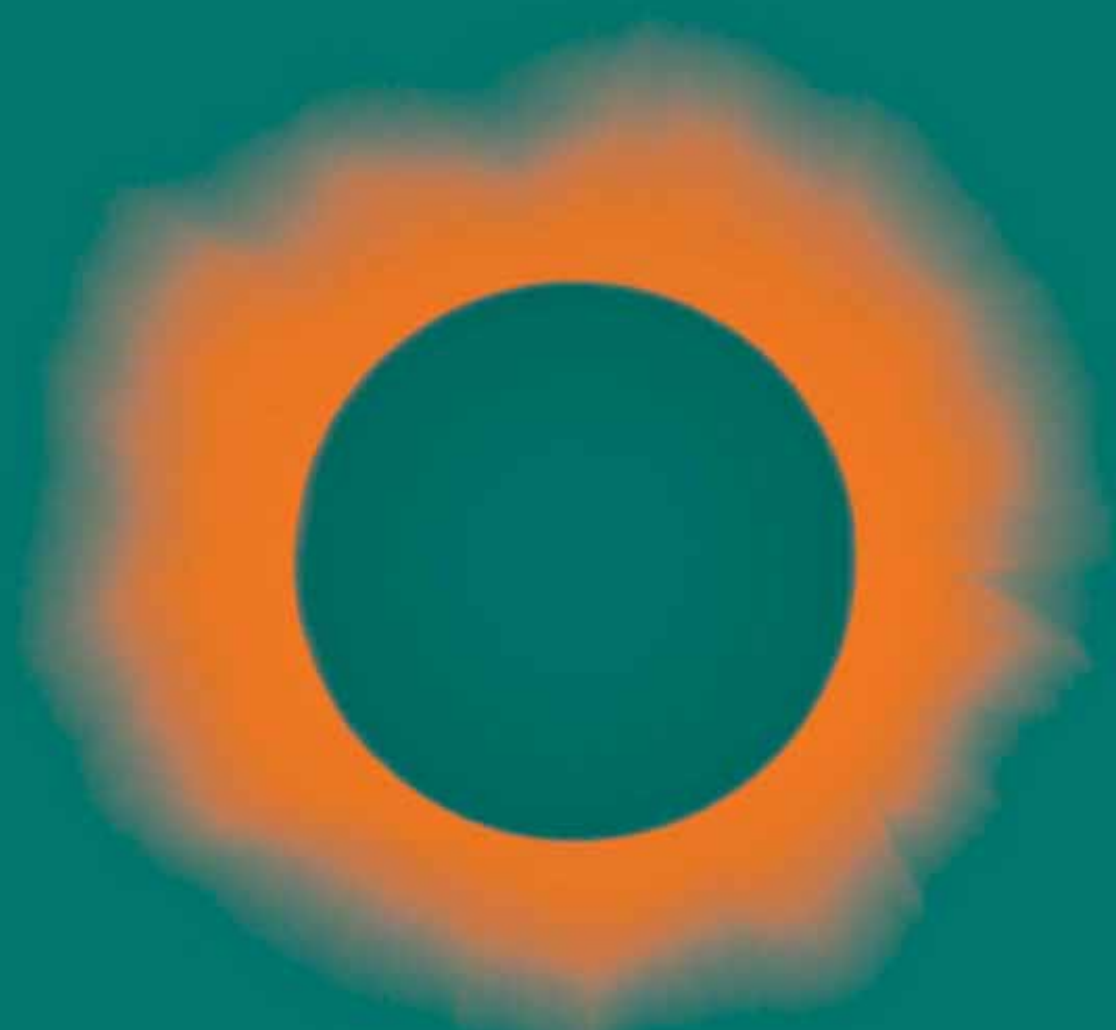


**PETROL**

# Eco 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 business

The marketing of petroleum remains core business of the Petrol Group. Our main competitive advantage is the network of 343 service stations in Slovenia and abroad. In 2004, we sold two million tons of petroleum products and 41 billion tolar worth of consumer goods.

## Strategic priorities

The core business of our development activities is the introduction of new energy services, including the marketing of gas, heating and electrical energy, as well as the management of major environmental projects and, in the long-term, the marketing of renewable resources. In 2004, we sold 37 thousand tons of liquefied petroleum gas, 23 thousand tons of natural gas, 292 thousand MWh of electricity and 58 thousand MWh of heating energy. We also managed 19 concessions for gas and two concessions for wastewater treatment.

## Business principles

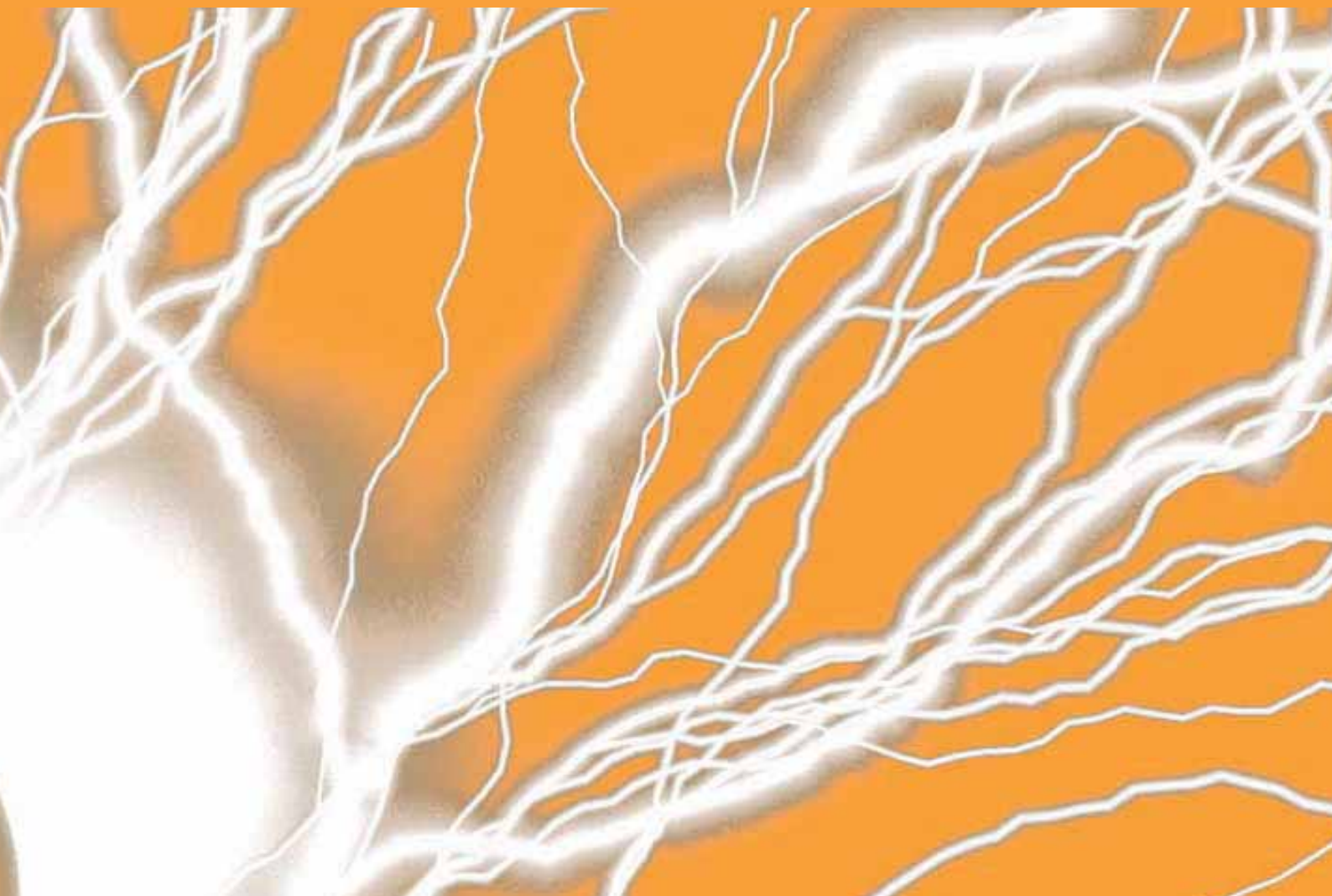
Petrol's integrated method of conducting operations is designed to cultivate business excellence. It is based on knowledge of and respect for current market demands in the area of services, information technology and environmental protection.

## Vision

Petrol is looking beyond its borders and has been transforming itself from the largest oil company in Slovenia into one of the leading providers of energy and environmental services. Our clear strategic goals and development priorities influence not only the Slovene energy market but that of South-Eastern Europe as well.



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# Sustainable development - a business advantage and opportunity

The concept of sustainable development as we know it today seems relatively new but the dilemmas it solves have been around for decades. The fact that large global corporations have huge experience in environmental management points at an exceptionally complex and demanding system of environmental standards and regulations developed in the West over the last twenty years.

More relevant to recent times, however, is the quest for a method which guarantees that the environmental component is taken into account in ensuring a balanced economic development and the establishment of a new global economic and social order.



## Relevance of sustainable development

It is, therefore, logical that Europe pays special attention to environmental and social issues. The European Union's strategic goal to become the most dynamic, competitive, environmental and knowledge-based economy in the world, stands on three pillars: economic, social and environmental. Europe's environmental goals, which are considered as one of the key areas of future economic development, are related to climatic changes, protection of wildlife and the habitat, health in relation to the environment, the protection of natural resources and waste disposal.

Slovenia's development strategy up to 2006 also emphasises sustainable development, meaning that Slovenia's key development goals will in future be directed towards a balanced and comprehensive development of economic, environmental and social processes. Slovenia has already defined the priority goals in its national programme on environmental protection, which include the improvement of water quality, the implementation of modern methods of waste management, and the preservation of biological diversity.

## The increasing role of energy management

Under such circumstances, the role of energy management is being enhanced and is becoming the driving force behind the economic competitiveness and balanced sustainable development of each individual country. The challenge has had a significant impact on Petrol's development model, which is closely related to environmental, social and economic requirements. For Petrol, the substance of discussions on sustainable development reflects



the future framework for development as it covers several areas, from labour relations and environmental ethics to relations with the wider social environment. Our business therefore demands an expansive overview of the trends and goings-on in the wider business community as this prepares us for the challenges ahead.

### Sustainable development as an advantage

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Although, at first glance, it might not seem significant, the attention the general public pays to the adherence to the principles of sustainable development can represent an advantage and opportunity for the Petrol Group. Why? Because the attitude displayed by Petrol in its operations is what the general public demands from all companies. The flawless course of every stage of fuel distribution is firmly established and not something recent. Our facilities are technically flawless and we have state-of-the-art systems and equipment. We encourage the use of environmentally-friendly products, services and technologies. We monitor and implement new technological and environmental solutions. We have the knowledge and experience which have taught us that operating in the long-term means acting responsibly, deliberately and fairly.

On the other hand, new environmental, social and economic demands can also mean significant development and a different way of thinking. Constructive dialogue between professionals and individual business, social, financial and other specialised areas, which are by definition diametrically opposed, is becoming a necessity. This is the only way of finding new and better solutions and generate progress in the company and its environment.

### A big opportunity for Petrol

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It is in this that the Petrol Group sees its business opportunity. Our primary development field, which includes the introduction of energy and environmental concepts, is inseparable from environmental issues. This involves cooperation in priority environmental investments, the establishment of an appropriate infrastructure, participation in development, the encouragement of the use of renewable energy resources, and participation in the introduction of new, environmentally-friendly technological processes. Petrol has been building a gas pipeline infrastructure, constructing wastewater treatment plants, planning long-term solutions for disposal of waste, and developing cogeneration projects.

We are aware that investing in environmentally-friendly projects is financially very demanding and long-term, and that they can only be undertaken by large financially solid companies. We are therefore pursuing different forms of investment in environmental projects, including new opportunities for injecting private capital into national programmes. In this way, we participate in developing Slovenia's environmental future and assuming our share of responsibilities.

### Caring for Slovenia's environmental future

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Considering that we supply Slovenia with almost three-quarters of its need for petroleum products, our environmental efforts in 2004 were directed primarily at decreasing the emission of harmful substances. The introduction of diesel containing five percent biodiesel helped us towards this end. Biodiesel was introduced at our sale's points in July 2004, six months before the deadlines prescribed by the EU directive.



We encouraged the efficient use of natural resources by participating in the national projects to promote the rational use of energy. We are breaking the ice in this field as well by funding and implementing a comprehensive energy project that enables the optimal exploitation and management of energy complexes and, consequently, significant savings in energy consumption.

We have also guaranteed greater transparency and functionality in the field of standardisation. Existing business and technical standards in terms of quality management, environmental management as well as health and safety-at-work have been combined to form a single system which was implemented in 2004 throughout the Petrol Group. An integral part of the standardisation includes management of key investments, risk management, relations with partners and planning and monitoring costs and sales, and in compliance with environmental rules.

### Partner to the state and economy

Our tradition, references and knowledge in environmental protection makes the Petrol Group one of the most important partners of the state and the economy. In 2004, we enhanced our cooperation with state, scientific and research institutions, and encouraged adherence to demanding environmental requirements in our employees and partners and informed them of our regarding sustainable development orientation.

I can therefore say with full accountability that the Petrol Group contributes to the development of a dynamic, competitive, environmental and knowledge-based economy. We are introducing new methods of managing traditional energy products, and encouraging environmentally-friendly energy re-

sources and the development of friendlier methods for their exploitation. We support projects that enhance social coexistence and projects for the development of people-friendly and environmentally-friendly technologies.

### Responsibly, deliberately, fairly

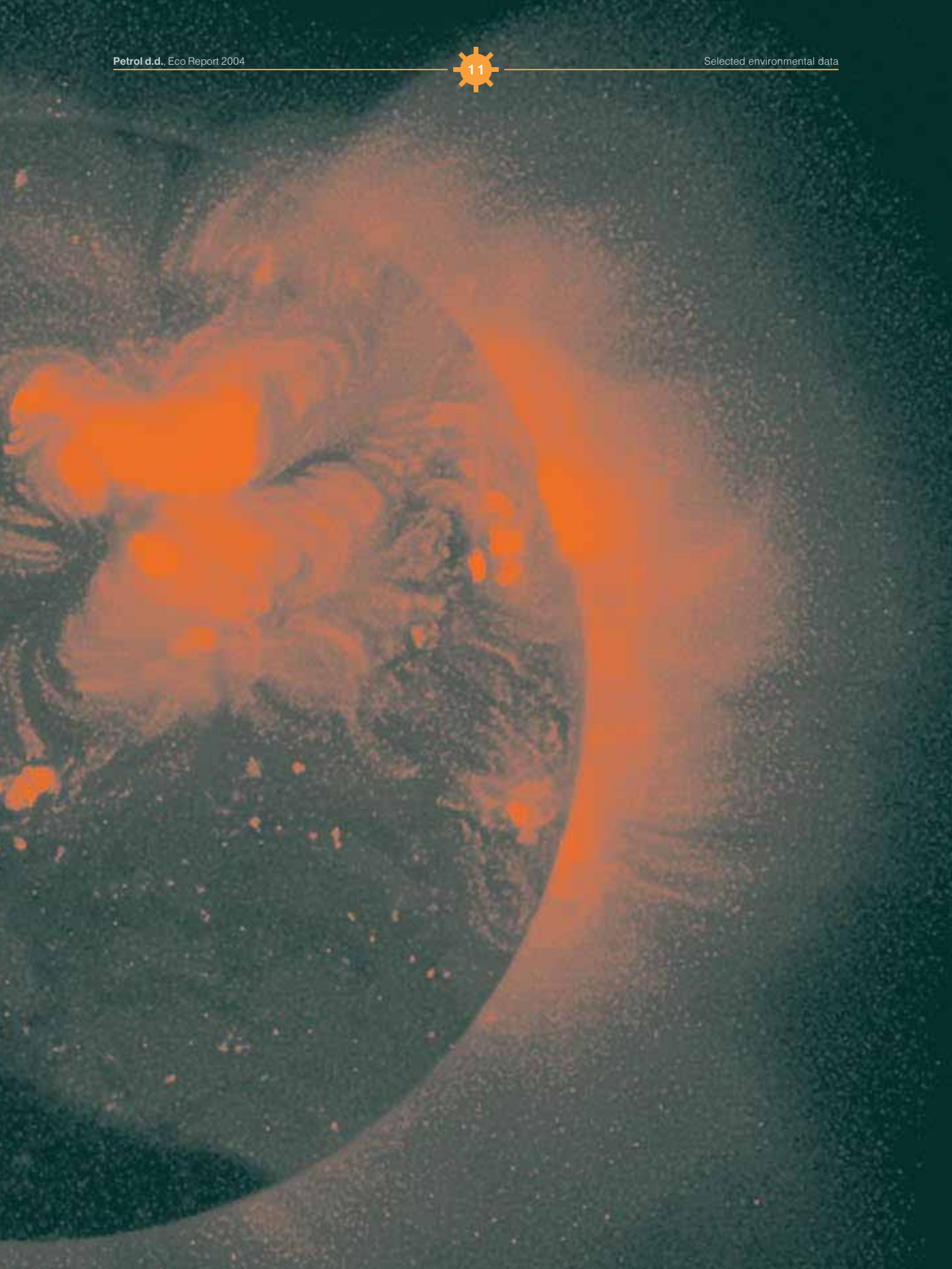
the Petrol Group operates in a responsible, deliberate and fair manner. I am convinced that this has won the trust of our employees, shareholders and users, as well as all those on which it depends. This is proven in the title of "environmentally-friendly company", which we were awarded by the magazine *Gospodarski vestnik* in 2003. It is also confirmed by the prestigious recognition for business excellence, awarded to the Petrol Group by the Republic of Slovenia in 2004.

