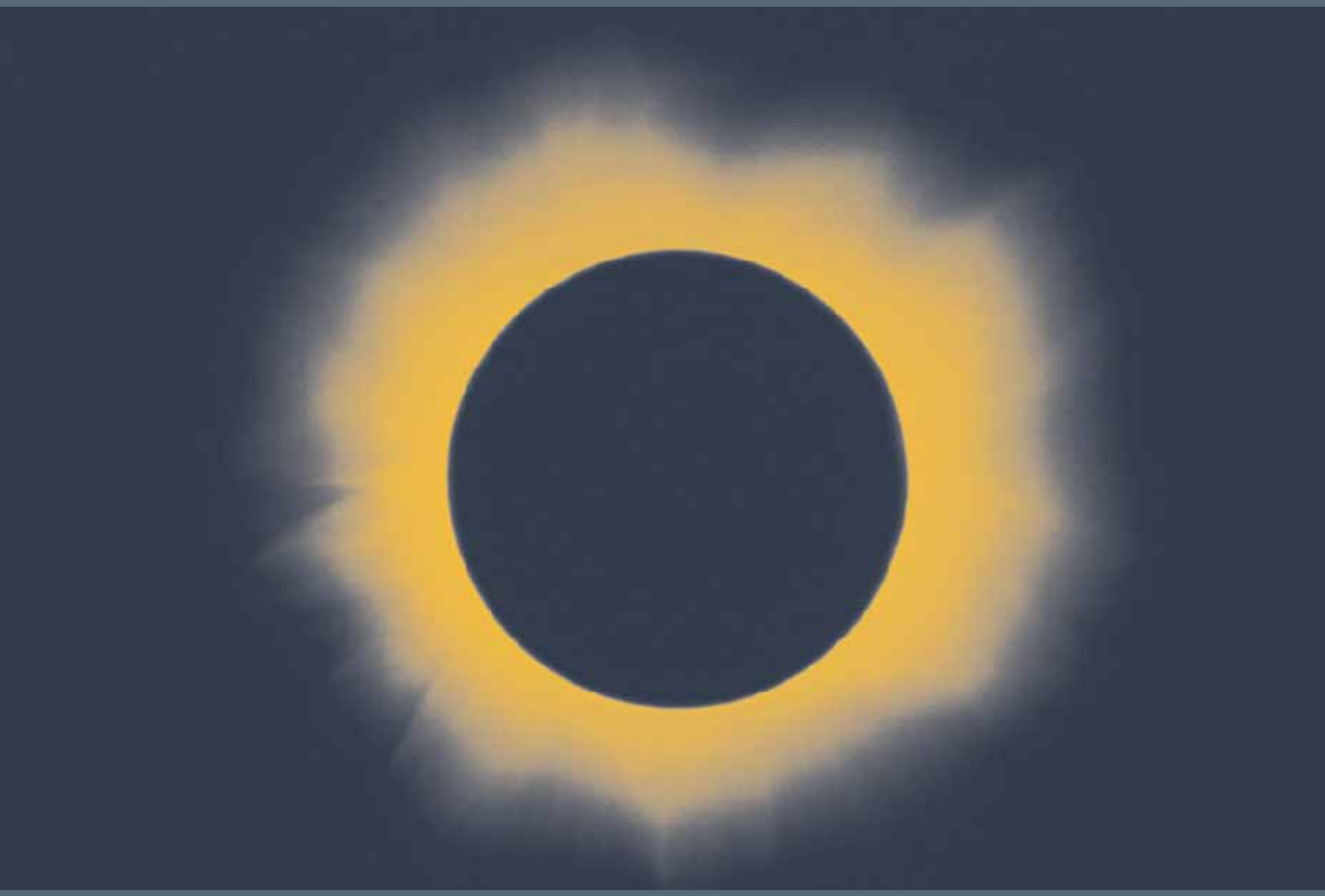
PETROL

Annual Report 2004



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 not only for its high quality goods and services and for its impeccable reputation, but also for its development of a range of new and innovative products. Moreover, Petrol enjoys a solid financial position.

Including the staff of the franchised service stations, the Petrol Group had a total of 2,848 employees at the end of 2004. With net sales revenues of SIT 352 billion, a pre-tax profit of SIT 8.2 billion, equivalent to a net profit of SIT 7 billion, and total assets of SIT 183 billion, it is one of the largest companies in Slovenia. Its investments in non-current assets of more than SIT 16 billion in 2004 reflect its explicit focus on development.

core line of business

The Petrol Group's principal line of business is the oil trade, and its main competitive advantage is its wide network of 343 modern service stations inside and outside Slovenia. In 2004 the group sold 2 million tonnes of refined petroleum products, and consumer goods worth SIT 41 billion.

development guidelines

The Petrol Group's principal area of development is the introduction of new lines in the energy sector, including the marketing of gas, heat and electricity, the management of major environmental projects, and, in the long-term, the marketing of renewable sources of energy. In 2004 the group sold 37,000 tonnes of LPG, 23,000 tonnes of natural gas, 292,000 MWh of electricity and 58,000 MWh of heat. It held 19 gas concessions and two concessions for water treatment.

modus operandi

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

business excellence

The Petrol Group is growing from being 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 south-eastern Europe.

Key Events and their Impact on Operations

Significant business events and achievements of the Petrol Group in 2004:

Petrol Maloprodaja Slovenija d.o.o.

In line with the findings of a study carried out by the consulting firm McKinsey in 2003, retail sales of petroleum products and other merchandise on the Slovenian market were reorganised in 2004 under the aegis of Petrol Maloprodaja Slovenija d.o.o., which is 100%-owned by the parent company Petrol d.d.

Network of 343 service stations

At the end of 2004 the Petrol Group had 343 service stations, of which 293 were in Slovenia, 31 in Bosnia-Herzegovina and 18 in Croatia, with the first Petrol service station in Serbia now also operational.

Centralisation of storage and maintenance

From 2004 onwards overall responsibility for maintenance for the companies in the Petrol Group belongs to Petrol Tehnologija d.o.o., while operational logistics are the responsibility of Petrol Skladiščenje d.o.o. Both companies are 100%-owned by Petrol d.d.

Increase in storage capacity

In line with a contract signed the previous year between Petrol d.d. and the Institute for Compulsory Stocks of Crude Oil and Petroleum Products, two storage tanks for storing middle distillates with a combined capacity of 40,000 m^3 were built in Lendava in 2004.

At the same time Petrol also leased storage capacity in Zenica and embarked on the establishment of a subsidiary to manage it, the parent company maintaining a 67% interest in the subsidiary.

Increase in participating interest in Geoplin d.o.o.

Petrol d.d. signed an agreement with the government as a partner in Geoplin d.o.o. regulating relations between the partners, and increased its existing interest in the company to 27.26% of the nominal capital. This increase in the interest in a company involved in the sale and transport of natural gas is a component of the planned expansion of activities in the gas sector.

Signing of memorandum of cooperation with Mercator d.d.

Petrol and Mercator signed a memorandum agreeing to expand their cooperation in retail, and also to move into the areas of service station construction and payment cards. The cooperation agreed upon in the memorandum relates to all markets in which Petrol and Mercator have a presence.

Protocol of cooperation with Naftna industrija Srbije

Petrol d.d. and Naftna industrija Srbije (NIS) signed a protocol of cooperation under which the companies will invest in the construction and modernisation of service stations in Serbia to operate in accordance with Petrol's standards. Under a separate agreement the companies will also work together on the modernisation of refineries.

Establishment of Karkasa d.o.o.

In conjunction with Sava Tires d.o.o. (from the Goodyear Group), Petrol d.d. established Karkasa d.o.o., a company specialising in the refitting of tyres. Each of the founders has a 50% participating interest, the company commencing operations in January 2005.

Capital injection in HTP Gorenjka d.d.

Petrol d.d. made a capital injection in HTP Gorenjka d.d. in the form of the hotel and campsite formerly belonging to Hotel Špik, which ceased trading in 2004. At the same time it obtained an option to sell the shares acquired through the recapitalisation.

Agreement to clean up the bitumen dump at Pesnica

Petrol d.d. and the Ministry of the Environment and Spa-tial Planning signed an agreement on the clean-up of the bitumen dump at Pesniški Dvor, under which Petrol's commitment to the clean-up is its unutilised environmental provisions, while the remainder of the required funds will be secured by the government.

Two treatment plants go on-line

Two municipal water treatment plants, one at Murska Sobota and one at Mežica, went on-line in 2004. Both plants were built by Petrol, which is also managing them.

Launch of bio-diesel

In July 2004 the Petrol Group launched a diesel containing up to 5% bio-diesel on its domestic retail network. In so doing it was almost half a year ahead of the deadline of 1 January 2005 set by the European Commission in Directive 2003/30/EC.

New quality certificates and environmental certificates acquired

Petrol Gostinstvo d.o.o. was awarded the ISO 9001:2000 quality certificate and the ISO 14001:1996 environmental certificate. In addition five Petrol companies saw their quality certificates renewed in 2004, and four their environmental certificates. Petrol's petroleum lab had its SIST EN ISO / IEC 17025 accreditation renewed, having been the first in Slovenia to acquire it in 2001.

Effie received

Petrol received a gold award for its Heat for the Home, to the Home campaign at the Effies, the 2nd Slovenian festival of effective communications. The Effie is one of the most prestigious awards in marketing, with the effectiveness and strategic targeting of individual campaigns the prime factor in the choice of winner.

President of management board recognised for outstanding achievements in business

Janez Lotrič, president of Petrol d.d.'s management board, received an award from Slovenia's Chamber of Commerce and Industry for outstanding achievements in business and enterprise in 2004, thanks primarily to the performance and successes achieved by both the parent company and the entire Petrol Group under his leadership.

National Business Excellence Award received

As a model of excellent practice in its field, Petrol received the National Business Excellence Award in 2004.

Key influences on operations in 2004

Formation of prices of refined petroleum products

On 2 October 2003 the Slovenian government adopted a Decree on the Setting of Prices of Refined Petroleum Products, which entered into force on 2 November 2003 and remained in force until 2 May 2004. On 3 May 2004 the government adopted a new price setting decree that left both petrol prices and the prices of middle distillates still under government control. Both the mechanism and the bases for setting the prices remained wholly unchanged. The Constitutional Court of the Republic of Slovenia, in Decision No. U-I265/2004-14 of 15 January 2004, ruled that certain articles contained in the Decree on the Setting of Prices of Refined Petroleum Products (Ur. l. RS, 88/2000) were not in conformity with the constitution. The government rectified the damaging consequences of the unconstitutional decree with a new decree that entered into force on 1 August 2004. The decree introduced changes in the setting of margins for all refined petroleum products under government price control, and consequently Petrol withdrew the claims it had made against the state.

Energy and the environment

In 2004 the Slovenian government adopted three documents to bring energy supplies and the environment into line with EU regulations: the Resolution on the National Energy Programme, the new Act Amending the Energy Act, and the Environmental Protection Act.

Prices of oil and refined petroleum products on the world market

The average purchase price of crude oil on the world oil market was $38.27 per barrel, a rise of 32.6% on the average oil price in 2003. There were similar movements in 95-octane unleaded petrol, diesel and ELFO.

Exchange rates

The average dollar exchange rate was 192.39 tolars to the dollar. The average middle euro exchange rate was 238.86 tolars to the euro, while the dollar averaged $1.24 against the euro (Bank of Slovenia middle rate).

Important events after the end of the 2004 financial year

Sale of shares in Nacionalna finančna družba d.d.

Petrol d.d. disposed of its 8,000,000 shares in NFD1 and 1,450,000 shares in NFD Holding d.d., and thus no longer has any interest in Nacionalna finančna družba d.d.

Election of the new supervisory board

At the 11th general meeting of shareholders of the public limited company Petrol, Slovenska energetska družba, d. d., Ljubljana the following were elected to the supervisory board as shareholder representatives with a four-year term in office, beginning 5 April 2005: Mr Matjaž Gantar, Mr Igor Irgolič, Dr Mićo Mrkaić, Mr Milan Podpečan and Dr Jože Zagožen. Also appointed was Mr Viktor Baraga, but his four-year term will commence on 16 July 2005.

The team of employee representatives on the supervisory board also changed. The term of the employee representatives on the supervisory board having ended, at its session on 9 February 2005 Petrol d.d.'s workers' council appointed Samo Gerdin and Cvetka Žigart and reappointed Ciril Pirš to the supervisory board. All the employee representatives were appointed for a four-year term beginning on 21 February 2005.

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.

Key figures, results and plans

Performance indicators for the Petrol Group:

		2004	2003
net sales revenues	(SIT thousands)	**352,423,083**	303,571,939
total assets	(SIT thousands)	**182,619,259**	154,323,289
equity	(SIT thousands)	**79,487,208**	72,295,114
net return on equity	(%)	**9.2**	8.6
long-term debt to equity		**0.35**	0.33
pre-tax profit	(SIT thousands)	**8,160,235**	6,486,453
net profit	(SIT thousands)	**6,946,310**	6,002,512
net earnings per share (excluding treasury stock)	(SIT)	**3,136**	2,939
book value of share	(SIT)	**38,165**	34,696
number of employees	31 Dec	**2,848**	2,778
number of retail outlets	31 Dec	**343**	331

Key results:

Volume of petroleum products sold

The Petrol Group sold 1.98 million tonnes of petroleum and petroleum products, up 6% from 2003 and 4% more than the forecast sales volume.

Volume of gas sold

Sales of liquid petroleum gas were 37,000 tonnes, 6% more than forecast and 3% more than in 2003. Natural gas sales totalled 23,000 tonnes, 34% more than forecast and 52% more than in 2003.

Sale and distribution of electricity and heat

The Petrol Group sold 291,985 MWh of electricity, 16% more than forecast and 11% more than in 2003. It also sold 57,975 MWh of heat, 10% more than forecast.

Sales of consumer goods

The Petrol Group sold consumer goods of a total value of SIT 40.8 billion, an increase of 15% over 2003 and 6% more than the forecast figure.

Net sales revenues

totalled SIT 352.4 billion for the Petrol Group, an increase of 16% over 2003.

Gross profit from sales

amounted to SIT 43.9 billion for the Petrol Group, up 1% from 2003.

Pre-tax profit

generated by the Petrol Group was SIT 8.2 billion, an increase of 26% from 2003.

Net profit

generated by the Petrol Group was SIT 6.9 billion, up 16% from 2003.

Total assets

of the Petrol Group at year end amounted to SIT 182.6 billion, an 18% increase over year end 2003.

Current assets

of the Petrol Group at year end totalled SIT 62.6 billion, up 20% from year end 2003.

Equity

of the Petrol Group at year end stood at SIT 79.5 billion, up 10% from year end 2003.

Long-term debt

of the Petrol Group at year end totalled SIT 28 billion, up 19% from year end 2003.

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

Group investments in long-term assets

totalled SIT 16.5 billion in 2004, of which 43% was earmarked for investment in the core lines of business on the domestic market, and 23% was earmarked for investment in petroleum retail on the markets of south-eastern Europe. Petrol directed 34% of its total investments to new lines of business in 2004.

Plans for 2005:

Financial indicators

The Petrol Group is forecasting net sales revenues of SIT 383 billion in 2005, a net profit of SIT 7.9 billion, and a return on equity of 9.8% on this basis.

Volume of sales of petroleum and gas products

The Petrol Group is forecasting sales of 1.99 million tonnes of petroleum and gas products in 2005, of which 230,000 tonnes will be on markets in south-eastern Europe.

Gas

The Petrol Group plans to have acquired 20 gas concessions by the end of 2005, and to supply LPG users via 1,431 gas depots.

Investments

The Petrol Group is planning to invest SIT 16.2 billion in non-current assets in 2005, and forecasts a long-term debt ratio of 0.44 during the year.

Employees

Given the expansion of the service station network, the Petrol Group and the franchised service stations are forecasting a total workforce of 3,072 people at the end of 2005, an increase of 8% from 2004.

Retail network

The Petrol Group anticipates finishing 2005 with a total of 364 service stations in its retail distribution network, of which 308 will be inside Slovenia and 56 will be abroad.

A new role and new identity for the Petrol Group

In the 2004 financial year the Petrol Group showed itself to have successfully established the right balance between business policy, corporate culture and social responsibility.

Good performance by all the companies in the group, stable growth in all the key performance indicators, the positive effects of new lines of business in the energy sector and rising turnover on the markets of south-eastern Europe are changing Petrol into a powerful energy concern, and recognition of the business environment it promotes has come in the form of the National Business Excellence Award and an award for outstanding achievements in business from the Chamber of Commerce and Industry.

A year of record oil prices and refined petroleum product prices

The year of 2004 will be remembered in particular for the prices reached on the world market by oil and by refined petroleum products. In 2004 the price of a barrel of crude first breached the psychological barrier of $50, which triggered a number of predictions of a new world oil crisis. By the end of the year such predictions had proven to be exaggerated, with both prices and conditions on the world oil market beginning to ease. Nevertheless, analysts are unanimous in saying that oil will no longer be cheap and will not for a long time reach the price bracket of $22 to $28 per barrel targeted by Opec.

In Slovenia retail prices are set in line with a government decree, with diesel and extra light fuel oil remaining under its jurisdiction in 2004 in addition to petrol. In August the basis for setting prices changed slightly, but nevertheless the highest allowable margins in 2004 had still not reached a level economically comparable to the conditions in which oil companies in other countries of the European Union operate.

Good performance by all companies in the Petrol Group

Notwithstanding the above, all the companies in the Petrol Group were in the black in 2004. The group finished the year with more than SIT 352 billion of net sales revenues and a pre-tax profit in the amount of SIT 8.2 billion, or SIT 6.9 billion net. Net sales revenues were thus up 16% from 2003, with net profit recording the same rise. The reliable and stable growth shown by the majority of financial performance indicators has in the medium term been a key pointer to the correct nature of the Petrol Group's strategic approach and to its general effectiveness in business.

This view is also confirmed by the more important physical performance indicators. In 2004 the Petrol Group recorded a volume of sales of refined petroleum products 6% higher than in the previous year, with sales of other merchandise up 15% from the previous year. Sales of natural gas were up 52% from 2003, and sales of electricity were up 11%. The physical performance indicators thus surpassed the results recorded in 2003, and in the majority of cases are better than the planned figures.

An integrated approach to the wider energy sector

The Petrol Group was thus in no way short of where it planned to be in meeting its strategic development targets in 2004. Its results and its market share indicate that it has secured its position as the leading oil company in Slovenia, and its place as a major provider of gas. It is also establishing itself in the role of a major private generator of electricity and heat.

In addition to its network of 343 modern service stations, Petrol operated 19 gas concessions in 2004. Via 1,111 gas depots and stations it supplied numerous LPG users all over Slovenia, while it supplied electricity and heat to a large proportion of household and industrial users in north-eastern Slovenia.

Another factor in Petrol's development into an integrated energy concern in 2004 was its intensive implementation of the multi utility business model, under which we do not just supply our partners with a single fuel, but provide them with a whole package of energy services. The potential in this integrated way of thinking and doing business has already been partly reflected in the results achieved in 2004, while its benefits will be even more apparent in the years ahead.

The same also applies to a method for ensuring energy efficiency that incorporates a specific approach to investing (third party financing), and in

Slovenia represents a relatively new form for providing energy services. The Petrol Group built up the knowledge necessary to this approach in 2003, and in 2004 it began carrying out the first specific projects in this area. This is an important competitive advantage that will undoubtedly contribute to the further development of the Petrol Group.

Changes in the core business

Prime among the more significant shifts in the core lines of business were the new organisational structure for retail sales in Slovenia and the major changes in the group's warehousing and logistics operations.

Based on the findings reached the previous year in conjunction with international consultants McKinsey, in 2004 retail sales of refined petroleum products and other merchandise on the Slovenian market were combined under the aegis of Petrol Maloprodaja Slovenija d.o.o., which brought a notable increase in transparency and also cost-effectiveness in this area of business.

The target was also reached with the changes introduced in 2004 in the group's warehousing and logistics operations. Warehousing was spun off from the parent company and transferred to Petrol Skladiščenje d.o.o., which is now responsible for managing all capacity in this area, and provides warehousing and logistics services for the entire group.

New moves on the markets of south-eastern Europe

We were also remarkably active on the markets of south-eastern Europe. Six new service stations became part of the retail network outside Slovenia, which Petrol is expanding by purchasing existing private stations and building new stations, while six more Petrol service stations will start up in 2005.

Storage capacity was leased in Bosnia-Herzegovina, and the establishment of a company to manage this capacity was begun.

The chances of the Petrol Group furthering its ambitions in the Serbian oil market were increased when a protocol of cooperation was signed with Naftna industrija Srbije, under which together we will invest in the construction and modernisation of service stations in Serbia to operate in accordance with Petrol's standards.

Modernity and innovation

Of course, without a whole range of smaller but well-designed and decisively implemented projects, it would be impossible to perform effectively and successfully. These include around 100 IT development projects, numerous projects aimed at reinforcing and upgrading our high technical and business standards, and also a number of supply-side innovations.

For instance, in 2004 we launched our more environment-friendly bio-diesel, fully six months before the deadline set in a special directive by the European Commission. We also introduced pay-at-pump facilities for customers. All the necessary preparations for developing a network of unmanned service stations have been made, and the first such stations will begin operating in 2005.

Our range of services was further upgraded with a chain of quick-service workshops for all types of vehicle launched in 2004 under the name Tip-Stop. We moved into the tyre market by establishing the joint venture Karkasa d.o.o. in conjunction with Sava Tires d.o.o. (from the Goodyear Group), and the tyre refitting company will start up in early 2005.

The expansion and modernisation of the chain of retail outlets and storage capacity is already a constant feature of the Petrol Group's modus operandi. Six new service stations were incorporated

into the domestic retail network in 2004, and a further nine underwent a thorough renovation. In the construction area we consistently applied the growing service concept developed the previous year, whose primary advantages are greater customer-friendliness, cheaper construction and a longer lifespan. There was also renovation work carried out at four of the Petrol Group's storage facilities in 2004.

Establishing business excellence

Controlling costs, managing risks and business processes and achieving business excellence on a par with the best of the European competition remained the strategic goals underlying the creative efforts of the Petrol Group in 2004. This policy was reflected not just in our enviable results and rising share in all market segments, but also in a high level of satisfaction among customers, in a notably superior organisational climate and, last but not least, in a number of awards through which the Petrol Group's new image, new identity and new role have been recognised in the business world at large.

Of particular pride is the National Business Excellence Award we received in 2004. This prestigious award was no accident, but was rather the result of a number of perfectly executed strategic projects and business activities, and in particular the serious and dedicated work on the part of all those associated in any way with the Petrol Group. The trust shown in us by customers and by the shareholders was also a major contribution to Petrol's business excellence.

Sustainable development

Experience has taught us that excellence first of all means knowing more than others. It means managing information, generating knowledge, and investing in development. For this reason the Petrol Group earmarked more than SIT 16 billion to its development cycle in 2004 alone.

Excellence also means knowing how to lead. With modern approaches, from annual interviews, through a rotation policy, to the range of mentoring and training programmes employed by managers at the Petrol Group, we ensure that our personnel are not merely trained to do their jobs, but are given enhanced employability.

Of equal importance to knowing more and knowing how to lead is our awareness and treatment of the natural environment and the society we live in. In 2004 the Petrol Group continued to support projects that encourage social partnership and projects aimed at developing human- and environment-friendly technology. Petrol is responsible, prudent and fair in its actions, and I am sure that it is this that earns the trust of employees, shareholders, customers and all those on whom we depend for our livelihood.

Being aware, leading and acting responsibly are three more key commitments to Petrol's business excellence, and the Petrol Group will continue to do business in line with these principles in the future. We will endeavour to be aware of more, to give a strong lead, and to act with the utmost responsibility. If we do, business excellence will never be far away. Of that I am convinced.

Janez Lotrič
president of the management board

The management board

president of management board:

Janez Lotrič

Appointed for a five-year term on 28 May 1998.
Reappointed in February 2003 for a new five-year term beginning 28 May 2003.

Born 1955. University law graduate.
Worked initially as a researcher for ITEO, and then in the legal office of Žito and Agrostroj's foreign trade department. Subsequently manager of the general affairs and personnel department of Yulon. Has been with Petrol since 1989, first as a foreign trade legal advisor, then system manager and later simultaneously international finance manager. In 1995 he was appointed assistant to the then managing director, and in 1997 as member of the management board responsible for purchasing.

other members of management board:

Mariča Lah

core lines of business

Appointed for a five-year term on 24 June 1997.
Term extended in June 2002 to 28 May 2003, when she was appointed for a new five-year term.

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

Vladimir Jančič

finance and energy sector

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

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

Bojan Herman

director / employee representative

Appointed for a five-year term on 25 September 2002

Born 1951. Grammar school graduate. Employed by Petrol since 1975. He has worked in the information technology, sales and logistics departments. Simultaneously held the post of president of the union and president of the workers' council. Prior to his appointment to the management board he worked in an independent organisational capacity in the logistics department.

Supervisory Board Report on the 2004 Financial Year

In accordance with Article 274a of the Companies Act, the supervisory board consisting of:

Miran Mejak (president)
Ciril Pirš (deputy-president)

shareholder representatives
Milan M. Cvikl(resigned 20/04/04)
Uroš Slavinec
Jože Stanič
Irena Starman
Stanislav Valant (resigned 27/06/04)

employees' representatives*
Tomaž Jamnik
Andrej Medved
Nina Potisek
Silvan Simčič
Miran Obreza

hereby presents the following report to the company's general meeting:

*the new employees' representatives appointed to the supervisory board on 21 February 2005 participated in the approval of the report at the session on 31 March 2005

Approval of Commercial Policy and Business Plan

At its 58th session on 18 December 2003, the supervisory board discussed the Petrol Group's commercial policy document for 2004. After the discussions, which focused in particular on the programme for expanding the company's operations into south-eastern Europe and the plan for opening new service stations in Slovenia, the supervisory board was briefed on the company's conditions of business following Slovenia's entry into the European Union. Having received appropriate responses from the president and other members of the management board about the results of the subsidiaries, the supervisory board approved the company's business plan for 2004.

Discussion of Quarterly, Half-Yearly and Nine-Monthly Reports

At the 64th session on 12 May, the management board issued a report on the company's performance in the first quarter of 2004. The supervisory board was briefed on the effects of the constitutional court's ruling on the decree on the setting of prices of refined petroleum products. It discussed operations in Bosnia-Herzegovina and debated the possibility of new challenges. The assessment was that the results achieved were in line with expectations, and highly creditable in the company's core lines of business.

At its 65th session on 28 July, the supervisory board discussed the group's performance in the first half of 2004, reaching an assessment that the volume of sales and the financial results were good, and sales of the supplementary merchandise were progressing extremely well. It also discussed the briefings from the president of the management board on preparations for the establishment of permanent partnerships with companies in Serbia, including potential investments in oil processing and in connection with the refinery at Mantova. Information was provided on the status of the internal reorganisation following the recommendations by McKinsey.

The nine-monthly report was discussed at the 66th session on 15 November. The supervisory board debated the possibility of concluding a framework protocol with a related company in Serbia. The president of the management board issued a report on activities to strengthen the company's strategic position in Geoplin. The supervisory board issued a favourable assessment of the net profit generated. With regard to bilingual operations, the supervisory board was of the opinion that clarifications were required. There were significant improvements in the organisation of storage facilities, and it was decided to devote a special point in the agenda at one of the future sessions to operations in Bosnia-Herzegovina. The supervisory board assessed the report in the context of its powers and responsibilities, and pronounced its opinion, which was taken into consideration by the management board.

Discussion of Management Board's Annual Report

At its 60th session on 25 February, the supervisory board was briefed on the unaudited results for 2003 as prepared for publication.

In the presence of the official auditor, the supervisory board discussed the management board's annual report on the company's performance at its 61st session on 24 March, including the enclosed auditor's opinion and the opinion of the supervisory board's audit committee.

At its 62nd session the supervisory board debated and approved the supervisory board report on the results of verification of the annual report for 2003 for the general meeting of Petrol d.d. At the same session it discussed and approved the preparations for the company's 10th general meeting, called for 10 May 2004, and approved the working material for the meeting.

Monitoring of Company's Operations During the Year

The supervisory board held nine sessions during the year, passing a total of 21 resolutions. With the exception of a few rare apologies for absence, all the sessions had full attendance.

The president and other members of the management board were usually invited to the supervisory board sessions, and participated in them.

The working material for the sessions was always drawn up and sent out at least seven days before the session in line with the supervisory board's rules of operation. In line with the rules the president of the supervisory board was briefed on the preparation of the working material that he had already reviewed and approved for dissemination. The management board prepared material of high quality and provided members of the supervisory board with information of sufficient quality to allow them to conduct a thorough and comprehensive debate. At the beginning of each session the president of the management board issued a report on the implementation of the measures adopted at the previous sessions. On individual points of the agenda he made qualified reference to the working material and provided appropriate responses to questions from the members of the supervisory board. Supplementary clarifications were presented by other members of management board upon request.

Under the final point of the agenda (questions and proposals), members raised relevant issues regarding current performance.

The management board adopted the proposals and advice expressed at the sessions, which were in line with supervisory board's legal powers.

At all sessions of the supervisory board the primary issue was the movement of oil prices and consequently prices of refined petroleum products, which are directly reflected in sales prices, the retail margin and excise duties. The complex task of navigating these conditions demanded close, high-level cooperation between the company and the administration. The supervisory board supported the patient addressing of all factors involved in resolving these issues.

The following important subjects were specifically discussed:

- the basic agreement between Petrol and Italy's IES SpA
- the proposed criteria on which to base assessments of bonuses for the management board
- the establishment of a joint venture between Petrol and Železarna Zenica – skladišča
- the performance of Petrol BiH Oil Company

  the acquisition of Tero
- the NIS project in Serbia-Montenegro
- the agreement to increase equity participation in Geoplin
- the potential for marketing liquid natural gas.

Supervisory Board's Audit Committee

The audit committee was presided over by Stane Valant until his resignation from the supervisory board. Uroš Slavinec was appointed to be the new president at the 65th session on 28 July. The committee supervises the system of internal controls with the aim of ensuring that reporting on the company's performance is of high quality. It focuses on communication and discussions with external and internal audit departments.

It approved the auditor's report, and proposed that the supervisory board approve the annual report for 2003.

It discussed the activities and the programme of work of the internal audit department. It was briefed on the assessment of risks in the Petrol Group's operations that was formulated in interviews with members of the management board and the executive directors. It reviewed the exercise of the policy for setting prices between related parties in the Petrol Group, and was kept informed of staffing at the internal audit and retail control department.

It granted its approval for the internal audit plan for 2005.

The audit committee briefed the supervisory board on all measures and proposals, and proposed resolutions for adoption.

Commission for Monitoring Individual Employment Contracts of President and Other Members of Management Board

The commission is presided over by Miran Mejak. It is periodically briefed on the payments made and determines whether they are in line with the contracts.

At the proposal of the commission, at its 60th session on 25 February the supervisory board approved criteria for paying performance-related bonuses to members of the management board based on the European code of practice, the EASD. The criteria approved will ensure that the methods for setting bonus payments are correct and transparent.

The commission reported as necessary to the supervisory board on its findings and proposals.

Summary of Business Report

By carefully managing its assets and carrying out well-conceived marketing, the company succeeded in strengthening the assets of the shareholders and increasing its market share in individual segments in the 2004 financial year. Its financial standing is more solid than ever before. Petrol is focused on social responsibility, that is on achieving stable, long-term growth in harmony with the environment, the economy, the local community, stakeholders and shareholders.

There were minor changes in the company's ownership structure. The largest shareholders are the Slovene Indemnity Fund, with 19.5%, and Kapitalska družba with 7.8%. The Petrol Group generated a pre-tax profit of SIT 8.2 billion, up 26% from 2003, and a net profit of SIT 6,9 billion, up 16% from 2003. Petrol d.d. increased its pre-tax profit to SIT 7.6 billion, up 19% from 2003, and in so doing generated a net profit of SIT 6.5 billion.

The return on equity is good at 9.2% for Petrol Group. The book value of a share rose by 10% from the end of 2003 to 38,165 tolars, while the net profit per share stood at 3,136 tolars. The share price rose by 17.9% in 2004. Investments in non-current assets were made in the amount of SIT 16.5 billion, with the long-term debt ratio standing at 35%.

The network of service stations was expanded. There are 293 service stations in Slovenia and 50 others in south-eastern Europe. Reservoir capacity measuring 40,000 m^3 was constructed at Lendava. Last year's volume of sales of oil and gas products was surpassed. Sales of natural gas were up 52% from 2003, while 291,985 MWh of electricity and 57,975 MWh of heat were sold.

The Petrol Group was successful in continuing its strategy of diversification and expansion in individual segments. Last year the treatment plants at Murska Sobota and Mežica went online.

