

TIMELINE OF EVENTS IN 2006

6 February 2006

CONSTRUCTION OF A COMPREHENSIVE GAS PIPELINE NETWORK

Signing of a concession contract concluded with the Municipality of Slovenske Konjice

Petrol Plin d.o.o. was selected as the concessionaire for supply with natural gas in the Municipality of Slovenske Konjice. At the end of 2006, the Petrol Group thus operated 22 concessions for gas supply. Liquefied petroleum gas was sold to customers also via 1,572 gas depots.

14 March 2006

GENERAL MEETING OF
SHAREHOLDERS OF
PETROL, D.D., LJUBLJANA

Transition to reporting in accordance with International Financial Reporting Standards, appointment of two new members of the Supervisory Board, amendment to Articles of Association

At its 14th session, the General Meeting of shareholders of Petrol d.d., Ljubljana decided that, beginning with 1 January 2006, the annual financial report and all interim financial statements of the Company shall be prepared only in accordance with International Financial Reporting Standards. Two new members of the Supervisory Board, Bojan Šrot and Aleš Marinček, have been appointed by way of substitute elections. The proposed amendments to the Articles of Association and the change in the Company's activity have also been approved.

22 March 2006
EXPANSION OF
CATERING SERVICES

Opening of facilities in Lukovica

A new modern catering facility, which is managed by Marché Gostinstvo d.o.o., was opened in Lukovica.

10 May 2006

APPOINTMENT OF
AUDITOR

BDO EOS is appointed

At its 15th session, the General Meeting of the company Petrol d.d., Ljubljana appointed the auditing firm BDO EOS Revizija d.o.o. to audit the Company's and the Group's unconsolidated and consolidated financial statements for 2006.

mportant achievemer

27 August 2006 WEBSITE AWARD RECEIVED

The website www.petrol.si receives the Netko 2006 excellence award

In the automotive category, Petrol's website received an award for the best business and management website in Slovenia. According to the jury, "the Petrol's refreshed web approach collected most jury points mainly due to an enormous amount of underlying contents, while the professional and reliable website further complements the company's image."

28 August 2006
AGREEMENT ON STRATEGIC
COOPERATION

Petrol and Lukoil join forces in the markets of Central and South Eastern Europe

The companies Petrol d.d. and Lukoil signed a letter of intent to establish a joint-venture company to sell refined petroleum products in Slovenia and in South Eastern Europe 13 September 2006 TECHNOLOGICAL IMPROVEMENTS

Petrol Primadiesel – out of respect for nature

As provided in its development strategy, Petrol introduced a new generation high-grade diesel fuel, which has been very well accepted by customers. According to the tests, Primadiesel has an optimum effect on the power and functioning of the motor and, most importantly, its consumption lessens the burden on the environment.

16 May 2006 A NEW MEMBER OF THE GROUP

Petrol VNC is founded

Petrol VNC d.o.o. became a new member of the Group. The company, which performs a security function, is fully owned by Petrol d.d., Ljubljana.

17 May 2006
THE JUDGEMENT OF THE
HIGHER COURT IS PUBLICLY
ANNOUNCED

A favourable financial outcome for Petrol d.d., Liubliana

On 17 May 2006, the company Petrol d.d., Ljubljana received a judgement of the Higher Court in Ljubljana pursuant to which the Company received the compensation and interest on arrears in the amount of SIT 947 million (EUR 4 million) arising from unreasonably lengthy decision-making procedures. As a result, Petrol d.d., Ljubljana generated SIT 996 million (EUR 4.2 million) in other operating revenues.

2 July 2006
16TH TRADITIONAL FINE
ARTS COMPETITION
SUCCESSFULLY
ACCOMPLISHED

"Children to adults" campaign and winning works of art contributed by 173 kindergartens and schools

This is Petrol's social campaign and event aimed at supporting fine arts among the youngest. The members of jury chose between more than 1700 works of art. The spontaneity of young people and artistic perception of the real and the imaginary is something that always attracts the visitors.

5 July 2006 EXPANSION OF RETAIL NETWORK

In Povirje Petrol opens its 300th service station

The Company started using the newest service station along the Primorska highway, which is its jubilee 300th service station in Slovenia.

4 August 2006 SUPERVISORY BOARD OF PETROL D.D., LJUBLJANA

Viktor Baraga is appointed new president of the Supervisory Board

Dr Jože Zagožen resigned as president of the Supervisory Board of the company Petrol d.d. Ljubljana on 1 August. Three days after his resignation, Viktor Baraga was appointed new president of the Supervisory Board.

23 August 2006 **Strategic planning**

The Group's five-year business plan is adopted

The Group's strategic plan was approved.

An important document representing a basis for the Group's future development was adopted. The Supervisory Board discussed and confirmed the "The strategic business plan of the Petrol Group for the period 2006–2010".

nts and events in the previous year

29 September 2006

LETTER OF INTENT

Petrol's operations expand to Montenegro and beyond

Having signed a letter of intent, Petrol d.d, Ljubljana and Montenegro Bonus Cetinje expressed an interest to enter into business cooperation in the oil market of in Montenegro and in the wider region. The cooperation includes stocking, managing and selling of petroleum products, and construction of service stations. 27 October 2006
PIONEERS IN PUBLICPRIVATE PARTNERSHIP IN
THE HEALTH SECTOR

Petrol's cooperation with the hospital Splošna bolnišnica Brežice aimed at renewal of the hospital's energy supply system

Petrol d.d., Ljubljana concluded a contract with Splošna bolnica Brežica on implementing a project of comprehensive energy supply. This is the first efficient energy consumption project in the public sector involving a specific form of financing called third-party financing (TPF).

14 December 2006
NETWORK EXPANSION

Natural gas supply in Slovenska Bistrica

Following the participation in the tender, the selection and conclusion of the contract, Petrol Plin d.o.o. took over construction of a gas pipeline network in the entire area of municipality.

December 2006

CAPITAL INCREASE

Expansion in Serbia

Petrol d.d., Ljubljana increased the capital of Petrol, d.o.o, Beograd by SIT 1.2 billion (EUR 5 million).

Events after the end of the accounting period

6 February 2007

PUBLIC ANNOUNCEMENT AND

NOTICE BY THE DISTRICT COURT

The claim against Petrol is refused

Petrol d.d., Ljubljana received a notice that the judgement issued by the District Court in Ljubljana has become final. Pursuant to this judgment relating to a business dispute between the plaintiff Unis Komerc Holding, d.d. Sarajevo and the defendant Petrol d.d., Ljubljana over the payment of USD 2,110,193.50 plus interest running from 3 October 1990 until payment date, the claim was refused. On 31 December 2006, the Company showed the accrued principal and interest amounting to SIT 798 million (EUR 3.3 million), which was released to revenue in 2006.

ANNUAL REPORT OF THE PETROL GROUP AND THE COMPANY PETROL D.D., LJUBLJANA FOR

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IMPORTANT INDICATORS

The Petrol Group - important data and indicators for 2006

THE PETROL GROUP In accordance with International Financial Reporting Standards	2006		2005	
Net sales revenues	SIT 465.2 billion	EUR 1,941.4 million	SIT 420.2 billion	EUR 1,753.5 million
Gross profit less operating expenses ¹	SIT 7.4 billion	EUR 30.9 million	SIT 5.8 billion	EUR 24.0 million
Operating profit or loss	SIT 11.3 billion	EUR 47.1 million	SIT 6.8 billion	EUR 28.5 million
Net profit or loss	SIT 11.9 billion	EUR 49.8 million	SIT 8.4 billion	EUR 35.0 million
Equity	SIT 95.1 billion	EUR 396.8 million	SIT 85.2 billion	EUR 355.6 million
Balance sheet total	SIT 202.1 billion	EUR 843.4 million	SIT 203.2 billion	EUR 847.9 million
Investments in fixed assets	SIT 9.3 billion	EUR 38.8 million	SIT 12.6 billion	EUR 52.7 million
EBITDA ²	SIT 17.6 billion	EUR 73.3 million	SIT 13.2 billion	EUR 54.9 million
Profitability of operations ³	1.	17	1.14	
HIR ⁴	1.45		1.35	
Non-current debt ratio	0.25		0.36	
Net profit or loss on equity	13.2 %		10.2 %	
Net profit or loss per share ⁵	4,617 SIT	EUR 19	3,537 SIT	EUR 15
Book value of share ⁶	40,256 SIT	EUR 168	36,655 SIT	EUR 153
Share price on the last trading day of the year	118,361 SIT	EUR 494	70,741 SIT	EUR 295
Number of employees (including franchised service stations) as at 31 December	2,768		2,693	
Number of retail outlets as at 31 December	361		348	

 $^{^{1} \ \ \}text{Gross profit less operating expenses} = (\text{Gross profit} - \text{Operating expenses}) + \text{Depreciation of environmental fixed assets}$

² EBITDA = Operating profit + Regular depreciation

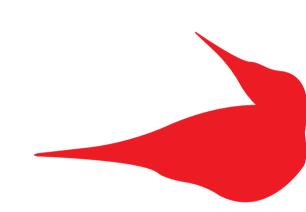
³ Profitability of operations = (Gross profit less operating expenses + (Operating expenses – Depreciation of environmental fixed assets)) / (Operating expenses – Depreciation of environmental fixed assets)

⁴ HIR (Human investment ratio) = (Gross profit less operating expenses + Labour costs) / Labour costs. Labour costs included in the HIR calculation comprise all costs related to labour costs of the Petrol Group and to those of franchise service stations.

⁵ Net profit or loss per share = Net profit or loss for the year / Weighted average number of issued ordinary shares, excluding treasury shares

⁶ Book value of share = Equity / Number of ordinary shares issued

Organic growth



A year that was vigorous in growth Ethical in caring Unified in building relationships Unique in making new friends Unmatched in grasping knowledge And it is also you we need to thank for it. Take an in-depth look inside...

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THE PETROL GROUP

Large yet flexible

The Petrol Group is the second largest Slovenian group in terms of revenue. Our size is complemented by tailored innovations and systematic care for the environment.

We are the largest Slovenian energy group. Oil trading activity remains our principal line of business, while the nature of our operations rests on reliability, building of trust and continued organic expansion of our activities. We are introducing and developing energy-related activities that comprise mainly marketing of gas, heat and electricity, and management of energy and environmental projects. These activities are at the heart of the Group's development efforts.

Reliability, building of trust and continued organic growth.

We are managing a well-established umbrella brand and other productrelated brands. Our main competitive advantage lies in diversified and modern network of service stations and, supported by our strategic ties, we are developing into a regional partner with increasing importance.

MISSION

Reliability, friendliness and a complete range of products and services

By offering a complete range of energy and environmental products and services, we supply our customers in Slovenia and in the markets of South Eastern Europe with reliable, economical and environmentally friendly products and services. Through a diversified network of service stations, drivers are offered everything they need for a safe and comfortable journey, while at the same time we bring to households all the heat they need right to their doorstep.

VISION

Excellent in terms of energy and entirely ecological

Petrol will be the top supplier of energy and environmental products and services, which will be recognised as one of the most modern, dynamic, reliable, and sustainability-oriented energy companies in Slovenia and in South Eastern Europe.

VALUES

It's a special sort of responsibility

At Petrol, we feel that we are particularly responsible to our customers, suppliers, business partners, shareholders and to the society as a whole. We meet their expectations with the help of motivated and business-oriented employees. In doing so, we take into account the fundamental legal and moral rules of the Slovenian society and broader European criteria, and protect the environment and ensure sustainable development.

EIGHT STRATEGIC GOALS OF THE PETROL GROUP FOR THE PERIOD 2006 - 2010

Our future achievements range from keeping the position of a market leader to increasing the value for shareholders

With a view of achieving growth and profitability, the Petrol Group set itself the following eight fundamental strategic goals for the period of 2006 - 2010:

- **1.** To retain its position as a market leader in the field of petroleum products trade in Slovenia.
- **3.** To become an important energy company in South Eastern Europe.
- **3.** To become even more dynamic, flexible, and customer-oriented energy company.
- **4.** To enter into partnerships with the public and private sector.
- **5.** To complement the processes of supplying the natural gas, liquefied petroleum gas and electricity with vertical and horizontal growth.
- **6.** To care for the environment in which it operates. This consists of providing a comprehensive energy supply, implementing efficient use of primary energy and carrying out demanding environment protection projects.
- **7.** To improve business excellence and quality of operations, while seeing to the satisfaction of its customers and employees.
- **8.** To increase the value of the company for the benefit of shareholders. This is the company's most important goal.

KEY IMPACTS ON OPERATIONS

Pricing and relevant exchange quotations

In 2006, the Petrol Group was again bound by the Government Regulation on the price methodology for petroleum products.

Between 1 January and 8 July 2006, the prices of petrol and middle distillates were formed in compliance with the Regulation adopted by the Government of the Republic of Slovenia on 1 January 2006.

On 6 July 2006, the Government of the Republic of Slovenia adopted a new Regulation on the price methodology for petroleum products, extending the validity of the previous Regulation till 8 October 2006. According to the Regulation, the price of a specific petroleum product is formed in the same way as under the regulation in force up to 8 July 2006.

PRICING OF PETROLEUM PRODUCTS PRIOR TO AUTUMN 2006

According to the Regulation issued by the Government of the Republic of Slovenia, the prices for individual petroleum products were formed as an average 28-day price from the stock exchange, excluding five highest and lowest stock exchange quotations from the calculation of average. The Regulation set a margin at the level that was equal to the one prescribed by the Regulation of 1 August 2005, moreover, the margin was not changed during the time when the Regulation was in force.

NEW REGULATION ADOPTED IN OCTOBER HALVES THE PRICING PERIOD

In autumn, the Government of the Republic of Slovenia adopted a new Regulation on the price methodology for petroleum products that entered into force on 9 October 2006. According to the new Regulation, the Government-regulated prices of petroleum products (petrol, diesel fuel and extra light heating oil) change every 14 days.

As from 9 October, the pricing is based on average 14-day price from the stock exchange including all quotations. The new Regulation also changed petrol and diesel fuel margins, while extra light heating oil margins remained unchanged. This is an important fact that affected the Company's operations.

CHANGES IN CRUDE OIL PRICES IN 2006

Crude oil prices showed a considerable volatility and ranged from USD 55.90 per barrel to USD 78.70 per barrel. Average purchase price of crude oil on the world oil market in 2006 stood at USD 65.15 per barrel, up almost twenty percent on 2005. As a result, prices of petroleum products followed the same trends as oil prices.

US DOLLAR EXCHANGE RATE

In 2006, average exchange rate of the US dollar stood, according to the middle exchange rate of the Bank of Slovenia, at 191.09 Slovenian tolars for one US dollar, while the average middle exchange rate of the euro was 239.60 Slovenian tolars for one euro. Average annual exchange rate between the US dollar and the euro stood at USD 1.26 for one euro.

REPORT BY THE PRESIDENT OF THE MANAGEMENT BOARD

Exceeding the plans

We had a good year and it also you we need to thank for it. We are pleased with the overall results, realised opportunities and the reasons that enabled us to exceed our plans.

These include timely forecasts, carefully considered business moves, reliability, cooperation and quick reactions to market demands. They are all important factors, but none the less I believe that our good work in the past springs from only one key factor.

Readiness for changes.

One thing is certain: Petrol is becoming an open and self-confident company. Reliability remains the principal and essential characteristic of our operations. This enables us to build trust among our customers and create conditions for stable growth of companies.

In the period that was marked with exceptional fluctuation of petroleum product prices we managed to maintain an uninterrupted supply of all energy products. This remains our most important task also for the future. Stable and efficient supply of energy products is now a priority in the entire Europe and we are determined to participate actively in this process and support these efforts.

Our regional activities are a result of a planned and laid down strategy of expansion to the markets of South Eastern Europe. We have signed a framework agreement with the Russian company Lukoil which includes establishing a joint venture that will operate in the field of petroleum product sales in the wider Balkan markets. We were the first foreign company in Serbia to obtain the right to construct a natural gas distribution network in the municipality of Pećinci. We have also signed a letter of intent to cooperate with a Montenegrin company Montenegro Bonus in the area of storing and selling energy products.



International competition is increasing. Our job and responsibility is to quickly and efficiently adapt to changes. For this reason, external influences are creatively transformed into benefits for our shareholders, employees and the environment in which we operate.

Petrol is becoming an open and self-confident company, reliability remains the primary and distinct advantage.

To be able to achieve that, we have laid down a very comprehensible strategy of four pillars that will contribute to the long-term stability of operations. The Company's future will thus be based on petroleum activity, gas, electricity and ecology.

Of course, we would fool ourselves if we claimed that we can directly influence the prices of raw materials and geopolitical developments. But we do know that we can lead the Petrol Group on the path toward changes and business excellence by taking the right attitude and setting a good example, and through good strategy and determined actions.

The challenge that lies ahead and has also been pursued by the Company in the past year is to supply clean and accessible energy. In addition to protecting the environment, this challenge above all signifies further expansion and diversification of our range of products and services, and promotion of efficient consumption.

Special attention will still be given to ecology, which is becoming extremely important also as regards present-day operations and is developing into an independent line of business. We are aware of that, which is why we are implementing it by introducing new, more environmentally friendly products and services, and by cooperating with local communities.

The challenge that lies ahead is to supply clean and accessible energy.

