fixed assets of SIT 6,023,176 thousand is accounted for by activated investments, which relate to:

- purchase of land in the amount of SIT 1,125,977 thousand
- activation of plants and equipment in the amount of SIT 4,897,199 thousand

The decrease in fixed assets in the amount of SIT 227,607 thousand primarily comprises:

- inventory write-offs of investments in progress - documentation for individual projects that cannot be used owing to urban planning changes
- the exchange of fixed assets between TEVE Ptuj service station and the exchange of land with the municipality of Nova Gorica
- recapitalisation of the subsidiary Petrol Energetika d.o.o. with a non-cash equity contribution relating to the gas storage facility in Štore

The decrease in land, buildings and equipment in the amount of SIT 500,206 thousand (with regard to current value) primarily consists of the sale of land, buildings and equipment (the profit generated on the sale of fixed assets amounted to SIT 267,630 thousand).

Liabilities to suppliers of fixed assets as at 31 December 2005 stood at SIT 1,779,857 thousand.

Major fixed asset items as at 31 December 2005 (SIT thousands):

Net book value as at 31 December 2005	
Civil engineering works	
Zalog fuel depot	3,435,175
Office building at Dunajska 50	2,562,815
Lendava storage facility	1,559,393
Rače storage facility	1,149,081
Domžale gas distribution network	846,740
Murska Sobota treatment plant	773,798
SDC storage and development centre	602,572
Land	
Lendava	1,008,070
Zalog	982,570

Note 20: Environmental fixed assets (Petrol d.d.)

	31. 12. 05	31. 12. 04	Index 05/04
SIT 000			
Civil engineering works	7,916,341	7,950,178	100
Adjustment to value of civil engineering works	(3,245,477)	(2,858,161)	114
Equipment	3,259,292	3,314,317	98
Adjustment to value of equipment	(3,259,292)	(3,314,317)	98
Total	4,670,864	5,092,017	92

Changes in environmental fixed assets (Petrol d.d.)

SIT 000	Civil engineering works	Equipment	Total
Historical cost			
Balance as at 1 January 2005	7,950,178	3,314,317	11,264,495
Alienations	(33,837)	(55,025)	(88,862)
Balance as at 31 December 2005	7,916,341	3,259,292	11,175,633
Adjustment to value			
Balance as at 1 January 2005	(2,858,161)	(3,314,317)	(6,172,478)
Depreciation	(402,120)	0	(402,120)
Alienations	14,804	55,025	69,829
Balance as at 31 December 2005	(3,245,477)	(3,259,292)	(6,504,769)
Net book value as at 31 December 2005	4,670,864	0	4,670,864
Net book value as at 1 January 2005	5,092,017	0	5,092,017

Included among the fixed assets are fixed assets relating to the clean-up and modernisation of service stations and storage facilities, the historical cost of which as at 31 December 2005 was SIT 11,175,633 thousand. This is the value of the total provisions set aside for this purpose, reduced by depreciation of these assets.

The current value of the environmental fixed assets as at 31 December 2005 was SIT 4,670,864 thousand.

Note 21: Investments in shares and participating interests (Petrol d.d.)

	31. 12. 05	31. 12. 04	Index 05/04
SIT 000			
Investments in shares and participating interests	46,858,188	43,162,743	109
Non-current financial receivables	3,233,851	3,513,109	92
Total	50,092,039	46,675,852	107

Investments in participating interests - subsidiaries

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
domestic			
Petrol Tehnologija, d. o. o., Ljubljana (100%)	242,563	218,192	111
Petrol Plin, d. o. o., Ljubljana (100%)	2,416,448	2,244,450	108
Petrol Skladiščenje, d. o. o., Ljubljana (100%)	192,005	191,755	100
Petrol Maloprodaja Slovenija, d. o. o., Ljubljana (100%)	3,439,048	3,438,690	100
Petrol Gostinstvo, d. o. o., Ljubljana (100%)	0	640,059	0
Petrol Energetika d. o. o., Ravne na Koroškem (98.85%))	2,359,585	2,159,474	109
Total investments in Slovenian subsidiaries	8,649,649	8,892,620	97

Investments in participating interests - subsidiaries

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
foreign			
Petrol Trade, H.m.b.H., Vienna, Austria (100%)	1,747,147	1,770,593	99
Cypet Oils, Ltd, Limassol, Cyprus (100%)	425,752	368,585	116
Petrol Trgovina, d. o. o., Zagreb (100%))	7,970,862	4,853,860	164
Petrol BH Oil Company, d. o. o., Sarajevo, Bosnia-Herzegovina (100%)	9,166,232	9,076,634	101
Petrol d. o. o., Belgrade, Serbia (100%)	361,686	240,343	150
Total investments in international subsidiaries	19,671,679	16,310,015	121
Total investments in subsidiaries	28,321,328	25,202,635	112

Investments in participating interests - affiliated companies

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Aquasystems, d. o. o., Maribor (26%)	438,664	371,067	118
Ogrevanje Piran, d. o. o., Piran (40%)	214,128	227,229	94
Geoplin, d. o. o., Ljubljana (27.26%)	12,087,906	11,657,297	104
Marche Gostinstvo, d. o. o., Ljubljana (25%)	162,059	0	-
Total investments in affiliated companies	12,902,757	12,255,593	105

Investments in participating interests - joint ventures

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Instalacija, d. o. o., Koper (49%)	3,425,938	3,380,670	101
Geoenergo, d. o. o., Lendava (50%)	0	5,122	-
Karkasa d.o.o., Kranj (50%)	25,328	35,000	72
Total investments in joint ventures	3,451,266	3,420,792	101

Investments in shares and participating interests - other companies

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Other companies	1,521,814	1,619,061	94
Total investments in shares and participating interests in other companies	1,521,814	1,619,061	94

Investments in treasury shares

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Repurchased treasury shares	661,023	664,662	99
Total investments in treasury shares	661,023	664,662	99
Total non-current investments in shares and participating interests	46,858,188	43,162,743	109

Changes in investments in shares and participating interests (Petrol d.d.)

SIT 000	2005	2004	Index 05/04
Balance as at 1 January	43,162,743	31,373,218	138
Pertaining profit-sharing	2,994,847	2,647,804	113
Dividend payouts	(1,827,886)	(3,039,698)	60
New investments in equity and purchases of participating interests	2,897,488	12,496,887	23
Sale of participating interests	(580,052)	(19,913)	2913
Alienation of treasury shares	(3,639)	(21,636)	17
Other decreases	0	(48,478)	-
Adjustment to value	(34,111)	(563,376)	6
Elimination of adjustment to value of treasury shares	0	119,523	-
Net foreign exchange differences	248,799	218,412	114
Balance as at 31 December	46,858,188	43,162,743	109

Investments in shares and participating interests constitute equity stakes in subsidiaries, affiliated companies, joint ventures and other companies, and repurchased treasury shares.

The increase in investments due to pertaining profit sharing (SIT 2,994,847 thousand) relates to profit generated in 2005 by subsidiaries (SIT 1,157,762 thousand), affiliated companies (SIT 1,382,494 thousand), joint ventures (SIT 434,357 thousand) and the adjustment with actually earned profit in 2004 in the affiliates Geoplin d.o.o. (SIT 20,196 thousand) and Ogrevanje Piran d.o.o. (SIT 38 thousand).

Other increases in investments in shares and participating interests in 2005 totalling SIT 2,897,488 thousand are mostly due to recapitalisation of the subsidiaries Petrol Trgovina, d.o.o., Zagreb (SIT 2,771,699 thousand) and Petrol, d.o.o., Belgrade (SIT 119,789 thousand).

The 2005 decrease in investments in shares and participating interests in the amount of SIT 1,827,886 thousand results from payment of profit of the subsidiary Petrol-Trade, H.m.b.H., Vienna (SIT 539,297 thousand), the affiliated company Geoplin d.o.o. (SIT 902,440 thousand) and the joint venture Instalacija d.o.o., Koper (SIT 386,149 thousand).

The fall in investments in shares and participating interests equalling SIT 580,052 thousand is accounted for by the sale of a 75% holding in the subsidiary Petrol Gostinstvo d.o.o. (SIT 480,044 thousand) and shares in other companies (SIT 100,008 thousand).

Fair market value of investments in the shares of quoted companies as at 31 December 2005 amounted to SIT 210,010 thousand, while the respective book value was SIT 60,201 thousand, since the company does not revalue its investments for strengthening and increase in the stock exchange price.

As at 31 December 2005 the company held 26,161 treasury shares. The book value of the treasury shares as at 31 December 2005 was SIT 661,023 thousand, while the market value of the treasury shares was SIT 1,850,647 thousand as at the same day. More detailed explanations with regards to investments in treasury shares are included in Note 32 - Profit reserves (Petrol d.d.).

Note 22: Non-current financial receivables (Petrol d.d.)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Long-term loans made in Slovenia	3,233,851	3,513,109	92
• to subsidiaries	2,009,127	1,997,415	101
• to affiliated companies	460,929	461,251	100
• to other companies	627,933	946,971	66
• to others	135,862	107,472	126
Total	3,233,851	3,513,109	92

Changes in non-current financial receivables (Petrol d.d.)			
SIT 000	2005	2004	Index 05/04
Balance as at 1 January	3,513,109	2,979,964	118
New loans	635,331	1,360,072	47
Repayment of loans	(26,932)	(690,578)	4
Net foreign exchange differences	(1,239)	21,890	-
Transfer to current investments	(886,418)	(157,768)	562
Other decreases	0	(471)	-
Balance as at 31 December	3,233,851	3,513,109	92

Investments in debts are declared at repayment value.

Non-current financial receivables of Petrol d.d. from subsidiaries as at 31 December 2005 totalled SIT 2,009,127 thousand, comprising long-term loans made to the subsidiaries Petrol Plin d.o.o. Ljubljana (SIT 1,167,376 thousand), Petrol Energetika d.o.o. (SIT 781,668 thousand) and Petrol Tehnologija, d.o.o. (SIT 60,083 thousand).

Non-current financial receivables from affiliated companies comprised a long-term loan to Aquasystems d.o.o. in the amount of SIT 460,929 thousand.

Non-current financial receivables from other companies in the amount of SIT 627,933 thousand include long-term loans made to transporters for purchasing tankers (SIT 223,032 thousand) and to other companies (SIT 404,901 thousand).

Non-current financial receivables from others consist of housing loans to employees and former employees in the amount of SIT 135,862 thousand.

The increase in long-term loans of SIT 635,331 thousand is mostly due to loans granted to the subsidiary Petrol Tehnologija d.o.o. (SIT 77,248 thousand), other companies and banks (SIT 500,177 thousand) loans for the purchase of flats (SIT 57,906 thousand).

Long-term loans in 2005 dropped by SIT 26,932 thousand, which is fully the result of the repayment of housing loans.

Note 23: Inventories (Petrol d.d.)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Raw material and materials	0	139,533	0
Merchandise	25,880,040	15,817,945	164
• oil products	21,933,523	12,339,097	178
• other refined petroleum products	938,558	902,752	104
• other merchandise	3,007,959	2,576,096	117
Total	25,880,040	15,957,478	162

Inventories are valued using the FIFO method. The value of inventories includes all actual purchasing costs.

As at 31 December 2005 the company made no adjustments to value of inventories, since the management board assessed that net realisable value was higher than the historical cost.

During the 2005 physical inventory, it was determined that certain inventories were accounted for at below normal standards (SIT 869,112 thousand) and certain inventories were accounted above normal standards (SIT 949 thousand) and the surplus of inventory was SIT 193,448 thousand.

None of the company's inventories are pledged as security for liabilities.

Small inventory is posted off-balance at the most recent purchase price.

Note 24: Non-current trade receivables (Petrol d.d.)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Non-current trade receivables from subsidiaries - Petrol Plin d.o.o.	5,394	6,206	87
Non-current trade receivables from joint ventures - Geoenergo d.o.o.	341,732	341,970	100
Adjustment to value of non-current trade receivables from joint ventures	(341,732)	(341,970)	100
Non-current trade receivables from others:	441,202	567,921	78
• municipalities	435,757	565,413	77
• Reserve fund (housing)	5,445	2,508	217
Non-current trade receivables from customer leasing	13,724	14,709	93
Adjustment to value of non-current trade receivables from customer leasing	(13,724)	(14,709)	93
Receivables from deferred taxes	18,117	0	-
Total	464,713	574,127	81

The majority of non-current trade receivables from municipalities in the amount of SIT 435,757 thousand consists of:

- non-current trade receivables from the municipality of Mengeš in the amount of SIT 131,340 thousand, relating to the payment of a concession fee to the municipality of Mengeš on the basis of confirmed situation reports for contractors for renovating municipal infrastructure. The concession fee in the amount of SIT 200,000 thousand is stipulated in Annex 2 to the concession contract concluded between Petrol d.d. and the municipality of Mengeš on 22 October 2003
- non-current trade receivables from the municipality of Šempeter Vrtojba, established by Petrol d.d. in 2004 in the amount of SIT 340,259 thousand. As at 31 December 2005 this item stood at SIT 302,453 thousand. The non-current receivables will be repaid by the municipality in ten annual instalments in the amount of SIT 37,807 thousand tolar. The first instalment fell due for payment in 2004, with the last falling due in 2014. At the end of the year the company transfers the amount of the instalment falling due for payment in the next financial year to current trade receivables

In line with a contract, Petrol d.d. transferred non-current trade receivables from Nafta Lendava d.o.o. and the adjustment to the value of the receivables in 2004 to Geoenergo d.o.o. Receivables arise from non-current operating capital for the rehabilitation of Nafta Lendava d.o.o., which Petrol d.d. had to provide based on the contract concluded with the government of the Republic of Slovenia. Since the repayment of the non-current trade receivable is conditioned by the generation and payment of profit of the newly established company Geoenergo d.o.o., 100% adjustment to the value of this receivable was made.

Non-current trade receivables also include the assets of the reserve fund (SIT 5,445 thousand), which Petrol d.d. places at the disposal of housing managers for the housing it owns.

Receivables arising from deferred tax are explained in more detail in Note 17 - Deferred taxes (Petrol d.d.).

Note 25: Current trade receivables (Petrol d.d.)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Current trade receivables from domestic customers	29,622,150	23,298,968	127
Adjustment to current value of trade receivables from domestic customers	(2,487,698)	(2,664,628)	93
Current trade receivables from foreign customers	1,884,940	2,103,940	90
Adjustment to current value of trade receivables from foreign customers	(500,104)	(454,094)	110
Current trade receivables from subsidiaries	2,651,753	924,910	287
Current trade receivables from affiliated companies	92,360	44,679	207
Current trade receivables from joint ventures	9,472	372	2,546
Other current trade receivables	11,618,475	12,215,493	95
• from government and other institutions	2,550,085	3,223,464	79
• warranties and advances	23,353	76,964	30
• other current trade receivables	9,107,079	7,810,681	117
• other current trade receivables from subsidiaries	155,039	1,300,300	12
• other current trade receivables from affiliated companies	0	2	-
• adjustment to value of other current trade receivables	(217,081)	(195,918)	111
Current trade receivables for interest	344,059	338,351	102
Adjustment to value of current trade receivables for interest	(302,189)	(313,242)	96
Total	42,933,218	35,494,749	121

Changes in adjustments to value of receivables

(SIT 000)	Current trade receivables	Current receivables from interest	Total
Balance as at 1 January 2005	(3,314,640)	(313,242)	(3,627,882)
Change in adjustments with effect on operating result	22,463	(9,238)	13,225
Change in adjustments with no effect on operating result (recorded interest)	0	19,903	19,903
Write-downs subject to adjustments to value	87,294	389	87,683
Balance as at 31 December 2005	(3,204,883)	(302,189)	(3,507,072)

At the end of the year Petrol d.d. declared current trade receivables from domestic customers in the amount of SIT 29,622,150 thousand (of which a total of SIT 2,041,658 thousand is disputed receivables), receivables from subsidiaries in Slovenia and abroad in the amount of SIT 2,651,753 thousand, receivables from affiliated companies in the amount of SIT 92,360 thousand and receivables from joint ventures totalling SIT 9,472 thousand. As at 31 December 2005 there was a total of SIT 23,860,144 thousand tolars of receivables not yet due and SIT 8,515,591 thousand of due receivables, of which the majority (SIT 5,545,182 thousand) were less than 60 days overdue.

Adjustments to the value of receivables from domestic customers in the amount of SIT 2,487,698 thousand relate to receivables from domestic customers more than 60 days overdue (SIT 1,058,537 thousand) and receivables from domestic customers in judicial suits or undergoing composition or bankruptcy proceedings (SIT 1,429,161 thousand).

In line with accounting policy, adjustments to the value of receivables are made for all due uncollateralised receivables from certain major customers. The amount of adjustments to receivables from major customers was SIT 134,692 thousand as at 31 December 2005.

The company declared current trade receivables of SIT 1,884,940 thousand from foreign customers as at 31 December 2005, of which SIT 1,083,647 thousand was not yet due and SIT 801,293 thousand had fallen due.

An adjustment to receivables from foreign customers in the amount of SIT 500,104 thousand relates to receivables due from customers that are not secured by collateral, for the majority of which suits have been lodged (SIT 471,703 thousand). The company has not made any adjustments to the remaining due receivables from customers abroad (SIT 301,189 thousand), as they are fully secured by mortgages and guarantees.

Other current trade receivables in the amount of SIT 11,618,475 thousand include:

- receivables from the government and government institutions in the amount of SIT 2,550,085 thousand (of which SIT 1,372,912 thousand is receivables arising from input VAT that is yet recognised)
- receivables from holders of payment cards and individuals in the amount of SIT 7,483,585 thousand (comprising SIT 4,107,726 thousand from payment card sales, SIT 171,545 thousand from the sale of heating oil and SIT 3,153,323 thousand from individuals based on sales by instalments)
- other receivables in the amount of SIT 789,051 thousand relating to external purchases made with Magna, UTA and DKW credit cards
- other current trade receivables from subsidiaries in the amount of SIT 155,039 thousand relate to receivables for subscription of new equity representing a non-cash contribution of Petrol d.d. in the subsidiary Petrol Energetika d.o.o. (SIT 155,000 thousand) and the external purchases by subsidiaries Petrol Tehnologija d.o.o. (SIT 31 thousand) and Petrol Maloprodaja Slovenija d.o.o. (SIT 8 thousand) using the Magna credit card
- adjustments to the value of current trade receivables to others, totalling SIT 217,081 thousand, chiefly comprising receivables from individuals

Major outstanding current trade receivables as at 31 December 2005 (SIT thousands):

Amount outstanding as at 31 December 2005	
Interina, d.o.o.	968,248
CPM, d.d.	889,470
Holding Slovenske železnice, d.o.o.	802,274
Primorje, d.d.	798,647
Tovarna sladkorja, d.d.	660,175
CM Celje, d.d.	538,654
LOGO, d.o.o.	430,826
Shell Adria, d.o.o.	413,481
Euro Petrol, d.o.o.	410,569

Note 26: Current trade receivables in terms of due date (Petrol d.d.)

In terms of due date:						
SIT 000	not overdue	up to 30 days days overdue	31 to 60 days overdue	61 to 90 days overdue	more than 90 days overdue	Total
Current trade receivables from customers	22,211,801	4,633,515	1,018,187	0	655,785	28,519,288
• domestic	21,128,154	4,495,962	1,027,677	499,448	2,470,909	29,622,150
• adjustments to value	0	(114,232)	(15,555)	(499,448)	(1,858,463)	(2,487,698)
• foreign	1,083,647	251,785	6,065	0	543,443	1,884,940
• adjustments to value	0	0	0	0	(500,104)	(500,104)
Current trade receivables from subsidiaries	2,630,248	21,505	0	0	0	2,651,753
Current trade receivables from affiliated companies	92,270	38	0	52	0	92,360
Current trade receivables from joint ventures	9,472	0	0	0	0	9,472
Other current trade receivables	10,753,934	506,278	82,926	85,044	252,335	11,680,517
• adjustments to value	0	(530)	(1,305)	(85,044)	(130,202)	(217,081)
Other current trade receivables from subsidiaries	155,031	8	0	0	0	155,039
Current trade receivables for interest	4,352	29,585	11,003	9,035	290,084	344,059
• adjustments to value	0	(2,358)	(712)	(9,035)	(290,084)	(302,189)
Total	35,857,108	5,188,041	1,110,099	52	777,918	42,933,218

Note 27: Current investments (Petrol d.d.)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Short-term deposits at banks in Slovenia	1,007,008	33,947	2966
Short-term loans made to subsidiaries in Slovenia	484,204	130,767	370
Short-term loans made to other companies in Slovenia	602,174	542,572	111
Current investments in shares	13,408	2,292,637	1
Current investments in bonds	1,006,965	1,011,555	100
Assets under management	17,623	17,623	100
Adjustment to value of current investments	(269,555)	(313,746)	86
Dividend receivables	0	5,584	-
Current receivables from others for interest	190,617	181,446	105
Adjustment to value of interest receivables	(169,097)	(168,626)	100
Total	2,883,347	3,733,759	77

Current investments comprise short-term loans made to subsidiaries and others, short-term bank deposits, current investments in shares and bonds, current interest receivables, and the portion of long-term loans made that falls due for payment within one year of the balance sheet date.

Investments in debts are declared at repayment value.

Short-term loans made to subsidiaries in the amount of SIT 484,204 thousand at 31 December 2005 relate to the subsidiaries Petrol Plin, d.o.o. (SIT 434,889 thousand), Petrol Energetika, d.o.o. (SIT 30,649 thousand) and Petrol Tehnologija d.o.o. (SIT 18,666 thousand).

Short-term loans made to other companies in the amount of SIT 602,174 thousand as at 31 December 2005 comprise the short-term portion of long-term loans (SIT 322,550 thousand), short-term loans made to other companies (SIT 3,628 thousand), and other disputed current investments in other companies (SIT 275,996 thousand), for which an adjustment in the amount of SIT 269,555 thousand has been made.

The fair market value of current investments in the shares of companies listed on the stock exchange was SIT 26,095 thousand as at 31 December 2005, while the book value was SIT 13,408 thousand, as the company does not revalue its investments on the basis of value gains, i.e. a rise in the share price.

Current investments in bonds in the amount of SIT 1,006,965 thousand are chiefly accounted for by bonds issued by DARS, d.d., Ljubljana (5,000 lots worth SIT 506,200 thousand) and NLB, d.d., Ljubljana (5,000 lots in the amount of SIT 498,500 thousand).

Current receivables from others for interest in the amount of 190,617 thousand relate to receivables for interest arising from other current disputed investments (SIT 169,097 thousand) and receivables for interest from loans (SIT 21,520 thousand).

Adjustment to the value of receivables for interest totalling SIT 169,097 thousand fully comprises adjustment for interest arising from other current disputed investments.

Note 28: Cash and cash equivalents (Petrol d.d.)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Cash in registers and cheques received	19,616	16,620	118
Bank balances in Slovenia	1,290,843	1,020,689	126
Total	1,310,459	1,037,309	126

Note 29: Deferred expenses and accrued revenues (Petrol d.d.)

SIT 000	31. 12. 2005	31. 12. 2004	Index 05/04
Short-term deferred costs	472,295	193,757	244
Accrued revenues	114,935	98,974	116
• of which subsidiaries in the rest of the world	16	0	-
• of which affiliated companies	0	8,491	-
Total	587,230	292,731	201

Short-term deferred costs in the amount of SIT 472,295 thousand mainly include short-term deferrals of costs (SIT 319,107 thousand) referring to software licence fees paid in advance for 2006, 2006 membership fees to professional associations, insurance premiums and other short-term deferrals of costs.

Accrued revenues of SIT 114,935 thousand comprise:

- accrued interest on arrears on due receivables from customers (SIT 69,294 thousand)
- interest payments charged in advance on loans (SIT 45,641 thousand). Interest payments charged in advance in the amount of SIT 16 thousand relate to interest charged in advance on a loan made to the subsidiary Petrol Tehnologija d.o.o.

The principle of prudence being observed, interest charged in advance is not recorded among financial income but among accrued expenses and deferred revenues.

Note 30: Equity (Petrol d.d.)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Share capital	12,517,806	12,517,806	100
Capital reserves	102,032	96,478	106
Other profit reserves	44,140,335	39,602,794	111
Retained earnings	3,059,317	2,781,413	110
Undistributed net profit	3,438,950	3,230,492	106
Equity revaluation adjustments	23,523,756	21,394,540	110
Total	86,782,196	79,623,523	109

Disclosure of profit 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	Allowing for euro appreciation	Allowing for consumer price index
General equity revaluation adjustment	-	(55.499)	1.788.172
Net profit for the year	6.877.900	6.933.399	5.089.729

Decrease in Bank of Slovenia middle euro exchange rate in 2005: 0.0699% (31.12.2005: 239.5756 SIT and 31.12.2004: 239.7430 SIT)

Consumer price index in 2005: 2.3 %.

The share capital of Petrol d.d. in the amount of SIT 12,517,806 thousand is divided among 2,086,301 ordinary shares with a nominal value of 6,000 tolar each. All the shares are paid up in full.

All 2,086,301 ordinary shares (designated PETG) are listed on the Ljubljana Stock Exchange. The share price on the exchange as at 31 December 2005 was SIT 70,741. The book value of a share as at 31 December 2005 was SIT 41,596.

At the 12th general meeting of Petrol d.d. on 12 July 2005, the shareholders adopted the following resolution on the use of the profit for appropriation:

At the proposal of the management board and the supervisory board, the profit for appropriation from the 2004 financial year in the amount of SIT 7,922,621,456.19 is to be used in accordance with the provisions of Articles 228, 274a and 282 of the Companies Act for:

- 1) dividends to be paid to shareholders in the amount of SIT 1,854,367,200.00 (or 900 toolars per share in gross terms)
- 2) a transfer in the amount of SIT 3,008,936,844.90 to other profit reserves
- 3) a transfer in the amount of SIT 3,059,317,411.29 to retained earnings, the use of which will be determined in the financial years ahead

The other profit reserves from 1997 and 1998 are to be used for the payments under point 1.

The company paid out dividends for 2,059,996 shares in the amount of SIT 1,853,996,400.00, as it does not pay dividends for treasury shares.

In the section in the company's articles of association concerning increases and decreases in share capital, point 8 was added at the 9th general meeting on 27 May 2003 in connection with the company's authorised capital. The general meeting confirmed that with the agreement of the supervisory board, for a period of three years following the entry of the third amendment to the articles of association in the companies register, the management board may increase the share capital by 20% without a specific resolution from the general meeting, which represents a nominal amount of SIT 2,503,561,200 (authorised capital). The purposes for which the authorised capital may be used are determined by the management board with the approval of the supervisory board.

Capital reserves upon the payment of bonuses to the members of the management board in the form of shares rose by SIT 5,554 thousand in 2005, which represents the surplus of sales value in excess of the book value of the shares.

In accordance with the third paragraph of Article 228 of the Companies Act (the ZGD-F), undistributed net profit has been reduced by half and transferred to other profit reserves.

In line with SRS 8.40 the company made a recalculation of equity in order to reflect purchasing power in euros and on the basis of the rise in consumer prices. Revaluing equity to preserve purchasing power in euros (the euro depreciated 0.0699% against the tolar in 2005), net profit would be down by SIT 55,499 thousand at SIT 6,933,399 thousand. Revaluing equity on the basis of the consumer price index (2.3% in 2005), net profit would decrease by SIT 1,788,172 thousand and equal SIT 5,089,729 thousand.

Note 31 : Profit for appropriation (Petrol d.d.)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Compulsory distribution of net profit			
Net profit	6,877,900	6,460,984	106
• coverage of prior losses	0	0	-
• creation of regulatory reserves	0	0	-
• creation of treasury share reserves	0	0	-
• creation of reserves under articles of association	0	0	-
Net profit after compulsory distribution	6,877,900	6,460,984	106
• distribution to other profit reserves	3,438,950	3,230,492	106
Remaining net profit	3,438,950	3,230,492	106
Determination of profit for appropriation			
Remaining net profit	3,438,950	3,230,492	106
• retained earnings	3,059,317	2,781,413	110
• other profit reserves	3,297,599	1,910,717	173
Profit for appropriation	9,795,866	7,922,622	124

Note 32: Profit reserves (Petrol d.d.)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Regulatory reserves	14,797,743	14,794,104	100
Treasury share reserves	661,023	664,662	99
Other profit reserves	28,681,569	24,144,028	119
Total	44,140,335	39,602,794	111

Other profit reserves increased by half of the net profit from the 2005 financial year in the amount of SIT 3,438,950 thousand and, pursuant to a resolution by the 12th general meeting, by part of the profit for appropriation from 2004 in the amount of SIT 3,002,968 thousand. In line with a resolution by the 12th general meeting these reserves decreased by the bonuses not paid to the supervisory board, which were transferred to retained profit in the amount of SIT 50,381 thousand, and the dividends paid out totalling SIT 1,853,996 thousand.

As the bonuses were paid to the management board in the form of shares of Petrol d.d., treasury share reserves decreased by SIT 3,639 thousand, which equals the book value of alienated treasury shares. The same amount represented the increase in regulatory reserves, which provided the source for treasury reserve fund.

Based on its articles of association and a general meeting resolution of 4 April 1997, the company purchased 36,142 treasury shares, equivalent to 1.73% of the registered share capital, during the period between May 1997 and December 2000. The aggregate value of the treasury shares acquired was SIT 691,887,493; at the time of purchase, the purchase price of the shares was lower than their market value.