Despite the Slovenian government introducing an interventionist decree on the setting of prices of refined petroleum products, with carefully considered commercial measures and market management the company was able to control the purchase prices and the costs of sales, which owing to the fluctuation in the oil price on the world market from an acceptable level to more than USD 50 per barrel and the changing dollar exchange rate required the company employees to have thorough knowledge of the market and to take sound measures.

Approval of Annual Report on Company Performance in 2004 with Auditor's Report and Opinion of Audit Committee

At its session on 31 March 2005, on the basis of its verification of the annual report for 2004, the financial statements and corresponding notes, and the auditor's report, the supervisory board approved the annual report on the company's performance in 2004 without reservations, together with the official auditor's report, expressing a positive position on the auditor's report in so doing.

Ljubljana, 31 March 2005

Miran Mejak
president of the supervisory board

Shareholder representatives: up to 4 April 2005

Miran Mejak — President

Appointed at the 6th general meeting on 30 March 2001 for a four-year term running from 5 April 2001 to 4 April 2005.

Milan M. Cvikl

Appointed at the 6th general meeting on 30 March 2001 for a four-year term running from 5 April 2001 to 4 April 2005. Resigned from the supervisory board on 20 April 2004.

Uroš Slavinec

Appointed at the 6th general meeting on 30 March 2001 for a four-year term running from 5 April 2001 to 4 April 2005.

Jože Stanič

Appointed at the 7th general meeting on 5 July 2001 for a four-year term running from 16 July 2001 to 15 July 2005.

Irena Starman

Appointed at the 6th general meeting on 30 March 2001 for a four-year term running from 5 April 2001 to 4 April 2005.

Stanislav Valant

Appointed at the 7th general meeting on 5 July 2001 for a four-year term running from 16 July 2001 to 15 July 2005. Resigned from the supervisory board on 27 June 2004.

Employee representatives: up to 20 February 2005

Ciril Pirš — Vice President

Appointed at the workers' council session on 15 February 2001 for a four-year term running from 20 February 2001 to 20 February 2005.

Tomaž Jamnik

Appointed at the workers' council session on 15 February 2001 for a four-year term running from 20 February 2001 to 20 February 2005.

Andrej Medved

Appointed at the workers' council session on 15 February 2001 for a four-year term running from 20 February 2001 to 20 February 2005.

Nina Potisek

Appointed at the workers' council session on 15 February 2001 for a four-year term running from 20 February 2001 to 20 February 2005.

Silvan Simčič

Appointed at the workers' council session on 15 February 2001 for a four-year term running from 20 February 2001 to 20 February 2005.

Miran Obreza

Appointed at the workers' council session on 8 October 2002 for a four-year term running from 8 October 2002 to 20 February 2005.

Shareholder representatives: from 5 April 2005

dr. Jože Zagožen — President

Appointed at the 11th general meeting on 4 April 2005 for a four-year term running from 5 April 2005 to 4 April 2009.

Milan Podpečan — Vice President

Appointed at the 11th general meeting on 4 April 2005 for a four-year term running from 5 April 2005 to 4 April 2009.

Matjaž Gantar

Appointed at the 11th general meeting on 4 April 2005 for a four-year term running from 5 April 2005 to 4 April 2009.

Igor Irgolič

Appointed at the 11th general meeting on 4 April 2005 for a four-year term running from 5 April 2005 to 4 April 2009.

Dr Mićo Mrkaić

Appointed at the 11th general meeting on 4 April 2005 for a four-year term running from 5 April 2005 to 4 April 2009.

Jože Stanič

Appointed at the 7th general meeting on 5 July 2001 for a four-year term running from 16 July 2001 to 15 July 2005.

Viktor Baraga

Appointed at the 11th general meeting on 4 April 2005 for a four-year term running from 16 July 2005 to 15 July 2009.

Employee representatives: from 21 February 2005

Samo Gerdin

Appointed at the 3rd workers' council session on 9 February 2005 for a four-year term running from 21 February 2005 to 20 February 2009.

Cvetka Žigart

Appointed at the 3rd workers' council session on 9 February 2005 for a four-year term running from 21 February 2005 to 20 February 2009.

Ciril Pirš

Appointed at the 3rd workers' council session on 9 February 2005 for a four-year term running from 21 February 2005 to 20 February 2009.

Petrol's share performance

The share price of Petrol, which has been on the A list since 5 May 1997, rose by 17.9% in 2004, taking the total gain since listing to 283.9%.

The average price of Petrol shares in 2004 of 63,834 tolars was 46.8% higher than the average price during the previous year.

In April 2004 Petrol's share price reached a record high since listing of 68,046 tolars.

One of the most heavily traded shares on the Ljubljana Stock Exchange

The volume of trading in Petrol shares in 2004 amounted to SIT 16.2 billion, up 22% from the previous year. Shares in Petrol accounted for 6.3% of the total volume on the Ljubljana Stock Exchange, and 9.7% of the total volume of share trading on the exchange. By volume of trading, shares in Petrol ranked third on the Ljubljana Stock Exchange, with a monthly average of SIT 1.3 billion of trading. Petrol shares were traded on every single trading day in 2004, which means they enjoyed 100% liquidity throughout the year.

In terms of market capitalisation Petrol remained in second place in 2004. Its market capitalisation on the last day of 2004 was SIT 137.6 billion, which is 6.5% of the total market capitalisation of the official market. Petrol shares were one of five shares contributing the maximum of 10% to the calculation of the SBI index.

Petrol shares on the Ljubljana Stock Exchange from 2000 to 2004

	2004	2003	2002	2001	2000
High (SIT)	68,046	60,020	43,762	23,850	25,676
Low (SIT)	55,955	38,006	23,124	18,275	17,966
Average annual share price (SIT)	63,834	43,496	33,347	21,208	20,426
Share price on last trading day in year (SIT)	65,943	56,208	41,009	23,147	19,367
Rise/fall in share price from 1 Jan to 31 Dec	17.85 %	40.58 %	77.34 %	19.27 %	- 20.39 %
Cumulative gain in average price since 5 May 1997	271.58 %	153.19 %	94.11 %	23.45 %	18.90 %

In April 2004 Petrol shares reached a price of 68,046 tolars, the record high since they were first listed on the Ljubljana Stock Exchange. Petrol's high share price in 1998 was tied to the general climate of optimism seen on the stock exchange at that time. In 1999 Petrol's share price was relatively stable, while in 2000, during a period of general pessimism on the market, the trend was more or less downward. Between the beginning of 2001 and the end of 2003 Petrol's share price rose more rapidly than the SBI, while in 2004 the SBI made more rapid gains.

Good financial indicators

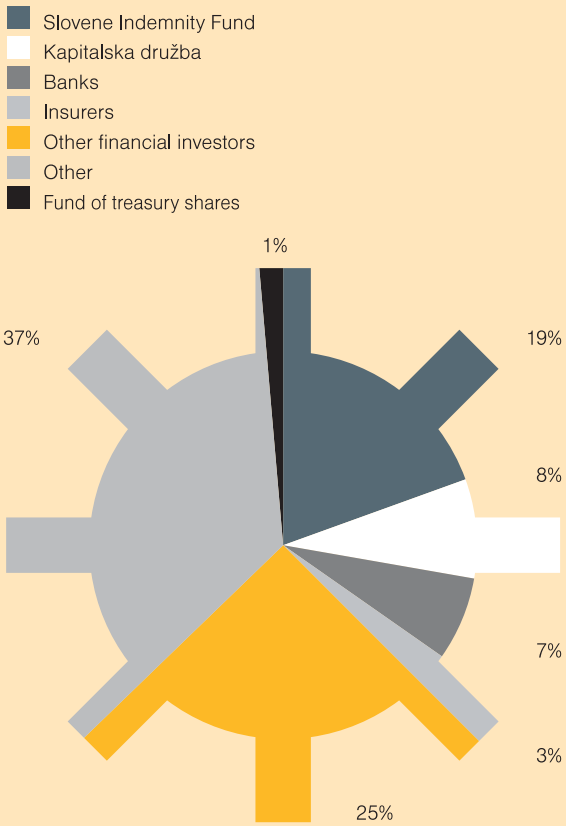
The earnings per share figure in 2004 of 3,136 tolars was up 6.7% from 2003. Cashflow per share was up 5% from the previous year at 5,613 tolars. Return per share was 17.3%. Including the 1.25% dividend paid out, the total return was 18.55%. The market price again grew faster than the book value in 2004, the latter reaching 38,165 tolars by year end. The ratio of the two figures rose from 1.62 in the previous year to 1.73 in 2004. The ratio of the share price at year end and the earnings per share stood at 21.03.

Ownership structure

There was very little change in the ownership structure in 2004.

With 406,456 shares, the Slovene Indemnity Fund continues to be the largest shareholder, followed by Kapitalska družba with 174,635 shares.

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



At the end of the year 16,705 Petrol shares were owned by individuals or companies outside Slovenia, which represents 0.8% of total ownership. There were 45,983 different shareholders at the end of 2003, but this number fell by 2% to 45,076 at the end of 2004. Although the number of shareholders has been falling since the public limited company was established, the trend is slowing each year.

Treasury share reserves

Petrol did not repurchase any treasury shares in 2004. At the end of 2004 the company had 26,305 treasury shares, which is 1,044 fewer than at the end of 2003, and represents 1.26% of the registered share capital. The total book value of the fund as at 31 December 2004 was SIT 664.7 million, some SIT 1,069,978 thousand lower than the market value of the shares as at the same day.

Dividend policy

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

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

operating period	total amount of dividends under general meeting resolution (SIT)	gross dividend per share (SIT)
1993–1995	1,460,410,700	700
1996	417,260,200	200
1997	1,564,725,750	750
1998	1,251,780,600	600
1999	834,520,400	400
2000	1,043,150,500	500
2001	1,251,780,600	600
2002	1,460,410,700	700
2003	1,460,410,700	700

Profit for appropriation

In 2004 Petrol reported a profit for appropriation of SIT 7,922,622 thousand.

Risk management

Given the nature of its core lines of business, the Petrol Group is primarily exposed to price and exchange rate risk. Thorough monitoring of developments in the business environment allows us to respond to these risks promptly and in the right way. All risks are managed.

For decisions related to commercial risks, expert support is provided for the group by a special commercial risk committee, while the internal audit department also plays a very important role in identifying and assessing risks.

Risk management thus extends into all areas of the Petrol Group's activities. This is a further reason why it operates securely from the point of view of risk.

Thorough monitoring of developments in the business environment

The Petrol Group sources refined petroleum products on international markets and makes payments in dollars. However, it primarily sells those products on the Slovenian domestic market and therefore receives payment in Slovenian tolars. The oil market and the dollar market are among the most volatile of the world's financial markets. In its core line of business, the group is thus exposed to both exchange rate risk (a change in the tolar/dollar exchange rate) and price risk (a change in prices of refined petroleum products).

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

- Petrol generally makes payment for its purchases of refined petroleum products with a slight time lag, which exposes the company to exchange rate risk – that is, to changes in the tolar/dollar exchange rate that may occur during 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. The company hedges against unfavourable dollar movements by entering into forward foreign exchange contracts (euro/dollar, tolar/dollar and tolar/euro) with Slovenian banks.

Petrol's risk management policy

In its special methodology the Petrol Group has defined 19 key commercial risks, formulating a profile and risk management policy for each.

For decisions related to commercial risks, strategic and operational support is provided to the group by a special commercial risk committee, while the mechanisms of risk management and internal control systems are independently and systematically overseen by the internal audit department. Through advice and recommendations in particular, this has a positive impact on added value and better performance by the group.

Liquidity reserve and approved credit lines

Petrol's short-term solvency is guaranteed by prudent cash flow planning and strict avoidance of the risks of undisciplined cashflow. This makes it more difficult to plan for inflows from sales with deferred payment.

Petrol ensures its ongoing payment capability through the management of an appropriate liquidity reserve as well as the availability of revolving credit lines with domestic and international banks. The possibility of acquiring long-term financing represents an additional reserve for the company.

From the standpoint of solvency, Petrol enjoys the highest credit ratings from its business partners.

Active receivables management

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

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

Highest rating for Petrol Group

Petrol enjoys the highest credit rating from its domestic and foreign trading partners and from financial organisations. Because of its excellent financial standing and performance, Dun & Bradstreet has given Petrol its highest credit rating.

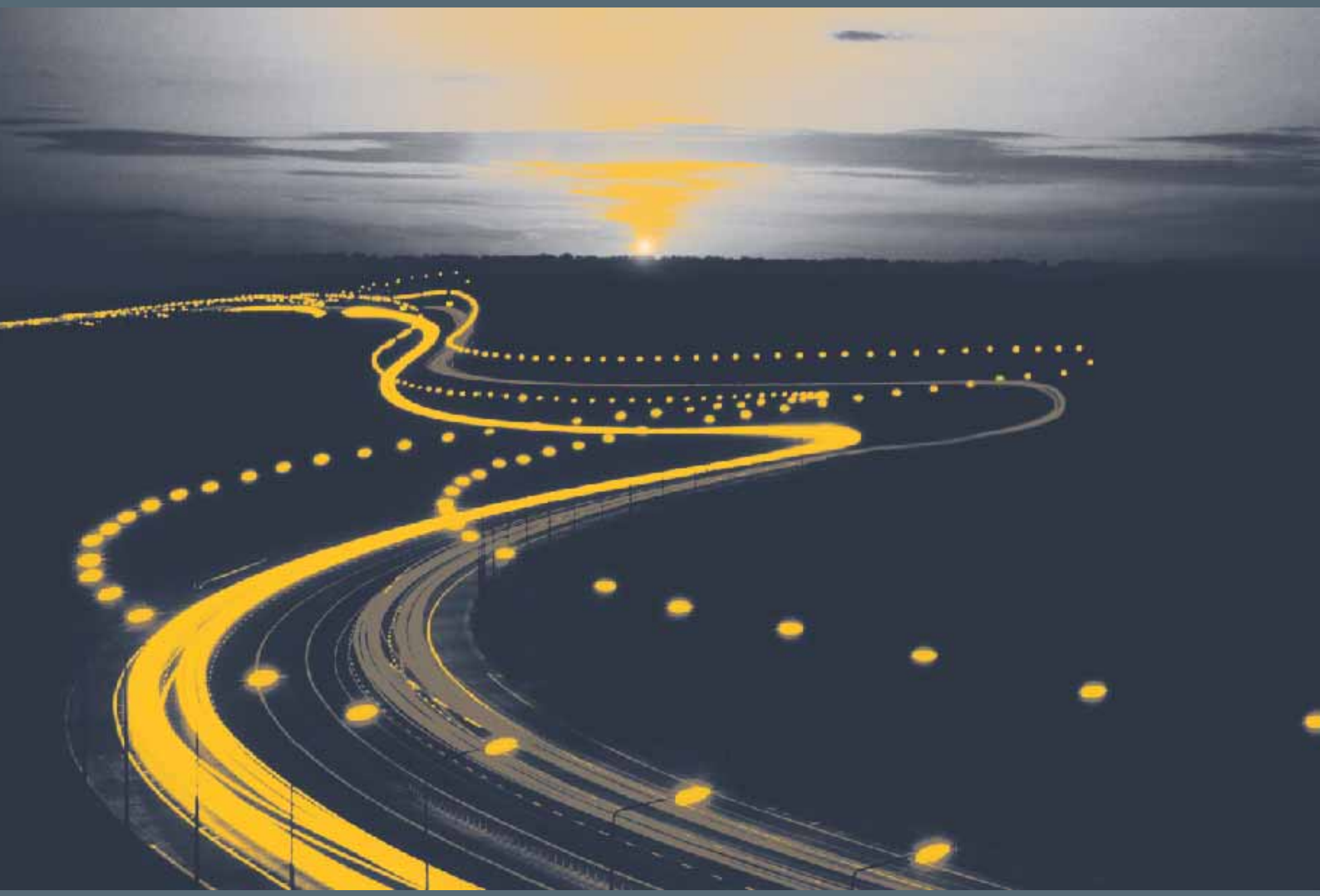
The highest rating reflects a company's ability to meets its financial obligations in a timely manner and its financial strength, based on its position in the market, its financial flexibility, stable cash flow and added value from operations.

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

Minimal exposure

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

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



Core line of business

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 cashflow.

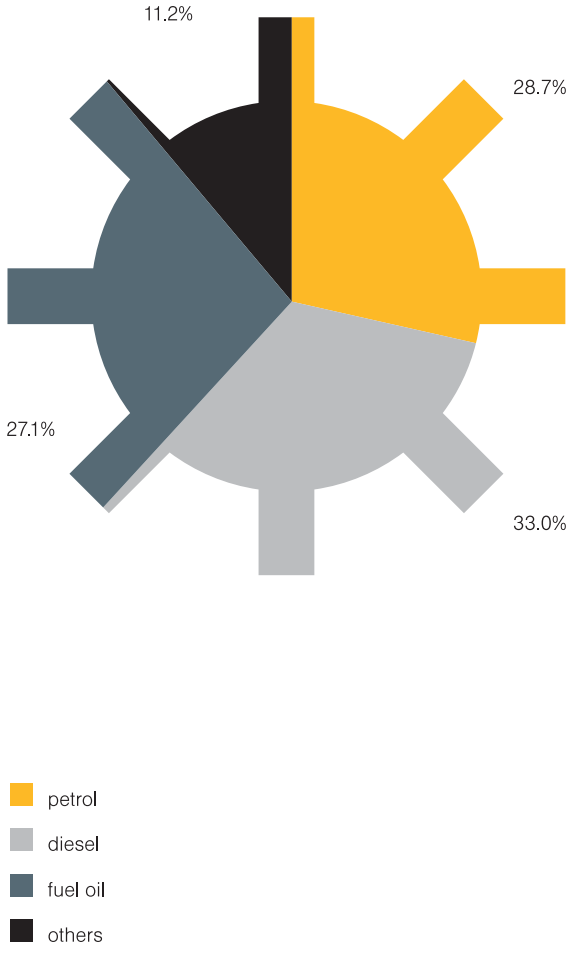
With the exception of two subsidiaries, all the companies in the Petrol Group were involved in trading of refined petroleum products, supplementary merchandise and catering and other services in 2004.

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

Two million tonnes of oil and refined petroleum products sold

In 2004 the Petrol Group sold two million tonnes of oil and refined petroleum products. The volume of sales was thus up 6% from the previous year, and was 4% more than the forecast volume.

The vast majority of this volume (1.77 million tonnes) was again sold on the domestic market in 2004. This figure was 3% higher than in the previous year, and 3% in excess of the forecast figure. Some 9.4% of the group's total sales volume in 2004 (187 thousand tonnes) came on the markets of south-eastern Europe.



Breakdown of sales volume of refined petroleum products in 2004

In 2004 there were some changes in the ratios between individual groups of refined petroleum product from previous years. Diesel sales overtook petrol sales for the first time. Diesel now accounts for the largest proportion of sales, with petrol and ELFO accounting for similar proportions.

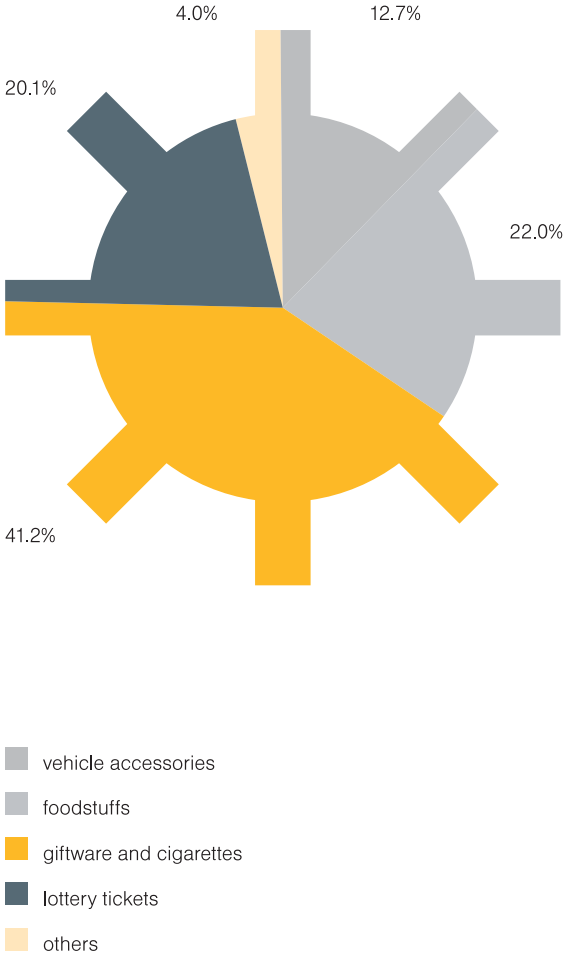
While the volume of petrol sold was down 5% from the previous year, sales of diesel were up 21%, and sales of fuel oil were up 9%.

Merchandise sales up 15%

In 2004 Petrol generated SIT 40.8 billion of net revenues from the sale of supplementary merchandise, an increase of 15% from the previous year, and 6% more than forecast.

The majority of revenues from sales of supplementary merchandise within the group (SIT 39.5 billion) were generated by the parent company. This figure was 14% higher than in 2003, and also 7% in excess of the forecast.

Further indication of good sales performance came from the rise in sales revenues per litre of fuel sold, which was up 9% from 2003. In addition the average revenues from sales of supplementary merchandise per square metre of floorspace rose by 4% from the previous year.



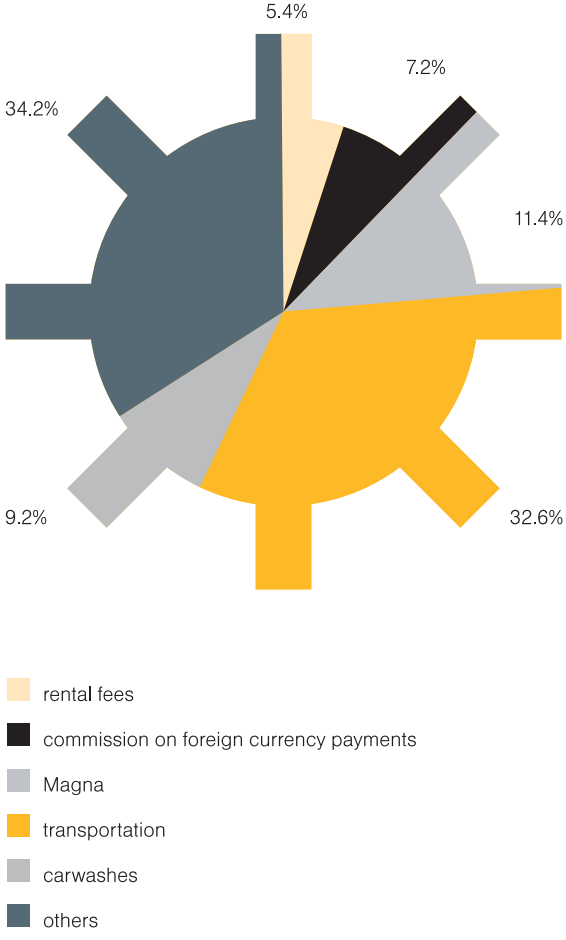
Breakdown of supplementary merchandise sales in 2004

Sales of all individual product segments in Petrol's line of supplementary merchandise saw increases compared to the previous year. This improvement is principally due to the renovation of retail outlets, the right selection of products, and the right positioning of those products. The breakdown did not change significantly.
The largest increase in sales in 2003 was recorded for lottery products, with sales revenue growing by 27 per cent. Next was sales revenue from accessories and tobacco products with an increase of 16 per cent, with sales revenue from automotive products up 15 per cent. Sales revenue from food in 2004 was five per cent higher than in 2003.

Higher revenues from services

The Petrol Group generated SIT 8.1 billion of net sales revenues from services in 2004, up 12% from 2003, the majority of which (SIT 5.2 billion) were accounted for by the parent company.

The services included commission from payments in foreign currency, rental fees, transportation, carwashes and lab and other services, but the central place belonged to the Petrol payment card, which had more than 186,000 users by the end of 2004. The Magna payment card is one of the most important charge cards in Slovenia, and is also a card whose number of users is still rising even ten years after its introduction: in 2004 alone it gained over 10,000 new users. This customer database represents significant capital that already allows the Petrol Group to use effective direct marketing and related methods, which will gradually be built up into a comprehensive system of customer relationship management (CRM).



Breakdown of service revenues in 2004

The breakdown of sales of services in 2004 remained unchanged from 2003.

The largest component of the service category was again transportation, followed by Magna payment card revenues. In third position was carwash revenues, followed by rental fees and commissions.

The most important of the other services were warehousing, the treatment plants and the laboratory.

All a driver needs, all a vehicle needs

Given that the domestic oil market in Slovenia has virtually no capacity to accommodate growth in oil products, over the last few years the Petrol Group has been focusing on increasing its non-oil sales. To this end it has been using regular market research and monitoring trends and new developments to identify opportunities for improvement and ways of adapting its retail distribution network as far as possible to customer needs and expectations.

The chain of restaurants and bistros
Inside the Petrol Group responsibility for developing catering services belongs to Petrol Gostinstvo, which managed the chain of five motorway restaurants and six bistros in 2004. With the total seating capacity of the catering facilities close to one thousand, Petrol Gostinstvo was again the leading provider of catering services on the Slovenian motorway network in 2004.
The Petrol Group generated net sales revenues of SIT 1.9 billion from catering services in 2004.

Among the more notable new features in our on-the-road services in 2004 was the launch of the chance to pay for fuels via mobile phones and the introduction of pay-at-pump machines. Also worthy of note was the chain of quick-service workshops for all types of vehicle launched in 2004 under the name Tip-Stop.

Another important feature of our range of on-the-road services is the Petrol Group's catering operations, which in particular includes the development of specialist motorway catering services. A key advantage of the *Na Jasi* chain of modern motorway restaurants and bistros familiar to visitors is the synergetic effects it brings in connection with the services available at service stations. Like its range of service workshops, the Petrol Group is constantly adapting its range of restaurants and bistros to changes in our way of life that are bringing changes in our dining habits.

A modern and extensive retail network

In 2004 the Petrol Group generated over half of its refined petroleum product revenues and as much as 80% of its revenues from non-oil products through its retail distribution network, which at the end of 2004 consisted of 343 service stations. Modernising and expanding the network is a logical component of the Petrol Group's operations.

The concern for perfect storage facilities
The storage facilities for refined petroleum products were also included in the modernisation process. The storage facility at Lendava acquired two new storage tanks for middle distillates in 2004, and all the necessary documentation for cleaning up the filling stations was drawn up. At the Celje storage facility the trap pools were overhauled, and work on renovating the oil traps, the drainage system and the railway pumping area was begun. There was investment at Petrol's central terminal in Zalog to allow bio-diesel to be stored and distributed, and similar work was begun at the Rače storage facility.

A total of 15 new or fully renovated service stations were opened in 2004 (work on a further five stations will be concluded in 2005), and 11 new sites were purchased.

Six new service stations joined the retail network outside Slovenia in 2004, which Petrol is expanding by purchasing existing private stations and building new stations: three in Bosnia-Herzegovina and three in Croatia. Six more Petrol service stations will start up in 2005.

An effective wholesale network

The Petrol Group makes approximately 45% of all its all oil sales and 16% of non-oil sales through its wholesale network. The basic characteristics of the wholesale network are its strategic coverage of Slovenia, daily monitoring of the requirements of major customers and a highly qualified product-oriented sales network supplying small and medium-sized companies.

Petrol faced numerous competitors in the wholesale sector in 2004. Nevertheless, a number of activities connected to the efficient organisation of the wholesale network, an active sales policy, an expanded range of services, the creation of integrated packages and changes in sales methods were also reflected in lower costs and higher sales in 2004.

New lines of business

The Petrol Group's new lines of business in 2004 included the ongoing development of infrastructure and the creation of conditions for marketing gas, electricity and heat, the extension of existing environmental projects, and the development of new integrated energy services.

These are activities in which the parent company plays a significantly less prominent role than in the group's core line of business. In addition to the parent company, there were two subsidiaries involved in the marketing of gas and electricity and the implementation of new energy projects in 2004, the subsidiaries being created and incorporated into the group for this very purpose.

Natural gas and LPG

Natural gas and liquefied petroleum gas (LPG), because of their long-term potential as alternatives to traditional sources of heat, are an area in which the Petrol Group has been intensively building a presence since 1999. The construction of gas networks and the distribution and marketing of natural gas and LPG form part of the Petrol Group's efforts to offer its customers a comprehensive range of energy supply products.

Development of the gas sector

The Petrol Group's decision to incorporate gas sales into its portfolio goes back to 1998, and sales of LPG have been rising sharply since then. And since 2001, when the first customers were connected to the gas networks then in place, there has also been a rapid increase in sales of natural gas. The Petrol Group forecasts similar growth in gas sales over the coming years.

It has long-term plans to acquire approximately 30% of all the natural gas concessions in Slovenia, to supply LPG to 15% of the major commercial customers, and to set up 10% of all the individual gas depots in Slovenia.

In 2004 the Petrol Group operated 19 gas concessions and also supplied LPG from 1,111 gas depots to certain areas of Slovenia not covered by concession.

It sold 37,158 tonnes of LPG, up 3% from the previous year and 6% more than forecast. In 2004 Petrol sold over 23,000 tonnes (33 million cubic metres) of natural gas, sales of which are primarily linked to the rate of construction of gas pipeline networks. This was 52% more than in 2003, and 34% in excess of the forecast.

In addition, in 2004 the Petrol Group sold over 3,000 tonnes of industrial gases, and facilitated the distribution of almost 46,000 tonnes of natural gas and more than 5,000 tonnes of industrial gases.

Electricity

The marketing of electricity 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 has been taken over within the group by Petrol Energetika d.o.o.

The role of Petrol Energetika

Petrol Energetika is responsible for supplying customers in economic areas in north-eastern Slovenia with energy and fuels, and also supplies heat and gas for three 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 the distribution systems.

In terms of electricity trading, for the Petrol Group 2004 was primarily a year of endeavour aimed at expanding activities outside the Ravne economic zone into other parts of Slovenia, a year of adaptation to the requirements of the new Energy Act, and a year of reinforcement of the multi utility model, which includes the bundled marketing of gas, heat and electricity.

The Petrol Group sold 292,000 MWh of electricity in 2004, of which it generated more than 33,000 MWh.

Challenging environmental projects

In 2004 the Petrol Group had two concessions for the construction and management of water treatment plants in the municipalities of Murska Sobota and Mežica. As a major partner in Aquasystems, Petrol is also involved in treatment of wastewater in the municipality of Maribor, for which Aquasystems holds the concession.

The impact of the Murska Sobota treatment plant

The Murska Sobota central treatment plant receives not only municipal wastewater, but also industrial wastewater. This accounts for about 50% of the hydraulic load and 30% of the material load on the plant, whose projected size is 42,000 population equivalents. The operation of the treatment plant will significantly improve the state of the Ledava, which should gradually see its water quality rise to the highest category.

In 2004 Petrol completed the construction of the Murska Sobota central treatment plant begun the previous year. The plant, which uses mechanical and biological treatments and an above-spec sand filtration and UV disinfection process, went fully on-line in April 2004. Petrol also built a central treatment plant employing standard mechanical and biological processes in Mežica. The latter plant began test operation at the end of 2004.

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

Energy efficiency

A method for ensuring energy efficiency that incorporates a specific approach to investing (third party financing) represents a relatively new form for providing energy services in Slovenia. The Petrol Group built up the knowledge necessary to this approach in 2003, and in 2004 it began carrying out the first specific projects in this area.

Energy efficiency

This is a concept according to which Petrol uses the right management, financing and execution of an energy project to ensure that partners have optimal efficiency and management of the energy installations, and consequently a saving in energy costs. The goal of long-term partnership between Petrol and project clients is to take advantage of potential energy savings and to lower the cost of energy supply.

With opportunities for making savings defined, subscribers are offered planning for the entire investment and the operation of the energy installations, the supply of the most efficient fuels, the entire execution of the investment including financing ongoing maintenance, and oversight and motivation of users for energy efficiency.

The projects aimed at ensuring energy efficiency are being supplemented by existing areas within the group, thus entailing new added value and also giving the Petrol Group a considerable competitive advantage at a time when the market for such services is only now being created in Slovenia.


NASA
AeroVironment Inc.
HELIOS

Development and investment

The Petrol Group is in a growth phase, as evidenced by the investments of SIT 16 billion it made in 2004.

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

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

SIT 16.5 billion invested in development of business activities

In 2004 the Petrol Group invested SIT 16.5 billion in its fixed asset structure.