We will continue to play an important role in engaging and participating in the development of our environment. After all, each of our moves is aimed at creating benefits for the wider environment, employees, suppliers, shareholders, investors and, naturally, for the end customer. We are proud to participate so intensely in the functioning of our environment through the social responsibility projects which involve, among others, sponsoring sports, cultural and environmental projects.

Reputation goes hand in hand with good work and cooperation. Petrol enjoys a good reputation in the markets such as Austria, Russia, Serbia and wider South Eastern Europe. This is supported by various indicators, most important of which is surely high growth in the share value that ensued and confirmed that the ambitious goals set by the Management Board, efforts of employees and trust by partners were justified.

Petrol is a leading energy company in Slovenia and has to maintain this position. Still more, it is developing from a Slovenian company to a regional company. This is only one of the goals that the Management Board will pursue with all its knowledge and business courage.

We know that we are capable of performing better and achieving more. Assisted by your support and that of our employees and partners, we will succeed.

We had a good year and this is just the beginning.

Marko Kryžanowski

President of the Management Board

M B.

MEMBERS OF THE MANAGEMENT BOARD

Marko Kryžanowski,

President of the Management Board

Appointed for a five-year term of office beginning on 1 December 2005. Born in 1966, he holds a bachelor degree in electrotechnics and has finished a presidential MBA programme at the IEDC School of management.

Igor Irgolič,

Vice-president of the Management Board in charge of marketing

Appointed for a five-year term of office beginning on 1 December 2005. Born in 1963, he holds a bachelor degree in engineering and has later specialised in management.

Mag. Alenka Vrhovnik Težak,

Member of the Management Board in charge of finance

Appointed for a five-year term of office beginning on 1 December 2005. Born in 1968, she holds a bachelor and master's degree in economics. She has worked for Petrol since 1995. In 2001, she was appointed assistant to the member of the Management Board in charge of finance.

Boštjan Napast,

Member of the Management Board in charge of energy

Appointed for a five-year term of office beginning on 1 December 2005. Born in 1971, he holds a bachelor degree in engineering. He has worked for Petrol since 1998.

Bojan Herman,

Worker director

Appointed on 25 September 2002 for a five-year term of office. Born in 1951, he is a grammar school graduate. He has worked for Petrol since 1975.



REPORTING IN ACCORDANCE WITH ARTICLE 70(6) OF THE COMPANIES ACT

As a company bound by the act governing takeovers, Petrol d.d., Ljubljana hereby provides the following data on the balance as at the last day of the financial year and all the necessary explanations, in accordance with Article 70(6) of the revised Companies Act:

1. Structure of the Company's share capital:

The Company has only ordinary registered shares with nominal value. The holders of shares have the right to participate in the management of the Company, the right to profit participation (dividend) and the right to a corresponding share of other assets in the event of liquidation or bankruptcy of the Company. All the shares are classified in single class and issued in book-entry form.

The chart describing the structure of share capital of the company Petrol d.d., Ljubljana as at 31 December 2006 is shown in the chapter The share.

The 10 largest shareholders of the company Petrol d.d., Ljubljana as at 31 December 2006 are indicated in the chapter The share.

2. Restrictions related to the transfer of shares:

All the shares are fully transferable.

3. Qualifying holdings under the Takeover Act:

Pursuant to Article 77(1) of the Takeover Act (achieving a qualifying holding), the following information is made public:

- on 31 December 2006, Slovenska odškodninska družba held 412,009 shares issued by Petrol d.d., Ljubljana, representing 19.75 percent of the issuer's share capital,
- on 31 December 2006, the KAD Group held 185,240 shares issued by Petrol d.d., Ljubljana, representing 8.88 percent of the issuer's share capital.

4. Holders of securities carrying special control rights:

The Company issued no securities carrying special control rights.

5. Employee share scheme:

The Company has no employee share schemes.

6. Restrictions related to voting rights:

There are no restrictions related to voting rights.

7. Shareholder agreements that could result in the restriction of the transfer of shares or voting rights:

The Company has no information as to such agreements.

8. The Company's rules on:

-Appointment and replacement of members of the management or supervisory bodies:

Members of the Management Board are appointed by the Supervisory Board for a term of five years, with the possibility of reappointment. In appointing the members of the Management Board, the members of the Supervisory Board shall exercise due care and responsibility. The Supervisory Board first specifies criteria for the selection of candidates, and then determines candidates matching the criteria. Provided that appropriate and suitable candidates exist, the Supervisory Board shall appoint the members of the Management Board at a session convened for such purpose, but can decide to carry out an internal or public call for applications before doing so. If the Supervisory Board decides to issue a call for applications, a three-member committee is established which carries out a call for applications and determines candidates suitable to become members of the Management Board. The Supervisory Board shall reappoint the Management Board within one year of expiry of the term, but it usually does so three months before the expiry. If the Company's General Meeting passes a vote of no confidence in the Management Board, the Supervisory Board shall form an opinion concerning a recall of a member of the Management Board. Without prejudice to the above, the Supervisory Board can recall the Management Board for reasons stipulated by the law on its own discretion.

The Supervisory Board may appoint its members to deputise for missing or absent members of the Management Board for a period of not more than a year. Reappointment or extension of term of office shall be permitted provided the entire term of office is not longer than one year.

The Supervisory Board is required to immediately notify the Management Board, which does not fully fulfil the tasks falling under its mandate, of its findings and opinions and to determine the shortest deadline possible to eliminate the observed shortcomings. If the Management Board fails to achieve the expected improvements within the set deadline, the Supervisory Board shall decide on recalling individual members of the Management Board.

The Supervisory Board of the Company comprises nine members, of which six are elected by the Company's General Meeting with a majority vote of shareholders present and three are elected by the Company's Workers' Council. The members of the Supervisory Board are elected for a term of four years and can be re-elected when their term of office expires. A resolution on the early recall of the Supervisory

Board members representing shareholders shall be adopted with a three-quarters majority of votes present at a General Meeting, while the conditions for recall of the Supervisory Board members representing the employees shall be determined by the Workers' Council in a general act.

- Amendments to the Articles of Association:

The General Meeting shall decide on amendments to the Articles of Association with a majority of three-quarters of the share capital represented in the voting.

9. Authorisation of the members of the Management Board, especially as regards treasury shares:

Authorisations of the Management Board members are defined in the chapter on corporate governance. The Management Board has no particular authorisation concerning the issue or purchase of treasury shares.

10. Important agreements which enter into force, change or expire due to changes in the control over the company as a result of a takeover bid:

The Company has not been informed of such agreements.

11. Agreements between the Company and the members of its management and supervisory bodies or the employees which foresee compensation should such persons resign, be discharged without cause or have their employment relationship terminated:

In the event of a recall or employment contract termination due to justified business and economic reasons stipulated by the Companies Act, the members of the Management Board are entitled to receive compensation.

MEMBERS OF THE SUPERVISORY BOARD IN 2006

Viktor Baraga

President of the Supervisory Board

The honorary consul of Australia in the Republic of Slovenia.

He was appointed at the 11th General Meeting of shareholders held on 4 April 2005 for a four-year term of office. His term of office began on 16. July 2005. On the 20th meeting of the Supervisory Board of 4 August 2006 he was appointed president of the Supervisory Board until the end of term of office.

Dr. Jože Zagožen

President of the Supervisory Board until 1 August 2006

Managing director of Holding Slovenske elektrarne, d.o.o.

He was appointed at the 11th General Meeting of shareholders held on 4 April 2005 for a four-year term of office. His term of office began on 5 April 2005. On 1 August 2006, he resigned as member and president of the Supervisory Board.

Milan Podpečan

Vice-president

President of the management board of Slovenska odškodninska družba, d.d. He was appointed at the 11th General Meeting of shareholders held on 4 April 2005 for a four-year term of office. His term of office began on 5 April 2005.

Matjaž Gantar

Shareholder representative

Director of companies KD Group and KD Holding

He was appointed at the 11th General Meeting of shareholders held on 4 April 2005 for a four-year term of office.

His term of office began on 5 April 2005.

Bojan Šrot

Shareholder representative

Mayor of the Municipality of Celje, attorney

He was appointed at the 14th General Meeting of shareholders held on 14 March 2006 for a period between 14 March 2006 and 5 April 2009.

Aleš Marinček

Shareholder representative

Consultant to the director of the Public Guarantee and Maintenance Fund of the Republic of Slovenia. He was appointed at the 14th General Meeting of shareholders held on 14 March 2006 for a period between 14 March 2006 and 5 April 2009.

Samo Gerdin

Employee representative

Appointed for a four-year term of office at the session of the Workers' Council of 9 February 2005. His term of office began on 21 February 2005.

Cvetka Žigart

Employee representative

Appointed for a four-year term of office at the session of the Workers' Council of 9 February 2005. Her term of office began on 21 February 2005.

Ciril Pirš

Employee representative

Re-appointed for a four-year term of office at the session of the Workers' Council of 9 February 2005. His term of office began on 21 February 2005.

WORK OF THE SUPERVISORY BOARD

Coordinated

The Supervisory Board held twelve meetings in 2006. Its operations were in compliance with the Supervisory Board Rules of procedure. The president of the Supervisory Board convened the meetings in writing, specifying the agenda for each convening. Along with their invitations, the members also received materials to be discussed at each meeting of the Supervisory Board.

This enabled them to become informed of the topics in due time, to prepare for the Supervisory Board meetings and to adopt appropriate resolutions. If the members of the Supervisory Board requested additional explanations of individual items, those were provided by the members of the Management Board directly at the meeting or at meetings that followed.

The members of the Supervisory Board prepared for the topics to be discussed, they submitted constructive proposals and, pursuant to their statutory powers, adopted qualified business decisions based on well prepared and comprehensive information.

The Company's Management Board was always invited to attend the Supervisory Board's meetings. The cooperation between the Supervisory

and the Management Board members was good and was aimed at harmonising the proposals and views in a constructive manner and to the benefit of the Company.

The president of the Supervisory Board issued press releases immediately after the end of meetings.

MONITORING THE COMPANY'S OPERATIONS

First-quarter, semi-annual and thirdquarter report for 2006

At the 18th meeting of the Supervisory Board of 10 May 2006, the Management Board reported on the Company's operations in the first quarter of 2006. The Supervisory Board reviewed the Report on operations of the Petrol Group in the first quarter of 2006 and concluded that the results were good.

The Report on operations of the Petrol Group in the first six months of 2006 was discussed at the 20th meeting held on 4 August 2006. The members of the Supervisory Board noted that the results were good and that they exceeded the plans. At the same meeting, the Management Board also presented the process of monitoring and controlling the business processes.

The Report on operations of the Petrol Group in the first nine months of 2006 was discussed at the 22nd meeting held on 16 November 2006.

Business policy of the Petrol Group for 2006

At the 12th meeting held on 1 February 2006, the Supervisory Board discussed the Business policy of the Petrol Group for 2006 and basic orientations for achieving business objectives for that year. Following a detailed presentation by the Management Board of the main areas for development, the Supervisory Board adopted the Business policy of the Petrol Group for 2006.

Strategic business plan of the Petrol Group for the period 2006-2010

At the 21st meeting held on 23 August 2006, the Management Board presented the Strategic business plan of the Petrol Group for the period 2006-2010 to the Supervisory Board. Discussed were the development vision of the Petrol Group, establishment of a holding group and formation

of business partnerships by way of internationalisation and vertical integration through subsidiaries. Its main goal is to provide for efficient expansion to new markets and activities. The Supervisory Board adopted and approved the Strategic business plan of the Petrol Group for the period 2006-2010 as proposed by the Management Board. It has also authorised the Management Board to take all steps necessary to implement it.

Business policy of the Petrol Group for 2007

At its 23rd meeting of 20 December 2006, the Supervisory Board discussed and approved the Business policy of the Petrol Group for 2007 as proposed by the Management Board. At the same meeting, it also approved the Company's Financial calendar for 2007.

OTHER IMPORTANT SUBJECTS DISCUSSED

Election of two members of the Supervisory Board

At the 13th session held on 3 February 2006, the members of the Supervisory Board proposed that the General Meeting elected Mr Bojan Šrot and Mr Aleš Marinček members of the Supervisory Board for the period until the end of term of former members of Supervisory Board they were replacing.

Convening of the General Meeting

At its 15th meeting held on 31 March 2006, the Supervisory Board adopted a resolution to convene the General Meeting of shareholders of the company Petrol d.d., Ljubljana, to give discharge to the Company's Management Board and the Supervisory Board for their work in the financial year 2005, and to amend the Company's Articles of Association.

Amendments to the Supervisory Board's Rules of procedure, bringing it in line with the Corporate Governance Code

At its 16th meeting held on 4 April 2006, the Supervisory Board adopted the Rules of procedure that were brought in line with the Corporate Governance Code.

Election of the Supervisory Board president

After Dr. Jože Zagožen resigned as president and member of the Supervisory Board of the company Petrol d.d., Ljubljana on 1 August 2006, the Supervisory Board elected Mr Viktor Baraga president of the

Supervisory Board of the company Petrol d.d., Ljubljana at the 20th founding session held on 4 August 2006.

APPROVAL OF THE ANNUAL REPORT

At the 24th meeting held on 27 February 2007, the Supervisory board discussed the Report on unaudited operating results of the Petrol Group for 2006. It noted that the operating results were good since all key performance indicators planned for 2006 were achieved or exceeded.

At its 26th meeting held on 5 April 2007, the Supervisory Board discussed the Annual report for 2006 in the presence of a certified auditor. On the basis of verification of the Annual report for 2006, the financial statements and corresponding notes, and the certified auditor's report, the Supervisory Board approved without reservations the Annual report on the Group's and the Company's operations in 2006.

Ljubljana, 5 April 2007

Viktor Baraga

President of the Supervisory Board

GOVERNANCE AND MANAGEMENT SYSTEM

Managing the Company

The company Petrol d.d., Ljubljana is managed according to a two-tier system, meaning the Company is managed by the Management Board whose operations are supervised by the Supervisory Board. The management of company Petrol d.d., Ljubljana is conducted on the basis of legal provisions, articles of associations, which is a fundamental legal act, internal acts, and on the basis of established and generally accepted good business practices.

INDEPENDENTLY AND RESPONSIBLY

The Management Board of Petrol d.d., Ljubljana manages the Company independently and on its own responsibility, and represents and acts on behalf of the Company. The Management Board comprises the president, one or more vice-presidents and one or more members. One of the members of the Management Board is a worker director who participates only in decisions relating to the human resources and social policy issues and does not have the power to represent the Company.

The Management Board had five members in 2006.

The Management Board comprises at least three and not more than six members. The actual number of members of the Management Board is determined by the Company's Supervisory Board in the decision on the appointment of the Management Board. The Management Board had five members in 2006.

THE MEMBERS OF THE MANAGEMENT BOARD HAVE A FIVE-YEAR TERM OF OFFICE

The members of the Management Board are elected for a five-year term of office and may be re-elected. The president of the Management Board and one of the vice-presidents or members of the Management Board represent and act on behalf of the Company. Vice-presidents or members of the Management Board can represent the Company only if accompanied by the president of the Management Board.

The representatives shall seek approval by the Supervisory Board in connection with the acquisition or disposal of treasury shares, and the acquisition, establishment or dissolution of companies and business units. Approval is also required for raising or granting of loans which individually exceed five percent of the total capital of the Company or individual investments exceeding five percent of the total capital of the Company. They shall also seek approval for the granting of power of attorney and the granting of mortgages.

Representatives shall seek approval by the Supervisory Board.

GENERAL MEETING OF SHAREHOLDERS

As provided by the applicable legislation, specifically the Companies Act, the General Meeting is a body through which the shareholders exercise their rights in respect of matters concerning the Company. Convening of General Meetings is governed by the Articles of Association, as provided by the applicable legislation.

A General Meeting is convened by the Management Board of the Company on its own initiative, at the request of the Supervisory Board, or at the request of shareholders of the Company jointly representing at least five percent of the share capital of the Company. The party requesting the convening of a General Meeting must submit to the Management Board the agenda for the General Meeting together with an explanation and justification of the purpose and reasons for convening the General Meeting.

CONVENING GENERAL MEETINGS

The Management Board calls a General Meeting one month before the meeting by publishing an announcement in the Official Gazette of the Republic of Slovenia. The date of publication of the announcement in the Official Gazette of the Republic of Slovenia is deemed the official date of the convening of the General Meeting, from which point the time limits laid down in the Companies Act begin to run. The Management Board specifies in the announcement of the convening of a General Meeting the time and place of the meeting, the bodies conducting the meeting, the agenda and proposed resolutions.

The Company publishes the information or announcements relevant to the

Company or the shareholders in the daily newspaper Delo, through the Ljubljana Stock Exchange information system - SEOnet, and on its website.

SUPERVISORY BOARD

Nine members elected for a

According to the Articles of Association, the Supervisory Board of the company Petrol d.d., Ljubljana term of four years. comprises nine members, of which three are employee representatives elected by the Workers' Council.

> The members of the Supervisory Board are elected for a term of four years and may be re-elected when their term of office expires. The Supervisory Board elects from among its members a president and a deputy president. The president of the Supervisory Board is always a representative of shareholders.

The president of the Supervisory Board is always a representative of shareholders.

The president of the Supervisory Board represents the Company in relations with the Management Board, and the Supervisory Board in relations with the Management Board and third parties, unless otherwise determined in a specific case.