Transaction	No. of shares	Historical cost (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

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 bonus packages to members of the management board and supervisory board.

In line with a resolution at the 4th general meeting of Petrol d.d. on 9 July 1999, there were 2,002 shares with an aggregate value of SIT 43.5 million distributed in bonus packages to members of the management board and supervisory board for 1999 and 2000.

In 2001 and 2002 respectively, 1,112 shares with an aggregate value of SIT 22.8 million and 1,830 shares with an aggregate value of SIT 37.9 million were distributed in bonus packages to members of the management board and supervisory board. The difference to the selling value in the amount of SIT 21.2 million was reported in 2002 as an increase in the paid-up capital surplus.

In 2003, there were 1,603 shares with an aggregate value of SIT 33.2 million distributed in bonus packages to members of the management board and supervisory board. The difference to the selling value in the amount of SIT 31.1 million was reported in 2003 as an increase in the paid-up capital surplus.

In 2004 there were 1,044 shares (at an average market value in the first quarter was SIT 60,452.50) with an aggregate value of SIT 21.6 million distributed in bonus packages to members of the management board and supervisory board. The difference to the selling value in the amount of SIT 41.5 million was reported in 2004 as an increase in the paid-up capital surplus.

In 2005 the number of treasury shares dropped by 144 shares in aggregate value of SIT 3.6 million (at the average share market price in 2004 of SIT 63,834.00) on account of bonus payment to the management board members. The difference to the selling value in the amount of SIT 5.5 million was reported in 2005 as an increase in the paid-up capital surplus.

Transaction	No. of shares	Historical cost (SIT)
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)
Bonus payments in 2004	(1,044)	(21,635,605)
Bonus payments in 2005	(144)	(3,638,521)
Total payments	(9,981)	(211,453,988)

Petrol d.d. held 26,161 treasury shares as at 31 December 2005. The book value of the treasury shares as at 31 December 2005 was SIT 661,023 thousand, while the market value of the treasury shares equalled SIT 1,850,647 thousand as at the same day.

Note 33: Equity revaluation adjustments (Petrol d.d.)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
General equity revaluation adjustments	19,190,518	19,190,518	100
Specific equity revaluation adjustments	4,333,238	2,204,022	197
• for investments in participating interest in subsidiaries in Slovenia	563,699	198,889	283
• for investments in participating interest in subsidiaries abroad	1,040,656	279,982	372
• for investments in participating interest in affiliated companies	1,914,845	1,340,348	143
• for investments in participating interest in joint ventures	814,038	384,803	212
Total	23,523,756	21,394,540	110

Specific equity revaluation adjustments (SIT 4,333,238 thousand) is accounted for by profit of subsidiaries, affiliated companies and joint ventures in terms of the pertaining participation interests.

Specific equity revaluation adjustments in connection with investments in participating interests in subsidiaries (SIT 1,604,355 thousand) as at 31 December 2005 comprised:

• Petrol - Trade H.m.b.H	SIT 619,971 thousand
• Petrol Energetika d.o.o.	SIT 279,103 thousand
• Petrol Trgovina, d.o.o.	SIT 254,345 thousand
• Petrol Plin, d.o.o.	SIT 239,655 thousand
• Petrol BH Oil Company d.o.o.	SIT 155,254 thousand
• Petrol Tehnologija, d.o.o.	SIT 41,276 thousand
• Cypet Oils Ltd	SIT 9,050 thousand
• Petrol Maloprodaja Slovenija, d.o.o.	SIT 2,940 thousand
• Petrol d.o.o. Belgrade	SIT 2,036 thousand
• Petrol Skladiščenje d.o.o.	SIT 724 thousand

Specific equity revaluation adjustments in connection with investments in participating interests in affiliated companies (SIT 1,914,845 thousand) as at 31 December 2005 comprised:

• Geoplin, d.o.o.	SIT 1,737,351 thousand
• Aquasystems, d.o.o.	SIT 175,450 thousand
• Marche Gostinstvo, d.o.o.	SIT 2,044 thousand.

Specific equity revaluation adjustments in connection with investments in participating interests in joint ventures as at 31 December 2005 comprised Instalacija, d.o.o., Koper in the amount of SIT 814,038 thousand.

Note 34: Provisions (Petrol d.d.)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Provisions for major repairs	0	637,366	0
Provisions for environmental assets	5,812,338	6,335,347	92
Provisions for assets acquired free of charge	18,840	19,378	97
Total	5,831,178	6,992,091	83

Provisions for major repairs were created by the company in 1993 (SIT 1,300 million) and 1994 (SIT 1,300 million) for covering the costs of major repairs at service stations and storage facilities during a period of ten years, i.e. from 1 January 1994 to 31 December 2005 for the first part created, and from 1 January 1995 to 31 December 2005 for the second part created. In 2005 these provisions were finally eliminated in the amount of SIT 637,366 thousand, so that as at 31 December 2005 the company no longer disclosed provisions for major repairs in its books of account.

The creation of provisions for investments in the clean-up and modernisation of service stations, road tankers and storage facilities, and the clean-up of the bitumen dump at Pesniški Dvor was approved by the environment ministry during the privatisation of the company. These provisions were created as equity and liabilities in the company's opening balance sheet of 1 January 1993 as a charge against equity in the initially recognised amount of SIT 5,357 million (as at 1 January 1993).

The unutilised portion of these provisions which relates to the environmental assets amounts to SIT 4,670,863 thousand and the portion which relates to the funds earmarked for the clean-up of the bitumen dump at Pesnica totals SIT 1,141,474 thousand as at 31 December 2005.

The decrease in provisions for environmental assets in 2005 in the amount of SIT 523,010 thousand relates to:

- the disbursement of provisions for other environmental investments in the amount of the depreciation charged on environmental fixed assets (SIT 402,120 thousand)
- the disbursement of provisions for reduction of environmental fixed assets within the scope of the sale of real estate with pertaining equipment (SIT 19,033 thousand)
- the disbursement of provisions for the bitumen dump at Pesniški Dvor in the amount of SIT 101,856 thousand, which represents the costs of maintaining clean-up equipment and other costs related to the dump in connection with the clean-up programme

Since 2003 the company has been posting provisions for assets acquired free of charge, which are annually reduced by the charged depreciation, i.e. SIT 1,026 thousand in 2005. Provisions for assets acquired free of charge as at 31 December 2005 stood at SIT 18,840 thousand.

Note 35: Non-current financial liabilities (Petrol d.d.)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Non-current financial liabilities to banks	29,654,805	26,379,942	112
Total	29,654,805	26,379,942	112

All non-current financial liabilities are free of material pledges. The maximum period for repaying long-term loans received is seven years, with a variable interest rate tied to the Euribor (excluding tolar lending).

Non-current financial liabilities with a repayment period of more than five years amounted to SIT 12,669,827 thousand as at 31 December 2005.

The weighted average annual interest rate for long-term lending was 3.263% as at 31 December 2005.

Non-current financial liabilities to banks in the country in the amount of SIT 27,259,049 thousand consist of loans in foreign currency in the amount of EUR 113,780,572, which include the liabilities to the Slovene Export Corporation (SIT 2,559,103 thousand or EUR 10,681,818).

Non-current financial liabilities to foreign banks consist of foreign currency loans with a total value of EUR 10,000,000 or SIT 2,395,756 thousand.

As at 31 December 2005 Petrol d.d. transferred a portion of non-current financial liabilities to banks falling due for payment in 2006 in the total amount of SIT 6,745,770 thousand or EUR 28,157,165 to current financial liabilities, which include the liabilities to the Slovene Export Corporation (SIT 635,238 thousand or EUR 2,651,515).

Note 36: Non-current trade payables (Petrol d.d.)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Non-current trade payables to others	338,190	350,714	96
Total	338,190	350,714	96

Non-current trade payables in the amount of SIT 338,190 thousand relate to non-current assets taken into management from the municipality of Domžale under a concession contract. The payables will be reduced by the depreciation charged on the assets taken into management. The depreciation in 2005 totalled 12,524 thousand.

Note 37: Current financial liabilities (Petrol d.d.)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Current financial liabilities to subsidiaries (domestic)	1,830,914	2,434,059	75
• Petrol Maloprodaja, d.o.o.	1,795,508	1,864,739	96
• Petrol Plin, d.o.o.	0	82	-
• Petrol Gostinstvo, d.o.o.	0	379,244	-
• Petrol Skladiščenje, d.o.o.	5,151	57	9,037
• Petrol Tehnologija, d.o.o.	48	16	300
• Petrol Energetika, d.o.o.	30,207	189,921	16
Current financial liabilities to affiliated companies - Marche Gostinstvo	355,569	0	-
Current financial liabilities to banks	12,792,488	10,376,958	123
Current financial liabilities to others	6,004	4,245,667	0
Total	14,984,975	17,056,684	88

Current financial liabilities to subsidiaries (SIT 1,830,914 thousand) and affiliated companies (SIT 355,569 thousand) relate to deposits received from these companies.

Current financial liabilities to banks in the amount of SIT 12,792,488 thousand primarily consist of:

- loans from domestic banks in the amount of SIT 3,614,483 thousand
- loans from foreign banks in the amount of SIT 2,395,756 thousand

- interest payable on short-term loans in the amount of SIT 36,479 thousand
- the portion of long-term loans falling due for payment in the 2006 financial year in the amount of SIT 6,745,770 thousand

The weighted average annual interest rate on short-term borrowing from banks was 2.98 % as at 31 December 2005.

Current financial liabilities to others in the amount of SIT 6,004 thousand consist of short-term loans from domestic companies.

Note 38: Current trade payables (Petrol d.d.)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Current trade payables to subsidiaries:	36,247,016	16,130,415	225
• Cypet -Trade Ltd	27,346,591	14,259,677	192
• Petrol -Trade H.m.b.H.	8,300,664	1,522,884	545
• Petrol BH Oil Company, d.o.o.	2,875	242	1,188
• Petrol Trgovina, d.o.o., Zagreb	2,643	5,405	49
• Petrol d.o.o., Belgrade	3,609	2,877	125
• Petrol Maloprodaja Slovenija, d.o.o.	261,009	138,108	189
• Petrol Energetika, d.o.o.	107,331	0	-
• Petrol Plin, d.o.o.	89,324	35,186	254
• Petrol Gostinstvo, d.o.o.	0	51,950	-
• Petrol Tehnologija, d.o.o.	83,079	52,407	159
• Petrol Skladiščenje, d.o.o.	49,891	61,679	81
Current trade payables to joint ventures	155,176	138,089	112
• Instalacija, d.o.o., Koper	152,439	138,089	110
• Karkasa, d.o.o., Kranj	2,737	0	-
Current trade payables to affiliated companies	59,534	88,506	67
• Geoplin d.o.o., Ljubljana	0	88,506	-
• Marche Gostinstvo d.o.o.	59,534	0	-
Current trade payables to other suppliers:	10,918,141	12,488,034	87
• in Slovenia	9,682,942	11,534,899	84
• in the rest of the world	1,235,199	953,135	130
Current trade payables to employees	554,267	592,935	93
Current trade payables to the government	14,887,729	16,460,241	90
Current trade payables for advances and warranties received	86,796	65,625	132
Current trade payables from transactions for others	281	453	62
Current trade payables from distribution of profit	96,276	116,097	83
Other current trade payables to subsidiaries	0	1,300,000	0
Other current trade payables	40,625	502,688	8
Total	63,045,841	47,883,083	132

Current trade payables to government and other institutions in the amount of SIT 14,887,729 thousand include mainly payables relating to:

- excise duties (SIT 7,992,075 thousand)
- VAT (SIT 3,129,363 thousand)
- corporate income tax for 2005 (SIT 1,782,702 thousand)
- customs duties and import taxes (SIT 1,085,236 thousand)
- fee for compulsory reserves (SIT 451,297 thousand)
- carbon dioxide tax (SIT 387,727 thousand)

Current trade payables to employees refer to liabilities arising from salaries to be paid in January 2005 in the amount of SIT 355,230 thousand, accrued liabilities to the management board and other managers from performance bonuses in the amount SIT 130,000 thousand and the accrued liabilities from severance pay in the amount of SIT 69,037 thousand.

Current trade payables to others in the amount of SIT 40,625 thousand primarily consist of liabilities from purchases made with Magna payment cards at external (non-Petrol) points of sale (SIT 39,193 thousand).

Major outstanding current trade payables as at 31 December 2005 (SIT thousands):

Amount outstanding as at 31 December 2005	
Poslovni sistem Mercator, d.d., Ljubljana	1,245,009
Agip Slovenija, d.o.o., Ljubljana	667,550
Mobitel, d.d., Ljubljana	602,069
Philip Morris Ljubljana, d.o.o.	560,435
Sava Tires, d.o.o.	460,728
DARS, d.d.	458,360

Note 39: Accrued expenses and deferred revenues (Petrol d.d.)

	31. 12. 05	31. 12. 04	Index 05/04
SIT 000			
Accrued costs and expenses	3,022,480	3,240,115	93
Short-term deferred revenues	19,664	19,515	101
Total	3,042,144	3,259,630	93

Accrued costs and expenses in the amount of SIT 3,022,480 thousand primarily consist of costs and expenses for:

- unresolved judicial suits in which there is a possibility that Petrol d.d. loses as the defendant, in the amount of SIT 573,998 thousand, and interest charged in advance for suits totalling SIT 1,553,947 thousand
- the shortfall of goods charged in advance for the last quarter of 2005 in the amount of SIT 135,306 thousand
- interest payments accrued but not due on loans received in the amount of SIT 267,185 thousand
- converted open forward contracts for hedging exchange rate risk in the amount of SIT 31,834 thousand

Note 40: Earnings of members of management board and supervisory board, and of employees on individual contracts (Petrol d.d.)

Earnings of supervisory board members			
SIT 000	Session fees	Other earnings	Total
Members of the supervisory board since 5 April 2005	2,350	0	2,350
Jože Zagožen, president of supervisory board	723	0	723
Matjaž Gantar, member of supervisory board	323	0	323
Igor Irgolič, member of supervisory board until 30 November 2005	452	0	452
Mičo Mrkaić, member of supervisory board until 20 July 2005	129	0	129
Milan Podpečan, member of supervisory board	594	0	594
Viktor Baraga, member of supervisory board since 16 July 2005	129	0	129
Members of the supervisory board since 21 February 2005	2,822	0	2,822
Samo Gerdin, member of supervisory board, employee representative	1,113	0	1,113
Cvetka Žigart, member of supervisory board, employee representative	935	0	935
Ciril Pirš, member of supervisory board, employee representative	774	0	774
Members of the supervisory board until 4 April 2005	1,290	182	1,472
Miran Mejak, president of supervisory board *	361	182	543
Uroš Slavinec, member of supervisory board	219	0	219
Irena Starman, member of supervisory board	323	0	323
Jože Stanič, member of supervisory board until 15 July 2005	387	0	387
Members of the supervisory board until 20 February 2005	552	0	552
Andrej Medved, member of supervisory board, employee representative	129	0	129
Miran Obreza, member of supervisory board, employee representative	129	0	129
Tomaž Jamnik, member of supervisory board, employee representative	95	0	95
Nina Potisek, member of supervisory board, employee representative	104	0	104
Silvan Simčič, member of supervisory board, employee representative	95	0	95
Total	7,014	182	7,196

* Other income of the president of the SB is composed of reimbursements of material costs for the performance of contractually determined functions, in accordance with Article 277 of the Companies Act.

Earnings of management board members				
SIT 000	Fixed earnings	Variable earnings	Other earnings	Total
Members of the management board since 1 December 2005	29,390	6,873	417	36,680
Marko Kryžanowski, president of management board	3,929	0	0	3,929
Igor Irgolič, deputy-president of management board ¹	2,995	0	223	3,218
Alenka Vrhovnik Težak, member of management board ¹	2,995	0	52	3,047
Boštjan Napast, member of management board ¹	2,999	0	67	3,066
Bojan Herman, director/employee representative ²	16,472	6,873	75	23,420
Members of the management board until 30 November 2005	100,988	83,878	141,199	326,065
Janez Lotrič, president of management board ¹	43,285	55,081	101,341	199,707
Marija Lah, member of management board ^{1, 3}	32,937	15,003	3,799	51,739
Vladimir Jančič, member of management board until 30 September 2005 ¹	24,766	13,794	36,059	74,619
Total	130,378	90,751	141,616	362,745

¹ Other earnings refer to company benefit value for the use of company car, compensation and severance pay.

² The variable part of earnings refers to payments in shares comprising 46 shares in the amount of SIT 6,598 thousand.

³ The variable part of earnings refers to payments in shares comprising 98 shares in the amount of SIT 15,003 thousand.

The total earnings and emoluments paid in 2005 to employees on individual contracts to whom the tariff section of the collective agreement does not apply (excluding members of the management board) amounted to SIT 1,509,769 thousand.

The total earnings paid to members of the workers council in 2005 amounted to SIT 1,938 thousand.

As at 31 December 2005 the company posted no liabilities to or receivables from the members of the supervisory board and the management board.

Note 41: Contingent liabilities and off-balance-sheet items

A) Contingent liabilities related to guarantees

Petrol d.d., Ljubljana, had issued guarantees in a total amount of SIT 42,449,608 thousand, primarily to foreign banks, for credit lines for companies in the Petrol Group as at 31 December 2005. As at 31 December 2005 the value of the exploited portion of the guarantees was SIT 33,488,888 thousand:

- for Cypet Oils Ltd, Limassol, Cyprus:

	2005	Guarantees issued in USD		Exploited portion of guarantees in USD	
		2004	2005	2004	2005
ING (BBL) Geneva	with Cypet- Trade	with Cypet- Trade			
BNP Paribas Geneva	with Cypet- Trade	with Cypet- Trade	100 USD		100 USD
RZB Wiena	with Cypet- Trade	with Cypet- Trade			
Total in USD	0 USD	0 USD	100 USD		100 USD
Total in SIT	0 SIT	0 SIT	20,243 SIT		18,937 SIT

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

Bank or company	2005	Guarantees issued in USD, EUR		Exploited portion of guarantees in USD, EUR	
		2004	2005	2004	2005
RZB Wiena	19,000,000 USD	12,000,000 USD	17,457,922 USD		2,048,117 USD
Bank Austria Creditanstalt Wien		5,000,000 USD			
Zveza slovenskih zadrug Celovec	5,000,000 USD	5,000,000 USD	127,262 USD		122,763 USD
Bank Austria Creditanstalt Wien	7,046,544 EUR	13,546,544 EUR			2,973,958 USD
Bank Austria Creditanstalt Wien		1,453,457 EUR			
Bank Austria Creditanstalt Wien (together with CYT)			6,791,299 USD		
ING (BBL) Geneva	with Cypet Oils in Cypet- Trade	with Cypet Oils in Cypet- Trade	2,038,474 USD		13,142 USD
INA Zagreb	with Cypet Oils in Cypet- Trade	with Cypet Oils in Cypet- Trade			
Glencore Int, AG,	with Cypet Oils in Cypet- Trade	with Cypet Oils in Cypet- Trade			
Statoil, Stavanger	with Cypet Oils in Cypet- Trade	with Cypet Oils in Cypet- Trade			
Total (Elf)	with Cypet Oils in Cypet- Trade	with Cypet Oils in Cypet- Trade			
Eni Sp.A.	with Cypet Oils in Cypet- Trade	with Cypet Oils in Cypet- Trade			
Total in USD	32,339,587 USD	42,404,506 USD	26,414,957 USD		5,157,980 USD
Total in SIT	6,546,492,807 SIT	7,473,484,564 SIT	5,347,171,821 SIT		909,056,322 SIT

- for Cypet - Trade Ltd, Limassol, Cyprus:

Bank or company	Guarantees issued in USD		Exploited portion of guarantees in USD	
	2005	2004	2005	2004
ING (BBL) Geneva	19,000,000 USD	19,000,000 USD	536 USD	34,359 USD
Credit Lyonnaise Geneva - Credit Agricole Geneva (velja za CYO, CYT in PTW)	22,000,000 USD	17,000,000 USD	91,754 USD	2,421 USD
BNP Paribas Geneva	22,000,000 USD	22,000,000 USD	18,166,000 USD	
RZB Wiena (za CYT in CO)	27,000,000 USD	14,000,000 USD	7,110,338 USD	29,507 USD
BAWAG	20,000,000 USD		0 USD	
SUMITOMO BANK	10,000,000 USD		10,000,000 USD	
The Bank of Tokyo Mitsubishi Ltd.	20,000,000 USD		0 USD	
Bank Austria Creditanstalt Wien (together with Petrol Trade)	10,000,000 EUR		1,727 EUR	
Bank Austria Creditanstalt Wien	4,000,000 EUR		0 USD	
Litasco	n/a		4,682,225 USD	
INA Zagreb	n/a	n/a		
Glencore Int. AG.	n/a	n/a	32,310,141 USD	13,512,996 USD
BP Oil International LTD.	n/a	n/a	19,393,449 USD	14,687,792 USD
Statoil, Stavanger	n/a	n/a		
Total (Elf)	n/a	n/a		13,530,901 USD
Eni Sp.A.	n/a	n/a	33,984,615 USD	19,015,674 USD
Societe Generale	amount not determined	amount not determined	1,054,226 USD	
Morgan Stanley	amount not determined	amount not determined	425,579 USD	
Credit Lyonnais S.A. London	amount not determined	amount not determined		
Total in USD	156,569,003 USD	72,000,000 USD	127,220,907 USD	60,813,650 USD
Total in SIT	31,694,216,400 SIT	12,689,474,400 SIT	25,753,290,018 SIT	10,717,961,873 SIT

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

Bank or company	Guarantees issued in USD, EUR, HRK		Exploited portion of guarantees in USD, EUR, HRK	
	2005	2004	2005	2004
Ina d.d.	n/a	n/a	283,069 HRK	4,115,513 HRK
Splittska banka d.d.(prej HVB Croatia d.d.)	8,000,000 HRK	5,000,000 HRK	8,000,000 HRK	5,000,000 HRK
Splittska banka d.d.(prej HVB Croatia d.d.)	4,000,000 EUR	4,000,000 EUR		
HVB Splittska banka d.d.	5,000,000 HRK	5,000,000 HRK		
SKB d.d. Ljubljana	3,000,000 EUR	3,000,000 EUR	2,400,000 EUR	3,000,000 EUR
Slovenska izvozna družba d.d. Ljubljana	3,000,000 EUR	3,000,000 EUR	2,100,000 EUR	3,000,000 EUR
Slovenska izvozna družba d.d. Ljubljana	1,000,000 EUR	1,000,000 EUR	700,000 EUR	1,000,000 EUR
Total in USD	11,059,089 USD	12,417,091 USD	7,484,867 USD	11,146,438 EUR
Total in SIT	2,649,488,000 SIT	2,976,910,700 SIT	1,793,191,468 SIT	2,672,280,370 SIT

- for Petrol BH Oil Company d.o.o., Sarajevo:

Bank or company	Guarantees issued in USD, BAM		Exploited portion of guarantees in USD, BAM	
	2005	2004	2005	2004
NiS- Naftagas Novi Sad	n/a	n/a		
CBS Banka d.d. Sarajevo*	1,500,000		1,511,139	
Vitol Bosnia*	2,000,000			
Total in USD	2,117,900 USD	0 USD	914,412 USD	0 USD
Total in SIT	428,725,850 SIT	0 SIT	185,104,101 SIT	0 SIT

* guarantee currency is BAM - convertible marks

- for other subsidiaries (Petrol Plin d.o.o., Petrol Tehnologija d.o.o. and Petrol Energetika d.o.o.), joint ventures (Instalacija d.o.o., Koper) and affiliated company (Aquasystems d.o.o.):

Bank or company	Guarantees issued SIT 000		Exploited portion of guarantees SIT 000	
	2005	2004	2005	2004
for Petrol Plin d.o.o., Ljubljana		6,165		6,165
Bank Austria d.d., (maturity date 29.04.2005) Ljubljana, Občina Il. Bistrica				
for Petrol Tehnologija d.o.o., Ljubljana	11,979		21,728	
Kungerös Plast AB Sweden				
for Petrol Energetika d.o.o., Ravne		15,767		15,767
Österreichische Elektrizitätswirtschafts-Aktiengesellschaft				
for Instalacija d.o.o., Koper	900,320	900,953	169,999	283,491
B. Societe Generale Pariz (maturity date 30.04.2007)				
for Instalacija d.o.o., Koper		704,844		582,712
Banka Austria Creditanstalt AG Vienna (maturity date 15.11.2011)				
for Instalacija d.o.o., Koper		352,422		352,763
Banka Austria Creditanstalt AG Vienna (maturity date 18.06.2013)				
for Aquasystems d.o.o., Maribor	218,386	218,386	218,386	218,386
several parties				
Total in SIT 000	1,130,685	2,198,537	410,113	1,459,284

In addition to the above guarantees, Petrol d.d. also guarantees the liabilities of the subsidiaries Petrol Plin d.o.o., Petrol Energetika d.o.o., Petrol Maloprodaja Slovenija d.o.o. and Petrol Tehnologija d.o.o. and the joint ventures Geoenergo d.o.o. and Instalacija d.o.o. Koper based on blank bills. Total value of issued bills as at 31 December 2005 was SIT 988,713 thousand, and the value of the drawn part SIT 902,298 thousand.

Beneficiary / Creditor	Maturity date	Security amount	Drawn portion
			of security
ZAVAROVALNICA TRIGLAV (customs bond - Geoenergo guarantee)	30.04.2006	1,500,000.00 SIT	1,500,000.00 SIT
ZAVAROVALNICA TRIGLAV (customs bond - Petrol Plin guarantee)	30.04.2006	6,000,000.00 SIT	6,000,000.00 SIT
Guarantee PROBANKA -PETROL ENERGETIKA d.o.o.	30.06.2006	900,000.00 SIT	900,000.00 SIT
Guarantee PROBANKA -PETROL PLIN d.o.o.	31.07.2006	50,000,000.00 SIT	40,062,965.03 SIT
Guarantee PROBANKA -PETROL MALOPRODAJA d.o.o.	31.07.2006	10,000,000.00 SIT	0.00 SIT
Guarantee PROBANKA -PETROL TEHNOLOGIJA d.o.o.	31.07.2006	10,000,000.00 SIT	3,330,769.00 SIT
Guarantee KOROŠKA BANKA -PETROL ENERGETIKA d.o.o.	31.10.2009	10,000,000.00 SIT	10,000,000.00 SIT
BankAustriaCreditanstalt d.d. guarantor for Instalacija	15.11.2011	2,248,335.00 EUR	2,083,730.18 EUR
		538,646,206.63 SIT	499,210,908.11 SIT
BankAustriaCreditanstalt d.d. guarantor for Instalacija	20.12.2013	1,383,529.12 EUR	1,298,489.06 EUR
		331,459,819.04 SIT	311,086,295.64 SIT
A BANKA VIPA d.d.-guarantee con. for Petrol Plin	01.07.2034	126,086.00 EUR	126,086.00 EUR
		30,207,129.10 SIT	30,207,129.10 SIT
Total in SIT		988,713,154.77 SIT	902,298,066.89 SIT

B) Contingent liabilities from legal action

As a defendant and debtor Petrol d.d. faced suits in a total amount of SIT 1,050,292 thousand in court proceedings. The legally prescribed interest in arrears on the claims filed in the suits amounted to SIT 2,487,925 thousand as at 31 December 2005. The management believes that there is a likelihood that the company will lose some of these suits. It had therefore created short-term provisions related to these claims in the amount of SIT 573,998 thousand as at 31 December 2005 (compared with SIT 577,055 thousand as at 31 December 2004). In addition the company had also created short-term provisions for interest on arrears in the amount of SIT 1,553,947 thousand as at 31 December 2005. The respective figure as at 31 December 2004 stood at SIT 1,582,287 thousand.

C) Inventories not owned by Petrol

SIT 000	2005	2004
Goods received for commission sales	1,161,104	1,309,321
National commodity reserves	22,059,775	12,436,400
Total	23,220,879	13,745,721

Goods sold on commission are declared at the purchase price, while national reserves are declared at the forecast sales price.

D) Foreign exchange forward contracts

As at 31 December 2005 Petrol held forward contracts with banks for the purchase and sale of foreign exchange (with exchange rates fixed on the day the contract was concluded) as follows:

	2005	2005	2004	2004
Currency	SIT 000	in foreign currency	SIT 000	in foreign currency
dollar liabilities	(29,888,295)	(147,800,000)	(12,578,441)	(71,370,000)
euro liabilities	(3,556,405)	(14,844,177)	0	0
euro receivables	29,743,688	124,151,144	12,867,402	53,671,647
dollar receivables	3,573,244	17,804,000	0	0
(Loss)/gain	127,768		(288,960)	

All the forward contracts were concluded for hedging against exchange rate 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	2005	2004
Short-term receivables from customers	184,000	184,000
Total	184,000	184,000

During privatisation Petrol d.d. reduced its equity by receivables and assets in other republics of the former Yugoslavia. It segregated these receivables and assets from the balance sheet and established an off-balance-sheet record in line with the contract between Petrol d.d. and the Development Fund of the Republic of Slovenia.

Under this contract Petrol d.d. also assumed a contingent financial liability to the Development Fund, under which it is obliged to retransfer any payment received on the basis of the transferred receivables to the Development Fund within one month of receiving it. The company received no such payments in 2005.