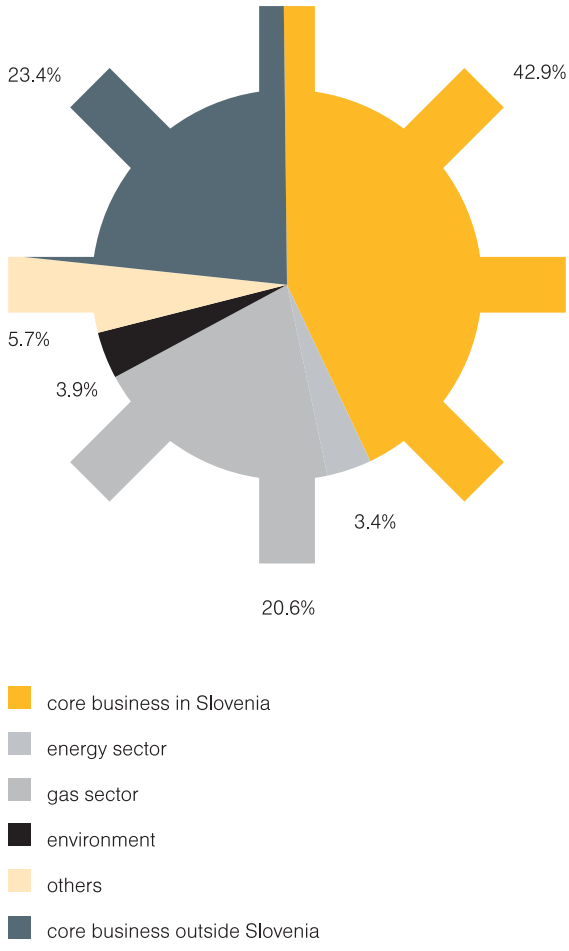
Investments in the core line of business of oil trading totalled SIT10.9 billion, close to two-thirds of the total. Most of these funds flowed into the construction, renovation and modernisation of service stations and storage facilities in Slovenia and into the expansion of the retail distribution network outside of Slovenia.

There were 15 service stations in Slovenia newly built or entirely renovated in 2004, and six new service stations began to operate as part of the retail network outside Slovenia. Construction and renovation works were also in progress at four storage facilities.

Petrol invested SIT 4.6 billion in the development of new lines of business in 2004, particularly in the gas and electricity sectors, and in major environmental and energy projects. The majority of the funds were allocated to the ongoing construction of gas networks and the construction of water treatment plants.

The remaining investments of SIT 841 million were allocated to the renovation and modernisation of catering facilities and information infrastructure.

Breakdown of funds invested by Petrol Group in 2004



100 new information projects

In the development of information technology the Petrol Group succeeded in realising a challenging development plan in 2004 that envisaged the launch of around 100 projects aimed at supporting individual commercial strategies. The execution of this plan entails the completion of the previous development cycles related to sales, supply chain management and customer relations.

In 2004 the Petrol Group continued to implement the Real Time Enterprise concept. To this end certain new information technologies aimed at making computerisation and automation more comprehensive were introduced to the Petrol environment. From outside the most tangible evidence of the use of RTE technology comes in the form of the information terminals for the virtual sale of goods and services, the so-called tankomats, which allow customers to pay for fuel at the pump.

Best practice
In 2004 the Petrol Group devoted particular attention to establishing a process view of the company based on the effective management of business processes and on the rationalisation of the same. In terms of databases and commercial intelligence, this saw the creation of a new business reporting system, while key efficiency indicators were introduced for all areas of business.
The Petrol Group can rightly be considered to be a top performing company in the field of information technology, as experts from two consultancy houses (Gartner Group and McKinsey) have confirmed through comparative analyses.

In general e-commerce technologies and methods were one of the key objectives in the development of new application packages in 2004. Here the Petrol Group follows the concept of a service-oriented system architecture, which facilitates the efficient construction and linking of individual information systems.

A good deal of creative energy was channelled into ensuring that the information system operates securely, stably and without disruptions and into promoting the use of individual information solutions. At the same time the Petrol Group embarked on a complex and comprehensive project for managing information security.

Development of services

The majority of the development projects aimed at increasing the group's focus on services begun in 2003 were actually completed in 2004.

100 service stations with information terminals
In 2004 Petrol equipped more than one-third of its domestic retail network with information terminals that allow users to make virtual purchases of selected products and services available at the service station. The information terminals have proved to be particularly suited to purchasing lottery tickets or entrance tickets for selected shows, and for laying bets on sporting events. Another important and useful feature is the ability to view the status of purchases made using the Magna card.

Certainly among the most important of these was the growing service concept, which in 2004 the Petrol Group began to implement at all its newly built service stations. The distinguishing features of this type of service station are improved customer-friendliness, greater cost-effectiveness and a longer lifespan.

The chain of good-value quick-service workshops for all types of vehicle launched by Petrol under the name Tip-Stop also began operating in 2004.

Proof of Petrol's technological capabilities came in the form of the pay-at-pump "tankomats", which allow Magna card users to pay for fuel via their mobile pho-nes, and save time with respect to the more traditional way of paying. Some 30 large service stations in urban centres were equipped with pay-at-pump machines in 2004.

The project for developing a network of unmanned service stations was also fully elaborated. The first such service stations, which will provide fuel 24 hours a day in return for a payment at the pumping area, will enter into operation in the first half of 2005.

Personnel

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

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

This long-term, systematic approach was reflected in 2004 in improved qualifications among the workforce, increased innovativeness and self-initiative and a healthier organisational climate. At the end of the year the Petrol Group, including the franchise system, had 2,848 employees.

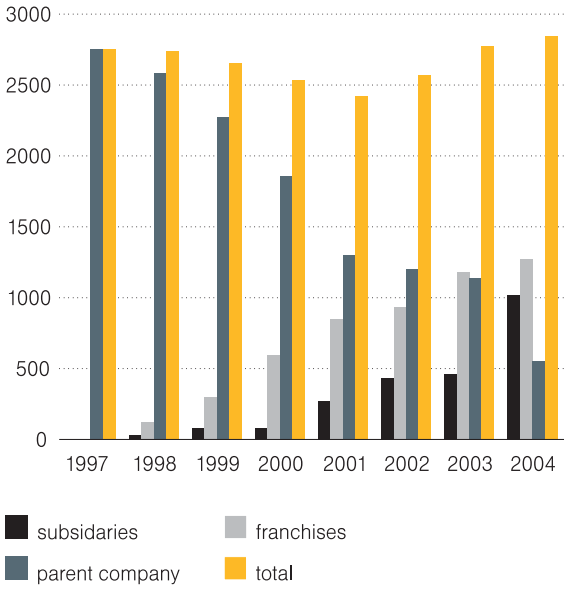
Employment policy

At the end of 2004 a total of 1,573 people were formally employed in the Petrol Group. Including the employees in the franchise system the number contributing to the operating results of the group was 2,848 (a rise of 70 from the end of 2003).

In 2004 the Petrol Group took on 266 new employees. New employment was related principally to the new development projects, the restructuring of many business processes and the expansion of the retail network. The decision to take on each new employee was a carefully considered one. Priority in the engagement of new personnel was given to young, highly qualified individuals.

Part of the need for personnel was met through internal transfers, with 656 employees being transferred within the Petrol Group in 2004. A relatively large number of the internal transfers were primarily linked to improving the efficiency of individual corporate functions and other areas of business.

Number of employees in the Petrol Group, 1997 to 2004



A total of 196 people left the Petrol Group in 2004, mostly owing to retirement or the end of fixed-term contracts. The level of voluntary turnover remains exceptionally low.

The Petrol Group commenced an active downsizing policy back in 1997. The total number of employees fell during the period to 2002, when the arrival of three new companies saw the group's workforce expand for the first time in five years. The number of employees in the parent company is continuing to fall, mostly on account of transfers to the subsidiary companies and the franchise service stations.

In formal terms the employees of the Petrol Group in 2004 comprised only the employees of the parent company and of the 12 subsidiary companies. But because the employees in the franchise service stations inside and outside Slovenia also make an important contribution to the group's results, their status is equal to that of the other employees in the group in terms of remuneration, training, development and access to information.

Encouraging expertise

As a result of statutory requirements and because of the nature of the work at service stations and in catering establishments, the proportion of employees in the Petrol Group with lower qualifications is relatively high, but it has been falling in recent years. The proportion of employees with two-year or four-year tertiary qualifications had already risen to over 15% by the end of 2004. This was achieved partly through the recruitment of highly qualified new personnel and partly through the education of existing employees.

Thus 151 of the group's employees were involved in education for formal qualifications in 2004, while the group also provides additional training and skills enhancement to improve efficiency. In 2004 almost SIT 205 million went towards encouraging formal education and further training, equivalent to more than 75,000 tolars per employee. Each Petrol Group employee thus received an average of 36 hours of training in 2004, while participation in various forms of skills enhancement rose by 29% from the previous year.

A healthy and safe working environment

The Petrol Group pays close and regular attention to the health of its employees and the safety of their working environment. The number of workplace injuries alone, which has fallen significantly in recent years, bears the finest testimony to the constant improvement in the safety at work system.

In 2004 the Petrol Group arranged 814 medical check-ups for its employees. It also continued to conduct workplace inspections and investigations, and to test work tools, equipment and machinery. A total of 46 seminars on health and safety at work topics were organised in 2004, with 1,353 employees attending them. A training and education programme of equal scope and content was also prepared for students.

The safety at work guidelines and instructions for using tools, equipment and machinery were updated, and evacuation and emergency plans were drawn up for all the facilities. Safety plans and measures were also set out in 2004 for all temporary construction sites.

A healthy organisational climate

In 2004 the Petrol Group conducted its fourth successive survey of the organisational climate and job satisfaction, with 1,430 employees participating.

The average score of 3.55 (out of 5) received in 2004 was considerably higher than in the previous year, and also than the average achieved by the 100 Slovenian companies included in the survey.

In comparison with the previous year employees scored all categories higher, and for the first time all categories received a score of at least 3. Some 12 of the 14 categories were scored significantly better than in previous years, which proves that when it comes to improving the organisational climate there can no longer be any talk of coincidental factors, but rather of the effects of a systematic planned approach to making the necessary changes.

Implementation of research findings
The improved scores for the organisational climate at the Petrol Group are no coincidence. The results of research conducted in previous years were presented to Petrol Group employees at a number of workshops. On this basis there were 70 measures adopted in 2004 alone, related mostly to improving internal communications and to establishing better relations between managers and other personnel. Additional analysis also showed a trend of equalisation between the level of satisfaction at the parent company and the level at the subsidiaries, which can primarily be attributed to a change in managers' attitudes towards employees.

Managerial potential

To assist in identifying managerial potential systematically and in a methodologically correct manner, the Petrol Group finally developed and tested its Key Managerial Competence model in 2004, which assesses a range of 11 key skills, abilities and personal qualities needed by leaders in their jobs.

In 2004 there were 255 employees assessed using this model, which allowed Petrol to identify key personnel and managerial potential. The first in-depth development interviews were also conducted with selected individuals in 2004, aimed at discovering their personal ambition and their own vision of their careers, and then on this basis individual development plans were drawn up using a number of personnel approaches.

Customer monitoring

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

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

Regular customer monitoring 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.

A very broad customer base

An average of over 150,000 customers use Petrol service stations every day. The company's database of active fuel oil and gas customers in 2004 contained over 200,000 names, and more than 186,000 also use Petrol payment cards.

Even excluding the many large-scale commercial and industrial users who do business with Petrol 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 tied 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. Over ten different market research projects were carried out, including some in which Petrol developed a wholly new methodology together with external consultants.

Important research in 2004:

- customer satisfaction at service stations
- the reputation of the Petrol Group
- comparison of customer satisfaction at Petrol and competing service stations
- development of different types of service station
- buying habits and customer satisfaction (fuel oil and gas)
- buying habits (roadside restaurants)
- effectiveness of all advertising campaigns
- Datamonitor and Trgovski Monitor

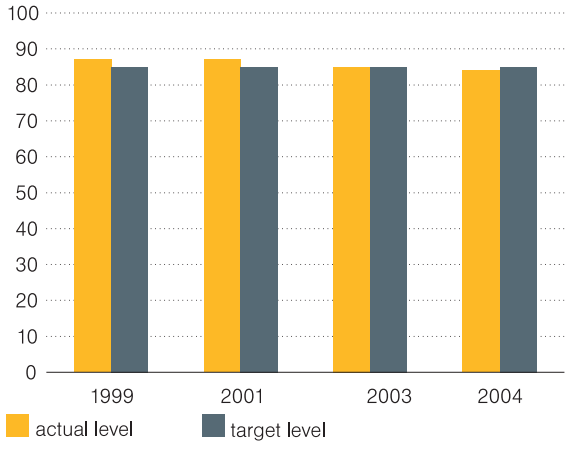
Proof of Petrol's focus on the customer partly comes from its market research system, which is extremely comprehensive, and also has a high useful value. The general level of market awareness and customer understanding is also increased by involving a relatively wide circle of employees in all areas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

Understanding service station customers' habits and sentiments

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

The Petrol Group has also surveyed customer satisfaction every two years, and will do so every year from 2004. The results in general point to an extremely high level of customer satisfaction, both in terms of the targets the group has set as well as in comparison with competitors.

Customer satisfaction at service stations in comparison to targets



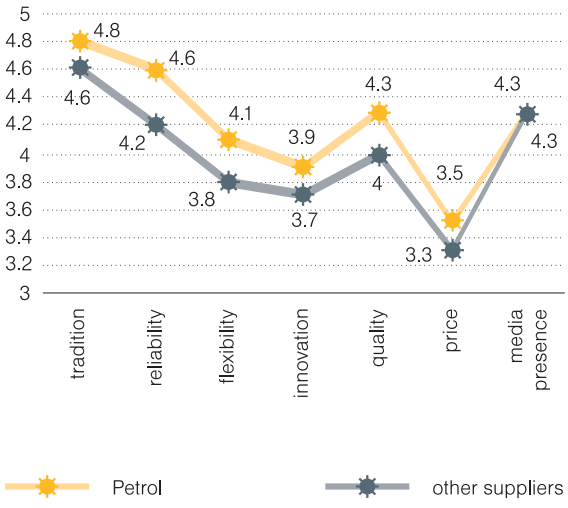
In 2004 the Petrol Group made considerable improvements to the methodology for measuring satisfaction. The factors influencing the level of satisfaction were expanded, thus improving the accuracy of the individual indicators. The partial change in the methodology was reflected in somewhat different scores for individual factors, but nevertheless satisfaction is at an enviable level.

Petrol's strong position 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 in the heating fuel market.

The results of research carried out in 2004 show that Petrol is known as a supplier of fuel oil by fully 96% of all fuel oil customers in Slovenia. It also scores better than the competition in terms of a number of qualitative criteria. As a gas supplier, too, Petrol's results in terms of recognition are very encouraging.

Petrol as supplier of fuel oil in comparison with competition



Monitoring the effectiveness of advertising

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

Petrol's Effie

Petrol received a gold award for its Heat for the Home, to the Home campaign at the Effies, the 2nd Slovenian festival of effective communications. The Effie is one of the most prestigious awards in marketing, with the effectiveness and strategic targeting of individual campaigns the prime factor in the choice of winner. There were numerous reasons for Petrol's victory, but the most important was the ROCI indicator, according to which the direct revenues from the campaign were 22.5 times the amount invested in advertising.

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 analysis, which at the end of the year is combined into a comprehensive report on the effectiveness of sales promotion. Appropriate changes are formulated and introduced on this basis.

Operational standards

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

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

Recognition of this came in the form of the National Business Excellence Award received by the Petrol Group in 2004.

A high level of operational and technical standardisation

In 2004 the Petrol Group continued to pursue a strategy of business excellence based on observance of the strictest environmental criteria and continuing development of quality standards in all areas of operation.

In addition to the parent company there were five companies in the Petrol Group that had ISO 9001:2000 certification awarded or renewed in 2004, while four subsidiaries held ISO 14001:1996 certification, and the Petrol lab held SIST EN ISO/ IEC 17025 accreditation.

Worthy of particular note in terms of certification was Petrol Tehnologija, which by way of formal recognition for its level of expertise acquired accreditation under the EN 45004 standard for testing fuel pumping facilities, certification for the installation of Ex-equipment under the SIST EN 60079-14:1998 standard and certification for maintaining Ex-equipment under the SIST EN 60079-14:1998 standard.

Respect for the natural environment

Concern for the environment is a cornerstone of Petrol's long-term energy strategy, the group having long helped to draw up environmental protection programmes and been actively involved in making priority national environmental investments, in setting up the relevant environmental infrastructure, in introducing environment-friendly industrial processes and in developing and encouraging the use of renewable energy resources.

And in 2004 the Petrol Group stepped up its cooperation with government institutions and science and research institutes. The Petrol Group has endorsed the importance of strict environmental criteria among its employees, customers, suppliers and other partners, and informed them of its sustainable development guidelines. These guidelines are followed in the development of business processes, and the development of new products and services.

Bio-diesel by 2004

Petrol had introduced a diesel containing up to 5% bio-diesel to its retail outlets on a test basis by July 2004, thus beating the deadline of 1 January 2005 set by the European Commission in Directive 2003/30/EC by almost half a year. Under the directive all fuels in the transport sector must contain at least 2% bio-diesel by 2005, and at least 5.7% from 2010 onwards.

Bio-diesel, or FAME (fatty acid methyl ester), has a number of benefits. It is a renewable source of energy that cuts CO_2 emissions, and can be used to power diesel engines in pure form or mixed with ordinary diesel. It does not contain sulphur and is biodegradable, which also means that it is safer to use, store and transport.

Further evidence of Petrol's commitment to the environment came in the form of investments made in 2004 in connection with the construction of gas infrastructure and municipal water treatment plants, the design of long-term waste management solutions and the development of CHP projects.

Social responsibility

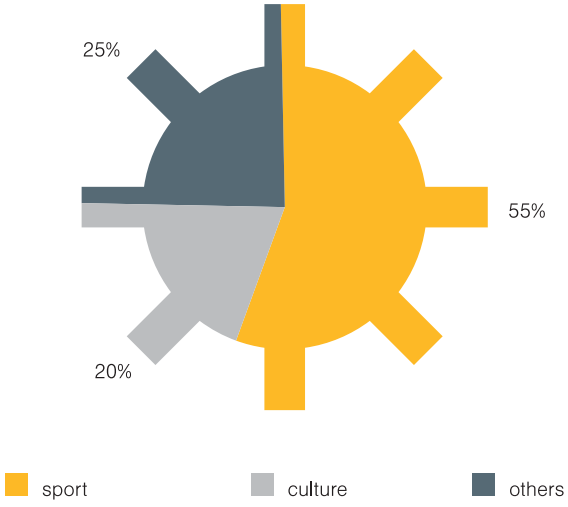
The Petrol Group recognises that support for the environment in which it operates has an important impact on its business and its development. Consequently, it has been striving for a number of years to promote a more active lifestyle among the wider social community and a generally higher quality of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

In 2004 the biggest share of sponsorship funds went into competitive sports – swimming, football, Nordic skiing and ice hockey, and also towards the development of motor racing and karting. Here particular mention should be made of the karting series for the title of Petrol Speed Star, through which Petrol aimed to popularise amateur karting in 2004. Petrol also found a place for itself as sponsor of the new national football stadium in Celje, which between 2004 and 2008 will be known as the Petrol Arena.

The Petrol Group's support for culture in 2004 saw it continue to work with Drama, the Slovenian National Theatre in Ljubljana, and with Slovenska Matica. For the fourteenth year running the parent company organised a visual arts competition entitled Children to Adults, and in 2004 it also took over the role as main sponsor of Cankarjev Dom film distribution.

Prime among the environmental works in 2004 was the Discovering the Pearls of Slovenian Seas project, through which Petrol and the Ministry of the Environment, Spatial Planning and Energy promote awareness of the turtle species *Caretta caretta* and its significance for the biodiversity of Slovenia's seas.

Petrol also worked with the environment ministry in 2004 to build houses for families affected by the earthquake in the Soča valley.



Breakdown of Petrol's sponsorship activities in 2004
Given the long-term nature of most sponsorship, the breakdown of sponsorship funding has remained more or less unchanged for several years.
In 2004 more than half of Petrol's sponsorship funding was again allocated to sport. One-fifth of the sponsorship budget in 2004 went on culture, including not only major cultural projects but also many smaller, but no less worthy, events. The remaining 25% was allocated to charitable purposes and to support environmental projects.

A model of excellent business practice

The Petrol Group is clearly aware that quality is of prime importance in ensuring competitiveness. It therefore endeavours to consistently do its business according to the European model of total quality management, while at the same time it never ceases to compare itself at all levels of operation with the best world practice.

Chamber of Commerce and Industry award for outstanding achievements in business and enterprise
Further evidence of the business excellence achieved by the Petrol Group was the award for outstanding achievements in business and enterprise received by the president of Petrol d.d.'s management board in 2004 from the Chamber of Commerce and Industry. The key reasons for the president of the management board's official recognition as one of Slovenia's most prominent business figures were in the changes in strategic thinking, business decisions and everyday actions that he introduced to the Petrol Group, and the good performance achieved by both the parent company and the group as a whole under his leadership.

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 key factor in this award, which in Slovenia is a recognition of quality, were the top-level results Petrol achieved in introducing the EFQM into its operations. Among the arguments cited for the award were the clear development guidelines, the encouragement given to a culture of excellence, the focus on the customer and the development of partnership, and sound management of financial resources and risks. Petrol was also rated for its business excellence in terms of the high level of computerisation and automation in its business processes, the incorporation of its own development and environmental awareness, and its awareness of its social responsibilities. A final but important indicator of business excellence comes in the form of the employees, who in addition to their high level of allegiance to the company are distinguished by their propensity for cooperation and teamwork.

Companies in the Petrol Group

At the end of 2004 the Petrol Group comprised the parent company Petrol d.d., six domestic subsidiaries, five foreign subsidiaries, three affiliated companies and three joint ventures. 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: the sale of refined petroleum products, other merchandise and services in Slovenia, the sale of refined petroleum products and other merchandise on the markets of south-eastern Europe, and environment and energy services.

Petrol Group

Oil and Merchandise in South-Eastern Europe

Oil and Merchandise in Slovenia

Environment and Energy Services

Petrol, d.d.

Petrol BH Oil Company d.o.o.

Petrol Maloprodaja Slovenija, d.o.o.

Petrol Plin d.o.o.

Petrol Trgovina d.o.o.

Petrol Skladiščenje d.o.o.

Petrol Energetika d.o.o.

Petrol, d.o.o., Beograd

Petrol Gostinstvo d.o.o.

Aquasystems d.o.o.

Petrol Tehnologija d.o.o.

Cypet Oils Ltd.

Ogrevanje Piran d.o.o.

Petrol-Trade H.m.b.H.

Geoplin d.o.o.

Cypet-Trade Ltd.

Karkasa d.o.o.

Instalacija, d.o.o., Koper

Geoenergo d.o.o.

parent company

subsidaries

joint ventures and affiliated companies

Petrol d.d. Ljubljana

Address:	Dunajska c. 50, Ljubljana, Slovenia
Telephone:	00386 (1) 47 14 232
e-mail:	info@petrol.si
Status:	public limited company
President of management board:	Janez Lotrič

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 the selling of oil products, supplementary merchandise and services. On the domestic Slovenian market, Petrol d.d. distributes refined petroleum products through a network of 293 retail service stations, enjoying a 68% share of the domestic oil market in 2004 and an important position in the consumer goods distribution market as well. As the absolute or majority owner of 11 subsidiaries engaged in similar or related activities, Petrol d.d. is the parent company of the Petrol Group, and is responsible for the majority of the group's turnover, revenues and net profit.

Petrol d.d. sold 1.8 million tonnes of oil, refined petroleum products and gas in 2004, exceeding the forecast by 2%. It generated revenues of SIT 39.5 billion from the sale of supplementary merchandise, exceeding the forecast by 7%, and generated revenues of SIT 5.2 billion from the sale of services, exceeding the forecast by 9%.

Petrol d.d. finished the year with more than SIT 321 billion of net sales revenues and a pre-tax profit in the amount of SIT 7.6 billion (SIT 6.5 billion net). In comparison with its results in 2003, Petrol d.d. increased net sales revenues by 13%, while pre-tax profit was up 19% and net profit up by 7%.

Petrol-Trade HmbH

Address:	Elisabethstrasse 10, Vienna, Austria
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:	Janez Lotrič, Mariča Lah, Poldka Breznik

Petrol-Trade 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, a company established in 1998 that engages in oil brokerage.

Petrol-Trade sold 549,974 tonnes of oil and chemical products in 2004, some 97% of the forecast volume. It generated net sales revenues of SIT 39.1 billion and a net profit of SIT 67 million.

Cypet-Trade Ltd

Address:	Ariadne House, Office 52, 333 28th October Street, Limassol, Cyprus
Telephone:	00357 25 586 039
e-mail:	cypet@logos.cy.net
Ownership:	100% owned by Petrol-Trade HmbH
Managing director:	Lojze Blenkuš
Board of directors:	Janez Lotrič, Žiga Medič, Marko Malgaj, Christakis Myrianthous

Cypet-Trade is 100%-owned by Vienna's Petrol-Trade. Cypet-Trade was established at the end of 1998, primarily engaging in brokerage of trading in oil and refined petroleum products until the beginning of 2004, and is closely involved in the business of the whole group. 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. Cypet-Trade sold 1.1 million tonnes of refined petroleum products in 2004, exceeding the forecast by 8%. In so doing it generated net sales revenues of SIT 78.1 billion and a net profit of SIT 564.8 million.

Cypet Oils Ltd, Cyprus

Address:	Ariadne House, Office 52, 333 28th October Street, Limassol, Cyprus
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:	Janez Lotrič, Žiga Medič, Pangratis Liveras

Cypet Oils was established at the end of 1989. Like Petrol-Trade and Cypet-Trade, Cypet Oils 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.

The company generated net sales revenues of SIT 1.3 million in 2004, and finished the year with a net profit of SIT 6.7 million.

Petrol Maloprodaja Slovenija d.o.o.

Address:	Dunajska 50, Ljubljana, Slovenia
Telephone:	00386 (1) 4714 815
e-mail:	igor.mravlja@petrol.si
Ownership:	100%-owned by Petrol d.d. Ljubljana
Managing director:	Igor Mravlja
General meeting:	Mariča Lah, Vladimir Jančič, Jana Škrinjar

In 1999 the parent company acquired Shell Slovenija, and renamed it Destilat in the companies register. On 9 March 2004 Destilat was renamed Petrol Maloprodaja Slovenija d.o.o., and is now responsible for all of the Petrol Group's retail sales of refined petroleum products and supplementary merchandise on the Slovenian market.

Petrol Maloprodaja Slovenija generated net sales revenues of SIT 2.1 billion in 2004, and finished the year with a net profit of SIT 2.6 million.

Petrol Skladiščenje d.o.o.

Address:	Zaloška 259, Ljubljana-Polje, Slovenia
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:	Jožef Petrovič, Rok Blenkuš, Jana Škrinjar

The company was formally established in July 2002, but began operations in September 2002. Its basic line of business was managing the storage capacity that Petrol d.d. bought in July 2002 from Nafta Lendava. In 2004 Petrol Skladiščenje took over the management of the other five storage facilities owned by the parent company, and is now responsible for the storage of refined petroleum products owned by third parties.

Petrol Skladišcenje generated net sales revenues of SIT 501.3 million in 2004, and finished the year with a net profit of SIT 474.6 thousand.

Petrol Tehnologija d.o.o

Address:	Zaloška 259, Ljubljana-Polje, Slovenia
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:	Vladimir Jančič, Janez Bedenk, Mojca Kert-Kos, Edo Škufca

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 operations during 2003.

In 2004 Petroservis was renamed Petrol Tehnologija. 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. Its activities thus cover the needs of the Petrol Group, and of outside clients.

Petrol Tehnologija generated net sales revenues of SIT 999.5 million in 2004, and finished the year with a net profit of SIT 16.9 million.

Petrol Gostinstvo d.o.o.

Address	Notranjska 71, Logatec, Slovenia
Telephone:	00386 (1) 75 08 410
e-mail:	ljubo.jasnic@petrol.si
Ownership:	100%-owned by Petrol d.d. Ljubljana
Managing director:	Ljubomil Jasnič
General meeting:	Gordana Višinski, Nevenka Šubelj, Jana Škrinjar

Petrol Gostinstvo, which is 100% owned by the parent company, was established at the end of 2000, and began operations in 2001. With a total seating capacity of around a thousand, it is the leading provider of restaurant services on the Slovenian motorway network.

In 2004 the company operated six motorway bistros, an internal restaurant and five *Na Jasi* motorway restaurants. Through its catering services it generated net revenues of SIT 1.9 billion, and finished the year with a net profit of SIT 32.3 million.

Petrol Plin d.o.o.

Address:	Dunajska 50, Ljubljana, Slovenia
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:	Vladimir Jančič, Matjaž Janežič, Janez Bedenk

At the end of 2001 Petrol d.d. merged its department responsible for the gas sector with Apegas, thus creating Petrol Plin, which began operations at the beginning of 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 being established 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 2004 Petrol Plin was managing 16 gas concessions, and was selling LPG through 1,111 gas depots. It sold 7,663 tonnes of LPG in 2004, exceeding the forecast by more than 2%. Sales of natural gas amounted to 12 million cubic metres, 13% in excess of the forecast. It also facilitated the distribution of an additional 1.9 million cubic metres of natural gas.

Through these activities Petrol Plin generated SIT 1.6 billion in net sales revenues, and a net profit of SIT 67.7 million. The net revenues were 3.7% more than forecast, while the net profit was more than 2.5 times the forecast.

Petrol Energetika d.o.o.

Address:	Koroška 14, Ravne na Koroškem, Slovenia
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

In mid-2002 Petrol d.d. purchased an 80% interest in Energetika Ravne and Energetika Štore from Slovenske železarne d.d. In April 2003 Petrol-Energetika Štore was merged with Petrol-Energetika Ravne, the company since trading as Petrol-Energetika d.o.o. At the same time Petrol d.d. increased its interest to almost 99%.

The company is engaged in the generation, sale and distribution of electricity and heat, and the sale and distribution of natural gas and other energy products for the metal and machine industries. In the economic zones of Ravne and Štore it supplies major industrial users with an integrated package of power and energy media, and also distributes natural gas and heat in three municipalities.

The company sold 292,000 MWh of electricity in 2004, of which it generated 33,600 MWh itself. In addition, it sold 10.5 million cubic metres of natural gas and distributed 46 million cubic metres of natural gas to industrial users. It sold and distributed 5.3 million cubic metres of natural gas to household users in the areas covered by its concessions. The quantity of heat generated and distributed was 58,000 MWh, and the quantity of hot water sold and distributed was close to 45,000 cubic metres.

The company generated net sales revenues of SIT 5.7 billion, 17% more than forecast, and a net profit of SIT 79.9 million, 15% more than forecast.

Petrol Trgovina d.o.o. Zagreb

Address:	Oreškovićeva 3D, Otok, Zagreb, Croatia
Telephone:	00385 (1) 66 80 001
e-mail:	igor.meh@petrol.si
Ownership:	100%-owned by Petrol d.d. Ljubljana
Managing director:	Igor Meh
Supervisory board:	Mariča Lah, Vladimir Jančič, Poldka Breznik

Petrol Trgovina was established in 1996, and sells refined petroleum products and consumer goods in Croatia.

Conditions on the Croatian oil market in 2004 were more or less unchanged from the previous year. The Croatian government made no change 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. The capital link-up between the national oil companies Ina (Croatia) and Mol (Hungary) did not bring the expected changes in purchasing conditions. Importing refined petroleum products from Hungary thus remained one of the more favourable options for Petrol Trgovina, and some of the purchasing duties were also assumed by the parent company Petrol d.d. in 2004.

Through its wholesale network and 18 service stations operated under franchise Petrol Trgovina sold 81,198 tonnes of refined petroleum products in 2004, some 28.5% more than had been forecast. It also sold non-oil merchandise worth SIT 1.2 billion.

This generated net revenues of SIT 15 billion, more than 22% up on the forecast, and it finished the year with a net profit of SIT 110.6 million, almost double the forecast.

Petrol BH Oil Company d.o.o. Sarajevo

Address:	Grbavička 4/4, Sarajevo, Bosnia-Herzegovina
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:	Mariča Lah, Vladimir Jančič, Poldka Breznik

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 in Bosnia-Herzegovina.

On the wholesale market in 2004 the company 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-Herzegovina. The retail turnover generated by Petrol BH Oil Company in 2004 was dependent on the rate of expansion of the retail network, in which the primary factor was the lengthy period needed to obtain construction documentation.

By the end of 2004 the company had a network of 31 service stations operating under franchise. In the wholesale and retail sectors it sold 41,660 tonnes of refined petroleum products during the year, and a further SIT 296.3 million worth of non-oil merchandise.

This generated SIT 7.6 billion in net sales revenues, and a net profit of SIT 59.3 million.