STATEMENT OF CONFORMITY WITH THE CORPORATE GOVERNANCE CODE

The company Petrol d.d., Ljubljana hereby makes its statement of conformity with the Corporate Governance Code (Official Gazette of the Republic of Slovenia, No. 118/2005 of 17 December 2005 with amendments valid as from 5 February 2007), for the period of 1 January 2006 to 23 February 2007.

The Code is available to public in both Slovenian and English on the website of Ljubljana Stock Exchange: http://www.ljse.si/cgi-bin/jve.cgi?doc=744&sid=xklEBCjDhdObfczS

The Company acted in accordance with the stipulations of the Code valid before the introduction of amendments. In 2006, the Company also observed the recommendations of the Corporate Governance Code with amendments valid as of 5 February 2007, with the exceptions listed below. Certain Code recommendations are irrelevant to the Company; consequently, the Company cannot violate them and does not mention them specifically. The obligations imposed on the Company or its bodies in particular cases will be fulfilled if such cases occur.

Below we provide certain explanations with regard to the stipulations of the valid Code, as well as our explanations relating to the binding recommendations of the Code which the Company has not yet started to follow:

1.2.6.: Encouragement of shareholders to exercise their rights through financial and other organisations and by proxy (organised collection of authorisations):

The organised collection of authorisations was actively carried out to a limited extent for the participants in the internal buyout and other Company employees. For 2007, it is expected that authorisations will be collected from all shareholders.

1.3.20.: Publishing of the resolutions adopted at the General Meeting: The Company published the resolutions adopted at the General Meeting in accordance with the provisions herein, with the exception of point three, paragraph two. In the future the Company will also include a clear identification of the five largest shareholders present or represented at the General Meeting.

- **3.1.5.:** Making the Supervisory Board Rules of Procedure available to all shareholders: The Supervisory Board adopted the new Rules of Procedure in 2006 and resolved there was no need to make the Rules available to other stakeholders.
- **3.1.9.:** Use of information technology for distributing materials and convening Supervisory Board meetings: Due to the insufficient safety of telecommunications and high level of data confidentiality, the use of information technology will not be possible until all members are equipped with safe connections and protocols preventing any unauthorised access to documents.
- **3.4.6.** and **3.4.7.:** Supervisory Board members' liability insurance: The company has not taken out Supervisory Board members' liability insurance.

Internal act regulating trade limitations:

In addition to statutory stipulations and regulations, the Company does not have any internal act additionally regulating trade limitations. However, any persons having access to internal information sign a special statement on keeping internal information confidential. In accordance with ATVP requirements, the Company keeps the list of persons having access to internal information.

In the future, the Company will continue to conform to the recommendations of the Code. Should it prove impossible for the Company to conform to any obligation stipulated in the Code, the Management Board and the Supervisory Board shall prepare a well grounded explanation. We would like to emphasise that in the period from the end of the accounting period until this statement has been published, no other discrepancies occurred than those mentioned above.

This announcement is permanently posted on the official website of the company: www.petrol.si.

In Ljubljana, 23 February 2007

Marko Kryžanowski

President of the Management Board

Viktor Baraga

President of the Supervisory Board

SHARE OF THE COMPANY

grOV/

66%







High turnover, high profits, new records

Petrol's share has been on the A list of the Ljubljana Stock Exchange since 5 May 1997. The share's value initially stood at SIT 17,179. In 2006, the volume of trading in the share on the stock exchange amounted to SIT 33.6 billion (EUR 140.21 million), up 220.6 percent from 2005.

GROWTH IN PREVIOUS YEARS

Boosted by overall optimism prevailing on the Ljubljana Stock Exchange in 1998, the share attained high levels in terms of value in that year. In 1999, the share's price was relatively stable, while in 2000 it was relatively stagnant due to pessimistic trends on the stock market. In 2001, the growth in Petrol's shares amounted to 19.3 percent, in 2002 to 77.3 percent, in 2003 to 40.6 percent, and in 2004 to 17.9 percent. In 2005, it dropped to 6.9 percent, while in 2006 the share achieved a record growth of 66.5 percent.

Petrol's share proved to be a good investment. Its growth exceeded 66 % in 2006.

THE SHARE OF PETROL D.D., LJUBLJANA, SBI20 INDEX, DAILY AVERAGE AND YEARLY AVERAGE

In the period from the beginning of 2001 to the end of 2003, the share's growth exceeded that of index SBI20. In 2004, the growth of SBI20 index outperformed the Petrol's share, but in 2005 and 2006 this ratio changed yet again to the benefit of the Petrol's share that outperformed the SBI20 index once more.

Between 1 January and 31 December 2006, the share's daily average price rose by 66.5 percent, but it rose 589 percent since its listing. The yearly average price of the Petrol's share, which stood in 2006 at SIT 92,627 (EUR 386.53), increased by 41.3 percent in comparison with the previous year. In

In December 2006, the Petrol's share stood at record SIT 125,186 (EUR 522.39). December 2006, the share's price equalled SIT 125,186 (EUR 522.39), which is a record high since its listing on the Ljubljana Stock Exchange.

RANKED SECOND BY TURNOVER ON THE LJUBLJANA STOCK EXCHANGE

In 2006, the volume of trading in the share on the stock exchange amounted to SIT 33.6 billion (EUR 140.21 million), up 220.6 percent from 2005. Trading in Petrol's share accounted for 18.7 percent of the total trading volume on the Ljubljana Stock Exchange, and 19.4 percent of the total volume of share trading.

By volume of trading on the Ljubljana Stock Exchange, the share of Petrol d.d., Ljubljana ranked second. It reached a monthly average of SIT 2.8 billion (EUR 11.69 million) in trading, but was not completely liquid in 2006.

One of the four stocks accounting for more than 10 % of the SBI20 index. Market capitalisation of Petrol d.d., Ljubljana on the last day of 2006 was SIT 246.9 billion (EUR 1.03 billion), which accounts for 6.7 percent of the total market capitalisation of the stock market. In terms of market capitalisation, Petrol d.d., Ljubljana thus climbed to the second place, while its share was of the four shares accounting for more than ten percent of the SBI20 stock market index.

Petrol share's price between 2002 and 2006

	2006 (in SIT)	2006 (in EUR)	2005 (in SIT)	2004 (in SIT)	2003 (in SIT)	2002 (in SIT)
Yearly high	125,186	522	72,518	68,046	60,020	43,762
Yearly low	68,536	286	58,400	55,955	38,006	23,124
Yearly average	92,627	387	65,546	63,834	43,496	33,347
Price on the last trading day of the year	118,361	494	70,741	65,943	56,208	41,009
Increase/decrease in average price between 1 January and 31 December of the current year	66.53 %	66.53 %	6.89 %	17.85 %	40.58 %	77.34 %
Increase in average price in the current year compared to the price as at 5 May 1997	439.19 %	439.19 %	281.55 %	271.58 %	153.19 %	94.11 %

Data on the Petrol's share price since 2002 onwards.

FINANCIAL INDICATORS

In 2006, net profit per share amounted to SIT 4,617 (EUR 19.27), an increase of 30.5 percent over 2005. Cash flow per share stood at SIT 7,071 (EUR 29.51) and climbed 16.4 percent as compared to the previous year. Return per share was 67.3 percent. Including the dividend yield of 1.41 percent, the total return per share was 68.7 percent.

The ratio between the market share price at the end of 2006 and the share's book value on the same date, which stood at SIT 40,256 (EUR 168), increased 2.9 percent as compared to the end of 2005. The ratio between the market share price at the end of 2006 and the net profit per share was 25.6.

Net profit per share rose 30.5 % compared to 2005.

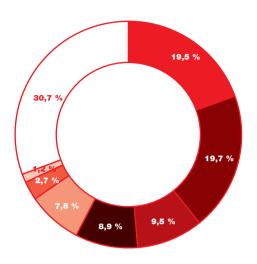
Return per share and dividend yield totalled 68.7 % in 2006.

SHARE CAPITAL COMPOSITION

There were no substantial changes in the share capital composition of Petrol d.d., Ljubljana in 2006. Slovenska odškodninska družba remains the largest single shareholder with 412,009 shares, followed by the group Kapitalska družba with 185,240 shares. Other larger single shareholders include Istrabenz d.d., Nacionalna finančna družba 1 d.d., Nova kreditna banka Maribor d.d., Vizija Holding d.d., Kmečka družba funds, Delniški VS Triglav Steber I and Vizija Holding ena d.d.

Largest single shareholders.

Share capital composition of the company Petrol d.d., Ljubljana as at 31 December 2006





At year-end, 53,909 shares or 2.6 percent of all shares were held by foreign legal or natural persons. The total number of shareholders decreased from 43,920 as at the end of 2005 to 42,566. Although the number of shareholders has been falling since the public limited company started operating, this trend is slowing down each year.

The largest shareholders of the company Petrol d.d., Ljubljana as at 31 December 2006

	Shareholder	Address	No. of shares	Participation in %
1	SLOVENSKA ODŠKODNINSKA DRUŽBA, D.D.	MALA ULICA 5, 1000 LJUBLJANA	412,009	19.75 %
2	KAPITALSKA DRUŽBA, D.D.	DUNAJSKA CESTA 119, 1000 LJUBLJANA	172,639	8.27 %
3	ISTRABENZ D.D.	CESTA ZORE PERELLO-GODINA 2, 6000 KOPER	81,683	3.92 %
4	NFD 1 DELNIŠKI INVESTICIJSKI SKLAD D.D.	TRDINOVA 4, 1000 LJUBLJANA	70,904	3.40 %
5	NOVA KBM D.D.	ULICA VITA KRAIGHERJA 4, 2000 MARIBOR	56,789	2.72 %
6	VIZIJA HOLDING D.D.	DUNAJSKA CESTA 156, 1000 LJUBLJANA	49,205	2.36 %
7	KD GALILEO, VZAJEMNI SKLAD	CELOVŠKA CESTA 206, 1000 LJUBLJANA	46,374	2.22 %
8	DELNIŠKI VS TRIGLAV STEBER 1	SLOVENSKA CESTA 54, 1000 LJUBLJANA	45,900	2.20 %
9	VIZIJA HOLDING ENA D.D.	DUNAJSKA CESTA 156, 1000 LJUBLJANA	39,315	1.88 %
10	KD ID, DELNIŠKA ID, D.D.	CELOVŠKA CESTA 206, 1000 LJUBLJANA	37,260	1.79 %

OTHER EXPLANATIONS GIVEN BY THE COMPANY PETROL D.D., LJUBLJANA IN LINE WITH THE SECURITIES MARKET ACT

The prospectus of the company Petrol d.d., Ljubljana that has been prepared for the purpose of listing the share on the stock exchange and its latest amendments have been published on the Company's website. All amendments made to the prospectus in accordance with Article 63 of the Securities Market Act are published by way of public announcements that are available on the Company's website or on the website of the Ljubljana Stock Exchange (SEOnet).

RESERVES FOR TREASURY SHARES

As in previous years, the company Petrol d.d., Ljubljana did not repurchase its treasury shares in 2006. On the last day of 2006, the Company held 25,758 treasury shares, which accounts for 1.23 percent of registered share capital. Due to payment of bonuses to the members of the Supervisory Board, the number of treasury shares decreased by 403 compared to the previous year. Their total book value as at 31 December 2006 equalled SIT 650.84 million (EUR 2.7 million). On the same day the total book value was by SIT 2,397,896 thousand (EUR 10 million) lower than the market value of shares.

DIVIDEND DISTRIBUTION POLICY

One of the cornerstones of Petrol's development strategy is long-term maximisation of returns for shareholders. For this reason, Petrol's

Long-term maximisation of returns for shareholders is one of key objectives. Gross dividends paid in 2006 stood at SIT 1,000 (EUR 4.17) per share.

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 and long-term stability of Petrol's share price.

In 2006, the General Meeting set the gross dividend payable to shareholder at SIT 1,000 (EUR 4.17) per share.

Overview of dividend distribution over years

Period	Total amount of dividends in accordance with the General Meeting resolution (in SIT)	Gross dividend per share (in SIT)
1993 - 1995	1,460,410,700	700
1996	417,260,200	200
1997	1,564,725,750	750
1998	1,251,780,600	600
1999	834,520,400	400
2000	1,043,150,500	500
2001	1,251,780,600	600
2002	1,460,410,700	700
2003	1,460,410,700	700
2004	1,877,670,900	900
2005	2,086,301,000	1.000

DISTRIBUTABLE PROFIT

The amount of distributable profit of Petrol d.d., Ljubljana for 2006 stood at SIT 7,506,565 thousand (EUR 31,324 thousand) and was in line with IFRS.

REGULAR PARTICIPATION AT INVESTORS' CONFERENCES, INFORMING INVESTORS

The company Petrol d.d., Ljubljana has a regular programme of cooperation with domestic and foreign investors that involves public announcements, individual meetings and presentations, and public presentations of the Company. It also regularly attends investors' conferences that are organised each year by the Ljubljana Stock Exchange and various banks. Three important international conferences were attended in 2006: Slovenian capital market days in Ljubljana and London, and Investors' conference in Stegersbach in Austria.

All information relevant to shareholders, including the financial calendar, is published on the Company's website. The contact person in charge of investor relations is Barbara Jama Živalič (informacije@petrol.si).

OIL TRADING ACTIVITY





Performance exceeded the limits but has always remaine within the scop of sustainable development

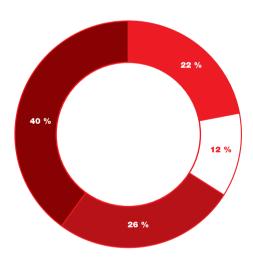


SALES OF PETROLEUM PRODUCTS

We create locally, but grow regionally

Petrol is a group that organically develops the organisational integration of companies to achieve greater efficiency. It has exceeded the plans and increased the volume of sales in Slovenia, but even more in the markets of South Eastern Europe.

Breakdown of oil and petroleum product sales by the Petrol Group in 2006 by volume





In 2006, the Group sold 2 million tonnes of oil and petroleum products, which is four percent more than planned and three percent more as compared to 2005.

The plans are there to be exceeded.

44 3 % more than in 2005 and 4 % more than planned.

In Slovenia, it sold 1,670 thousand tonnes of oil and petroleum products, exceeding the plans by two percent. These sales account for 83 percent of the Group's total sales. The majority of sales in the domestic market were generated by the parent company.

Gompared to 2005, almost 50 % growth in sales was achieved in the markets of South Eastern Europe.

The Petrol Group sold in 2006 29 percent more oil and petroleum products in the markets of South Eastern Europe than planned and 49 percent more as compared to 2005. The sales in the markets of South Eastern Europe account for 17 percent of the Petrol Group's total sales.

The volume of sales in foreign markets is mostly a result of increased demand for petroleum products, especially for middle distillates (diesel fuel, extra light heating oil), and decreased competition in Bosnia and Herzegovina.

Increased demand was turned to advantage

The refineries of the company Ina from Zagreb were in repair twice in 2006. This had favourably affected the sales in Bosnia and Herzegovina. Furthermore, due to unfavourable customs legislation, which is in force in Bosnia and Herzegovina, another major competitor, Mol from Hungary, was also unable to pose competition in the petroleum products market.

ABOVE-AVERAGE SALES OF MOTOR FUELS

Plans for motor fuel sales were exceeded The sales of motor fuels (petrol and diesel fuel) represent one of our principal activities. The above-average achievements in this area are thus always a good sign, reward and motivation for addressing future challenges. 2006 was a good year. We managed to exceed the planned sales of motor fuels by five percent and the 2005 result by six percent. Favourable results were achieved despite the fact that fewer-than-expected public procurement contracts were issued. The successful accelerated introduction in Slovenia of liquefied petroleum gas for motor vehicles is another important fact and an indicator that appropriate business decisions have been taken.

FACTORS AFFECTING THE MOTOR FUEL SALES IN 2006

Favourable external influences:

- lower real prices of motor fuels at service stations in Slovenia compared to foreign countries;
- increased number of tourist visits during the summer.

Positive internal measures:

- introduction of high quality fuels (Primadiesel and Super plus 98);
- petromats for quick payment;
- active sales:
- novelty of selling fuel in the third shift without the presence of staff;
- petrol's first unmanned service stations;
- expansion to the best locations;
- modernisation of service stations to increase selling potential;
- introduction of quick pumping aggregates for diesel fuel for heavier vehicles:
- introduction of liquefied petroleum gas for motor vehicles;
- successful wholesale business, selling mostly to major owners of service stations.

Unfavourable external influences:

- higher real prices of motor fuels in Slovenia in 2006 as compared to 2005;
- opening of unmanned service stations by competitors;
- increased share of passenger vehicles propelled by diesel engines with lower fuel consumption as compared to petrol-driven cars;
- fewer public procurement contracts issued.

ORGANISATIONAL STRUCTURE OF RETAIL NETWORK

In 2006, the Petrol Group generated half of oil and petroleum product sales on the retail market, while the remaining half was generated on the wholesale market. Organic growth and good sales by the Petrol Group are also a result of a successful expansion of the retail network. At the end of 2006, the Group's retail network comprised 361 service stations, of which 305 in Slovenia, 33 in Bosnia and Herzegovina, 21 in Croatia and 2 in Serbia.

Retail and wholesale accounted for equal shares. 361 service stations

The main objective is to bring the network of service stations even closer to our customers.

We are trying to bring the network of service stations as close as possible to our customers and their needs in all segments.

11 The power of efficient organisation.

RESEARCH LEADS TO A MORE PLEASANT USER EXPERIENCE

Research enables us to recognise opportunities and additional potential for improvement. The objective is simple. To have service stations that are more customer-friendly and efficient in terms of sales.