**Janez Lotrič,**  
President of the Management Board

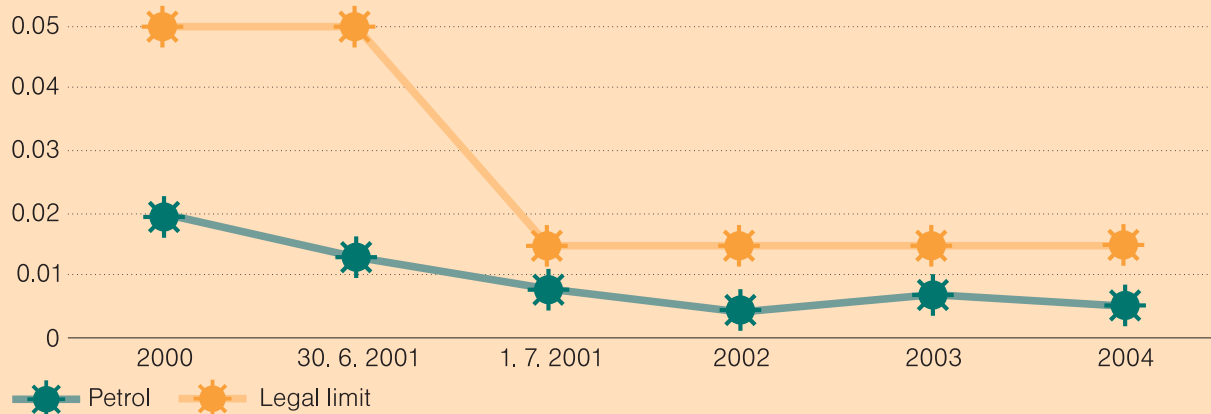


# Selected environmental data

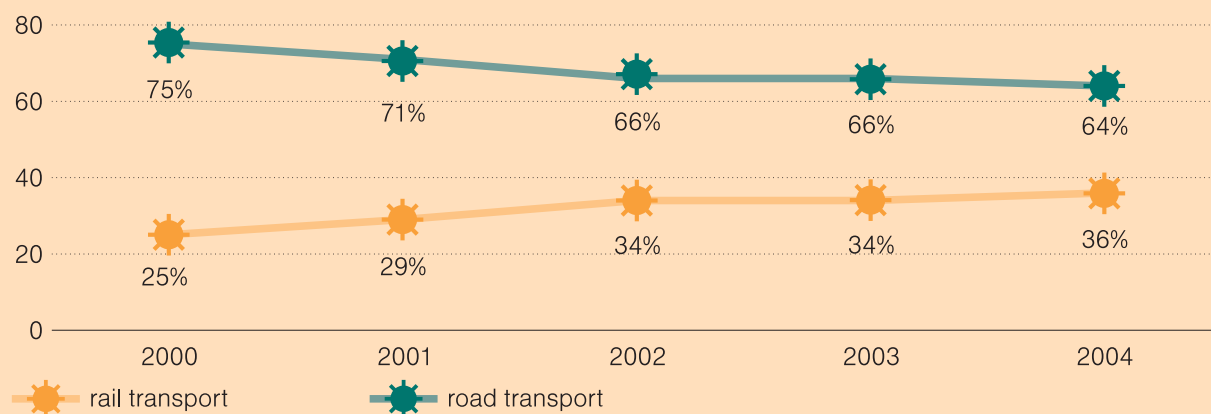




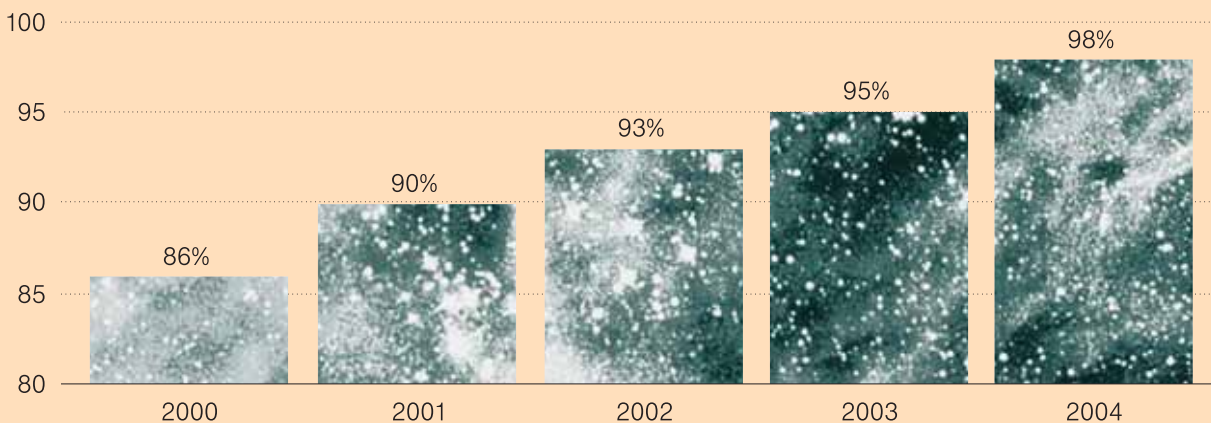
**Average sulphur content in 95-octane gasoline, the highest selling motor fuel  
(in % m/m)**



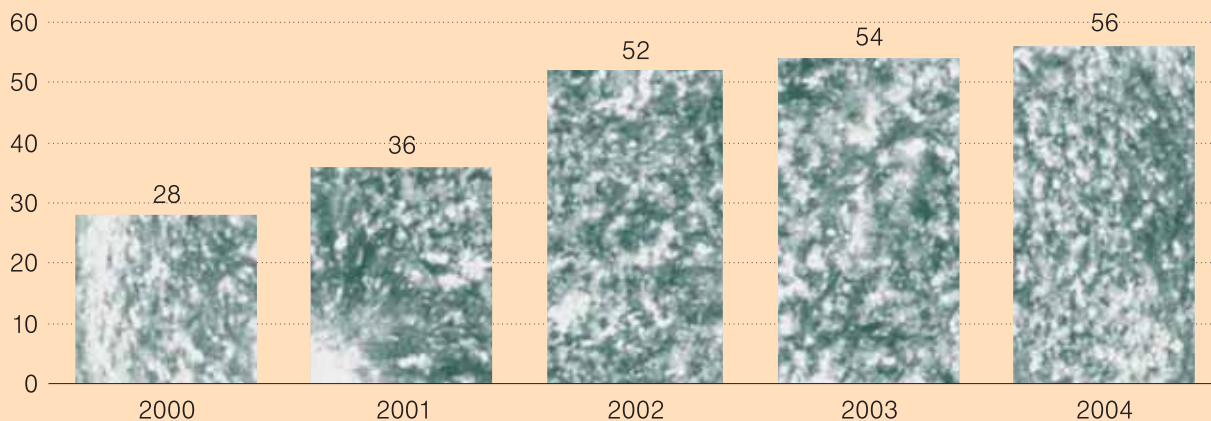
**The proportion of petroleum products being transported by railway and road  
(2000–2004)**



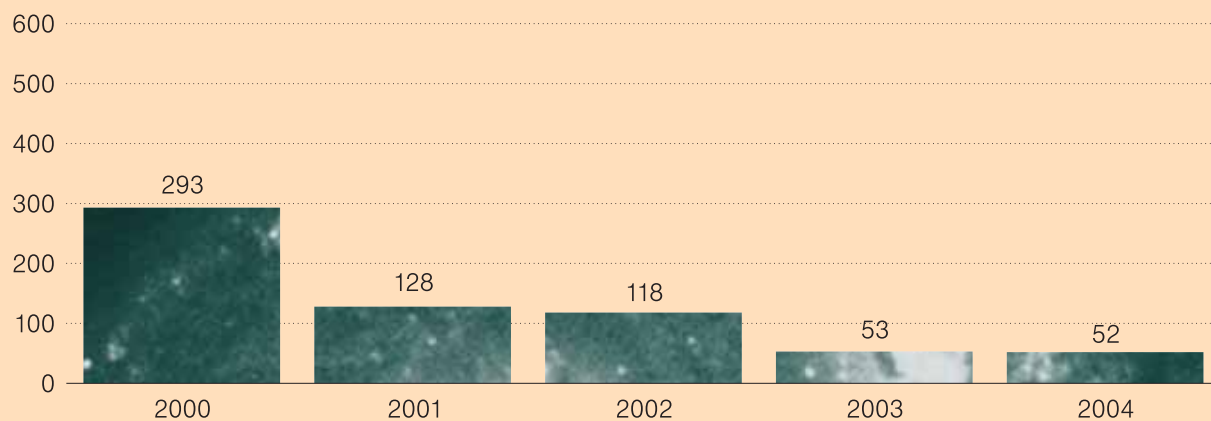
**The increase in the percentage of service stations equipped with double-wall fuel reservoirs  
(2000–2004)**



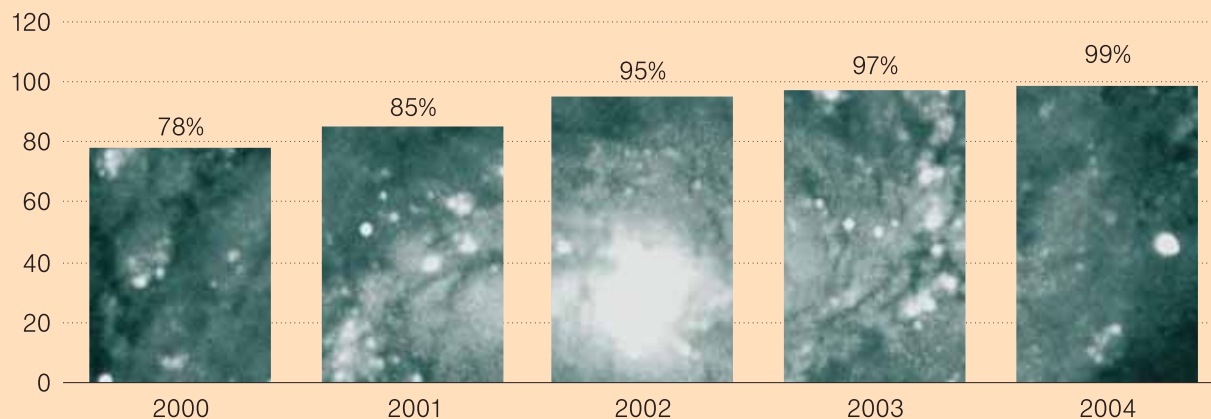
**The increase in the number of Petrol service stations that because of inadequate local sewage networks have been installed with wastewater treatment plants (2000–2004)**



**Reduction in the quantities of assorted municipal waste following the introduction of separate collection of discarded packaging at service stations (2002–2004, in tons)**



**The increase in the percentage of service stations and underground reservoirs equipped with vapour recovery systems (2000–2004)**



# Environmental principles



The Petrol Group respects the principles of sustainable development. Environmentally respectful and economically sound management system. We operate in accordance with the most demanding environmental standards.







### **The Petrol Group operates in accordance with the most demanding environmental standards.**

Petrol's environmental management system, which conforms to the ISO 14001 standard, is an integral part of Petrol's strategic development plan. All levels of management and all operating sectors are committed to principles of Petrol's environmental protection program.

All employees at the Petrol Group are committed to the fulfilment of the demanding principles and goals that have been defined in this area, and the management of the company ensures that they are implemented consistently.

### **Environmentally respectful and economically sound management system.**

We strive to reduce the emission of harmful substances to the lowest possible level.

We strive to use natural resources in a sustainable and economically sound manner.

We strive to prevent all accidents and to reduce the probability of accidents occurring.

We invest resources into new environmental projects which constantly reduce negative influences on the environment.

### **The Petrol Group respects the principles of sustainable development.**

The Petrol Group respects all laws and regulations. We are enhancing our cooperation with governmental, scientific, research and other institutions.

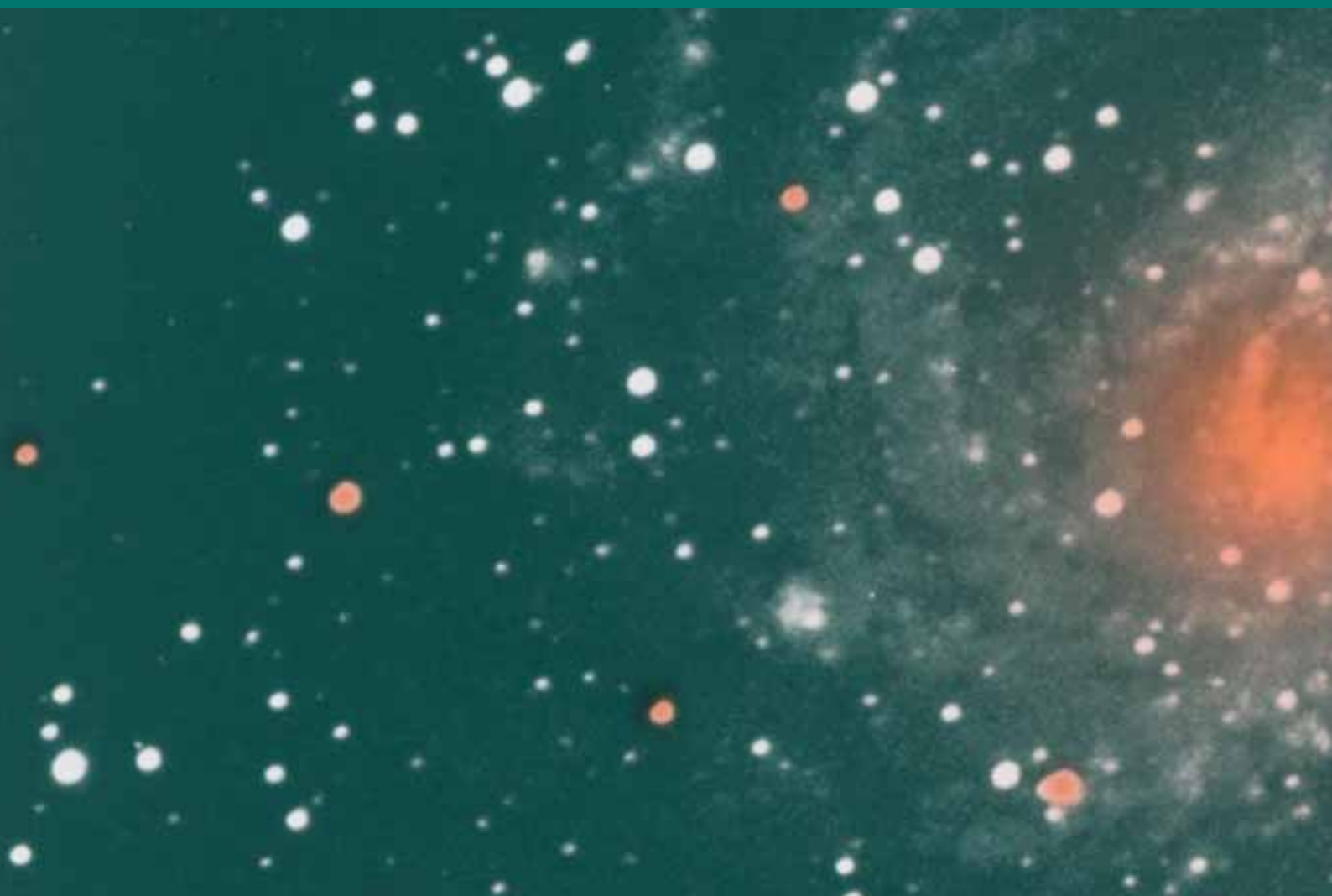
We regularly inform and train all employees about our environmental policy and our business and ethical principles and guidelines for sustainable development. We also provide this information to our suppliers, contractors of various services and other business partners. We provide intensive training and education to all Petrol employees, but especially to those who, because of their specific job, have a potentially substantial impact on the environment.