Petrol d.o.o. Beograd

Address:	Dragoslava Jovanovića 13, Belgrade, Serbia- Montenegro
Telephone:	00381 11 323 81 28
e-mail:	alojz.kovse@petrol.si
Ownership:	100%-owned by Petrol d.d. Ljubljana
Managing director:	Alojz Kovše
Supervisory board:	Mariča Lah, Mitja Klavora, Poldka Breznik

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

By the end of 2004 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 and conducted market analysis.

In so doing it generated net sales revenues of SIT 31.9 million, and finished the year with a net profit of SIT 313 thousand.

Joint-Ventures

Geoenergo d.o.o.

Address:	Rudarska 1, Lendava, Slovenia 1
Telephone:	00386 (2) 577 22 62
e-mail:	ivan.pavosevic@nafta-lendava.si, alenka.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:	Aleš Peternel, Poldka Breznik, Slavko Pivar, Radovan Žerjav

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 2004 it sold 5 million cubic metres of natural gas, 355 tonnes of crude and 210 tonnes of gas condensate, generating SIT 202.1 million of net sales revenues and SIT 4.8 million of net profit, of which SIT 2.4 million went to Petrol d.d.

Instalacija d.o.o. Koper

Address:	Sermin 10a, Koper, Slovenia
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 2004 some 1.8 million tonnes of refined petroleum products were reloaded at Instalacija, which was its record annual volume. It generated SIT 2.4 billion of net sales revenues and SIT 774.9 million of net profit, of which SIT 379.7 million went to Petrol d.d.

Karkasa d.o.o.

Address:	Škofjeloška 6, Kranj, Slovenia
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.

Affiliated Companies

Geoplin d.o.o.

registered office:	Cesta Ljubljanske brigade 11, Ljubljana, Slovenia
line of business:	trading and transport of natural gas
Petrol d.d.'s participating interest:	27,26 %

Aquasystems d.o.o.

registered office:	Dupleška 330, Maribor, Slovenia line of business: construction and operation of industrial and municipal water treatment plants
Petrol d.d.'s participating interest:	26%

Ogrevanje Piran d.o.o.

registered office:	Fornače 33, Piran, Slovenia line of business: supply of gaseous fuels, generation and distribution of steam and heat
Petrol d.d.'s participating interest:	40%

Financial Report 2004

Introduction

Introduction

The financial report consists of seven 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 d.d. 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., 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. 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 and final 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. The last section examines the disclosures in individual items in the Petrol Group's consolidated statements.

The financial statements of Petrol d.d. and of the Petrol Group for the year ending 31 December 2004 were audited by Deloitte & Touche revizija, d.o.o. of Ljubljana on the basis of a resolution passed at the 10th general meeting of shareholders held on 10 May 2004 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 HmbH. 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 2004 financial year.

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

The audit was carried out between 27 September and 22 October 2004, and between 14 February and 11 March 2005.

Financial Report of Parent Company 2004

Deloitte.

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF
PETROL, Slovenska energetska družba, d.d., Ljubljana

We have audited the balance sheet of PETROL, Slovenska energetska družba, d.d. as of 31 December 2004 and the related statements of income, cash flows, changes in equity, and notes to the financial statements for the year then ended. We also read the Business Report, prepared by Management as of 31 December 2004. These financial statements and the Business Report are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and report whether the Business Report is consistent with the remaining components of the Annual Report based on our audit.

We conducted our audit in accordance with basic auditing principles and International Standards on Auditing. Those principles and 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 significant estimates made by management, as well as evaluating the overall financial statement disclosure. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of PETROL, Slovenska energetska družba, d.d. as of 31 December 2004 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 information in the audited financial statements.

Deloitte & Touche Revizija d.o.o.

Deloitte & Touche revizija d.o.o.

Lidija Jezernik
Certified Auditor
Member of the Management Board

Ljubljana, 11 March 2005

TRANLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

Audit. Tax. Consulting. Financial Advisory.

Družba je članica
Deloitte Touche Tohmatsu

Qualifications of Petrol d.d. personnel			
	31. 12. 2004	31. 12. 2003	Index 04/03
Level I	2	33	6
Level II	29	109	27
Level III	3	19	16
Level IV	45	270	17
Level V	206	429	48
Level VI	65	71	92
Level VII	177	180	98
Postgraduate qualifications	25	26	96
Total	**552**	**1,137**	**49**

Key financial figures (Petrol d.d.)			
SIT 000	2004	2003	Index 04/03
Gross turnover	395,110,658	337,475,647	117
Tax (VAT)	74,338,058	53,137,889	140
Net sales revenues	320,772,600	284,337,758	113
Gross profit	38,612,154	37,789,652	102
Operating profit	5,979,751	4,530,498	132
Net profit for the year	6,460,984	6,051,573	107
Investments in non-current assets	14,003,984	21,091,444	66
Total assets	181,545,667	156,153,441	116
Equity	79,623,523	72,386,391	110
Financial liabilities (non-current and current)	43,436,626	37,790,108	115
Non-current financial liabilities	26,379,942	21,935,981	120

Key financial indicators (Petrol d.d.)

	2004	2003	Index 04/03
Gross profit / net sales revenues (%)	12.04	13.29	91
Net profit / net sales revenues (%)	2.01	2.12	95
Net profit / average equity (%)	8.50	8.63	99
Operating profit (minus amortisation, depreciation and revaluation operating expenses) / net sales revenues sales (%)	3.62	3.65	99
Operating profit / net sales revenues (%)	1.86	1.59	117
Current assets / current liabilities	0.87	0.90	97
Debt / equity	0.55	0.52	104
Non-current financial liabilities / equity	0.33	0.30	109
Interest coverage*	7.27	6.88	106

* (pre-tax profit + taxes on profit + interest expenses) / interest expenses

Key financial indicators (Petrol d.d.)

		2004	2003
1. Self-financing ratio	total equity / equity and liabilities	0.44	0.46
2. Long-term financing ratio	total equity and long-term debt (including provisions) / equity and liabilities	0.62	0.66
3. Fixed asset investment ratio	fixed assets (at net book value) / total assets	0.43	0.48
4. Long-term investment ratio	fixed assets (at net book value), non-current investments and non-current trade receivables / total assets	0.69	0.70
5. Capital / fixed asset coverage ratio	equity / fixed assets (at net book value)	1.02	0.96
6. Quick ratio	liquid assets / current liabilities	0.07	0.14
7. Accelerated liquidity ratio	liquid assets and current trade receivables / current liabilities	0.62	0.67
8. Working capital ratio	current assets / current liabilities	0.87	0.90
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)	0.10	0.09
11. Dividend return ratio	dividends / average share capital	-	0.12

* Amount of dividends not yet determined.

Income statement (Petrol d.d.)

SIT 000	Note	2004	2003	Index 04/03
Net sales revenues	A., 01.;	320,772,600	284,337,758	113
Historical cost of merchandise sold	B., 02.;	(282,160,446)	(246,548,106)	114
Gross profit		**38,612,154**	**37,789,652**	**102**
Distribution costs	C., 02.;	(30,257,139)	(27,253,402)	111
Administrative costs	C., 02.;	(7,486,226)	(7,798,919)	96
Other operating income	07.;	5,110,962	1,793,167	285
Operating profit		**5,979,751**	**4,530,498**	**132**
Finance income from participating interests	08.;	2,132,207	2,833,029	75
Finance income from non-current receivables	09.;	216,774	271,682	80
Finance income from current receivables	10.;	5,802,822	5,121,511	113
Finance income	**E.;**	**8,151,803**	**8,226,222**	**99**
Write-downs of investments	11.;	(563,457)	(459,884)	123
Interest expenses and financial expenses for other liabilities	12.;	(5,819,161)	(4,953,501)	117
Finance expenses	**E.;**	**(6,382,618)**	**(5,413,385)**	**118**
Profit from ordinary activities		**7,748,936**	**7,343,335**	**106**
Extraordinary income	F., 13.;	106,435	31,556	337
Extraordinary expenses	F., 14.;	(256,321)	(986,696)	26
Extraordinary items		**(149,886)**	**(955,140)**	**16**
Pre-tax profit		**7,599,050**	**6,388,195**	**119**
Corporate income tax	G., 15.;	(1,138,066)	(336,622)	338
Net profit for the year		**6,460,984**	**6,051,573**	**107**

Balance sheet (Petrol d.d.)

SIT 000	Note	31. 12. 04	31. 12. 03	Index 04/03
Assets				
A) Non-curent assets				
I. Intangible assets	**H., 16.;**	1,108,541	1,170,245	95
II. Fixed assets	**H., 17., 18.;**	76,671,121	73,966,780	104
III. Investments	**K., I., 19., 20.;**	46,675,852	34,353,181	136
Total non-current assets		**124,455,514**	**109,490,206**	114
B) Current assets				
I. Inventories	**L., 21.;**	15,957,478	11,695,951	136
II. Trade receivables		36,068,876	27,568,374	131
a) Non-current trade receivables	**M., 22.;**	574,127	251,533	228
b) Current trade receivables	**N., 23., 24.;**	35,494,749	27,316,841	130
III. Current investments	**I., 25.;**	3,733,759	5,818,108	64
IIV. Cash and cash equivalents	**O., 26.;**	1,037,309	1,286,914	81
Total current assets		**56,797,422**	**46,369,347**	122
C) Deferred expenses and accrued revenues	**P., 27.;**	**292,731**	**293,888**	100
Total assets		**181,545,667**	**156,153,441**	116
Equity and liabilities				
A) Equity				
I. Called-up capital		12,517,806	12,517,806	100
II. Capital reserves		96,478	54,991	175
III. Other profit reserves*	**30.;**	39,602,794	35,521,528	111
IV. Retained earnings		2,781,413	1,989,932	140
V. Undistributed current profit*		3,230,492	3,025,786	107
VI. Equity revaluation adjustments		21,394,540	19,276,348	111
Total Equity	**R., 28., 29.;**	**79,623,523**	**72,386,391**	110
B) Provisions				
Provisions from donations received		19,378	20,290	96
Other provisions		6,972,713	8,855,796	79
Total Provisions	**S., 31.;**	**6,992,091**	**8,876,086**	79
C) Non-current liabilities				
a) Non-current financial and trade liabilities				
Non-current financial liabilities	**T., 32.;**	26,379,942	21,935,981	120
Non-current trade payables	**U., 33.;**	350,714	9,987	3,512
Total non-current liabilities		**26,730,656**	**21,945,968**	122
b) Current financial and trade liabilities				
Current portion of long-term debt	**T., 34.;**	17,056,684	15,854,127	108
Trade payables	**U., 35.;**	47,883,083	35,689,724	134
Total Current Liabilities		**64,939,767**	**51,543,851**	126
D) Accrued expenses and deferred revenues	**J., V., 36.;**	**3,259,630**	**1,401,145**	233
Total equity and liabilities		**181,545,667**	**156,153,441**	116

* 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

Cashflow statement (Petrol d.d.)

SIT 000	2004	2003	Index 04/03
Cash from operating activities	**313,887,371**	**283,155,594**	**111**
Operating income	321,189,810	284,394,851	113
Extraordinary income related to operating activities	106,435	31,556	337
Change in trade receivables	(7,410,031)	(1,269,688)	584
Change in deferred expenses and accrued revenues	1,157	(1,125)	-
Cash used in operating activities	**303,631,516**	**273,517,109**	**111**
Operating expenses less amortisation, depreciation and provisions	309,133,284	271,388,995	114
Extraordinary expenses related to operating activities	256,321	986,696	26
Taxes paid	1,138,066	336,622	338
Change in inventories	4,292,488	(983,825)	-
Change in trade payables	(11,489,777)	2,045,683	-
Change in accrued expenses and deferred revenues	301,134	(257,062)	-
Net cash from/(used in)operating activities	**10,255,855**	**9,638,485**	**106**
Cash from investing activities	**4,930,457**	**3,059,648**	**161**
Investment income (not including revaluation)	2,875,214	3,059,648	94
Net decrease in current investments (not including revaluation)	2,055,243	0	-
Cash used in investing activities	**14,339,028**	**24,502,276**	**59**
Net increase in intangible assets (not including revaluation)	106,350	117,222	91
Net increase in fixed assets (not including revaluation and non-cash equity inputs)	9,807,324	12,716,118	77
Net increase in non-current investments (not including revaluation)	4,425,354	7,231,806	61
Net increase in current investments (not including revaluation)	0	4,437,130	-
Net cash from/(used in) investing activities	**(9,408,571)**	**(21,442,628)**	**44**
Cash from financing activities	**6,931,250**	**16,598,970**	**42**
Finance income (not including revaluation)	2,805,679	1,662,019	169
Increase in equity (not including net profit)	41,487	31,111	133
Net increase in non-current financial liabilities (not including revaluation)	4,084,084	10,613,395	38
Net increase in current financial liabilities (not including revaluation)	0	4,292,445	0
Cash used in financing activities	**8,028,139**	**6,116,797**	**131**
Finance expenses (not including revaluation)	5,425,897	4,487,763	121
Net decrease in provisions (not including revaluation)	79,557	117,522	68
Net decrease in current financial liabilities (not including revaluation)	1,019,631	0	-
Decrease in liabilities to owners (dividends and other profit-sharing)	1,503,054	1,511,512	99
Net cash from / (used in) financing activities	**(1,096,889)**	**10,482,173**	**-**
Net cashflow during period	**(249,605)**	**(1,321,970)**	**19**
Closing balance of cash and cash equivalents	**1,037,309**	**1,286,914**	**81**
Net cashflow during period	(249,605)	(1,321,970)	19
Opening balance of cash and cash equivalents	1,286,914	2,608,884	49

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

SIT 000	Share capital	Capital reserves	Regulatory reserves
Balance as at 31 December 2002	**12,517,806**	**23,880**	**14,739,247**
Transfers into capital accounts			
Transfer of net profit for 2003 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	31,111	0
Transfers within capital accounts			
Distribution of 50% of 2003 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	33,221
Distribution of profit for appropriation for 2002 financial year to create other profit reserves pursuant to general meeting resolution in 2003	0	0	0
Distribution of profit for appropriation for 2002 financial year to retained earnings pursuant to general meeting resolution in 2003	0	0	0
Transfers from capital accounts			
Payment of dividends and bonuses pursuant to 2003 general meeting resolution	0	0	0
Payment of bonuses to supervisory board in 2003 financial year	0	0	0
Balance as at 31 December 2003	**12,517,806**	**54,991**	**14,772,468**
Profit for appropriation for 2003	**0**	**0**	**0**
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**

Treasury share reserves	Other profit reserves	Retained earnings	Undistributed net profit	General equity revaluation adjustment	Specific equity revaluation adjustments	Total equity
599,995	**15,186,425**	**2,842,516**	**2,629,002**	**19,190,518**	**0**	**67,729,389**
0	0	0	6,051,573	0	0	6,051,573
0	0	0	0	0	85,830	85,830
0	0	0	0	0	0	31,111
0	3,025,786	0	(3,025,786)	0	0	0
(33,221)	0	0	0	0	0	0
0	1,970,074	(1,970,074)	0	0	0	0
0	0	2,629,002	(2,629,002)	0	0	0
0	0	(1,440,553)	0	0	0	(1,440,553)
0	0	(70,959)	0	0	0	(70,959)
566,774	**20,182,285**	**1,989,932**	**3,025,786**	**19,190,518**	**85,830**	**72,386,391**
0	**2,068,575**	**1,989,932**	**3,025,786**	**0**	**0**	**7,084,293**
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	0
(21,636)	0	0	0	0	0	0
0	2,234,305	(2,234,305)	0	0	0	0
0	0	3,025,786	(3,025,786)	0	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**

Petrol d.d. shares			
	31. 12. 2004	31. 12. 2003	Index 04/03
Total number of shares issued	2,086,301	2,086,301	100
- number of repurchased treasury shares	26,305	27,349	96
Book value per share as at last day of financial year (SIT)	38,165	34,696	110
Share price on Ljubljana Stock Exchange			
Yearly high (SIT)	68,046	60,020	113
Yearly low (SIT)	55,955	38,006	147
Yearly average (SIT)	63,834	43,496	147
Year-end (SIT)	65,943	56,208	117
Year-end market capitalisation (SIT 000)	137,576,947	117,266,807	117
Yearly gain in share price (SIT)	9,735	15,199	64
Rate of return in current year	17%	37%	47
P/BV (average share price / book value)	1.67	1.25	133
P/E (average share price / earnings per share)	20.35	14.80	138
P/CE (average share price / cashflow per share)	11.37	8.13	140
EPS - earnings per share (SIT)	3,136	2,939	107
CEPS - cashflow per share (SIT)	5,613	5,351	105
Dividend policy			
Profit for appropriation (SIT)*	7,922,621,456	7,084,293,949	112
Assets for dividend payments (SIT)*	*	146,041,700	-
Bonuses paid to management board (SIT)*	*	61,057,000	-
Dividend per share (SIT)*	*	700	-
Number of shareholders	**45,076**	**45,983**	**98**

*Amounts to be decided by shareholders at general meeting

Accounting Rules and Valuation Methods

Accounting rules and valuation methods

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

In preparing and presenting the financial statements as at 31 December 2004, the company took account of the following:

- the Slovenian Accounting Standards (2002)
- the provisions of the Companies Act (Ur. l. RS, 30/93, 29/94, 82/94, 20/98, 84/98, 6/99, 45/01, 57/04 and 139/04) applying to large companies
- the provisions of the Securities Market Act (Ur. l. RS, 6/94, 56/99) and the accompanying regulations
- SRS 35 (accounting treatments in public enterprises)
- the Public Utilities Act (Ur. l. RS, 32/93 and 30/98)
- the Energy Act (Ur. l. RS, 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. 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. 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. 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. 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 2004 for each type of energy activity and other activities. On this basis the company prepares separate financial statements for the 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. 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
- 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 2004 the same accounting policies were applied as in previous years, except for:

- the accounting guidelines with regard to the valuation of non-current investments in subsidiaries and the joint venture Instalacija d.o.o. Koper

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 E (Finance income and expenses) and Note 8 (Finance income from participating interests)
- Note I (Investments)
- Note R (Equity) and Note 28 (Equity)

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 historical cost of quantities of refined petroleum products sold is calculated using the weighted average price during the accounting period or the most recent purchase prices at Petrol Trgovina d.o.o. Zagreb and Petrol BH Oil d.o.o. Sarajevo, while the most recent purchase price method is used for other merchandise and the average purchase price method is used for materials. The valuation of inventories of refined petroleum products at the aforementioned subsidiaries has no significant impact on the Petrol Group's net profit.

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 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 2004 there was no significant change in the original assumptions about the estimated useful life of assets subject to amortisation/depreciation.

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 2004:

(in %)	2004	2003
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 stations	5.00 – 25.00 %	5.00 – 25.00 %
Motor vehicles	10.00 – 33.30 %	10.00 – 33.30 %
Goods vehicles (tank wagons)	25.00 %	25.00 %
Computer 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 2004 the company changed its accounting policy for valuing non-current investments in subsidiaries and the joint venture Instalacija d.o.o. Koper using the equity method. The result of the change is that for 2004 the company only reports the portion of profits actually paid out in the current year among the finance income from profit-sharing. In 2003 the company declared profit sharing from these companies among finance income in its entirety when the profit-sharing was charged as a corresponding part of the net profit of these companies.

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 is primarily in the form of compensation and contractual penalties received, and recoveries of written-off receivables.

Extraordinary expenses are primarily in the form of compensation and penalties paid out, and grants.

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 2004 as tax relief:

- 40% of the total amount invested in intangible assets
- 25% of the total amount invested in fixed assets (with the exception of cars)
- and a further 15% of the total amount invested in equipment (with the exception of cars, furniture and office equipment)

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.

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

Taxes

- **carbon tax decree**

In Slovenia the Environmental Protection Act regulates the protection of the living environment, the natural environment and the general conditions for exploiting natural resources. On the basis of this law the Slovenian government 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 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 increases 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 expenses.

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 0.7% of the current value of fixed assets as at the balance sheet date, or more than SIT 500,000 thousand.

Fixed assets under management (SRS 35)

Fixed assets under management are the assets that the government or a municipality have placed with the provider of 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).

Part of the company's business activities involve the provision of public utility services on the basis of concession contracts concluded with local authorities. The types of concession contract 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.

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.

In 2004 the company changed its accounting policy with regard to the valuation of non-current investments in the subsidiaries and the joint venture Instalacija d.o.o. Koper using the equity method, viz. in connection with the disclosure of the effects of revaluation of non-current investments deriving from profit generated in the current year, which means that in 2004 the specific equity revaluation adjustment in connection with non-current investments was increased by the effects of the revaluation. Amounts received subsequently from the distribution of these companies' net profits go to decrease the previously created equity revaluation adjustment and increase the finance income from participating interests. In 2003, however, the effect of the revaluation of these investments went to directly increase the finance income from participating interests.

The effect of the revaluation of non-current investments in the other joint ventures and affiliated companies went to increase the parent company's equity revaluation adjustment in connection with non-current investments in 2004, as in the previous year. Distributions of net profits from these affiliated companies and joint ventures go to decrease the previously created specific equity revaluation adjustment and increase finance income from participating interests.

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.

For investments that lose value, the company creates an adjustment to the originally reported value as soon as there is justification to do so, and debits it against the revaluation finance expenses.

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. In 2004 the adjustment to the value of the treasury shares in the amount of SIT 119,523 thousand that was created in 2000 when the market value of the shares was lower than the book value was eliminated, and the treasury share reserves were simultaneously increased.

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.

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 Petrol d.d.'s 4th general meeting on 9 September 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.

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 of 60,452 tolars) 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.

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)
Total payments	**(9,837)**	**(207,815,467)**

Petrol d.d. held 26,305 treasury shares as at 31 December 2004. The book value of the treasury shares as at 31 December 2004 was SIT 664,662 thousand, while the market value of the treasury shares was SIT 1,734,640 thousand as at the same day.

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-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.

At the end of each month, oil product inventories are revalued using the weighted average purchase price during the accounting period, the exceptions being the subsidiaries Petrol Trgovina d.o.o. Zagreb and Petrol BH Oil d.o.o. Sarajevo, which use the most recent purchase price method. Any resulting increase or decrease in the value of inventories will increase or decrease the historical cost of the quantities sold.

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.

A company that uses another inventory valuation method during the year may value its inventories at the end of the year in line with SRS 4.20 as if using the first-in, first-out formula. This type of revaluation is made to the historical cost of merchandise sold. At the end of 2004 Petrol d.d. recalculated its inventory balance as at 31 December 2004 using this method.

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 and the expectations for the current accounting period, 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 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. 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 tolars.

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 2004 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.

In 2004 Petrol d.d. decided to make a gradual introduction of the International Financial Reporting Standards where they accord with the current SRS regulations, and thus the 2004 profits of subsidiaries that were not paid out during the year were recorded in a specific equity revaluation adjustment in connection with non-current investments together with the pertaining shares in the profits of affiliated companies and joint ventures generated in 2004. In line with changes in the IFRS the profits of subsidiaries, joint ventures and affiliated companies are not declared in the parent company's income statement, but are reported as financial income in the year when they

are paid out, as the parent company uses the cost method when valuing non-current investments in companies in the group. In 2003 these profits were reported directly as financial income from participating interests, and thus went to increase the net profit of Petrol d.d.

Since 2003 the company has also declared the accounted pertaining net profits of the other joint ventures and affiliated companies in a specific equity revaluation adjustment.

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 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.

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.

Financial Statements of the Parent Company

Income statement (Petrol d.d.)

SIT 000	Note	2004	2003	Index 04/03
Net sales revenues	A., 01.;	320,772,600	284,337,758	113
Historical cost of merchandise sold	B., 02.;	(282,160,446)	(246,548,106)	114
Gross profit		**38,612,154**	**37,789,652**	102
Materials		(1,462,160)	(1,447,206)	101
Services		(21,430,655)	(17,699,449)	121
Compensation	03.;	(6,175,170)	(8,016,757)	77
Depreciation and amortisation	D., 04.;	(5,506,294)	(5,450,922)	101
Losses on disposals, impairment and write-offs of intangible and fixed assets	05.;	(319,026)	(797,560)	40
Write-downs of current assets	05.;	(522,927)	(893,181)	59
Other costs	06.;	(2,281,781)	(484,376)	471
Operating expenses	**02.;**	**(37,698,013)**	**(34,789,451)**	108
Other operating income	07.;	5,110,962	1,793,167	285
Other operating expenses		(45,352)	(262,870)	17
Operating profit		**5,979,751**	**4,530,498**	132
Finance income from participating interests	08.;	2,132,207	2,833,029	75
Finance income from non-current receivables	09.;	216,774	271,682	80
Finance income from current receivables	10.;	5,802,822	5,121,511	113
Finance income	**E.;**	**8,151,803**	**8,226,222**	99
Write-downs of investments	11.;	(563,457)	(459,884)	123
Interest expenses and financial expenses for other liabilities	12.;	(5,819,161)	(4,953,501)	117
Finance expenses	**E.;**	**(6,382,618)**	**(5,413,385)**	118
Profit from ordinary activities		**7,748,936**	**7,343,335**	106
Extraordinary income	F., 13.;	106,435	31,556	337
Extraordinary expenses	F., 14.;	(256,321)	(986,696)	26
Extraordinary items		**(149,886)**	**(955,140)**	16
Pre-tax profit		**7,599,050**	**6,388,195**	119
Corporate income tax	G., 15.;	(1,138,066)	(336,622)	338
Net profit for the year		**6,460,984**	**6,051,573**	107

Business segments (Petrol d.d.)			
SIT 000	2004	2003	Index 04/03
Net sales revenues			
Oil products and other refined petroleum products	276,069,810	245,365,859	113
Other merchandise	39,494,699	34,602,901	114
Services	5,208,091	4,368,998	119
Total	**320,772,600**	**284,337,758**	**113**

Geographical segments (Petrol d.d.)			
SIT 000	2004	2003	Index 04/03
Net sales revenues			
Slovenia	311,329,573	276,124,697	113
Croatia	798,184	48,239	1655
Bosnia-Herzegovina	5,491,878	4,963,554	111
Austria	400,699	16,149	2481
Other countries	2,752,266	3,185,119	86
Total	**320,772,600**	**284,337,758**	**113**

Balance sheet (Petrol d.d.)

SIT 000	Note	31. 12. 04	31. 12. 03	Index 04/03
Assets				
A) Non-current assets				
I. Intangible assets	**H., 16.;**	**1,108,541**	**1,170,245**	95
Land		20,663,764	20,001,436	103
Buildings		45,870,398	40,860,950	112
Other equipment		6,310,559	5,238,933	120
Fixed assets under construction or in production		3,566,618	7,793,980	46
Advances for fixed assets		259,782	71,481	363
II. Fixed assets	**H., 17., 18.;**	**76,671,121**	**73,966,780**	104
Investments in subsidiaries		25,202,635	23,429,236	108
Investments in affiliated companies		12,255,593	567,624	2159
Investments in joint ventures		3,420,792	3,299,365	104
Other participating interests		1,619,061	3,510,219	46
Non-current financial receivables from subsidiaries		1,997,415	2,177,519	92
Non-current financial receivables from affiliated companies		461,251	455,378	101
Other non-current financial receivables		1,054,443	347,067	304
Treasury shares	**K.;**	664,662	566,774	117
III. Non-current investments	**I., 19., 20.;**	**46,675,852**	**34,353,181**	136
Total non-current assets		**124,455,514**	**109,490,206**	114
B) Current assets				
Materials		139,533	210,805	66
Merchandise		15,817,945	11,483,074	138
Advances for inventories		0	2,072	-
I. Inventories	**L., 21.;**	**15,957,478**	**11,695,951**	136
Non-current trade receivables from subsidiaries		6,206	7,127	87
Non-current trade receivables from customers		0	12,856	-
Non-current trade receivables from others		567,921	231,550	245
II. a) Non-current trade receivables	**M., 22.;**	**574,127**	**251,533**	228
Current trade receivables from subsidiaries		924,910	1,865,965	50
Current trade receivables from affiliated companies		44,679	34,429	130
Current trade receivables from joint ventures		372	11	-
Current trade receivables from customers		22,284,186	18,056,402	123
Other current trade receivables		12,240,602	7,360,034	166
II. b) Current trade receivables	**N., 23., 24.;**	**35,494,749**	**27,316,841**	130
Current investments in subsidiaries		130,767	91,478	143
Current investments in others		3,602,992	5,726,630	63
III. Current investments	**I., 25.;**	**3,733,759**	**5,818,108**	64
IV. Cash and cash equivalents	**O., 26.;**	**1,037,309**	**1,286,914**	81
Total current assets		**56,797,422**	**46,369,347**	122
C) Deferred expenses and accrued revenues	**P., 27.;**	**292,731**	**293,888**	100
Total assets		**181,545,667**	**156,153,441**	116

Equity and liabilities				
SIT 000	Note	31. 12. 04	31. 12. 03	Index 04/03
A. Equity				
I. Called-up capital		**12,517,806**	**12,517,806**	100
II. Capital reserves		**96,478**	**54,991**	175
Regulatory reserves		14,794,104	14,772,468	100
Treasury share reserves	K.;	664,662	566,774	117
Other profit reserves*		24,144,028	20,182,286	120
III. Profit reserves	**30.;**	**39,602,794**	**35,521,528**	111
IV. Retained earnings		**2,781,413**	**1,989,932**	140
V. Undistributed net profit*		**3,230,492**	**3,025,786**	107
General equity revaluation adjustment		19,190,518	19,190,518	100
Specific equity revaluation adjustment		2,204,022	85,830	-
V. Equity revaluation adjustments		**21,394,540**	**19,276,348**	111
Total equity	**R., 28., 29.;**	**79,623,523**	**72,386,391**	110
B. Provisions				
Provisions for major repairs		637,366	2,037,366	31
Provisions for environmental fixed assets		6,335,347	6,818,430	93
Other provisions		19,378	20,290	96
Total provisions	**S., 31.;**	**6,992,091**	**8,876,086**	79
C) Financial liabilites and trade payables				
a) Non-current financial liabilities and trade payables				
Non-current financial liabilities to banks		23,183,368	20,949,771	111
Non-current financial liabilities to others		3,196,574	986,210	324
Non-current financial liabilities	**T., 32.;**	**26,379,942**	**21,935,981**	120
Non-current trade payables to others		350,714	9,987	3512
Non-current trade payables	**U, 33.;**	**350,714**	**9,987**	3512
b) Current financial liabilities and trade payables				
Current financial liabilities to subsidiaries		2,434,059	4,515,225	54
Current financial liabilities to banks		10,376,958	11,041,659	94
Current financial liabilities to others		4,245,667	297,243	1428
Current financial liabilities	**T., 34.;**	**17,056,684**	**15,854,127**	108
Current trade payables to subsidiaries		16,130,415	10,014,301	161
Current trade payables to joint ventures		138,089	132,202	104
Current trade payables to affiliated companies		88,506	0	-
Current trade payables to suppliers		12,488,034	11,139,243	112
Current trade payables to employees		592,935	648,434	91
Current trade payables to the government		16,460,241	13,235,925	124
Current trade payables from advances		65,625	44,784	147
Current trade payables from distribution of profit		116,097	108,362	107
Other current trade payables to subsidiaries		1,300,000	0	-
Other current trade payables to others		503,141	366,473	137
Current trade payables	**U., 35.;**	**47,883,083**	**35,689,724**	134
Total financial liabilities and trade payables		**91,670,423**	**73,489,819**	125
D) Accrued expenses and deferred revenues	**J., V., 36.;**	**3,259,630**	**1,401,145**	233
Total equity and liabilities		**181,545,667**	**156,153,441**	116

* 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

Cashflow statement (Petrol d.d.)