Service station services are complemented by 84 car washes, 59 bars, 6 mechanic and tyre-fitting shops, and 19 TIP STOP quick service shops. Constant development of service station networks is based on the highest quality standards and supplementary services. In addition to service stations, the Group also operates 84 car washes, 59 bars, 6 mechanic and tyre-fitting shops, and 19 TIP STOP quick service shops. Quick service shops are designed for carrying out maintenance of cargo and passenger vehicles and operate as franchises.

CONTINUOUS EVALUATION IS A PATH TO BETTER SERVICES

At least once a year, all service stations are evaluated by specialists and according to different criteria. These include financial audit, knowledge and observance of instructions, fire safety and attitude towards customers, the latter being one of the most important factors of our success.

The evaluation results affect the salaries of employees, while at the same time the method and the organisation of work discourage irregularities from occurring. As a result, irregularities can be quickly discovered and eliminated as they occur.

STRATEGIC WHOLESALE MARKET

Sufficient and, above all, strategic coverage of Slovenia through regional wholesale offices represents the main advantage of our wholesale network.

Another is the ability to respond quickly. Sales staff monitors the needs of wholesale customers on a daily basis and, assisted by sales representatives specialised in individual products, caters to the needs of small and medium companies.

Coverage, local presence and continuous monitoring of customers' needs.

We are also supplying larger companies. The efficiency of supply is achieved through a combination of centralised management and individual adjustments. We can thus bring the sales network in line with current market trends. This enables us to regularly monitor and fulfil obligations arising from contractual relationships with our customers and to pursue new opportunities on continuous basis.

Strategic presence and continuous monitoring of the needs of major clients through the network of sales representatives is reflected in stable operations and in the number of new sales contracts. Sales staff managed to win over more than one hundred major customers in 2006.

Petrol's sales staff managed to win over more than one hundred major customers in 2006.

MAGNA CARD - LINKING RETAIL AND WHOLESALE MARKETS

Magna, Petrol's payment card, represents one of the key links between retail and wholesale markets. It enables wholesale customers to purchase goods at service stations. Magna card is an important tool for active cooperation and communication with customers and for effective realisation of market plans.

MAGNA CARD FACILITATES FOCUSING ON CUSTOMERS

The card enables us to compile a direct marketing database and to set up a comprehensive customer relationship management (CRM) system. Each card holder is also entitled to a discount on purchase of most products at service stations. Moreover, the card enables deferred payments, subject to contractual quantities, and monthly breakdown of payments by individual vehicles and types of merchandise.

Magna card is the information backbone of CRM.

COMPETITORS

In Slovenia, there are 15 traders operating in the area of retail sale of motor fuels. Considering the number of service stations, Petrol d.d., Ljubljana that operates 305 service stations has a 67-percent market share. Its competitive advantage consists of having a leading position as regards transit routes and at key urban and border locations.

Considering the number of service stations, Petrol has a 67-percent market share in Slovenia.

It was also in the area of wholesale trade where the Petrol Group encountered numerous competitors. Many smaller traders and other oil companies attempted to win over customers by offering attractive deals.

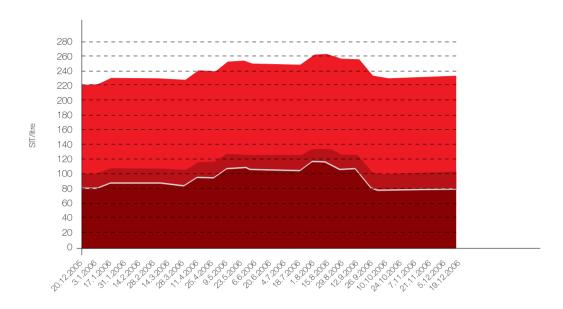
In 2006, the margins in Slovenia slightly exceeded two-thirds of the EU average. An important fact that has to be considered when making an overall assessment of performance indicators is the level of model-based margins. In Slovenia, an average model-based margin for diesel fuel stood in the previous year at 67 percent of the EU average. As for 95-octane unleaded petrol, the margin stood at 72 percent, while for extra light heating oil, the margin amounted to not more than 56 percent. These levels are even lower if compared to the model-based margins for derivatives in Italy and Austria.

Share of model-based margins in retail prices in 2006 and 2005

		2006 Average	2005 Average
Retail price of NMB 95	sit/l	238.1	220.8
Margin	sit/l	17.948	17.456
Share of margin in retail price	in %	7.5	7.9
Retail price of diesel fuel	sit/l	229.2	218.4
Margin	sit/l	16.730	16.238
Share of margin in retail price	in %	7.3	7.4

Comparison between the average retail price of motor fuels (NMB 95 and diesel fuel) in 2006 and the average retail price in 2005.

Changes in retails prices in 2006 in terms of structure





Changes in the structure of model-based retail price of 95-octane unleaded Petrol in 2006.

PURCHASE OF PETROLEUM PRODUCTS

We do business with the largest

Nowadays, an efficient purchasing strategy involves purchasing petroleum products from the largest multinational oil companies, and through long years of cooperation with respected suppliers, we have managed to become their partners.

The Petrol Group never ignores possible new sources of supply. New possibilities and opportunities are conditional on global changes and new capital links in our environment, mostly in South Eastern and Eastern Europe.

KEY FACTORS OF PURCHASE

Considering its long-term financial objectives, environmental stance and basic strategic orientations, the Petrol Group chooses its suppliers based on:

- strict compliance of all purchased derivatives with applicable European standards and regulations, and
- purchase price and other terms of purchase that allow for the lowest purchasing costs.

In terms of logistics, the strategy of purchasing petrol, diesel fuel and extra light heating oil is implemented through supply by sea. Other derivatives, such as fuel oil, bitumen and gas, are supplied by land.

RADICAL CHANGES IN PRICES OF CRUDE OIL

The year 2006 was characterised by price records as it saw the price of Brent crude oil rising over USD 78 per barrel.

In August 2006, the price of oil exceeded a record USD 78 per barrel.



Changes in Brent Dated oil price in 2006.

In 2006, the average price of Brent Dated crude oil stood at USD 65.15 per barrel. Compared to 2005, the average price rose by 19.43 percent in 2006.

SALES OF SUPPLEMENTARY AND OTHER MERCHANDISE

Growth in supplementary merchandise

In 2006, the Petrol Group generated SIT 51.7 billion (EUR 215.7 million) in revenues from sales of supplementary and other merchandise¹, exceeding the plan by 13 percent.

Compared to 2005, total growth amounted to 14 %.

As regards the sales of supplementary merchandise, the range of merchandise on offer is being extended and improved. The sales are aimed at meeting the needs of local population, drivers and passengers.

SALES OF SERVICES

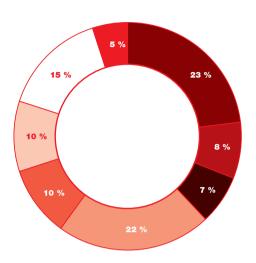
From laboratory activities to transport

Important services provided by Petrol include fees from payments made in foreign currencies, revenues generated by car washes, rents obtained for catering facilities, transportation and revenues from Magna payment card.

In 2006, the Petrol Group generated almost SIT 8 billion (EUR 32.8 million) in revenue from services. This is as much as 13 percent more than in 2005. The majority of revenues were generated by the parent company.

¹ Sales of other merchandise include above all the sales of raw materials and chemical products.

Structure of revenues from services sold by Petrol d.d., Ljubljana in 2006





ENERGY AND ENVIRONMENTAL ACTIVITY

connect





ing





Promoting efficient consumption out of respect for nature

Our energy and environmental activity is aimed at providing integrated, energy-efficient and environmentally friendly solutions. We are able to achieve that by following the Group's long-term development strategy.

Energy and environmental activity consists of four fundamental fields:

- sales and distribution of gas;
- generation, sales and distribution of electricity and heat;
- efficient energy consumption projects, and
- environmental activity.

SALES AND DISTRIBUTION OF GAS

Liquefied petroleum and natural gas

The Petrol Group operated 22 gas concessions in 2006. Its activities and the products offered include selling and distribution of liquefied petroleum and natural gas.

At the end of 2006, the Petrol Group operated 22 concessions for gas supply, of which 17 for the supply of liquefied natural gas and 5 for the supply of liquefied petroleum gas.

Compared to 2005, the number of concessions operated by the Group increased by one. Eighteen concessions were operated by Petrol Plin, d.o.o. (of which three are owned by Petrol d.d., Ljubljana) and four by Petrol Energetika, d.o.o.

Liquefied petroleum gas was sold to customers also via 1,572 gas depots, 220 more than in 2005.

Compared to 2005, the number of gas depots rose by 220.

Sales of liquefied petroleum gas were unfavourably affected by warm weather.

In 2006, the sales of liquefied petroleum gas by the Petrol Group fell short of the plan by 6 percent, but exceeded the 2005 sales by 1 percent. Warm weather during the winter is the main reason for lower-than-planned sales of liquefied petroleum gas.

Sales of liquefied petroleum gas for motor vehicles exceeded the plan by 41 percent.

GOOD SALES FIGURES IN 2006

In 2006, the Petrol Group launched the sale of liquefied petroleum gas for motor vehicles at an accelerated pace. Indication of very good sales figures is the fact that the sales plan was exceeded by 41 percent.

In 2006, the Petrol Group's sales of natural gas exceeded the plan by one percent and the 2005 figure was exceeded by ten percent.

GENERATION, SALES AND DISTRIBUTION OF ELECTRICITY AND HEAT

Good results

In 2006, the Petrol Group sold 323.6 thousand MWh of electricity, exceeding the plan and the 2005 results by five percent.

The Petrol Group sold in 2006 323.6 thousand MWh of electricity, of which it generated 34.6 thousand MWh and distributed 289.6 thousand MWh.

In 2006, the Petrol Group generated 55.4 thousand MWh of heat, while the quantity of heat sold and distributed amounted to 46.8 thousand MWh and 54.3 thousand MWh, respectively.

Within the Petrol Group, the process of generating electricity and heat is carried out by the company Petrol Energetika, d.o.o. in its cogeneration and boiler plant. The Company's fundamental strategy consists of maintaining and developing its role as a producer, operator of the distribution network system, trader, agent and broker, and of successfully operating in the wider electricity and energy market by continuously increasing its market share.

EFFICIENT ENERGY CONSUMPTION PROJECTS

Unprecedented energy efficiency

Projects aimed at providing greater efficiency of energy consumption complement the Petrol Group's existing lines of business.

ENERGY SAVINGS, ADDED VALUE AND COMPETITIVE ADVANTAGE

Efficient energy consumption is a concept that the Petrol Group uses to provide its partners with guaranteed efficiency rates relating to the consumption of energy products, optimal management of energy plants and, as a result, with energy cost savings through proper management, financing¹ and implementation of the entire energy project.

The goal of long-term partnerships between Petrol and the clients is to realise potential energy savings and decrease energy supply costs.

Ensuring optimal efficiency rates, efficient management and lower energy supply costs.

SUCCESSFULLY COMPLETED EFFICIENT ENERGY CONSUMPTION PROJECTS

The Petrol Group has successfully completed four efficient energy consumption projects by the end of 2006. At the same time, the Company was selected in November 2006 to carry out a new energy plant project at Tehnološki park Ljubljana (TPL).

As far as the industrial sector in concerned, two cogeneration plants for heat and electricity generation, namely Unior and Martex, became operational as early as in 2005.

² Third party financing (TPF)

After the Petrol Group had successfully entered the private sector, this activity was extended in 2006 also to the public sector, which includes direct or indirect budget spending units.

Due to the extent of energy saving potential and the demonstration effect, efficient energy management in the public sector represents a segment of particular importance for the Petrol Group and the wider environment.

SPLOŠNA BOLNIŠNICA BREŽICE PROJECT - A MILESTONE IN CARRYING OUT EFFICIENT ENERGY CONSUMPTION PROJECTS IN THE PUBLIC SECTOR

The project of overall boiler room reconstruction at Splošna bolnišnica Brežice was successfully completed in 2006.

The project was based on a contract for ensuring financial savings relating to energy supply.

This was the first such project in the Slovenian public sector and represents a good basis for future project of the Petrol Group in the area of public-private partnerships.

It was also the first project of this kind that was carried out by the Petrol Group pursuant to a public tender in accordance with the Public Procurement Act. Such projects serve as an example of good practice as regards the ways of thinking and interacting with other potential clients from the public sector.

Selected at a tender issued by Tehnološki park Ljubljana to carry out the most demanding project to date in terms of technical complexity.

TEHNOLOŠKI PARK LJUBLJANA - THE GROUP'S FIRST THREE-GENERATION PROJECT

In November 2006, after more than six months of negotiations, Petrol d.d., Ljubljana was selected as the most favourable bidder at a tender issued by Tehnološki park Ljubljana. The project involves construction and management of the client's energy plant in its premises at TPL – Ljubljana Brdo. It is the Petrol Group's first project that is based on a three-generation technology³.

Our reputation and market position are consolidated through projects of efficient energy use.

³ 3GEN or cogeneration of heat, electricity and cold.

Public and industrial sector have the highest potential. However, there is also much potential in technologies for exploiting waste energy in the industrial sector, followed by a segment of larger collective boiler rooms managed by local public utility companies, apartment management companies or managers of multi-apartment buildings.

ENVIRONMENTAL ACTIVITY

Nature will be grateful

The Petrol Group successfully combines its care for the environment and its business activity. In 2006, it managed to achieve that by implementing and improving two environmental projects at a local community level, which involved public utility activities of urban wastewater treatment in the Municipalities of Murska Sobota and Mežica.

CENTRAL WASTE TREATMENT PLANT IN MURSKA SOBOTA

Using mechanical, biological and chemical processes for wastewater treatment, we provide for an efficient and environmentally friendly sewerage system in the Municipality of Murska Sobota, in line with applicable legislation. The main goal of the plant with capacity of 42,000 population units is to treat waste and drainage waters from the catchment area of the Municipality. At the end of summer 2006, the system was technologically improved by completing an upgrade of the mud compacting process and by setting up an automated lime dosing line.

In 2006, the central waste treatment plant in Murska Sobota processed 3,395 thousand m³ of urban waters, wastewaters and drainage waters. The treatment efficiency according to the COD⁴ method stood at 96 percent, while the efficiency according to the BOD5⁵ method stood at 98 percent.

The waste treatment plant is operated by the contractor Komunala, javno podjetje, d.o.o., from Murska Sobota.

Mechanical, biological and chemical treatment.

⁴ COD – chemical oxygen demand.

⁵ BOD5 – biochemical oxygen demand.

WASTE TREATMENT PLANT IN MEŽICA AND ENVIRONMENTAL PARTNERSHIP IN MARIBOR

The waste treatment plant in Mežica has a capacity of 4,000 population units. In March 2006, it obtained an operating permit. The Mežica waste treatment plant is operated by the company Petrol Energetika d.o.o.

In 2006, the waste treatment plant in Mežica processed 184 thousand m³ of urban waters, wastewaters and drainage waters. The treatment efficiency according to the COD method stood at 91 percent, while the efficiency according to the BOD5 method stood at 93 percent.

In its capacity as an important company member of Aquasystems, d.o.o., Petrol d.d. also takes part in the treatment of urban wastewaters in the Municipality of Maribor, which is operating a waste treatment plant with capacity of 190,000 population units.

INVESTMENTS, INFORMATION SUPPORT AND CUSTOMER SATISFACTION MEASUREMENT

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We help to develop new solutions and facilitate efficient adjustments

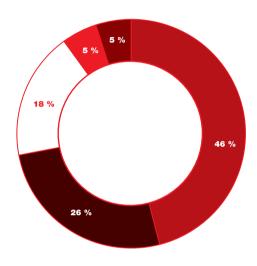


INVESTMENTS

Marked by long-term growth

In 2006, the Petrol Group invested SIT 9.3 billion (EUR 38.8 million) in fixed assets.

Breakdown of investments of the Petrol Group in 2006





INVESTMENTS IN THE PETROLEUM ACTIVITY IN SLOVENIA

In Slovenia, two new motorway service stations - Povir Sever and Povir Jug - and service stations Podplat, Vosek and Celje Kidričeva ulica were opened. The opening of two unmanned service stations in Murska Sobota and Celje was also new. At the moment, the construction of two service stations and acquisition of documentation for new facilities to be built in 2007 is underway.

New service stations and investments in the protection of the environment.

We began acquiring documentation required to set up the facilities for selling liquefied petroleum gas for motor vehicles. This investment will be completed in 2007. The investment to obtain SIQ certificates for service stations and warehouses Rače and Celje is also underway.

As regards the Zalog storage facility for petroleum products, we invested in the project of filtering water out of the diesel fuel. The investment in the filling station at the Murska Sobota railway station was successfully completed. Investments in the protection of the environment, fire safety, protection of service stations and storage facilities are currently underway.

INVESTMENTS IN THE MARKETS OF SOUTH EASTERN EUROPE

Six new service stations were opened in the markets of South Eastern Europe: two in Bosnia and Herzegovina, three in Croatia, and one in Serbia. The parent company increased the capital of Petrol, d.o.o, Beograd by SIT 1.2 billion (EUR 5 million). These funds will be used for investments in fixed assets.