We develop processes, products and services that are friendly to the environment. We also keep our customers informed about the proper use of our products.

We ensure professional, controlled, safe and environmentally-friendly disposal of all hazardous waste.

We are continuously improving our environmental management system.

# Environmental goals

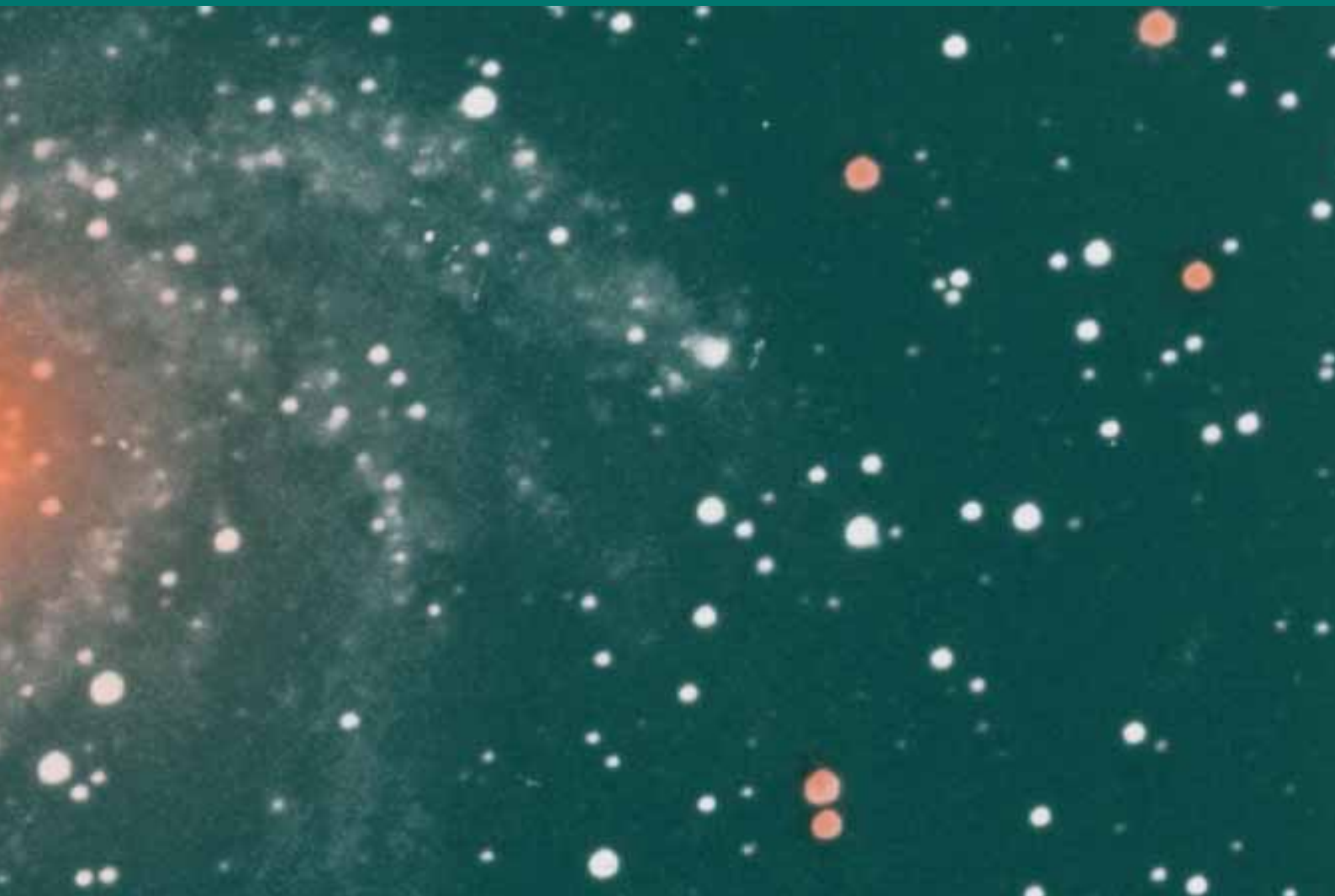


The Petrol Group works to reduce the emissions of highly volatile organic compounds to the air. Our wastewater will not harm the environment.

We are reducing the possibility of fuel spills.

We provide for professional waste management.

We are raising the environmental awareness of our employees and business partners.





### **Reduction of emissions of highly volatile organic compounds to the air.**

All of the underground fuel reservoirs at our service stations and storage facilities are equipped with closed bottom-loading systems.

We continue to introduce this technology to all of our aboveground fuel reservoirs that prevents the emission of any vapours by more than 95%.

We are introducing closed bottom-loading systems on all of our road tankers and tank car loading installations, and modernising all our railway loading systems.

We are introducing environmentally-friendly fuel delivery systems that provide for the vapours return at all Petrol service stations.

### **Our wastewater will not harm the environment.**

We are introducing oil and water separators that comply to EN 858-1 standards at all Petrol buildings and facilities.

We are introducing biological wastewater treatment plants at all Petrol buildings and facilities where such equipment is needed.

We are installing state-of-the-art systems and wastewater treatment technology at all Petrol car washes. We are introducing the concept of using recycled rainwater for the washing of cars and other vehicles.

We are ensuring the quality of wastewater to the degree that such wastewater can be safely released into nature, underground streams or municipal sewage network.

### **We are minimizing the possibility of fuel spills.**

All remaining single-wall underground reservoirs at Petrol facilities are being replaced with double-wall reservoirs.

We are equipping all of our underground fuel reservoirs and pipelines with the most advanced control, leak-proof protection and safety systems.

### **We provide for professional waste management.**

We are gradually reducing the quantity of discarded fuels.

We will continue to separate and collect hazardous and municipal waste and also introduce an integrated system for separate collection of waste packaging.

### **We are raising the environmental awareness of our employees and business partners.**

We are continually working to increase the environmental awareness and knowledge of our employees, transporters, large suppliers and consumers.

We demand that our business partners respect the environmental standards. For this reason, we regularly inform them of all of the activities and innovations that Petrol is introducing in the area of environmental protection.

# The quality of air





Our concern for air quality is demonstrated in our many efforts to reduce the emission of highly volatile hydrocarbons.

To a great degree, the emission of hydrocarbons is a consequence of transportation methods, of the imperfect combustion in automobile engines and also of the vaporisation that takes place during the pumping and storing of fuels.

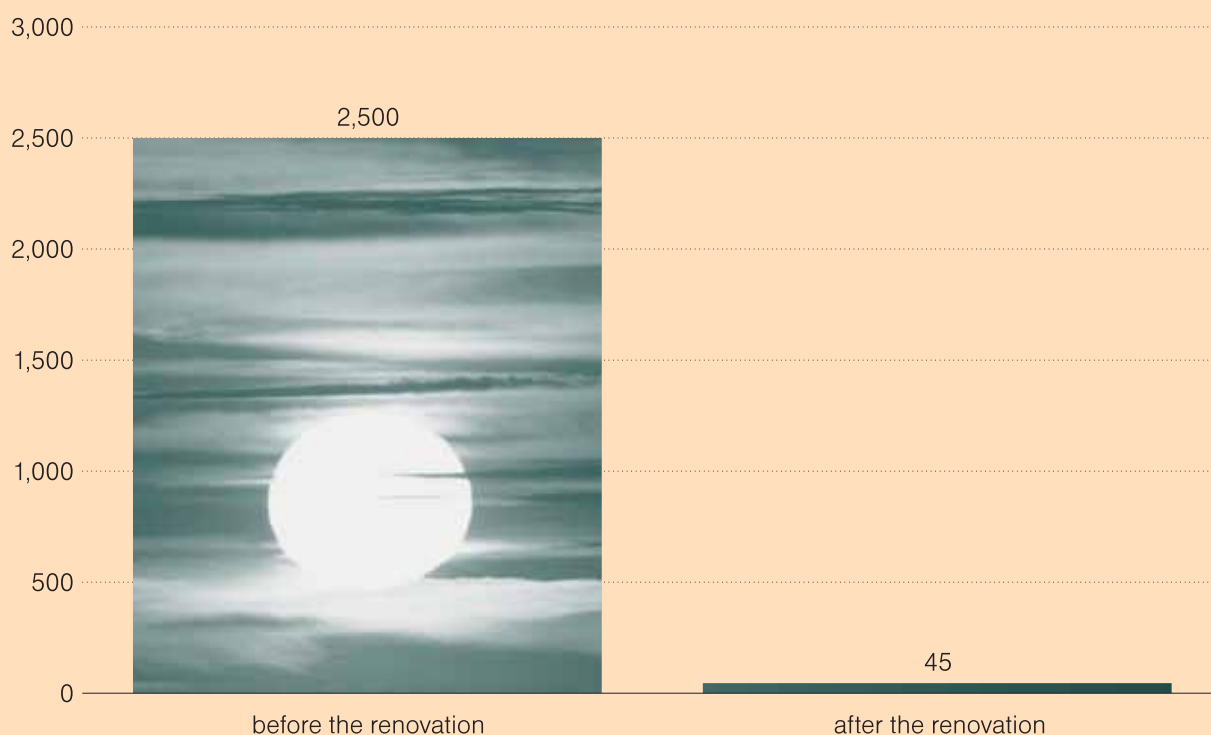
We are systematically pursuing the reduction of emissions in three key elements of the oil distribution chain: storage, transportation and point of sale.

### Continual modernisation of underground fuel reservoirs

Regular maintenance and modernisation ensures that our fuel reservoirs remain technically flawless and that their impact on the environment is reduced to a minimum. We entirely modernised the central depot for liquid fuels in Zalog by the end of 2002, and completed the first phase of renovation of the underground fuel reservoirs at the Rače and Sermin storage facilities by the end of 2004. This resulted in the reduction of vapour emissions by more than 95 percent.

The emission of hydrocarbons from aboveground storage tanks is nearly impossible, as all renovated reservoirs are equipped with internal floating membranes and fixed self-standing aluminium roofs. The walls of the fuel reservoirs are painted with white reflective paint preventing the overheating of fuel and thus reducing emissions. In addition, all three depots - Zalog, Rače and Sermin - are equipped with vapour recovery units (VRU equipment).

Annual emissions of volatile organic compounds before and after the renovation of the Zalog fuel depot (in tons)



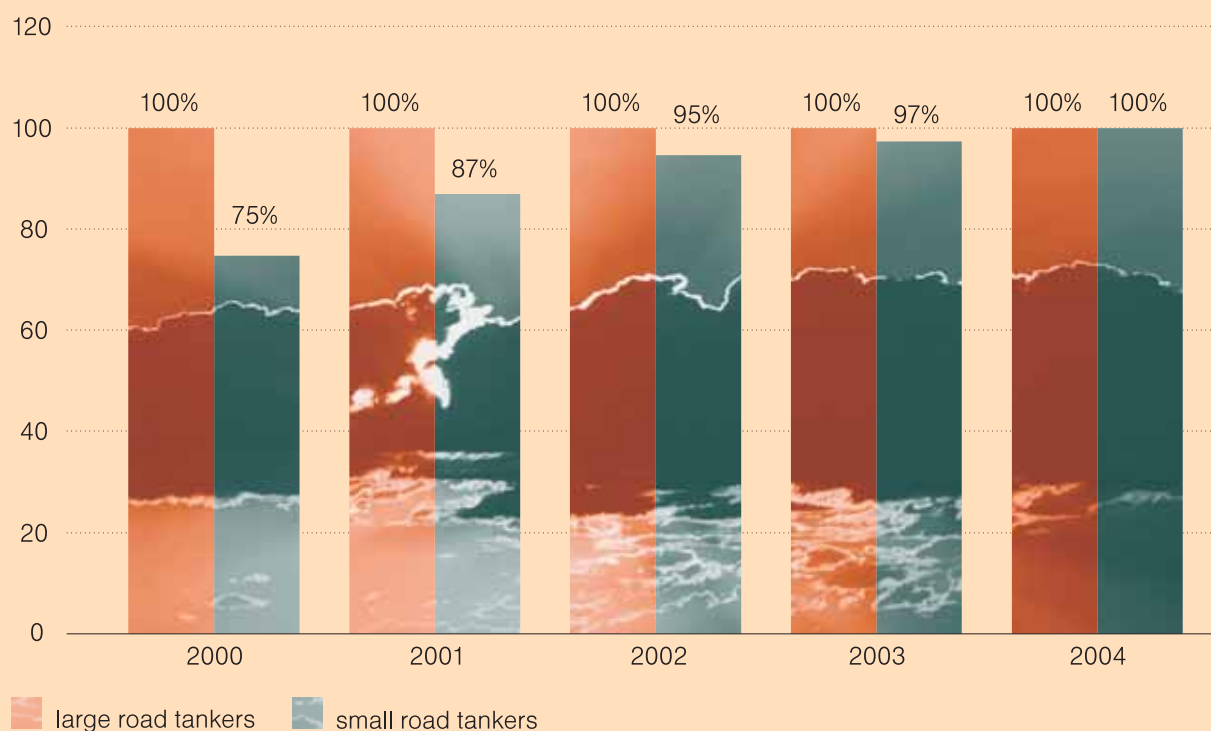
## Consistent use of technically flawless road tankers

In 1997, Petrol began to install closed bottom-loading systems on road tanker fleet to ensure vapour recovery. These systems cause fumes that would otherwise pass into the environment to be liquefied and returned to the reservoir.

All larger road tankers with which Petrol's contractual business partners distribute fuel were adapted in 2000 for closed bottom-loading systems. By the end of 2002, a good portion of the smaller vehicles that generally transport heating oil, which is much less volatile, were similarly adapted.

In 2004, all road tankers in our partner's fleets were equipped with closed bottom-loading systems.