SIT 000	2004	2003	Index 04/03
Cash from operating activities	**313,887,371**	**283,155,594**	111
Operating income	321,189,810	284,394,851	113
Extraordinary income related to operating activities	106,435	31,556	337
Change in trade receivables	(7,410,031)	(1,269,688)	584
Change in deferred expenses and accrued revenues	1,157	(1,125)	-
Cash used in operating activities	**303,631,516**	**273,517,109**	111
Operating expenses less amortisation, depreciation and provisions	309,133,284	271,388,995	114
Extraordinary expenses related to operating activities	256,321	986,696	26
Taxes paid	1,138,066	336,622	338
Change in inventories	4,292,488	(983,825)	-
Change in trade payables	(11,489,777)	2,045,683	-
Change in accrued expenses and deferred revenues	301,134	(257,062)	(117)
Net cash from/(used in) operating activities	**10,255,855**	**9,638,485**	106
Cash from investing activities	**4,930,457**	**3,059,648**	161
Investment income (not including revaluation)	2,875,214	3,059,648	94
Net decrease in current investments (not including revaluation)	2,055,243	0	-
Cash used in investing activities	**14,339,028**	**24,502,276**	59
Net increase in intangible assets (not including revaluation)	106,350	117,222	91
Net increase in fixed assets (not including revaluation and non-cash equity inputs)	9,807,324	12,716,118	77
Net increase in non-current investments (not including revaluation)	4,425,354	7,231,806	61
Net increase in current investments (not including revaluation)	0	4,437,130	-
Net cash from/(used in) investing activities	**(9,408,571)**	**(21,442,628)**	44
Cash from financing activities	**6,931,250**	**16,598,970**	42
Finance income (not including revaluation)	2,805,679	1,662,019	169
Increase in equity (not including net profit)	41,487	31,111	133
Net increase in non-current financial liabilities (not including revaluation)	4,084,084	10,613,395	38
Net increase in current financial liabilities (not including revaluation)	0	4,292,445	0
Cash used in financing activities	**8,028,139**	**6,116,797**	131
Finance expenses (not including revaluation)	5,425,897	4,487,763	121
Net decrease in provisions (not including revaluation)	79,557	117,522	68
Net decrease in current financial liabilities (not including revaluation)	1,019,631	0	-
Decrease in liabilities to owners (dividends and other profit-sharing)	1,503,054	1,511,512	99
Net cash from / (used in) financing activities	**(1,096,889)**	**10,482,173**	-
Net cashflow during period	**(249,605)**	**(1,321,970)**	19
Closing balance of cash and cash equivalents	**1,037,309**	**1,286,914**	81
Net cashflow during period	(249,605)	(1,321,970)	19
Opening balance of cash and cash equivalents	1,286,914	2,608,884	49

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

SIT 000	Share capital	Capital reserves	Regulatory reserves
Balance as at 31 December 2002	**12,517,806**	**23,880**	**14,739,247**
Transfers into capital accounts			
Transfer of net profit for 2003 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	31,111	0
Transfers within capital accounts			
Distribution of 50% of 2003 net profit to other capital accounts pursuant to management board and supervisory board resolution	0	0	0
Release of treasury share reserves and distributions to other capital accounts	0	0	33,221
Distribution of profit for appropriation for 2002 financial year to create other profit reserves pursuant to general meeting resolution in 2003	0	0	0
Distribution of profit for appropriation for 2002 financial year to retained earnings pursuant to general meeting resolution in 2003	0	0	0
Transfers from capital accounts			
Payment of dividends and bonuses pursuant to 2003 general meeting resolution	0	0	0
Payment of bonuses to supervisory board in 2003 financial year	0	0	0
Balance as at 31 December 2003	**12,517,806**	**54,991**	**14,772,468**
Profit for appropriation for 2003	**0**	**0**	**0**
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**

Treasury share reserves	Other profit reserves	Retained earnings	Undistributed net profit	General equity revaluation adjustment	Specific equity revaluation adjustments	Total equity
599,995	**15,186,425**	**2,842,516**	**2,629,002**	**19,190,518**	**0**	**67,729,389**
0	0	0	6,051,573	0	0	6,051,573
0	0	0	0	0	85,830	85,830
0	0	0	0	0	0	31,111
0	3,025,786	0	(3,025,786)	0	0	0
(33,221)	0	0	0	0	0	0
0	1,970,074	(1,970,074)	0	0	0	0
0	0	2,629,002	(2,629,002)	0	0	0
0	0	(1,440,553)	0	0	0	(1,440,553)
0	0	(70,959)	0	0	0	(70,959)
566,774	**20,182,285**	**1,989,932**	**3,025,786**	**19,190,518**	**85,830**	**72,386,391**
0	**2,068,575**	**1,989,932**	**3,025,786**	**0**	**0**	**7,084,293**
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	0
(21,636)	0	0	0	0	0	0
0	2,234,305	(2,234,305)	0	0	0	0
0	0	3,025,786	(3,025,786)	0	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**

Disclosure of individual items in the financial statements of Petrol d.d.

Note 1: Net sales revenues (Petrol d.d.)

SIT 000	2004	2003	Index 04/03
Oil products	263,731,760	233,655,486	113
Other refined petroleum products	12,338,050	11,710,372	105
Services	5,208,091	4,368,998	119
Other merchandise	39,494,699	34,602,901	114
Total	**320,772,600**	**284,337,758**	**113**

SIT 000	2004	2003	Index 04/03
Domestic net sales revenues:	311,329,573	276,124,697	113
• subsidiaries	1,051,394	1,015,470	104
• affiliated companies	139,137	94,494	147
• joint ventures	1,173	80	-
• others	310,137,869	275,014,653	113
International net sales revenues:	9,443,027	8,213,061	115
• subsidiaries	2,528,866	914,462	277
• others	6,914,161	7,298,599	95
Total	**320,772,600**	**284,337,758**	**113**

Petrol d.d. generated net sales revenues of SIT 320,772,600 thousand in 2004, of which SIT 263,731,760 thousand was generated from the sale of oil products and SIT 12,338,050 thousand from the sale of other refined petroleum products. In addition to revenues generated from the sale of oil products, Petrol generated net sales revenues of SIT 39,494,699 thousand from the sale of supplementary products and other merchandise, and SIT 5,208,091 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 2: Historical cost of merchandise sold, costs and other operating expenses (Petrol d.d.)

SIT 000	2004	2003	Index 04/03
Historical cost of merchandise sold	282,160,446	246,548,106	114
Materials	1,462,160	1,447,206	101
Services	21,430,655	17,699,449	121
Compensation	6,175,170	8,016,757	77
Write-downs	6,348,247	7,141,663	89
• amortisation and depreciation	5,506,294	5,450,922	101
• losses on disposals, impairment and write-offs of intangible and fixed assets	319,026	797,560	40
• write-downs of current assets	522,927	893,181	59
Other costs	2,281,781	484,376	471
Other operating expenses	45,352	262,870	17
Total operating expenses	**319,903,811**	**281,600,427**	114

SIT 000	Historical cost of merchandise and material sold	Distribution costs (incl. depreciation and amortisation)	Admin. expenses (incl. depreciation and amortisation)	Total
Historical cost of merchandise sold	282,160,446	0	0	282,160,446
Materials	0	1,314,718	147,442	1,462,160
Services*	0	18,360,061	3,070,594	21,430,655
Compensation	0	3,621,069	2,554,101	6,175,170
Write-downs	0	4,896,330	1,451,917	6,348,247
• amortisation and depreciation	0	4,896,330	609,964	5,506,294
• losses on disposals, impairment and write-offs of intan. and fixed assets	0	0	319,026	319,026
• write-downs of current assets	0	0	522,927	522,927
Other costs	0	2,023,173	258,608	2,281,781
Other operating expenses	0	41,788	3,564	45,352
Total operating expenses	**282,160,446**	**30,257,139**	**7,486,226**	**319,903,811**

*distribution costs within costs of services comprise franchise compensation in the amount of SIT 4,035,948 thousand

The historical cost of merchandise sold primarily consists of the cost of the sold quantities of refined petroleum products purchased in 2004 via the subsidiaries:

- 1,091 thousand tonnes from Cypet Trade Ltd
- 440 thousand tonnes from Petrol-Trade HmbH

The historical cost of merchandise sold relates to oil products in the amount of SIT 240,001,701 thousand, other refined petroleum products in the amount of SIT 9,641,332 thousand, and supplementary products and other merchandise in the amount of SIT 32,517,413 thousand.

The historical cost of merchandise sold was up 14% from the previous year. This is attributable to the rise in the price of crude oil on the world market, with the average purchase price of crude on the world market in 2004 of $38.27 per barrel some 32.7% higher than in 2003.

The company had operating costs of SIT 37,698,013 thousand in 2004. This represents an 8% increase over the previous year in nominal terms, and a 5% increase in real terms.

Costs of services, which account for 57% of total costs, were up 21% in nominal terms and 17% in real terms from 2003. The following account for the majority of the cost of services:

- costs of transportation services (SIT 5,746,731 thousand), which were up 3% in nominal terms from 2003, or unchanged in real terms
- costs of other services (SIT 8,941,423 thousand), which were up 51% in nominal terms from 2003, or 46% in real terms. Most prominent among the costs of other services were the costs paid to franchise holders (SIT 4,832,508 thousand), which were up 9% in nominal terms from 2003 and 5% in real terms owing to a rise in the number of franchised service stations, and the costs of real estate management in the amount of SIT 2,551,077 thousand. The latter relate to the subsidiaries Petrol Skladiščenje d.o.o. in Petrol Maloprodaja Slovenija d.o.o., which took over the management of the service stations owned by Petrol d.d. on 1 March 2004

Compensation for labour was down 23% from 2003 in nominal terms and 26% 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. and 96 to Petrol Skladiščenje d.o.o.

Note 3: Compensation (Petrol d.d.)

SIT 000	2004	2003	Index 04/03
Salaries:	4,628,989	6,153,722	75
– payroll	4,388,677	5,785,505	76
– food allowances	127,297	167,960	76
– transportation expenses	113,015	200,257	56
Social security	1,123,070	1,390,677	81
– pension contributions	391,199	511,778	76
Other compensation expenses (subsidies, supplementary pension costs, severance pay, loyalty bonuses)	423,111	472,358	90
– supplementary pension contributions	107,432	142,948	75
Total compensation	**6,175,170**	**8,016,757**	77

Note 4: Amortisation and depreciation (Petrol d.d.)

SIT 000	2004	2003	Index 04/03
Amortisation of intangible assets (regular)	168,054	174,132	97
Depreciation of fixed assets (regular)	4,934,714	4,791,622	103
Depreciation of environmental fixed assets	403,526	485,168	83
Total	**5,506,294**	**5,450,922**	101

Note 5: Revaluation operating expenses (Petrol d.d.)

SIT 000	2004	2003	Index 04/03
Losses on disposals, impairment and write-offs of intangible and fixed assets	319,026	797,560	40
• of which impairment of fixed assets	0	569,369	-
Write-downs of current assets	522,927	893,181	59
Total revaluation operating expenses	**841,953**	**1,690,741**	50

Revaluation operating expenses on non-current assets in the amount of SIT 319,026 thousand consist primarily of write-offs of construction documentation for individual projects that cannot be used owing to urban planning changes, and expenses in the sale, renovation and reconstruction of fixed assets.

Revaluation operating expenses on current assets (SIT 522,927 thousand) consist mostly of expenses from write-downs of receivables in line with the company's accounting policies in the amount of SIT 413,473 thousand.

Note 6: Other costs (Petrol d.d.)

SIT 000	2004	2003	Index 04/03
Environmental protection expenses and other levies	85,960	50,548	170
Other costs (severance pay, early retirement, bonuses)	2,195,113	431,237	509
Stipends and school fees	708	2,591	27
Total	**2,281,781**	**484,376**	471

Other costs in the amount of SIT 2,195,113 thousand comprise:

- prepaid legal fees and interest on arrears (SIT 1,718,212 thousand)
- sponsorship costs (SIT 136,628 thousand)
- grants for cultural, scientific and sporting purposes (SIT 59,690 thousand)
- other costs not associated with operations (SIT 280,583 thousand)

Note 7: Other operating income (Petrol d.d.)

SIT 000	2004	2003	Index 04/03
Income from the release of environmental provisions	480,423	700,105	69
Income from the release of other provisions	1,401,092	118	-
Revaluation operating income	561,914	471,971	119
• income from disposal of fixed assets	425,343	470,455	90
• income from current assets	136,571	1,516	-
Other operating income	2,667,533	620,973	430
Total	**5,110,962**	**1,793,167**	285

Income from the release of environmental provisions (SIT 480,423 thousand) in 2004 relates to:
- depreciation charged on environmental assets (SIT 403,526 thousand)
- costs incurred in connection with the clean-up of the Pesniški Dvor dump (SIT 76,897 thousand)

Income from the elimination of other provisions (SIT 1,401,092 thousand) in 2004 mostly relates to income from the elimination of provisions for major repairs.

Revaluation operating income (SIT 561,914 thousand) consists of income from the sale of non-current assets (SIT 425,343 thousand), and income from the reversal of write-downs of receivables made in previous years (SIT 136,571 thousand). The largest sum among income from the sale of non-current assets in the amount of SIT 170,131 thousand resulted from the sale of the Kranjska Gora I service station.

Other operating income in the amount of SIT 2,667,533 consists primarily of:

- an 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
- accrued non-current receivables from the municipality of Šempeter Vrtojba based on an extra-judicial settlement for the refund of a fee for the use of construction land in the amount of SIT 378,066 thousand tolars

Note 08: Finance income from participating interests (Petrol d.d.)

SIT 000	2004	2003	Index 04/03
Finance income from participating interests in subsidiaries	528,728	1,230,968	43
Finance income from participating interests in affiliated companies	744,299	0	-
Finance income from participating interests in joint ventures	0	307,460	-
Other finance income from particip. interests (incl. reval. finance income)	859,180	1,294,601	66
• of which revaluation finance income	750,845	220,789	340
Total	**2,132,207**	**2,833,029**	75

In 2004 Petrol d.d. decided to make a gradual introduction of the International Financial Reporting Standards where they accord with the current SRS regulations, and thus the 2004 profits of subsidiaries that were not paid out during the year were recorded in a specific equity revaluation adjustment in connection with non-current investments together with the pertaining shares in the profits of affiliated companies and joint ventures generated in 2004. In line with changes in the IFRS the profits of subsidiaries, joint ventures and affiliated companies are not declared in the parent company's income statement, but are reported as financial income in the year when they are paid out, as the parent company uses the cost method when valuing non-current investments in companies in the group.

Finance income from participating interests in subsidiaries in 2004 thus consists solely of the profit generated in 2004 and paid out by Petrol Trade HmbH in the amount of SIT 528,728 thousand.

Finance income from participating interests in affiliated companies in the amount of SIT 744,299 thousand tolars consists entirely of the paid out pertaining share of the 2003 profit of Geoplin d.o.o.

Revaluation finance income in the amount of SIT 750,845 thousand mostly comprises:

- foreign exchange gains of SIT 218,411 thousand derived from the revaluation of investments in foreign subsidiaries in order to preserve the value of capital, viz. Petrol BH Oil Company d.o.o. (SIT 99,449 thousand), Petrol Trgovina d.o.o. Zagreb (SIT 65,758 thousand), Cypet Oils Ltd (SIT 28,538 thousand), Petrol-Trade HmbH (SIT 21,610 thousand) and Petrol d.o.o. Beograd (SIT 3,056 thousand)
- revaluation income deriving from the valuation of the non-cash equity contribution in HTP Gorenjka d.o.o. (SIT 532,434 thousand)

Note 9: Finance income from non-current receivables (Petrol d.d.)

SIT 000	2004	2003	Index 04/03
Finance income from non-current receivables from subsidiaries	101,784	109,961	93
Finance income from non-current receivables from affiliated companies	38,305	45,465	84
Other finance income from non-current receivables	76,685	116,256	66
Total	**216,774**	**271,682**	**80**

Finance income from non-current receivables consists of interest on long-term loans to:
- subsidiaries: Petrol Plin d.o.o. (SIT 59,281 thousand), Petrol Energetika d.o.o. (SIT 34,499 thousand) and Petrol BH Oil Company d.o.o. (SIT 8,004 thousand)
- the affiliated company Aquasystems d.o.o. (SIT 32,432 thousand)
- other companies (SIT 50,377 thousand)
- and interest on long-term housing loans (SIT 8,670 thousand)

Finance income from non-current receivables also includes foreign exchange gains on long-term loans with foreign exchange clauses, viz.:
- to the affiliated company Aquasystems d.o.o. (SIT 5,873 thousand)
- to others (SIT 17,638 thousand)

Note 10: Finance income from current receivables (Petrol d.d.)

SIT 000	2004	2003	Index 04/03
Finance income from current receivables from subsidiaries	345	3,720	9
Finance income from current receivables from affiliated companies	25	63	40
Finance income from current receivables from joint ventures	144	0	-
Other finance income from current receivables	5,802,308	5,117,728	113
• interest received from others	1,014,989	1,017,769	100
• foreign exchange gains	3,913,705	3,846,408	102
• gains on forward transactions	682,222	219,158	311
• other finance income	191,392	34,393	556
Total	**5,802,822**	**5,121,511**	113

Income from interest on short-term loans to subsidiaries in the amount of SIT 345 thousand relates to Petrol Plin d.o.o. (SIT 209 thousand), Petrol Maloprodaja Slovenija d.o.o. (SIT 85 thousand), Petrol Skladiščenje d.o.o. (SIT 31 thousand), Petrol Tehnologija d.o.o. (SIT 19 thousand) and Hotel Špik d.o.o. (SIT 1 thousand).

Interest income from others in the amount of SIT 1,014,989 thousand consists of interest from the sale of goods and services to customers (SIT 484,864 thousand), interest from the sale of fuel oil in instalments (SIT 343,671 thousand), interest from short-term deposits placed with banks (SIT 151,226 thousand tolars), interest on marketable securities (SIT 19,197 thousand) and interest on other current receivables (SIT 3,789 thousand).

Income from exchange rate gains in the amount of SIT 3,913,705 thousand consists of exchange rate gains during the import of goods (SIT 3,913,701 thousand) and exchange rate gains from exchange office transactions (SIT 4 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. Foreign exchange gains during the import of goods must be looked at in combination with exchange rate losses (SIT 1,941,021 thousand), the gains from forward contracts (SIT 682,222 thousand) and losses on forward contracts (SIT 2,209,891 thousand) used to hedge against foreign exchange risk, and revaluation finance expenses from the non-current investment in the subsidiary Cypet Oils Ltd based in Limassol, Cyprus (SIT 28,538 thousand).

Other finance income from current receivables in the amount of SIT 191,392 consists of income from the sale of current investments (SIT 11,137 thousand), income from the reversal of impairments of current investments (SIT 14,800 thousand), and other finance income (SIT 165,454 thousand), which includes the income from the fourth distribution of the bankruptcy estate of Komercialna banka Triglav d.d. (bankrupt) in the amount of SIT 120,015 thousand.

Note 11: Write-downs of investments (Petrol d.d.)

SIT 000	2004	2003	Index 04/03
Revaluation finance expenses on investments in subsidiaries	58,049	0	-
Revaluation finance expenses on investments in joint ventures	4,998	0	-
Other revaluation finance expenses	500,410	459,884	109
Total	**563,457**	**459,884**	123

Revaluation finance expenses in the amount of SIT 58,049 thousand consist of expenses from the revaluation of subsidiaries inside and outside Slovenia, viz.:

- Petrol Trgovina d.o.o. Zagreb (SIT 27,592 thousand) and Petrol Energetika d.o.o. (SIT 16,212 thousand) from the adjustment of non-current investments to the capital of these companies
- an adjustment to the non-current investment in the amount of the losses in 2004 until the day of liquidation of Hotel Špik d.o.o. (SIT 14,244 thousand)

Revaluation finance expenses on investments in joint ventures in the amount of SIT 4,998 thousand relate entirely to the joint venture Instalacija d.o.o. Koper, as a result of an adjustment of the value of the investment to the capital of the company.

Other revaluation finance expenses in the amount of SIT 500,410 thousand relate primarily to the impairment of non-current investments in other companies (SIT 500,329 thousand). The largest sum is the impairment of the non-current investment in HTP Gorenjka d.d. of Kranjska Gora, which is the difference between the purchase value of the investment and the value of transferable options to sell shares (SIT 472,854 thousand).

Note 12: Interest expenses and finance expenses from other liabilities (Petrol d.d.)

SIT 000	2004	2003	Index 04/03
Interest expenses and finance expenses for other liabilities to subsidiaries	203,375	159,513	127
Other interest expenses and finance expenses for other liabilities	5,615,786	4,793,988	117
• interest paid to others	1,038,713	926,103	112
• foreign exchange losses	2,303,669	1,871,204	123
• losses on forward transactions	2,209,891	1,963,974	113
• other finance expenses	63,513	32,707	194
Total	**5,819,161**	**4,953,501**	117

Interest expenses and finance expenses for other liabilities in the amount of SIT 203,375 thousand consist of:

- interest on short-term loans from subsidiaries, viz. Petrol Maloprodaja Slovenija d.o.o. (SIT 76,674 thousand), Cypet Oils Ltd (SIT 32,054 thousand), Petrol Energetika d.o.o. (SIT 26,246 thousand), Petrol Gostinstvo d.o.o. (SIT 20,198 thousand), Petrol Plin d.o.o. (SIT 15,177 thousand), Petrol Tehnologija d.o.o. (SIT 1,203 thousand), Hotel Špik d.o.o. (SIT 631 thousand tolars) and Petrol Skladiščenje d.o.o. (SIT 494 thousand)
- interest on trade payables to Petrol Plin d.o.o. (SIT 5 thousand)
- foreign exchange differences in the preservation of the value of short-term loans received from Cypet Oils Ltd (SIT 30,693 thousand)

Other interest expenses and finance expenses for other liabilities in the amount of SIT 1,038,713 thousand comprise interest expenses on long-term loans from other companies and banks (SIT 979,133 thousand), and interest expenses on short-term loans from other companies and banks (SIT 59,580 thousand).

Expenses from foreign exchange losses in the amount of SIT 2,303,669 thousand comprise foreign exchange losses during the import of goods (SIT 1,941,021 thousand), foreign exchange losses from the preservation of the value of long-term loans received (SIT 359,877 thousand), foreign exchange losses from the preservation of the value of short-term loans received (SIT 2,693 thousand), and foreign exchange losses from the preservation of the value of other non-current liabilities (SIT 78 thousand).

Note 13: Extraordinary income (Petrol d.d.)

			Index
SIT 000	2004	2003	04/03
Recovery of written-off receivables	7,599	3,529	215
Compensation received	40,358	18,114	223
- from foreign subsidiaries	15,392	0	-
- from others	24,966	18,114	138
Penalties received	0	9,552	-
Other unusual items	58,478	361	16,199
Total	**106,435**	**31,556**	337

Extraordinary income from compensation received in the amount of SIT 40,358 thousand comprises compensation received from:

- the foreign subsidiary Cypet Oils Ltd (SIT 15,392 thousand)
- insurers (SIT 20,351 thousand)
- others (SIT 4,615 thousand)

Other unusual items in the amount of SIT 58,748 thousand relate primarily to the extra-judicial settlement agreed upon by Petrol d.d., Petrol Energetika d.o.o. and Slovenske Železarne d.d. on 11 November 2004 in the amount of SIT 58,100 thousand.

Note 14: Extraordinary expenses (Petrol d.d.)

SIT 000	2004	2003	Index 04/03
Compensation	27,209	8,136	334
Fines	589	610	97
Grants made	223,364	976,623	23
• to subsidiaries in Slovenia	57,164	181,344	32
• to foreign subsidiaries	166,200	795,279	21
Other unusual items	5,159	1,327	389
Total	**256,321**	**986,696**	26

Extraordinary expenses for grants made in the amount of SIT 223,364 thousand relate to the following subsidiaries:

- Petrol BH Oils d.o.o. (SIT 166,200 thousand) to compensate for expenses arising from the revaluation of receivables
- Hotel Špik d.o.o. (SIT 37,650 thousand) to compensate for the cost of paying severance pay to employees when the company was wound up
- Petrol Gostinstvo d.o.o. (SIT 19,514 thousand) to compensate for the cost of paying severance pay to employees made redundant

Note 15: Corporate income tax (Petrol d.d.)

SIT 000	2004	2003	Index 04/03
Income (in line with Corporate Income Tax Act)	333,085,840	292,107,644	114
Expenses (in line with Corporate Income Tax Act)	(324,825,340)	(286,286,091)	113
Primary taxable base	8,260,500	5,821,553	142
Increase in taxable base	241,238	685,724	35
Decrease in taxable base	(420,000)	(559,365)	75
Secondary taxable base	8,081,738	5,947,912	136
Tax reliefs	(3,529,475)	(4,601,423)	77
Tertiary taxable base	4,552,263	1,346,489	338
Total corporate income tax	**1,138,066**	**336,622**	338

The increase in the primary taxable base is the result of the alienation of non-current assets within three years of purchase, the increase in the amount of SIT 241,238 thousand being the tax relief claimed in the year of purchase, while the decrease in the primary taxable base is the result of the elimination of the unused provisions for costs of materials already partly subjected to taxation.

As in previous years, the company claimed tax relief for new investments, in the amount of SIT 2,610,404 thousand and created an investment reserve in the amount of SIT 808,174 thousand, which prohibits the company from distributing the profit from 2004 as dividends during the next three years, or requires it to increase the taxable base in the year that profit is earmarked for dividends should it opt to pay out dividends.

The items of tax relief in the secondary taxable base are as follows:

- 25% of the total amount invested in fixed assets (with the exception of cars) and in intangible assets (SIT 2,361,121 thousand)
- 15% of the total amount invested in equipment (with the exception of cars, furniture and office equipment) and intangible assets (SIT 249,283 thousand)
- investment reserves created in the amount of 10% of the secondary taxable base (SIT 808,174 thousand)

Note 16: Intangible assets (Petrol d.d.)

SIT 000	2004	2003	Index 04/03
Historical cost			
Balance as at 1 January	1,872,119	1,811,713	103
Acquisitions	106,914	157,529	68
Alienations	(5,650)	(97,124)	6
Balance as at 31 December	**1,973,382**	1,872,119	105
Adjustment to value			
Balance as at 1 January	701,874	584,559	120
Amortisation	168,054	174,132	97
Alienations	(5,087)	(56,817)	9
Balance as at 31 December	**864,841**	701,874	123
Net book value as at 31 December	**1,108,541**	1,170,245	95

Statement of changes in intangible assets (Petrol d.d.)

Historical cost (SIT 000)	Long-term deferred costs, development costs	Patents and licences	Other rights and other costs	Intangible assets in acquisition	Total
Balance as at 1 January 2004	470,606	512,009	880,918	8,585	1,872,119
Acquisitions	0	0	0	106,914	106,914
Transformations	32	103,427	9,342	(112,801)	0
Alienations	(1,005)	(4,645)	0	0	(5,650)
Balance as at 31 December 2004	**469,633**	**610,791**	**890,260**	**2,698**	**1,973,383**
Adjustment to value					
Balance as at 1 January 2004	(240,296)	(338,222)	(123,356)	0	(701,874)
Amortisation	(30,970)	(68,261)	(68,823)	0	(168,054)
Alienations	1,005	4,082	0	0	5,087
Balance as at 31 December 2004	**(270,261)**	**(402,401)**	**(192,179)**	**0**	**(864,841)**
Net book value as at 31 December 2004	**199,372**	**208,390**	**698,081**	**2,698**	**1,108,541**
Net book value as at 1 January 2004	**230,310**	**173,787**	**757,562**	**8,585**	**1,170,245**

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

A total of SIT 106,914 thousand was invested in intangible assets in 2004.

Major increases in other rights in 2004 in the amount of SIT 9,342 thousand arose from rights to:

- a joint investment in the construction of the Ig service station (SIT 8,079 thousand)
- a joint investment in Divača Primary School (SIT 1,262 thousand)

Major increases in patents and licences in 2004 in the amount of SIT 103,427 thousand comprise the purchase of software, while the decreases in the amount of SIT 4,645 thousand relate to a non-equity cash contribution of software in the subsidiary Petrol Plin d.o.o. (SIT 1,431 thousand) and in HTP Gorenjka d.d. (SIT 3,213 thousand).

The decrease in long-term accrued expenses in 2004 in the amount of SIT 1,005 thousand is the result of an inventory write-off.

Major intangible assets items as at 31 December 2004 (SIT thousands):

	Net book value as at 31 Dec 04
Right to use gas distribution network in municipality of Domžale	424,060
Right to use real estate owned by municipality of Murska Sobota	186,406
Payment of concession fees to municipality of Murska Sobota	154,517

Note 17: Fixed assets (Petrol d.d.)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Land	20,663,764	20,001,436	103
Civil engineering works	45,870,398	40,860,950	112
Equipment	6,310,559	5,238,933	120
Fixed assets under construction	3,566,618	7,793,980	46
Advances for fixed assets	259,782	71,481	363
Total	**76,671,121**	**73,966,780**	**104**

Fixed assets (Petrol d,d,)			
SIT 000	2004	2003	Index 04/03
Historical cost			
Balance as at 1 January	124,804,406	116,541,724	107
Acquisitions	9,766,995	12,222,725	80
Alienations	(5,645,257)	(3,044,280)	185
Alienations (recapitalisation of Petrol Skladiščenje d.o.o.)	0	(192,425)	-
Impairments	0	(815,010)	-
Value gains	0	98,820	-
Change in advances	188,301	(7,148)	-
Balance as at 31 December	**129,114,445**	**124,804,406**	**103**
Adjustment to value			
Balance as at 1 January	50,837,626	47,683,935	107
Depreciation (regular)	4,950,579	4,948,057	100
Depreciation (environmental fixed assets)	403,526	485,168	83
Depreciation (impairment)	(15,866)	(156,435)	10
Alienations	(3,732,541)	(1,940,969)	192
Alienations (recapitalisation of Petrol Skladiščenje d.o.o.)	0	(4,798)	-
Adjustments to doubtful advances	0	10,050	-
Impairments	0	(286,202)	-
Value gains	0	98,820	-
Balance as at 31 December	**52,443,324**	**50,837,626**	**103**
Net book value as at 31 December	**76,671,121**	**73,966,780**	**104**

Investments in intangible and fixed assets (Petrol d.d.)			
SIT 000	2004	2003	Index 04/03
Construction of storage facilities	889,500	777,991	114
Construction of service stations	5,175,865	7,082,903	73
IT	608,012	589,055	103
Other investments	3,093,618	3,621,258	85
Investments in fixed assets:	**9,766,995**	**12,071,207**	**81**
Investments in intangible assets:	**106,913**	**157,529**	**68**
Total investments	**9,873,908**	**12,228,736**	**81**

Statement of changes in fixed assets and environmental fixed assets (Petrol d.d.)						
Historical cost (SIT 000)	Land	Civil engineering works	Equipment	Fixed assets in acquisition	Advances for fixed assets	Total
Balance as at 1 January 2004	20,001,436	71,815,555	25,111,904	7,793,980	81,531	124,804,406
Acquisitions	0	0	0	9,766,995	386,186	10,153,181
Transformations	1,254,898	9,188,548	2,947,344	(13,391,749)	0	(959)
Alienations	(592,570)	(2,441,972)	(2,007,148)	(602,608)	(197,885)	(5,842,183)
Balance as at 31 December 2004	**20,663,764**	**78,562,131**	**26,052,100**	**3,566,618**	**269,832**	**129,114,445**
Adjustment to value						
Balance as at 1January 2004	0	(30,954,605)	(19,872,971)	0	(10,050)	(50,837,626)
Depreciation	0	(3,508,228)	(1,845,877)	0	0	(5,354,105)
Depreciation (impairment)	0	15,866	0	0	0	15,866
Alienations	0	1,755,234	1,977,307	0	0	3,732,541
Balance as at 31 December 2004	**0**	**(32,691,733)**	**(19,741,541)**	**0**	**(10,050)**	**(52,443,324)**
Net book value as at 31 December 2004	**20,663,764**	**45,870,398**	**6,310,559**	**3,566,618**	**259,782**	**76,671,121**
Net book value as at 1 January 2004	**20,001,436**	**40,860,950**	**5,238,933**	**7,793,980**	**71,481**	**73,966,780**

All the disclosed fixed assets are the property of the company and are unencumbered.

Petrol d.d. invested SIT 9,766,995 thousand in fixed assets in 2004, of which SIT 2,466,904 thousand was in property and equipment and SIT 7,300,091 thousand was in real estate.

Major investments (over SIT 300,000 thousand) in fixed assets in 2004 comprise:
- construction of the gas distribution network in the municipality of Domžale
- construction of tank capacity at Lendava (2 x 20,000 m^3)
- construction (reconstruction) of the Čatež II service station
- construction of the Murska Sobota treatment plant
- construction of the Nova Gorica Ajševica service station
- construction of the Murska Sobota AC I service station
- construction of the Murska Sobota AC II service station
- construction of the Litijska service station in Ljubljana
- purchase of land for the Kajuhova service station in Ljubljana
- purchase of offices at Gospodinjska 8, subsequently the subject of an exchange with the Tax Administration

The increase in fixed assets of SIT 13,391,749 thousand in 2004 consists of activated investments, which primarily relate to:
- purchase of land in the amount of SIT 1,254,878 thousand
- activation of plants and equipment in the amount of SIT 12,135,892 thousand

The decrease in fixed assets in 2004 in the amount of SIT 602,607 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 offices between Petrol d.d. and the government (the Tax Administration), where the fixed assets acquired in the exchange are recorded among new acquisitions, and the ceded fixed assets are recorded as a decrease in investments in progress

The decrease in land, buildings and equipment in the amount of SIT 1,309,149 thousand (with regard to current value) in 2004 primarily consists of the sale of land, buildings and equipment (the profit generated on the sale of fixed assets amounted to SIT 425,103 thousand).