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

Note 42: Subsequent events

The management board of Petrol d.d. on 14 March 2006 convened the 14th general meeting of Petrol d.d. to decide on the compilation of the financial report and all interim financial statements of the company as of 1 January 2006 only in accordance with the IFRS, it held the by-election for 2 new members of the supervisory board and decided on the amendments to the articles of association and the change of the activity of the company.

Notes on the financial statements itemised by line of business

When compiling its financial statements and annual report, the company is obliged to observe the Public Utilities Act, which stipulates that a company holding a concession for a public utility must administer separate accounts under the Companies Act, applying the SRS 35 regulation in so doing.

Petrol d.d. has two lines of business in the public utilities: energy and water management.

The company's energy sector 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 sector 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 company's water management activities comprise the treatment of municipal water, wastewater and rainwater, for which it has concluded two concession contracts with the municipalities of Murska Sobota and Mežica.

Petrol d.d. compiled a balance sheet as at 31 December 2005 and income and cashflow statements for the 2005 financial year separately for natural gas distribution and supply, water treatment and other activities as required by law.

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

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

The company did not receive any government grants. All intangible assets and fixed assets are financed from the company's own resources.

All transactions with related companies are presented in clarifications to the overall financial statements of Petrol d.d.

Balance sheet as at 31 December 2005 (Petrol d.d.) itemised for public utilities

SIT 000	Supply of natural gas	Distribution of natural gas	Water treatment	Market activities	Total
A) Non-current assets					
I. Intangible assets	0	405,420	329,425	333,959	1,068,804
Land	0	690	0	21,542,785	21,543,475
Buildings	0	1,446,203	864,979	42,997,257	45,308,439
Other equipment	0	10,283	939,753	5,007,267	5,957,303
Fixed assets under construction or in production	0	1,501,250	1,719	4,128,480	5,631,449
Advances for fixed assets	0	0	0	18,813	18,813
II. Fixed assets	0	2,958,426	1,806,451	73,694,602	78,459,479
Investments in subsidiaries	0	0	0	28,321,328	28,321,328
Investments in affiliated companies	0	0	0	12,902,757	12,902,757
Investments in joint ventures	0	0	0	3,451,266	3,451,266
Other participating interests	0	0	0	1,521,814	1,521,814
Non-current financial receivables from subsidiaries	0	0	0	2,009,127	2,009,127
Non-current financial receivables from affiliated companies	0	0	0	460,929	460,929
Other non-current financial receivables	0	0	0	763,795	763,795
Treasury shares	0	0	0	661,023	661,023
III. Non-current investments	0	0	0	50,092,039	50,092,039
Total non-current assets	0	3,363,846	2,135,876	124,120,600	129,620,322
B) Current assets					
Merchandise	11,825	0	0	25,868,215	25,880,040
I. Inventories	11,825	0	0	25,868,215	25,880,040
Non-current trade receivables from subsidiaries	0	0	0	5,394	5,394
Non-current trade receivables from others	0	131,340	0	309,862	441,202
Receivables from deferred tax	0	0	0	18,117	18,117
II. a) Non-current trade receivables	0	131,340	0	333,373	464,713
Current trade receivables from subsidiaries	0	0	0	2,651,753	2,651,753
Current trade receivables from affiliated companies	0	0	0	92,360	92,360
Current trade receivables from joint ventures	0	0	0	9,472	9,472
Current trade receivables from customers	0	184,642	36,521	28,298,125	28,519,288
Other current trade receivables	0	12,768	10,297	11,637,280	11,660,345
II. b) Current trade receivables	0	197,410	46,818	42,688,990	42,933,218
Current investments in subsidiaries	0	0	0	484,204	484,204
Current investments in others	0	0	0	2,399,143	2,399,143
III. Current investments	0	0	0	2,883,347	2,883,347
IV. Cash and cash equivalents	0	2,241	1,179	1,307,039	1,310,459
Total current assets	11,825	330,991	47,997	73,080,964	73,471,777
C) Deferred expenses and accrued revenues	0	0	0	587,230	587,230
Total assets	11,825	3,694,837	2,183,873	197,788,794	203,679,329

Balance sheet as at 31 December 2005 (Petrol d.d.) itemised for public utilities

SIT 000	Supply of natural gas	Distribution of natural gas	Water treatment	Market activities	Total
Equity and liabilities					
A) Equity					
I. Called-up capital	0	3,316,936	1,976,941	7,223,929	12,517,806
II. Capital reserves	0	0	0	102,032	102,032
Regulatory reserves	0	0	0	14,797,742	14,797,742
Treasury share reserves	0	0	0	661,023	661,023
Other profit reserves*	0	0	0	28,681,570	28,681,570
III. Profit reserves	0	0	0	44,140,335	44,140,335
IV. Retained earnings	0	(194,052)	(49,637)	3,303,006	3,059,317
V. Undistributed net profit*	0	(166,343)	(16,948)	3,622,241	3,438,950
General equity revaluation adjustment	0	32,816	17,271	19,140,431	19,190,518
Specific equity revaluation adjustment	0	0	0	4,333,238	4,333,238
VI. Equity revaluation adjustments	0	32,816	17,271	23,473,669	23,523,756
Total equity	0	2,989,357	1,927,627	81,865,212	86,782,196
B) Provisions					
Provisions for environmental fixed assets	0	0	0	5,812,338	5,812,338
Other provisions	0	0	0	18,840	18,840
Total provisions	0	0	0	5,831,178	5,831,178
C) Financial liabilities and trade payables					
a) Non-current financial liabilities and trade payables					
Non-current financial liabilities to banks	0	219,446	201,653	29,233,707	29,654,805
Non-current financial liabilities	0	219,446	201,653	29,233,707	29,654,805
Non-current financial liabilities to others	0	338,190	0	0	338,190
Non-current trade payables	0	338,190	0	0	338,190
b) Current financial liabilities and trade payables					
Current financial liabilities to subsidiaries	0	0	0	1,832,057	1,832,057
Current financial liabilities to banks	0	0	0	12,793,119	12,793,119
Current financial liabilities to others	0	0	0	359,799	359,799
Current financial liabilities	0	0	0	14,984,975	14,984,975
Current trade payables to subsidiaries	11,825	116,349	856	36,117,986	36,247,016
Current trade payables to joint ventures	0	0	0	155,176	155,176
Current trade payables to affiliated companies	0	0	0	59,534	59,534
Current trade payables to suppliers	0	26,144	41,514	10,850,483	10,918,141
Current trade payables to employees	0	0	0	554,267	554,267
Current trade payables to the government	0	5,351	12,223	14,870,155	14,887,729
Current trade payables from advances	0	0	0	86,796	86,796
Current trade payables from distribution of profit	0	0	0	96,276	96,276
Other current trade payables to others	0	0	0	40,906	40,906
Current trade payables	11,825	147,844	54,593	62,831,579	63,045,841
Total financial liabilities and trade payables	11,825	705,480	256,246	107,050,260	108,023,811
D) Accrued expenses and deferred revenues	0	0	0	3,042,144	3,042,144
Total equity and liabilities	11,825	3,694,837	2,183,873	197,788,794	203,679,329

* In accordance with the third paragraph of Article 228 of the Companies Act (the ZGD-F), undistributed net profit has been reduced by half and transferred into other profit reserves

Petrol d.d. has broken down its balance sheet as at 31 December 2005 as follows:

- intangible assets and fixed assets are allocated as they are actually posted to cost centres
- inventories are allocated as they are actually posted to cost centres
- non-current trade receivables are allocated as they are actually posted to cost centres
- current trade receivables relating to receivables from customers are allocated by profit centres in terms of which profit centre the customer belongs to, while current receivables from others (from the government) for VAT, taxes and excise duties are allocated according to Key 3
- cash and cash equivalents are allocated according to Key 1
- deferred expenses and accrued revenues are allocated as they are actually posted to cost centres
- where there are differences between assets and equity/liabilities, called-up capital is allocated by activity depending on whether there is a surplus of assets over equity/liabilities or vice versa in a particular activity
- profit reserves, retained earnings and net profit from the current year are allocated according to Key 2
- the general equity revaluation adjustment is allocated according to Key 1
- the key for allocating non-current financial liabilities is the same as the key for allocating expenses under concessions (profit centres); the basis for calculating the key is the estimated total value of an investment in a particular concession from the start of the investment to the end of 2005
- current trade payables relating to liabilities to suppliers are allocated as they are actually posted at cost centres; current trade payables to others (to the government) for VAT, taxes and excise duties are allocated according to Key 1
- deferred revenues and accrued expenses are allocated as they are actually 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 net profit for a particular activity

Key 3 is calculated on the basis of actual costs in the current year

Income statement for 2005 (Petrol d.d.), itemised for public utilities

SIT 000	Supply of natural gas	Distribution of natural gas	Water treatment	Market activities	Total
Net revenues from sale of services	0	231,790	345,212	5,668,601	6,245,603
Net revenues from sale of merchandise	417,077	0	0	378,295,272	378,295,272
Net sales revenues	417,077	231,790	345,212	383,963,873	384,540,875
Historical cost of merchandise sold	(417,077)	0	0	(343,753,127)	(343,753,127)
Gross profit	0	231,790	345,212	40,210,746	40,787,748
Materials	0	(56,541)	(57,704)	(1,532,903)	(1,647,147)
Services	0	(229,436)	(121,534)	(22,548,502)	(22,899,471)
Compensation	0	0	0	(5,915,537)	(5,915,537)
Depreciation and amortisation	0	(74,143)	(133,594)	(5,521,761)	(5,729,498)
Losses on disposals, impairment and write-offs of intangible and fixed assets	0	0	0	(129,347)	(129,347)
Write-downs of current assets	0	0	0	(38,860)	(38,860)
Other costs	0	(211)	0	(403,799)	(404,010)
Operating expenses	0	(360,331)	(312,831)	(36,090,708)	(36,763,870)
Other operating income	0	12,612	0	2,059,233	2,071,845
Other operating expenses	0	0	0	(233,175)	(233,175)
Operating profit	0	(115,929)	32,381	5,946,096	5,862,548
Finance income from participating interests	0	0	0	1,354,646	1,354,646
Finance income from non-current receivables	0	0	0	274,077	274,077
Finance income from current receivables	0	0	0	8,060,532	8,060,532
Finance income	0	0	0	9,689,255	9,689,255
Write-downs of investments	0	0	0	(31,787)	(31,787)
Interest expenses and financial expenses for other liabilities	0	(50,414)	(49,329)	(6,777,788)	(6,877,531)
Finance expenses	0	(50,414)	(49,329)	(6,809,575)	(6,909,318)
Profit from ordinary activities	0	(166,343)	(16,948)	8,825,776	8,642,485
Pre-tax profit	0	(166,343)	(16,948)	8,825,776	8,642,485
Corporate income tax	0	0	0	(1,782,702)	(1,782,702)
Deferred taxes	0	0	0	18,117	18,117
Net profit for the year	0	(166,343)	(16,948)	7,061,191	6,877,900

Petrol d.d. has broken down its income statement for 2005 as follows:

- net sales revenues are allocated as they are actually posted to cost centres
- the historical cost of materials and merchandise sold is allocated as it is actually posted to cost centres
- costs of materials and services are allocated as they are actually posted to cost centres
- costs of amortisation and depreciation are allocated as they are actually posted to cost centres
- other costs, other operating expenses and extraordinary income and expenses are allocated as they are actually posted to cost centres
- the key for allocating the finance expenses (interest expenses) by each concession is the estimated total value of the investment in the individual concession from the beginning of the investment until the end of 2005

The basis for calculating the value of financial expenses in the distribution of natural gas is the assumption that $D/E = 40/60$ and an interest rate of 5.25% per annum.

The basis for calculating the value of financial expenses in water treatment is the assumption that $D/E = 40/60$ and an interest rate of 6% per annum.

Cashflow statement for 2005 (Petrol d.d.) itemised for public utilities

SIT 000	Supply of natural gas	Distribution of natural gas	Water treatment	Market activities	Total
Cash from operating activities	417,077	188,132	356,921	378,246,877	379,209,007
Operating income	417,077	244,402	345,212	384,155,290	385,161,981
Change in trade receivables	0	(56,270)	11,709	(5,613,915)	(5,658,476)
Change in deferred expenses and accrued revenues	0	0	0	(294,498)	(294,498)
Cash used in operating activities	417,077	478,147	187,341	370,532,919	371,615,484
Operating expenses less amortisation, depreciation and provisions	417,077	286,188	179,237	374,128,291	375,010,793
Taxes paid	0	0	0	1,782,702	1,782,702
Change in inventories	(9,531)	0	0	9,932,093	9,922,562
Change in trade payables	9,531	178,418	8,104	(15,409,774)	(15,213,721)
Change in accrued expenses and deferred revenues	0	13,541	0	99,607	113,148
Net cash from/(used in) operating activities	0	(290,015)	169,580	7,713,958	7,593,523
Cash from investing activities	0	0	0	6,033,875	6,033,875
Investment income (not including revaluation)	0	0	0	5,183,438	5,183,438
Net decrease in current investments (not including revaluation)	0	0	0	850,437	850,437
Cash used in investing activities	0	1,004,953	54,408	14,239,406	15,298,767
Net increase in intangible assets (not including revaluation)	0	0	5,648	125,641	131,289
Net increase in fixed assets (not including rev. and non-cash equity inputs)	0	1,004,953	48,760	7,882,593	8,936,306
Net increase in non-current investments (not including revaluation)	0	0	0	6,231,172	6,231,172
Net cash from/(used in) investing activities	0	(1,004,953)	(54,408)	(8,205,531)	(9,264,892)
Cash from financing activities	0	1,346,067	0	10,457,910	11,803,977
Finance income (not including revaluation)	0	0	0	5,198,277	5,198,277
Increase in equity (not including revaluation)	0	1,337,590	0	0	1,337,590
Net increase in non-current financial liabilities (not including revaluation)	0	8,477	0	3,289,389	3,297,866
Net increase in current financial liabilities (not including revaluation)	0	0	0	1,970,244	1,970,244
Cash used in financing activities	0	50,414	114,512	9,694,532	9,859,458
Finance expenses (not including revaluation)	0	50,414	49,329	6,450,749	6,550,492
Decrease in equity (not including current loss)	0	0	65,141	1,266,895	1,332,036
Net decrease in provisions (not including revaluation)	0	0	0	122,892	122,892
Net decrease in current financial liabilities (not including revaluation)	0	0	42	0	42
Decrease in liabilities to owners (dividends and other profit-sharing)	0	0	0	1,853,996	1,853,996
Net cash from/(used in) financing activities	0	1,295,653	(114,512)	763,378	1,944,519
Net cashflow during period	0	685	660	271,805	273,150
Closing balance of cash and cash equivalents	0	2,241	1,179	1,307,039	1,310,459
Net cashflow during period	0	685	660	271,805	273,150
Opening balance of cash and cash equivalents	0	1,556	519	1,035,234	1,037,309

Other Clarifications Relating to the Parent Company in Accordance with the Securities Market Act 2005

Other clarifications relating to the parent company in accordance with the Securities Market Act

The Petrol prospectus is published on the company's website. In line with Article 63 of the Securities Market Act, all changes to the prospectus are published each year in announcements available on the company's website and the website of Ljubljana Stock Exchange (Seonet).

About the group

In accordance with the SRS accounting standards, the Petrol Group consists of the parent company, subsidiaries, joint ventures and affiliated companies.

	Country of establishment	Interest held by Petrol d.d. (%) 31. 12. 2005	Interest held by Petrol d.d. (%) 31. 12. 2004
1. Subsidiaries			
Petrol Maloprodaja Slovenia, d.o.o., Ljubljana	Slovenia	100	100
Petrol Plin, d.o.o., Ljubljana	Slovenia	100	100
Petrol Skladiščenje, d.o.o., Ljubljana	Slovenia	100	100
Petrol Tehnologija, d.o.o., Ljubljana	Slovenia	100	100
Petrol Energetika Ravne, d.o.o., Ravne	Slovenia	98.85	98.85
Cypet Oils Ltd., Limassol	Cyprus	100	100
Petrol-Trade, H.m.b.H., Vienna	Austria	100	100
including company 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., Beograd	Serbia-Montenegro	100	100
2. Joint ventures			
Instalacija, d.o.o., Koper	Slovenia	49	49
Geoenergo, d.o.o., Lendava	Slovenia	50	50
Karkasa, d.o.o., Kranj	Slovenia	50	50
3. Affiliated companies			
Ogrevanje Piran, d.o.o., Piran	Slovenia	40	40
Geoplin d.o.o., Ljubljana	Slovenia	27.26	27.26
Aquasystems, d.o.o., Maribor	Slovenia	26	26
Marche Gostinstvo d.o.o. *	Slovenia	25	100

* In 2004 Marche Gostinstvo d.o.o. was a subsidiary called Petrol Gostinstvo, d.o.o.

In 2005 the following changes took place within the Petrol Group:

- Petrol d.d., Ljubljana and Sava Tires, d.o.o. in 2004 established Karkasa d.o.o., whose activity is the refitting of truck tyres. The company, in which the founders hold equal stakes, started operating in January 2005.
- In January 2005 Petrol d.d., Ljubljana increased its interest in Geoplin d.o.o. to 27.2568% of the equity by purchasing holdings from the company members. In 2005 Geoplin d.o.o. became an affiliated company in the Petrol Group.

- In June 2005 Petrol d.d., Ljubljana sold a 75% interest in Petrol Gostinstvo d.o.o. to the strategic partner, Swiss company Marché International Ltd from the Mövenpick Group. By the purchase of the controlling stake, Marché International Ltd took over the operational management of catering facilities – five restaurants and seven bistros along the Slovenian motorway cross, which are still owned by Petrol d.d., Ljubljana. Petrol d.d., Ljubljana retained a 25% interest in Marché Gostinstvo d.o.o. The above company became an affiliate within the Petrol Group.
- Geoenergo d.o.o. in 2005 impaired intangible assets for the concession rights for extracting oil and natural gas in the area of Petišovci and Dolina, whereas the loss arising from impairment was charged against simplified equity decrease.

The financial year of all companies in the Petrol Group is the same as the calendar year.

All companies in the Petrol Group in 2005 generated an aggregate net profit of SIT 2,951,803 thousand.

The financial statements of all the subsidiary companies have been audited and all the auditors' opinions are unqualified. The subsidiaries Cypet Oils Ltd, Limassol and Cypet-Trade Ltd, Limassol, were audited by BDO Philippides, while Petrol-Trade, H.m.b.H., Vienna, was audited by the independent auditor, Mr. Harald Hruschka. The subsidiaries Petrol Maloprodaja Slovenija, d.o.o., Ljubljana, Petrol Plin, d.o.o., Ljubljana, Petrol Skladiščenje, d.o.o. Ljubljana, Petrol Tehnologija, d.o.o., Ljubljana and Petrol Energetika, d.o.o. Ravne were audited by Deloitte & Touche revizija, d.o.o., Ljubljana; the subsidiary Petrol Trgovina, d.o.o., Zagreb, by Deloitte & Touche, d.o.o., Zagreb, and the subsidiary Petrol BH Oil Company, d.o.o., Sarajevo, by Deloitte & Touche, d.o.o., Sarajevo.

Deloitte & Touche revizija d.o.o. of Ljubljana also reviewed the audited financial statements and accompanying financial information 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 information to be included in the financial statements of the parent company Petrol d.d., Ljubljana and the consolidated statements of the Petrol Group for 2005.

Basic accounting policies applied when drawing up the consolidated financial statements

The consolidated financial statements of the Petrol Group are prepared in accordance with the Slovenian Accounting Standards (SRS). According to these standards, a group consists of

- the parent company
- companies that are subsidiaries on the basis of the parent company's interest in their equity
- companies that are subsidiaries because of the parent company's dominant management control for other reasons
- affiliated companies in which the parent company has significant but not dominant management control
- joint ventures

A parent company is deemed to enjoy significant management control in an affiliated company if its interest in the affiliate's equity is at least 20%.

A joint venture is a company where control is shared by joint shareholders via their equity interests on the basis of a contractual agreement.

The parent company and its subsidiaries undergo full consolidation, while joint ventures and affiliated companies are incorporated into the consolidated statements using the equity method.

The Petrol Group comprised the parent company Petrol d.d., five domestic and six foreign subsidiaries, three joint ventures and four affiliated companies as at 31 December 2005. These companies constitute the Petrol Group, and are thus included in its consolidated financial 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 policies that the parent company applies when drawing up its unconsolidated financial statements, and they are presented in detail in the third part of the financial report.

The disclosure of individual items in the financial statements of the Petrol Group needs to be examined in connection with the disclosure of individual items in the financial statements of the parent company.

Non-current investments in joint ventures and affiliated companies

Non-current investments in joint ventures and affiliated companies that form part of the Petrol Group are valued using the equity method.

The effect of the revaluation of non-current investments in other joint ventures and affiliated companies went to increase the parent company's equity revaluation adjustment in connection with non-current investments.

However, sums received from the distribution of net profit from joint ventures and affiliated companies subsequently go to decrease the specific equity revaluation adjustment and to increase finance income in the parent company's financial records.

Acquisitions, goodwill and negative goodwill in the consolidated balance sheet

In the event of the purchase of any company, a non-current investment in the amount of the historical cost of the purchased net assets of the purchased company appears on the part of the parent company. When the consolidated balance sheet is drawn up, the assets and liabilities of the purchased company are converted to the fair value as at the date of acquisition. In the event that the historical cost exceeds the fair value, the surplus is accounted for as goodwill in the category of intangible assets. In the event that the historical cost is less than the 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 original financial statements of subsidiaries located abroad are drawn up into the reporting currency of the parent company, the following procedures are observed:

- assets and equity/liabilities, both monetary and non-monetary, are converted using the middle exchange rate of the Bank of Slovenia as 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 rate differences arising as a result of this conversion are classified as an equity item until the investment is alienated

Equity of parent company and minority interest

In the consolidation of the balance sheet, part of the share/nominal capital and other capital accounts of subsidiary companies are offset against non-current investments and the specific equity revaluation adjustment of the parent company. In addition to the parent company's equity, only the remaining part of all capital accounts of subsidiaries belonging to other owners, which is accounted for as minority interest, is included in the consolidated balance sheet.

In the case of subsidiaries located abroad, individual items of equity are converted into the domestic currency at the exchange rates valid on the balance sheet date.

Also included in the consolidated balance sheet as a capital account is a translation equity adjustment, which relates to the conversion of operating results of individual foreign subsidiaries between the average and the closing Bank of Slovenia exchange rate for particular foreign currencies.

In the distribution of net profit for the current year, the part pertaining to minority owners of subsidiaries and the part pertaining to the parent company are stated separately.

Corporation income tax

The Petrol Group's corporate income tax includes taxes levied on the parent company and taxes levied on the subsidiaries. The tax levied is corporate income tax, which is settled with regard to the taxable net profit generated in the accounting period.

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AUDITORS' REPORT

to the owners of
PETROL, Slovenska energetska družba, d.d., Ljubljana

We have audited the accompanying consolidated balance sheet of the Petrol Group as of 31 December 2005 and the related statements of income, cash flows and changes in equity, as well as notes to the consolidated financial statements for the year then ended. We have also reviewed the Business Report prepared by the Management. The Management of the company PETROL, Slovenska energetska družba, d.d. is responsible for the preparation of these financial statements in accordance with Slovenian Accounting Standards. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance the International Standards on Auditing. These 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 principles used and the significant estimates made by the Management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements and the notes referred to in the first paragraph give a true and fair view of the financial position of the Petrol Group as of 31 December 2005 and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with Slovenian Accounting Standards.

The Business Report is consistent with the audited consolidated financial statements.

Deloitte & Touche revizija d.o.o.

Lidija Jezernik
Certified Auditor
Member of the Board

Ljubljana, 10 March 2006



**Deloitte
& Touche**
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Deloitte Touche Tohmatsu

Consolidated income statement (Petrol Group)				
SIT 000	Note	2005	2004	Index 05/04
Net sales revenues	A., 01.;	420,262,166	352,423,083	119
Historical cost of merchandise sold and production costs of products sold	B., 02.;	(372,532,581)	(308,485,014)	121
Gross profit		47,729,585	43,938,069	109
Distribution costs	C., 02.;	(33,155,154)	(32,900,957)	101
Administrative costs	C., 02.;	(9,580,566)	(9,632,731)	99
Other operating income		2,476,879	5,518,982	45
Operating profit		7,470,744	6,923,363	108
Finance income from joint ventures		822,254	744,299	110
Other finance income from participating interests		522,909	859,180	61
Finance income from non-current receivables		184,273	103,972	177
Finance income from current receivables		8,440,454	6,025,095	140
Finance income	E., 03.;	9,969,890	7,732,546	129
Write-downs of investments		(31,200)	(549,749)	6
Interest expenses and financial expenses for other liabilities		(7,405,807)	(5,945,925)	125
Finance expenses	E., 04.;	(7,437,007)	(6,495,674)	114
Profit from ordinary activities		10,003,627	8,160,235	123
Pre-tax profit		10,003,627	8,160,235	123
Corporate income tax	G., 05.;	(1,938,855)	(1,247,548)	155
Deferred taxes	G., 06.;	51,262	34,542	148
Net profit for the year		8,116,034	6,947,229	117
Net profit of parent company		8,113,706	6,946,310	117
Net profit of minority shareholders		2,328	919	253

* Notes A to Z and 1 to 26 are an integral part of the financial statements and should be read in conjunction with them..

Business segments (Petrol Group)

SIT 000	2005	2004	Index 05/04
Net sales revenues			
Oil products, other refined petroleum products	358,884,222	297,504,766	121
Supplementary products and other merchandise	45,201,880	40,878,656	111
Energy activity	9,068,144	7,538,586	120
Services	7,107,920	6,501,075	109
Total	420,262,166	352,423,083	119

Geographical segments (Petrol Group)

SIT 000	2005	2004	Index 05/04
Net sales revenues			
Slovenia	370,827,251	319,000,157	116
Croatia	21,668,427	14,713,934	147
Bosnia-Herzegovina	22,599,013	11,324,560	200
Austria	3,981,998	3,256,123	122
Other countries	1,185,477	4,128,309	29
Total	420,262,166	352,423,083	119

Consolidated balance sheet (Petrol Group)

SIT 000	Note	31. 12. 05	31. 12. 04	Index 05/04
Assets				
Non-current assets				
Intangible assets	H., 07.;	2,112,848	2,121,508	100
Fixed assets	H., 08.;	102,062,406	98,072,919	104
Non-current investments	I., 09.;	19,780,511	19,494,742	101
Total non-current assets		123,955,765	119,689,169	104
Current assets				
Inventories	L., 10.;	28,086,463	17,186,626	163
Non-current trade receivables	G., M., 06., 11.;	552,992	599,913	92
Current trade receivables	N., 12.;	45,788,894	38,610,435	119
Current investments	I., 13.;	2,972,315	4,057,263	73
Cash and cash equivalents	O., 14.;	2,311,835	2,151,773	107
Total current assets		79,712,499	62,606,010	127
Deferred expenses and accrued revenues	P., 15.;	638,727	324,080	197
Total assets		204,306,991	182,619,259	112
Equity and liabilities				
Equity				
Called-up capital		12,517,806	12,517,806	100
Capital reserves		102,032	96,478	106
Other profit reserves *		44,140,335	39,602,794	111
Retained earnings		3,521,207	2,757,976	128
Undistributed current profit *		4,674,756	3,715,818	126
General equity revaluation adjustments		19,190,518	19,190,518	100
Specific equity revaluation adjustments		2,728,883	1,725,152	158
Translation equity adjustment		(125,592)	(119,334)	105
Total equity not including minority interests	R., 16.;	86,749,945	79,487,208	109
Minority interests		27,451	25,122	109
Total equity	R., 16.;	86,777,396	79,512,330	109
Provisions				
Provisions from donations received		19,568	19,378	101
Other provisions		5,976,003	7,106,543	84
Total provisions	S., 17.;	5,995,571	7,125,921	84
Non-current liabilities				
Non-current financial liabilities	T., 18.;	30,566,245	27,633,775	111
Non-current trade payables	U., 19.;	419,270	434,942	96
Total non-current liabilities		30,985,515	28,068,717	110
Current liabilities				
Current financial liabilities	T., 20.;	26,252,201	18,635,382	141
Current trade payables	U., 21.;	50,842,814	45,779,373	111
Total current liabilities		77,095,015	64,414,755	120
Accrued expenses and deferred revenues	J., V., 22.;	3,453,494	3,497,536	99
Total equity and liabilities		204,306,991	182,619,259	112

* In accordance with the third paragraph of Article 228 of the Companies Act (the ZGD-F), undistributed net profit has been reduced by SIT 3,438,950 thousand and transferred into the profit reserves.

** Notes A to Z and 1 to 26 are an integral part of the financial statements and should be read in conjunction with them.