INVESTMENTS IN THE GAS ACTIVITY

The majority of investments in the area of gas activity were allocated to the gas network construction based on the concessions obtained, to the purchase of gas depots and devices used to control the operations of gas stations remotely, and to the construction of a gas transmission network in Železarna Štore.

INVESTMENTS IN ENERGY AND ECOLOGY

In the area of energy and ecology, most funds were allocated to the efficient energy consumption projects and to modernisation of district heating and heat-generation plants in Ravne na Koroškem.

INFORMATION SUPPORT

Integrated system solutions and modernisation of infrastructure

In several important areas related to the development and introduction of information systems, work was completed or underway in 2006. An example is the Euro project. As far as the retail trade is concerned, the project of upgrading the server infrastructure was completed in the first quarter.

By the beginning of June 2006, the Company had prepared a detailed plan to support the changeover to the euro in Slovenia, while in June it began developing and testing the functioning of all systems. In Slovenia, the changeover to the euro was implemented successfully, without disturbing the business operations.

Smooth transition to the euro.

RETAIL TRADE

As far as the retail trade is concerned, the project of upgrading the server infrastructure of the entire Group was completed in the first quarter. Key goals included increased reliability and control over functioning. The systems for automated fuel payments, so-called Petromats, were set up at one hundred service stations across Slovenia.

New generation of systems compliant with the EMV card payment standards was successfully introduced in September 2006.

Work continued on the new generation of card payment systems compliant with the EMV standards. In June 2006, the systems were introduced to six service stations for testing purposes, while by mid-September the new system was introduced to all service stations in Slovenia. In addition to supporting the new standards, the new POS system also supports connections with multiple processing centres such as Bankart and Aktiva.

In cooperation with Privredna Banka Zagreb (PBZ), we developed and tested the support for American Express cards in Bosnia and Herzegovina. The support was fully implemented by the end of July. The Company also drew up an integrated card payment system to be used in Croatia, again in cooperation with PBZ. For now, the new system is functioning successfully

Integrated card payment system for Croatia.

at one service station but will be introduced to all service stations in Croatia by the end of March 2007.

PROJECTS UNDERTAKEN IN COOPERATION WITH LOTERIJA SLOVENIJE AND HRVATSKA LUTRIJA, AND THE TICKET PURCHASING SYSTEM

A project undertaken in cooperation with Loterija Slovenije was completed by mid-August. Today, the system is operating successfully at all of our service stations in Slovenia. In 2006, the solution for selling lottery products at service stations was prepared also in cooperation with Hrvatska Lutrija. The system is currently operational at one service station in Croatia, but after the testing period, it will be introduced to all service stations. The system facilitating the purchase of tickets for various events, concerts, etc., was also set up. It has been in use at service stations in Slovenia since January 2007.

Since July 2006, intensive work has been underway on the project for providing information support to a subsidiary in Serbia. Information support includes a basic information system, and a wholesale and retail support. The system was successfully introduced to two service stations in December 2006.

Successfully completed VAT project in Bosnia and Herzegovina.

A new generation of the commercial information system applications were being actively introduced to individual target groups of users during the entire year.

In the first quarter of 2006, the VAT project, which also included integration of parts of the information system used for commercial activities and accounting, was completed in Bosnia and Herzegovina.

FUEL SUPPLY CHAIN

Fuel delivery system will automate and link individual operational phases. The introduction of a system for automated and optimised order of fuels, which represents an important step towards rationalisation and optimisation of operations, was successfully completed by the beginning of April 2006.

In 2006, we began introducing a new system for delivering fuel to service stations. Its advantage will consist of an integrated handling of all technological and accounting elements of fuel delivery, including meter data and tank levels. It will also make possible to deliver fuel during the night without requiring the presence of the service station staff.

SALES OF EXTRA LIGHT HEATING OIL AND LIQUEFIED PETROLEUM GAS

In 2006, the Company began introducing a new generation of sales and ordering systems in the field of extra light heating oil and liquefied petroleum gas sales, which will include integration with a call centre.

A systematic introduction of individual components of the new system began in December 2006, while the entire set of new solutions will be introduced by the end of April 2007. The Company has also successfully completed the work on a mini-credit project, which represents a new way of providing loans to buyers of extra light heating oil and allows for the use of cheques that were used for this purpose to be discontinued. The system was introduced in July, however, the Company has been gradually increasing the volume of these loans since September 2006.

FINANCE AND ACCOUNTING

The introduction of a computer-assisted cash flow system was completed in the first quarter of 2006. The new system represents an important modernisation of operations in this area. In the middle of May 2006, a new generation of applications for fixed assets was also put into use.

The previous year was also marked by the introduction of a system for monitoring business operations by business processes and activities, by products and lines of business, and by points of sale. The system represents an improvement, which provides an easier insight into the economics of operations of individual parts of the company or a business process. The system will be initially implemented at the level of the parent company Petrol d.d., Ljubljana. In June, the Company checked all of the system's parameters. At the beginning of August, the system was presented to the Supervisory Board. The project is currently being implemented and the Company seeks to extend its use to all companies in the Group.

ENERGY

The Company began working on the information support project, which still needs to be harmonised with the new energy legislation, in the second quarter. All major parts of the new system have been implemented by the end of January 2007. The Company also began working on a project for integrated GIS support for gas networks and on a project for electronic capturing of gas level data in gas depots.

SERVICE ACTIVITIES AND INFORMATION INFRASTRUCTURE

As regards the service activity, Petrol Tehnologija, d.o.o. carried out the second phase of the Maximo project, simplifying the management of work orders, installations and services. This system is also used by Petrol Energetika, d.o.o., but to a limited extent.

CUSTOMER SATISFACTION MEASUREMENT

Who are they and what they purchase

The needs, demands and wishes of customers are at the heart of the Petrol Group's creative activities. Our market orientation is demonstrated, among other things, by continuous modernisation of service stations and by adjusting the services and products offered.

Regular monitoring of customer satisfaction provides guidance for planning our key business activities. Measurement of satisfaction is also our main tool for maintaining long-term competitive advantages.

Adjustment and diversification of products and services offered is carried out with a view of creating even more friendly purchasing conditions. We introduce modern payment and ordering methods, upgrade the electronic commerce transactions, ensure a complete range of services and products for the road, and provide a comprehensive energy supply.

OVER 150 THOUSAND USERS PER DAY

Through research, we determine important market trends, changes in attitude, and satisfaction of our customers.

On average, over 150 thousand customers use Petrol service stations every day. In 2006, our database of people who purchase extra light heating oil and liquefied petroleum gas on a regular basis contained almost 200 thousand names and more than 197 thousand users of Petrol's payment cards.

Due to the ever increasing complexity of the Group's operations, more market research is required. This is a result of our expansion to the new markets and broadening of our activities, which is accompanied by intensification of competition-related activities. Through research, the Petrol Group determines trends and its position on individual markets, but also changes in attitudes and satisfaction of users.

Increased complexity of the Group's operations, more extensive research activities.

SIGNIFICANCE OF SYSTEMATIC MARKET RESEARCH

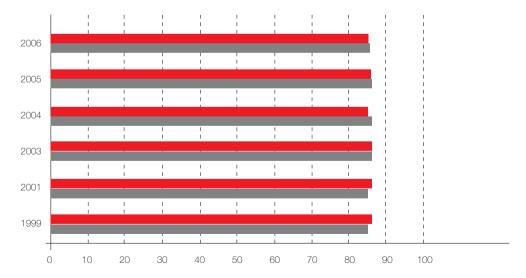
We have established a comprehensive market research system as early as in 2004. The system was also used to carry out surveys in 2006. More than ten different market research surveys were carried out, among them also surveys for which a new comprehensive methodology has been developed in cooperation with external experts.

Results show an extremely high level of satisfaction.

More than ten market research surveys were carried out in 2006.

Since 2004, the Petrol Group has been measuring the level of customer satisfaction on an annual basis. Generally speaking, results point to an extremely high satisfaction level, both as compared to the objectives set and the competitors.

Satisfaction level of Petrol's customers



Actual satisfaction level Target satisfaction level

Customer satisfaction measured at service stations in comparison to the objectives set.

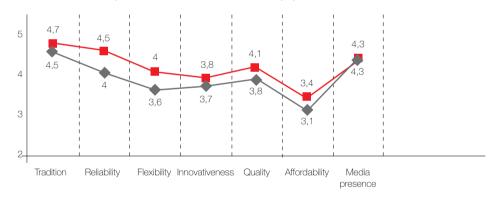
In 2006, we measured the level of customer satisfaction using the methodology that was developed in cooperation with a research agency in 2004. The factors influencing the level of satisfaction were expanded, thus improving the accuracy of individual indicators.

STRONG POSITION OF THE PETROL GROUP IN THE HEAT MARKET

According to a survey, 95 % of customers recognised Petrol as a supplier of extra light heating oil.

The Petrol Group is the largest supplier of extra light heating oil in Slovenia. The results of the survey carried out in 2006 show that Petrol is known as a supplier of extra light heating oil by the highest number, as much as 95 percent, of all extra light heating customers in Slovenia. It also scored better than competitors in terms of a number of qualitative criteria. The results are very encouraging also a regards the measurement of the Petrol brand visibility in the area of gas supply.

Petrol in comparison to other suppliers



Petrol Other suppliers

Petrol's position in the field of extra light heating oil supply as compared to other suppliers.

MONITORING COMMUNICATION EFFECTIVENESS

The Petrol Group's communication effectiveness is improved through research. The market research results help us plan our communication activities, while their actual suitability and soundness is determined by measuring the effects achieved. The success in sales promotion is monitored through monthly analyses that are included in a comprehensive report on the effectiveness of sales promotion once a year.

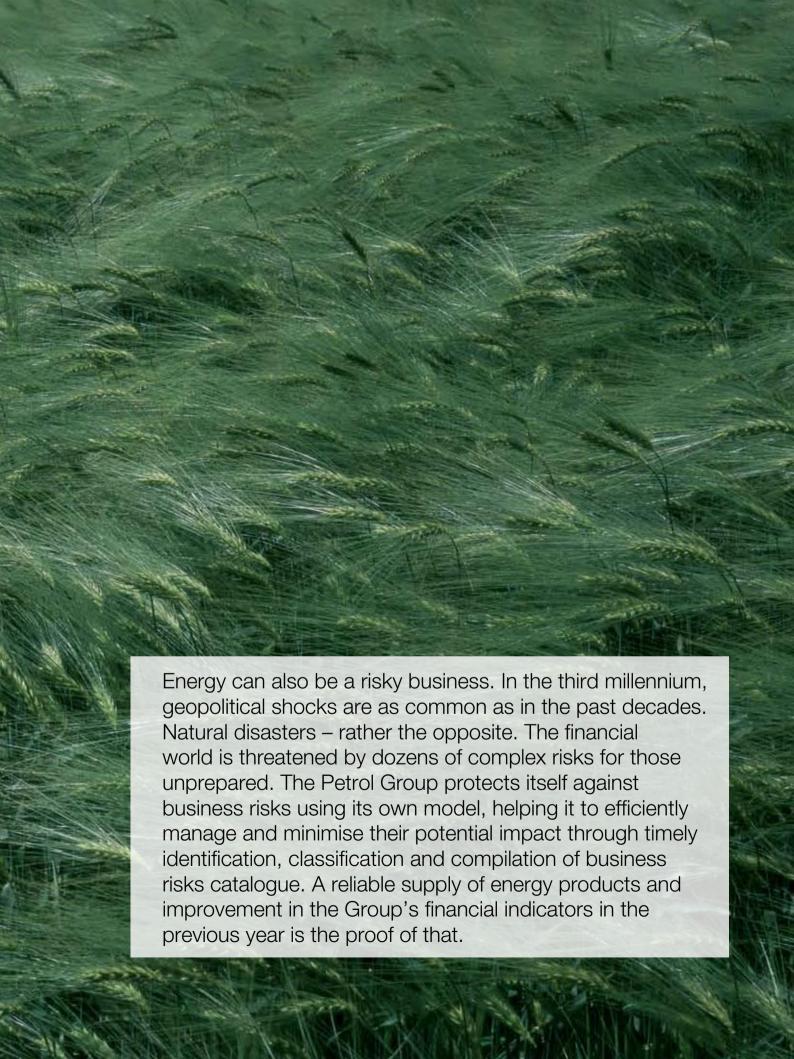
Measuring suitability and achieving the objectives set.

BUSINESS RISKS

Some of the second of the seco







RISK MANAGEMENT

Probability and relevance

Quality and reliability of the Petrol Group's operations are ensured by a comprehensive system of efficient business risk management. In 2006, we successfully completed the second business risk assessment project, which was based on the Group's own model.

As a first step in the 2006 risk assessment project, an analysis of the existing situation was carried out, which included examining the business risk management methodology. Business risks and their interactions were also re-identified, leading to a conclusion that no new risks existed that should have been added to the catalogue of business risks.

Re-examination of the risk interdependency showed that no new major risks emerged.

TWO-STAGE METHODOLOGY OF ASSESSING BUSINESS RISKS

The methodology of assessing 67 business risks was updated by assessing risks at two stages: at the Petrol Group level and at the level of individual appraiser's scope of work.

Group level and at the level of individual appraiser's scope of work.

Business risks were also assessed according to two criteria: probability and relevance. In addition to the Company's Management Board, the directors of the parent company's organisational units and directors of the subsidiary companies of the Petrol Group also participated in the business risk assessment process.

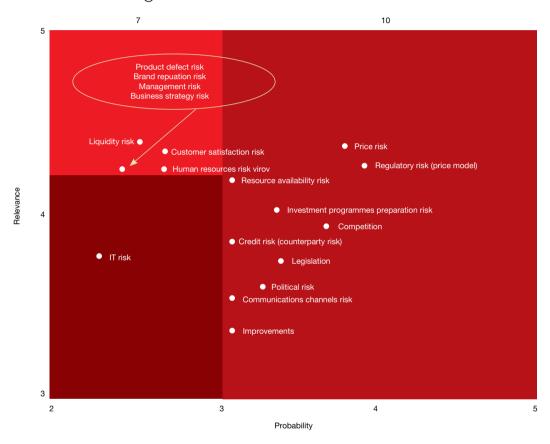
FROM QUESTIONNAIRES TO THE MAP OF BUSINESS RISKS

After reviewing the returned questionnaires, all business risks were analysed according to the score and the result were then compared to those from the year 2004. A new map of business risks was prepared, and the profiles for 18 most probable and most relevant business risks for 2006 were drawn up or updated. In doing that, special attention was given to recommendations.

as an objective of annual interviews.

Most business risk profiles include recommendations aimed at improving Recommendations business risk management in the future. Recommendations are provided in the form of specific tasks and considered as an objective of annual interviews.

18 most significant risks



Placing eighteen most relevant and most probable risks on the map.

As part of the project, the Company also analysed the existing insurance system with a view to transferring certain business risks to an insurance company. The strategy of managing the Petrol Group's most probable and most relevant business risks is an integral part of the Strategic business plan of the Petrol Group (2006–2010). These activities culminated in a Report on the Petrol Group's business risks in the year 2006 that was discussed and approved first by the Business Risk Committee and then by the Management Board of the Company.

Petrol's model 67

THE MODEL COMPRISES SIXTY-SEVEN VARIOUS BUSINESS RISKS DIVIDED INTO THREE MAJOR GROUPS

- environment risks;
- process risks, and
- information for decision-making risk.

WHAT IS AN ENVIRONMENT RISK

These are risks caused by external factors. They mostly affect the feasibility and realisation of the business strategy and achievement of the target business objectives.

According to the 2006 assessment, the most significant business risks include: political risk, regulatory risk, legislation, competition, improvements and innovations. The Petrol Group hedges against these risks, or turns them to an advantage, by systematically monitoring events in the business environment and reacting to these events in good time.

Systematic monitoring and timely response provide protection against environment risks.

WHAT IS A PROCESS RISK

Process risks affect the Petrol Group's ability to implement its business model.

Operating risks

According to our 2006 assessment of business risks, the most probable and relevant operating risks include customer satisfaction risk, human resources risk, resource availability risk, product defect risk, and reduced reputation risk.

The Petrol Group hedges against this complex group of business risks by various measures. These include management reviews, anonymous assessment of service stations, assessment of suppliers in terms of meeting their contractual provisions, evaluation of suppliers, functioning of control Customer satisfaction risk is one of the most important operating risks. in the service supervising fuel handling, system of annual interviews, and a model of key managerial competencies.

Authorisation risk

As regards authorisations, most probable and relevant operating risks include management risk and communication channels risk. These risks are reduced and avoided through regular meetings, measurement of organisational climate, introduced system of annual interviews, annual strategic and development conference, elaborated information flow system, and limited access to the classified information. One of the key recommendations provided in the 2006 Business risk management report is to draw up a Code of conduct.

Information technology risks

In the Petrol Group, the information function is closely linked to business processes, meaning that changes in business processes are always supported by information systems. Infrastructure risks are the most important information technology risks, which are avoided, among other things, through the use of the information technology continuity system (Disaster Recovery System).

Financial risks

Most relevant and important financial risks include price risks, liquidity risks and credit risks, which are rightly given the most attention.

Price and exchange rate risk

The Petrol Group purchases petroleum products on international markets and under market conditions, makes payments in US dollars and receives payments in local currencies. The oil market and the US dollar market are regarded as two of the most volatile global financial markets. The Petrol Group is therefore subjected to the exchange rate risk (changes in the US dollar/Slovenian tolar exchange rate) and also to the price risk (changes in prices of petroleum products) in conducting its core line of business.