Major fixed asset items as at 31 December 2004 (SIT thousands):

	Net book value
	as at 31 Dec 04
Civil engineering works	
Zalog fuel depot	3,674,693
Office building at Dunajska 50	2,652,554
Lendava storage facility	1,597,164
Rače storage facility	1,116,526
Domžale gas distribution network	878,629
Murska Sobota treatment plant	793,244
SDC storage and development centre	645,359
Land	
Lendava	1,008,266
Zalog	982,570

Note 18: Environmental fixed assets (Petrol d.d.)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Civil engineering works	7,950,178	7,950,178	100
Equipment	3,314,317	3,338,778	99
Adjustment to value of civil engineering works	(2,858,161)	(2,454,635)	116
Adjustment to value of equipment	(3,314,317)	(3,338,778)	99
Total	**5,092,017**	**5,495,543**	**93**

Changes in environmental fixed assets (Petrol d.d.)			
SIT 000	Civil engineering works	Equipment	Total
Historical cost			
Balance as at 1 January 2004	7,950,178	3,338,778	11,288,956
Alienations	0	(24,461)	(24,461)
Balance as at 31 December 2004	**7,950,178**	**3,314,317**	**11,264,495**
Adjustment to value			
Balance as at 1 January 2004	(2,454,635)	(3,338,778)	(5,793,413)
Depreciation	(403,526)	0	(403,526)
Alienations	0	24,461	24,461
Balance as at 31 December 2004	**(2,858,161)**	**(3,314,317)**	**(6,172,478)**
Net book value as at 31 December 2004	**5,092,017**	**0**	**5,092,017**
Net book value as at 1 January 2004	**5,495,543**	**0**	**5,495,543**

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 2004 was SIT 11,264,495 thousand. This is the value of the total provisions set aside for this purpose.

The current value of the environmental fixed assets as at 31 December 2004 was SIT 5,092,017 thousand.

Note 19: Non-current investments (Petrol d.d.)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Investments in shares and participating interests	43,162,743	31,373,217	138
Non-current financial receivables	3,513,109	2,979,964	118
Total	**46,675,852**	34,353,181	136

Investments in subsidiaries			
			Index
SIT 000	31. 12. 04	31. 12. 03	04/03
Domestic			
Petrol Tehnologija d.o.o. Ljubljana (100%)	218,192	201,287	108
Petrol Plin d.o.o. Ljubljana (100%)	2,244,450	2,176,793	103
Petrol Skladiščenje d.o.o. Ljubljana (100%)	191,755	3,088	6210
Petrol Maloprodaja Slovenija d.o.o. Ljubljana (100%)	3,438,690	3,436,108	100
Hotel Špik d.o.o. Gozd Martuljek (100%)	0	31,453	-
Petrol Gostinstvo d.o.o. Ljubljana (100%)	640,059	607,781	105
Petrol Energetika d.o.o. Ravne na Koroškem (98.85%)	2,159,474	1,919,473	113
Total investments in Slovenian subsidiares	**8,892,620**	8,375,983	106

Investments in subsidiaries			
SIT 000	31. 12. 04	31. 12. 03	Index 04/03
International			
Petrol Trade HmbH, Vienna, Austria (100%)	1,770,593	1,676,293	106
Cypet Oils Ltd, Limassol, Cyprus (100%)	368,585	2,553,637	14
Petrol Trgovina d.o.o. Zagreb, Croatia (100%)	4,853,860	3,353,897	145
Petrol BH Oil Company d.o.o. Sarajevo, Bosnia-Herzegovina (100%)	9,076,634	7,232,450	125
Petrol d..o.o Beograd, Serbia-Montenegro (100%)	240,343	236,974	101
Total investments in international subsidiaries	**16,310,015**	**15,053,251**	**108**

Investments in affiliated companies			
SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Aquasystems d.o.o. Maribor (26%)	371,067	341,135	109
Ogrevanje Piran d.o.o Piran (40%)	227,229	226,489	100
Geoplin d.o.o. Ljubljana (27.26%)	11,657,297	0	-
Total investments in affiliated companies	**12,255,593**	**567,624**	**2,159**

Investments in joint ventures			
SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Instalacija d.o.o. Koper (49%)	3,380,670	3,296,656	103
Geoenergo d.o.o. Lendava (50%)	5,122	2,709	189
Karkasa d.o.o. Kranj (50%)	35,000	0	-
Total investments in joint ventures	**3,420,792**	**3,299,365**	**104**

Investments in shares and participating interests (other companies)			
SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Geoplin d.o.o. Ljubljana (16.48%)	0	2,470,994	-
Others	1,619,061	1,039,226	156
Total investments in shares and participating interests (other companies)	**1,619,061**	**3,510,220**	**46**

Investments in treasury shares			
SIT 000	31, 12, 04	31, 12, 03	Index 04/03
Repurchased treasury shares	664,662	566,774	117
Total investments in treasury shares	**664,662**	566,774	117
Total non current investments in shares and participating interests	**43,162,743**	**31,373,217**	**138**

Changes in non-current investments (Petrol d.d.)			
SIT 000	2004	2003	Index 04/03
Balance as at 1 January	34,353,181	27,590,594	125
Pertaining profit-sharing	2,647,804	1,624,259	163
Dividend payouts	(3,039,698)	(728,763)	417
New investments in equity and purchases of participating interests	12,496,887	7,805,901	160
New loans	1,360,072	307,356	443
Sale of participating interests	(19,913)	(217,522)	9
Alienation of treasury shares	97,888	(33,220)	-
Repayment of loans	(690,578)	(1,596,330)	43
Other decreases	(48,948)	(571)	8572
Adjustment to value	(563,376)	(15,607)	3610
Net foreign exchange differences	240,302	(208,587)	-
Transfer to current investments	(157,768)	(174,329)	91
Balance as at 31 December	**46,675,852**	**34,353,181**	**136**

Non-current investments comprise investments in shares and participating interests in companies, long-term loans made, and repurchased treasury shares.

Investments in debts are declared at repayment value.

Non-current investments in subsidiaries (SIT 1,007,599 thousand), in affiliated companies (SIT 1,258,111 thousand) and in joint ventures (SIT 382,094 thousand) increased by the amount of profit generated in 2004.

The subsidiary Hotel Špik d.o.o. completed its ordinary liquidation proceedings and was wound up in August 2004.

Other increases in non-current investments in 2004 in the amount of SIT 12,496,887 thousand primarily comprise:

- the establishment of the joint venture Karkasa d.o.o. Kranj (SIT 35,000 thousand) with Sava Tires d.o.o., Petrol having a 50% interest
- a capital injection into the subsidiaries Petrol BH Oil Company d.o.o. Sarajevo (SIT 1,685,416 thousand), Petrol Trgovina d.o.o. Zagreb (SIT 1,351,232 thousand), Petrol Energetika d.o.o. (SIT 177,221 thousand) and Petrol Skladiščenje (SIT 188,192 thousand)

- a capital injection into HTP Gorenjka d.o.o. with a non-cash equity contribution in the amount of SIT 1,075,167 in the form of a hotel and campsite in Gozd Martuljek, Petrol obtaining an option from HIT d.d. to sell shares acquired through the recapitalisation; the principle of prudence being observed, an adjustment to the non-current investment in HTP Gorenjka d.o.o. in the amount of SIT 472,854 thousand was made
- the purchase of participating interests and interests controlled on a contractual basis in accordance with SRS 3.13 in Geoplin d.o.o. Ljubljana in the amount of SIT 5,815,350 thousand, and an adjustment to the capital of this company in the amount of SIT 2,144,398 thousand. Including the interests controlled on a contractual basis, Petrol d.d. finished 2004 with control of 27.26% of the nominal capital of Geoplin d.o.o., which thus became an affiliated company within the Petrol Group

The decrease in non-current investments in 2004 in the amount of SIT 3,197,514 thousand primarily comprises:

- the transfer of profit from companies in the group in the amount of SIT 3,039,698 thousand (of which SIT 2,220,240 thousand relates to Cypet Oils Ltd of Limassol, Cyprus, and SIT 528,789 thousand tolars relates to Petrol-Trade HmbH of Vienna)
- the transfer of profit in the amount of SIT 290,669 thousand from the joint venture Instalacija d.o.o. Koper

Long-term loans made increased by SIT 1,360,072 thousand, the majority consisting of loans to:

- companies (SIT 666,000 thousand)
- banks (SIT 500,000 thousand)
- individual fuel oil transporters (SIT 186,512 thousand)

Long-term loans made decreased in 2004 by SIT 848,817 thousand, mostly relating to:

- the early repayment of the long-term loan to Banka Celje d.d. (SIT 500,000 thousand)
- the repayment of a loan by the subsidiary Petrol BH Oil Company d.o.o. Sarajevo (SIT 144,900 thousand)

The fair market value of non-current investments in the shares of companies listed on the stock exchange as at 31 December 2004 was SIT 206,934 thousand, while their book value was SIT 63,346 thousand, as the company does not revalue its investments on the basis of value gains, i.e. a rise in the share price.

Note 20: Non-current financial receivables (Petrol d.d.)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Long-term loans made in Slovenia:	3,513,109	2,836,943	124
• to subsidiaries	1,997,415	2,034,499	98
• to affiliated companies	461,251	455,378	101
• to other companies	946,971	227,461	416
• to others	107,472	119,605	90
Long-term loans made in the rest of the world (subsidiaries)	0	143,021	-
Total	**3,513,109**	2,979,964	118

Investments in debts are declared at repayment value.

Petrol d.d.'s non-current financial receivables from subsidiaries as at 31 December 2004 comprised long-term loans made to the subsidiaries Petrol Plin d.o.o. Ljubljana (SIT 1,184,530 thousand) and Petrol Energetika d.o.o. (SIT 812,885 thousand).

Non-current financial receivables from affiliated companies comprised a long-term loan to Aquasystems d.o.o. Maribor in the amount of SIT 461,251 thousand.

Non-current financial receivables from other companies in the amount of SIT 946,971 thousand comprise loans made to transporters for purchasing tankers in the amount of SIT 276,285 and loans made to other companies in the amount of SIT 670,686 thousand.

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

Note 21: Inventories (Petrol d.d.)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Raw material and materials	139,533	212,877	66
Merchandise	15,817,945	11,483,073	138
• oil products	12,339,097	8,217,852	150
• other refined petroleum products	902,752	669,330	135
• other merchandise	2,576,096	2,595,891	99
Total	**15,957,478**	**11,695,951**	**136**

Petrol d.d. valued its inventories of fuels at the weighted average purchase price in 2004. At the end of the year it opted to make use of the possibility of valuing inventories using the FIFO system (SRS 4.20), owing to falling market prices. The impact on the operating result in the current year was reflected in an increase in the historical cost of merchandise sold in the amount of SIT 686,798 thousand.

The company values inventories of other merchandise at the most recent purchase price, which is also the net realisable value.

During an inventory of merchandise in 2004 a net shortfall in the amount of SIT 380,506 thousand was discovered.

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

Inventories of materials and work clothes are recorded at the average purchase price, while the small inventory is administered off the balance sheet at the most recent purchase price.

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

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Non-current trade receivables from subsidiaries:	6,206	542,868	1
• Petrol Energetika d.o.o.	0	535,741	-
• Petrol Plin d.o.o.	6,206	7,127	87
Adjustment to value of non-current trade receivables from subsidiaries:			
• Petrol Energetika d.o.o.	0	(535,741)	-
Non-current trade receivables from joint ventures:			
• Geoenergo d.o.o.	341,970	0	-
Adjustment to value of non-current trade receivables from joint ventures:			
• Geoenergo d.o.o.	(341,970)	0	-
Non-current trade receivables from others:	567,921	569,166	100
• municipalities	565,413	231,550	244
• Nafta Lendava d.o.o.	0	337,616	-
• Reserve fund (housing)	2,508	0	-
Adjustment to value of non-current trade receivables from others:			
• Nafta Lendava d.o.o.	0	(337,616)	-
Non-current trade receivables from customer leasing	14,709	12,856	114
Adjustment to value of non-current trade receivables from customer leasing	(14,709)	0	-
Total	**574,127**	**251,533**	**228**

The majority of non-current trade receivables from municipalities in the amount of SIT 565,413 thousand consists of:

- non-current trade receivables from the City of Nova Gorica, resulting from a legal settlement between Petrol d.d. and the City of Nova Gorica for environmental charges. The City of Nova Gorica will pay the basic receivables and the contractual interest on arrears to Petrol d.d. in four annual instalments. The first instalment fell due in 2003, and the last will fall due in 2006. 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. The balance of non-current trade receivables from the City of Nova Gorica as at 31 December 2004 stood at SIT 91,927 thousand
- non-current trade receivables from the municipality of Mengeš in the amount of SIT 131,141 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 was stipulated in the second 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. The non-current receivables will be repaid by the municipality in ten annual instalments in the amount of SIT 37,807 thousand tolars. 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 receivables in 2004 from Geoenergo d.o.o.

Non-current trade receivables also include the assets of the reserve fund (SIT 2,508 thousand) that Petrol d.d. places at the disposal of housing managers for the housing it owns.

Note 23: Current trade receivables (Petrol d.d.)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Current trade receivables from domestic customers	23,298,968	19,747,260	118
Adjustment to current value of trade receivables from domestic customers	(2,664,628)	(2,447,832)	109
Current trade receivables from foreign customers	2,103,940	1,340,131	157
Adjustment to current value of trade receivables from foreign customers	(454,094)	(427,278)	106
Current trade receivables from subsidiaries	924,910	326,541	283
Current trade receivables from affiliated companies	44,679	34,414	130
Current trade receivables from joint ventures	372	11	-
Current receivables from imports for others	0	1,705	-
Other current trade receivables	12,215,493	8,741,889	140
• from government and other institutions	3,223,464	1,323,191	244
• warranties and advances	76,964	24,398	315
• other current trade receivables	7,810,681	6,011,691	130
• other current trade receivables from subsidiaries	1,300,300	1,539,424	84
• other current trade receivables from affiliated companies	2	15	13
• adjustment to value of other current trade receivables	(195,918)	(156,830)	125
Current trade receivables for interest*	338,351	-	-
Adjustment to value of current trade receivables for interest*	(313,242)	-	-
Total	**35,494,749**	**27,316,841**	**130**

*In 2003 current trade receivables to customers amounted to SIT 49,408 thousand and were declared among current investments (current receivables from others)

Changes in adjustments to value of receivables

(SIT 000)	Current trade receivables	Current receivables for interest	Total
Balance as at 1 January 2004	(3,031,940)	(324,011)	(3,355,951)
Adjustments:			
- with effect on operating result (write-downs of current assets)	(426,352)	28,525	(397,827)
- with no effect on operating result (recorded interest)	0	(18,134)	(18,134)
Write-downs	143,652	378	144,030
Balance as at 31 December 2004	**(3,314,640)**	**(313,242)**	**(3,627,882)**

At the end of the year Petrol d.d. declared receivables from domestic customers in the amount of SIT 23,298,968 thousand, receivables from subsidiaries in the amount of SIT 942,910 thousand, receivables from affiliated companies in the amount of SIT 44,679 thousand and receivables from joint ventures in the amount of SIT 372 thousand (of which a total of SIT 1,858,149 thousand is disputed receivables). There was a total of SIT 17,099,763 thousand tolars of receivables not yet due and SIT 7,169,166 thousand of due receivables, of which the majority (SIT 4,594,055) was less than 60 days overdue.

Adjustments in the amount of SIT 2,664,628 thousand relate to SIT 1,363,924 thousand for receivables from customers more than 60 days overdue and a total of SIT 1,300,704 thousand for receivables from customers in judicial suits or undergoing composition or bankruptcy proceedings. In line with accounting policy, adjustments to the value of receivables are made for all due receivables from certain major customers. The amount of adjustments to receivables from major customers was SIT 710,194 thousand as at 31 December 2004.

The company declared current trade receivables of SIT 2,103,940 thousand from foreign customers as at 31 December 2004, of which SIT 1,407,506 thousand was not yet due and SIT 696,434 thousand had fallen due.

An adjustment to receivables from foreign customers in the amount of SIT 454,094 thousand relates to receivables due from customers that are not secured by collateral, for the majority of which suits have been lodged (SIT 415,510 thousand). The company has not made any adjustments to the remaining due receivables (SIT 242,340 thousand), as they are fully secured by mortgage and guarantees.

Other current trade receivables in the amount of SIT 10,915,193 thousand include:

- receivables from holders of payment cards and individuals in the amount of SIT 7,079,979 thousand (comprising SIT 5,952,099 thousand from payment card sales and SIT 1,017,551 thousand from individuals based on sales by instalments)
- receivables from the government and government institutions in the amount of SIT 3,223,464 thousand (of which SIT 2,782,021 thousand is receivables arising from input VAT that is yet to be recognised)
- other receivables in the amount of SIT 807,668 thousand relating to external purchases made with Magna, UTA and DKW credit cards
- an adjustment to current trade receivables from others in the amount of SIT 195,918 thousand relating primarily to receivables from private individuals

Other current trade receivables from subsidiaries in the amount of SIT 1,300,300 thousand primarily relates to receivables for subscription of new equity in the subsidiary Petrol Trgovina d.o.o. Zagreb (SIT 1,300,000 thousand). The company declares receivables for capital injections until it receives a print-out from the companies register evidencing the subscription of its equity that forms the basis for the relevant book-entry to be made under investments. The remainder of SIT 300 thousand relates to receivables from sales on Magna payment cards for the subsidiaries Petrol Tehnologija d.o.o. (SIT 213 thousand), Petrol Maloprodaja Slovenija d.o.o. (SIT 52 thousand), Petrol Gostinstvo d.o.o. (SIT 23 thousand), Petrol Skladiščenje d.o.o. (SIT 11 thousand) and Petrol Energetika d.o.o. (SIT 1 thousand).

Major outstanding current trade payables as at 31 December 2004 (SIT thousands):

	Sum outstanding as at 31 Dec 04
Commodity reserves institute	1,378,008
Holding Slovenske železnice d.o.o.	779,001
Nova KBM d.d. (Aktiva payment card)	543,028
CM Celje d.d.	523,315
Primorje d.d.	516,249
Nova Ljubljanska banka d.d. (NLB Eurocard)	511,210
Skupina Viator & Vektor d.d.	424,317

Note 24: Current trade receivables in terms of due date (Petrol d.d.)

In terms of due date:						
SIT 000	not overdue	up to 30 days overdue	31 to 60 days overdue	61 to 90 days overdue	More than 90 days overdue	Total
Current trade receivables from customers	17,555,872	3,240,720	833,128	9,964	644,502	**22,284,186**
• domestic	16,148,366	3,500,903	1,137,821	234,312	2,277,566	**23,298,968**
adjustments to value	0	(374,570)	(335,625)	(234,312)	(1,720,121)	**(2,664,628)**
• foreign	1,407,506	114,387	30,932	9,964	541,151	**2,103,940**
adjustments to value	0	0	0	0	(454,094)	**(454,094)**
Current trade receivables from subsidiaries	906,346	15,927	2,637	0	0	**924,910**
Current trade receivables from affiliated companies	44,679	0	0	0	0	**44,679**
Current trade receivables from joint ventures	372	0	0	0	0	**372**
Current receivables from imports for others	0	0	0	0	0	**0**
Other current trade receivables	10,359,139	376,380	107,754	53,237	214,599	**11,111,109**
adjustments to value	0	(2,316)	(2,130)	(811)	(190,661)	**(195,918)**
Other current trade receivables from subsidiaries	1,300,300	0	0	0	0	**1,300,300**
Other current trade receivables from affiliated companies	2	0	0	0	0	**2**
Current trade receivables for interest	723	14,751	11,837	9,491	301,549	**338,351**
adjustments to value	0	(1,486)	(3,147)	(7,060)	(301,549)	**(313,242)**
Total	**30,167,433**	**3,643,976**	**950,079**	**64,821**	**668,440**	**35,494,749**

Note 25: Current investments (Petrol d.d.)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Short-term deposits at banks in Slovenia	33,947	3,169,665	1
Short-term loans made to subsidiaries in Slovenia	130,767	91,478	143
Short-term loans made to other companies in Slovenia	542,572	594,560	91
Current investments in shares	2,292,637	2,292,637	100
Current investments in bonds	1,011,555	4,109	-
Assets under management	17,623	17,623	100
Adjustment to value of current investments	(313,746)	(414,265)	76
Dividend receivables	5,584	0	-
Current receivables from others for interest*	181,446	554,621	33
Adjustment to value of current receivables from others for interest*	(168,626)	(492,320)	34
Total	**3,733,759**	**5,818,108**	**64**

*In 2003 includes interest on receivables from customers, which in 2004 are declared among current trade receivables

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 130,767 thousand at 31 December 2004 relate to the following subsidiaries:
- Petrol Plin d.o.o. (SIT 94,397 thousand)
- Petrol Energetika d.o.o. (SIT 30,670 thousand)
- Petrol Skladiščenje d.o.o. (SIT 3,700 thousand)
- Petrol Tehnologija d.o.o. (SIT 2,000 thousand)

Short-term loans made to other companies in the amount of SIT 542,572 as at 31 December 2004 primarily comprise the short-term portion of long-term loans (SIT 115,998 thousand), short-term loans made to other companies (SIT 64,552 thousand), and other disputed current investments in other companies (SIT 362,022 thousand), for which an adjustment in the amount of SIT 313,746 thousand has been made.

In 2004 Petrol d.d. increased its current investments in bonds issued by the following:
- DARS d.d. Ljubljana (5,000 lots in the amount of SIT 506,200 thousand)
- NLB d.d. Ljubljana (5,000 lots in the amount of SIT 503,090 thousand)

Current receivables from others for interest and dividends in the amount of SIT 187,030 thousand consists of:
- interest receivable arising from other disputed current investments in the amount of SIT 168,308 thousand
- interest receivable arising from loans in the amount of SIT 10,798 thousand
- receivables arising from dividends in the amount of SIT 7,924 thousand

An adjustment to the value of interest receivables in the amount of SIT 168,626 thousand consists primarily of the adjustments made in full to interest receivables arising from other disputed current investments.

The fair market value of current investments in the shares of companies listed on the stock exchange was SIT 4,114,356 thousand as at 31 December 2004 (of which SIT 4,082,381 thousand was in NFD shares), while the book value was SIT 2,250,633 thousand (of which SIT 2,237,225 thousand was NFD shares), as the company does not revalue its investments on the basis of value gains, i.e. a rise in the share price.

Note 26: Cash and cash equivalents (Petrol d.d.)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Cash in registers and cheques received	16,620	252,275	7
Bank balances in Slovenia	1,020,689	1,034,639	99
Total	**1,037,309**	**1,286,914**	**81**

Note 27: Deferred expenses and accrued revenues (Petrol d.d.)

SIT 000	31. 12. 2004	31. 12. 2003	Index 04/03
Short-term deferred costs	193,757	72,589	267
Accrued revenues	98,974	221,299	45
- of which subsidiaries in the rest of the world	0	1,497	-
- of which affiliated comapnies	8,491	64,576	13
Total	**292,731**	**293,888**	**100**

Short-term deferred costs in the amount of SIT 193,757 thousand include short-term deferrals of costs, but mostly short-term deferrals of operating expenses in the amount of SIT 121,320 thousand tolars.

Accrued revenues of SIT 98,974 thousand comprise mainly:

- accrued interest on arrears on due receivables (SIT 70,806 thousand)
- interest payments charged in advance on loans (SIT 28,168 thousand) Interest payments charged in advance in the amount of SIT 8,491 thousand relate to interest charged in advance on a loan made to the affiliated company Aquasystems 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 28: Equity (Petrol d.d.)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Share capital	12,517,806	12,517,806	100
Capital reserves	96,478	54,991	175
Other profit reserves	39,602,794	35,521,528	111
Retained earnings	2,781,413	1,989,932	140
Undistributed net profit	3,230,492	3,025,786	107
Equity revaluation adjustments	21,394,540	19,276,348	111
Total equity	**79,623,523**	**72,386,391**	**110**

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	-	925,575	2,297,366
Net profit for the year	6,460,984	5,535,409	4,163,618

Rise in Bank of Slovenia middle euro exchange rate in 2004: 1.2897% (239.7430 tolars as at 31/12/2004, 236.6903 tolars as at 31/12/2003))

Consumer price index in 2004: 3.2%

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 tolars 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 2004 was 65,943 tolars. The book value of a share as at 31 December 2004 was 38,165 tolars.

At Petrol d.d.'s 10th general meeting on 10 May 2004, the shareholders adopted the following resolution on the use of the profit for appropriation:

At the proposal of the management board, the supervisory board and the shareholders, the profit for appropriation from the 2003 financial year in the amount of SIT 7,084,293,949.44 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 1,460,410,700 (or 700 tolars per share in gross terms)
(2) bonus payments to be made to the 12-member supervisory board as profit-sharing in the gross amount of SIT 61,057,000 payable in shares in the company at the average market value of the shares in the first quarter of 2004, namely 60,462.50 tolars
(3) a transfer in the amount of SIT 2,781,413,124.72 to other profit reserves
(4) a transfer in the amount of SIT 2,781,413,124.72 to retained earnings, the use of which will determined in the financial years ahead

The other profit reserves from 1997 are to be used for the payments under points 1 and 2.

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 2,503,561,200.00 (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.

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 2004 the company changed its accounting policy for valuing non-current investments in subsidiaries and the joint venture Instalacija d.o.o. Koper using the equity method in connection with the recording of the pertaining profit in a specific equity revaluation adjustment. The change in policy had a negative impact on the income statement in the amount of SIT 858,552 thousand.

From 2004 Petrol d.d. has declared not only the profits of the joint ventures and affiliated companies but also the profits of subsidiaries and the joint venture Instalacija d.o.o. Koper among the specific equity revaluation adjustment with regard to the corresponding participating interest, viz.:

• from subsidiaries in the amount of SIT 478,871 thousand:	
- Petrol Trgovina, d.o.o.	SIT 110,565 thousand
- Petrol–Trade HmbH	SIT 103,136 thousand
- Petrol Energetika d.o.o.	SIT 78,992 thousand
- Petrol Plin d.o.o.	SIT 67,657 thousand
- Petrol BH Oil Company d.o.o.	SIT 59,319 thousand
- Petrol Gostinstvo d.o.o.	SIT 32,278 thousand
- Petrol Tehnologija d.o.o	SIT 16,905 thousand
- Cypet Oils Ltd	SIT 6,649 thousand
- Petrol Maloprodaja Slovenija d.o.o.	SIT 2,582 thousand
- Petrol Skladiščenje d.o.o.	SIT 475 thousand
- Petrol d.o.o. Beograd	SIT 313 thousand

• from joint ventures in the amount of SIT 384,803 thousand:	
- Instalacija d.o.o.	SIT 379,681 thousand
- Geoenergo d.o.o.	SIT 5,122 thousand

• from affiliated companies in the amount of SIT 1,340,248 thousand:	
- Geoplin d.o.o. Ljubljana	SIT 1,226,556 thousand
- Aquasystems d.o.o.	SIT 107,852 thousand
- Ogrevanje Piran d.o.o.	SIT 5,940 thousand

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 appreciated 1.2897% against the tolar in 2004), net profit would be down SIT 925,575 thousand at SIT 5,535,409 thousand. Revaluing equity on the basis of the consumer price index (3.2% in 2004), net profit would be down SIT 2,297,366 thousand at SIT 4,163,618 thousand.

Note 29: Profit for appropriation (Petrol d.d.)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Compulsory distribution of net profit			
Net profit	6,460,984	6,051,573	107
- 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	**6,460,984**	**6,051,573**	**107**
Distribution to other profit reserves	3,230,492	3,025,786	107
Remaining net profit	**3,230,492**	**3,025,786**	**107**
Determination of profit for appropriation			
Remaining net profit	3,230,492	3,025,786	107
+ retained earnings	2,781,413	1,989,932	140
+ other profit reserves	1,910,717	2,068,575	92
Profit for appropriation	**7,922,622**	**7,084,293**	**112**

Note 30: Profit reserves (Petrol d.d.)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Regulatory reserves	14,794,104	14,772,468	100
Treasury share reserves	664,662	566,774	117
Other profit reserves	24,144,028	20,182,286	120
Total	**39,602,794**	**35,521,528**	**111**

Other profit reserves increased by half of the net profit from the 2004 financial year in the amount of SIT 3,230,492 thousand and, pursuant to a resolution by the 10th general meeting, by part of the profit for appropriation from 2003 in the amount of SIT 2,234,305 thousand, and decreased by the dividends paid out and bonuses paid to the supervisory board in the amount of SIT 1,503,054 thousand. In addition the treasury share reserves increased by the amount of the eliminated adjustment to the value of repurchased treasury shares in the amount of SIT 119,523 thousand.

Note 31: Provisions (Petrol d.d.)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Provisions for environmental assets	6,335,347	6,818,430	93
Provisions for major repairs	637,366	2,037,366	31
Provisions for assets acquired free of charge	19,378	20,290	96
Total	**6,992,091**	**8,876,086**	**79**

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 relates to the funds earmarked for the clean-up of the bitumen dump at Pesnica in the amount of SIT 1,243,330 thousand as at 31 December 2004.

The decrease in provisions for environmental assets in 2004 in the amount of SIT 483,083 thousand relates to:

- the disbursement of provisions for other environmental investments in the amount of the depreciation charged on environmental fixed assets (SIT 403,526 thousand)
- the disbursement of provisions for the bitumen dump at Pesniški Dvor in the amount of SIT 79,557 thousand, which represents the costs of maintaining clean-up equipment and other costs related to the dump in connection with the clean-up programme.

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. The amount of such provisions eliminated in 2004 was SIT 1,400,000 thousand. The company still recorded provisions for major repairs in the amount of SIT 637,366 thousand in its ledgers as at 31 December 2004.

In 2003 the company created provisions for fixed assets acquired free of charge, which are decreased each year by the amount of depreciation charged, which amounted to SIT 1,092 thousand in 2004. The balance of provisions for fixed assets acquired free of charge was SIT 19,378 thousand as at 31 December 2004.

Note 32: Non-current financial liabilities (Petrol d.d.)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Non-current financial liabilities to banks	23,183,368	20,949,771	111
Non-current financial liabilities to others	3,196,574	986,210	324
Total	**26,379,942**	**21,935,981**	**120**

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 21,465,341 thousand as at 31 December 2004.

The weighted average annual interest rate for long-term lending was 3.141% in 2004.

The balance of loans from banks in the country in the amount of SIT 16,407,335 thousand consists of loans in foreign currency in the amount of EUR 67,245,429 (SIT 16,121,621 thousand) and tolar loans in the total amount of SIT 285,714 thousand. The balance of loans from foreign banks consists of foreign currency loans with a total value of EUR 28,263,734 (SIT 6,776,033 thousand).

At the end of the year Petrol d.d. transferred the portion of non-current financial liabilities to banks falling due for payment in 2005 in the total amount of SIT 5,221,522 thousand to current financial liabilities, of which SIT 4,935,808 thousand was denominated in foreign currency (EUR 20,587,909) and SIT 285,714 thousand in domestic currency.

Non-current financial liabilities to others relate to foreign currency lending in the total amount of EUR 13,333,333 (SIT 3,196,573 thousand tolars) received from the Slovene Export Corporation.

At the end of the year Petrol d.d. transferred the portion of non-current financial liabilities to the Slovene Export Corporation maturing in 2005 in the amount of EUR 833,333 (SIT 199,786 thousand) to current financial liabilities.

Note 33: Non-current trade payables (Petrol d.d.)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Non-current trade payables to others	350,714	9,987	3,512
Total	**350,714**	**9,987**	**3,512**

Non-current trade payables in the amount of SIT 350,714 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 each year.

Note 34: Current finance liabilities (Petrol d.d.)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Current financial liabilities to subsidiaries (domestic)	2,434,059	2,616,194	93
• Petrol Maloprodaja d.o.o.	1,864,739	1,418,525	131
• Hotel Špik d.o.o.	0	24,625	-
• Petrol Plin, d.o.o.	82	435,338	-
• Petrol Gostinstvo d.o.o.	379,244	314,445	121
• Petrol Skladiščenje d.o.o.	57	0	-
• Petrol Tehnologija d.o.o.	16	21,112	-
• Petrol Energetika d.o.o. Ravne	189,921	402,149	47
Current financial liabilities to subsidiaries (international)	0	1,899,031	-
• Cypet Oils Ltd	0	1,899,031	-
Current financial liabilities to banks	10,376,958	11,041,659	94
Current financial liabilities to others	4,245,667	297,243	1,428
Total current financial liabilities	**17,056,684**	**15,854,127**	**108**

Current financial liabilities to subsidiaries in the amount of SIT 2,434,059 thousand consist of deposits received from subsidiaries.

Current financial liabilities to banks in the amount of SIT 10,376,958 thousand primarily consist of:

- bridging loans from domestic banks for excise duty and VAT payments in the amount of SIT 5,116,659 thousand
- interest payable on short-term loans in the amount of SIT 38,777 thousand
- the portion of long-term loans falling due for payment in the 2005 financial year in the amount of SIT 5,221,522 thousand

The weighted average annual interest rate on short-term borrowing from banks was 3.019 % in 2004.