Consolidated cashflow statement (Petrol Group)

SIT 000	2005	2004	Index 05/04
Cash from operating activities	415,016,143	343,498,223	121
Operating income	421,274,719	353,059,820	119
Change in trade receivables	(5,943,929)	(9,581,157)	62
Change in deferred expenses and accrued revenues	(314,647)	19,560	-
Cash used in operating activities	415,689,234	333,458,779	125
Operating expenses less amortisation, depreciation and provisions	408,021,452	338,906,790	120
Taxes paid	1,938,855	1,247,548	155
Change in inventories	10,899,837	4,686,257	233
Change in trade payables	(5,114,404)	(11,610,239)	44
Change in accrued expenses and deferred revenues	(56,506)	228,423	-
Net cash from/(used in) operating activities *	(673,091)	10,039,444	-
Cash from investing activities	5,655,171	6,170,868	92
Investment income (not including revaluation)	4,570,198	2,367,545	193
Net decrease in current investments (not including revaluation)	1,084,973	3,803,323	29
Cash used in investing activities	15,994,830	16,575,821	96
Net increase in intangible assets (not including revaluation)	214,486	229,719	93
Net increase in fixed assets (not including revaluation and non-cash equity inputs)	12,216,711	15,258,415	80
Net increase in non-current investments (not including revaluation)	3,563,633	1,087,687	328
Net cash from/(used in) investing activities	(10,339,659)	(10,404,953)	99
Cash from financing activities	20,204,890	8,252,818	245
Finance income (not including revaluation)	5,585,133	2,878,494	194
Increase in equity (not including net profit) of the majority shareholders	5,554	41,487	13
Net increase in non-current financial liabilities (not including revaluation)	2,955,431	3,670,556	81
Net increase in current financial liabilities (not including revaluation)	11,658,772	1,662,281	701
Cash used in financing activities	9,032,078	7,528,590	120
Finance expenses (not including revaluation)	7,085,026	5,600,679	127
Decrease in equity (not including current loss) of the majority shareholders	0	161,010	-
Net decrease in provisions (not including revaluation)	93,056	263,847	35
Decrease in liabilities to owners (dividends and other profit-sharing)	1,853,996	1,503,054	123
Net cash from/(used in) financing activities *	11,172,812	724,228	1,543
Net cashflow during period	160,062	358,719	45
Closing balance of cash and cash equivalents	2,311,835	2,151,773	107
Net cashflow during period	160,062	358,719	45
Opening balance of cash and cash equivalents	2,151,773	1,793,054	120

* Trade payables arising from the purchase of petroleum products disclosed by Petrol d.d. to its subsidiaries abroad, increase the net cash used operating activities in the cashflow statement of Petrol d.d. In the consolidated cashflow statement these payables are excluded, because they arose within the Group. Subsidiaries finance the purchase of petroleum products by loans obtained outside the Petrol Group, which in the consolidated cashflow statement results in higher net cash from financing activities.

** Notes A to Z and 1 to 26 are an integral part of the financial statements and should be read in conjunction with them.

Consolidated statement of changes in equity (Petrol Group)

SIT 000	Share kapital	Capital reseves	Regulatory reserves	Treasury share reserves
Balance as at 31 December 2003	12,517,806	54,991	14,772,468	566,774
Transfers into capital accounts				
Transfer of net profit for 2004 financial year	0	0	0	0
Transfer of specific equity revaluation adjustments	0	0	0	0
Elimination of adjustment to value of treasury shares	0	0	0	119,523
Transfer of paid-up capital surplus from transactions in treasury shares	0	41,487	0	0
Transfers within capital accounts				
Distribution of net profit to other capital accounts pursuant to management board and supervisory board resolution	0	0	0	0
Release of treasury share reserves and distribution to other capital accounts	0	0	21,636	(21,636)
Distribution of profit for appropriation for 2003 financial year to create other profit reserves pursuant to general meeting resolution in 2004	0	0	0	0
Distribution of profit for appropriation for 2003 financial year to retained earnings pursuant to general meeting resolution in 2004	0	0	0	0
Transfers from capital accounts				
Payment of dividends pursuant to general meeting resolution in 2004	0	0	0	0
Payment of 2003 profit-sharing bonuses to supervisory board pursuant to general meeting resolution in 2004	0	0	0	0
Losses on foreign exchange differences	0	0	0	0
Balance as at 31 December 2004	12,517,806	96,478	14,794,104	664,662
Transfers into capital accounts				
Transfer of net profit for financial year 2005	0	0	0	0
Transfer of specific equity revaluation adjustments	0	0	0	0
Transfer of paid-up capital surplus from transactions in treasury shares	0	5,554	0	0
Transfers within capital accounts				
Distribution of net profit for 2005 to other capital accounts pursuant to management board and supervisory board resolution	0	0	0	0
Release of treasury share reserves and distribution to other capital accounts	0	0	3,639	(3,639)
Distribution of profit for appropriation for 2004 financial year to create other profit reserves pursuant to general meeting resolution in 2005	0	0	0	0
Distribution of profit for appropriation for 2004 financial year to retained earnings pursuant to general meeting resolution in 2005	0	0	0	0
Distribution of profit for 2004 for bonuses to the supervisory board as profit-sharing to retained profit pursuant to the general meeting resolution in 2005	0	0	0	0
Transfers from capital accounts				
Payment of dividends pursuant to general meeting resolution in 2005	0	0	0	0
Allocation of specific equity revaluation adjustment	0	0	0	0
Losses on foreign exchange differences	0	0	0	0
Balance as at 31 December 2005	12,517,806	102,032	14,797,743	661,023

* Notes A to Z and 1 to 26 are an integral part of the financial statements and should be read in conjunction with them.

Other profit reserves	Retained earnings	Net profit for the period	General equity revaluation adjustment	Specific equity revaluation adjustment	Translation equity adjustment	Total equity
20,182,286	2,015,555	2,976,726	19,190,518	85,830	(67,840)	72,295,114
0	0	6,946,310	0	0	0	6,946,310
0	0	0	0	1,639,322	0	1,639,322
0	0	0	0	0	0	119,523
0	0	0	0	0	0	41,487
3,230,492	0	(3,230,492)	0	0	0	0
0	0	0	0	0	0	0
2,234,305	(2,234,305)	0	0	0	0	0
0	2,976,726	(2,976,726)	0	0	0	0
(1,441,997)	0	0	0	0	0	(1,441,997)
(61,057)	0	0	0	0	0	(61,057)
0	0	0	0	0	(51,494)	(51,494)
24,144,028	2,757,976	3,715,818	19,190,518	1,725,152	(119,334)	79,487,208
0	0	8,113,706	0	0	0	8,113,706
0	0	0	0	1,837,085	0	1,837,085
0	0	0	0	0	0	5,554
3,438,950	0	(3,438,950)	0	0	0	0
0	0	0	0	0	0	0
3,002,968	(3,002,968)	0	0	0	0	0
0	3,715,818	(3,715,818)	0	0	0	0
(50,381)	50,381	0	0	0	0	0
(1,853,996)	0	0	0	0	0	(1,853,996)
0	0	0	0	(833,354)	0	(833,354)
0	0	0	0	0	(6,258)	(6,258)
28,681,569	3,521,207	4,674,756	19,190,518	2,728,883	(125,592)	86,749,945

Qualifications of group personnel, including personnel at franchised service stations			
	31. 12. 05	31. 12. 04	Index 05/04
Level I	79	100	79
Level II	181	234	77
Level III	43	49	88
Level IV	982	965	102
Level V	1,004	1,137	88
Level VI	124	103	120
Level VII	254	234	109
Postgraduate qualifications	26	26	100
Total	2,693	2,848	95
*number of personnel at franchised service stations	1,245	1,252	99

Disclosure of Individual Items in the Financial Statements of the Petrol Group

Note 01: Net sales revenues (Petrol Group)

SIT 000	2005	2004	Index 05/04
Goods	404,086,102	338,383,422	119
Energy activity	9,068,144	7,538,586	120
Services	6,542,997	6,427,382	102
Capitalised services	564,923	73,693	767
Total	420,262,166	352,423,083	119

The parent company generated 87.5% of the Group's net sales revenues, the subsidiary Petrol Trgovina d.o.o. Zagreb generated 4.5%, and the subsidiary Petrol BH Oil Company d.o.o., Sarajevo, generated 4.2%.

The parent company earned SIT 648,867 thousand revenues from energy activity, Petrol Energetika, d.o.o. generated SIT 6,487,184 thousand and Petrol Plin, d.o.o. SIT 1,932,093 thousand.

Revenues from capitalised own services are represented by capitalised own work related to tangible assets and implemented projects in the Petrol Group. Of these, Petrol Tehnologija, d.o.o. accounted for SIT 562,870 thousand.

Note 02: Historical cost of merchandise sold, costs and other operating expenses (Petrol Group)

SIT 000	2005	2004	Index 05/04
Historical cost of merchandise sold	372,532,581	308,485,014	121
Materials	2,080,417	1,704,360	122
Services	21,529,515	19,696,469	109
Compensation	10,838,485	10,878,076	100
Amortisation and depreciation	6,832,297	6,450,016	106
Losses on disposals, impairment and write-offs of intan. and fixed assets	158,778	338,927	47
Write-downs of current assets	400,451	739,416	54
Other costs	529,637	2,535,502	21
Other operating expenses	366,140	190,922	192
Total costs	415,268,301	351,018,702	118

The parent company accounts for the largest proportion of the Group's historical cost of merchandise sold (42.5%), followed by the subsidiaries Cypet Trade Ltd (33.8%-oil products), Petrol-Trade, H.m.b.H. (17.2%-oil products), Petrol Trgovina, d.o.o., Zagreb (2.5%-of which oil products account for 88.7% and supplementary products and other merchandise for 11.3%), Petrol BH Oil Company d.o.o., Sarajevo (2.3%-of which oil products account for 97.8% and supplementary products and other merchandise for 2.2%) and Petrol Energetika, d.o.o. (1.4%-energy activity). The other subsidiaries accounted for the remaining 0.3% of the historical cost of merchandise sold.

The bulk in the cost of materials of the Petrol Group is accounted for by the parent company (74.9%), followed by the subsidiaries Petrol Energetika, d.o.o. (8.8%), Petrol BH Oil Company d.o.o., Sarajevo (4.3%) and Petrol Plin, d.o.o. (4.2%).

The major part in the cost of services of the Petrol Group is incurred by the parent company (78.1%), followed by the subsidiaries Petrol Trgovina, d.o.o., Zagreb (4.0%), Petrol Energetika, d.o.o. (3.3%) and Petrol Plin, d.o.o. (0.7%).

The parent company accounts for the majority of compensation (54.6%), followed by the subsidiaries Petrol Maloprodaja Slovenija, d.o.o. (21.8%), Petrol Energetika, d.o.o. (6.4%), Petrol Tehnologija, d.o.o. (5.1%), Petrol Skladiščenje d.o.o. (4.1%) and Petrol Plin, d.o.o. (1.6%).

The major part in the cost of amortisation and depreciation of the Petrol Group is that of the parent company (83.9%), followed by the subsidiaries Petrol BH Oil Company d.o.o., Sarajevo (5.0%), Petrol Trgovina, d.o.o., Zagreb (4%), Petrol Energetika, d.o.o. (3.4%) and Petrol Plin, d.o.o. (1.6%).

Revaluation operating expenses on fixed assets in the amount of SIT 158,778 thousand mostly relate to the parent company (SIT 129,347 thousand), and expenses in the sale of fixed assets of the subsidiary Petrol BH Oil Company d.o.o., Sarajevo (SIT 17,733 thousand).

Write-downs of current assets totalling SIT 400,451 thousand mostly relate to the subsidiary Petrol BH Oil Company d.o.o., Sarajevo (SIT 194,106 thousand), and expenses in the sale of current assets of the subsidiary Petrol Trgovina, d.o.o., Zagreb (SIT 137,420 thousand).

Other costs in the amount of SIT 529,637 thousand mostly relate to the parent company (SIT 404,010 thousand).

Other operating expenses in the amount of SIT 366,140 thousand relate primarily to the parent company (SIT 229,094 thousand), whereas the remaining part relates to the subsidiary Petrol Energetika d.o.o. (SIT 79,125 thousand) and consists of accrued costs of system services.

Note 03: Finance income (Petrol Group)

SIT 000	2005	2004	Index 05/04
Finance income from participating interests			
Finance income from interests in affiliated companies	822,254	744,299	110
Other finance income from participating interests	522,909	859,180	61
Total	1,345,163	1,603,479	84
Finance income from non-current receivables (interest income)			
• from affiliated companies	35,726	32,432	110
• from others	125,571	59,105	212
Total	161,297	91,537	176
Finance income from non-current receivables (foreign exchange gains and others)			
• from affiliated companies	0	5,873	-
• from others	22,976	6,562	350
Total	22,976	12,435	185
Finance income from current receivables (interest income)			
• from joint ventures	334	144	232
• from affiliated companies	260	25	1,040
• from others	1,168,209	1,138,120	103
Total	1,168,803	1,138,289	103
Finance income from current receivables (foreign exchange gains and others)			
• from others	7,271,651	4,886,806	149
Total	7,271,651	4,886,806	149
Total	9,969,890	7,732,546	129

The major part of finance income from current receivables (interest income) of the Petrol Group is that of the parent company (89.6%), followed by the subsidiaries Petrol Trgovina, d.o.o., Zagreb (6.0%), Petrol BH Oil Company d.o.o., Sarajevo (2.1%), Petrol Energetika, d.o.o. (1.8%) and Petrol Plin, d.o.o. (0.3%).

The bulk of finance income from current receivables arising from foreign exchange gains and others of the Petrol Group is accounted for by the parent company (96.4%), followed by the subsidiary Petrol Trgovina, d.o.o., Zagreb (3.3%).

Note 04: Finance expenses (Petrol Group)

SIT 000	2005	2004	Index 05/04
Finance expenses from write-downs of investments			
Write-downs of investments in joint ventures	12,612	4,998	252
Write-downs of investments in subsidiaries	7,483	0	-
Other revaluation finance expenses	11,105	544,751	2
Total	31,200	549,749	6
Financial expenses for interest and other liabilities			
Financial expenses for interest to affiliated companies	8,332	0	-
Financial expenses for interest to others	1,819,653	1,206,223	151
Other finance expenses for exchange rate differences and others	5,577,822	4,739,702	118
Total	7,405,807	5,945,925	125
Total	7,437,007	6,495,674	114

The parent company accounts for the largest proportion of the Group's finance expenses for interest to others (69.0%), followed by the subsidiaries Cypet - Trade Ltd. (20.8%), Petrol-Trade H.m.b.H. (7.5%) and Petrol Trgovina, d.o.o., Zagreb (2.5%).

The bulk of finance expenses for exchange rate differences and others of the Petrol Group is accounted for by the parent company (99.2%).

Note 05: Corporate income tax (Petrol Group)

SIT 000	2005	2004	Index 05/04
Parent company			
Income	395,423,464	332,665,840	119
Expenses	(386,247,433)	(324,765,670)	119
Difference between income and expenses recognised for tax purposes	9,176,031	7,900,170	116
Increase in taxable base	71,678	241,238	30
Taxable base	9,247,709	8,141,408	114
Tax reliefs	(2,116,899)	(3,589,145)	59
Tax base	7,130,810	4,552,263	157
Petrol d.d.	1,782,702	1,138,066	157
Cypet Oils, Ltd and Cypet Trade, Ltd	14,644	27,702	53
Petrol Trade, H.m.b.H	60,628	37,262	163
Petrol Tehnologija, d.o.o.	3,126	1,647	190
Petrol Skladiščenje, d. o. o.	3,770	3,017	125
Petrol Maloprodaja Slovenija, d.o.o.	19,346	12,991	149
Petrol Plin, d.o.o.	18,720	0	-
Petrol Energetika, d.o.o.	28,251	0	-
Petrol BH Oil Company, d.o.o.	7,668	20,303	38
Petrol Gostinstvo, d.o.o.	0	6,560	-
Total corporate income tax	1,938,855	1,247,548	155

The effective tax rate of Petrol Group in 2005 was 19.4%.

Note 06: Deferred taxes (Petrol Group)

SIT 000	Taxable temporary differences	Tax rate	Deferred tax assets
Balance as at 1 January 2005	103,144	25%	25,786
Adjustment to trade receivables from customers	33,424	25%	8,356
Accrued costs	69,037	25%	17,259
Provisions	81,181	25%	20,295
Inventories	21,408	25%	5,352
Total effect on income statement	205,050	25%	51,262
Balance as at 31 December 2005	308,194	25%	77,048

Note 07: Intangible assets (Petrol Group)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Long-term deferred costs	188,635	199,372	95
Licenses	217,828	235,549	92
Other rights and other costs (concessions)	1,616,229	1,679,273	96
Intangible assets in acquisition	90,156	7,314	1,233
Total	2,112,848	2,121,508	100

Statement of changes in intangible assets (Petrol Group)

SIT 000	Long-term deferred costs	Licenses	Other rights and other costs (concessions)	Intangible assets in acquisition	Total
Historical cost					
Balance as at 1 January 2005	473,759	658,743	1,970,321	7,314	3,110,138
Acquisitions	-	11,796	1,213	297,612	310,621
Alienations	(2,010)	(3,636)	(124,843)	(24,247)	(154,736)
Transformations from intangible assets in acquisition	13,041	60,834	116,811	(190,685)	-
Foreign exchange differences	-	67	15,829	163	16,059
Balance as at 31 December 2005	484,790	727,804	1,979,331	90,156	3,282,081
Adjustments to value					
Balance as at 1 January 2005	(274,387)	(423,195)	(291,048)	-	(988,630)
Amortisation	(23,778)	(88,224)	(111,144)	-	(223,146)
Alienations	2,010	1,709	40,318	-	44,038
Foreign exchange differences	-	(267)	(1,228)	-	(1,495)
Balance as at 31 December 2005	(296,155)	(509,977)	(363,102)	-	(1,169,234)
Net book value as at					
31 December 2005	188,635	217,828	1,616,229	90,156	2,112,848
Net book value as at					
31 December 2004	199,372	235,549	1,679,273	7,314	2,121,508

Of the total intangible assets of the Petrol Group, 50.6% are accounted for by the parent company, 19.7% by the subsidiary Petrol Trgovina d.o.o. Zagreb (rights for sub-concession based on the contract on Rijeka-Zagreb motorway), 23.1% by the subsidiary Petrol Energetika d.o.o., Ravne (long-term property rights) and 6.5% by the subsidiary Petrol Plin, d.o.o. (other rights-concessions).

Note 08: Fixed assets (Petrol Group)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Land	26,604,079	24,729,859	108
Civil engineering works	58,560,250	55,820,211	105
Plants and machinery	808,259	683,033	118
Other equipment	7,802,613	8,213,914	95
Investments underway and replacement parts	8,247,376	7,513,695	110
Advances for fixed assets	39,829	1,112,207	4
Total	102,062,406	98,072,919	104

Changes in fixed assets (Petrol Group)							
SIT 000	Land	Civil engineering works	Plants and machinery	Equipment	Fixed assets under acquisition	Advances	Total
Historical cost							
Balance as at 1 January 2005	24,729,859	91,771,023	3,577,656	29,059,944	7,513,695	1,122,257	157,774,435
Acquisitions	-	460,258	245,752	1,640	12,451,478	387,716	13,546,845
Alienations	(261,349)	(944,328)	(44,107)	(1,640,997)	(737,786)	(1,463,884)	(5,092,451)
Transformations from fixed assets in acquisition	2,100,041	6,626,231	15,573	2,287,348	(11,029,193)	-	-
Foreign exchange differences	35,528	114,084	-	33,338	49,181	(573)	231,558
Balance as at 31 December 2005	26,604,079	98,027,268	3,794,874	29,741,272	8,247,376	45,516	166,460,386
Adjustments to value							
Balance as at 1 January 2005	-	(35,950,812)	(2,894,623)	(20,846,030)	-	(10,050)	(59,701,515)
Adjustment to advances	-	-	-	-	-	(3,163)	(3,163)
Depreciation	-	(4,115,398)	(132,004)	(2,361,749)	-	-	(6,609,151)
Alienations	-	613,347	40,012	1,282,233	-	7,526	1,943,118
Foreign exchange differences	-	(14,156)	-	(13,113)	-	-	(27,269)
Balance as at 31 December 2005	-	(39,467,019)	(2,986,615)	(21,938,659)	-	(5,687)	(64,397,980)
Net book value as at							
31 December 2005	26,604,079	58,560,250	808,259	7,802,613	8,247,376	39,829	102,062,406
Net book value as at							
31 December 2004	24,729,859	55,820,211	683,033	8,213,914	7,513,695	1,112,207	98,072,919

Of the Petrol Group's fixed assets 76.9% are accounted for by the parent company, 7.8% by the subsidiary Petrol BH Oil Company, d.o.o., Sarajevo (of which buildings 51.8%, land 24.9%, fixed assets in acquisition 13.1% and equipment 10.0%), 6.5% by the subsidiary Petrol Trgovina, d.o.o., Zagreb (of which buildings 63.2%, land 22.9%, equipment 11.7% and fixed assets in acquisition 2.2%), 3.5% by the subsidiary Petrol Plin d.o.o. (of which buildings 65.2% and fixed assets in acquisition 32.4%) and 2.7% by the subsidiary Petrol Energetika, d.o.o. (of which buildings 57.1% and plants and machinery 28.9%).

Of the alienation of advances in the amount of SIT 1,463,884 thousand, 62.7% is accounted for by the subsidiary Petrol BH Oil Company d.o.o., Sarajevo, and 36.1% by the parent company.

Tangible assets of the Petrol Group are not pledged and are owned by the parent company and the subsidiaries of the Group.

Note 09: Non-current investments (Petrol Group)

	31. 12. 05	31. 12. 04	Index 05/04
SIT 000			
Investments in participating interests - affiliated companies	12,902,757	12,255,593	105
Investments in participating interests - joint ventures	3,451,266	3,420,792	101
Investments in shares and participating interests - other companies	1,540,739	1,638,000	94
Non-current financial receivables from affiliated companies	469,965	461,251	102
Non-current financial receivables from others	754,761	1,054,444	72
Investments in repurchased treasury shares	661,023	664,662	99
Total	19,780,511	19,494,742	101

Note 10: Inventories (Petrol Group)

	31. 12. 05	31. 12. 04	Index 05/04
SIT 000			
Raw material and materials	205,323	297,904	69
Merchandise	27,881,140	16,888,722	165
Total	28,086,463	17,186,626	163

Inventories	Material	Merchandise	Total
Surplus in physical inventory	203	241,080	241,283
Deficit in physical inventory	0	969,500	969,500
Write-downs of inventories	5,740	251,085	256,825

The parent company accounts for 92.8% of the inventories of merchandise of the Petrol Group, whereas the respective figures of the subsidiaries Petrol Trgovina, d.o.o., Zagreb, and Petrol Plin, d.o.o. are 5.6% and 0.6% respectively.

As at 31 December 2005 the Petrol Group made no value adjustments of inventories, since the management board assessed that net realisable value was higher than the historical cost.

The Petrol Group has no inventories pledged as collateral.

Note 11: Non-current trade receivables (Petrol Group)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Non-current trade receivables from customers	13,724	13,043	105
Non-current trade receivables from others	462,220	561,084	82
Receivables from deferred tax	77,048	25,786	299
Total non-current receivables	552,992	599,913	92

The Group's non-current trade receivables in the amount of SIT 475,944 thousand mostly consist of the parent company's non-current trade receivables (92.7%).

Receivables arising from deferred tax are explained in more detail in Note 6 - Deferred taxes (Petrol Group).

Note 12: Current trade receivables (Petrol Group)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Current trade receivables from customers	37,722,292	31,595,885	119
Adjustment to value of receivables from customers	(4,699,509)	(4,783,356)	98
Current trade receivables from affiliated companies	102,164	50,976	200
Current trade receivables from joint ventures	9,475	372	2,547
Other current trade receivables:	12,654,474	11,746,558	108
• from government and other institutions	2,989,873	3,951,015	76
• warranties and advances	85,609	159,709	54
• other current receivables	9,808,508	7,846,725	125
• adjustment to value of other current receivables	(229,516)	(210,891)	109
Total	45,788,896	38,610,435	119

Changes in adjustments to value of receivables (Petrol Group)

SIT 000	Adjustment to value of receivables from customers	Adjustment to value of other current receivables	Total
Balance as at 1 January 2005	(4,783,356)	(210,891)	(4,994,247)
Adjustments	(108,938)	(22,006)	(130,944)
Write-downs	192,785	3,382	196,167
Balance as at 31 December 2005	(4,699,509)	(229,516)	(4,929,025)

Current trade receivables (Petrol Group)

SIT 000	not overdue	In terms of due date:				Total
		up to 30 days overdue	up to 60 days overdue	up to 90 days overdue	more than 90 days overdue	
Current trade receivables from customers	25,230,757	5,450,695	1,259,109	34,890	1,047,332	33,022,783
Current trade receivables from affiliated companies	102,074	38	-	52	-	102,164
Current trade receivables from joint ventures	9,475	-	-	-	-	9,475
Other current trade receivables	11,857,398	561,585	99,385	791	135,315	12,654,474
Total	37,199,704	6,012,318	1,358,494	35,733	1,182,647	45,788,896

Other current trade receivables of the Petrol Group in the amount of SIT 9,578,992 thousand mostly consist of the parent company's other current trade receivables (94.4%).

Note 13: Current investments (Petrol Group)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Short-term loans made to other companies	924,311	699,501	132
Other current investments	1,037,996	3,321,815	31
Bank deposits	1,010,008	35,947	-
Total	2,972,315	4,057,263	73

Short-term loans made to other companies totalling SIT 924,311 thousand primarily relate to the subsidiary Petrol Trgovina, d.o.o., Zagreb, in the amount of SIT 566,662 thousand (investments in Raiffeisen monetary fund), which accounts for 61.3% of all short-term loans made to other companies. The parent company accounts for 38.3% or SIT 354,139 thousand.

Other current investments include current investments in shares and bonds of the parent company.

The majority of the Group's deposits placed with banks in the amount of SIT 1,010,008 thousand are accounted for by the parent company's bank deposits (SIT 1,007,008 thousand).

Note 14: Cash and cash equivalents

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Cash in registers and cheques received	55,085	24,817	222
Bank balances in Slovenia	2,256,750	2,126,956	106
Total	2,311,835	2,151,773	107

Note 15: Deferred expenses and accrued revenues (Petrol Group)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Short-term deferred costs and expenses	523,808	225,106	233
Accrued revenues	114,919	98,974	116
Total	638,727	324,080	197

Short-term deferred costs and expenses in the amount of SIT 523,808 thousand consist primarily of the short-term deferred costs and expenses of the parent company in the amount of SIT 472,295 thousand (90.2%), and those of Petrol Energetika d.o.o. in the amount of SIT 18,469 thousand (3.5%), which represent temporarily deferred costs arising from the purchase value of natural gas not yet charged.

Accrued revenues totalling SIT 114,919 thousand are accounted for by accrued revenues of the parent company.

Note 16: Changes in equity (Petrol Group)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Called-up capital	12,517,806	12,517,806	100
Capital reserves	102,032	96,478	106
Other profit reserves	44,140,335	39,602,794	111
Retained earnings	3,521,207	2,757,976	128
Undistributed current profit	4,674,756	3,715,818	126
General equity revaluation adjustments	19,190,518	19,190,518	100
Specific equity revaluation adjustments	2,728,883	1,725,152	158
Translation equity adjustment	(125,592)	(119,334)	105
Total equity less minority interests	86,749,945	79,487,208	109
Minority interests	27,451	25,122	109
Total equity	86,777,396	79,512,330	109

Note 17: Provisions (Petrol Group)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Provisions for pensions and similar liabilities	52,212	32,125	163
Provisions for tax liabilities	7,692	0	-
Other provisions	5,935,667	7,093,796	84
• provisions for major repairs	0	637,366	-
• provisions for environmental assets	5,812,338	6,335,347	92
• provisions for assets acquired free of charge	19,568	19,378	101
• other provisions	103,761	101,705	102
Total	5,995,571	7,125,921	84

The Group's provisions for pensions and similar liabilities are accounted for by those of the subsidiaries Petrol-Trade H.m.b.H. (79.8%) and Cypet – Trade Ltd (20.2%).

All provisions for tax liabilities are represented by the provisions established by the subsidiary Cypet Oils Ltd.

Other provisions of the Group consist mostly of provisions for environmental assets of the parent company in the amount of SIT 5,831,178 thousand or 98.2%.

The remainder of other provisions in the amount of SIT 101,705 thousand relates to the subsidiary Petrol Energetika d.o.o., and its provisions for difficult long-term contracts signed.

Note 18: Non-current financial liabilities (Petrol Group)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Non-current financial liabilities to banks	30,566,245	24,437,201	125
Non-current financial liabilities to others	0	3,196,574	0
Total	30,566,245	27,633,775	111

Non-current financial liabilities (Petrol Group) - in terms of maturity

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Non-current financial liabilities - 1-5 years	15,337,315	5,927,553	259
Non-current financial liabilities - over 5 years	15,228,930	21,706,222	70
Total	30,566,245	27,633,775	111

The balance of loans received from banks stood at SIT 30,566,245 thousand as at 31 December 2005. The majority in the amount of SIT 29,654,805 thousand (or 97.0%) consists of borrowing by the parent company, with the remainder of SIT 911,440 thousand (or 3.0%) relating to the subsidiary Petrol Trgovina d.o.o., Zagreb.

All non-current financial liabilities are free of material pledges.

The weighted average annual interest rate on long-term borrowing from banks was 3.249 % as at 31 December 2005.

Note 19: Non-current trade payables (Petrol Group)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Non-current trade payables to others	419,270	434,942	96
Total	419,270	434,942	96

Non-current trade payables in the amount of SIT 419,270 thousand relate to the non-current trade payables of the parent company in the amount of SIT 338,190 thousand (or 80.7%) and to the non-current trade payables of the subsidiary Petrol Plin d.o.o. in the amount of SIT 81,080 thousand (or 19.3%), which consist of non-current trade payables arising from assets taken into management to the municipality of Rogatec (SIT 59,009 thousand) and to the municipality of Vodice (SIT 22,071 thousand).