Adaptation of small and large road tankers to the closed bottom-loading system (2000-2004)

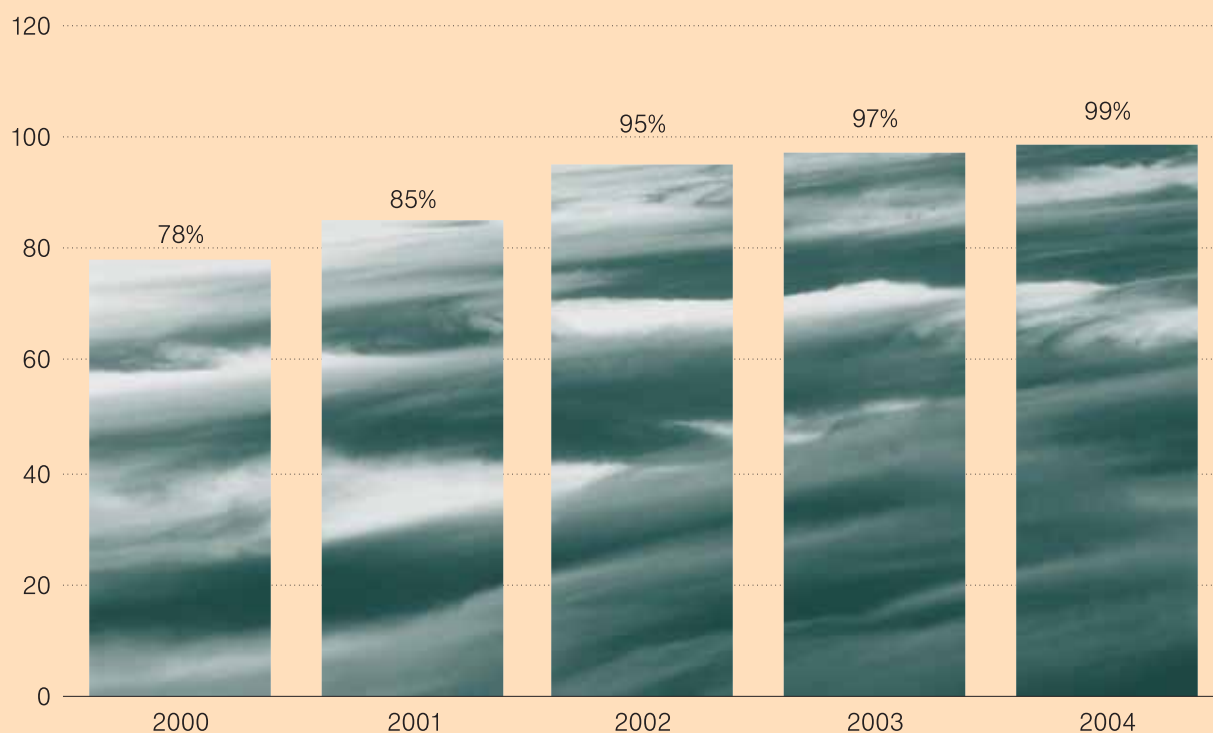


### Implementation of closed bottom-loading systems in service stations and underground reservoirs

We began to introduce vapour recovery systems on our underground fuel reservoirs at Petrol facilities as early as 1995, despite the fact that regulations requiring such adaptation would not be passed until four years later. By the end of 2002, we had installed this kind of pumping equipment at the underground reservoirs of all Petrol fuel storage facilities and at 99% of the reservoirs at service stations.

All newly built service stations abroad are equipped with vapour recovery systems for underground fuel reservoirs.

The increase in the percentage of service stations and underground reservoirs equipped with vapour recovery systems (2000-2004)

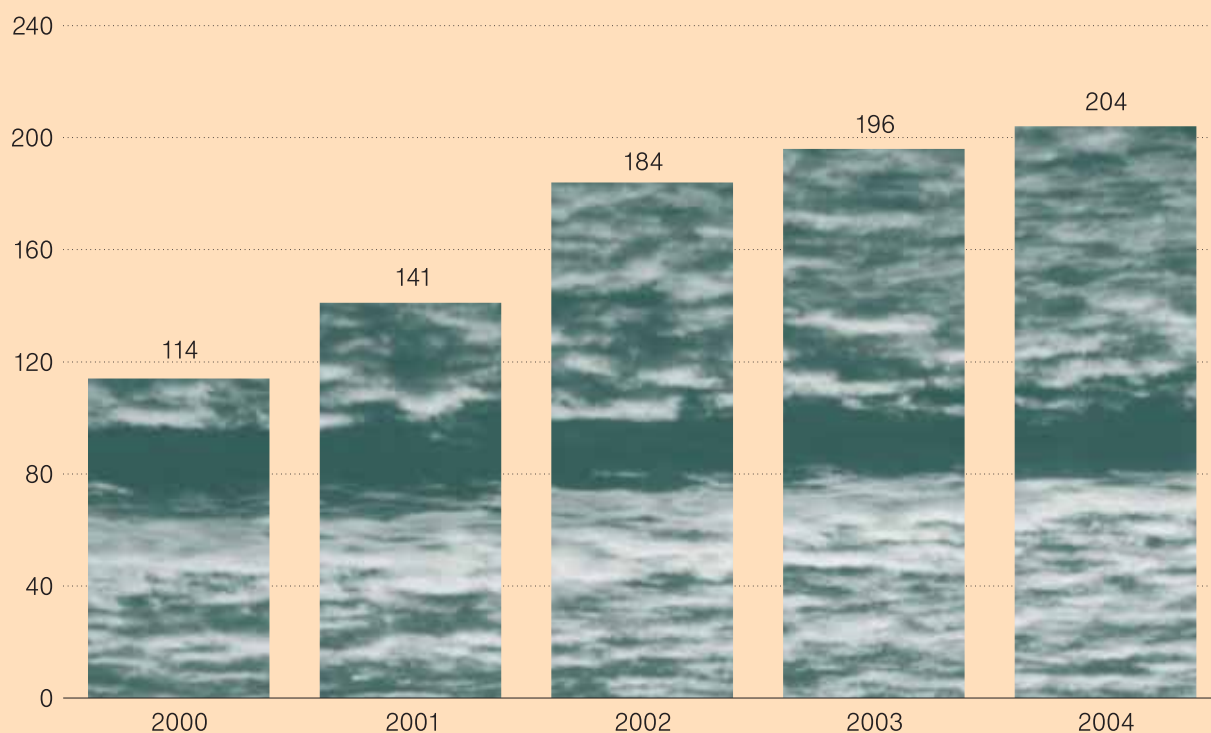


### Installation of closed fuel delivery systems on petrol pumps at service stations

In 1997, we began installing equipment that accommodates closed vapour recovery systems at individual gas pumps at Petrol service stations. In this way, we ensure that most fumes that would otherwise escape into the environment are returned to underground fuel reservoirs.

Although Slovene regulations do not require this adaptation, individual gas pumps at two-thirds of Petrol service stations were equipped with vapour recovery systems by the end of 2002. The systems are also being implemented on service stations abroad.

**The increase in the number of Petrol service stations equipped with vapour recovery pumping systems on individual gas pumps (2000-2004)**



# The quality of water



While carrying out our core business operations, the Petrol Group encounters three categories of wastewater: municipal wastewater, meteoric runoff (rainwater) and industrial wastewater.

We make every effort to limit the uneconomic use of water and guarantee the appropriate treatment of wastewater.

We provide technologically advanced systems for the collection and transport of meteoric water and for the reduction of harmful emissions in industrial wastewater.

We have been participating in major water purification projects for several years by constructing and managing municipal wastewater treatment plants to guarantee its quality.

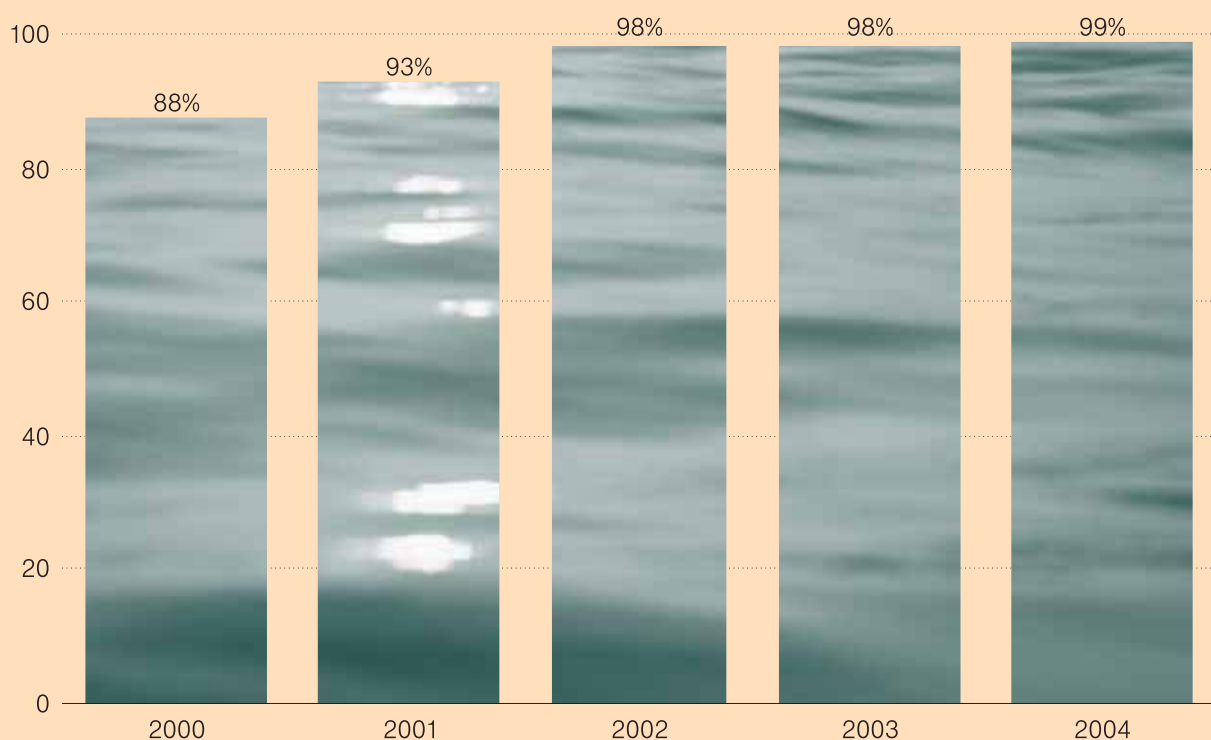




## Increasing the quality of wastewater

The results of analytic tests of the quantity and quality of emissions in released wastewater carried out by authorized external laboratories clearly demonstrate that the quality of Petrol's released wastewater is constantly improving. The most important contribution to the efficient improvement in the quality of Petrol's wastewater is the systematic installation of state-of-the-art wastewater treatment plants and oil and water separators, the reduction of the use of inappropriate detergents, the increased care for the maintenance of wastewater treatment plants and the increased training and commitment of our employees.

The improved quality of wastewater at service stations and storage facilities (2000-2004)



## Economical use of lavatory wastewater

Petrol is tackling the area of wastewater quality in two important ways: by gradually working to reduce the uncontrolled drainage of lavatory wastewater and by introducing new methods for its collection and purification.

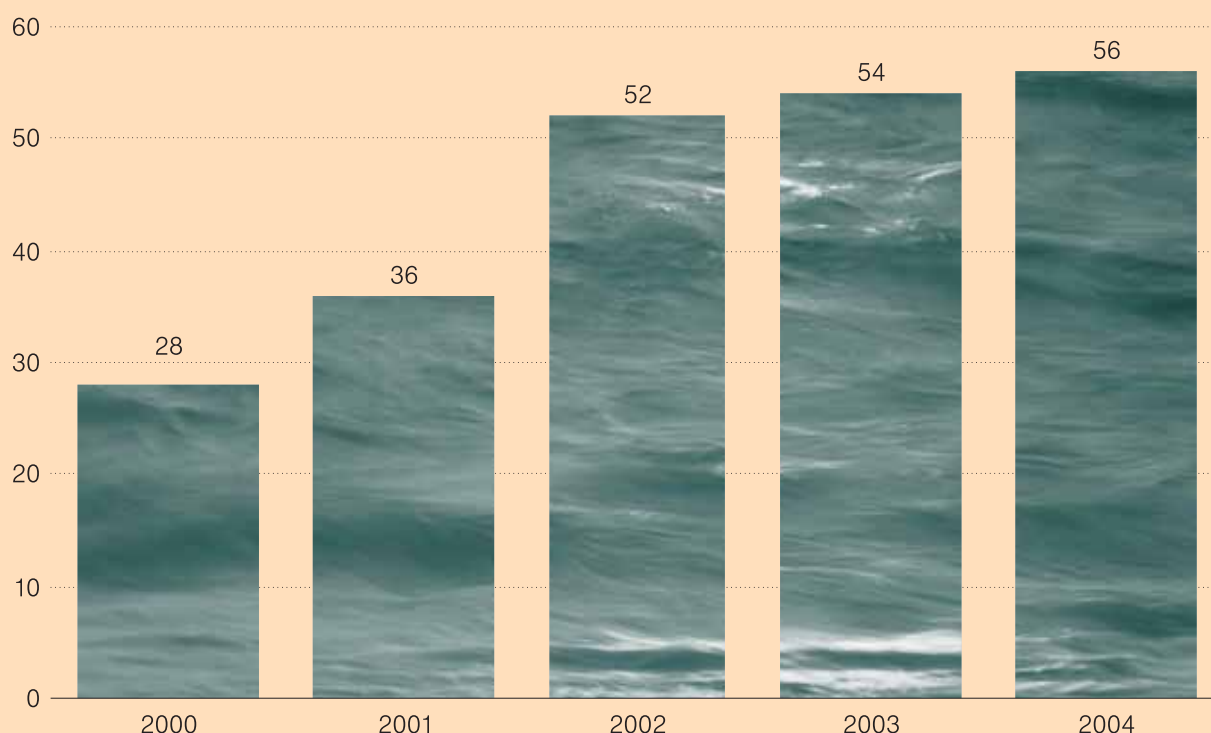
In order to limit the uneconomic use of sanitary drinking water, we are installing systems that will program and control the use and outflow of wastewater. We have installed such equipment at Petrol's new service stations, at highway rest stops and in urban centres, and we intend to similarly equip all Petrol fuel storage facilities and office buildings by 2005.

## Biological wastewater treatment plants

Wastewater from lavatories at Petrol facilities generally drains off into the municipal sewage system. In areas where the existing local sewage network is not adequate for the appropriate drainage and treatment of such wastewater, we are installing the biological wastewater treatment facilities.

By the end of 2004, we had equipped 56 service stations located in areas where the regional sewage network is not adequate with these wastewater treatment plants.

**The increase in the number of Petrol service stations that because of inadequate local sewage networks have been equipped with biological wastewater treatment plants (2000–2004)**



## We are perfecting the technology of rainwater management

Petrol's efficient management of runoff water, which generally poses no threat to the environment, involves the installation of technologically advanced systems for the collection and runoff of this water into underground streams. This includes the use of modern high-quality materials such as drainage pipes with welded joints made with HDPE (high-density polyethylene), leak proof concrete filling, driving and handling surfaces and implementation of street level drainage shafts.

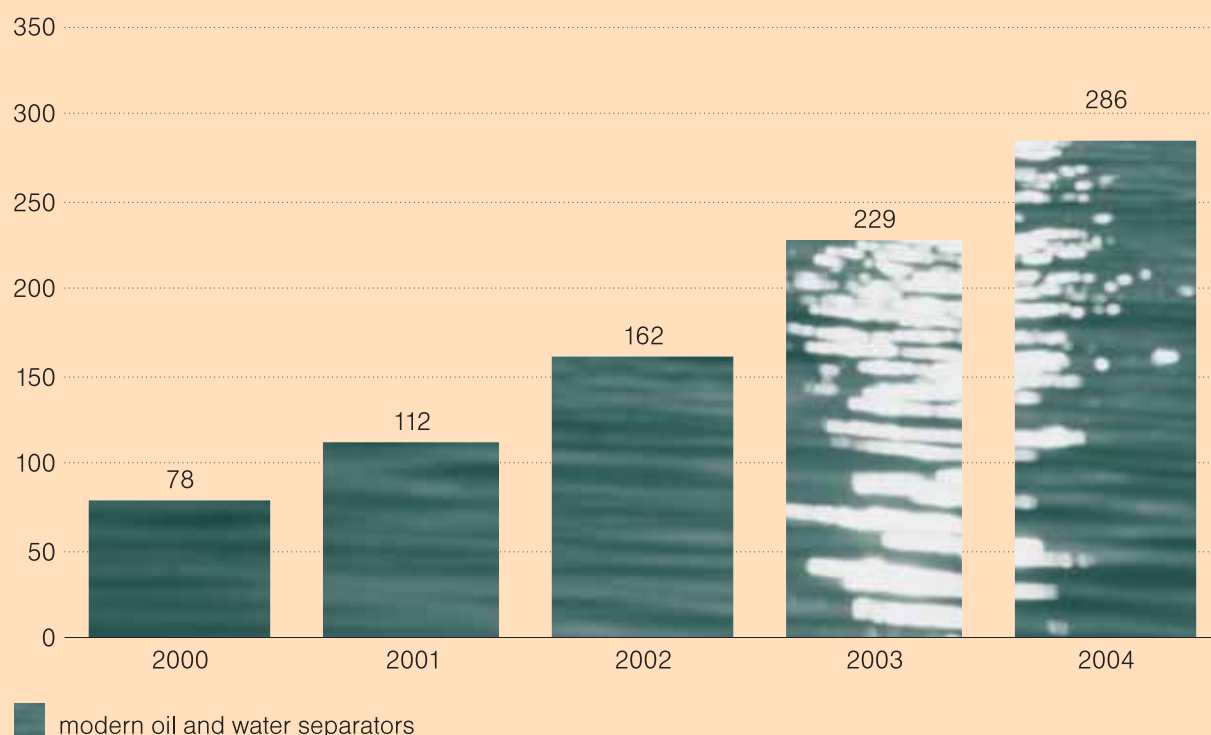
Petrol's long-term policy as regards the construction of new facilities and the renovation of existing facilities includes the installation of systems that guarantee the highest quality and most technologically advanced method of dealing with this category of wastewater.