Current financial liabilities to others in the amount of SIT 4,245,667 thousand primarily consist of liabilities from the right acquired to the interest purchased in Geoplin d.o.o. (SIT 4,040,350 thousand) and the portion of a long-term loan with a foreign currency clause from the Slovene Export Corporation that falls due for payment in the 2005 financial year in the amount of EUR 833 thousand (SIT 199,786 thousand).

Note 35: Current trade payables (Petrol d.d.)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Current trade payables to subsidiaries:	16,130,415	10,014,301	161
• Petrol Maloprodaja Slovenija d.o.o.	138,108	5,922	2,332
• Hotel Špik d.o.o.	0	5,508	-
• Petrol Plin d.o.o.	35,186	12,698	277
• Cypet Oils Ltd	0	7,263,937	-
• Cypet -Trade Ltd	14,259,677	0	-
• Petrol-Trade HmbH	1,522,884	1,807,748	84
• Petrol BH Oil Company d.o.o.	242	795,581	-
• Petrol Trgovina d.o.o. Zagreb	5,405	1,586	341
• Petrol d.o.o. Beograd	2,877	0	-
• Petrol Gostinstvo d.o.o.	51,950	52,507	99
• Petrol Tehnologija d.o.o.	52,407	60,864	86
• Petrol Skladiščenje d.o.o.	61,679	7,950	776
Current trade payables to joint ventures	138,089	132,202	104
• Instalacija d.o.o. Koper	138,089	132,202	104
Current trade payables to affiliated comapnies	88,506	0	-
• Geoplin d.o.o. Ljubljana	88,506	0	-
Current trade payables to other suppliers:	12,488,034	11,139,243	112
• in Slovenia	11,534,899	10,380,003	111
• in the rest of the world	953,135	759,240	126
Current trade payables to employees	592,935	648,434	91
Current trade payables to the government	16,460,241	13,235,925	124
Current trade payables for advances received	65,625	44,784	147
Current trade payables from transactions for others	453	0	-
Current trade payables from distribution of profit	116,097	108,362	107
Other current trade payables to subsidiaries	1,300,000	0	-
Other current trade payables	502,688	366,473	137
Total	**47,883,083**	**35,689,724**	**134**

Payables to government institutions in the amount of SIT 16,460,241 consist of liabilities for excise duty (SIT 9,679,023 thousand), VAT (SIT 3,912,151 thousand), corporate income tax for 2004 (SIT 1,138,066 thousand tolars), of which SIT 336,622 was paid in 2004 in an advance settlement, customs duties and import taxes (SIT 789,250 thousand tolars), the fee for compulsory reserves (SIT 439,564 thousand tolars) and carbon tax (SIT 425,953 thousand).

Petrol included liabilities from salaries to be paid in January 2005 in the amount of SIT 342,935 thousand and liabilities to the management board and other managers from performance bonuses in the amount SIT 250,000 thousand in the current payables to employees declared as at 31 December 2004.

Current trade payables to others in the amount of SIT 502,688 thousand primarily consist of liabilities from purchases made with Magna payment cards at external (non-Petrol) points of sale (SIT 501,356 thousand).

Major outstanding current trade payables as at 31 December 2004 (SIT thousands):

	Amount outstanding as at 31 Dec 2004
Commodity Reserves Institute	1,219,654
Tobačna Grosist d.o.o.	636,804
Mobitel d.d. Ljubljana	526,579
Philip Morris Ljubljana d.o.o.	518,687

Note 36: Accrued expenses and deferred revenues (Petrol d.d.)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Accrued costs and expenses	3,240,115	1,393,408	233
Short-term deferred revenues	19,515	7,737	252
Total	**3,259,630**	**1,401,145**	**233**

Accrued costs and expenses in the amount of SIT 3,240,115 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 577,055 thousand, and interest charged in advance for suits in the amount of SIT 1,582,287 thousand
- accrued costs of services of foreign project design groups in the amount of SIT 216,290 thousand
- interest payments accrued but not due on loans received in the amount of SIT 184,962 thousand
- the shortfall of goods charged in advance for the last quarter of 2004 in the amount of SIT 131,911 thousand
- converted open forward contracts for hedging exchange rate risk in the amount of SIT 288,960 thousand

Note 37: 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	Profit-sharing	Other earnings	Total
Miran Mejak, president of supervisory board*	723	8,488	3,114	12,325
Uroš Slavinec, member of supervisory board	413	4,244	0	4,657
Irena Starman, member of supervisory board	516	4,244	0	4,760
Stanislav Valant, member of supervisory board	568	4,244	0	4,812
Milan M. Cvikl, member of supervisory board	323	4,244	0	4,567
Jože Stanič, member of supervisory board	516	4,244	0	4,760
Ciril Pirš, deputy-president of supervisory board, employee representative	498	4,244	0	4,742
Andrej Medved, employee representative	563	4,244	0	4,807
Miran Obreza, employee representative	387	4,244	0	4,631
Tomaž Jamnik, employee representative	848	4,244	0	5,092
Nina Potisek, employee representative	1,231	4,244	0	5,475
Silvan Simčič, employee representative	1,130	4,244	0	5,374
Total	**7,716**	**55,174**	**3,114**	**66,004**

*other incomes of the president of the SB are 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
Janez Lotrič, president of management board*	47,114	27,192	5,326	79,632
Marija Lah, member of management board*	35,931	14,804	1,626	52,361
Vladimir Jančič, member of management board*	33,038	8,135	4,361	45,534
Bojan Herman, director / employee representative	15,641	5,396	5	21,042
Total	**131,724**	**55,527**	**11,318**	**198,569**

*other earnings refer to company benefit value

A special right pertaining to members of the management board that was not exercised in 2004 was severance pay.

The total earnings and emoluments paid in 2004 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 1,422,715 thousand.

The total earnings paid to members of the workers council in 2004 amounted to SIT 1,101 thousand.

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

A) Contingent liabilities related to guarantees

Petrol d.d. had issued guarantees in a total amount of SIT 25,312,724 thousand, primarily to foreign banks, for credit lines for companies in the Petrol Group as at 31 December 2004. The value of the exploited portion of the guarantees was SIT 13,372,597 thousand as at 31 December 2004.

- for Cypet Oils Ltd of Limassol, Cyprus:

		Guarantees issued (in USD)		Exploited portion of guarantees (USD)
Bank or company	2004	2003	2004	2003
ING (BBL) Geneva	with Cypet- Trade	19,000,000		25,458
Credit Lyonnaise Geneva		10,000,000		
BNP Paribas Geneva	with Cypet- Trade	22,000,000	100	
RZB Wiena	with Cypet- Trade	8,000,000		6,171,758
INA Zagreb		n/a		
Glencore Int. AG,		n/a		7,438,052
Statoil, Stavanger		25,000,000		8,889,848
Total (Elf)		n/a		8,310,560
Eni Sp.A.		n/a		
Societe Generale		n/a		
Morgan Stanley		n/a		
Credit Lyonnais S:A: London		n/a		
Total (USD)	0 USD	84,000,000 USD	100 USD	30,835,676 USD
Total (SIT)	**0 SIT**	**15,906,861,600 SIT**	**17,624 SIT**	**5,839,271,791 SIT**

- for Petrol Trade HmbH of Vienna, Austria:

		Guarantees issued (in USD, ATS, EUR)		Exploited portion of guarantees (in USD, ATS, EUR)
Bank or company	2004	2003	2004	2003
RZB Wiena	12,000,000 USD	12,000,000 USD	2,048,117 USD	276,516 USD
Bank Austria Creditanstalt Wien	5,000,000 USD	5,000,000 USD		904,680 USD
Zveza slovenskih zadrug Celovec	5,000,000 USD	5,000,000 USD	122,763 USD	119,746 USD
Bank Austria Creditanstalt Wien	13,546,544 EUR	13,546,544 EUR	2,973,958 USD	
Bank Austria Creditanstalt Wien	1,453,457 EUR	1,453,457 EUR		
ING (BBL) Geneva	with Cypet Oils and Cypet- Trade	with Cypet Oils and Cypet- Trade	13,142 USD	12,997 USD
INA Zagreb	with Cypet Oils and Cypet- Trade	with Cypet Oils and Cypet- Trade		
Glencore Int. AG,	with Cypet Oils and Cypet- Trade	with Cypet Oils and Cypet- Trade		
Statoil, Stavanger	with Cypet Oils and Cypet- Trade	with Cypet Oils and Cypet- Trade		
Total (Elf)	with Cypet Oils and Cypet- Trade	with Cypet Oils and Cypet- Trade		
Eni Sp.A.	with Cypet Oils and Cypet- Trade	with Cypet Oils and Cypet- Trade		2,352,266 USD
Total	42,404,506 USD	40,748,500 USD	5,157,980 USD	3,666,204 USD
Total (in SIT)	**7,473,484,564 SIT**	**7,716,437,462 SIT**	**909,056,322 SIT**	**694,259,519 SIT**

– for Cypet-Trade Ltd of Limassol, Cyprus:

	Guarantees issued (in USD)		Exploited portion of guarantees (USD)	
Bank or company	2004	2003	2004	2003
ING (BBL) Geneva	19,000,000 USD		34,359,00 USD	
Credit Lyonnaise Geneva	17,000,000 USD		2,421,00 USD	
BNP Paribas Geneva	22,000,000 USD			
RZB Wiena	14,000,000 USD		29,507,00 USD	
INA Zagreb	n/a			
Glencore Int. AG,	n/a		13,512,996,00 USD	
BP Oil International LTD.	n/a		14,687,792,00 USD	
Statoil, Stavanger	n/a			
Total (Elf)	n/a		13,530,901,00 USD	
Eni Sp.A.	n/a		19,015,674,00 USD	
Societe Generale	n/a			
Morgan Stanley	n/a			
Credit Lyonnais S:A: London	n/a			
Total (in USD)	72,000,000 USD	0 USD	60,813,650 USD	0 USD
Total (in SIT)	**12,689,474,400 SIT**	**0 SIT**	**10,717,961,873 SIT**	**0 SIT**

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

	Guarantees issued (in USD, EUR, HRK)		Exploited portion of guarantees (in USD, EUR, HRK)	
Bank or company	2004	2003	2004	2003
Ina d.d.	n/a	n/a	4,115,513 HRK	13,513,378 HRK
Spllitska banka d.d. (prev. HVB Croatia d.d.)	5,000,000 HRK	3,000,000 HRK	5,000,000 HRK	3,000,000 HRK
Spllitska banka d.d. (prev. HVB Croatia d.d.)	4,000,000 EUR	4,000,000 EUR		
HVB Splitska banka d.d.	5,000,000 HRK			
SKB d.d. Ljubljana	3,000,000 EUR	3,000,000 EUR		3,000,000 EUR
Slovenska izvozna družba d.d. Ljubljana	3,000,000 EUR	3,000,000 EUR		3,000,000 EUR
Slovenska izvozna družba d.d. Ljubljana	1,000,000 EUR	1,000,000 EUR		1,000,000 EUR
Total	16,745,250 USD	14,239,569 USD	1,624,335 USD	11,450,173 USD
Total (in SIT)	**2,951,228,000 SIT**	**2,696,510,200 SIT**	**286,277,244 SIT**	**2,168,289,412 SIT**

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

Bank or company	Guarantees issued (SIT 000) 2004	2003	Exploited portion of guarantees (SIT 000) 2004	2003
For Petrol Plin d.o.o., Ljubljana				
Bank Austria d.d., (maturity date 29.04.2005) Ljubljana, Občina II. Bistrica	6,165	554,697	6,165	554,697
for Instalacija d.o.o., Koper				
B. Societe Generale Pariz (maturity date 30.04.2007)	900,953	889,481	283,491	391,776
for Instalacija d.o.o., Koper				
Banka Austria Creditanstalt AG Vienna (maturity date 15.11.2011)	704,844	695,870	582,712	657,335
for Instalacija d.o.o., Koper				
Banka Austria Creditanstalt AG Vienna (maturity date 18.06.2013)	352,422	0	352,763	0
for Petrol Energetika Ravne				
Österreichische Elektrizitätswirtschafts-Aktiengesellschaft	15,767	183,142	15,767	183,142
for Aquasystems d.o.o., Maribor				
several parties	218,386	2,389,018	218,386	2,389,018
Total (SIT 000)	**2,198,537 SIT**	**4,712,207 SIT**	**1,459,284 SIT**	**4,175,967 SIT**

B) Contingent liabilities from legal action

As a defendant and debtor Petrol d.d. faced suits in a total amount of SIT 930,798 thousand in court proceedings as at 31 December 2004. The legally prescribed interest in arrears on the claims filed in the suits amounted to SIT 2,231,169 as at 31 December 2004. 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 577,055 thousand tolars as at 31 December 2004 (compared with SIT 456,196 thousand as at 31 December 2003). In addition the company had also created short-term provisions for interest on arrears in the amount of SIT 1,582,287 thousand. It held no provisions for this purpose in 2003.

C) Inventories not owned by Petrol

SIT 000	2004	2003
Goods received for commission sales	1,309,321	1,470,442
National commodity reserves	12,436,400	9,322,572
Total	**13,745,721**	**10,793,014**

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 2004 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:

Currency	2004 SIT 000	2004 in foreign currency	2003 SIT 000	2003 in foreign currency
dollar liabilities	(12,578,441)	(71,370,000)	(6,412,715)	(33,840,820)
euro liabilities	0	0	(757,948)	(3,203,065)
euro receivables	12,867,402	53,671,647	6,603,348	27,899,523
dollar receivables	0	0	761,079	3,996,000
(Loss)/gain	**(288,960)**		**(193,764)**	

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	2004	2003
Current 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 2004.

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 39: Subsequent events

End of term of members of supervisory board in 2005

With the terms of the previous shareholder representatives ending, the supervisory board drew up a new proposal for the team of shareholder representatives at its session on 15 February 2005. The general meeting, called for 4 April 2005, will decide on the new make-up of the supervisory board.

The team of employee representatives on the supervisory board also changed. With the terms of the employee representatives on the supervisory board ending, the workers council appointed new representatives to the supervisory board at its session on 9 February 2005.

Sale of shares in Nacionalna financna družba d.d.

Petrol d.d. disposed of its 8,000,000 shares in NFD1 and 1,450,000 shares in NFD Holding d.d., and thus no longer has any interest in Nacionalna finančna družba d.d.

Financial Statements of Petrol d.d. (individual lines of business) 2004

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 companys 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 companys 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 2004 and income and cashflow statements for the 2004 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 companys 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 2004 (Petrol d.d.) itemised for public utilities

SIT 000	Distribution and supply of natural gas	Water treatment	Market activities	Total
A) Non-current assets				
I. Intangible assets	**424,060**	**340,923**	**343,558**	**1,108,541**
Land	0	0	20,663,764	20,663,764
Buildings	1,403,556	793,245	43,673,597	45,870,398
Other equipment	11,237	860,743	5,438,579	6,310,559
Fixed assets under construction or in production	594,183	220,151	2,752,284	3,566,618
Advances for fixed assets	0	0	259,782	259,782
II. Fixed assets	**2,008,976**	**1,874,139**	**72,788,006**	**76,671,121**
Investments in subsidiaries	0	0	25,202,635	25,202,635
Investments in affiliated companies	0	0	12,255,593	12,255,593
Investments in joint ventures	0	0	3,420,792	3,420,792
Other participating interests	0	0	1,619,061	1,619,061
Non-current financial receivables from subsidiaries	0	0	1,997,415	1,997,415
Non-current financial receivables from affiliated companies	0	0	461,251	461,251
Other non-current financial receivables	0	0	1,054,443	1,054,443
Treasury shares	0	0	664,662	664,662
III. Non-current investments	**0**	**0**	**46,675,852**	**46,675,852**
Total non-current assets	**2,433,036**	**2,215,062**	**119,807,416**	**124,455,514**
B) Current assets				
Materials	0	0	139,533	139,533
Merchandise	21,356	0	15,796,589	15,817,945
Advances for inventories	0	0	0	0
I. Inventories	**21,356**	**0**	**15,936,122**	**15,957,478**
Non-current trade receivables from subsidiaries	0	0	6,206	6,206
Non-current trade receivables from customers	0	0	0	0
Non-current trade receivables from others	132,807	0	435,114	567,921
II. a) Non-current trade receivables	**132,807**	**0**	**441,320**	**574,127**
Current trade receivables from subsidiaries	0	0	924,910	924,910
Current trade receivables from affiliated companies	0	0	44,679	44,679
Current trade receivables from joint ventures	0	0	372	372
Current trade receivables from customers	119,921	50,125	22,114,140	22,284,186
Other current trade receivables	19,752	8,402	12,212,448	12,240,602
II. b) Current trade receivables	**139,673**	**58,527**	**35,296,549**	**35,494,749**
Current investments in subsidiaries	0	0	130,767	130,767
Current investments in others	0	0	3,602,992	3,602,992
III. Current investments	**0**	**0**	**3,733,759**	**3,733,759**
IV. Cash and cash equivalents	**1,556**	**519**	**1,035,234**	**1,037,309**
Total current assets	**295,392**	**59,045**	**56,442,984**	**56,797,422**
C) Deferred expenses and accrued revenues	**0**	**0**	**292,731**	**292,731**
Total assets	**2,728,428**	**2,274,107**	**176,543,131**	**181,545,667**

Balance sheet as at 31 December 2004 (Petrol d.d.) itemised for public utilities

SIT 000	Distribution and supply of natural gas	Water treatment	Market activities	Total
Equity and liabilities				
A. Equity				
I. Called-up capital	**1,983,377**	**2,049,756**	**8,484,672**	**12,517,806**
II. Capital reserves	**0**	**0**	**96,478**	**96,478**
Regulatory reserves	0	0	14,794,104	14,794,104
Treasury share reserves	0	0	664,662	664,662
Other profit reserves*	0	0	24,144,028	24,144,028
III. Profit reserves	**0**	**0**	**39,602,794**	**39,602,794**
IV. Retained earnings	**(90,521)**	**(14,995)**	**2,886,929**	**2,781,413**
V. Undistributed net profit*	**(103,531)**	**(34,642)**	**3,368,665**	**3,230,492**
General equity revaluation adjustment	28,786	9,595	19,152,137	19,190,518
Specific equity revaluation adjustment	0	0	2,204,022	2,204,022
V. Equity revaluation adjustments	**28,786**	**9,595**	**21,356,159**	**21,394,540**
Total equity	**1,818,111**	**2,009,715**	**75,795,697**	**79,623,523**
B. Provisions				
Provisions for major repairs	0	0	637,366	637,366
Provisions for environmental fixed assets	0	0	6,335,347	6,335,347
Other provisions	0	0	19,378	19,378
Total provisions	**0**	**0**	**6,992,091**	**6,992,091**
C) Financial liabilites and trade payables				
a) Non-current financial liabilities and trade payables				
Non-current financial liabilities to banks	210,969	201,695	22,770,704	23,183,368
Non-current financial liabilities to others	0	0	3,196,574	3,196,574
Non-current financial liabilities	**210,969**	**201,695**	**25,967,278**	**26,379,942**
Non-current trade payables to others	350,714	0	0	350,714
Non-current trade payables	**350,714**	**0**	**0**	**350,714**
b) Current financial liabilities and trade payables				
Current financial liabilities to subsidiaries	0	0	2,434,059	2,434,059
Current financial liabilities to banks	0	0	10,376,958	10,376,958
Current financial liabilities to others	0	0	4,245,667	4,245,667
Current financial liabilities	**0**	**0**	**17,056,684**	**17,056,684**
Current trade payables to subsidiaries	17,696	196	16,112,523	16,130,415
Current trade payables to joint ventures	0	0	138,089	138,089
Current trade payables to affiliated companies	0	0	88,506	88,506
Current trade payables to suppliers	296,372	60,545	12,131,117	12,488,034
Current trade payables to employees	0	0	592,935	592,935
Current trade payables to the government	21,026	1,956	16,437,259	16,460,241
Current trade payables from advances	0	0	65,625	65,625
Current trade payables from distribution of profit	0	0	116,097	116,097
Other current trade payables to subsidiaries	0	0	1,300,000	1,300,000
Other current trade payables to others	0	0	503,141	503,141
Current trade payables	**335,094**	**62,697**	**47,485,292**	**47,883,083**
Total financial liabilities and trade payables	**896,776**	**264,392**	**90,509,254**	**91,670,423**
D) Accrued expenses and deferred revenues	**13,541**	**0**	**3,246,089**	**3,259,630**
Total equity and liabilities	**2,728,428**	**2,274,107**	**176,543,131**	**181,545,667**

* 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 2004 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 2004
- 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 2004 (Petrol d.d.), itemised for public utilities				
SIT 000	Distribution and supply of natural gas	Water treatment	Market activities	Total
Net revenues from sale of services	57,523	167,067	4,983,501	5,208,091
Net revenues from sale of merchandise	417,221	0	315,147,288	315,564,509
Net sales revenues	**474,744**	**167,067**	**320,130,789**	**320,772,600**
Historical cost of merchandise sold	(310,058)	0	(281,850,388)	(282,160,446)
Gross profit	**164,686**	**167,067**	**38,280,401**	**38,612,154**
Materials	(471)	(29,709)	(1,431,980)	(1,462,160)
Services	(162,820)	(39,502)	(21,228,333)	(21,430,655)
Compensation	0	0	(6,175,170)	(6,175,170)
Depreciation and amortisation	(52,307)	(81,638)	(5,372,349)	(5,506,294)
Losses on disposals, impairment and write-offs of intangible and fixed assets	0	0	(319,026)	(319,026)
Write-downs of current assets	0	0	(522,927)	(522,927)
Other costs	0	0	(2,281,781)	(2,281,781)
Operating expenses	**(215,598)**	**(150,849)**	**(37,331,566)**	**(37,698,013)**
Other operating income	343	0	5,110,619	5,110,962
Other operating expenses	0	0	(45,352)	(45,352)
Operating profit	**(50,569)**	**16,218**	**6,014,102**	**5,979,751**
Finance income from participating interests	0	0	2,132,207	2,132,207
Finance income from non-current receivables	0	0	216,774	216,774
Finance income from current receivables	0	0	5,802,822	5,802,822
Finance income	**0**	**0**	**8,151,803**	**8,151,803**
Write-downs of investments	0	0	(563,457)	(563,457)
Interest expenses and financial expenses for other liabilities	(52,961)	(50,860)	(5,715,340)	(5,819,161)
Finance expenses	**(52,961)**	**(50,860)**	**(6,278,797)**	**(6,382,618)**
Profit from ordinary activities	**(103,530)**	**(34,642)**	**7,887,108**	**7,748,936**
Extraordinary income	0	0	106,435	106,435
Extraordinary expenses	(1)	0	(256,320)	(256,321)
Extraordinary items	**(1)**	**0**	**(149,885)**	**(149,886)**
Pre-tax profit	**(103,531)**	**(34,642)**	**7,737,223**	**7,599,050**
Corporate income tax	0	0	(1,138,066)	(1,138,066)
Net profit for the year	**(103,531)**	**(34,642)**	**6,599,157**	**6,460,984**

Petrol d.d. has broken down its income statement for 2004 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 2004

The basis for calculating the value of financial expenses in the distribution and supply of natural gas is the assumption that D/E = 40/60 and an interest rate of 7% 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 2004 (Petrol d.d.) itemised for public utilities				
SIT 000	Distribution and supply of natural gas	Water treatment	Market activities	Total
Cash from operating activities	**302,134**	**108,540**	**313,476,697**	**313,887,371**
Operating income	475,087	167,067	320,547,656	321,189,810
Extraordinary income related to operating activities	0	0	106,435	106,435
Change in trade receivables	(173,230)	(58,527)	(7,178,274)	(7,410,031)
Change in deferred expenses and accrued revenues	277	0	880	1,157
Cash used in operating activities	**318,359**	**506,471**	**302,806,686**	**303,631,516**
Operating expenses less amortisation, depreciation and provisions	473,349	69,211	308,590,724	309,133,284
Extraordinary expenses related to operating activities	1	0	256,320	256,321
Taxes paid	0	0	1,138,066	1,138,066
Change in inventories	7,185	0	4,285,303	4,292,488
Change in trade payables	(160,491)	437,260	(11,766,546)	(11,489,777)
Change in accrued expenses and deferred revenues	(1,685)	0	302,819	301,134
Net cash from/(used in) operating activities	**(16,225)**	**(397,931)**	**10,670,011**	**10,255,855**
Cash from investing activities	**507**	**8,288**	**4,921,662**	**4,930,457**
Investment income (not including revaluation)	0	0	2,875,214	2,875,214
Net decrease in intangible assets (not including revaluation)	507	8,288	(8,795)	0
Net decrease in current investments (not including revaluation)	0	0	2,055,243	2,055,243
Cash used in investing activities	**1,137,512**	**655,087**	**12,546,429**	**14,339,028**
Net increase in intangible assets (not including revaluation)	0	0	106,350	106,350
Net increase in fixed assets (not including rev. and non-cash equity inputs)	1,137,512	655,087	8,014,725	9,807,324
Net increase in non-current investments (not including revaluation)	0	0	4,425,354	4,425,354
Net cash from/(used in) investing activities	**(1,137,005)**	**(646,799)**	**(7,624,767)**	**(9,408,571)**
Cash from financing activities	**1,206,846**	**1,096,109**	**4,628,295**	**6,931,250**
Finance income (not including revaluation)	0	0	2,805,679	2,805,679
Increase in equity (not including net profit)	1,117,954	894,414	(1,970,881)	41,487
Net increase in non-current financial liabilities (not including revaluation)	88,892	201,695	3,793,497	4,084,084
Cash used in financing activities	**52,961**	**50,860**	**7,924,318**	**8,028,139**
Finance expenses (not including revaluation)	52,961	50,860	5,322,076	5,425,897
Net decrease in provisions (not including revaluation)	0	0	79,557	79,557
Net decrease in current financial liabilities (not including revaluation)	0	0	1,019,631	1,019,631
Decrease in liabilities to owners (dividends and other profit-sharing)	0	0	1,503,054	1,503,054
Net cash from / (used in) financing activities	**1,153,885**	**1,045,249**	**(3,296,023)**	**(1,096,889)**
Net cashflow during period	**655**	**519**	**(250,779)**	**(249,605)**
Closing balance of cash and cash equivalents	**1,556**	**519**	**1,035,234**	**1,037,309**
Net cashflow during period	655	519	(250,779)	(249,605)
Opening balance of cash and cash equivalents	901	0	1,286,013	1,286,914

Other Clarifications Relating to the Parent Company in Accordance with the Securities Market Act 2004

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 companys website and the website of Ljubljana Stock Exchange (Seonet).

Accounting Report Petrol Group 2004

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 Dec 2004	Interest held by Petrol d.d. (%) 31 Dec 2003
1. Subsidiaries			
Petrol Maloprodaja Slovenija, d.o.o., Ljubljana	Slovenia	100	100
Hotel Špik, d.o.o., Gozd Martuljek	Slovenia	0	100
Petrol Plin, d.o.o., Ljubljana	Slovenia	100	100
Petrol Gostinstvo, d.o.o., Logatec	Slovenia	100	100
Petrol Skladiščenje, d.o.o., Ljubljana	Slovenia	100	100
Petrol Tehnologija, d.o.o., Ljubljana	Slovenia	100	100
Petrol Energetika, d.o.o., Ravne	Slovenia	98.85	91.20
Cypet Oils Ltd., Limassol	Cyprus	100	100
Petrol-Trade, H.m.b.H Vienna	Austria	100	100
including 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	0
3. Affiliated companies			
Ogrevanje Piran, d.o.o., Piran	Slovenia	40	40
Geoplin d.o.o., Ljubljana	Slovenia	27.26	16.48
Aquasystems, d.o.o., Maribor	Slovenia	26	26

In 2004 the following changes took place within the Petrol Group:

- On 1 January **Cypet-Trade Ltd** took over the business activities of **Cypet Oils Ltd**.
- On 9 March **Destilat d.o.o.** was renamed **Petrol Maloprodaja Slovenija d.o.o.**, and assumed responsibility for all retail sales of refined petroleum products and other merchandise in Slovenia.
- In addition to the storage capacity at Lendava, **Petrol Skladiščenje d.o.o.** now manages all Petrols storage facilities in Slovenia.
- On 1 January all plant and equipment maintenance processes for the Petrol Group were combined within **Petroservis d.o.o.** On 10 June the company was renamed **Petrol Tehnologija d.o.o.**

- On 28 April Petrol d.d. increased its interest in **Petrol Energetika d.o.o.** to 98.85% by purchasing an interest from Družba pooblaščenka Ravne d.d., the remaining interest being held by Železar Štore d.p., delniške družbe pooblaščenke, d.d.
- **Hotel Špik d.o.o.** completed its ordinary liquidation proceedings and was deleted from the companies register in 5 August. Petrol used a non-cash equity contribution in the form of the hotel and campsite to recapitalise HTP Gorenjka d.d. In so doing it obtained an option to sell the shares acquired in the recapitalisation.
- On 13 July Petrol d.d. and Sava Tires d.o.o. established **Karkasa d.o.o.**, whose line of business is tyre refitting, reconditioning and design for vehicles. The company is 50%-owned by Petrol d.d. and began operations on 1 January 2005.
- As part of the realisation of its strategic objectives in the gas sector Petrol d.d. signed an agreement with the government as a partner in **Geoplin d.o.o.** regulating relations between the partners. Including the interests controlled on a contractual basis Petrol d.d. finished 2004 with control of 27.26% of the nominal capital of Geoplin d.o.o., which thus became an affiliated company within the Petrol Group.

The financial year of all companies in the Petrol Group is the same as the calendar year.

All companies in the Petrol Group reported positive results in 2004, generating an aggregate net profit of SIT 2,647,803 thousand.

The financial statements of all the subsidiary companies have been audited and all the auditors opinions are unqualified. The subsidiaries Cypet Oils Ltd and Cypet-Trade Ltd of Limassol, Cyprus, were audited by Horwath Philippides & Partners, while Petrol-Trade HmbH of Vienna was audited by independent auditor Mr Harald Hruschka. The subsidiaries Petrol Maloprodaja Slovenija d.o.o., Petrol Plin d.o.o., Petrol Gostinstvo d.o.o., Petrol Skladiščenje d.o.o. and Petrol Tehnologija d.o.o., all of Ljubljana, and Petrol Energetika d.o.o. of Ravne were audited by Deloitte & Touche revizija d.o.o. of Ljubljana, the subsidiary Petrol Trgovina d.o.o. Zagreb was audited by Deloitte & Touche d.o.o. of Zagreb and the subsidiary Petrol BH Oil Company d.o.o. Sarajevo was audited by Deloitte & Touche d.o.o. of 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 HmbH, 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. and the consolidated statements of the Petrol Group for 2004.

Basic accounting policies applied when drawing up the consolidated financial statements

The consolidated financial statements are prepared in accordance with the Slovenian Accounting Standards (SRS). According to these standards, a group cosists of:

- the parent company
- companies that are subsidiaries on the basis of the parent companys interest in their equity
- companies that are subsidiaries because of the parent companys 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 affiliates 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., six domestic and six foreign subsidiaries, three joint ventures and three affiliated companies as at 31 December 2004. 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 discoveries of individual items in the group's budget statements need to be examined in connection with the discoveries of individual items in the controlling company's budget statements.

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.

In 2004 the parent company changed its accounting policy with regard to the valuation of non-current investments in the joint venture Instalacija d.o.o. Koper, the effect of the revaluation of the non-current investment in the joint venture now going to increase the specific equity revaluation adjustment. In 2003, however, the effect of the revaluation went to increase finance income, and the parent company thus declared a higher net profit for the financial year.

The effect of the revaluation of non-current investments in other joint ventures and affiliated companies went to increase the parent companys equity revaluation adjustment in connection with non-current investments in 2004, as in the previous year.

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 companys 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 companys 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.

Corporate 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.

Also disclosed in the consolidated financial statements is the effect of deferred tax liabilities, which relate to the elimination of unrealised profits in inventories.

The degrees of materiality in the disclosure are the same as those for the parent company, and are described in the third part of the parent companys financial report.

Deloitte.

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF
PETROL, Slovenska energetska družba, d.d., Ljubljana

We have audited the consolidated balance sheet of PETROL, Slovenska energetska družba, d.d. Group as of 31 December 2004 and the related consolidated statements of income, consolidated cash flows, consolidated changes in equity, and notes to the consolidated financial statements for the year then ended. We also read the Business Report, prepared by Management as of 31 December 2004. These consolidated financial statements and the Business Report are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and report whether the Business Report is consistent with the remaining components of the Annual Report based on our audit.

We conducted our audit in accordance with basic auditing principles and International Standards on Auditing. Those principles and 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 significant estimates made by management, as well as evaluating the overall financial statement disclosure. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of PETROL, Slovenska energetska družba, d.d. Group as of 31 December 2004 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 information in the audited consolidated financial statements.

Deloitte & Touche revizija d.o.o.

Deloitte & Touche Revizija d.o.o.