Note 20: Current financial liabilities (Petrol Group)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Current financial liabilities to banks	18,741,187	8,561,144	219
Current financial liabilities to banks - transfer from non-current fin. liabilities to banks	7,092,661	5,771,542	123
Current financial liabilities to affiliated companies - Marche Gostinstvo d.o.o.	355,569	0	-
Current financial liabilities to others	62,784	4,302,696	-
Total	26,252,201	18,635,382	141

Current financial liabilities to banks totalling SIT 25,833,848 thousand mostly consist of the parent company's current financial liabilities in the amount of SIT 12,792,488 thousand, with the subsidiary Cypet Trade Ltd accounting for SIT 7,225,525 thousand and the subsidiary Petrol-Trade H.m.b.H accounting for SIT 5,468,313 thousand.

Current financial liabilities to affiliated companies include deposit of the affiliated company Marche Gostinstvo d.o.o. to the parent company.

The weighted average annual interest rate on short-term borrowing from banks was 4.11 % as at 31 December 2005.

Note 21: Current trade payables (Petrol Group)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Current trade payables to joint ventures	155,176	138,089	112
Current trade payables to affiliated companies	59,904	88,506	68
Current trade payables for advances received	94,599	75,863	125
Current trade payables to suppliers	33,597,573	26,485,167	127
Current trade payables to others	16,935,562	18,991,748	89
• from transactions for others	184,060	11,241	1,637
• to employees	690,861	929,011	74
• to government and other institutions	15,845,565	17,422,175	91
• others	215,076	629,321	34
Total	50,842,814	45,779,373	111

The bulk of the Group's current trade payables to suppliers is accounted for by the subsidiary Cypet – Trade Ltd (55.3%), followed by the parent company (32.5%) and the subsidiaries Petrol-Trade, H.m.b.H. (7.2%) and Petrol Energetika, d.o.o. (2.8%).

Liabilities to government institutions in the amount of SIT 15,845,565 thousand primarily consist of the parent company's liabilities to government institutions in the amount of SIT 14,887,729 thousand (or 94.0%).

Note 22: Accrued expenses and deferred revenues (Petrol Group)

SIT 000	31. 12. 05	31. 12. 04	Index 05/04
Accrued costs and expenses	3,259,367	3,455,011	94
Short-term deferred revenues	194,127	42,525	457
Total	3,453,494	3,497,536	99

Short-term accrued costs and expenses in the amount of SIT 3,259,367 thousand consist primarily of the short-term accrued costs and expenses of the parent company in the amount of SIT 3,022,480 thousand or 92.2%, those of the subsidiary Petrol Energetika, d.o.o. totalling SIT 103,618 thousand (SIT 79,125 thousand is accounted for by accrued costs arising from system services, SIT 24,456 thousand by accrued costs arising from rent for cogeneration), those of the subsidiary Petrol BH Oil Company d.o.o., Sarajevo in the amount of SIT 67,081 thousand (SIT 4,165 thousand is accounted for by prepaid legal fees and SIT 62,916 thousand by accrued costs of contingent liabilities) and those of the subsidiary Petrol Plin, d.o.o. in the amount of SIT 15,159 thousand (SIT 6,321 thousand is accounted for by accrued costs of concession fees and SIT 8,838 thousand by accrued costs for potentially lost judicial suits).

Short-term deferred revenues in the amount of SIT 194,127 thousand primarily consist of the short-term deferred revenues of the subsidiary Petrol Trgovina, d.o.o., Zagreb in the amount of SIT 123,543 thousand (or 63.6%), which relate to deferred revenues from the sale of compulsory reserves of petroleum products, short-term deferred revenues of the subsidiary Petrol Energetika, d.o.o. in the amount of SIT 50,920 thousand or 26.2%, relating to heat already invoiced, and short-term deferred revenues of the parent company equalling SIT 19,664 thousand or 10.1%.

Note 23: Earnings of members of management board and supervisory board, and of employees on individual contracts

Earnings of supervisory board members			
SIT 000	Session fees	Other earnings	Total
Members of the supervisory board since 5 April 2005	2,350	0	2,350
Jože Zagožen, president of supervisory board	723	0	723
Matjaž Gantar, member of supervisory board	323	0	323
Igor Irgolič, member of supervisory board until 30 November 2005	452	0	452
Mičo Mrkaič, member of supervisory board until 20 July 2005	129	0	129
Milan Podpečan, member of supervisory board	594	0	594
Viktor Baraga, member of supervisory board since 16 July 2005	129	0	129
Members of the supervisory board since 21 February 2005	2,822	0	2,822
Samo Gerdin, member of supervisory board, employee repres.	1,113	0	1,113
Cvetka Žigart, member of supervisory board, employee repres.	935	0	935
Ciril Pirš, member of supervisory board, employee repres.	774	0	774
Members of the supervisory board until 4 April 2005	1,290	182	1,472
Miran Mejak, member of supervisory board *	361	182	543
Uroš Slavinec, member of supervisory board	219	0	219
Irena Starman, member of supervisory board	323	0	323
Jože Stanič, member of supervisory board until 15 July 2005	387	0	387
Members of the supervisory board until 20 February 2005	552	0	552
Andrej Medved, member of supervisory board, employee repres.	129	0	129
Miran Obreza, member of supervisory board, employee repres.	129	0	129
Tomaž Jamnik, member of supervisory board, employee repres.	95	0	95
Nina Potisek, member of supervisory board, employee repres.	104	0	104
Silvan Simčič, member of supervisory board, employee repres.	95	0	95
Total	7,014	182	7,196

* other income of the president of the SB is composed of reimbursements of material costs for the performance of contractually determined functions, in accordance with Article 277 of the Companies Act

Earnings of management board members				
SIT 000	Fixed earnings	Variable earnings	Other earnings	Total
Members of the management board since 1 December 2005	29,390	6,873	417	36,680
Marko Kryžanowski, president of management board	3,929	0	0	3,929
Igor Irgolič, deputy-president of management board ¹	2,995	0	223	3,218
Alenka Vrhovnik Težak, member of management board ¹	2,995	0	52	3,047
Boštjan Napast, member of management board ¹	2,999	0	67	3,066
Bojan Herman, director / employee representative ²	16,472	6,873	75	23,420
Members of management board until 30 November 2005	100,988	83,878	141,199	326,065
Janez Lotrič, president of management board ¹	43,285	55,081	101,341	199,707
Marija Lah, member of management board ^{1, 3}	32,937	15,003	3,799	51,739
Vladimir Jančič, member of management board until 30 September 2005 ¹	24,766	13,794	36,059	74,619
Total	130,378	90,751	141,616	362,745

¹ Other earnings refer to company benefit value for the use of the company car, compensation and severance pay.

² The variable part of earnings referring to payments in shares represents 46 shares in the amount of SIT 6,598 thousand.

³ The variable part of earnings referring to payments in shares represents 98 shares in the amount of SIT 15,003 thousand.

The total earnings and emoluments paid in 2005 to employees on individual contracts to whom the tariff section of the collective agreement does not apply (excluding members of the management board) amounted to SIT 1,924,585 thousand.

The total earnings paid to members of the workers council in 2005 amounted to SIT 3,493 thousand.

As at 31 December 2005 the Petrol Group posted no liabilities to or receivables from the members of the supervisory board and the management board.

Note 24: Balances within the Petrol Group

(SIT 000)	31. 12. 2005	31. 12. 2004
Non-current financial receivables	2,009,126	1,997,415
Non-current trade receivables	5,394	6,206
Current trade receivables	39,180,236	18,323,674
Current financial receivables - loans granted	2,657,464	2,844,600
Deferred expenses and accrued revenues	329	0
Non-current financial liabilities	2,009,126	1,997,415
Non-current trade payables	5,394	6,206
Current financial liabilities	2,657,464	2,844,600
Current trade payables	39,213,175	18,334,827
Accrued expenses and deferred revenues	329	0

Turnover generated in the bus. year in the Petrol Group		
(SIT 000)	2005	2004
Net sales revenues	213,081,226	128,046,138
Historical cost of merchandise sold	209,042,131	123,699,199
Distribution costs	4,529,585	4,569,574
Administrative costs	29,571	43,173
Other operating income	11,206	228,081
Finance income from non-current receivables - interest income	89,808	101,784
Finance income from non-current receivables - foreign exchange gains and others	0	11,075
Finance income from current receivables - interest income	92,653	180,214
Finance income from current receivables - foreign exchange gains and others	22,682	0
Finance expenses - interest	181,606	284,244
Finance expenses - foreign exchange losses and others	5,740	15,057

Note 25: Off-balance-sheet items (Petrol Group)

Off-balance sheet receivables and liabilities of subsidiaries from the Petrol Group in 2005 amounted to SIT 993,865 thousand. Of these, the written-off inventory accounted for SIT 29,297 thousand, goods received for commission sales for SIT 10,053 thousand, guarantees for securing payment for SIT 291,781 thousand, whereas leased, rented and let assets accounted for SIT 535,332 thousand, the inventories of the RS for commodity reserves for SIT 105,851 thousand and other for SIT 21,551 thousand.

Note 26: Subsequent events

Annual accounting report and all interim financial statements of the Petrol Group are since 1 January 2006 prepared only in line with International Financial Reporting Standards.

**Consolidated and Unconsolidated Financial Statements
of Petrol Group and Petrol d.d., Ljubljana**

**for year ended
31 december 2005**

(Prepared in accordance with
International Financial Reporting Standards,
as adopted by the European Union)

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AUDITORS' REPORT

to the owners of
PETROL, Slovenska energetska družba, d.d., Ljubljana

We have audited the accompanying balance sheets of PETROL, Slovenska energetska družba, d.d., Ljubljana (the 'Company') and the Petrol Group (the 'Group') as of 31 December 2005 and the related statements of income, cash flows and changes in equity as well as notes to the financial statements for the year then ended. We have also reviewed the Business Report prepared by the Management. The Management of the Company is responsible for the preparation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance the International Standards on Auditing. These 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 principles used and the significant estimates made by the Management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and the notes referred to in the first paragraph give a true and fair view of the financial position of the Company and the Group as at 31 December 2005 and the results of their operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

The Business Report is consistent with the audited consolidated financial statements.

Deloitte & Touche revizija d.o.o.

Lidija Jezernik
Certified Auditor
Member of the Board



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

Ljubljana, 10 March 2006

TRANSLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

Audit. Tax. Consulting. Financial Advisory.

Družba je članica
Deloitte Touche Tohmatsu

Petrol Group and Petrol d.d. General Information

Petrol Group and Petrol d.d.

The Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards ('IFRS') as published by the International Accounting Standards Board which give a true and fair view of the state of affairs and results Petrol d.d. (the 'Company') and its subsidiaries (together 'PETROL Group' or the 'Group') for that period.

After making enquiries, the Management Board has a reasonable expectation that the Group and the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the responsibilities of the Management Board include ensuring that:


- suitable accounting policies are selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and the Company and must also ensure that the financial statements comply with International Financial Reporting Standards ('IFRS'). The Management Board is also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Management Board state, that financial statements are in compliance with IFRSs without unreserved statement.

Signed on behalf of the Management Board

Marko Kryžanovski



Petrol d.d.
Dunajska 50, 1000 Ljubljana, Slovenia

6 March 2006

These financial statements are presented in Slovenian Tolars because that is the currency of the primary economic environment in which the Group and the Company operates. Foreign operations are included in accordance with the policies set out in accounting policies H - Foreign currency translation.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out after financial statements.

Petrol Group - Consolidated and unconsolidated income statements for year ended 31 December 2005

in 000 SIT	Notes	2005	2004
Revenue	1	420,211,762	352,362,066
Cost of sales		(372,532,581)	(308,485,020)
Gross profit		47,679,181	43,877,046
Other operating income		2,197,033	3,158,026
Distribution costs		(33,401,889)	(33,297,838)
Administrative expenses		(9,642,729)	(9,825,103)
Profit from operations	2	6,831,596	3,912,131
Share of result	5	1,798,228	1,633,676
Finance income - net	3	1,624,396	412,892
Profit before tax		10,254,220	5,958,699
Taxation	6	(1,854,271)	(1,057,293)
Profit after tax and before minority interest		8,399,949	4,901,406
Minority interest	31	(2,165)	(921)
Net profit for the year		8,397,784	4,900,485
Basic earnings per share	7	4,077	2,379

The accounting policies and the notes are an integral part of these consolidated financial statements.

Petrol d.d. - Consolidated and unconsolidated income statements for year ended 31 December 2005

in 000 SIT	Notes	2005	2004
Revenue	1	384,530,581	320,747,390
Cost of sales		(343,753,127)	(282,160,446)
Gross profit		40,777,454	38,586,944
Other operating income		1,634,383	2,427,751
Distribution costs		(30,037,966)	(30,572,835)
Administrative expenses		(7,121,553)	(7,508,011)
Profit from operations	2	5,252,318	2,933,849
Dividend income	5	1,827,888	3,783,925
Finance income - net	3	1,908,740	300,744
Profit before tax		8,988,946	7,018,518
Income tax	6	(1,702,810)	(1,032,655)
Net profit for the year		7,286,136	5,985,863
Earnings per share	7	3,537	2,906

The accounting policies and the notes are an integral part of these consolidated financial statements.

Petrol Group - Consolidated and unconsolidated balance sheet as of 31 December 2005

in 000 SIT	Notes	31 December 2005	31 December 2004
Assets			
Non-current assets			
Intangible assets	9	1,971,034	1,974,914
Property, plant and equipment	10	97,542,502	91,674,110
Property, plant and equipment - held-for-sale	10	0	533,556
Investment property	11	4,520,726	4,793,697
Investments in associates	13	12,830,468	12,212,642
Investments in jointly controlled entities	14	3,440,975	3,411,063
Available for sale investments	15	2,952,175	7,041,168
Long-term receivables	16	1,691,586	2,089,822
Deferred income tax assets	23	320,944	303,472
		125,270,410	124,034,444
Current assets			
Inventories	17	28,076,162	17,186,626
Trade and other receivables	18	47,552,216	39,357,142
Investments held for trading	19	0	142,012
Accruals	20	688,857	1,436,287
Cash and cash equivalents	21	2,701,234	2,140,513
		79,018,469	60,262,580
Total assets		204,288,879	184,297,024
Equity and liabilities			
Capital and reserves			
Share capital	29	12,517,806	12,517,806
Treasury shares	29	(661,023)	(664,662)
Equity reserves	30	19,292,550	19,286,996
Legal and other reserves	30	43,493,542	38,944,127
Fair value reserves	30	144,000	1,526,667
Fixed asset valuation reserves	30	650,208	650,208
Translation reserves	30	457,657	100,716
Retained earnings		9,313,218	7,318,845
		85,207,958	79,680,703
Minority interest	31	26,456	24,290
Total equity		85,234,414	79,704,993
Non-current liabilities			
Borrowings	22	30,536,312	27,617,000
Deferred income tax liabilities	23	107,511	635,512
Employee benefits	24	938,168	1,047,907
Provisions	25	6,152,552	6,615,219
Other liabilities		419,270	434,942
		38,153,813	36,350,580
Current liabilities			
Trade and other payables	26	50,842,808	45,779,370
Borrowings	22	26,329,150	18,923,983
Prepayments	27	3,728,694	3,538,098
		80,900,652	68,241,451
Total liabilities		119,054,465	104,592,031
Total equity and liabilities		204,288,879	184,297,024

The accounting policies and the notes are an integral part of these consolidated financial statements.

Petrol d.d. - Consolidated and unconsolidated balance sheet as of 31 December 2005

in 000 SIT	Notes	31 December 2005	31 December 2004
Assets			
Non-current assets			
Intangible assets	9	931,640	966,438
Property, plant and equipment	10	73,960,591	71,124,738
Property, plant and equipment - held-for-sale	10	0	533,556
Investment property	11	4,520,726	4,793,697
Investments in associates	13	9,717,271	9,572,575
Investments in jointly controlled entities	14	1,722,404	1,722,404
Investments in subsidiaries	12	23,942,751	21,475,043
Available for sale investments	15	2,902,872	7,003,628
Long-term receivables	16	3,680,448	4,087,237
Deferred income tax assets	23	116,252	106,416
		121,494,955	121,385,732
Current assets			
Inventories	17	25,880,040	15,957,478
Trade and other receivables	18	44,443,423	35,917,199
Trading investments	19	0	142,012
Accruals	20	606,043	552,512
Cash and cash equivalents	21	1,699,923	1,026,803
		72,629,429	53,596,004
Total assets		194,124,384	174,981,736
Equity and liabilities			
Capital and reserves			
Share capital	29	12,517,806	12,517,806
Treasury shares	29	(661,023)	(664,662)
Equity reserves	30	19,292,550	19,286,996
Legal and other reserves	30	43,479,312	38,938,132
Fair value reserves	30	144,000	1,526,667
Retained earnings		1,701,091	810,132
Total equity		76,473,736	72,415,071
Non-current liabilities			
Borrowings	22	29,624,872	26,363,167
Deferred income tax liabilities	23	99,916	630,861
Employee benefits	24	442,244	459,617
Provisions	25	5,867,484	6,380,737
Other liabilities		338,190	350,714
		36,372,706	34,185,096
Current liabilities			
Trade and other payables	26	63,045,841	47,883,083
Borrowings	22	15,061,924	17,345,285
Prepayments	27	3,170,177	3,153,201
		81,277,942	68,381,569
Total liabilities		117,650,648	102,566,665
Total equity and liabilities		194,124,384	174,981,736

The accounting policies and the notes are an integral part of these consolidated financial statements.

Petrol Group - Consolidated statement of changes in shareholders' equity for year ended 31 December 2005

in 000 SIT	Share capital	Treasury shares	Equity reserves	Legal reserves
Balance at 1 January 2004	12,517,806	(691,041)	19,245,509	14,772,468
Gain on revaluation of available-for-sale investments				
Tax on items taken directly to equity				
Exchange difference on translation of foreign operations				
Gain on treasury shares sold			41,487	
Treasury shares sold		26,379		
Transfer to other reserves				27,631
Payment to supervisory board				
Dividend relating to 2003				
Current year profit				
Balance at 31 December 2004	12,517,806	(664,662)	19,286,996	14,800,099
Balance at 1 January 2005	12,517,806	(664,662)	19,286,996	14,800,099
Gain on revaluation of available-for-sale investments				
Tax on items taken directly to equity				
Exchange difference on translation of foreign operations				
Gain on treasury shares sold			5,554	
Treasury shares sold		3,639		
Transfer from retained earnings to reserves				11,874
Dividend relating to 2004				
Current year profit				
Balance at 31 December 2005	12,517,806	(661,023)	19,292,550	14,811,973

Petrol d.d. - Consolidated statement of changes in shareholders' equity for year ended 31 December 2005

	Share capital	Treasury shares	Equity reserves
Balance at 1 January 2004	12,517,806	(691,041)	19,245,509
Gain on revaluation of available-for-sale investments			
Tax on items taken directly to equity			
Gain on treasury shares sold			41,487
Treasury shares sold		26,379	
Transfer to other reserves			
Payment to supervisory board			
Dividend relating to 2003			
Current year profit			
Balance at 31 December 2004	12,517,806	(664,662)	19,286,996
Balance at 1 January 2005	12,517,806	(664,662)	19,286,996
Gain on revaluation of available-for-sale investments			
Tax on items taken directly to equity			
Gain on treasury shares sold			5,554
Treasury shares sold		3,639	
Transfer from retained earnings to reserves			
Dividend relating to 2004			
Current year profit			
Balance at 31 December 2005	12,517,806	(661,023)	19,292,550

The accounting policies and the notes are an integral part of these consolidated financial statements.

Fair value reserves	Fixed assets valuation reserves	Translation reserves	Other reserves	Retained earnings	Total
574,268	650,208	60,660	21,062,464	7,030,609	75,222,951
1,269,866					1,269,866
(317,467)					(317,467)
		40,056			40,056
					41,487
					26,379
			4,584,618	(4,612,249)	-
			(61,057)		(61,057)
			(1,441,997)		(1,441,997)
				4,900,485	4,900,485
1,526,667	650,208	100,716	24,144,028	7,318,845	79,680,703
1,526,667	650,208	100,716	24,144,028	7,318,845	79,680,703
(1,843,556)					(1,843,556)
460,889					460,889
		356,941			356,941
					5,554
					3,639
			6,391,537	(6,403,411)	-
			(1,853,996)		(1,853,996)
				8,397,784	8,397,784
144,000	650,208	457,657	28,681,569	9,313,218	85,207,958

Legal reserves	Fair value reserves	Other reserves	Retained earnings	Total
14,772,468	574,268	20,182,285	310,704	66,911,999
	1,269,866			1,269,866
	(317,467)			(317,467)
				41,487
				26,379
21,636		5,464,797	(5,486,433)	-
		(61,057)		(61,057)
		(1,441,997)		(1,441,997)
			5,985,863	5,985,863
14,794,104	1,526,667	24,144,028	810,132	72,415,071
14,794,104	1,526,667	24,144,028	810,132	72,415,071
	(1,843,556)			(1,843,556)
	460,889			460,889
				5,554
				3,639
3,639		6,391,537	(6,395,176)	-
		(1,853,996)		(1,853,996)
			7,286,136	7,286,136
14,797,743	144,000	28,681,569	1,701,091	76,473,736

Petrol Group - Consolidated and unconsolidated cash flow statement for year ended 31 December 2005

in 000 SIT	Notes	2005	2004
Cash flows from / (used in) operating activities			
Cash generated from operations	32	2,941,100	9,240,520
Interest paid		(1,747,530)	(1,242,334)
Tax paid		(1,995,033)	(792,795)
Net cash from operating activities		(801,463)	7,205,391
Cash flows from investing activities			
Sale of subsidiaries, cash acquired		622,959	-
Purchase of jointly controlled entities, cash acquired		-	(35,000)
Purchase of associates, cash acquired		-	(1,775,000)
Purchase of property, plant and equipment		(13,340,053)	(15,156,812)
Purchase of intangible assets		(155,296)	(226,134)
Sale of available for sale investments		4,006,680	-
Purchase of available for sale investments		-	(1,034,347)
Purchase of trading investments		156,452	-
Increase of loans received		2,633,750	2,104,755
Interest received		1,327,354	1,389,684
Dividends received		1,383,848	1,135,369
Net cash used in investing activities		(3,364,306)	(13,597,485)
Cash flows from financing activities			
Sale of treasury shares		9,193	67,866
Increase of borrowings		6,424,439	5,428,097
Dividends paid to group shareholders		(1,707,142)	(1,421,442)
Net cash from financing activities		4,726,490	4,074,521
Increase / (decrease) in cash and cash equivalents		560,721	(2,317,573)
Movement in cash and cash equivalents:			
Balance at start of year		2,140,513	4,458,086
Increase / (decrease)		560,721	(2,317,573)
Balance at end of year		2,701,234	2,140,513

The accounting policies and the notes are an integral part of these consolidated financial statements.

Petrol d.d. - Consolidated and unconsolidated cash flow statement for year ended 31 December 2005

in 000 SIT	Notes	2005	2004
Cash flows from / (used in) operating activities			
Cash generated from operations	32	9,713,589	7,977,253
Interest paid		(1,260,179)	(1,251,329)
Tax paid		(1,872,723)	(640,457)
Net cash (used in)/from operating activities		6,580,687	6,085,467
Cash flows from investing activities			
Purchase of subsidiaries, cash acquired		(2,268,529)	(1,685,416)
Purchase of jointly controlled entities, net of cash acquired		-	(35,000)
Purchase of associates, cash acquired		-	(1,775,000)
Purchase of property, plant and equipment		(9,065,133)	(10,162,081)
Purchase of intangible assets		(71,307)	(97,839)
Sale of available for sale investments		4,019,732	
Purchase of available for sale investments			(1,021,958)
Sale of trading investments		156,452	-
Increase of loans received		2,387,502	641,687
Interest received		1,300,920	1,368,625
Dividends received		1,923,147	3,884,336
Net cash (used in)/from investing activities		(1,617,216)	(8,882,646)
Cash flows from financing activities			
Sale of treasury shares		9,193	67,866
Increase of borrowings		-	1,222,028
Decrease of borrowings		(2,592,402)	-
Dividends paid to group shareholders		(1,707,142)	(1,421,442)
Net cash (used in)/from financing activities		(4,290,351)	(131,548)
Increase / (decrease) in cash and cash equivalents		673,120	(2,928,727)
Movement in cash and cash equivalents:			
Balance at start of year		1,026,803	3,955,530
Increase / (decrease)		673,120	(2,928,727)
Balance at end of year		1,699,923	1,026,803

The accounting policies and the notes are an integral part of these consolidated financial statements.

Petrol Group and Petrol d.d. Accounting Policies

A. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), and interpretations approved by the International Accounting Standards Board, as adopted by the European Union (the "EU"). IFRS as adopted by the EU do not currently differ from IFRS as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for the first time. The disclosures required by IFRS 1 concerning the transition from SAS to IFRSs are given in note 35.

The financial statements are prepared on the historical cost basis, except the following assets and liabilities are stated at their fair value: derivative financial instruments, investments held for trading.

Consolidated financial statements of Petrol Group have been prepared, therefore the stand alone financial statements of Petrol d.d. should be viewed only in conjunction with the consolidated financial statements of Petrol Group.

B. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

In unconsolidated financial statements of Petrol d.d., investments in subsidiaries, that are not classified as held for sale are accounted for at cost, less provisions for impairment in value.

C. Investments jointly controlled entities and associates

Jointly controlled entities

Jointly controlled entities are entities where control is shared with other parties through contractual arrangements and are included in the Group accounts using the method of proportionate consolidation.

In unconsolidated financial statements of Petrol d.d., investments in jointly controlled entities and that are not classified as held for sale are accounted for at cost, less provisions for impairment in value.

Investment in Associates

An associate is an entity over which the Company or a consolidated member of the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. They do not include subsidiaries, jointly controlled entities or other joint ventures.

In unconsolidated financial statements of Petrol d.d., investments in associates that are not classified as held for sale are accounted for at cost, less provisions for impairment in value. Dividends received and receivable are credited to the Company's income statement.

The results of associates are incorporated in the consolidated financial statements using the equity method of accounting except when classified as held for trading (see below).

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited in profit and loss in the period of acquisition.

Based on the local GAAP, investments in subsidiaries, jointly controlled entities and associates were accounted for using equity method. Investments were initially recognised at cost and the carrying amount was increased or decreased to recognise the investor's share of the profit or loss of investee after the date of acquisition or establishment. Distributions received from an investee reduced the carrying amount of the investment.

For some investments, which were acquired before the privatisation in Slovenia, it is impractical to reestablish the historical value of each investment due to numerous denominations of the Yugoslavian Dinar and revaluations. In such cases, book value of the investments as of 31 December 2001 adjusted to eliminate subsequent application of equity method is considered cost.

D. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another entity.

After initial recognition, an entity measure derivatives at their fair values at balance sheet date, without any deduction for transaction costs it may incur on sale or other disposal. Gain and loss on balance sheet date from revaluation and from closing is recognized in profit and loss account.

E. Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, or financial assets at fair value through profit or loss.

For available-for-sale financial assets that are quoted in an active market the Group and the Company use quoted price as fair value. For available-for sale financial assets that have no active market the Group and the Company recorded at cost, less impairment.

A gain or loss on an available-for-sale financial asset is recognised directly in equity, through the statement of changes in equity, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity shall be recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss. Dividends are recognised in profit or loss when the entity's right to receive payment is established.

F. Financial assets held-for-trading

Investments classified as held-for trading are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are included in net profit or loss for the period.

G. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. In its preparation and presentation of the financial statements the Group and the Company uses the following business segments:

- oil products and other refined petroleum products
- supplementary products and other merchandise
- energy
- other services

A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. In its preparation and presentation of the financial statements the Group and the Company uses the following geographical segments:

- Slovenia
- Croatia
- Bosnia and Herzegovina
- Austria
- Other countries

H. Foreign currency translation

The consolidated financial statements are presented in Slovenian toolars, which is the Company's functional and presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency').

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate from Bank of Slovenia at the date of that balance sheet,
- income and expenses for each income statement are translated at average exchange rates from Bank of Slovenia, and
- all resulting exchange differences are recognised as a separate component of equity (translation reserves).

Exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to the translation reserve of the consolidated equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

I. Intangible assets

Concession for construction of a gas network and distribution of natural gas are recognised at purchase cost. They have a definite useful life and are carried at cost less accumulated amortisation.

Other intangible assets are measured initially at purchase cost.

Amortization is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, on the following basis:

Concessions	3.3–5.0 %
Software	10.0–50.0 %
Other	3.3–20.0 %

J. Property, plant and equipment

Property, plant and equipment are recorded at acquisition cost, less subsequent depreciation and any accumulated impairment losses, except for land, which is shown at cost less any impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

The assets' residual values and useful live are reviewed, and adjusted if appropriate, periodically. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, on the following basis:

Buildings and permanent structures:	
Buildings at service stations	2.50 % – 10.00 %
Underground and above-ground reservoirs	2.85 % – 7.00 %
Underground service roads at service stations	5.00 % – 14.30 %
Other buildings	1.43 % – 50.00 %
Equipment:	
Equipment – machinery and electronics used in general maintenance	10.00 % – 25.00 %
Equipment at gas station	3.33 % – 20.00 %
Pumping equipment at service stations	5.00 % – 25.00 %
Motor vehicles	10.00 % – 25.00 %
Goods vehicles (tank wagons)	25.00 %
Computer hardware	16.00 % – 50.00 %
Other equipment (furniture)	10.00 % – 12.50 %
Small inventory	33.33 %
Environmental fixed assets	5.00 % – 25.00 %

Depreciation commences when assets are ready for use, construction in progress is not depreciated.