## State-of-the-art oil and water separators.

The main types of industrial wastewater by-product are the water used for the cleansing of pumping areas and the runoff from these surfaces. In order to ensure the most environmentally-friendly method of draining these categories of wastewater, Petrol regularly equips all of its service stations and warehouse facilities with special water and oil separators for this specific purpose.

All Petrol facilities are equipped with oil and water separators but there are many different types of separators. Especially in the last several years, traditional separators are being replaced with modern separators that are upgraded with special safety mechanisms that close automatically in case of accidental

**Installation of new oil and water separators at service stations in Slovenia (SIST EN 858-1 and SIST EN 858-2), that are in compliance with EU and Slovene regulations (2000–2004)**



spills and special separators for the complete separation of mineral oils from water. The separators meet the technical standards and other regulatory requirements relating to wastewater, not only in Slovenia but in the European Union as a whole. Our service stations abroad are also being equipped with these separators.

### Participation in the treatment of municipal wastewater

Petrol is involved in some of demanding environmental projects. Among the most important of these are the construction and management of municipal wastewater treatment plants. In 2004, Petrol was granted two concessions for the construction of wastewater treatment plants in the municipalities of Murska

Sobota and Mežica. As an important partner of Aquasystems, Petrol also participates in the municipal wastewater treatment plant in the city of Maribor.

In February 2004, Petrol completed the construction of the central wastewater treatment plant in Murska Sobota. The plant, which comprises mechanical and biological treatment, as well as above-standard purification with sand filters and UV disinfection, began operating in April 2004. Petrol also built a central wastewater treatment plant with standard mechanical and biological treatments in Mežica. The plant began test operations in late 2004.

#### Impact of the Murska Sobota wastewater treatment plant

The central wastewater treatment plant in Murska Sobota processes industrial as well as municipal wastewater. These represent approximately 50 percent of the hydraulic and 30 percent of the biological load on the plant, whose total planned capacity is 42 thousand population equivalents. The plant has resulted in a significant improvement of river Ledava, which has consequently been elevated to a higher quality category.

# The quality of land



For companies like the Petrol Group the greatest danger of polluting the ground with oil products arises from potential spills. Petrol avoids spills by using a number of preventive measures in its transportation and storage of fuels.

In addition to providing ongoing training to its employees who handle fuel, the design and construction of quality fuel reservoirs and ensuring the safest possible transport conditions are the most important elements with which Petrol strives to eliminate spills.

## Effective prevention of spills

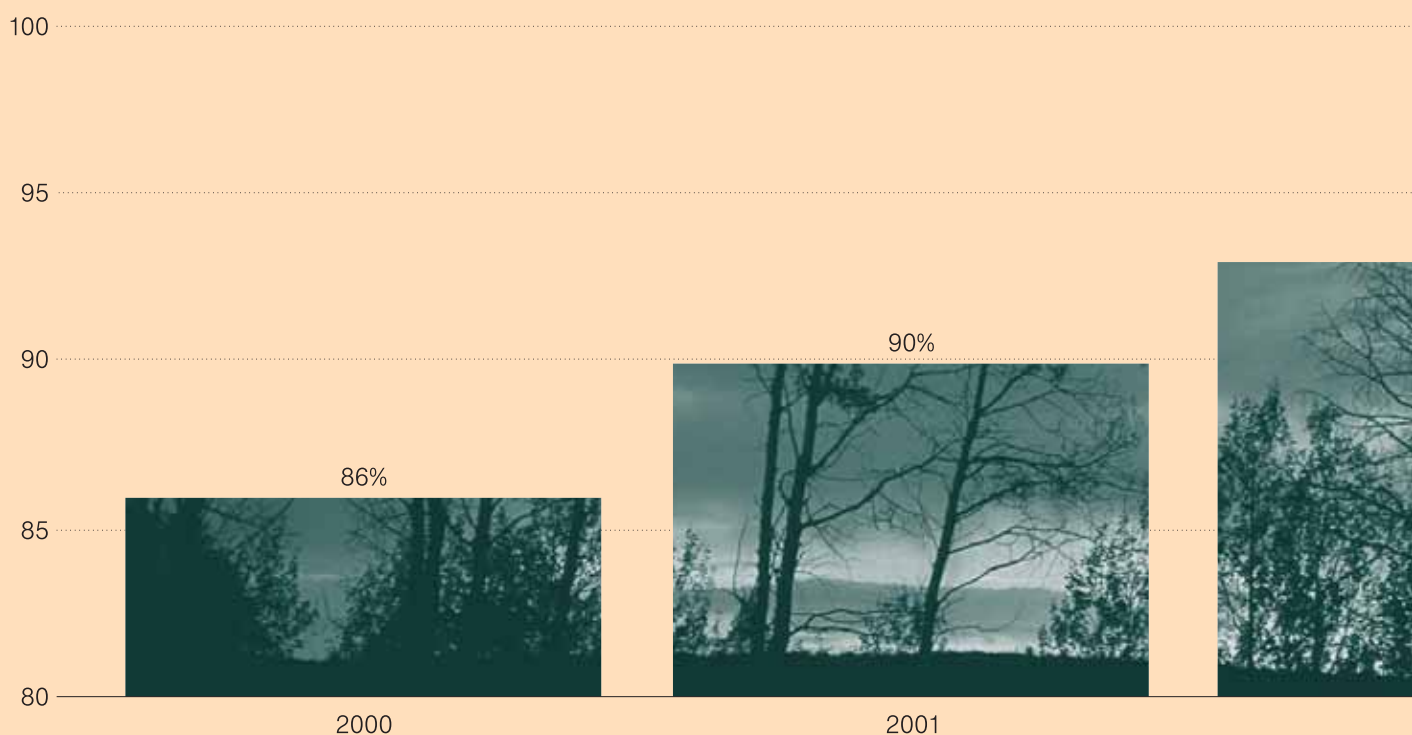
Faultless reservoirs are of crucial significance in the prevention of oil spills. We are replacing single-wall reservoirs at Petrol storage facilities with double-wall reservoirs. We are installing the most technologically advanced pipeline systems. We also provide constant visual electronic monitoring of all storage and pumping areas. We use only those transport vehicles that have impeccable contemporary equipment installed. We provide regular training to all drivers. We plan to keep increasing the level of fuel transported by rail.

## Guaranteeing "zero-leak" possibility

In recent years, "zero-leak" reservoirs have become an integral part of the typical Petrol service station. By the end of 2004, 98 percent of all Petrol service stations had been equipped with such reservoirs.

Aboveground storage facilities are also furnished with double bottoms that prevent possible leakage and are set into a steel impounding area equipped with devices and remote sensors that measure fuel levels and temperatures.

The increase in the percentage of service stations equipped with double-wall fuel reservoirs (2000–2004)



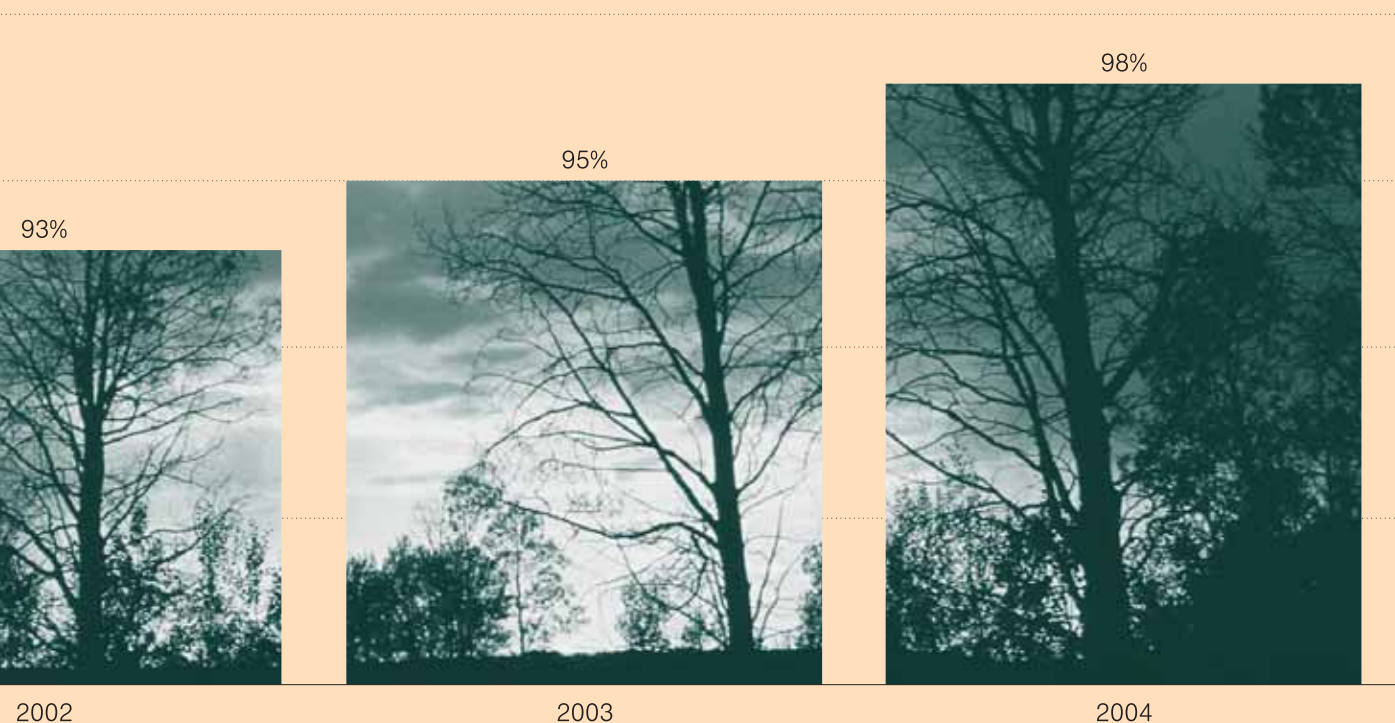


All new or newly renovated Petrol service stations are equipped with double-wall filling piping. Tubes in water protection zones are also double-walled and made from materials that are resistant to petroleum products.

Petrol also equips its service stations abroad with double-wall reservoirs.

#### "Zero-leak" reservoirs

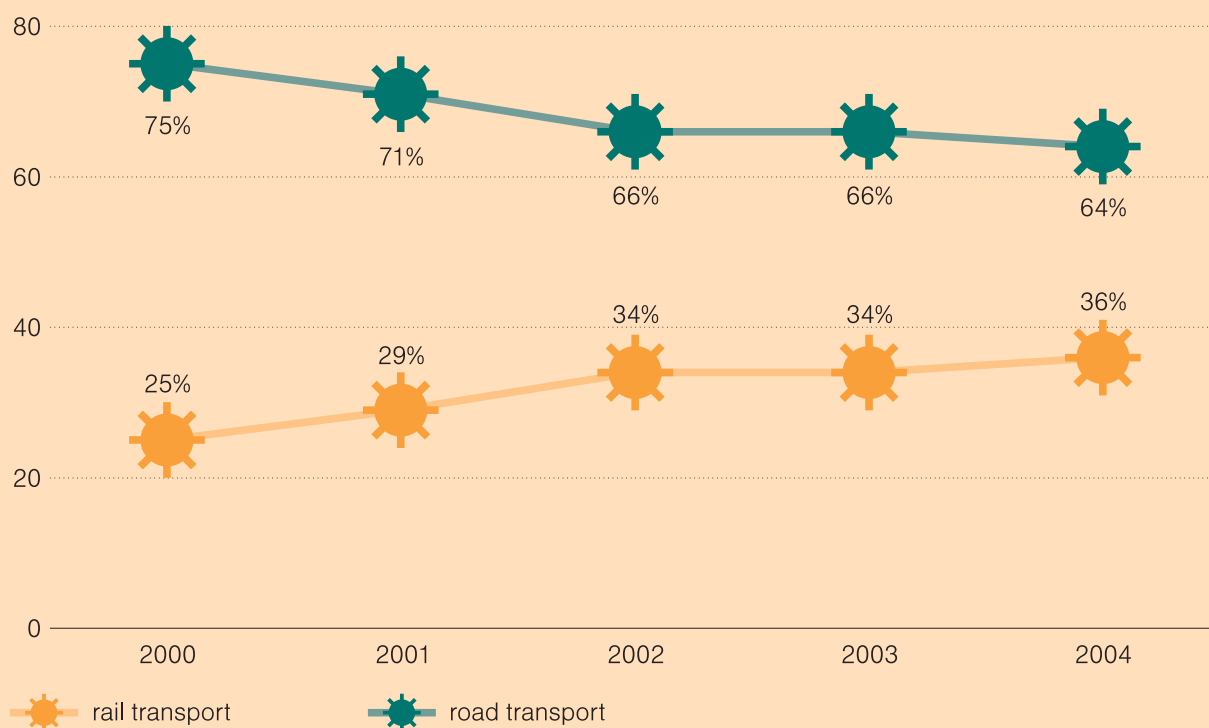
The main feature of these reservoirs is an underground double-wall made of material that has a long-lasting resistance to oil products and is retrofitted to be earthquake proof. The reservoirs are also equipped with contemporary systems for controlling the pressure and air-tightness between both walls. This control is carried out by the most reliable and technologically advanced sensors that measure the constant pressure of the air between the two walls and, in the event of a change of pressure, alert employees in the sales area with light and sound alarms.



## Railway transport

Because of the considerable geographical diversity in Slovenia and the current development of the country's railway infrastructure, the possibilities for increasing the level of transport of petroleum products is fairly limited. Nevertheless, we have succeeded in changing the relative proportions between road and railway transport of oil products. The proportion of oil products transported by road has been decreasing since 1999. The quantity of goods transported by railway in 2004 was 36 percent.