Lidija Jezernik
Certified Auditor
Member of the Management Board

Ljubljana, 11 March 2005

TRANLATION ONLY – SLOVENIAN ORIGINAL PREVAILS

Audit. Tax. Consulting. Financial Advisory.

Družba je članica
Deloitte Touche Tohmatsu

Consolidated income statement (Petrol Group)

SIT 000	Note	2004	2003	Index 04/03
Net sales revenues	A., 01.;	352,423,083	303,571,939	116
Historical cost of merchandise sold and production costs of products sold	B., 02.;	(308,485,014)	(259,887,685)	119
Gross profit		**43,938,069**	**43,684,254**	**101**
Distribution costs	C., 02.;	(32,867,923)	(29,598,666)	111
Administrative costs	C., 02.;	(9,619,101)	(11,100,498)	87
Other operating income		5,318,592	1,933,103	275
Operating profit		**6,769,637**	**4,918,193**	**138**
Finance income from joint ventures		0	307,460	-
Finance income from affiliated companies		744,299	0	-
Other finance income from participating interests		859,180	1,259,037	68
Finance income from non-current receivables		103,972	137,889	75
Finance income from current receivables		6,025,095	5,347,454	113
Finance income	**E., 03.;**	**7,732,546**	**7,051,840**	**110**
Write-downs of investments		(549,749)	(459,884)	120
Interest expenses and financial expenses for other liabilities		(5,945,925)	(5,091,969)	117
Finance expenses	**E., 04.;**	**(6,495,674)**	**(5,551,853)**	**117**
Profit from ordinary activities		**8,006,509**	**6,418,180**	**125**
Extraordinary income	F., 05.;	200,390	79,110	253
Extraordinary expenses	F., 06.;	(46,664)	(10,837)	431
Extraordinary items		**153,726**	**68,273**	**225**
Pre-tax profit		**8,160,235**	**6,486,453**	**126**
Corporate income tax	G., 07.;	(1,213,006)	(478,042)	254
Net profit for the year		**6,947,229**	**6,008,411**	**116**
Net profit of parent company		**6,946,310**	**6,002,512**	**116**
Net profit of minority shareholders		**919**	**5,899**	**16**

Business segments (Petrol Group)			
SIT 000	2004	2003	Index 04/03
Net sales revenues			
Oil products, other refined petroleum products and energy products	303,428,534	260,800,822	116
Supplementary products and other merchandise	40,878,656	35,529,420	115
Services	8,115,893	7,241,697	112
Total	**352,423,083**	**303,571,939**	**116**

Geographical segments (Petrol Group)			
SIT 000	2004	2003	Index 04/03
Net sales revenues			
Slovenia	319,000,157	282,608,124	113
Croatia	14,713,934	9,785,390	150
Bosnia-Herzegovina	11,324,560	7,925,606	143
Austria	3,256,123	37,218	8,749
Other countries	4,128,309	3,215,601	128
Total	**352,423,083**	**303,571,939**	**116**

Consolidated balance sheet (Petrol Group)

SIT 000	Note	31. 12. 04	31. 12. 03	Index 04/03
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	H., 08.;	2,121,508	2,106,337	101
Fixed assets	H., 09.;	98,072,919	91,142,017	108
Non-current investments	I., 10.;	19,494,742	8,765,736	222
Total non-current assets		**119,689,169**	**102,014,090**	**117**
CURRENT ASSETS				
Inventories	L., 11.;	17,186,626	12,525,451	137
Non-current trade receivables	M., 12.;	599,913	355,283	169
Current trade receivables	N., 13.;	38,610,435	29,458,503	131
Current investments	I., 14.;	4,057,263	7,840,283	52
Cash and cash equivalents	O.;	2,151,773	1,793,054	120
Total current assets		**62,606,010**	**51,972,574**	**120**
Deferred expenses and accrued revenues	**P., 15.;**	**324,080**	**336,625**	**96**
TOTAL ASSETS		**182,619,259**	**154,323,289**	**118**
EQUITY AND LIABILITIES				
EQUITY				
Called-up capital		12,517,806	12,517,806	100
Capital reserves		96,478	54,991	175
Other profit reserves*		39,602,794	35,521,528	111
Retained earnings		2,757,976	2,015,555	137
Undistributed current profit*		3,715,818	2,976,726	125
General equity revaluation adjustments		19,190,518	19,190,518	100
Specific equity revaluation adjustments		1,725,152	85,830	2,010
Translation equity adjustment		(119,334)	(67,840)	176
Total equity not including minority interests	**R., 16.;**	**79,487,208**	**72,295,114**	**110**
Minority interests		25,122	185,213	14
Total equity	**R., 16.;**	**79,512,330**	**72,480,327**	**110**
PROVISIONS				
Provisions from donations received		19,378	20,290	96
Other provisions		7,106,543	9,118,558	78
Total provisions	**S., 17.;**	**7,125,921**	**9,138,848**	**78**
NON-CURRENT LIABILITIES				
Non-current financial liabilities	T., 18.;	27,633,775	23,599,866	117
Non-current trade payables	U., 19.;	434,942	18,743	2,321
Total non-current liabilities		**28,068,717**	**23,618,609**	**119**
CURRENT LIABILITIES				
Current financial liabilities	T., 20.;	18,635,382	12,899,364	144
Current trade payables	U., 21.;	45,779,373	34,472,333	133
Total current liabilities		**64,414,755**	**47,371,697**	**136**
Accrued expenses and deferred revenues	**J., V., 22.;**	**3,497,536**	**1,713,808**	**204**
TOTAL EQUITY AND LIABILITIES		**182,619,259**	**154,323,289**	**118**

*In accordance with the third paragraph of Article 228 of the Companies Act (the ZGD-F), undistributed net profit has been reduced by SIT 3,230,492 thousand SIT and transferred into the profit reserves

Consolidated cashflow statement (Petrol Group)			
SIT 000	2004	2003	Index 04/03
Cash from operating activities	**343,463,681**	**300,612,070**	**114**
Operating income	352,859,430	303,716,367	116
Extraordinary income related to operating activities	200,390	79,110	253
Change in trade receivables	(9,615,699)	(3,184,754)	302
Change in deferred expenses and accrued revenues	19,560	1,347	1,452
Cash used in operating activities	**333,424,237**	**285,672,286**	**117**
Operating expenses less amortisation, depreciation and provisions	338,860,126	288,788,969	117
Extraordinary expenses related to operating activities	46,664	10,837	431
Taxes paid	1,213,006	478,042	254
Change in inventories	4,686,257	(912,801)	-
Change in trade payables	(11,610,239)	(2,340,501)	496
Change in accrued expenses and deferred revenues	228,423	(352,260)	-
Net cash from/(used in) operating activities	**10,039,444**	**14,939,784**	**67**
Cash from investing activities	**6,170,868**	**2,506,257**	**246**
Investment income (not including revaluation)	2,367,545	2,363,706	100
Net decrease in non-current investments (not including revaluation)	0	142,551	-
Net decrease in current investments (not including revaluation)	3,803,323	0	-
Cash used in investing activities	**16,575,821**	**25,267,425**	**66**
Net increase in intangible assets (not including revaluation)	229,719	1,000,522	23
Net increase in fixed assets (not including revaluation and non-cash equity inputs)	15,258,415	18,140,319	84
Net increase in non-current investments (not including revaluation)	1,087,687	0	-
Net increase in current investments (not including revaluation)	0	6,126,584	-
Net cash from/(used in) investing activities	**(10,404,953)**	**(22,761,168)**	**46**
Cash from financing activities	**8,252,818**	**12,575,537**	**66**
Finance income (not including revaluation)	2,878,494	1,891,682	152
Increase in equity (not including net profit)			
Majority shareholders	41,487	31,111	133
Net increase in non-current financial liabilities (not including revaluation)	3,670,556	10,652,744	34
Net increase in current financial liabilities (not including revaluation)	1,662,281	0	-
Cash used in financing activities	**7,528,590**	**8,037,147**	**94**
Finance expenses	5,600,679	4,697,669	119
Decrease in equity (not including current loss)			
Minority shareholders	161,010	147,556	109
Net decrease in provisions (not including revaluation)	263,847	478,301	55
Net decrease in current financial liabilities (not including revaluation)	0	1,202,109	-
Decrease in liabilities to owners (dividends and other profit-sharing)	1,503,054	1,511,512	99
Net cash from/(used in) financing acticities	**724,228**	**4,538,390**	**16**
Net cashflow during period	**358,719**	**(3,282,994)**	**-**
Closing balance of cash and cash equivalents	**2,151,773**	**1,793,054**	**120**
Net cashflow during period	358,719	(3,282,994)	-
Opening balance of cash and cash equivalents	1,793,054	5,076,048	35

Consolidated statement of changes in equity (Petrol Group)

SIT 000	Share capital	Capital reserves	Regulatory reserves	Treasury share reserves
Balance as at 31 December 2002	**12,517,806**	**23,880**	**14,739,247**	**599,995**
Transfers into capital accounts				
Transfer of net profit for financial year	0	0	0	0
Transfer of specific equity revaluation adjustments	0	0	0	0
Other increases in capital accounts	0	31,111	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	33,221	(33,221)
Distribution of profit for appropriation to create other profit reserves pursuant to general meeting resolution	0	0	0	0
Other transfers of capital	0	0	0	0
Transfers from capital accounts				
Payment of dividends to shareholders and bonuses to members of management board and supervisory board	0	0	0	0
Losses on foreign exchange differences	0	0	0	0
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 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
Other increases in capital accounts	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 to create other profit reserves pursuant to general meeting resolution	0	0	0	0
Other transfers of capital	0	0	0	0
Transfers from capital accounts				
Payment of dividends pursuant to general meeting resolution in 2004	0	0	0	0
Payment of bonuses to supervisory board members in 2004 financial year	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**

Other profit reserves	Retained earnings	Undistributed current profit	General equity revaluation adjustment	Specific equity revaluation adjustments	Translation equity adjustment	Total equity
15,186,425	**2,860,310**	**2,686,767**	**19,190,518**	**0**	**(49,936)**	**67,755,012**
						0
0	0	6,002,512	0	0	0	6,002,512
0	0	0	0	85,830	0	85,830
0	0	0	0	0	0	31,111
3,025,786	0	(3,025,786)	0	0	0	0
0	0	0	0	0	0	0
1,970,074	(1,970,074)	0	0	0	0	0
0	2,636,831	(2,686,767)	0	0	(49,936)	0
0	(1,511,512)	0	0	0	0	(1,511,512)
0	0	0	0	0	(67,840)	(67,840)
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**

Qualifications of group personnel, including personnel at franchised service stations			
	31. 12. 04	31. 12. 03	Index 04/03
Level I	97	100	98
Level II	211	234	90
Level III	45	49	92
Level IV	959	965	99
Level V	1,083	1,137	95
Level VI	108	103	105
Level VII	249	234	106
Postgraduate qualifications	26	26	100
Total	**2,778**	**2,848**	**98**
*number of perssonel at franchised service stations	1,220	1,252	97

Disclosure of individual items in the financial statements of the Petrol Group

Note 01: Net sales revenues (Petrol Group)

SIT 000	2004	2003	Index 04/03
Goods	344,307,190	296,330,242	116
Services	8,042,200	7,187,911	112
Capitalised services	73,693	53,786	137
Total	**352,423,083**	**303,571,939**	**116**

The parent company generated 90.0% of the group's net sales revenues, the subsidiary Petrol Trgovina d.o.o. Zagreb generated 4.2%, and the subsidiary Petrol BH Oil Company d.o.o. generated 2.1%.

Note 2: Historical cost of merchandise sold, costs and other operating expenses (Petrol Group)

SIT 000	2004	2003	Index 04/03
Historical cost of merchandise sold and production costs of products	308,485,014	259,887,685	119
Materials	1,704,360	1,893,008	90
Services	19,696,469	18,601,126	106
Compensation	10,878,076	10,355,544	105
Amortisation and depreciation	6,450,016	6,199,729	104
Losses on disposals, impairment and write-offs of intan. and fixed assets	338,927	945,922	36
Write-downs of current assets	739,416	1,582,460	47
Other costs	2,488,838	658,919	378
Other operating expenses	190,922	462,456	41
Total costs	**350,972,038**	**300,586,849**	**117**

The parent company accounts for the largest proportion of the group's historical cost of merchandise sold (54.4%), followed by the subsidiaries Cypet Trade Ltd (27.4%) and Petrol-Trade HmbH (12.1%).The other subsidiaries accounted for the remaining 6.1% of the historical cost.

Revaluation operating expenses on fixed assets in the amount of SIT 338,927 thousand mostly relate to the parent company (SIT 319,026 thousand), and expenses in the sale of fixed assets of the subsidiary Petrol Trgovina d.o.o. Zagreb (SIT 14,349 thousand).

Other costs in the amount of SIT 2,488,838 thousand mostly relate to the parent company (SIT 2,281,781 thousand), while costs in the amount of SIT 87,662 thousand relate to the subsidiary Petrol BH Oil Company d.o.o.

Other operating expenses in the amount of SIT 190,922 thousand relate primarily to the subsidiary Petrol Energetika d.o.o. (SIT 101,705 thousand) and consist of provisions created for difficult long-term contracts signed for the supply and distribution of energy media and power owing to exposure to different types of risk and owing to the nature of the policy of safeguarding against risks in the supply of different types of energy.

Note 03: Finance income (Petrol Group)

SIT 000	2004	2003	Index 04/03
Finance income from participating interests			
Finance income from interests in joint ventures	0	307,460	-
Finance income from interests in affiliated companies	744,299	0	-
Other finance income from participating interests	859,180	1,259,037	68
Total	**1,603,479**	**1,566,497**	**102**
Finance income from non-current receivables (interest income)			
- from affiliated companies	32,432	33,108	98
- from others	59,105	71,002	83
Total	**91,537**	**104,110**	**88**
Finance income from non-current receivables (foreign exchange gains and others)			
- from affiliated companies	5,873	12,357	48
- from others	6,562	21,422	31
Total	**12,435**	**33,779**	**37**
Finance income from current receivables (interest income)			
- from joint ventures	144	0	-
- from affiliated companies	25	63	40
- from others	1,138,120	1,213,817	94
Total	**1,138,289**	**1,213,880**	**94**
Finance income from current receivables (foreign exchange gains and others)			
- from others	4,886,806	4,133,574	118
Total	**4,886,806**	**4,133,574**	**118**
Total	**7,732,546**	**7,051,840**	**110**

Note 04: Finance expenses (Petrol Group)

SIT 000	2004	2003	Index 04/03
Finance expenses from write-downs of investments			
Write-downs of investments in joint ventures	4,998	0	-
Other revaluation finance expenses	544,751	459,884	118
Total	**549,749**	**459,884**	**120**
Financial expenses for interest and other liabilities			
Other finance expenses for interest	1,206,223	1,121,586	108
Other finance expenses for exchange rate differences and others	4,739,702	3,970,383	119
Total	**5,945,925**	**5,091,969**	**117**
Total	**6,495,674**	**5,551,853**	**117**

Note 05: Extraordinary income (Petrol Group)

SIT 000	2004	2003	Index 04/03
Recovery of written-off receivables	100,150	25,352	395
Compensation received from insurers	40,954	18,114	226
Penalties received	0	15,994	-
Other unusual items	59,286	19,650	302
Total	**200,390**	**79,110**	**253**

Note 06: Extraordinary expenses (Petrol Group)

SIT 000	2004	2003	Index 04/03
Compensation paid	28,733	8,136	353
Fines	12,766	934	1,367
Other unusual items	5,165	1,767	292
Total	**46,664**	**10,837**	**431**

Note 7: Corporate income tax (Petrol Group)

SIT 000	2004	2003	Index 04/03
Income (in line with Corporate Income Tax Act)	333,085,840	292,107,644	114
Expenses (in line with Corporate Income Tax Act)	(324,825,340)	(286,286,091)	113
Primary taxable base	8,260,500	5,821,553	142
Increase in taxable base	241,238	685,724	35
Decrease in taxable base	(420,000)	(559,365)	75
Secondary taxable base	8,081,738	5,947,912	136
Tax reliefs	(3,529,475)	(4,601,423)	77
Tertiary taxable base	4,552,263	1,346,489	338
Petrol d.d.	1,138,066	336,622	338
Cypet-Oils Ltd and Cypet-Trade Ltd	27,702	42,044	66
Petrol-Trade HmbH	37,262	54,453	68
Petrol Tehnologija d.o.o.	1,647	8,263	20
Petrol Skladiščenje d.o.o.	3,017	79	3,819
Petrol Maloprodaja Slovenija d.o.o.	12,991	0	-
Petrol Gostinstvo d.o.o.	6,560	13,254	49
Petrol-Energetika Štore d.o.o.	0	14,571	-
Petrol BH Oil Company d.o.o.	20,303	0	-
Deferred tax	(34,542)	8,756	-
Total corporate income tax	**1,213,006**	**478,042**	**254**

In 2004 the Petrol Group declared receivables for deferred tax as a result of the elimination of unrealised profits in inventories in the amount of SIT 34,542 thousand.

Note 08: Intangible assets (Petrol Group)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Long-term deferred costs	199,372	234,740	85
Patents and licences	235,549	214,403	110
Other rights and other costs	1,679,273	1,618,693	104
Goodwill	0	5,426	-
Intangible assets in acquisition	7,314	33,075	22
Total	**2,121,508**	**2,106,337**	**101**

Statement of changes in intangible assets (Petrol Group)						
SIT 000	Long-term deferred costs	Patents and licences	Other rights and other costs	Goodwill	Intangible assets in acquisition process	Total
Historical cost						
Balance as at 1 January 2004	479,162	689,161	1,803,801	26,701	33,075	3,031,900
Acquisitions	0	11,860	45,125	0	548,582	605,567
Alienations	(5,435)	(149,407)	(323,246)	(26,701)	(56,985)	(561,774)
Transformations	32	105,356	444,364	0	(549,752)	0
Transfer between fixed assets and int. assets	0	0	0	0	26,461	26,461
Foreign exchange differences	0	1,774	276	0	5,934	7,984
Balance as at 31 December 2004	**473,759**	**658,743**	**1,970,321**	**0**	**7,314**	**3,110,138**
Adjustments to value						
Balance as at 1 January 2004	(244,422)	(474,758)	(185,107)	(21,275)	0	(925,562)
Amortisation	(30,970)	(77,183)	(105,955)	0	0	(214,108)
Alienations	1,005	130,465	0	21,275	0	152,745
Foreign exchange differences	0	(1,719)	15	0	0	(1,704)
Balance as at 31 December 2004	**(274,387)**	**(423,195)**	**(291,048)**	**0**	**0**	**(988,630)**
Net book value as at 31 December 2004	**199,372**	**235,549**	**1,679,273**	**0**	**7,314**	**2,121,508**
Net book value as at 1 January 2004	**234,740**	**214,403**	**1,618,693**	**5,426**	**33,075**	**2,106,337**

Of the total intangible assets of the Petrol Group, 52.3% are accounted for by the parent company, 19.8% by the subsidiary Petrol Trgovina d.o.o. Zagreb and 23.3% by the subsidiary Petrol Energetika d.o.o. Ravne.

Note 9: Fixed assets (Petrol Group)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Land	24,729,859	23,472,208	105
Civil engineering works	55,820,211	47,577,960	117
Plants and machinery	683,033	497,661	137
Other equipment	8,213,914	6,675,063	123
Investments underway and replacement parts	7,513,695	12,090,128	62
Advances for fixed assets	1,112,207	828,997	134
Total	**98,072,919**	**91,142,017**	**108**

Changes in fixed assets (Petrol Group)							
SIT 000	Land	Civil engineering works	Plants and machinery	Equipment	Fixed assets in acquisition	Advances for fixed assets	Total
Historical cost							
Balance as at 1 Jan. 2004	23,472,208	81,367,885	3,306,187	27,312,178	12,090,128	839,047	148,387,634
Acquisitions	2,519	285,040	291,164	959	15,020,268	782,943	16,382,893
Alienations	(857,362)	(2,463,474)	(19,695)	(2,053,066)	(1,194,006)	(509,570)	(7,097,173)
Transformations	2,089,230	12,534,985	0	3,786,601	(18,411,775)	0	(959)
Trans. between fix. assets and int. assets	0	0	0	0	(26,461)	0	(26,461)
Foreign exchange differences	23,264	46,587	0	13,271	35,542	9,838	128,501
Balance as at 31 Dec. 2004	**24,729,859**	**91,771,023**	**3,577,656**	**29,059,944**	**7,513,695**	**1,122,257**	**157,774,435**
Adjustments to value							
Balance as at 1 Jan. 2004	0	(33,789,925)	(2,808,526)	(20,637,115)	0	(10,050)	(57,245,616)
Depreciation	0	(3,940,093)	(108,670)	(2,215,166)	0	0	(6,263,929)
Depreciation (impairments)	0	28,011	0	10	0	0	28,021
Alienations	0	1,755,846	19,691	2,007,208	0	0	3,782,745
Transformations	0	(2,882)	2,882	0	0	0	0
Foreign exchange differences	0	(1,769)	0	(967)	0	0	(2,736)
Balance as at 31 Dec. 2004	**0**	**(35,950,812)**	**(2,894,623)**	**(20,846,030)**	**0**	**(10,050)**	**(59,701,515)**
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**
Net book value as at 1 January 2004	**23,472,208**	**47,577,960**	**497,661**	**6,675,063**	**12,090,128**	**828,997**	**91,142,017**

Of the Petrol Group's fixed assets, 78.2% are accounted for by the parent company, 7.5% by the subsidiary Petrol BH Oil Company Sarajevo, 5.7% by the subsidiary Petrol Trgovina d.o.o. Zagreb and 3.4% by the subsidiary Petrol Plin d.o.o.

Note 10: Non-current investments (Petrol Group)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Investments in participating interests (affiliated companies)	12,255,593	567,624	2,159
Investments in participating interests (joint ventures)	3,420,792	3,299,365	104
Investments in shares and participating interests (other companies)	1,638,000	3,528,917	46
Non-currrent financial receivables from affiliated companies	461,251	455,378	101
Non-currrent financial receivables from others	1,054,444	347,678	303
Investments in repurchased treasury shares	664,662	566,774	117
Total	**19,494,742**	**8,765,736**	**222**

Note 11: Inventories (Petrol Group)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Raw material and materials	297,904	337,270	88
Merchandise	16,888,722	12,188,181	139
Total	**17,186,626**	**12,525,451**	**137**

Inventories	Material	Finished goods	Total
Net realisable value	299,545	17,005,884	17,305,429
Surplus in physical inventory	258	199,567	199,825
Deficit in physical inventory	10	563,326	563,336
Write-downs of inventories	9,697	7,789	17,486
Inventories pledged as collateral	0	0	0

Note 12: Non-current trade receivables (Petrol Group)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Non-current trade receivables from customers	13,043	12,856	101
Non-current trade receivables from joint ventures	341,970	0	-
Non-current trade receivables from others	244,900	342,427	72
Total	**599,913**	**355,283**	**169**

The group's non-current trade receivables in the amount of SIT 599,913 thousand mostly consist of the parent company's non-current trade receivables in the amount of SIT 567,921 thousand.

Note 13: Current trade receivables (Petrol Group)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Current trade receivables from customers	26,812,529	20,871,295	128
Current trade receivables from affiliated companies	50,976	38,830	131
Current trade receivables from joint ventures	372	0	-
Other current trade receivables	11,746,558	8,548,378	137
• from government and other institutions	3,951,015	2,319,129	170
• warranties and advances	159,709	82,363	194
• other current receivables	7,635,834	6,146,871	124
• other current receivables from affiliated companies	0	15	-
Total	**38,610,435**	**29,458,503**	**131**

Current trade receivables (Petrol Group)						
			In terms of due date:			
SIT 000	not overdue	up to 30 days overdue	31 to 60 days overdue	61 to 90 days overdue	more than 90 days overdue	Total
Current trade receivables from customers	20,570,140	4,026,637	1,045,398	117,578	1,052,776	26,812,529
Current trade receivables from affiliated companies	50,976	0	0	0	0	50,976
Current trade receivables from joint ventures	372	0	0	0	0	372
Current trade receivables from imports for others	0	0	0	0	0	0
Other current trade receivables	11,078,107	388,991	110,310	53,529	115,621	11,746,558
Other current trade receivables from affiliated comp.	0	0	0	0	0	0
Total	**31,699,595**	**4,415,628**	**1,155,708**	**171,107**	**1,168,397**	**38,610,435**

Note 14: Current investments (Petrol Group)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Short-term loans made to other companies	4,021,316	2,983,009	135
Bank deposits	35,947	4,857,274	1
Total	**4,057,263**	**7,840,283**	**52**

Short-term loans made to other companies in the amount of SIT 4,021,316 thousand primarily relate to the parent company in the amount of SIT 3,568,969 thousand, which accounts for 88.8% of all short-term loans made to other companies. Petrol Trgovina d.o.o. Zagreb accounts for 11.1%, or SIT 448,487 thousand.

The majority of the group's deposits placed with banks in the amount of SIT 35,947 thousand are accounted for by the parent company's bank deposits (SIT 33,947 thousand).

Note 15: Deferred expenses and accrued revenues (Petrol Group)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Short-term deferred costs and expenses	225,106	96,917	232
Accrued revenues			
• interest	0	221,631	-
• others	98,974	18,077	548
Total	**324,080**	**336,625**	**96**

Accrued revenues in the amount of SIT 98,974 thousand consist of revenues accrued by the parent company.

Short-term deferred costs and expenses in the amount of SIT 225,106 thousand consist primarily of the short-term deferred costs and expenses of the parent company in the amount of SIT 192,380 thousand (85.5%), and those of Petrol Energetika d.o.o. in the amount of SIT 11,844 thousand (5.3%).

Note 16: Changes in equity (Petrol Group)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Called-up capital	12,517,806	12,517,806	100
Capital reserves	96,478	54,991	175
Other profit reserves	39,602,794	35,521,528	111
Retained earnings	2,757,976	2,015,555	137
Undistributed current profit	3,715,818	2,976,726	125
General equity revaluation adjustments	19,190,518	19,190,518	100
Specific equity revaluation adjustments	1,725,152	85,830	2,010
Translation equity adjustment	(119,334)	(67,840)	176
Total equity less minority interests	**79,487,208**	**72,295,114**	**110**
Minority interests	25,122	185,213	14
Total equity	**79,512,330**	**72,480,327**	**110**

Statement of changes in equity (Petrol Group)			
SIT 000	2004	2003	Index 04/03
Balance as at 1 January	**72,295,114**	**67,755,012**	**107**
Dividend payments	(1,441,997)	(1,440,552)	100
Profit sharing for management board and supervisory board	(61,057)	(70,959)	86
Other increases to capital	41,487	31,111	133
Effects of treasury share transactions	119,523	0	-
Specific equity revaluation adjustments	1,639,322	85,830	1,910
Translation equity adjustment	(51,494)	(67,840)	76
Net profit for the year	6,946,310	6,002,512	116
Balance as at 31 December	**79,487,208**	**72,295,114**	**110**

Note 17: Provisions (Petrol Group)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Provisions for pensions and similar liabilities	32,125	29,112	110
Provisions for tax liabilities	0	13,633	-
Other provisions	7,093,796	9,096,103	78
• provisions for major repairs	637,366	2,037,366	31
• provisions for environmental assets	6,335,347	6,818,430	93
• provisions for assets acquired free of charge	19,378	20,290	96
• other provisions	101,705	220,017	46
Total	**7,125,921**	**9,138,848**	**78**

The group's other provisions mostly consist of the parent company's provisions in the amount of SIT 6,992,091 thousand (98% of the total).

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. 04	31. 12. 03	Index 04/03
Non-current financial liabilities to banks	24,437,201	22,613,656	108
Others	3,196,574	986,210	324
Total non-current financial liabilities	**27,633,775**	**23,599,866**	**117**

The balance of loans received from banks stood at SIT 24,437,201 thousand as at 31 December 2004. The majority in the amount of SIT 23,183,368 thousand (or 94.9%) consists of borrowing by the parent company, with the remainder of SIT 1,253,833 thousand (or 5.1%) relating to the subsidiary Petrol Trgovina d.o.o. Zagreb.

Other non-current financial liabilities in the amount of SIT 3,196,574 thousand consist of the non-current financial liabilities of the parent company.

Note 19: Non-current trade payables (Petrol Group)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Non-current trade payables to others	434,942	18,743	2,321
Total	**434,942**	**18,743**	**2,321**

Non-current trade payables in the amount of SIT 434,942 thousand relate to the non-current trade payables of the parent company in the amount of SIT 350,714 thousand (or 80.6%) and to the non-current trade payables of the subsidiary Petrol Plin d.o.o. in the amount of SIT 84,228 thousand (or 19.4%), which consist of non-current trade payables arising from assets taken into management to the municipality of Rogatec (SIT 61,369 thousand) and to the municipality of Vodice (SIT 22,859 thousand).

Note 20: Current financial liabilities (Petrol Group)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Current financial liabilities to banks	14,332,686	12,546,087	114
Current financial liabilities to others	4,302,696	353,277	1,218
Total	**18,635,382**	**12,899,364**	**144**

Current financial liabilities to banks in the amount of SIT 14,332,686 thousand mostly consist of the parent company's current financial liabilities to banks in the amount of SIT 10,376,958 thousand, with the subsidiary Cypet Trade Ltd accounting for SIT 2,690,521 thousand and the subsidiary Petrol-Trade HmbH accounting for SIT 909,105 thousand.

Other current financial liabilities primarily consist of the parent company's liabilities in the amount of SIT 4,245,798 thousand (or 98.7%).

Note 21: Current trade payables (Petrol Group)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Current trade payables to joint ventures	138,089	132,202	104
Current trade payables to affiliated companies	88,506	0	-
Current trade payables for advances received	75,863	57,024	133
Current trade payables to suppliers	26,485,167	19,367,634	137
Current trade payables to others	18,991,748	14,915,473	127
• from transactions for others	11,241	0	-
• to employees	929,011	790,840	117
• to government and other institutions	17,422,175	13,628,757	128
• others	629,321	495,876	127
Total	**45,779,373**	**34,472,333**	**133**

Liabilities to government institutions in the amount of SIT 17,442,175 thousand primarily consist of the parent company's liabilities to government institutions in the amount of SIT 16,460,241 thousand (or 94.5%).

Note 22: Accrued expenses and deferred revenues (Petrol Group)

SIT 000	31. 12. 04	31. 12. 03	Index 04/03
Accrued costs and expenses	3,455,011	1,580,612	219
Short-term deferred revenues	42,525	133,196	32
Total	**3,497,536**	**1,713,808**	**204**

Short-term accrued costs and expenses in the amount of SIT 3,455,011 thousand consist primarily of the short-term accrued costs and expenses of the parent company in the amount of SIT 3,240,115 thousand (or 93.83%).

Short-term deferred revenues in the amount of SIT 42,525 thousand primarily consist of the short-term deferred revenues of the subsidiary Petrol Energetika d.o.o. in the amount of SIT 42,071 thousand (or 98.9%), which relate to heat already invoiced but actually to be supplied in 2005.

Note 23: Earnings of members of management board and supervisory board, and of employees on individual contracts (Petrol Group)

Earnings of supervisory board members				
SIT 000	Session fees	Profit-sharing	Other earnings	Total
Miran Mejak, president of supervisory board*	723	8,488	3,114	12,325
Uroš Slavinec, member of supervisory board	413	4,244	0	4,657
Irena Starman, member of supervisory board	516	4,244	0	4,760
Stanislav Valant, member of supervisory board	568	4,244	0	4,812
Milan M. Cvikl, member of supervisory board	323	4,244	0	4,567
Jože Stanič, member of supervisory board	516	4,244	0	4,760
Ciril Pirš, deputy-president of supervisory board, employee repres.	498	4,244	0	4,742
Andrej Medved, employee representative	563	4,244	0	4,807
Miran Obreza, employee representative	387	4,244	0	4,631
Tomaž Jamnik, employee representative	848	4,244	0	5,092
Nina Potisek, employee representative	1,231	4,244	0	5,475
Silvan Simčič, employee representative	1,130	4,244	0	5,374
Total	**7,716**	**55,174**	**3,114**	**66,004**

*other incomes of the president of the SB are 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
Janez Lotrič, president of management board*	47,114	27,192	5,326	79,632
Marija Lah, member of management board*	35,931	14,804	1,626	52,361
Vladimir Jančič, member of management board*	33,038	8,135	4,361	45,534
Bojan Herman, director / employee representative	15,641	5,396	5	21,042
Total	**131,724**	**55,527**	**11,318**	**198,569**

*other earnings refer to company benefit value

A special right pertaining to members of the management board that was not exercised in 2004 was severance pay.

The total earnings and emoluments paid in 2004 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 1,841,714 thousand.

The total earnings paid to members of the workers' council in 2004 amounted to SIT 1,101 thousand.

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