Gains and losses on disposals or retirement are determined by comparing sales proceeds with the carrying amount. These are included in the income statement. Borrowing costs incurred for the construction of any qualifying assets could be capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

Available-for-sale property, plant and equipment are disclosed separately from other assets, no depreciation is deducted in year of sale.

K. Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group and the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group and the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

L. Investment property

Investment property is property held to earn rentals or for capital appreciation or both.

Investment property is measured by cost model. After recognition, investment property is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

M. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group and the Company As Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's and the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's and Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

N. Inventories

Inventories of merchandise are originally valued at the historical cost, which consists of the purchase price plus import duties and direct procurement costs. Discounts are subtracted from the purchase price. Direct procurement costs include transportation costs, the costs of loading, reloading and unloading, transport insurance costs, handling costs, costs related to brokerage and agency arrangements and other sundry costs until initial storage borne by the purchaser, and non-refundable taxes. Discounts include those that are indicated on the invoice and those acquired subsequently, and relate to specific purchases.

Taxes included in the purchase price of inventories of refined petroleum products held at non-excise storage facilities and at service stations primarily include import taxes, excise duty, carbon tax and the fee related to the compulsory national commodity reserves.

Inventories are revalued as a result of impairment when the book value (reflecting most recent purchase price) exceeds the market value, meaning the replacement cost, unless this is higher than the net realisable value (in which case the net realisable value is deemed the market value) or for merchandise it is lower than the net realisable value minus the gross profit margin (in which case the net realisable value minus the gross profit margin is deemed the market value). A reduction in the value of inventories of materials and small inventory is accounted as costs of material, while a reduction in the value of inventories of goods is reported as operating expenses.

The cost of inventories are assigned by using the first-in, first-out (FIFO) formula. According to FIFO formula items of inventory that were purchased or produced first are sold first, and consequently the items remaining in inventory at the end of the period are those most recently purchased.

100 % of allowance is made for inventories with no movements for more than one year.

O. Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Receivables are revalued for impairment if their book value exceeds their fair value (i.e. the recoverable amount). Receivables regarding which there exists the possibility that they will not be repaid in full by a certain date are deemed doubtful receivables or disputed receivables if judicial proceedings have been initiated.

Based on past experience and the expectations for the current accounting period, the Group and the Company makes an appropriate level of charges (as a percentage) against outstanding receivables based on the age of the receivable in question. Such adjustments allow for write-downs of receivables to be charged as a debit to operating expenses and a credit to the corresponding adjustment to the value of the receivable.

Adjustments to receivables from legal entities and private individuals in the country and abroad are made on a case-by-case basis. For all other receivables adjustments is made as follows:

- 70% for all disputed receivables (including those from customers undergoing bankruptcy, composition or liquidation proceedings) and
- 100% for receivables which are overdue over 60 days.

P. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Q. Share capital

The registered capital of PETROL d.d., Ljubljana comprises the share capital nominally defined in its articles of association and registered with the court that has been paid up by the shareholders.

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

R. Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the profit and loss account using effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

S. Borrowing Costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

T. Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

U. Provisions

Provisions are recognised when the Group and the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Environmental provisions

The establishment of long-term provisions for investments into the environmental modernisation and improvement of service stations, transport road tanker, fuel terminals and Pesniški Dvor was approved by the Slovenian Ministry of the Environment in the framework of laws related to the ownership transformation of Slovenian companies. The contra entry in the Group's and the Company's opening balance sheet was posted against the capital account. An amount equal to the depreciation of environmental property, plant and equipment purchased reduces the provisions each year.

Post employments

Employees are entitled to retirement benefits (lump sum payments of two monthly salaries).

A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date. Actuarial valuation is being carried out at each balance sheet date on 31 December.

Payments to the defined retirement benefits are charged as an expense as they fall due and reduce the provision each year.

Other long-term benefits

Employees are entitled to long-service bonuses – jubilee bonuses.

A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date. Actuarial valuation is being carried out at each balance sheet date on 31 December.

Payments to defined jubilee bonuses are charged as an expense as they fall due and reduce the provision each year.

Lump-sum jubilee bonuses of employees are payable based on the calculations and milestones set out in the following table:

Number of years worked	Entitlement (% of the average monthly salary in Slovenia)
10 years	40
20 years	60
25 years	70
30 years	80
35 years	90
40 years	100

V. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Revenue is recognised as follows:

Sales of goods

Sales of goods are recognised when the Group and the Company has delivered products to the customer; the customer has accepted the products; and collectibility of the related receivables is reasonably assured.

Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction, assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Connection fee

Since concessions are amortised during 20 to 30 years, connection fees collected from gas distribution to customers is recognised on a straight-line basis over the same period as concession.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

W. Cost of sales

The historical cost of quantities of products sold is calculated using the reverse successive cost (characteristic of the FIFO method).

The historical cost of quantities of materials used is calculated using moving average prices.

X. Distribution and administrative costs (including amortisation/depreciation)

Distribution and administrative costs (including amortisation/depreciation) consist of all overhead costs related to commercial and administrative activities, as well as variable costs related to the sale of goods and services incurred during the accounting period.

Because distribution and administrative costs do not affect inventory valuation, they are recognised in their entirety during the accounting period in which they are incurred.

Individual types of cost are recorded at separate cost centres, a practice that allows the Group and the Company to allocate them directly as either general administrative costs or distribution costs.

In financial accounting these costs are itemised on initial recognition by primary types as:

- materials
- services
- amortisation and depreciation costs
- compensation
- taxes not dependent on the operating result

Y. Compensation

Compensation comprises:

- employees' salaries (gross)
- gross salary compensation paid by the Group and the Company to its employees in accordance with regulations or employment contracts for periods when they are absent from work
- allowances paid to employees that are not directly work-related and have the nature of salaries (transportation expenses, meal allowances)
- contributions in kind, gifts and employee bonuses
- severance pay
- contributions additionally accrued on the above items that are charged against the payer

Z. Amortisation and depreciation

The Group and the Company consistently allocates the amortised/depreciated amount for an individual intangible or fixed asset during an individual accounting period to total amortisation/depreciation over the estimated useful life of the asset. The estimated useful life of an individual asset depends on the expected physical wear, technical ageing, economic ageing and other factors that might affect the length of use (such as relevant legal restrictions). The shortest useful life estimated with regard to individual factors is used for each asset.

The depreciation of fixed assets begins to be calculated on the first day of the month after the asset becomes available for use. The amount subject to depreciation is the total original price or historical cost, adjusted to reflect any revaluation.

Costs related to the depreciation of environmental fixed assets are reported upon recognition in the corresponding cost category. Such costs are charged against the provisions for environmental assets that were created for this purpose. The expenses are recovered in the form of other operating income.

The Group and the Company uses the straight-line depreciation method. Amortisation and depreciation are calculated on individual assets. Land, fixed assets under construction and works of art are not subject to depreciation.

AA. Finance expenses

Finance expenses comprise expenses from write-downs of non-current and current investments, interest expenses and other finance expenses.

BB. Risk Management

The Group's and the Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group and the Company uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. The Group and the Company does not use derivative financial instruments for speculative purposes.

a) forwards

The Group and the Company purchases oil products in USD and sells, for the most part, in Slovenia in SIT. The Group and the Company hedges the corresponding foreign exchange exposure rates with priced forwards.

Fair value for forwards at balance sheet date is determined for each forward as if it would be made on balance sheet date. Changes in the fair value and result are recognised in profit and loss account.

b) interest rate swaps and interest collars

Risk of interest fluctuations are hedged with interest rate swaps and interest collars.

Fair value for interest rate swaps and interest collars at balance sheet date are calculated by discounting future cash payments from variable interest rate (receipt interest rate from swap) and from fixed interest rate (payment interest rate from swap). Changes in the fair value and result are recognised in profit and loss account.

CC. Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. These estimates and assumptions relate mainly to:

- revaluation of property, plant and equipment;
- estimation of useful lives of depreciable assets;
- impairment of assets
- employee benefits and provisions.

Actual results could differ from those estimates.

Petrol Group in Petrol d.d.
Notes to the Consolidated and Unconsolidated
Financial Statements

1. Segment information

Primary reporting format – business segments - Petrol Group

in 000 SIT	Oil products, other refined petroleum products	Supplementary products and other merchandise	Services	Energy	Eliminations	Total
Year ended 31 December 2004						
Revenue	420,977,341	41,093,006	10,688,061	7,649,796		480,408,204
Eliminations	(123,472,575)	(214,350)	(4,186,986)	(172,227)		(128,046,138)
Net revenue	297,504,766	40,878,656	6,501,075	7,477,569		352,362,066
Segment result (operating profit)	3,508,850	372,726	(330,597)	162,216	198,936	3,912,131
Finance income - net						412,892
Share of jointly controlled entities						376,450
Share of associates						1,257,226
Profit before tax						5,958,699
Tax credit						(1,057,293)
Group profit before minority interest						4,901,406
Minority interest						(921)
Net profit						4,900,485
Segment assets	171,430,161	20,279,551	7,914,190	8,316,808	(40,425,432)	167,515,278
Deferred tax asset						303,472
Jointly controlled entities						3,755,063
Associates						12,723,211
Total assets						184,297,024
Segment liabilities	107,141,700	12,855,249	2,883,448	4,032,595	(23,183,068)	103,729,924
Deferred tax liability						635,512
Jointly controlled entities						226,595
Associates						0
Total liabilities						104,592,031
Capital expenditure	12,092,546	1,399,461	311,851	2,047,238	-	15,851,096
Depreciation						6,212,374
Amortisation						140,584
Year ended 31 December 2005						
Revenue	566,625,373	45,245,884	11,437,186	9,984,545		633,292,988
Eliminations	(207,741,151)	(44,004)	(4,329,266)	(966,805)		(213,081,226)
Net revenue	358,884,222	45,201,880	7,107,920	9,017,740		420,211,762
Segment result (operating profit)	5,756,473	598,238	44,111	417,728	15,046	6,831,596
Finance income - net						1,624,396
Share of jointly controlled entities						416,061
Share of associates						1,382,167
Profit before tax						10,254,220
Tax expense						(1,854,271)
Group profit before minority interest						8,399,949
Minority interest						(2,165)
Net profit						8,397,784
Segment assets	211,468,500	20,937,913	7,655,757	9,648,140	(62,937,154)	186,773,156
Deferred tax asset						320,944
Jointly controlled entities						3,792,182
Associates						13,402,597
Total assets						204,288,879
Segment liabilities	140,752,766	13,535,268	2,926,010	4,892,763	(43,730,501)	118,376,306
Deferred tax liability						107,511
Jointly controlled entities						155,176
Associates						415,472
Total liabilities						119,054,465
Capital expenditure	10,062,032	1,042,841	348,751	1,878,889	-	13,332,513
Depreciation						6,572,414
Amortisation						158,225

Eliminations represent consolidation entries

Primary reporting format – business segments - Petrol d.d.

in 000 SIT	Oil products, other refined petroleum products	Supplementary products and other merchandise	Services	Energy	Total
Year ended 31 December 2004					
Revenue	272,402,749	39,282,453	5,032,396	449,534	317,167,132
Eliminations	3,249,840	212,246	118,172	0	3,580,258
Net revenue	275,652,589	39,494,699	5,150,568	449,534	320,747,390
Segment result (operating profit)	2,521,370	361,255	47,112	4,112	2,933,849
Finance income - net					300,744
Dividend income from subsidiaries					2,748,967
Dividend income from jointly controlled entities					290,669
Dividend income from associates					744,289
Profit before tax					7,018,518
Tax credit					(1,032,655)
Profit					5,985,863
Segment assets	139,853,096	20,037,744	2,613,155	228,072	162,732,067
Deferred tax asset					106,416
Jointly controlled entities					2,066,404
Associates					10,076,849
Total assets					174,981,736
Segment liabilities	87,409,617	12,523,795	1,633,249	142,548	101,709,209
Deferred tax liability					630,861
Jointly controlled entities					226,595
Associates					0
Total liabilities					102,566,665
Capital expenditure	8,478,516	1,214,777	158,421	13,827	9,865,541
Depreciation					5,317,384
Amortisation					94,530
Year ended 31 December 2005					
Revenue	317,720,024	43,665,054	5,742,044	638,573	367,765,695
Eliminations	16,450,869	42,248	271,769	-	16,764,886
Net revenue	334,170,893	43,707,302	6,013,813	638,573	384,530,581
Segment result (operating profit)	4,564,453	597,000	82,143	8,722	5,252,318
Finance income - net					1,908,740
Dividend income from subsidiaries					539,297
Dividend income from jointly controlled entities					386,151
Dividend income from associates					902,440
Profit before tax					8,988,946
Tax expense					(1,702,810)
Profit					7,286,136
Segment assets	157,864,685	20,647,638	2,840,968	301,666	181,654,957
Deferred tax asset					116,252
Jointly controlled entities					2,073,611
Associates					10,279,564
Total assets					194,124,384
Segment liabilities	101,659,896	13,296,430	1,829,494	194,264	116,980,084
Deferred tax liability					99,916
Jointly controlled entities					155,176
Associates					415,472
Total liabilities					117,650,648
Capital expenditure	7,290,601	953,562	131,203	13,932	8,389,298
Depreciation					5,529,216
Amortisation					106,105

The Group and the Company are organised into four main business segments:

- Sale of oil products, other refined petroleum products and energy products,
- Sale of supplementary products and other merchandise;
- Energy and
- Services.

These segments are the basis on which the Group and the Company reports its primary segment information.

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and other operating cash. Segment liabilities comprise all liabilities other than deferred tax liabilities. Capital expenditure comprises additions to property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

Secondary reporting format – geographical segments

The Group and the Company operates in three main geographical areas: Slovenia, Croatia, and Bosnia & Herzegovina. Slovenia is the home country of the parent company which is also the main operating company.

The following table provides an analysis of the Groups' and the Company's sales by geographical market, irrespective of the origin of the goods/services:

Petrol Group						
in 000 SIT	2005	Sales 2004	2005	Total assets 2004	Capital expenditure 2005	2004
Slovenia	370,776,847	318,939,140	154,193,953	127,659,674	10,158,226	11,763,072
Croatia	21,668,427	14,713,934	12,334,513	9,565,956	1,157,855	1,762,113
Bosnia-Herzegovina	22,599,013	11,324,560	12,153,169	11,177,002	1,881,615	2,154,397
Austria	3,981,998	3,256,123	6,946,361	3,188,886	11,783	10,922
Other countries	1,185,477	4,128,309	1,145,160	15,923,760	123,035	160,593
	420,211,762	352,362,066	186,773,156	167,515,278	13,332,513	15,851,096
Jointly controlled entities			3,792,182	3,755,063		
Associates			13,402,597	12,723,211		
Unallocated assets			320,944	303,472		
Total assets			204,288,879	184,297,024		

Sales are based on the country in which the customer is located. There are no sales between the segments. Total assets and capital expenditure are where the assets are located.

Petrol d.d.						
v 000 SIT	2005	Sales 2004	2005	Total assets 2004	Capital expenditure 2005	2004
Slovenia	359,693,766	311,304,363	169,921,870	157,941,121	7,847,434	9,575,093
Croatia	11,520,524	798,184	5,442,377	404,961	251,343	24,551
Bosnia-Herzegovina	11,517,430	5,491,878	5,440,915	2,786,319	251,276	168,919
Austria	631,476	400,699	298,314	203,296	13,777	12,325
Other countries	1,167,385	2,752,266	551,481	1,396,370	25,469	84,654
	384,530,581	320,747,390	181,654,957	162,732,067	8,389,298	9,865,541
Jointly controlled entities			2,073,611	2,066,404		
Associates			10,279,564	10,076,849		
Unallocated assets			116,252	106,416		
Total assets			194,124,384	174,981,736		

Sales are based on the country in which the customer is located. There are no sales between the segments. Total assets and capital expenditure are where the assets are located.

2. Profit from operations

The following items have been included in arriving at profit from operations:

Petrol Group		
in 000 SIT	2005	2004
Staff costs (note 4)	11,203,612	11,553,255
Depreciation on property, plant and equipment (note 10)	6,572,414	6,212,374
Intellectual cost	1,284,293	1,732,501
Repairs and maintenance expenditure on property, plant and equipment	1,960,784	1,891,894
Operating lease payments	1,358,389	1,414,022
Raw material used	2,080,417	1,704,360
(Profit)/loss on disposal of property, plant and equipment	(149,135)	(117,227)
Trade receivables - charge for bad and doubtful debts	296,625	598,066
Amortisation of intangible assets (note 9)	158,225	168,176

3. Finance income – net

Petrol Group		
in 000 SIT	2005	2004
Forward exchange contracts	3,328,294	682,222
Foreign exchange gain	2,212,178	4,041,836
Profit on sale from available for sale investments	1,814,171	11,138
Interest income	1,330,067	1,229,826
Dividend income	119,612	108,335
Interest rate swaps	30,465	-
Profit on sale of trading investments	15,135	-
Unrealised gain from available for sale investments	-	532,434
Other financial income	348,716	211,788
Total finance income	9,198,638	6,817,579
Foreign exchange loss	(5,112,600)	(2,420,036)
Interest expense	(1,671,523)	(1,206,227)
Forward exchange contracts	(550,245)	(2,260,907)
Interest rate swaps	(156,462)	-
Unrealised loss from available for sale investments	(59,839)	(477,245)
Loss on sale of trading investments	(695)	-
Other financial expenses	(22,878)	(40,272)
Total finance costs	(7,574,242)	(6,404,687)
Finance income - net	1,624,396	412,892

Petrol d.d.		
in 000 SIT	2005	2004
Staff costs (note 4)	6,121,407	6,357,701
Depreciation on property, plant and equipment (note 10)	5,529,216	5,317,384
Repairs and maintenance expenditure on property, plant and equipment	1,547,826	1,514,364
Operating lease payments	1,224,925	1,052,614
Raw material used	1,647,147	1,462,160
Intellectual cost	954,480	1,462,463
(Profit)/loss on disposal of property, plant and equipment	(167,269)	(85,318)
Amortisation of intangible assets (note 9)	106,105	94,530
Trade receivables - charge for bad and doubtful debts	14,739	386,355

Petrol d.d.		
in 000 SIT	2005	2004
Forward exchange contracts	3,328,294	682,222
Foreign exchange gain	2,026,749	3,937,215
Profit on sale from available for sale investments	1,814,171	11,138
Interest income	1,303,633	1,208,767
Dividend income	119,612	108,335
Interest rate swaps	30,465	-
Profit on sale of trading investments	15,135	-
Unrealised gain from available for sale investments	-	532,434
Other financial income	195,650	181,220
Total finance income	8,833,709	6,661,331
Foreign exchange loss	(4,963,658)	(2,334,362)
Interest expense	(1,183,206)	(1,211,395)
Forward exchange contracts	(550,245)	(2,260,907)
Interest rate swaps	(156,462)	-
Unrealised loss from available for sale investments	(59,839)	(477,245)
Loss on sale of trading investments	(695)	-
Other financial expenses	(10,864)	(76,678)
Total finance costs	(6,924,969)	(6,360,587)
Finance income - net	1,908,740	300,744

4. Staff costs

Petrol Group		
in 000 SIT	2005	2004
Wages and salaries	7,448,816	7,653,074
Social security costs	1,262,945	1,255,524
Other	2,491,851	2,644,657
Staff costs	11,203,612	11,553,255

Total staff employed by the Group at the end of year 2005 was 2,693 (2004: 2,778).

5. Share of result

Petrol Group		
in 000 SIT	2005	2004
Geoplin d.o.o. Ljubljana	1,326,039	1,226,556
Aquasystems d.o.o.	67,598	29,931
Ogrevanje Piran d.o.o.	(13,353)	739
Marche Gostinstvo d.o.o.	1,883	-
	1,382,167	1,257,226
Instalacija d.o.o. Koper	430,935	374,683
Geoenergo d.o.o.	(5,122)	2,413
Karkasa d.o.o.	(9,752)	(646)
	416,061	376,450
Total	1,798,228	1,633,676

6. Taxation

Petrol Group		
in 000 SIT	2005	2004
Current tax	(1,938,855)	(1,247,548)
Deferred tax (Note 24)	84,584	190,255
Tax expense	(1,854,271)	(1,057,293)

Petrol d.d.		
v 000 SIT	2005	2004
Wages and salaries	4,016,525	4,388,677
Social security costs	706,491	710,786
Other	1,398,391	1,258,238
Staff costs	6,121,407	6,357,701

Total staff employed by the Company at the end of year 2005 was 551 (2004: 552).

Petrol d.d.		
in 000 SIT	2005	2004
Petrol-Trade H.m.b.H.	539,297	-
Cypet Oils Ltd.	-	2,748,967
Instalacija d.o.o. Koper	386,151	290,669
Geoplin d.o.o. Ljubljana	902,440	744,289
Total	1,827,888	3,783,925

Petrol d.d.		
in 000 SIT	2005	2004
Current tax	(1,782,702)	(1,138,066)
Deferred tax (Note 24)	79,892	105,411
Tax expense	(1,702,810)	(1,032,655)

Tax on the Group's and Company's profit before tax differs from the theoretical amount that would arise using the tax rate of 25%:

Petrol Group		
in 000 SIT	2005	2004
Accounting profit	10,254,220	5,958,699
Tax calculated at domestic tax rates applicable to profits in the respective countries	2,563,555	1,489,675
Income not subject to tax	(1,015,608)	(1,455,238)
Expenses not deductible for tax purposes	453,725	660,893
Effect of lower tax rates	(68,313)	(127,530)
Different income and expense recognition	(79,088)	489,493
Taxation	1,854,271	1,057,293
Effective tax rate	18.08%	17.74%

Corporate tax is calculated at 25 per cent (2004: 25 per cent) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdiction and is as follows:

Cyprus	4.25 per cent (2004: 4.25 per cent)
Croatia	20 per cent (2004: 20 per cent)
Bosnia and Herzegovina	30 per cent (2004: 30 per cent)
Austria	25 per cent (2004: 34 per cent)

7. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the number of ordinary shares, excluding ordinary shares purchased by the Group or the Company and held as treasury shares. The Group and the Company has no potentially dilutive equity instruments.

Petrol Group		
in 000 SIT	31 December 2005	31 December 2004
Net profit from continuing operations (SIT 000)	8,397,784	4,900,485
Weighted average number of ordinary shares outstanding (thousands)	2,060,006	2,059,540
Basic earnings per share (SIT 000 per share)	4,077	2,379

8. Dividends

Final dividend for year ended 31 December 2004 of 900 SIT (2003: 700 SIT) per share were paid in year 2005. Total distribution to equity holders was 1,441,997 thousand SIT.

Final dividend for the year ended 31 December 2005 has not been proposed yet, and it is not included as a liability in these financial statements. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting.

Petrol d.d.		
in 000 SIT	2005	2004
Accounting profit	8,988,946	7,018,518
Tax calculated at domestic tax rates applicable to profits in the respective countries	2,247,237	1,754,630
Income not subject to tax	(748,853)	(1,251,359)
Expenses not deductible for tax purposes	370,933	489,662
Different income and expense recognition	(166,507)	39,722
Taxation	1,702,810	1,032,655
Effective tax rate	18.94%	14.71%

Petrol d.d.		
in 000 SIT	31 December 2005	31 December 2004
Net profit attributable to shareholders (SIT 000)	7,286,136	5,985,863
Weighted average number of ordinary shares outstanding (thousands)	2,060,006	2,059,540
Basic earnings per share (SIT 000 per share)	3,537	2,906

9. Intangible assets

Petrol Group				
in 000 SIT	Software licenses	Concessions	Construction in progress (CIP)	Total
Cost				
At 1 January 2004	674,909	1,360,831	452,967	2,488,707
Additions	11,860	44,687	194,599	251,146
Disposals	(131,029)	-	(56,986)	(188,015)
Transfer from CIP	105,356	436,027	(541,383)	-
Transfer from tangibles	-	-	26,461	26,461
Exchange differences	1,774	276	5,872	7,922
At 31 December 2004	662,870	1,841,821	81,530	2,586,221
Accumulated amortisation				
At 1 January 2004	478,883	120,459	-	599,342
Amortisation for the year	77,040	63,544	-	140,584
Disposals	(130,322)	-	-	(130,322)
Exchange differences	1,719	(15)	-	1,704
At 31 December 2004	427,320	183,988	-	611,308
31 December 2004 Net book value	235,551	1,657,833	81,530	1,974,914
1 January 2004 Net book value	196,026	1,240,371	452,967	1,889,364
	Software licenses	Concessions	Construction in progress (CIP)	Total
Cost				
At 1 January 2005	662,869	1,841,822	81,531	2,586,222
Additions	11,796	2,667	158,922	173,385
Disposals	(3,637)	(47,588)	(24,246)	(75,471)
Transfer from CIP	60,834	69,870	(130,704)	-
Exchange differences	67	15,829	3	15,899
At 31 December 2005	731,929	1,882,600	85,506	2,700,035
Accumulated amortisation				
At 1 January 2005	427,320	183,989	-	611,309
Amortisation for the year	88,224	70,001	-	158,225
Disposals	(1,709)	(40,319)	-	(42,028)
Exchange differences	267	1,228	-	1,495
At 31 December 2005	514,102	214,899	-	729,001
31 December 2005 Net book value	217,828	1,667,700	85,506	1,971,034
1 January 2005 Net book value	235,550	1,657,833	81,531	1,974,914

Petrol d.d.				
in 000 SIT	Software licenses	Concessions	Construction in progress (CIP)	Total
Cost				
At 1 January 2004	512,009	839,463	8,585	1,360,058
Additions	-	-	98,545	98,545
Disposals	(4,645)	-	-	(4,645)
Transfer from CIP	103,427	1,005	(104,432)	-
At 31 December 2004	610,791	840,468	2,698	1,453,958
Accumulated amortisation				
At 1 January 2004	338,222	58,706	-	396,928
Amortisation for the year	68,118	26,412	-	94,530
Disposals	(3,939)	-	-	(3,939)
At 31 December 2004	402,401	85,118	-	487,519
31 December 2004 Net book value	208,390	755,350	2,698	966,438
1 January 2004 Net book value	173,787	780,759	8,585	963,131
	Software licenses	Concessions	Construction in progress (CIP)	Total
Cost				
At 1 January 2005	610,791	840,468	2,698	1,453,958
Additions	-	-	71,306	71,306
Transfer from CIP	58,359	3,474	(61,833)	-
At 31 December 2005	669,150	843,942	12,171	1,525,264
Accumulated amortisation				
At 1 January 2005	402,401	85,118	-	487,519
Amortisation for the year	78,629	27,476	-	106,105
At 31 December 2005	481,030	112,594	-	593,624
31 December 2005 Net book value	188,121	731,348	12,171	931,640
1 January 2005 Net book value	208,390	755,350	2,698	966,438

None of the Group's and the Company's intangible assets is pledged as collateral.

Concessions are amortised over their estimated useful lives.