The proportion of petroleum products being transported by rail and road (2000–2004)

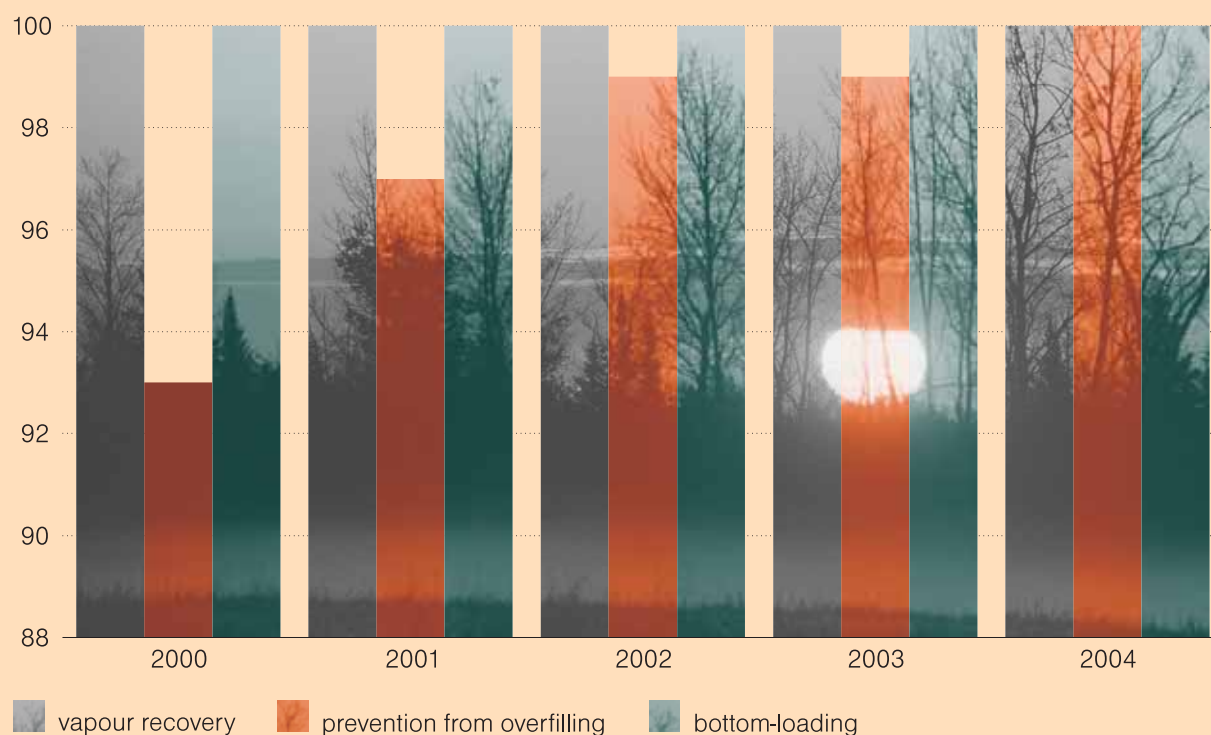


## Road transport

It is impossible to guarantee the reliable and regular delivery of fuels to end consumers without the use of road transport. Therefore, we are working to increase the safety of this kind of conveyance by providing technologically advanced fuel road tankers. As early as 1997, we began to install closed bottom-loading systems on all of the fuel tankers. One year later, we began to install electronic warning systems to prevent overfilling.

With this level of equipment, spills from fuel trucks have been almost entirely prevented. The sole exception is in case of a serious traffic accident or substantial damage to the fuel tanker. All of our drivers have been fully trained for such accidents.

The increasing level of technical equipment featured on large fuel trucks (2000–2004)



# Safe and professional waste management



Professional and economical waste management is integral part of the Petrol Group environmental responsibility.

We adhere to all the newest regulations and legislation regarding the systematic collection, separation, temporary storage and permanent disposal of waste.

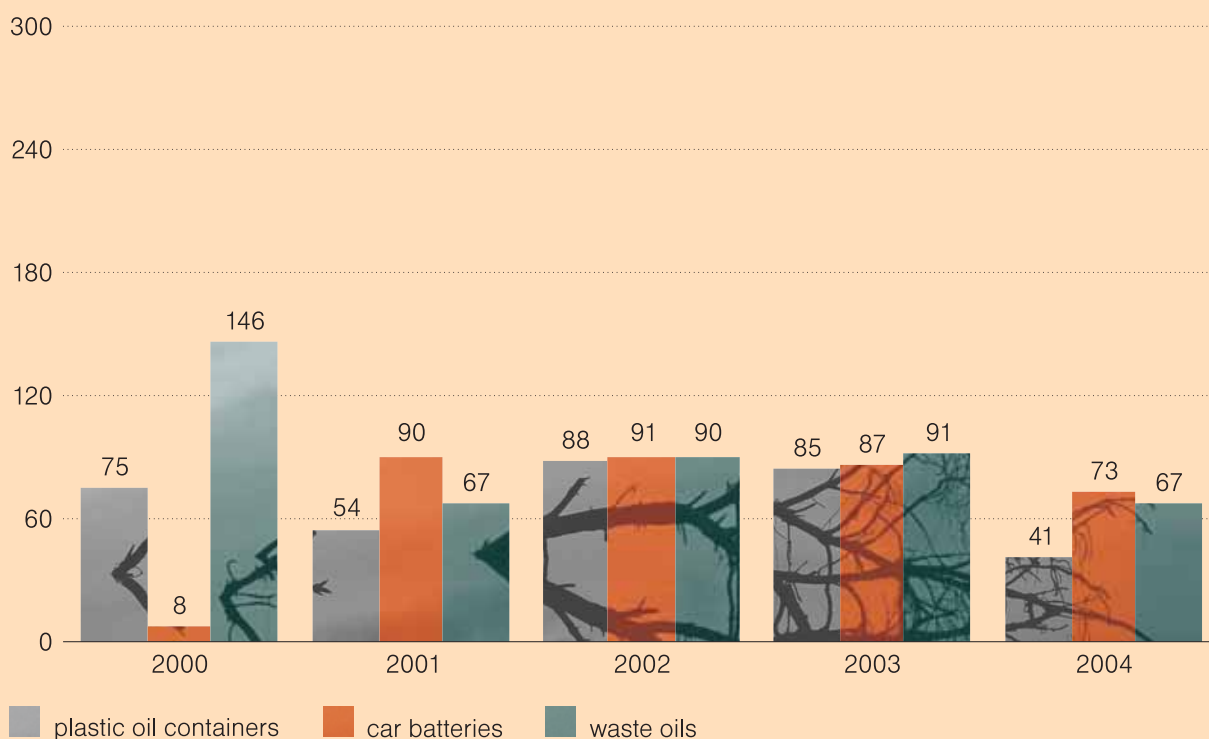
For this reason, we entrust the transport and disposal of potentially hazardous waste only to those institutions and organizations whose activities are officially authorized by the Republic of Slovenia and the Ministry of the Environment.

The Petrol Group disposes of waste in a manner that does not impact the environment and encourages our business partners and customers to follow the same principles.

## Systematic care for waste that can be hazardous to the environment

Since 1996, we have been systematically providing for the collection of separated waste that are potentially hazardous to the environment. In the last five years alone, we have collected products, temporarily stored and arranged for the professional disposal of one thousand metric tons of hazardous waste.

Types and quantities of waste collected from service stations and fuel depots (2000–2004, in tons)



### Service stations equipped with "ecological points"

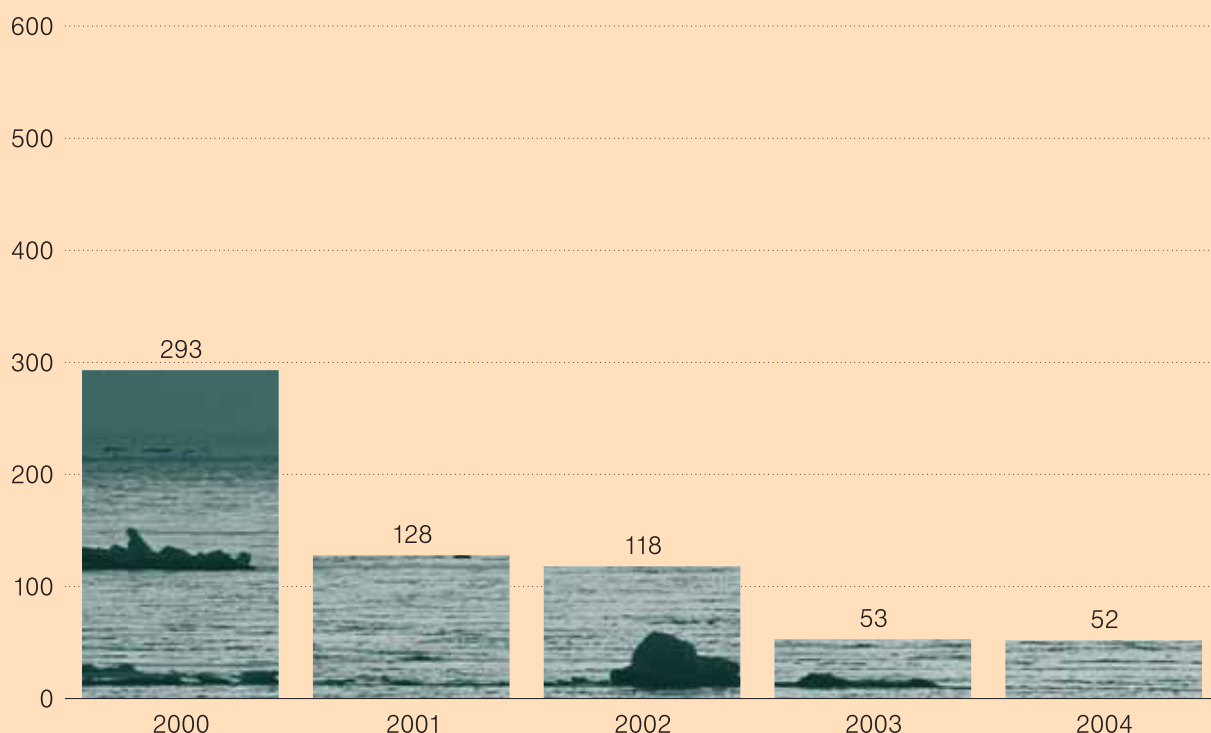
All Petrol stations are being equipped with special collection points for waste that requires special treatment: waste oil, discarded plastic containers for oils and lubricants, oily rags and used adsorbent materials. Almost 90 % of these "ecological points" are also furnished with suitable containers for the collection of old discarded batteries.

By the end of 2004, all Petrol service stations had been furnished with special ecological containers providing all of the equipment needed to clean up smaller oil spills. Also by the end of 2004, a facility intended for the temporary collection and storage of all potentially hazardous waste was built at one-half of all Petrol service stations.

### Improving the technology for cleaning fuel reservoirs

The Petrol Group has been carefully studying the processes for cleaning aboveground and underground reservoirs, and looking for possible improvements. Controlling these processes and modernising cleaning and processing technologies have contributed to substantial reductions in the quantity of hazardous waste generated when cleaning the reservoirs.

**Reduction in the quantities of assorted municipal waste following the introduction of separate collection of discarded packaging at service stations (2002–2004, in tons)**

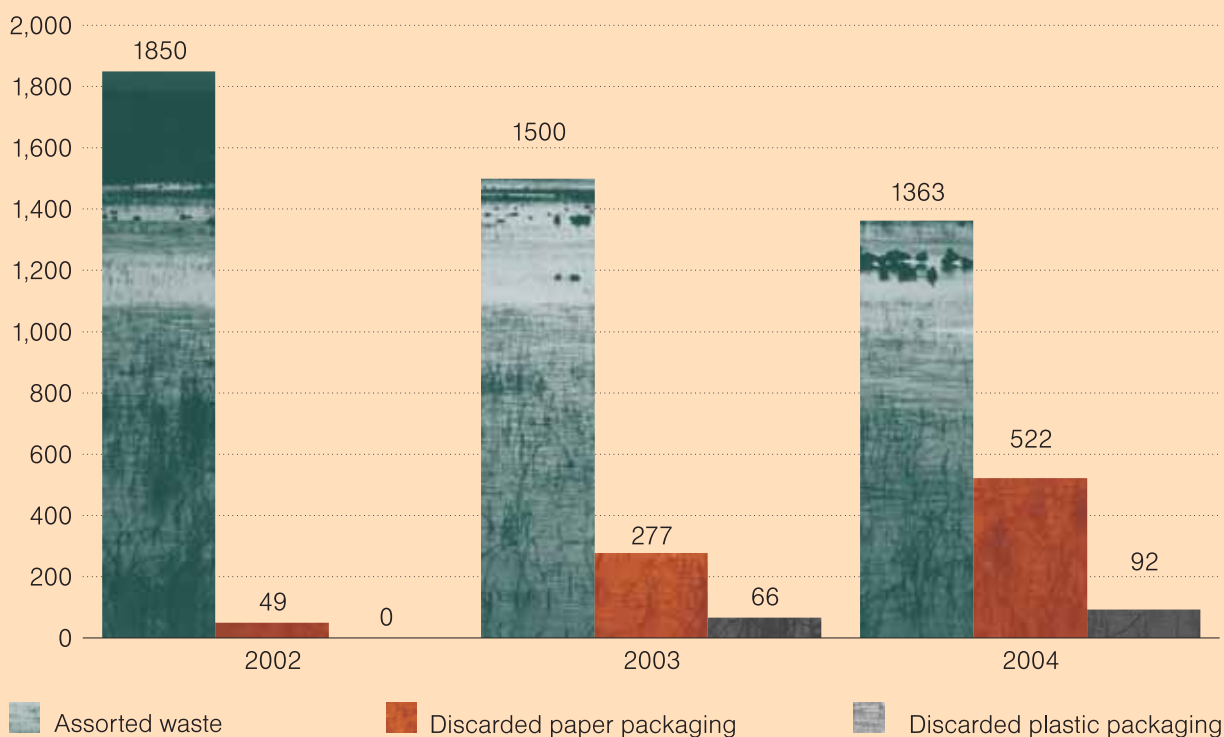


## Efficient disposal of municipal waste and packaging

Back in 2003 the Petrol Group established an efficient, well-controlled system in this area that uses special records to ensure constant oversight and control of the quantities of waste packaging and the collection method. Inclusion in the system provided by waste management company Slopak ensures that separate fractions of the waste packaging generated in our business activities are picked up, processed and recycled as appropriate.

By 2004, all service stations and storage facilities had been equipped with special standardised collectors for separate collection of discarded packaging, paper and plastic. Employees are also trained in the significance and proper handling of waste.

**Reduction in the quantities of assorted municipal waste following the introduction of separate collection of discarded packaging at service stations (2002–2004, in tons)**





## Working closer with our partners and customers

In order to make the processes of collection, storage, disposal or recycling of hazardous waste safer and more efficient, we at the Petrol Group are making efforts to encourage our business partners to adopt the same waste management system as well.

Our most important efforts in this area have been made with two specific suppliers: TAB Mežica and Vesna Maribor that supply our service stations with containers for collecting waste car batteries and assist the regular annual campaigns for waste battery collection. We deliver old car batteries collected to the Mežica factory where they are properly recycled.

For several years now, the Petrol Group has been providing our key customers with the removal and the professional disposal or destruction of used motor and mineral oils as well as packaging and waste from various oil products. These services are provided free of charge. We are also providing information to all of our customers at individual sales points regarding the possibilities of removing used oil products, collection methods and proper treatment of hazardous waste.

# European- quality fuels



The quality of fuel in Slovenia has been improving together with the adoption of European fuel standards that are in force in the advanced western markets, as well with the adaptation to increasingly stringent environmental requirements. These are primarily related to the reduction of sulphur content as one of the key environmental parameters. The final transition to "sulphur-free" fuel is expected to take place in 2009.

The Petrol Group has been following this trend carefully and has been adhering to all environmental recommendations and requirements. To the best of our ability, we have been participating in efforts to reduce the negative impact of traffic on the environment.

## Efficient system of quality control

Producers and distributors of liquid fuels must be able to guarantee, at every phase of the distribution chain, that the quality of fuel meets the standards and prevailing regulations. For these companies, an efficient control and monitoring system for fuel quality is of crucial importance.

We at the Petrol Group have implemented methods for the systematic control of fuel quality, from purchasing, through handling and temporary storage, to the sales point and end user. All our fuel is therefore subjected to three regular controls and two random checks.