■ Differences between prices in the world and the domestic market are hedged through the use of appropriate financial instruments.

The differences between prices in the world and the domestic market are hedged through the use of appropriate financial instruments. Since April 2000, the pricing model for petroleum products has allowed for changes

in the world prices to be transferred to the domestic prices. This has significantly reduced the exposure to price risks.

Harmonisation of pricing formulas for supply and sale of petroleum products represents an additional safeguard against price risks. In certain cases, the Group secures the prices of petroleum products through price and commodity swaps on the OTC markets. These precautions are mainly aimed at matching the prices recognised by the petroleum product pricing model. Our business partners in this area are international financial organisations, banks and major oil corporations, which are supplying petroleum products to the Petrol Group.

Harmonisation of supply and sales price formulas represents an additional safeguard.

In 2006, the Petrol Group paid for purchases of petroleum products with a slight time lag, which exposed it to exchange rate risks, i.e. changes in the US dollar/tolar exchange rate occurring in the period between the transaction date and the payment date. These risks were hedged through entering into forward contracts for EUR/USD with Slovenian banks. The Group enters into transactions with derivative instruments only to hedge against price and exchange rate risks and not for reasons of speculative nature.

The controlling company hedges against its own risks and the risk of its subsidiaries.

Interest rate risk

The Petrol Group is regularly monitoring its exposure to interest rate risk. Its long-term loans are based on a variable interest rate, which is linked to EURIBOR. For the purpose of hedging against interest rate exposure, a part of variable interest rate is changed to fixed interest rate using derivative financial instruments. The exposure to interest rate risk is hedged up to the amount of half of the Petrol Group's net interest position.

Liquidity risk

Short-term solvency is assured by carefully planning and coordinating cash flows within the Group. In doing so, we mostly consider the risks related to payment indiscipline that hinder the planning of revenue inflows arising from deferred payments.

The parent company performs the centralised liquidity management for the entire Group. For the above purpose, we introduced in 2006 a cash pooling system for all Slovenian subsidiaries. In order to plan and monitor the daily liquidity, the parent company and its subsidiaries use special software that provides them with insight and control over cash flows.

In addition to its own assets, the Petrol Group also has access to liquidity reserves through approved credit lines with domestic and foreign banks,

Assuring shortterm solvency. enabling it to settle any outstanding liabilities at any given moment. The Petrol Group thus maintains the highest credit rating with its business partners and financial organisations at home and abroad.

The Petrol Group ensures its long-term solvency by maintaining and increasing the equity and ensuring adequate financial balance. This is achieved by forming and continuously setting up adequate structure and maturity of financing.

Credit risk

In monitoring balances of operating receivables, the Company applies the decentralisation principle and follows a single policy for payment terms and potential exposure. Receivables are systematically monitored by age, regions and organisational units, and also by quality and by individual clients. This provides us with a constant control over the exposure to individual customers and with a possibility to react in time.

Systematic monitoring of receivables.

Deferred payments involve exposure to the settlement risk, but this is only a portion of the Company's accrued revenue. The Company also offers deferred payments due to the need to provide loans to customers at least partially, thus increasing the sales revenues.

Using information support that is available at all times and through efficient dissemination of information to all employees, the Company actively monitors credit ratings of its customers and suppliers. The Company's receivables are then adequately secured based on the risk assessment.

Risk of exposure to individuals or groups of individuals The Petrol Group is not exposed to any individuals or groups of individuals that may pose a significant single risk, as it has a diversified customer base, given the nature of its products and the market share.

WHAT IS AN INFORMATION FOR DECISION-MAKING RISK

A system of flexible strategic planning.

These are risks of adequacy, reliability and accuracy of information used by the Petrol Group in preparing its operating and strategic business plans. According to the 2006 assessment of business risks, the most probable and most relevant information for decision-making risks include investment programmes preparation risk and business strategy risk.

The Petrol Group hedges against investment programme preparation risks by following and implementing the rules governing this field and by specifying global criteria for investments of the Petrol Group. As regards the business strategy, the Group has set up a system of flexible strategic planning.

One of the key recommendations provided in the 2006 Business risk management report is to lay down the guidelines for sustainable development of the Petrol Group.

INTERNAL AUDIT

Independent support, objectivity and consulting

Since 2002, Internal Audit has been operating as an autonomous support function within the controlling company and at Group level. It is responsible directly to the president of the Management Board.

The work of Internal Audit consists of providing objective assurance and advice to the Management Board and the management in the area of protection of property, improvement of quality and efficiency of the Petrol Group's operations. It helps to implement strategic and business objectives so that they comply with best practices of this line of business.

Basic principles include independence, professional competence and objectivity.

Internal Audit conducts its work in compliance with the rules governing the work of Internal Audit and in accordance with the principles of independence, professional competence and objectivity, while observing the fundamental ethical principles of the auditing profession. It reports on its work to the Management Board and, if necessary, to the Supervisory Board.

BASIS FOR AUDITING OPERATIONS

Internal control of cash transactions and fuel handling. The annual work plan of Internal Audit is based on the analysis of business risks of the Petrol Group and on the analysis of the control risks. It is mainly focused on the existence and efficient functioning of the internal control system and on risk management within the Group. The verification of internal controls in the retail network is carried out by a special group of experts who mostly control cash transactions and fuel handling.

Internal Audit in 2006.

Internal Audit carried out more than twenty reviews and consulting tasks in 2006, among them a few extraordinary audits. It has regularly monitored the implementation of recommendations from previous years. It focused mainly on the efficiency of financial risk management and on determining whether operations of subsidiary companies were in line with the parent company's practices and criteria of proper conduct of operations.

THE COMPANY'S CREDIT RATING

High and respected

As far as its business partners and financial organisations are concerned, the Petrol Group has the highest credit rating and a high reputation at home and abroad.

Because of its financial strength, it enjoys, as a group, favourable financing conditions on domestic and international financial markets.

EMPLOYEES





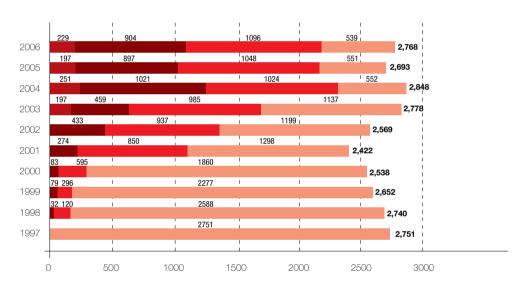


CHANGES IN THE NUMBER OF EMPLOYEES

Knowledge, communication, coordinated growth

At the end of 2006, there were 2,768 people employed by the Petrol Group and at franchised service stations.

Changes in the number of employees





Changes in the number of employees in the Petrol Group and at franchised service stations in the period of 1997 - 2006

The increase in the number of employees is mostly a result of opening new service stations and establishment of a new company Petrol VNC, d.o.o.

PROFESSIONAL COMPETENCE IS A PRIORITY

As in previous years, the Petrol Group practised a selective recruitment policy, which was in line with the strategic development objectives. Recruitment decisions were thus carefully considered and controlled. In 2006, the Petrol Group recruited 306 workers, while the employment contracts of 231 employees were terminated and 146 employees were transferred to the new positions within the Group.

EMPLOYEE STRUCTURE

At the end of 2006, the average age of employees was 41.5 years. 74 percent of employees were male and 26 percent were female.

Higher professional competence is also developed by improving the educational structure.

The Group's educational structure has been improving over the years, which is a result of employee training and well-considered human resources policy. Newly hired employees improve the educational structure, while at the same time employees with lower education leave the company. Because knowledge represents one of the Company's key competitive advantages, the Petrol Group encourages and supports training of its employees.

We encourage employees' interest in training.

The average educational level of employees is measured on a scale of 1 to 8, where 1 indicates uncompleted primary school and 8 stands for doctor of science. According to this method, at the end of 2006 the average educational level was 4.6, meaning that an average employee has finished a secondary school.

Average level of education is 4.6.

The Petrol Group managed to improve the utilisation of working time and presence at work. This was partly achieved on account of progressive decrease in absence due to sick leave.

TRAINING

Knowledge is transformed into better operating results

In 2006, the number individuals that took part in various forms of education and training stood at 10,270. In all, 84,752 teaching hours of training were performed, which is, on average, 31 teaching hours of training per employee.

WE CARRIED OUT WORKSHOPS, SECTOR-WIDE TRAININGS AND MANAGEMENT PROGRAMMES.

In addition to the permanent forms of training available to the upper and middle management, we carried out a pair of two-day workshops, namely Competitive strategy and Managing an efficient retail network, featuring renowned foreign lecturers. The management programmes intended for the lower management, and programmes for management and sales at service stations in Slovenia and abroad were continued.

The Petrol Groups devotes particular attention also to training of outworkers, i.e. truck drivers, students and customers. In 2006, a range of seminars was organised in this respect, which were attended by more than 2,400 participants.

MOTIVATING

Remuneration system

The Petrol Group encourages and rewards performance based on its own remuneration system. Salaries are therefore always made up of a fixed and variable part. Individual achievements and innovations are stimulated through performance bonuses.

A collective performance is an important component of variable pay. For service stations and regional retail and wholesale units, the performance is

224 employees received bonuses and 7 % were promoted.

calculated on a monthly basis, while for corporate functions it is calculated semi-annually and against a benchmark. Individual performance is acknowledged through bonuses awarded for extraordinary achievements and through promotion.

In 2006, 224 employees received bonuses, while seven percent were promoted. On average, their salaries increased by almost 17 percent.

SIGNIFICANCE OF ANNUAL INTERVIEWS FOR PERSONAL GROWTH AND RESPONSIBILITY

New remuneration system for management personnel also changes the goal-setting system.

At Petrol, annual interviews are conducted for lower, middle and upper management of the parent company and subsidiaries of the Petrol Group. These interviews are not obligatory for other employees.

Annual interviews were redesigned in the previous year. By introducing the new remuneration system for management personnel, the system and the significance of setting goals were changed for every manager. These changes apply to setting of goals for 2007.

ORGANISATIONAL CLIMATE

Petrol has been participating in surveys carried out as part of the Slovenian organisational climate project (SiOK) since the project's inception in 2001. Surveys were also extended to the companies outside Slovenia, specifically to the subsidiaries Petrol Trgovina, d.o.o., Zagreb and Petrol BH Oil Company, d.o.o.

In the previous year, a record 79.3 percent of employees took part in the survey, which is the highest participation rate to date. The largest share of participants came from the retail field.

Internal communication, goals and relationships were given a better score.

The better the dissemination of information, the better the work performed.

The total picture of the organisational environment, as perceived by the Petrol Group's employees, is still slightly improving. The organisational climate score for the Group is higher than the average score for Slovenian companies that took part in the survey. The areas that improved the most were internal communications and information, knowledge of the mission, vision and goals, and internal relationships.

Results of measuring the Slovenian organisational climate

Organisational climate survey The Petrol Group	2001	2002	2003	2004	2005	2006
Participation in %	57.8	63.9	54.5	54.3	65.4	79.3
Average organisational climate	3.49	3.47	3.45	3.55	3.59	3.61
Average satisfaction	3.53	3.57	3.54	3.64	3.69	3.66

Overview of the organisational climate survey results between 2001 and 2006.

SAFETY AND HEALTH AT WORK

Reducing risk levels

Ensuring safety and health at work is given much attention in the Petrol Group. We are aware that employees can perform their work efficiently and with sufficient quality only in a safe and healthy working environment. That is why we constantly strive for reducing the level of risk arising from the performance of work processes.

For this purpose, all companies in the Group have prepared and adopted a safety statement with risk assessment. For positions in respect of which the working and technological procedures have changed or the existing safety measures were no longer adequate, risk assessment audits were performed.

CONCERN FOR HEALTH OF EMPLOYEES

As part of the preventive medical check-up programme, the Petrol Group arranged 500 medical check-ups for its employees in 2006. Regular monitoring of employee health included preliminary check-ups, periodic targeted check-ups and other preventive check-ups. The Group also took appropriate care of employees who were no longer capable to perform their work without limitations.

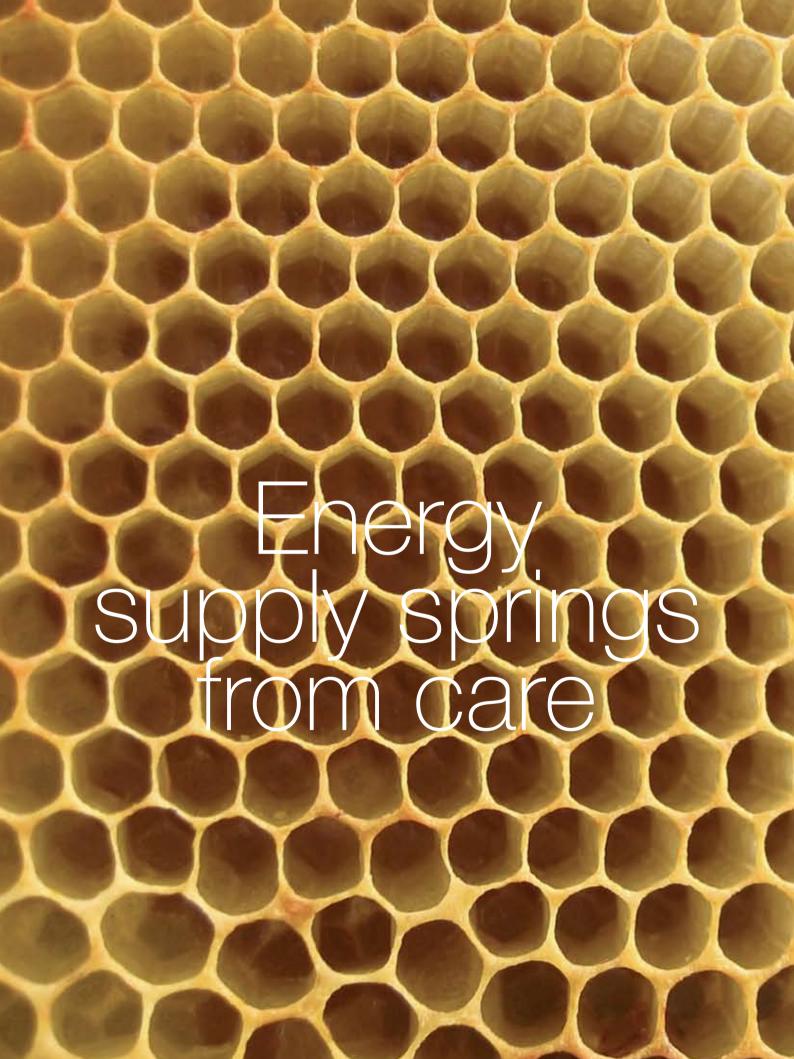
The Petrol Group devotes special attention to training of employees in the area of safety and health at work, fire safety and protection of the environment. In 2006, 1,136 employees took part in theoretical and Regular theoretical and practical training. practical training, while 657 employees attended additional specialised training for safe handling of hazardous chemicals.

Protection and rescue simulations and exercises.

In compliance with the protection and rescue plan, the protection and rescue exercises were carried out in all storage facilities for petroleum products that were considered a major source of danger. The protection and rescue exercise was also carried out in the business premises of the parent company.

QUALITY SYSTEM, PROTECTION OF THE ENVIRONMENT AND SOCIAL RESPONSIBILITY







QUALITY SYSTEM

Introducing innovations and exceeding the standard range of products

2006 was a successful and important year, both in terms of introducing innovations and carrying out activities to ensure the quality of fuel.

In a short period of time, two new high quality fuels were introduced that are at the top of our range of products, i.e. unleaded petrol Super Plus 98 and new diesel fuel Primadiesel.

Two environmentally friendly innovations were introduced – unleaded petrol Super Plus 98 and Primadiesel.

SUPER PLUS 98 COMPLIES WITH DEMANDING STANDARDS AND LESSENS THE BURDEN ON THE ENVIRONMENT

This is unleaded petrol with a maximum sulphur content of 10 ppm, which is why it is classified as a "sulphur-free" fuel, making it a fuel of a new generation. This fuel ensures optimal engine operation in all conditions, even if the engine's properties require that high-octane fuel be used. One of its environmental competitive advantages is compliance with the strictest emission standards. That is why it has a key contribution to lowering the burden on the environment.

PRIMADIESEL OFFERS ECONOMICAL AND CLEANER OPERATION FOR THE SAME PRICE

Primadiesel is a new diesel fuel of superior quality, offering to customers a variety of advantages for the same price. It ensures a considerably improved protection of vital components of the engine's pumping system, thereby extending the engine's service life and capacity. It enables economical driving and considerably lower release of harmful substances into the environment.

Primadiesel extends the engine's service life and improves its capacity. It is a modern diesel fuel which complies with the strictest European environmental requirements and global environmental protection trends.

Manufacturing devices for additional filtering of diesel fuel in Zalog.

The introduction of fuel of superior quality calls for additional measures to ensure adequate technical conditions for handling and storing. For this purpose, important technical criteria were raised at all key locations. We have improved the conditions relating to the fuel storage and stationary fuel and conditions for providing fuel purity. Important measures included manufacturing of devices designed for additional filtering of diesel fuel at Zalog storage facility.