10. Property, plant and equipment

Petrol Group						
in 000 SIT	Land	Buildings	Machinery	Equipment	Construction in progress (CIP)	Total
Cost						
At 1 January 2004	22,879,638	72,618,760	3,306,187	25,618,946	12,090,128	136,513,659
Additions	2,519	285,040	291,164	959	15,020,268	15,599,950
Disposals	(264,792)	(733,779)	(19,695)	(318,494)	(1,194,965)	(2,531,725)
Elimination of assets available-for-sale	(246,266)	(813,205)	-	(996,775)	-	(2,056,246)
Transfer from CIP	2,089,230	12,534,985	-	3,786,601	(18,410,816)	-
Transfer to intangibles	-	-	-	-	(26,461)	(26,461)
Exchange differences	23,264	46,604	-	13,271	35,542	118,681
At 31 December 2004	24,483,593	83,938,405	3,577,656	28,104,508	7,513,696	147,617,858
Accumulated depreciation						
At 1 January 2004	-	30,392,371	2,808,526	18,926,559	-	52,127,456
Depreciation for the year	-	3,625,754	105,788	2,207,862	-	5,939,404
Disposals	-	(294,815)	(19,691)	(288,669)	-	(603,175)
Elimination of assets available-for-sale	-	(592,730)	-	(929,960)	-	(1,522,690)
Exchange differences	-	1,786	-	967	-	2,753
At 31 December 2004	-	33,132,366	2,894,623	19,916,759	-	55,943,748
31 December 2004						
Net book value	24,483,593	50,806,039	683,033	8,187,749	7,513,696	91,674,110
1 January 2004						
Net book value	22,879,638	42,226,389	497,661	6,692,387	12,090,128	84,386,203
	Land	Buildings	Machinery	Equipment	Construction in progress (CIP)	Total
Cost						
At 1 January 2005	24,483,593	83,938,405	3,577,656	28,104,509	7,513,695	147,617,858
Additions	-	460,258	245,752	1,640	12,451,478	13,159,128
Disposals	(15,083)	(131,123)	(44,107)	(644,222)	(737,786)	(1,572,321)
Transfer from CIP	2,100,041	6,626,231	15,573	2,287,348	(11,029,193)	-
Exchange differences	35,528	114,084	-	33,338	49,181	232,131
At 31 December 2005	26,604,079	91,007,855	3,794,874	29,782,613	8,247,375	159,436,796
Accumulated depreciation						
At 1 January 2005	-	33,132,366	2,894,623	19,916,759	-	55,943,748
Depreciation for the year	-	3,829,614	131,803	2,338,027	-	6,299,444
Disposals	-	(7,804)	(39,811)	(328,550)	-	(376,165)
Exchange differences	-	14,156	-	13,112	-	27,268
At 31 December 2005	-	36,968,332	2,986,615	21,939,348	-	61,894,295
31 December 2005						
Net book value	26,604,079	54,039,525	808,259	7,843,264	8,247,375	97,542,502
1 January 2005						
Net book value	24,483,593	50,806,039	683,033	8,187,750	7,513,695	91,674,110

Petrol d.d.					
in 000 SIT	Land	Buildings	Equipment	Construction in progress (CIP)	Total
Cost					
At 1 January 2004	19,408,866	63,066,430	23,418,672	7,793,980	113,687,948
Additions	-	-	-	9,766,996	9,766,996
Disposals	-	(712,277)	(272,577)	(603,566)	(1,588,420)
Elimination of assets available-for-sale	(246,266)	(813,205)	(996,775)	-	(2,056,246)
Transfer from CIP	1,254,898	9,188,548	2,947,344	(13,390,790)	-
At 31 December 2004	20,417,498	70,729,496	25,096,664	3,566,620	119,810,278
Accumulated depreciation					
At 1 January 2004	-	27,557,051	18,162,415	-	45,719,466
Depreciation for the year	-	3,204,269	1,840,145	-	5,044,414
Disposals	-	(295,320)	(260,330)	-	(555,650)
Elimination of assets available-for-sale	-	(592,730)	(929,960)	-	(1,522,690)
At 31 December 2004	-	29,873,270	18,812,270	-	48,685,540
31 December 2004					
Net book value	20,417,498	40,856,226	6,284,394	3,566,620	71,124,738
1 January 2004					
Net book value	19,408,866	35,509,379	5,256,257	7,793,980	67,968,482
	Land	Buildings	Equipment	Construction in progress (CIP)	Total
Cost					
At 1 January 2005	20,417,498	70,729,496	25,096,665	3,566,619	119,810,278
Additions	-	-	-	8,317,992	8,317,992
Disposals	-	-	(10,164)	(229,987)	(240,151)
Transfer from CIP	1,125,977	3,280,800	1,616,399	(6,023,176)	-
At 31 December 2005	21,543,475	74,010,296	26,702,900	5,631,448	127,888,119
Accumulated depreciation					
At 1 January 2005	-	29,873,270	18,812,270	-	48,685,540
Depreciation for the year	-	3,349,313	1,906,933	-	5,256,246
Disposals	-	-	(14,258)	-	(14,258)
At 31 December 2005	-	33,222,583	20,704,945	-	53,927,528
31 December 2005					
Net book value	21,543,475	40,787,712	5,997,955	5,631,448	73,960,591
1 January 2005					
Net book value	20,417,498	40,856,226	6,284,395	3,566,619	71,124,738

None of the Groups' and the Company's property, plant and equipment is pledged as collateral.

11. Investment property

Only the Company has an investment property.

in 000 SIT		Investment property
Cost		
At 1 January 2004		7,019,430
At 31 December 2004		7,019,430
Accumulated depreciation		
At 1 January 2004		1,952,763
Depreciation for the year		272,970
At 31 December 2004		2,225,733
31 December 2004 Net book value		4,793,697
1 January 2004 Net book value		5,066,667

in 000 SIT		Investment property
Cost		
At 1 January 2005		7,019,430
At 31 December 2005		7,019,430
Accumulated depreciation		
At 1 January 2005		2,225,733
Depreciation for the year		272,970
At 31 December 2005		2,498,703
31 December 2005 Net book value		4,520,726
1 January 2005 Net book value		4,793,697

Investment property contains mostly buildings held to rent to subsidiaries; Petrol Tehnologija d.o.o., Petrol Plin d.o.o., Petrol Maloprodaja d.o.o. and associates: Marche Gostinstvo d.o.o..

The management believes that the carrying amount of investments property approximates their fair value.

12. Subsidiaries

Petrol d.d.		
in 000 SIT	31 December 2005	31 December 2004
Balance at 1 January	21,475,043	19,845,737
Additions	3,046,488	1,685,416
Disposals	(578,780)	(56,110)
Balance at 31 December	23,942,751	21,475,043

Investments in subsidiaries are eliminated during consolidation process.

On 13 June 2005 the Group entered into a sale agreement to dispose of 75% of Petrol Gostinstvo d.o.o. The disposal was effected in order to separate restaurant and tourist facilities management from sales and marketing of oil derivatives.

The principal subsidiaries, at 31 December 2005 that are unlisted, are:

Name of subsidiary	Address of subsidiary	Activity	Ownership and voting power	
			2005	2004
Petrol Gostinstvo d.o.o.	Notranjska c. 71, Logatec, Slovenia	Restaurant and tourist facilities management	-	100 %
Petrol Maloprodaja Slovenija, d.o.o., Ljubljana	Dunajska c. 50, Ljubljana, Slovenia	Wholesale distribution of solid, liquefied and gaseous fuels	100 %	100 %
Petrol Plin d.o.o.	Dunajska c. 50, Ljubljana, Slovenia	Gas activities - gas production, distribution of liquid fuels from liquefied and natural gas networks	100 %	100 %
Petrol Skladiščenje d.o.o. Ljubljana	Zaloška 259, Ljubljana-Polje, Slovenia	Warehouse service	100 %	100 %
Petrol Tehnologija d.o.o. Ljubljana	Zaloška 259, Ljubljana-Polje, Slovenia	Maintenance service	100 %	100 %
Petrol Energetika d.o.o. Ravne	Koroška c. 14, Ravne na koroškem, Slovenia	Gas and electricity distribution	98.85 %	98.85 %
Petrol Trgovina d.o.o. Zagreb	Ilica 71, Zagreb, Croatia	Sales and marketing of refined oil products	100 %	100 %
Petrol BH Oil Company d.o.o. Sarajevo	Fra Anđela Zvizdovića 1, Sarajevo, Bosnia & Herzegovina	Sales and marketing of refined oil products	100 %	100 %
Petrol d.o.o. Beograd	Dragoslava Jovanovića 13, Beograd, Serbia and Montenegro	Sales and marketing of refined oil products	100 %	100 %
Petrol-Trade H.m.b.H. Dunaj	Elisabethstrasse 10 Top 4 u.5, 1010 Vienna, Austria	Trading with oil, refined oil products and chemical products	100 %	100 %
- Cypet-Trade Ltd. Limassol	Ariadne House, Office 52, 333 28th October Street, Limassol, Cyprus	Trading with oil and refined oil products	100 %	100 %
Cypet Oils Ltd. Limassol	Ariadne House, Office 52, 333 28th October Street, Limassol, Cyprus	Trading with oil and refined oil products	100 %	100 %

13. Investments in associates

Petrol Group		
in 000 SIT	31 December 2005	31 December 2004
Balance at 1 January	12,212,642	9,635,920
Share of result	1,382,167	1,257,226
Dividends received	(902,440)	(744,289)
Additions	138,099	2,063,785
Balance at 31 December	12,830,468	12,212,642
	31 December 2005	31 December 2004
Geoplin d.o.o. Ljubljana	12,040,149	11,616,550
Aquasystems d.o.o.	437,912	370,315
Ogrevanje Piran d.o.o.	212,425	225,777
Marche Gostinstvo d.o.o.	139,982	-
Total	12,830,468	12,212,642

The principal associated companies, at 31 December 2005 that are unlisted, are:

Name of associate	Address of associate	Activity	Ownership and voting power	
			2005	2004
Ogrevanje Piran d.o.o.	Fornače 33, Piran, Slovenia	Supply of gas fuels, production and distribution of steam and hot water	40%	40%
Geoplin d.o.o. Ljubljana	Cesta Ljubljanske brigade 11, Ljubljana, Slovenia	Trading and transport of natural gas	27.26%	27.26%
Aquasystems d.o.o.	Prešernova 34, Maribor, Slovenia	Construction of water purification plant and cleaning of industrial water and sewage system	26%	26%
Marche Gostinstvo d.o.o.	Notranjska c. 71, Logatec, Slovenia	Restaurant and tourist facilities management	25%	-

Aggregated unaudited amounts relating to associates are as follows:

	31 December 2005	31 December 2004
Total assets	17,979,604	16,758,213
Total liabilities	5,126,251	4,479,036
Revenues	15,633,806	15,271,937
Profit/(loss)	1,382,167	1,257,226

Petrol d.d.		
in 000 SIT	31 December 2005	31 December 2004
Balance at 1 January	9,572,575	7,797,575
Additions	144,696	1,775,000
Balance at 31 December	9,717,271	9,572,575
	31 December 2005	31 December 2004
Geoplin d.o.o. Ljubljana	9,087,718	9,087,718
Aquasystems d.o.o.	261,454	261,454
Ogrevanje Piran d.o.o.	223,404	223,404
Marche Gostinstvo d.o.o.	144,695	-
Total	9,717,271	9,572,575

14. Investments in jointly controlled entities

Petrol Group		
in 000 SIT	31 December 2005	31 December 2004
Balance at 1 January	3,411,063	3,290,282
Share of result	416,061	376,450
Dividends received	(386,149)	(290,669)
Additions	-	35,000
Balance at 31 December	3,440,975	3,411,063
	31 December 2005	31 December 2004
Instalacija d.o.o. Koper	3,416,373	3,371,587
Geoenergo d.o.o.	-	5,122
Karkasa, d.o.o.	24,602	34,354
Total	3,440,975	3,411,063

Jointly controlled entities, at 31 December 2005 that are unlisted, are:

Name of jointly controlled entities	Address of jointly controlled entities	Activity	Ownership and voting power	
			2005	2004
Geoenergo d.o.o.	Rudarska 1, Lendava, Slovenia	Acquisition and research of mineral, oil and natural gas products	50%	50%
Karkasa d.o.o.	Škofjeloška cesta 6, Kranj, Slovenia	Tyre reconditioning and refitting	50%	-
Instalacija d.o.o. Koper	Sermin 10/a, Koper, Slovenia	Storing and reloading of oil derivatives	49%	49%

Unaudited amounts relating to jointly controlled entities are as follows:

in 000 SIT	31 December 2005			31 December 2004		
	Geoenergo d.o.o.	Karkasa d.o.o.	Instalacija d.o.o., Koper	Geoenergo d.o.o.	Karkasa d.o.o.	Instalacija d.o.o., Koper
Current assets	29,579	19,665	383,115	31,397	9,803	475,373
Non-current assets	510	31,578	4,230,896	1,044,843	31,445	4,336,671
Current liabilities	14,603	26,520	361,965	20,295	6,354	351,998
Non-current liabilities	8,367	968	752,658	5,327	862	989,537
Total income	94,132	37,294	1,314,043	102,800	216	1,235,412
Total expenses	(1,137,630)	(47,046)	(883,108)	(100,387)	(862)	(860,729)
Profit/(loss)	(1,043,498)	(9,752)	430,935	2,413	(646)	374,683

15. Available for sale investments

Petrol Group		
in 000 SIT	31 December 2005	31 December 2004
Balance at 1 January	7,041,168	4,127,895
Additions	57,519	2,162,620
Exchange differences	(13)	241
Increase of fair value	7,480	1,277,913
Decrease of fair value	(5,880)	(960)
Decrease of fair value reserves at disposals	(1,845,156)	(7,088)
Disposals	(2,302,943)	(519,453)
Balance at 31 December	2,952,175	7,041,168

Available for sale securities include equity shares held in various companies and financial institutions.

Petrol d.d.		
in 000 SIT	31 December 2005	31 December 2004
Balance at 1 January	1,722,404	1,687,404
Additions	-	35,000
Balance at 31 December	1,722,404	1,722,404
	31 December 2005	31 December 2004
Instalacija d.o.o. Koper	1,687,404	1,687,404
Karkasa, d.o.o.	35,000	35,000
Total	1,722,404	1,722,404

Petrol d.d.		
in 000 SIT	31 December 2005	31 December 2004
Balance at 1 January	7,003,628	4,102,744
Additions	44,454	2,150,472
Increase of fair value	7,480	1,277,913
Impairment	(5,880)	(960)
Decrease of fair value reserves at disposals	(1,845,156)	(7,088)
Disposals	(2,301,654)	(519,453)
Balance at 31 December	2,902,872	7,003,628

16. Long-term receivables

Petrol Group		
in 000 SIT	31 December 2005	31 December 2004
Finacial receivables	754,761	1,054,444
Finacial receivables from associated	469,965	461,251
Receivables from finance leases	13,739	13,230
Provision of receivables from finance leases	(15)	(187)
Total financial receivables	1,238,450	1,528,738
Other receivables	111,404	219,114
Other receivables from jointly controlled entities	341,732	341,970
Total other receivables	453,136	561,084
Total financial and other receivables	1,691,586	2,089,822

17. Inventories

Petrol Group		
in 000 SIT	31 December 2005	31 December 2004
Inventory of spare parts and raw materials	205,323	297,904
Merchandise:	27,870,839	16,888,722
- fuel products	23,525,382	13,204,284
- other fuel products	997,574	941,254
- non fuel products	3,347,883	2,743,184
Total	28,076,162	17,186,626

Year ended 31 December 2004	Spare parts and raw material	Merchandise	Total
Surplus in physical inventory	258	199,567	199,825
Deficit in physical inventory	10	695,236	695,246
Write-downs of inventories	9,697	241,733	251,430

Year ended 31 December 2005	Spare parts and raw material	Merchandise	Total
Surplus in physical inventory	203	241,080	241,283
Deficit in physical inventory	0	969,500	969,500
Write-downs of inventories	5,740	251,085	256,825

None of the Group's and the Company's inventories is pledged as collateral.

Group manage with statutory oil reserves. Obligation for those reserves is:

- 1.8 SIT per litter for petrol and avio-petrol
- 1.7 SIT per litter for diesel and fuel o

Petrol d.d.			
in 000 SIT	31 December 2005	31 December 2004	
Financial receivables	754,761	1,054,444	
Financial receivables from associated	469,965	461,251	
Financial receivables from subsidiaries	2,009,126	1,997,415	
Total financial receivables	3,233,852	3,513,110	
Receivables from finance leases	13,739	13,230	
Provision of receivables from finance leases	(15)	(187)	
Total	13,724	13,043	
Other receivables from jointly controlled entities	341,732	341,970	
Other receivables from subsidiaries	5,394	6,206	
Other receivables	85,746	212,908	
Total other receivables	446,596	574,127	
Total financial and other receivables	3,680,448	4,087,237	

All financial and other receivables are due within 5 years from the balance sheet date.

Finance lease receivables (where a group company is a lessor):	31 December 2005	31 December 2004
Due within one year	-	1,696
Due over five years	13,724	11,347
Total	13,724	13,043

Petrol d.d.			
in 000 SIT	31 December 2005	31 December 2004	
Inventory of spare parts and raw materials	0	139,533	
Merchandise:	25,880,040	15,817,945	
- fuel products	21,933,523	12,339,097	
- other fuel products	938,558	902,752	
- non fuel products	3,007,959	2,576,096	
Total	25,880,040	15,957,478	

Year ended 31 December 2004	Spare parts and raw material	Merchandise	Total
Surplus in physical inventory	7	154,793	154,800
Deficit in physical inventory	10	667,211	667,221
Write-downs of inventories	56	234,030	234,086
Year ended 31 December 2005	Spare parts and raw material	Merchandise	Total
Surplus in physical inventory	0	193,448	193,448
Deficit in physical inventory	0	870,061	870,061
Write-downs of inventories	0	206,285	206,285

18. Trade and other receivables

Petrol Group			
in 000 SIT	31 December 2005	31 December 2004	
Financial receivables	1,738,867	729,001	
Finance leases receivable current portion	-	1,696	
Trade receivables	50,041,189	42,912,465	
Less: allowance for doubtful debts	(4,339,479)	(4,337,368)	
Trade receivables - net	45,701,710	38,575,097	
Receivables from services to jointly controlled	9,475	2,030	
Receivables from associated undertakings	102,164	49,318	
Total trade and other receivables	47,552,216	39,357,142	

The management believes that the carrying amount of trade and other receivables approximates their fair value.

19. Investments held for trading

The Group and the Company had only one investment held for trading, in Cestno podjetje Kranj. The investment was sold in year 2005.

20. Prepaid expenses

Petrol Group			
in 000 SIT	31 December 2005	31 December 2004	
Deferred expenses	457,437	225,106	
Accrued revenues	181,290	98,974	
Advances	50,130	1,112,207	
Total	688,857	1,436,287	

21. Cash and cash equivalents

Petrol Group			
in 000 SIT	31 December 2005	31 December 2004	
Cash at bank and in hand	39,714	7,110	
Short term bank deposits - up to 3 months	2,661,520	2,133,403	
Skupaj	2,701,234	2,140,513	

Average interest rate for bank deposits up to 3 months in year 2005 is 2.92 per cent (2004: 3.87 per cent).

Petrol d.d.		
in 000 SIT	31 December 2005	31 December 2004
Financial receivables	1,649,899	405,497
Finance leases receivable current portion	-	1,696
Trade receivables	43,550,594	36,867,625
Less: allowance for doubtful debts	(3,507,072)	(3,627,882)
Trade receivables - net	40,043,522	33,239,743
Receivables from services to subsidiaries	2,648,199	2,225,210
Receivables from services to jointly controlled	9,475	2,030
Receivables from associated undertakings	92,328	43,023
Total trade and other receivables	44,443,423	35,917,199

Petrol d.d.		
in 000 SIT	31 December 2005	31 December 2004
Deferred expenses	472,295	193,757
Accrued revenues	114,935	98,974
Advances	18,813	259,781
Total	606,043	552,512

Petrol d.d.		
in 000 SIT	31 December 2005	31 December 2004
Cash at bank and in hand	4,310	3,330
Short term bank deposits - up to 3 months	1,695,613	1,023,473
Total	1,699,923	1,026,803

22, Borrowings

Petrol Group			
in 000 SIT	31 December 2005	31 December 2004	
Current			
Bank borrowings	25,833,848	14,332,686	
Loans from other companies	495,302	4,591,297	
Total	26,329,150	18,923,983	
Non-current			
Bank borrowings	30,536,312	24,420,426	
Loans from other companies	-	3,196,574	
Total	30,536,312	27,617,000	
Total borrowings	56,865,462	46,540,983	

All non-current financial liabilities are free of material pledges.

The management believes that the value of borrowings approximates their fair value.

The exposure of the Group and the Company's borrowings to interest-rate changes and the contractual reprising dates are as follows:

Petrol Group			
in 000 SIT	31 December 2005	31 December 2004	
6 months or less	16,390,644	16,490,430	
6-12 months	9,881,095	2,433,553	
1-5 years	15,394,726	5,927,553	
Over 5 years	15,198,997	21,689,447	
Total borrowings	56,865,462	46,540,983	

The carrying amounts of the Group's and the Company's borrowings are denominated in the following currencies:

Petrol Group			
in 000 SIT	31 December 2005	31 December 2004	
EUR	48,607,571	36,456,826	
USD	7,225,170	3,419,976	
SIT	1,032,721	6,664,181	
Total borrowings	56,865,462	46,540,983	

The effective interest rates on 31 December 2005 for borrowings that are denominated in EUR were from 2.17 per cent to 5.19 per cent. (2004: 2.83 per cent to 5.19 per cent) in USD was 4.03 per cent (2004: 4.75 per cent) and for borrowings denominated in SIT was 2.95 per cent.(2004: 9.45 per cent – refinanced in year 2005).

Petrol d.d.		
in 000 SIT	31 December 2005	31 December 2004
Current		
Bank borrowings	12,793,119	10,376,826
Loans from subsidiaries	1,830,914	2,434,060
Loans from other companies	437,891	4,534,399
Total	15,061,924	17,345,285
Non-current		
Bank borrowings	29,624,872	23,166,593
Loans from other companies	-	3,196,574
Total	29,624,872	26,363,167
Total borrowings	44,686,796	43,708,452

Petrol d.d.		
in 000 SIT	31 December 2005	31 December 2004
6 months or less	3,696,806	9,157,009
6-12 months	11,365,118	8,188,145
1-5 years	14,425,875	4,914,599
Over 5 years	15,198,997	21,448,699
Total borrowings	44,686,796	43,708,452

Petrol d.d.		
in 000 SIT	31 December 2005	31 December 2004
EUR	41,880,891	34,904,021
SIT	2,805,905	8,804,431
Total borrowings	44,686,796	43,708,452

The effective interest rates on 31 December 2005 for borrowings that are denominated in EUR was from 2,17 per cent to 4,90 per cent (2004: 2.83 per cent to 4.90 per cent), for borrowings denominated in SIT was 2.95 per cent (2004: 9.45 per cent – refinanced in year 2005).

23. Deferred income tax

The movement on the deferred income tax account is as follows:

Petrol Group		
in 000 SIT	31 December 2005	31 December 2004
At beginning of year	332,040	204,828
Charged /(credited) to income statement (note 6)	(84,584)	(190,255)
Charged /(credited) to equity	(460,889)	317,467
At end of year	(213,433)	332,040

Petrol Group						
in 000 SIT						
Deferred tax assets	Investments	Provisions not recognised for tax purposes	Allowances for receivables and accrued expenses	Inventories	Receivables / Payables	Total
At 1 January 2004	(658)	(264,732)	-	(8,755)	(760)	(274,905)
Charged /(credited) to income statement	658	(10,166)	-	(17,031)	(2,028)	(28,567)
Charged /(credited) to equity	-	-	-	-	-	-
At 31 December 2004	-	(274,898)	-	(25,786)	(2,788)	(303,472)
Charged /(credited) to income statement	(14,150)	53,387	(45,910)	(5,352)	(5,447)	(17,472)
Charged /(credited) to equity	-	-	-	-	-	-
At 31 December 2005	(14,150)	(221,511)	(45,910)	(31,138)	(8,235)	(320,944)
Deferred tax liabilities	Investments	Provisions not recognised for tax purposes	Allowances for receivables and accrued expenses	Inventories	Receivables / Payables	Total
At 1 January 2004	225,062	254,671	-	-	-	479,733
Charged /(credited) to income statement	13,312	(175,000)	-	-	-	(161,688)
Charged /(credited) to equity	317,467	-	-	-	-	317,467
At 31 December 2004	555,841	79,671	-	-	-	635,512
Charged /(credited) to income statement	12,559	(79,671)	-	-	-	(67,112)
Charged /(credited) to equity	(460,889)	-	-	-	-	(460,889)
At 31 December 2005	107,511	-	-	-	-	107,511

24. Employee benefits

Petrol Group		
in 000 SIT	31 December 2005	31 December 2004
Retirement benefits	584,926	609,444
Long-service bonuses	353,242	438,463
Total	938,168	1,047,907

Petrol d.d.			
in 000 SIT	31 December 2005	31 December 2004	
At beginning of year	524,445	312,389	
Charged /(credited) to income statement	(79,892)	(105,411)	
Charged /(credited) to equity	(460,889)	317,467	
At end of year	(16,336)	524,445	

Petrol d.d.				
in 000 SIT		Provisions not recognised for tax purposes	Allowances for receivables and accrued expenses	Total
Deferred tax assets	Investments			
At 1 January 2004	(658)	(165,072)	-	(165,730)
Charged /(credited) to income statement	658	58,656	-	59,314
Charged /(credited) to equity	-	-	-	-
At 31 December 2004	-	(106,416)	-	(106,416)
Charged /(credited) to income statement	(14,150)	22,431	(18,117)	(9,836)
Charged /(credited) to equity	-	-	-	-
At 31 December 2005	(14,150)	(83,985)	(18,117)	(116,252)
Deferred tax liabilities	Investments	Provisions not recognised for tax purposes	Allowances for receivables and accrued expenses	Total
At 1 January 2004	223,448	254,671	-	478,119
Charged / (credited) to income statement	10,276	(175,000)	-	(164,724)
Charged / (credited) to equity	317,467	-	-	317,467
At 31 December 2004	551,191	79,671	-	630,861
Charged /(credited) to income statement	9,614	(79,671)	-	(70,057)
Charged /(credited) to equity	(460,889)	-	-	(460,889)
At 31 December 2005	99,916	-	-	99,916

Petrol d.d.			
in 000 SIT	31 December 2005	31 December 2004	
Retirement benefits	284,900	293,263	
Long-service bonuses	157,344	166,354	
Total	442,244	459,617	

Petrol Group - Retirement benefits		
in 000 SIT	2005	2004
Basic data		
Headcount	2,693	2,769
DBO (Defined Benefit Obligation) at beginning of the year	609,444	866,266
Current service cost	22,442	25,396
Interest cost	29,527	38,869
Actual payments	10,579	23,694
Interest rate	2,750%	2,750%
Future increase of salaries	2,500%	3,600%
Accrued liability		
Accrued liability at the beginning of the year	609,444	866,266
Net cost	(35,097)	(280,516)
Actual payments	10,579	23,694
Accrued liability end of year	584,926	609,444
Net periodic cost		
Current service cost	22,442	25,396
Interest cost	29,527	38,869
Amortisation of net (gains)/losses	(87,066)	(344,782)
Total net periodic pension cost	(35,097)	(280,516)

Petrol Group - Long-service bonuses		
in 000 SIT	2005	2004
Basic data		
Headcount	2,693	2,769
DBO (Defined Benefit Obligation) at beginning of the year	438,463	411,267
Current service cost	23,924	28,509
Interest cost	20,061	30,115
Actual payments	98,092	70,782
Interest rate	2,750%	2,750%
Future increase of salaries	2,500%	3,600%
Accrued liability		
Accrued liability at the beginning of the year	438,463	411,267
Net cost	(183,313)	(43,586)
Actual payments	98,092	70,782
Accrued liability end of year	353,242	438,463
Net periodic cost		
Current service cost	23,924	28,509
Interest cost	20,061	30,115
Amortisation of net (gains)/losses	(227,298)	(102,211)
Total net periodic pension cost	(183,313)	(43,586)

Petrol d.d. - Retirement benefits

in 000 SIT	2005	2004
Basic data		
Headcount at the end of year	551	552
DBO (Defined Benefit Obligation) at beginning of the year	293,263	711,634
Current service cost	12,268	13,233
Interest cost	15,806	19,766
Actual payments	1,492	6,245
Interest rate	2,750%	2,750%
Future increase of salaries	2,500%	3,600%
Accrued liability		
Accrued liability at the beginning of the year	293,263	711,634
Net cost	(9,855)	(424,616)
Actual payments	1,492	6,245
Accrued liability end of year	284,900	293,263
Net periodic cost		
Current service cost	12,268	13,233
Interest cost	15,806	19,766
Amortisation of net (gains)/losses	(37,928)	(457,615)
Total net periodic pension cost	(9,855)	(424,616)

Petrol d.d. - Long-service bonuses

in 000 SIT	2005	2004
Basic data		
Headcount	551	552
DBO (Defined Benefit Obligation) at beginning of the year	166,354	320,205
Current service cost	10,399	10,728
Interest cost	8,922	11,420
Actual payments	41,554	29,548
Interest rate	2,750%	2,750%
Future increase of salaries	2,500%	3,600%
Accrued liability		
Accrued liability at the beginning of the year	166,354	320,205
Net cost	(32,544)	124,304
Actual payments	41,554	29,548
Accrued liability end of year	175,364	474,056
Net periodic cost		
Current service cost	10,399	10,728
Interest cost	8,922	11,420
Amortisation of net (gains)/losses	(51,865)	102,156
Total net periodic pension cost	(32,544)	124,304

25. Provisions

Petrol Group				
in 000 SIT	Environmental provisions	Legal provisions	Other	Total
At 1 January 2004	6,818,430	116,347	131,695	7,066,472
Additional provisions	-	101,705	67,386	169,091
Utilised during the year	(483,083)	(116,347)	(20,914)	(620,344)
At 31 December 2004	6,335,347	101,705	178,167	6,615,219
Additional provisions	-	103,761	67,818	171,579
Utilised during the year	(523,009)	(101,705)	(9,532)	(634,246)
At 31 December 2005	5,812,338	103,761	236,453	6,152,552

Analysis of total provisions		
	31 December 2005	31 December 2004
Provisions		
• Non-current	6,048,791	6,513,514
• Current	103,761	101,705
Total	6,152,552	6,615,219

Legal provisions

The amounts shown comprise gross provisions in respect of certain legal claims brought against the Group or the Company (mainly wholesale customers). In the opinion of the directors, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 December 2005.

Environmental provisions

The Group is obligated to issue yearly report about environmental provisions.