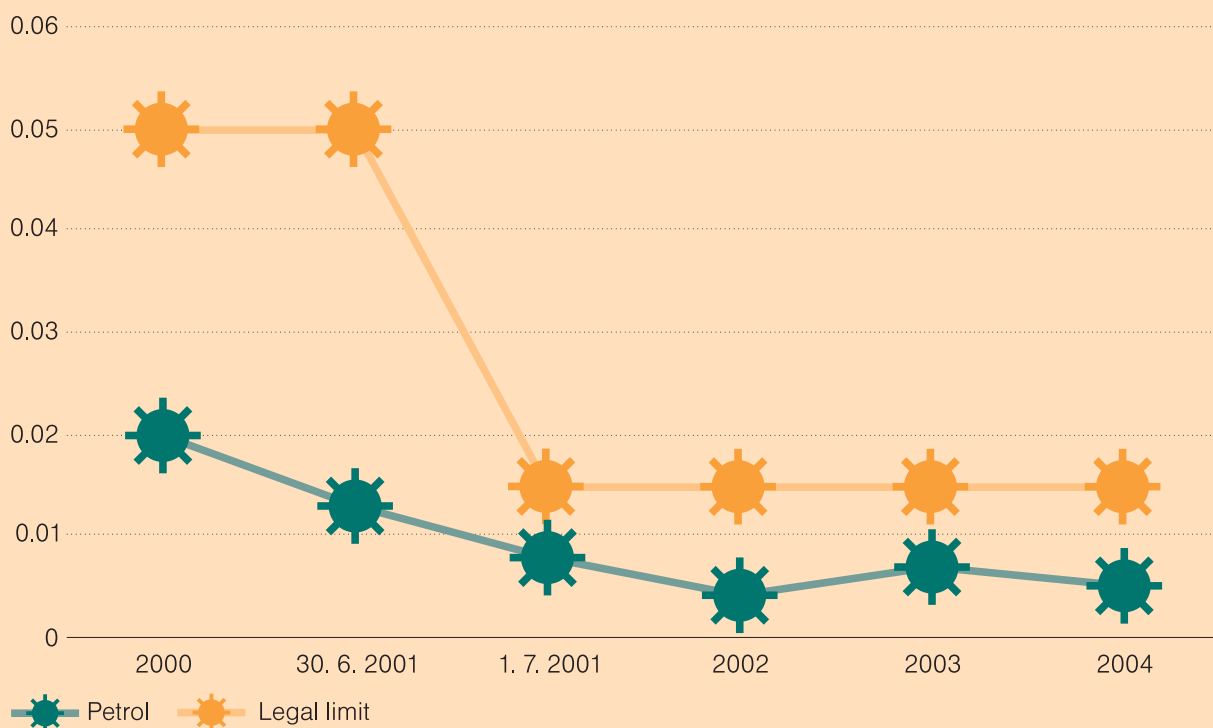
Petrol has supplemented the so-called "state" moni-

toring, which has been controlling and monitoring fuel quality at sales points since 2001 by authorised independent inspection organisations, with its own fuel quality control by the Petrol Laboratory. Among the Laboratory's key advantages is the ability to act preventively by taking immediate corrective actions if analyses indicate non-conformance to applicable standards.

## Increasing quality of fuel

The Petrol Group consistently ensures that its fuel meets adequate quality level requirements. The sulphur content, which is an important environmental parameter, has been decreasing sharply over the

Average sulphur content in 95-octane gasoline, the highest selling motor fuel (in % M/M)



last few years and is, on average, significantly lower than the maximum levels permitted by law.

The same applies to polycyclic aromatic hydrocarbon contents (PAH), which are present in diesel fuel and which Petrol has been systematically monitoring since 2001. The levels of these compounds have also been lower than the maximum levels permitted by law throughout the monitoring period.

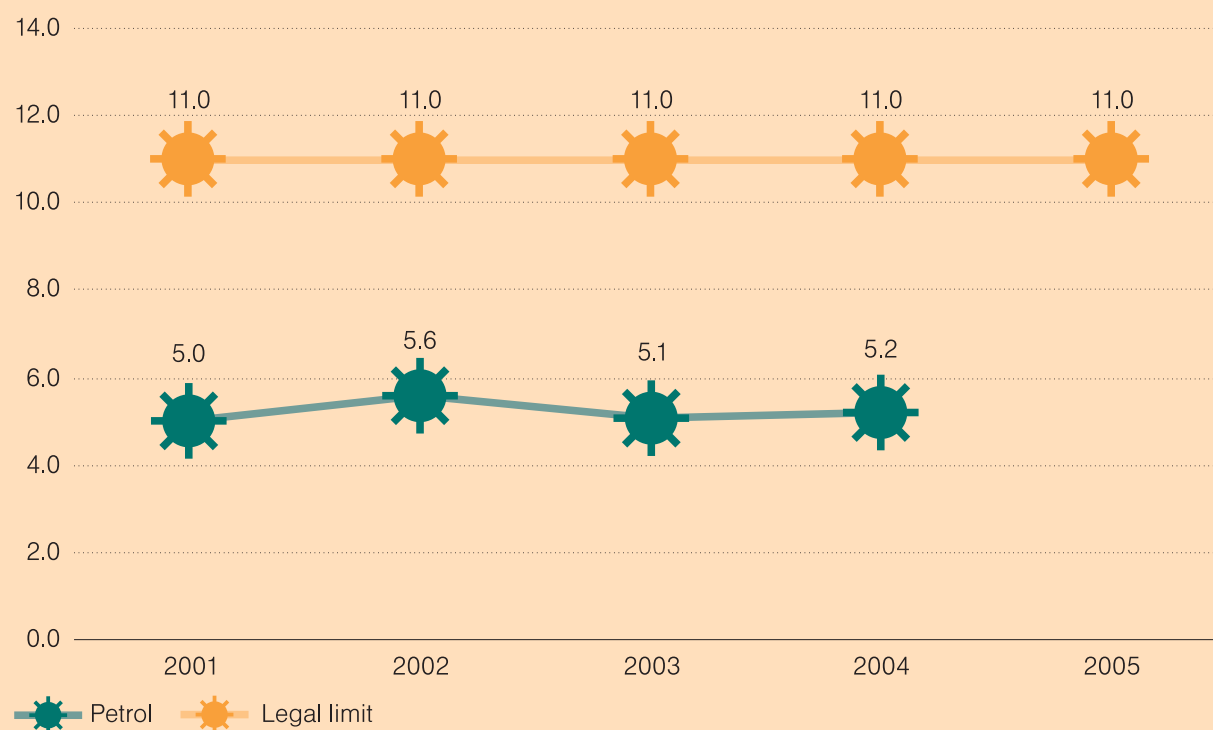
Given that the Petrol Laboratory runs tests on imported fuel and reservoir samples from all storage facilities, and quality control of random fuel samples taken from service stations, it is possible to extrapolate from these results of the analyses a realistic and reliable picture of the actual situation of fuel quality in Slovenia.

### Introduction of biodiesel fuel

The Petrol Group ran a trial introduction of diesel fuel containing five percent biodiesel at its service stations in July 2004, beating the deadline set by EU Directive 2003/30/EC by six months. The Directive prescribes that all motor fuels in the transportation sector must contain at least 2% biodiesel by 2005, and 5.7% by 2010.

Biodiesel, chemically designated as FAME (Fatty Acid Methyl Ester), has several advantages. It is a renewable energy resource that reduces CO<sub>2</sub> emissions, and can be used in pure form or in combination with regular diesel. It contains no sulphur and is biologically degradable, which reduces risks during use, storage and transport.

Average polycyclic aromatic hydrocarbon content (PAH) in diesel fuel (in % V/V)



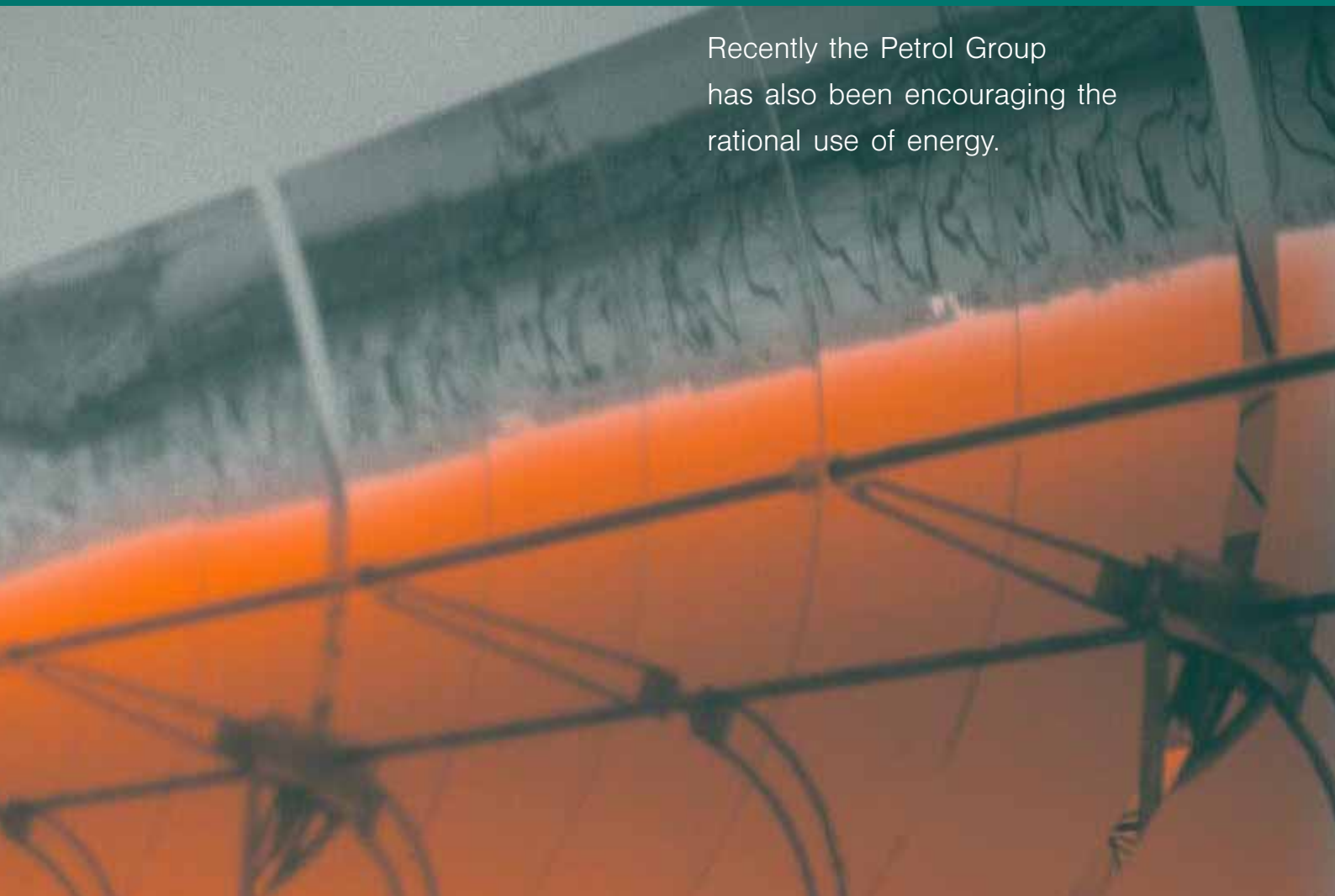
Environmentally-  
friendly  
products,  
services and  
processes





The environmental responsibility of the Petrol Group is not limited to guaranteeing the high quality of fuel, the safe distribution and storage of oil products or the construction of technically advanced facilities. It also includes the development of new environmentally-friendly products and services that do not harm the environment.

Recently the Petrol Group has also been encouraging the rational use of energy.



## Participation in development projects

The encouragement of the development of environmentally-friendly products was the main reason that the Petrol Group began actively participating in the international project known as "Lubriccoat". The project involves the development of environmentally-friendly materials – combination of biodegradable oils and hard DLC coats for the lubrication of mobile hydraulics in working machinery.

As one of the key participants, our role within the project was the development of adequate biodegradable oils. The "Lubriccoat" project concluded in 2004 and resulted in the introduction to the market of two completely new biodegradable oils that work in synergy with hard coats.

The Petrol Group is participating in the development of biodegradable products with numerous foundations and companies, among which the most noteworthy is the Kmetijski inštitut Slovenije (the Agricultural Institute of Slovenia), the centre for tribology and technical diagnostics at the Ljubljana University, department of mechanical engineering, and the company Oljarica Kranj.

## Developing environmentally-friendly motor oils

The result of this collaboration is the introduction of two new biodegradable oils to the market. The first of these products is the biodegradable oil product Petrol Biolub 46, which is intended for the lubrication of hydraulic systems in various agricultural, forestry and construction machinery that is often operated in areas where drinking water is collected and the use of conventional oil can cause serious harm. The second type of oil is Verigol Bio, which is used for the lubrication of chain saws. The main characteristic of the oil is that it is 99% biodegradable after use. Because chain saws are generally used in forests, the oil is of high significance.

Environmental protection is a key guideline in the development of other oils as well. By the end of 2004, Petrol developed three kinds of environmentally-friendly motor oils in partnership with the well-known multinational oil company Chevron Texaco.

Petrol Energy SAE 5W-30 oil allows an up to 6% reduction in the consumption of motor fuel, making overall energy consumption more efficient and consequently reducing the emission of CO<sub>2</sub> and other toxic compounds into the environment. The product Petrol Diesel Energy oil 5W-30 guarantees a 3% reduction in fuel consumption, and because of the extended life it decreases the load on the environment with waste oils at the same time. Petrol GL-Multi 75W-90 is a gear and differential oil. It is a so-called "fuel economy" oil which reduces fuel consumption and also decreases the emission of CO<sub>2</sub>, NO<sub>x</sub> and solid particles.

## Solving environmental problems for our customers

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In addition to its series of environmentally-friendly products, Petrol also developed and introduced two types of new services to the market. Specifically, these are highly efficient and professional methods that are not harmful to environment with which we help our customers in the collection of special waste products.

The Petrol2Eko system is a service that especially targets wholesale automotive service shops, which are a significant source of waste material related to oil products. The central element of the system is a simple, professional and efficient solution to problems arising from used motor oils and other waste discarded during oil changes. Petrol simultaneously supplies wholesale customers with fresh oil while providing the removal of used oil and other special waste free of charge. The system provides the consumer with free technical advice and training as well as expert assistance in the acquisition of proper equipment.

Petrol has developed a special service, which includes solutions to environmental problems, especially for our industrial customers. In the program, called "Petrol's total lubrication management", we work with our customers to manage potentially hazardous waste products that are emitted during the use of Petrol products. In 2004, we collaborated with the Ekol and Ekoles in collecting more than 1,400 tons of discarded oil products from industrial users. In cooperation with Castrol, Petrol co-financed the removal of most of the discarded emulsions emitted during the use of various cooling and lubricating products.

## Encouraging the efficient use of energy

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Ensuring efficient energy use through Third Party Financing is a relatively new type of service in Slovenia. Petrol acquired the necessary know-how for its implementation in 2003 and began implementing the first project in 2004.

Among the services we offer are the planning of investments and operating methods for energy systems, purchase of optimal fuels and the implementation of the entire investment, including funding and maintenance, and supervising and motivating users in efficient energy use. Petrol guarantees its partners optimal exploitation and management by managing, funding and implementing the entire energy project, which results in energy savings.

These projects supplement Petrol's existing business and environmental projects. Their added value is not limited to greater cost efficiency but results in a more rational and environmentally-friendly energy use as well.

## Gas energy

The combustion of fossil fuels produces not only water vapour but carbon dioxide as well. The latter is the main contributor to the greenhouse effect, the consequent global warming and climatic changes on our planet. Natural gas is less harmful than other fossil fuels, with lower carbon dioxide emissions than fuel oil or coal.

The combustion of fossil fuels also produces other harmful compounds, such as sulphur dioxide, nitrogen oxides, carbon monoxide and dust particles, (ash and soot). The combustion of natural gas produces only trace quantities of these substances.

Natural gas is transported through gas pipelines buried under the ground, thus freeing up road and rail transportation routes and reducing the possibility of fuel spills into the environment. This helps to lower the risk of surface and groundwater pollution.

The construction of a gas network together with the distribution and marketing of natural and liquefied petroleum gas represent an integral part of our efforts to provide users with a comprehensive range of energy products.

Petrol began the construction of gas pipeline networks in 1993 and the Petrol Group has today at its disposal more than 414 km of gas pipelines which supply 19 municipalities for which it was granted concessions. We also have over 1,200 gas reservoirs for liquefied petroleum gas for non-concession areas.

## Rational use or secondary energy

The Petrol Group also encourages the use of secondary energy wherever possible.

In cogeneration of thermal and electrical energy primary energy is used twice while producing heat and electricity. During the 2003/2004 heating season, the Petrol Group used 33,397 MWh, which represents more than 50% of the requirements of the town of Ravne and the Ravne steelworks, during the course of 12,606 operating hours.