ACCELERATED INTRODUCTION OF BIOFUELS

In 2006, we continued introducing biofuels, especially biodiesel. This is an obligation that has been imposed on fuel distributors by the European biofuel directive (Directive 2003/30/EC). Pursuant to the directive and applicable Slovenian legislation, several additional measures have been adopted that were aimed at increasing security and reliability of supply and consumption of biofuels.

Compliance with the European directive on biofuel introduction.

We have focused mainly on ensuring the quality of biodiesel at the time of purchase and on quality control at key points in the distribution and retail chain. In 2006, most biofuels were marketed as a 5-percent mixture of biodiesel and diesel fuel (B5), while a smaller amount was marketed in the form of pure biodiesel (B100).

Increasing availability of biodiesel at points of sales.

According to legal requirements, the quantity of biofuel that fuel distributors will have to put on the market in the following years will increase even further. For this reasons, activities were underway in 2006 to increase the number of locations at which the B5 diesel fuel is distributed. In addition, marketing communication campaigns aimed at promoting sales of pure biodiesel were carried out as well.

Increased biofuel quotas cannot be met merely by selling biodiesel or mixing it with diesel fuel. The Petrol Group is therefore actively considering other options. As a result, research was launched in 2006 to analyse the possible use of biocomponents in petrol, which was mostly directed towards using bio-ETBE and ethanol.

ADBLUE AND EURO 4 EMISSION STANDARDS

Due to the introduction of Euro 4 emission standards, the market has already seen increased demand for the AdBlue emulsion solution that certain engine manufacturers operating in the field of cargo and bus transportation require mainly for so-called SCR catalytic converters. The sale of AdBlue was therefore expanded in 2006 to most geographically important locations in Slovenia. In addition to this product being offered at service stations, it is also offered directly to certain major transport companies.

EXTERNAL ACTIVITIES

Owing to the implementation of the European biofuel directive and the search for environmentally acceptable solutions, the Company is becoming an operator of this activity in Slovenia. In 2006, the Petrol Group's experts therefore actively participated in all of the most important events in this field, and offered their contribution and assistance also as regards the preparations and transposition of the European directive requirements into the Slovenian legislation.

We are actively participating in the search for energy solutions that support sustainable development.

Petrol will maintain this role also in the future and will continue developing it even further. As an environmentally aware and responsible group, we wish to actively contribute to the efforts aimed at finding solutions that support sustainable development.

IMPLEMENTING QUALITY SYSTEMS

The Petrol Group's operations are based on implementing high quality standards. Since 1997, when the parent company obtained the ISO 9001 certificate, or since 2000, when the ISO 14000 certificate was awarded, both certified quality management systems have been constantly upgraded and systematically expanded and introduced to other companies in the Petrol Group.

Both systems were integrated into the so-called Petrol integrated quality system that also incorporates the HACCP food safety management

Expanding sales of emulsion solution to the most important geographic locations.

ISO 9001 and
ISO 14000
certificates,
extending quality
to other
companies in
the Petrol Group.

system requirements, the OHSAS occupational health and safety system requirements, and the BS 7799-2 information security system requirements.

Petrol received the National Business Excellence Award for its comprehensive quality management.

As part of its efforts for comprehensive quality management, Petrol received in 2004 the National Business Excellence Award. After receiving the award, the Company continued to pursue the business excellence model and has been using it to manage and evaluate the results of the Group's integrated quality system ever since.

Overview of certificates and laboratory accreditations

Company	Quality management system	Environment management system	Laboratory accreditations
Petrol d.d., Ljubljana	ISO 9001: 2000	ISO 14001: 2004	SIST EN ISO/IEC 17025 : 2005
Petrol Skladiščenje, d.o.o.	ISO 9001: 2000	ISO 14001: 2004	/
Petrol Tehnologija, d.o.o.	ISO 9001: 2000	ISO 14001: 2004	SIST EN ISO/IEC 17020 : 2004
Petrol Energetika, d.o.o.	ISO 9001: 2000	ISO 14001: 2004	/
Petrol Plin, d.o.o.	ISO 9001: 2000	ISO 14001: 2004	/
Petrol Trgovina, d.o.o., Zagreb	ISO 9001: 2000	/	/

WHAT WAS NEW IN 2006

The quality system development strategy was implemented also in 2006. The environment management system has been adapted to the requirements of the revised ISO 14001:2004 standard in all companies in the Petrol Group, based on the certified environment management system.

Revised environmental standard ISO 14001:2004.

At Petrol's petroleum laboratory that has 68 accredited testing methods, the established quality system was adapted to the requirements of the revised SIST EN ISO/IEC 17025: 2005 standard.

At Petrol's control and measurement laboratory, the accreditation of methods used in controlling the rate of flow and the manometers was extended in accordance with the SIST EN/ISO 17020: 2004 standard. The integrated quality system has been increasingly expanded also to suppliers of our own brand products and to suppliers of other important products included in the supplementary merchandise and services. In

2006, the Company therefore began evaluating the suppliers of automotive products and foodstuffs.

The Company intends to expand the scope of supplier evaluations even further in 2007.

PROTECTION OF THE ENVIRONMENT

Responding, developing, restoring

Care for the environment is at the heart of the Petrol Group's sustainable energy strategy, which is used as basis for providing assistance in drawing up environment protection programmes, taking part in priority national environmental investments, and setting up an appropriate environmental infrastructure.

We are engaged in strategic projects of introducing more environmentally friendly technological processes, and in developing and promoting the consumption of renewable energy sources. In 2006, the Group's experts strengthened their cooperation with national, scientific and research institutions. At the same time, the Company systematically introduces its employees, customers, suppliers and other partners to the respect of demanding environmental criteria and keeps them informed of sustainable development orientations. This has to be taken into account in developing business processes, and new products and services.

Care for the environments is integrated into all levels of management.

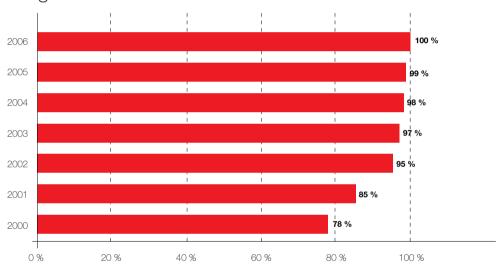
Responsibility for complying with environmental standards.

Petrol's environment management system is adapted to the requirements of the international standard ISO 14001 and constitutes an important part of the Group's strategic business plan. Care for the environment is integrated into all levels of management and operations. All employees of the Petrol Group are therefore responsible to ensure consistent compliance with the requirements of the environmental standard in this field, but it is the Group's Management Board that guarantees that these standards are applied consistently.

CARE FOR THE QUALITY OF AIR

It relates to the efforts to cut down emissions of volatile carbohydrates. The process of cutting down emissions released to air is carried out in respect of three key elements in the petroleum product supply chain: storage, transportation and sales.

Growth in the number of systems for contained filling of reservoirs



Changes in the share of service stations equipped with the system for contained filling of underground reservoirs in Slovenia (2002 - 2006).

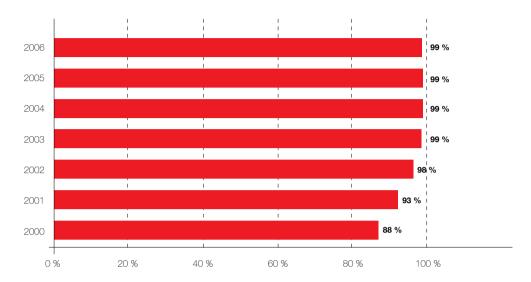
CARE FOR THE QUALITY OF WATER

Systematically installing modern waste treatment plants.

In conducting its operations, the Company deals with various categories of wastewaters, and uses its own technologically accomplished systems of water collection and treatment to provide for their adequacy and compliance with environmental standards. The Company's main goal is to assure the highest quality of water, but also to ensure that it is of appropriate quality when released into the environment.

Efficiency in improving the condition of wastewaters is mostly a result of systematically installing appropriate waste treatment plants and oil traps. Nevertheless, it is also a result of a decrease in the usage of inappropriate detergents, of greater care in maintaining waste treatment plants and of increased awareness of employees.

How the quality of wastewaters is improved

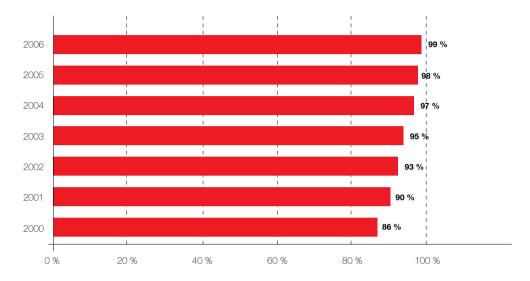


The share of service stations having sufficient quality of water according to sample tests, indicating an improvement in the quality of wastewaters at service stations and in storage facilities in Slovenia (2000 - 2006).

CARE FOR THE QUALITY OF SOIL

As regards the potential risks of fuel spills and the resulting contamination of soil, efficient preventive measures require the most attention. When it comes to storage and transportation of fuel, the implementation of the above measures depends on the quality of reservoirs at storage facilities and also on safe transportation conditions. Continuous training of employees who handle fuel is another very important factor.

Improving safety through the use of two-layer reservoirs



Progress as regards equipping service stations with two-layer reservoirs in Slovenia (2000 - 2006).

By the end of 2006, 99 percent of service stations and storage facilities were equipped with reservoirs and pipelines that, under normal operating conditions, prevent spills into the soil. Such reservoir chambers and filling and suction pipes have a so-called "zero possibility of leaking". Two-layer reservoirs and pipelines equipped with optical and sound system for controlling inter-layer space have become a standard component of a typical service station in the recent years.

Reservoirs with "zero possibility of leaking".

Ground level reservoirs located in storage facilities have also a double bottom and equipment for control of eventual leaks. At the same time, steal collecting containers were erected, which are equipped with measuring devices enabling remote reading of fuel levels and temperature.

CARE FOR SAFE WASTE MANAGEMENT

As far as waste management is concerned, the Petrol Group provides for collection, separation, temporary storage and permanent disposal of waste. Special attention is given to waste that can be dangerous for the environment. We strictly follow the latest legal provisions governing this matter.

ACHIEVEMENTS AS REGARDS THE WASTE TREATMENT IN 2006

Special attention is given to waste that can be dangerous for the environment.

- standard containers for separate collection of paper and paper packaging and plastic and plastic packaging have been installed at all service stations;
- 250 tonnes of paper and paper packaging were collected separately;
- 80 tonnes of plastic packaging were collected separately;
- the quantity of municipal waste decreased by additional 5 percent compared to the year 2005;
- all service stations are equipped with suitable containers for collection of used car batteries;
- all service stations are equipped with special ecological containers enabling to react quickly to eventual smaller fuel spills;
- half of all service stations have purpose-built "Ecological islands" for temporary collection and storage of hazardous waste.

CLEAN-UP OF THE BITUMEN DUMP AT PESNIŠKI DVOR

Pursuant to a mutual agreement concluded by the Ministry of the Environment and Spatial Planning, the co-investor, and the company Petrol d.d., Ljubljana, the investor, the activities regarding the project of a complete clean-up of the bitumen dump at Pesniški dvor continued intensely in 2006.

All required investment and technical documents were prepared and the building permit to carry out the complete clean-up of the bitumen dump was acquired. In the second part of 2006, the Company also carried out the preliminary and preparatory work required for the clean-up to begin. Around the end of the year, the project of the complete clean-up actually began. The contract stipulates that the dump clean-up should be completed in 2008.

ENVIRONMENT PROTECTION TRAINING

High qualifications and awareness of people are key to the efficient implementation of the environmental system. For many years, the Petrol Group has been systematically informing its employees of all the novelties in the field of nature protection and other related topics.

Observance of the environmental legislation and the nature protection criteria is being incorporated in contractual relationships.

The Petrol Group actively integrates its partners and external co-workers into its environment management system. The contractual relationships are arranged in such a way that they include the requirement of strict observance of the environmental legislation and of our nature protection criteria. This applies to transporters of petroleum products, contractors in investment projects, providers of environmental indicators measurement services, suppliers of potentially dangerous goods, and providers of waste removal and disposal services.

SOCIAL RESPONSIBILITY

Supporting the environment in which we operate is enriching

For many years, the Petrol Group has been incorporating the care for social and environmental issues into its operations. Demands and challenges are addressed based on a long-term strategy of organic growth and a firm awareness that supporting the environment in which we operate significantly affects our operations and development.

We have been striving for a number of years to promote a more active lifestyle in the wider social and local 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.

Higher quality of living and care for the individual.

In 2006, the biggest share of sponsorship funds was allocated to competitive sports – basketball, football, skiing, gymnastics and also to development of automotive sports. Petrol is also a sponsor of the national football stadium in Celje, which will thus be known as Arena Petrol until 2008. The majority of donations were given to non-profit organisations for humanitarian purposes.

ACTIVE PARTICIPATION IN CULTURAL EVENTS AND IN PROTECTION OF THE ENVIRONMENT

Involvement of the Petrol Group in the cultural sphere in 2006 took the form of cooperation with the festival Lent, while the cooperation was continued with SNG Drama and also extended to the National Theatre Maribor. Supported by Petrol, Sculpture Association organised the exhibition called "Sublime in sculpture", and the International Centre of Graphic Arts prepared the exhibition "The Allure of the Matrix, the woodcut in Slovenia in the 20th century".

Within the Petrol Group, the women's choir Petrol and the Petrol octet have been active for many years. By singing Slovenian songs, they spread the tradition and keep alive the cultural heritage of singing. In addition to the above, Petrol organised the highly visible fine arts competition "Children to Adults" for the sixteenth consecutive year.

Cooperation with SNG Drama and the Theatre of Maribor.

In 2006, Petrol continued the environmental project "Discovering the Pearls of Slovenian Seas", through which Petrol and the Ministry of the Environment and Spatial Planning promote knowledge of the turtle species Caretta caretta and its significance for the biodiversity of Slovenia's seas. The cooperation with the Institute for Nature Conservation, which acts a contractor of the Ministry of the Environment and Spatial Planning, was extended to include the restoration of shallow ponds called kals, which are the only standing waters in the Slovenian part of Istria and Karst that are inhabited by endangered plant and animal species.

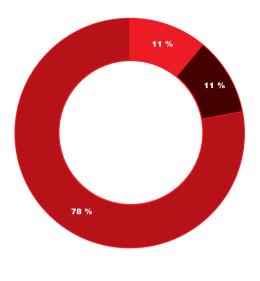
Promoting knowledge and preservation of biological diversity of the environment

BREAKDOWN OF SPONSORSHIP FUNDS IN 2006

The Petrol Group perceives the social responsibility as a lasting commitment to cooperate with the environment in which it operates. The breakdown of sponsorship funding therefore reflects long-term nature of sponsorships and has remained more or less unchanged for several years. In 2006, 11 percent of funding was allocated to charity and environmental projects, while 78 percent was allocated to sports.

In 2006, 11 percent of sponsorship funds were dedicated to culture, including, besides demanding culture projects, also numerous smaller events that did not lack quality nonetheless. This enables us to promote a variety of life-styles and creativity in all social groups.

Breakdown of sponsorship in 2006



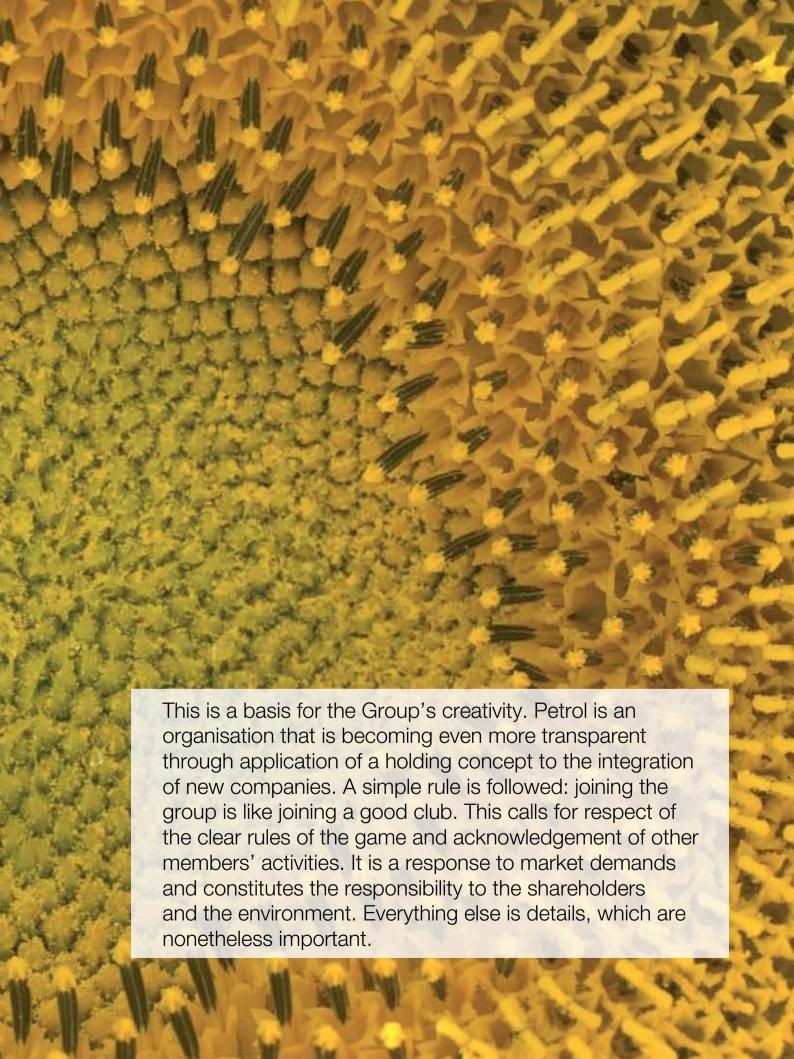
Sport Culture Other

COMPANIES IN THE PETROL GROUP









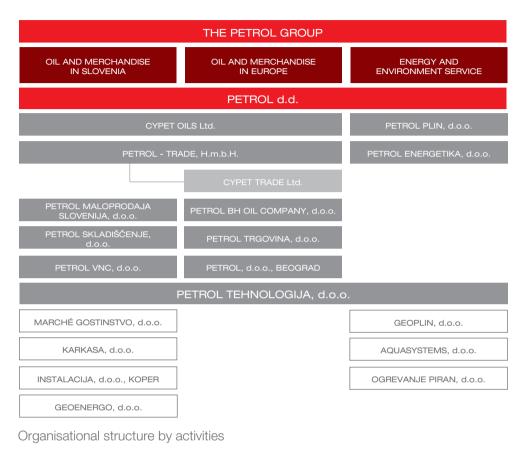
COMPANIES IN THE PETROL GROUP

Structure of the Group

In addition to the parent company Petrol d.d., Ljubljana, the Petrol Group also comprises nineteen companies.