26. Trade and other payables

Petrol Group		
in 000 SIT	31 December 2005	31 December 2004
Trade payables	33,597,569	26,485,177
Payables for excise duty	7,992,075	9,692,013
Payables for value added tax (VAT)	3,233,546	3,983,355
Payables for income tax	1,855,916	1,151,057
Payables for import duties	1,670,143	1,520,172
Salaries	925,747	901,935
Payables for commodity taxes	451,298	439,564
Payables related to carbon dioxide emissions	395,927	427,185
Payables of jointly controlled	155,176	226,595
Advance	94,599	75,863
Social security	88,231	89,624
Payables to associates	59,904	-
Other payables	322,677	786,830
Total	50,842,808	45,779,370

Petrol d.d.

in 000 SIT	Environmental provisions	Legal provisions	Total
At 1 January 2004	6,818,430	21,092	6,839,522
Additional provisions	-	26,288	26,288
Utilised during the year	(483,083)	(1,990)	(485,073)
At 31 December 2004	6,335,347	45,390	6,380,737
Additional provisions	-	12,065	12,065
Utilised during the year	(523,009)	(2,309)	(525,318)
At 31 December 2005	5,812,338	55,146	5,867,484

	31 December 2005	31 December 2004
Analysis of total provisions		
Provisions		
• Non-current	5,812,338	6,335,347
• Current	55,146	45,390
Skupaj	5,867,484	6,380,737

Petrol d.d.

in 000 SIT	31 December 2005	31 December 2004
Trade payables	10,918,423	12,488,679
Payables to subsidiaries	36,247,015	17,429,037
Payables for excise duty	7,992,075	9,679,023
Payables for value added tax (VAT)	3,129,363	3,912,151
Payables for income tax	1,782,702	1,138,066
Payables for import duties	1,085,236	789,250
Salaries	554,267	592,935
Payables for commodity taxes	451,298	439,564
Payables related to carbon dioxide emissions	387,728	425,953
Payables of jointly controlled	155,176	226,595
Advance	86,796	65,625
Payables to associates	59,534	-
Social security	50,351	49,818
Other payables	145,877	646,387
Total	63,045,841	47,883,083

27. Accruals

Petrol Group		
in 000 SIT	31 December 2005	31 December 2004
Accrued expenses or accrued cost:		
• unresolved judicial suits	587,836	583,568
• interest charged in advance for judicial suits	1,553,947	1,582,287
• accrued costs of services of project design groups	-	216,290
• environmental accrued cost	245,726	214,538
• recognised complains in advance	103,767	-
• accrued interest expenses	267,185	184,962
• the shortfall of goods charged in advance for last quarter	135,306	131,911
• unused paid vacaiton	353,037	329,522
• other	307,082	252,495
Deferred revenues	174,808	42,525
Total	3,728,694	3,538,098

28. Derivative financial instruments

The Group and the Company utilises currency derivatives to hedge significant future transactions and cash flows. The Group and the Company is a party to a variety of foreign currency forward contracts in the management of its exchange rate exposures.

Petrol d.d.		
in 000 SIT	31 December 2005	31 December 2004
Accrued expenses or accrued cost:		
• unresolved judicial suits	573,998	577,055
• interest charged in advance for judicial suits	1,553,947	1,582,287
• accrued costs of services of project design groups	-	216,290
• environmental accrued cost	245,726	214,538
• recognised complains in advance	103,767	-
• accrued interest expenses	267,185	184,962
• the shortfall of goods charged in advance for last quarter	135,306	131,911
• unused paid vacaiton	205,870	182,531
• other	64,714	44,112
Deferred revenues	19,664	19,515
Total	3,170,177	3,153,201

At balance sheet date, total notional amount of outstanding forward foreign exchange contracts and interest rate swap's that the Group and the Company has committed are as below:

in 000 SIT	31 December 2005	31 December 2004
Total notional amount of outstanding forward foreign exchange contracts		
Notional amount in USD	(29,888,295)	(12,578,441)
Notional amount in EUR	(3,556,405)	0
Notional amount in USD	3,573,244	12,867,402
Notional amount in EUR	29,743,688	0
Positive effect of forward foreign exchange contract	178,885	0
Negative effect of forward foreign exchange contract	(30,946)	(288,601)
Total notional amount of outstanding interest rate SWAPs'	12,687,996	0
Positive effect of interest rate SWAP	30,432	0
Negative effect of interest rate SWAP	(46,003)	0

Only the Company has derivative financial instruments.

29. Ordinary shares, share premium and treasury shares

The total authorised number of ordinary shares is 2,086,301 shares (December 2004: 2,086,301 shares) with a par value of 6,000 SIT per share (December 2004: 6,000 per share). All issued shares are fully paid.

Based on its articles of association and a general meeting resolution of 4 April 1997, the company purchased 36,142 treasury shares, equivalent to 1.73% of the registered share capital, during the period between May 1997 and December 2000. The aggregate value of the treasury shares acquired was SIT 691,887,493; at the time of purchase, the purchase price of the shares was lower than their fair value.

As of 31 December 2005, the Parent company owned 26,161 treasury shares, 1.25 per cent of its total registered common shares. The aggregate value of the treasury shares is SIT 661,023 thousand.

As of 31 December 2004, the Parent company owned 26,305 treasury shares, 1.26 per cent of its total registered common shares. The aggregate value of the treasury shares is SIT 664,662 thousand.

30. Reserves

Petrol Group		
in 000 SIT	31 December 2005	31 December 2004
Equity reserves	19,292,550	19,286,996
Legal and other reserves	43,493,542	38,944,127
Fair value reserves	144,000	1,526,667
Fixed asset valuation reserves	650,208	650,208
Translation reserves	457,657	100,716
Total reserves	64,037,957	60,508,714

Equity reserves

The general equity revaluation adjustments as at 31 December 2003 according to Slovenian accounting standards consisted of the indexation revaluations made to the share capital prior to 2002. Adjustment Amount can be used solely for increase of share capital.

Legal and other reserves

Legal and other reserves are amounts intentionally withheld from the profits of previous years, primarily for the settlement of possible future losses. They are broken down into legal reserves, reserves under the articles of association and other profit reserves. They are recognised when created by the body responsible for compiling the annual report, or by resolution of the relevant body.

	Number of shares	Share capital 000 SIT	Treasury shares 000 SIT	Equity reserves 000 SIT	Total 000 SIT
At 1 January 2004	2,086,301	12,517,806	(691,041)	19,245,509	31,072,274
Net sale of treasury shares			26,379	41,487	67,866
At 31 December 2004	2,086,301	12,517,806	(664,662)	19,286,996	31,140,140
Net sale of treasury shares			3,639	5,554	9,193
At 31 December 2005	2,086,301	12,517,806	(661,023)	19,292,550	31,149,333

Petrol d.d.		
in 000 SIT	31 December 2005	31 December 2004
Equity reserves	19,292,550	19,286,996
Legal and other reserves	43,479,312	38,938,132
Fair value reserves	144,000	1,526,667
Total reserves	62,915,862	59,751,795

31. Minority interests

Only the Group has minority interests.

in 000 SIT	31 December 2005	31 December 2004
At the beginning of the year	24,291	23,369
Share of net profit of subsidiaries	2,165	921
At end of year	26,456	24,290

32. Cash generated from operations

Petrol Group		
in 000 SIT	31 December 2005	31 December 2004
Profit before tax	10,254,220	5,958,699
Adjustments for:		
Depreciation on property, plant and equipment	6,572,414	6,212,374
Amortisation of intangible assets	158,225	140,584
Goodwill impairment charge	-	(261,193)
Loss on sale of property, plant and equipment	(149,135)	(117,227)
Trade receivables - allowance for doubtful debts	296,625	598,066
Finance expense - net	(1,624,396)	(412,892)
Share of result of jointly controlled companies	(416,061)	(376,450)
Share of result of associated companies	(1,382,167)	(1,257,226)
Changes in working capital excluding the effects of acquisition and disposal of subsidiaries		
Inventories	(10,933,272)	(4,663,241)
Trade and other receivables	(5,083,563)	(8,719,189)
Trade and other payables	5,479,947	11,179,083
Provisions	(231,737)	959,132
Cash generated from operations	2,941,100	9,240,520

Petrol d.d.		
in 000 SIT	31 December 2005	31 December 2004
Profit before tax	8,988,946	7,018,518
Adjustments for:		
Depreciation on property, plant and equipment	5,529,216	5,317,384
Amortisation of intangible assets	106,105	94,530
Loss on sale of property, plant and equipment	(167,269)	(85,318)
Trade receivables - allowance for doubtful debts	14,739	386,355
Finance expense - net	(1,908,740)	(300,744)
Share of result of subsidiaries	(539,297)	(2,748,967)
Share of result of jointly controlled companies	(386,151)	(290,669)
Share of result of associated companies	(902,440)	(744,289)
Changes in working capital excluding the effects of acquisition and disposal of subsidiaries		
Inventories	(9,922,562)	(4,263,599)
Trade and other receivables	(5,678,724)	(9,093,095)
Trade and other payables	15,093,416	11,954,865
Provisions	(513,650)	732,282
Cash generated from operations	9,713,589	7,977,253

33. Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its associates and jointly controlled are disclosed below.

Petrol Group				
in 000 SIT	31 December 2005	Per cent from total	31 December 2004	Per cent from total
Sales of services to jointly controlled	11,333	0.0027%	7,144	0.0020 %
Sales of services to associates	376,982	0.0897%	155,562	0.0504 %
Cost of sales to jointly controlled	40,566	0.0109%	-	
Cost of sales to associates	320,102	0.0859%	-	
Distribution costs to jointly controlled	1,375,554	4.1182%	1,326,808	3.9847 %
Distribution costs to associates	49,994	0.1497%	-	
Administrative expenses to jointly controlled	-		-	
Administrative expenses to associates	429	0.0044%	-	
Financial and other receivables to jointly controlled	341,732	19.8506%	341,970	16.2333 %
Financial and other receivables from associates	469,965	27.2994%	461,251	21.8956 %
Receivables of services to jointly controlled	9,475	0.0207%	2,030	0.0053 %
Receivables from associates	102,164	0.2230%	49,318	0.1277 %
Borrowings to jointly controlled	-		-	
Borrowings to associates	355,568	1.3505%	-	
Trade and other payables to jointly controlled	155,176	0.3052%	226,595	0.4457 %
Trade and other payables to associates	59,904	0.1178%	-	
Interest income				
• jointly controlled	334	0.0251%	144	0.0119 %
• associates	35,986	2.7063%	38,330	3.1710 %
Finance expenses				
• jointly controlled	-		14	0.0066 %
• associates	8,332	0.4985%	-	

Sales of services to related parties were made at the Group's or the Company's usual list prices.

No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

The loans to associates carry inter bank interest rates.

Petrol d.d.				
in 000 SIT	31 December 2005	Per cent from total	31 December 2004	Per cent from total
Sales of services to subsidiaries	16,764,886	4.3598%	3,580,258	1.1162 %
Sales of services to jointly controlled	9,861	0.0003%	1,173	0.0004 %
Sales of services to associates	346,441	0.0901%	139,137	0.0434 %
Cost of sales to subsidiaries	183,725,990	53.4471%	114,269,646	40.4981 %
Cost of sales to jointly controlled	40,566	0.0118%	-	
Cost of sales to associates	320,102	0.0931%	316,218	0.1121 %
Distribution costs to subsidiaries	4,225,256	14.0664%	4,358,057	14.2547 %
Distribution costs to jointly controlled	1,375,554	4.5794%	1,326,808	4.3398 %
Distribution costs to associates	48,278	0.1607%	-	
Financial and other receivables to subsidiaries	2,014,520	54.2942%	2,003,621	48.8210 %
Financial and other receivables to jointly controlled	341,732	9.2102%	341,970	8.3326 %
Financial and other receivables from associates	469,965	12.6662%	461,251	11.2390 %
Receivables of services to subsidiaries	2,648,199	6.1883%	925,210	2.6054 %
Receivables of services to jointly controlled	9,475	0.0221%	2,030	0.0057 %
Receivables from associates	92,328	0.2158%	43,023	0.1212 %
Financial receivables	485,456	29.4234%	130,843	32.2673 %
Borrowings to subsidiaries	1,830,914	12.1559%	2,343,060	14.0330 %
Borrowings to jointly controlled	-		-	
Borrowings to associates	355,568	2.3607%	-	
Trade and other payables to subsidiaries	36,247,015	57.4931%	16,129,037	33.6842 %
Trade and other payables to jointly controlled	155,176	0.2461%	226,595	0.4732 %
Trade and other payables to associates	59,904	0.0950%	-	
Interest income				
• subsidiaries	95,626	7.3353%	102,129	8.4490 %
• jointly controlled	334	0.0256%	144	0.0119 %
• associates	35,986	2.7604%	38,330	3.1710 %
Finance expenses				
• subsidiaries	75,466	6.3781%	172,678	14.2545 %
• jointly controlled	-		14	0.0012 %
• associates	8,332	0.0704%	-	

Earnings of members of the supervisory board and the management board for the Group and the Company are as follows:

Earnings of supervisory board			
in 000 SIT	Session fees	Other earnings	Total
Members of supervisory board from 5 April 2005	2,350	0	2,350
Jože Zagožen, president of supervisory board	723	0	723
Matjaž Gantar, member of supervisory board	323	0	323
Igor Irgolič, member of supervisory board up to 30 November 2005	452	0	452
Mičo Mrkaić, member of supervisory board up to 20 July 2005	129	0	129
Milan Podpečan, member of supervisory board	594	0	594
Viktor Baraga, member of supervisory board from 16 July 2005	129	0	129
Members of supervisory board from 21 February 2005	2,822	0	2,822
Samo Gerdin, employee representative	1,113	0	1,113
Cvetka Žigart, employee representative	935	0	935
Ciril Pirš, employee representative	774	0	774
Members of supervisory board up to 4 April 2005	1,290	182	1,472
Miran Mejak, president of supervisory board*	361	182	543
Uroš Slavinec, member of supervisory board	219	0	219
Irena Starman, member of supervisory board	323	0	323
Jože Stanič, member of supervisory board up to 15 July 2005	387	0	387
Members of supervisory board up to 20 February 2005	552	0	552
Andrej Medved, employee representative	129	0	129
Miran Obreza, employee representative	129	0	129
Tomaž Jamnik, employee representative	95	0	95
Nina Potisek, employee representative	104	0	104
Silvan Simčič, employee representative	95	0	95
Total	7,014	182	7,196

* Other incomes of the president of the SB are composed of reimbursement of material costs for the performance of contractually determined functions in accordance with Article 277 of the Companies Act.

Earnings of members of management board				
in 000 SIT	Fixed earnings	Variable earnings	Other earnings	Total
Members of management board from 1 December 2005	29,390	6,873	417	36,680
Marko Kryžanowski, president of management board	3,929	0	0	3,929
Igor Irgolič, deputy-president of management board ¹	2,995	0	223	3,218
Alenka Vrhovnik Težak, member of management board ¹	2,995	0	52	3,047
Boštjan Napast, member of management board ¹	2,999	0	67	3,066
Bojan Herman, director / employee representative ²	16,472	6,873	75	23,420
Members of management board up to 30 November 2005	100,988	83,878	141,199	326,065
Janez Lotrič, president of management board ¹	43,285	55,081	101,341	199,707
Marija Lah, member of management board ^{1, 3}	32,937	15,003	3,799	51,739
Vladimir Jančič, member of management board up to 30 Sep. 2005 ¹	24,766	13,794	36,059	74,619
Total	130,378	90,751	141,616	362,745

¹ Other earnings refer to company benefit value.

² Variable earnings refer to payments of 46 treasury shares in the amount of SIT 6,598 thousand.

³ Variable earnings refer to payments of 98 treasury shares in the amount of SIT 15,003 thousand.

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The total earnings and emoluments paid in 2005 to employees on individual contracts to whom the tariff section of the collective agreement does not apply (excluding members of the management board) amounted to SIT 1,924,585 thousand.

The total earnings paid to members of the workers council in 2005 amounted to SIT 3,493 thousand.

Petrol d.d.

The total earnings and emoluments paid in 2005 to employees on individual contracts to whom the tariff section of the collective agreement does not apply (excluding members of the management board) amounted to SIT 1,509,769 thousand.

The total earnings paid to members of the workers council in 2005 amounted to SIT 1,938 thousand.

34. Explanation of transition to IFRSs

This is the first year that the Group and the Company has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The date of transition to IFRSs was on 1 January 2004.

Balance sheet on 1 January 2004: Petrol Group

in 000 SIT	Comment	Local GAAP - SAS 1 January 2004	Effect of transition to IFRS 1 January 2004	IFRS 1 January 2004
Assets				
Non-current assets				
Intangible assets	1	2,100,911	(211,547)	1,889,364
Property, plant and equipment	2	91,142,017	(6,755,814)	84,386,203
Property, plant and equipment - held-for-sale	2	0	900,801	900,801
Goodwill		5,426	21,275	26,701
Investment property	2	0	5,066,667	5,066,667
Investments in associates	3	567,624	9,068,296	9,635,920
Investments in jointly controlled entities	3	3,299,365	(9,083)	3,290,282
Available for sale investments	4, 13	0	4,127,895	4,127,895
Other long term investments		3,528,917	(3,528,917)	0
Treasury shares investments	5	566,774	(566,774)	0
Long-term receivables		1,149,583	8,756	1,158,339
Deferred income tax assets	7	8,756	266,149	274,905
		102,369,373	8,387,704	110,757,077
Current assets				
Inventories		12,525,451	(2,066)	12,523,385
Financial receivables		5,525,915	(2,669,666)	2,856,249
Trade and other receivables	3	29,458,503	(175,430)	29,283,073
Investments held for trading		0	142,012	142,012
Other financial receivables	13	2,314,368	(2,314,368)	0
Accruals	2	336,625	831,069	1,167,694
Cash and cash equivalents	12	1,793,054	2,665,032	4,458,086
		51,953,916	(1,523,417)	50,430,499
Total assets		154,323,289	6,864,287	161,187,576
Equity and liabilities				
Capital and reserves				
Share capital		12,517,806	0	12,517,806
Treasury shares		0	(691,041)	(691,041)
Equity reserves	10	54,991	19,190,518	19,245,509
Legal and other reserves		34,954,754	880,178	35,834,932
Treasury shares reserves	5	566,774	(566,774)	0
Fair value reserves		0	574,268	574,268
Fixed asset valuation reserves		0	650,208	650,208
Translation reserves		(67,840)	128,500	60,660
Retained earnings		4,992,281	2,038,328	7,030,609
General equity revaluation adjustment	10	19,190,518	(19,190,518)	0
Specific equity revaluation adjustment		85,830	(85,830)	0
		72,295,114	2,927,837	75,222,951
Minority interest		185,213	(161,844)	23,369
Total equity		72,480,327	2,765,993	75,246,320
Non-current liabilities				
Borrowings		23,599,866	0	23,599,866
Deferred income tax liabilities	7	0	479,733	479,733
Employee benefits	6	0	1,277,533	1,277,533
Provisions	14	9,138,848	(2,072,376)	7,066,472
Other liabilities		18,743	(8,756)	9,987
		32,757,457	(323,866)	32,433,591
Current liabilities				
Trade and other payables		34,472,333	55,709	34,528,042
Borrowings	15	12,899,364	4,182,172	17,081,536
Prepayments		1,713,808	184,279	1,898,087
		49,085,505	4,422,160	53,507,665
Total liabilities		81,842,962	4,098,294	85,941,256
Total equity and liabilities		154,323,289	6,864,287	161,187,576

Balance sheet on 1 January 2004: Petrol d.d.

in 000 SIT	Comment	Local GAAP - SAS 1 January 2004	Effect of transition to IFRS 1 January 2004	IFRS 1 January 2004
Assets				
Non-current assets				
Intangible assets	1	1,170,245	(207,114)	963,131
Property, plant and equipment	2	73,966,780	(5,998,298)	67,968,482
Property, plant and equipment - held-for-sale	2	0	900,801	900,801
Investment property	2	0	5,066,667	5,066,667
Investments in associates	3	567,624	7,229,952	7,797,576
Investments in jointly controlled entities	3	3,299,365	(1,611,961)	1,687,404
Investments in subsidiaries	3	23,429,234	(3,583,497)	19,845,737
Available for sale investments	4,13	0	4,102,744	4,102,744
Other long term investments		3,510,220	(3,510,220)	0
Treasury shares investments	5	566,774	(566,774)	0
Long-term receivables		3,231,497	0	3,231,497
Deferred income tax assets	7	0	165,730	165,730
		109,741,739	1,988,030	111,729,769
Current assets				
Inventories		11,695,951	(2,072)	11,693,879
Financial receivables		3,503,740	(2,669,666)	834,074
Trade and other receivables	3	27,316,841	(1,715,596)	25,601,245
Investments held for trading		0	142,012	142,012
Other financial receivables	13	2,314,368	(2,314,368)	0
Accruals	2	293,888	73,553	367,441
Cash and cash equivalents	13	1,286,914	2,668,616	3,955,530
		46,411,702	(3,817,521)	42,594,181
Total assets		156,153,441	(1,829,491)	154,323,950
Equity and liabilities				
Capital and reserves				
Share capital		12,517,806	0	12,517,806
Treasury shares		0	(691,041)	(691,041)
Equity reserves	10	54,991	19,190,518	19,245,509
Trade and other receivables		34,954,754	0	34,954,754
Legal and other reserves	5	566,774	(566,774)	0
Treasury shares reserves		0	574,268	574,268
Fair value reserves		5,015,718	(4,705,014)	310,704
Retained earnings	10	19,190,518	(19,190,518)	0
General equity revaluation adjustment		85,830	(85,830)	0
Total equity		72,386,391	(5,474,391)	66,912,000
Non-current liabilities				
Borrowings		21,935,981	0	21,935,981
Deferred income tax liabilities	7	0	478,119	478,119
Employee benefits	6	0	1,031,839	1,031,839
Provisions	14	8,876,086	(2,036,564)	6,839,522
Other liabilities		9,987	0	9,987
		30,822,054	(526,606)	30,295,448
Current liabilities				
Trade and other payables		35,689,724	0	35,689,724
Borrowings	15	15,854,127	4,182,739	20,036,866
Prepayments		1,401,145	(11,233)	1,389,912
		52,944,996	4,171,506	57,116,502
Total liabilities		83,767,050	3,644,900	87,411,950
Total equity and liabilities		156,153,441	(1,829,491)	154,323,950

Income statement for period ended 31 December 2004: Petrol Group

in 000 SIT	Comment	Local GAAP - SAS 2004	Effect of transition to IFRS 2004	IFRS 2004
Revenue	7	352,423,083	(61,017)	352,362,066
Cost of sales		(308,485,014)	(6)	(308,485,020)
Gross profit		43,938,069	(61,023)	43,877,046
Other operating income		5,518,982	(2,360,956)	3,158,026
Distribution costs		(32,900,957)	(396,881)	(33,297,838)
Administrative expenses		(9,632,731)	(192,372)	(9,825,103)
Profit from operations		6,923,363	(3,011,232)	3,912,131
Share of result	11	739,301	894,375	1,633,676
Finance income - net	9	497,571	(84,679)	412,892
Profit before tax		8,160,235	(2,201,536)	5,958,699
Taxation		(1,213,006)	155,713	(1,057,293)
Profit after tax and before minority interest		6,947,229	(2,045,823)	4,901,406
Minority interest		(919)	(2)	(921)
Net profit for the year		6,946,310	(2,045,825)	4,900,485

Income statement for period ended 31 December 2004: Petrol d.d.

in 000 SIT	Comment	Local GAAP - SAS 2004	Effect of transition to IFRS 2004	IFRS 2004
Revenue	7	320,772,600	(25,210)	320,747,390
Cost of sales		(282,160,446)	0	(282,160,446)
Gross profit		38,612,154	(25,210)	38,586,944
Other operating income		5,217,397	(2,789,646)	2,427,751
Distribution costs		(30,487,663)	(85,172)	(30,572,835)
Administrative expenses		(7,512,023)	4,012	(7,508,011)
Profit from operations		5,829,865	(2,896,016)	2,933,849
Dividends income	11	1,209,980	2,573,945	3,783,925
Finance income - net	9	559,205	(258,461)	300,744
Profit before tax		7,599,050	(580,532)	7,018,518
Taxation		(1,138,066)	105,411	(1,032,655)
Net profit for the year		6,460,984	(475,121)	5,985,863

Equity on 31 December 2004: Petrol Group

in 000 SIT	Pojasnilo	Local GAAP - SAS 1 January 2004	Effect of transition to IFRS 1 January 2004	IFRS 1 January 2004
Equity				
Capital and reserves				
Share capital		12,517,806	0	12,517,806
Treasury shares	10	0	(664,662)	(664,662)
Equity reserves		96,478	19,190,518	19,286,996
Legal and other reserves		38,938,132	5,995	38,944,127
Treasury shares reserves	5	664,662	(664,662)	0
Fair value reserves		0	1,526,667	1,526,667
Fixed asset valuation reserves		0	650,208	650,208
Translation reserves		(119,334)	220,050	100,716
Retained earnings		6,473,794	845,051	7,318,845
General equity revaluation adjustment		19,190,518	(19,190,518)	0
Specific equity revaluation adjustment	10	1,725,152	(1,725,152)	0
		79,487,208	193,495	79,680,703
Minority interest				
		25,122	(832)	24,290
Total equity				
		79,512,330	192,663	79,704,993

Cash flow statement for year ended 31 December 2004: Petrol Group

in 000 SIT	Local GAAP - SAS 2004	Effect of transition to IFRS 2004	IFRS 2004
Net cash from operating activities	10,039,444	(2,834,053)	7,205,391
Net cash used in investing activities	(10,404,953)	(3,192,532)	(13,597,485)
Net cash from financing activities	724,228	3,350,293	4,074,521
	-		
Increase/(decrease) in cash and cash equivalents	358,719	(2,676,292)	(2,317,573)
Movement in cash and cash equivalents:			
Balance at start of year	1,793,054	2,665,032	4,458,086
Net increase/(decrease)	358,719	(2,676,292)	(2,317,573)
Balance at end of year	2,151,773	(11,260)	2,140,513

Equity on 31 December 2004: Petrol d.d.

in 000 SIT	Pojasnilo	Local GAAP - SAS 1 January 2004	Effect of transition to IFRS 1 January 2004	IFRS 1 January 2004
Capital and reserves				
Share capital		12,517,806	0	12,517,806
Treasury shares		0	(691,041)	(691,041)
Equity reserves	10	96,478	19,149,031	19,245,509
Legal and other reserves		38,938,132	(3,983,378)	34,954,754
Treasury shares reserves	5	664,662	(664,662)	0
Fair value reserves		0	574,268	574,268
Retained earnings		6,011,905	(5,701,201)	310,704
General equity revaluation adjustment	10	19,190,518	(19,190,518)	0
Specific equity revaluation adjustment		2,204,022	(2,204,022)	0
Total equity		79,623,523	(12,711,523)	66,912,000

Cash flow statement for year ended 31 December 2004: Petrol d.d.

in 000 SIT	Local GAAP - SAS 2004	Effect of transition to IFRS 2004	IFRS 2004
Net cash (used in)/from operating activities	10,255,855	(4,170,388)	6,085,467
Net cash (used in)/from investing activities	(9,408,571)	525,925	(8,882,646)
Net cash (used in)/from financing activities	(1,096,889)	965,341	(131,548)
Increase/(decrease) in cash and cash equivalents	(249,605)	(2,679,122)	(2,928,727)
Movement in cash and cash equivalents:			
Balance at start of year	1,286,914	2,668,616	3,955,530
Net increase/(decrease)	(249,605)	(2,679,122)	(2,928,727)
Balance at end of year	1,037,309	(10,506)	1,026,803

The following explains the material adjustments to the balance sheet and income statement:

1. Long-term deferred costs did not meet the IFRS definition of intangible assets and have therefore been written off against retained earnings.
2. Investment property, property held for sale and advances for fixed assets are reclassified from property, plant and equipment to appropriate categories.
3. Management has applied the cost value as cost for investments in subsidiaries, associates and jointly controlled entities. Difference from equity method under SAS has been written off against retained earnings.
4. Management has applied fair value for quoted investments. Difference from cost method under SAS has been written off against retained earnings.
5. According to Company law and SAS, reserves for treasury shares were equal to investment in treasury shares on assets side. Adjustment to IFRS was write-off of reserves and investments for treasury shares. Treasury shares has been recognised in equity.
6. According to IFRS The Company has to form provisions for employee benefits (retirement benefits and jubilee bonuses) from retained earnings.
7. Deferred income tax assets and liabilities was recognised for all temporary differences.
8. Connection fee revenue was according to SAS recognised at once, according to IFRS it is recognised on a straight-line basis over the same period as concession.
9. Incomes from forward contracts and interest swap's at balance sheet date was not recognised according to SAS.
10. General equity revaluation was reclassified as equity reserves.
11. Dividends from subsidiaries, are recognised as income according to IFRS. According to SAS and profits from previous years has already been recognised as income.
12. Deposits up to 3 month was recognised as cash according to IFRS.
13. Other financial receivables was classified as available-for-sale investments and reclassified appropriate category.
14. Provision for maintenance did not meet the IFRS definition of provision and have therefore been written off against retained earnings.
15. Recognition of optional contract according to IFRS.
16. Differences in cash flow statement is because of different method use.

All above adjustments were recorded against the opening retained earnings at 1 January 2004. The total net impact on 1 January 2004 is a decrease in retained earnings of SIT 2,038,328 thousand for the Group and SIT 4,705,014 thousand SIT for the Company.

35. Post balance sheet events

On March 14, 2006 it will be the General assembly board on which it will be decided about:

- implementing only IFRS for all financial statements;
- two new members of supervisory board;
- minor changes in the Company's statute.

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www.petrol.si

Published by:

Petrol d. d.

Translated by:

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

Design:

Janja Ošlaj

Photography:

Gregor Kervina (page: 32, 38, 44, 48, 52, 56, 60, 64, 68)

Saša Hes (page: 19, 22)

Damjan Žibert (page: 24)

Print preparation:

Datamix

Printed by:

Tiskarna knjigoveznica Radovljica

Digital version designed and produced by:

HAL interactive