Primary energy is exploited twice in the production of compressed air as well, where primary electricity is converted into mechanical energy. The process co-produces heat, which is used for heating sanitary water and vapourising oxygen via heat exchangers. In 2004, 1,290 MWh were used for heating water and 950 MWh were used for vapourising oxygen.

In this way, the Petrol Group saved 35,637 MWh of energy in 2004 alone. The energy would have been used for remote heating, heating lavatory water and vapourising oxygen. This is the equivalent of 4.8 million m<sup>3</sup> of natural gas which at 78% efficiency represents 9.1 million kg less CO<sub>2</sub> emitted.

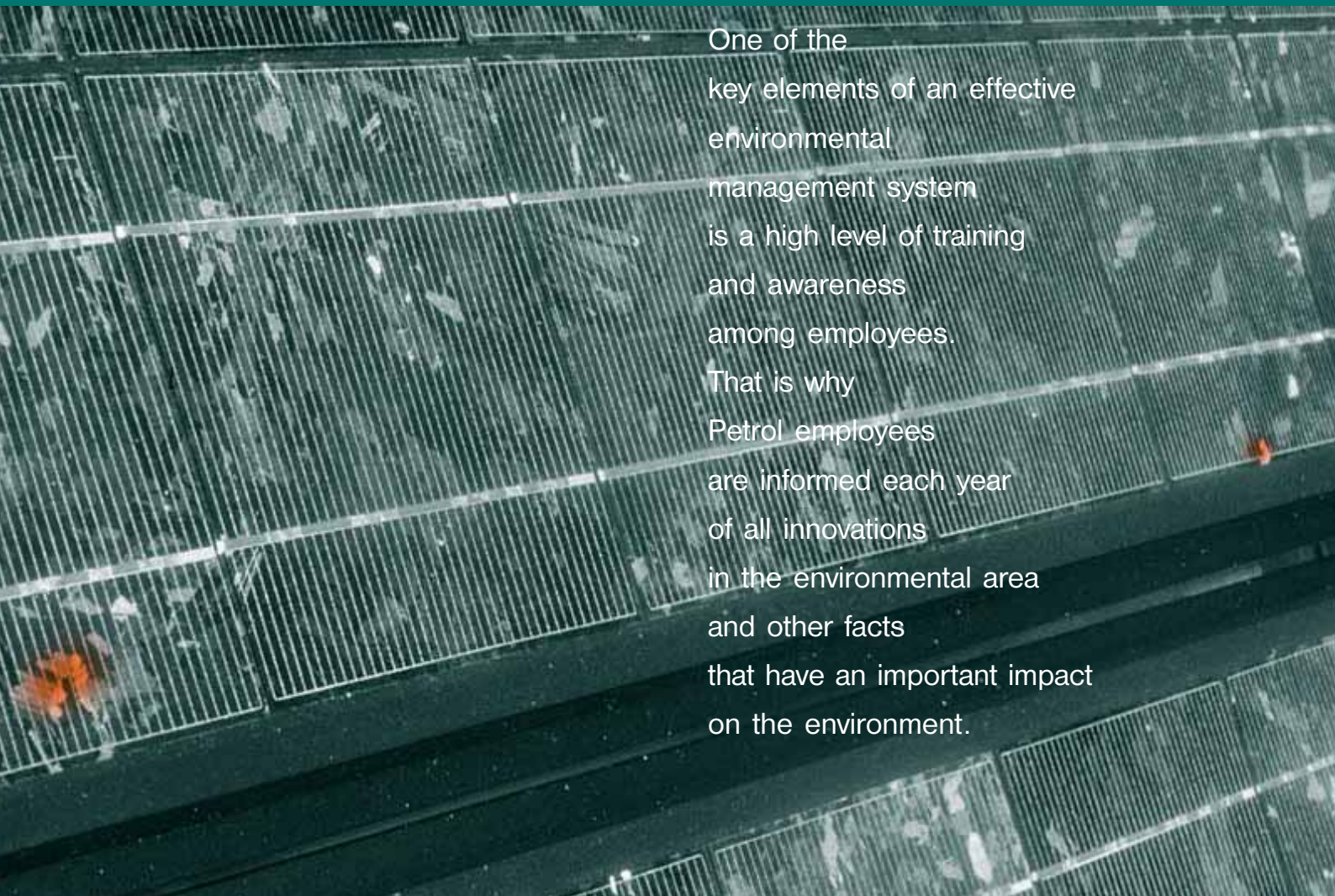


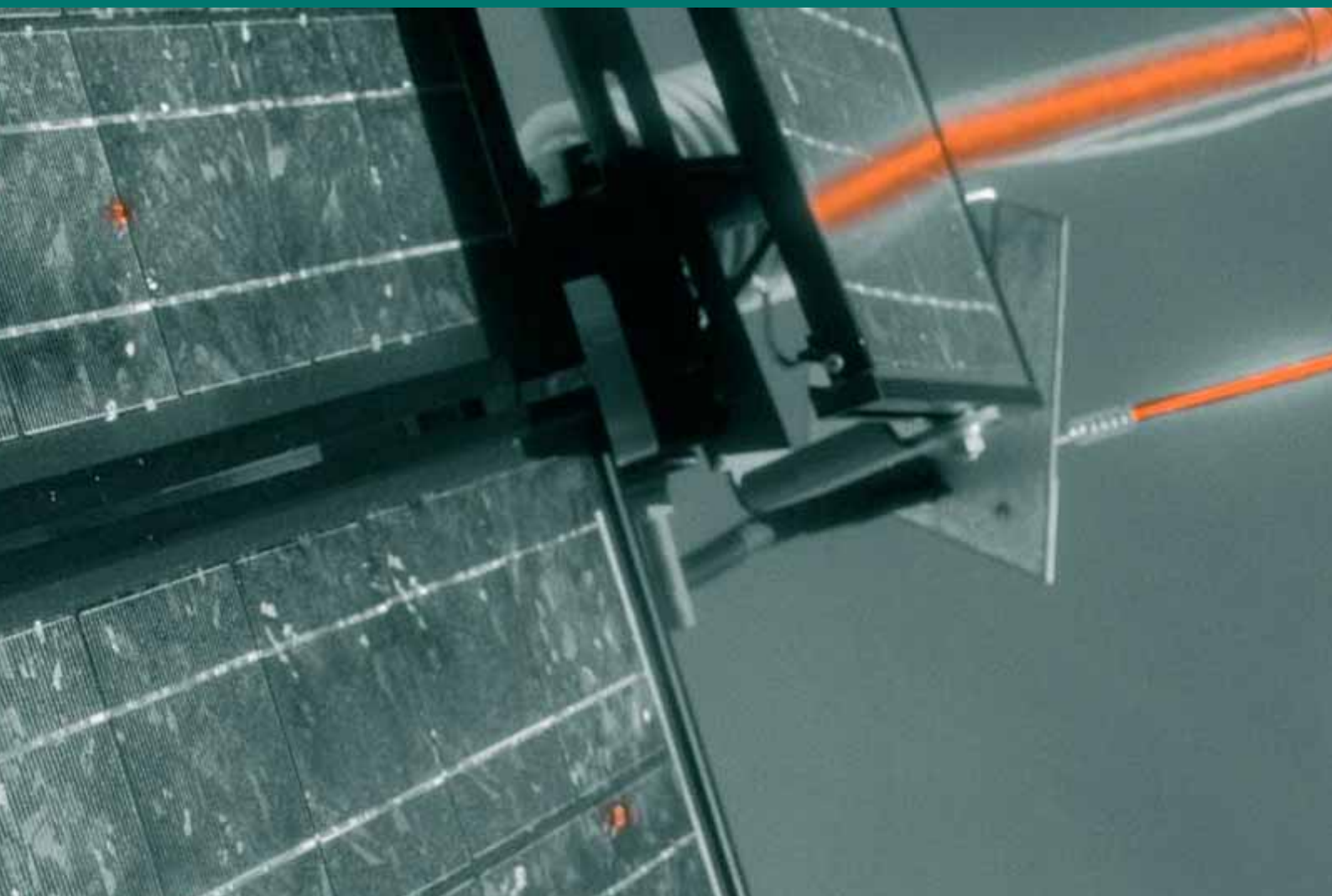


# Environmental awareness and responsibility

Petrol's environmental management and protection system is an important element of Petrol's strategic plans, which means that each Petrol employee has a responsibility towards environmental protection.

One of the key elements of an effective environmental management system is a high level of training and awareness among employees. That is why Petrol employees are informed each year of all innovations in the environmental area and other facts that have an important impact on the environment.







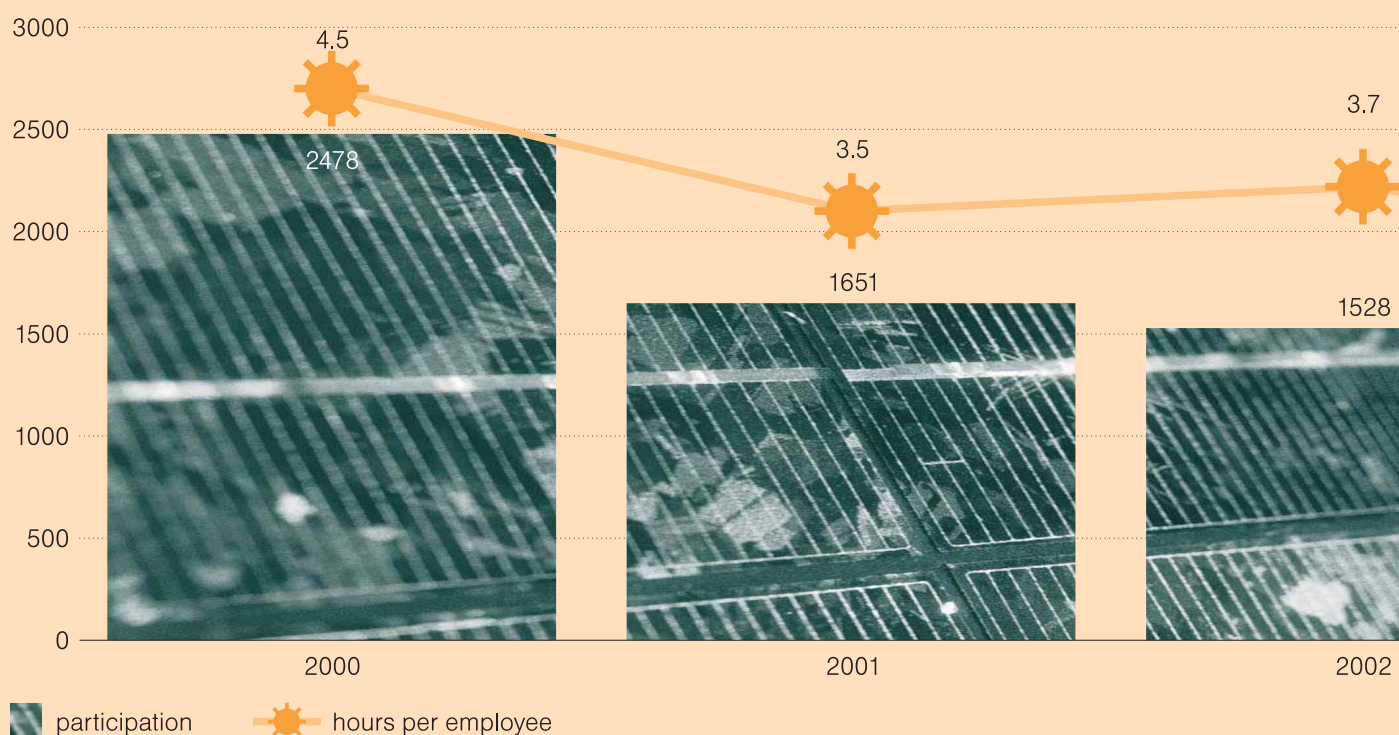
### Encouraging our employees to be knowledgeable and responsible

In 2004, special training programs were offered on the subject of safe transport of hazardous goods, fire safety, safety-at-work, water and the environment protection, and fire-fighting. We have also been providing training on the requirements of ISO 14001 standard and Petrol's environmental management policy. All new Petrol employees must undergo this type of training when they take their jobs.

### The dissemination of knowledge about environmental protection

We actively include our business partners and external collaborators in the environmental management system of the Petrol Group.

Employee training in the area of environmental policy and issues (2000–2004)

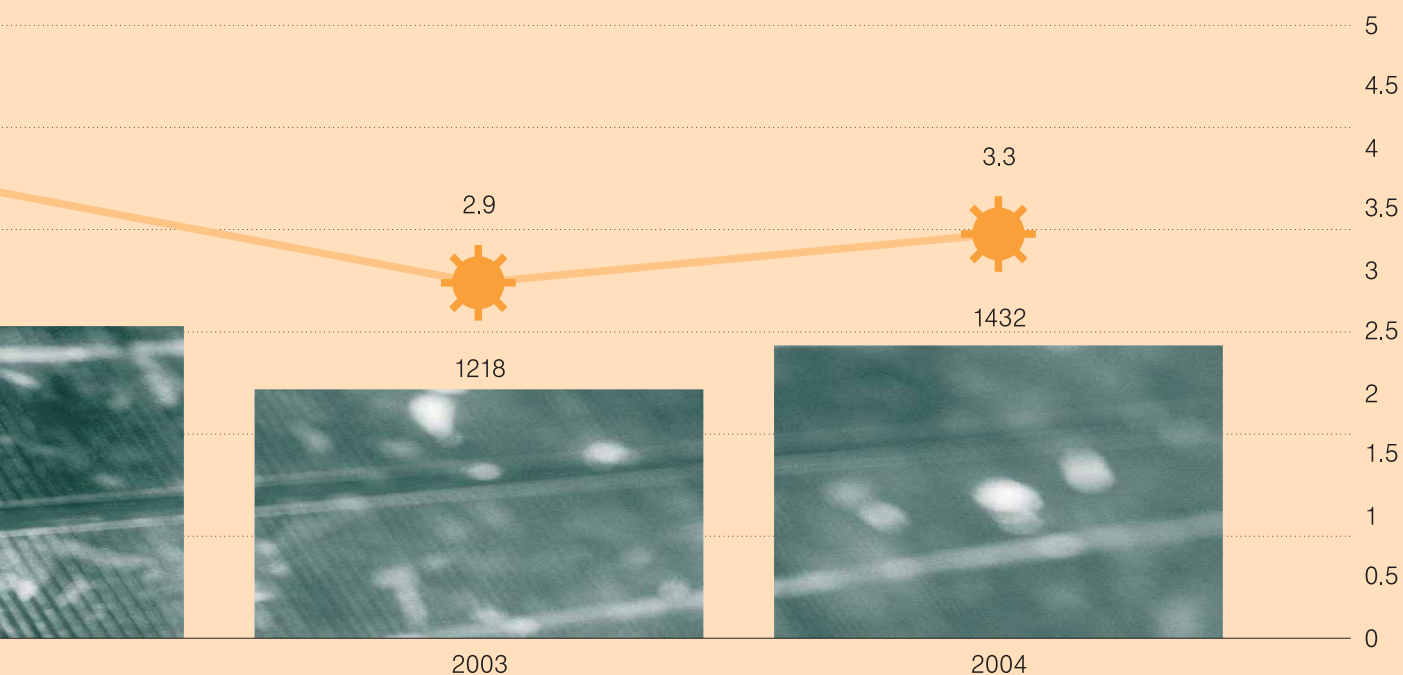


Our contractual arrangements with fuel transport companies, suppliers of potentially hazardous goods, contractors engaged in construction of capital investment projects, in services related to the measurement of environmental indicators and waste disposal all include clauses that require consistent compliance with environmental regulations and with Petrol's internal environmental protection policy and standards. We also invite our business partners and external collaborators to Petrol's environmental protection training courses. In 2004 alone, more than 860 outside participants were enrolled in such programs.

## Consistent implementation of preventive measures

One of the most important indicators of the success of training and awareness programmes on environmental issues is the persistent reduction in the number of accidents that occur during operational processes, specifically, the prevention of fires, the reasons for which are either lack of knowledge or poor employee training.

Consistent compliance with regulations, norms and standards, constant enhancement of theoretical and practical knowledge and professional implementation and control of technological processes are the main reason behind the successful reduction in the number of fires and accidents.



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