These include 6 local and 6 foreign associated companies, 3 jointly ventures (Geoenergo, d.o.o., Karkasa, d.o.o. in Instalacija, d.o.o.) and 4 associated companies (Ogrevanje Piran, d.o.o., Geoplin, d.o.o, Aquasystems, d.o.o. and Marché Gostinstvo, d.o.o.). The company Cypet-Trade Ltd. is a subsidiary of the subsidiary company Petrol-Trade H.m.b.H.

The structure of the Petrol Group





THE CONTROLLING COMPANY

PETROL D.D., LJUBLJANA

Integrating, managing and trading

The company Petrol d.d., Ljubljana has a rich business history. It was formally established on 5 June 1945 as a subsidiary of the state-owned company Jugopetrol. Before it was transformed into a private joint-stock company, Petrol had operated under a variety of different organisational forms. Flexibility, reliability and care for the environment in which it operates remain its key values and advantages.

Registered office: Dunajska cesta 50, 1527 Ljubljana, Slovenia

Principal activity: sale of petroleum products, sale of other goods and services

in Slovenia and in the markets of South Eastern Europe, energy

and environmental activity

Management Board: Marko Kryžanowski, Igor Irgolič, Alenka Vrhovnik Težak,

Boštjan Napast, Bojan Herman

E-mail: info@petrol.si
Telephone: 00386 1 47 14 232
Fax: 00386 1 47 14 809

Supervisory Board: Viktor Baraga, Milan Podpečan, Matjaž Gantar, Bojan Šrot,

Aleš Marinček, Ciril Pirš, Samo Gerdin, Cvetka Žigart

Company registration number: 5025796 Entry in the Companies Register: 30.3.1990 Tax number: 80267432

The parent company's principal activity is trading in petroleum products, supplementary merchandise and services. With its 305 service stations, it has a 67 percent market share on the Slovenian retail market for petroleum products. As a majority shareholder of eleven subsidiaries engaged in similar activities, it has a role of the controlling company in the Petrol Group. At the same time, it accounts for most of the Group's profits and revenues.

EXCELLENCE IN TERMS OF SALES AND BUSINESS OPERATIONS IN 2006

The parent company's sales activities and results were excellent in the previous year. Having sold 2,043 thousand tonnes⁶ of petroleum products, it exceeded the plan and the 2005 results by eight and nine percent, respectively.

66 A 9 % growth in sales compared to 2005 is proof of good work and a challenge for tomorrow.

At the same time, the company generated SIT 50 billion (EUR 208.8) million) in revenues from sales of supplementary and other merchandise, exceeding the plan by 14 percent and the 2005 results by 15 percent.

The plan for

services sold was As far as services are concerned, the company generated SIT 7.1 billion exceeded by 16 %. (EUR 30 million) in services sold, exceeding the plan and the 2005 results by 16 and 14 percent, respectively.

> The company concluded the year with SIT 440 billion (EUR 1.8 billion) of net sales revenues, pre-tax profit in the amount of SIT 11.8 billion (EUR 49.2 billion), and net profit of SIT 9.5 billion (EUR 39.7 million). Compared to 2005, net sales revenues rose 14 percent, while pre-tax profit and net profit increased by 31 percent.

On 31 December 2006, the company's equity stood at SIT 84 billion (EUR 350.5 million).

⁶ In 2006, Petrol d.d., Ljubljana sold to its subsidiary company Petrol Trgovina d.o.o., Zagreb a part of merchandise that was subject to replenishment of mandatory stocks of Petrol Trgovina Zagreb d.o.o. to maintain the preferential origin of merchandise and perform replenishment related to the summer and winter quality. Oil traders in Croatia must comply with the regulation of the Republic of Croatia governing the formation of mandatory stocks. Although the sale of merchandise in question was disclosed as a sale by Petrol d.d., Ljubljana, it was not recorded as such within the Petrol Group. This is also the reason why the sales of the Petrol Group were lower than those of Petrol d.d., Ljubljana in 2006.

SUBSIDIARIES

PETROL-TRADE H.M.B.H.

Trading, supplying and financing

The company Petrol-Trade Handelsges.m.b.H., which is based in Vienna, was established in 1987 and is fully owned by the parent company Petrol d.d., Ljubljana. It is an important link in the Petrol Group's chain of purchasing petroleum and chemical products.

Registered office: Elisabethstrasse 10, 1010 Wien, Austria

Principal activity: trading in oil and petroleum products, import and export

of chemical products

Managing director: Marko Malgaj

E-mail: malgaj@petrol-trade.at Telephone: 0043 1 585 54 73 Fax: 0043 1 585 54 73 42

Supervisory Board: Marko Kryžanowski, Igor Irgolič, Alenka Vrhovnik Težak,

Boštjan Napast

Company registration number: 9455930 Entry in the Companies Register: 30.11.1987 Tax number: 214/3129

The company Petrol-Trade Handelsges.m.b.H. is a 100 percent owner of the subsidiary Cypet-Trade Ltd., which was established in 1998 and operates in the field of trading and financing of oil and petroleum products transactions. In 2006, the company Petrol-Trade Handelsges.m.b.H. purchased and sold 743,252 tonnes of petroleum and chemical products, exceeding the annual plan for 2006 by ten percent.

In 2006, the company generated SIT 87.00 billion (EUR 363.05 million) in net sales revenues, exceeding the plan by slightly less than 21 percent.

Net profit of the company Petrol-Trade Handelsges.m.b.H. for 2006 totalled SIT 286.7 million (EUR 1.2 million), which is 12 percent more than planned. The plan was exceeded mostly due to increased sales of petroleum products in terms of quantity that were generated by the parent company and were higher than planned.

On 31 December 2006, the company's equity stood at SIT 691.95 million (EUR 2.89 million).

CYPET-TRADE LTD.

Focusing on trading in petroleum products and financing of oil transactions

Cypet-Trade Ltd. is a subsidiary of the Vienna-based company Petrol-Trade Handelsges.m.b.H. and is fully owned by that company. Its operations are closely linked to those of the Petrol Group.

Registered office: Ariadne House, Office no. 52, 333 28th October Street,

P.O. Box 57019 3311 Limassol, Cyprus

Principal activity: trading and financing of oil and petroleum products

transactions, and of transactions involving other merchandise

Managing director: Lojze Blenkuš, Marko Malgaj

E-mail: cypet@logos.cy.net
Telephone: 00357 25 586 039
Fax: 00357 25 588 752

Board of directors: Marko Kryžanowski, Boštjan Napast, Marko Malgaj,

Demetra Vasilou, Christakis Myrianthous

Company registration number: 89452 Entry in the Companies Register: 18.11.1998 Tax number: 12089452Z

Since 1 January 2004, the company has been engaged in trading and financing of oil and petroleum products transactions, and transactions involving other merchandise. On the above date, the operations of the company Cypet Oils Ltd. were transferred to the company Cypet-Trade Ltd.

In 2006, the company Cypet-Trade Ltd. sold 1,030,853 tonnes of petroleum products, realsing 93 percent of its plan.

In 2006, the company Cypet-Trade Ltd. generated SIT 117.14 billion (EUR 488.81 million) in net sales revenues, which is three percent less than planned.

In the previous year, the company's net profit stood at SIT 710.25 million (EUR 2.96 million), realising 82 percent of its plan. The plan was not met on account of the fact that the quantity of petroleum products sold by the parent company was lower than planned.

On 31 December 2006, the company's equity stood at SIT 1.55 billion (EUR 6.46 million).

CYPET OILS LTD.

The company Cypet Oils Ltd. was established at the end of 1989 and is fully owned by Petrol d.d., Ljubljana. On 1 January 2004, its business operations were transferred to Cypet-Trade Ltd.

Registered office: Ariadne House, Office no. 52, 333 28th October Street,

P.O. Box 57019 3311 Limassol, Cyprus

Principal activity: trading and financing of the Petrol Group's oil transactions

Managing director: Lojze Blenkuš, Marko Malgaj

E-mail: cypet@logos.cy.net
Telephone: 00357 25 586 039
Fax: 00357 25 588 752

Board of directors: Marko Kryžanowski, Boštjan Napast, Marko Malgaj,

Demetra Vasilou, Christakis Myrianthous

Company registration number: 38175
Entry in the Companies Register: 11.12.1989
Tax number: 12038175W

In 2006, Cypet Oils Ltd. generated only revenues from financing, while its net profit for 2006 stood at SIT 5.69 million (EUR 23.75 thousand).

On 31 December 2006, the company's equity stood at SIT 388.33 million (EUR 1.62 million).

PETROL MALOPRODAJA SLOVENIJA, D.O.O.

Managing retail activity in Slovenia

In 1999, the controlling company Petrol d.d., Ljubljana acquired a 100-percent ownership share in the company Shell Slovenija, d.o.o. Ljubljana, which was renamed Destilat, d.o.o. on entry in the Companies Register in July 1999. On 9 March 2004, the company Destilat, d.o.o. was renamed Petrol Maloprodaja Slovenija, d.o.o.

Registered office: Dunajska c. 50, 1000 Ljubljana, Slovenia

Principal activity: retail sale of petroleum products and other merchandise

in Slovenia

Managing director: Igor Mravlja

E-mail: igor.mravlja@petrol.si Telephone: 00386 1 47 14 832 Fax: 00386 1 47 14 811

Members of the General Meeting: Igor Irgolič, Marko Kryžanowski, Boštjan Napast

Company registration number: 5823749
Entry in the Companies Register: 7.7.1999
Tax number: 63442213

The company Petrol Maloprodaja Slovenija, d.o.o. is in charge of retail sale of petroleum products and supplementary and other merchandise at service stations in Slovenia. Service stations and merchandise are owned by Petrol d.d., Ljubljana.

In 2006, the company Petrol Maloprodaja Slovenija, d.o.o. generated SIT 2.52 billion (EUR 10.5 million) in net sales revenues, realising 98 percent of its plan. Net sales revenues comprised the fees charged to Petrol d.d., Ljubljana in respect of conducting sales activities at service stations managed by Petrol Maloprodaja Slovenija, d.o.o.

The company Petrol Maloprodaja Slovenija, d.o.o. also received SIT 63.1 million (EUR 263 thousand) in interest income. The company finished the year with a net profit of SIT 157 thousand (EUR 657).

On 31 December 2006, the company's equity stood at SIT 3.18 billion (EUR 13.26 million).

PETROL SKLADIŠČENJE, D.O.O.

In line with requirements of modern fuel storage

The company Petrol Skladiščenje, d.o.o. was established in 2002 and is fully owned by the company Petrol d.d., Ljubljana. It was established primarily to efficiently manage the Group's storage facilities.

Registered office: Zaloška cesta 259, 1260 Ljubljana-Polje, Slovenia

Principal activity: management of storage facilities owned

by the controlling company

Managing director: Miran Obreza

E-mail: miran.obreza@petrol.si Telephone: 00386 1 586 34 56 Fax: 00386 1 520 36 74

Members of the General Meeting: Boštjan Napast, Igor Irgolič, Rok Blenkuš

Company registration number: 1721895 Entry in the Companies Register: 14.8.2002 Tax number: 51018900

The principal activity of the company Petrol Skladiščenje, d.o.o. involves management of storage facilities purchased in July 2002 by the parent company Petrol d.d., Ljubljana from the company Nafta Lendava pursuant to an agreement on restructuring Nafta Lendava, which was concluded with the Government of the Republic of Slovenia.

In 2004, pursuant to an analysis carried out to determine the efficiency of corporate functions, the parent company transferred to this subsidiary company also the activities of managing other Petrol's storage facilities in Slovenia. In January 2004, all storage operations were transferred from the controlling company to the subsidiary, meaning that in addition to the Lendava fuel storage facility, the subsidiary has also been managing the storage facilities in Rače, Celje, Zalog, Ajdovščina and the storage and distribution centre for unit merchandise in Zalog.

Providing storage also for compulsory stocks.

In addition to its activities relating to the Petrol Group operations, Petrol Skladiščenje, d.o.o. also provides services to strategically important

Managing fuel storage facilities in Lendava, Rače, Celje, Zalog, Ajdovščina, and the storage and distribution centre for unit merchandise in Zalog.

national institutions, i.e. Slovenian Agency for Compulsory Oil Stocks and Slovenian Agency for Commodity Reserves., on behalf of Petrol d.d., Ljubljana.

In 2006, the company generated SIT 512.58 million (EUR 2.14 million) in net sales revenues, exceeding the plan by four percent. The company finished the year with a net profit of SIT 213 thousand (EUR 888).

On 31 December 2006, the company's equity stood at SIT 132.96 million (EUR 555 thousand).

PETROL TEHNOLOGIJA, D.O.O.

Maintenance, measurements, tests and supervision

At the end of 2002, the controlling company Petrol d.d., Ljubljana merged the activities of property and plant maintenance into a new company Petroservis, d.o.o., which is fully owned by the controlling company. The company carries out a number of important technological activities, ranging from maintenance to construction of installations. The company was renamed Petrol Tehnologija, d.o.o. in 2004.

Registered office: Zaloška cesta 259, 1260 Ljubljana-Polje, Slovenia Principal activity:

maintenance of property, technological equipment

and installations.

until 1 January 2007 – Anja Kocjančič Managing director:

since 1 January 2007 – Miran Obreza

E-mail: miran.obreza@petrol.si 00386 1 520 36 00 Telephone: 00386 1 520 36 01 Fax:

Members of the General Meeting: Matjaž Janežič, Barbara Jama Živalič, Mojca Kert Kos,

Edo Škufca

Company registration number: 1779192 Entry in the Companies Register: 25.11.2002 Tax number: 75194996

The company's activity involves maintenance of property, technological equipment and reservoirs, maintenance and construction of technological installations, maintenance and construction of energy plants, maintenance and testing tightness of gas depots, control of measures, environmental measurements and equipment measurements, and technical supervision of service stations.

Excellent technological support ensures safe, accurate and uninterrupted operations.

The company has its own agencies for purchasing spare parts, installations and equipment. Its activities thus cover the needs of the Petrol Group and of external clients.

In 2006, the company Petrol Tehnologija, d.o.o. generated SIT 1.43 billion (EUR 5.96 million) in net sales revenues, exceeding the plan by nine percent. The company's net profit amounted to SIT 32.09 million (EUR 133.89 thousand) in 2006, exceeding the plan by 34 percent. Good business performance is a result of increased scope of legally required measurements of equipment used under explosive conditions, and of increased sales of technological equipment used at service stations of the Petrol Group.

On 31 December 2006, the company's equity stood at SIT 196.91 million (EUR 821.7 thousand).

PETROL TRGOVINA, D.O.O., ZAGREB

Demanding operating conditions

The company Petrol Trgovina, d.o.o., Zagreb was established in 1996 and is fully owned by Petrol d.d., Ljubljana. Its growth began as early as in 1999 when it started developing its own retail network of service stations in Croatia.

Registered office: Oreškovićeva 3D, Otok, 10010 Zagreb, Croatia Principal activity: trading in petroleum products and consumer goods

Managing director: Ignac Rupar

E-mail: ignac.rupar@petrol.si
Telephone: 00385 1 66 80 001
Fax: 00385 1 66 80 030

Supervisory Board: Igor Irgolič, Boštjan Napast, Alenka Vrhovnik Težak

Company registration number: 0400661 Entry in the Companies Register: 25.9.1996 Tax number: 040040669

The company's principal activity involves wholesale and retail sale of petroleum products in the Croatian market. The import regulations governing the formation of compulsory stocks of petroleum products remained in force in Croatia in 2006. The Government of the Republic of Croatia adopted a regulation at the end of 2003 imposing on importers of petroleum products the obligation to form mandatory stocks in the amount of 10 percent of quantities imported in the previous year. In the year 2004, the amount of mandatory stocks stood at 15 percent, while in 2005 and 2006 it stood at 20 percent.

RETAIL PRICING

In 2006, the retail pricing model for petroleum products was updated with the new rules ("Pravilnik o utvrđivanju cijena naftnih derivata"), which prescribe that the prices for so-called blue diesel and unleaded petrol 98 be formed according to a model. For the purpose of financing the Agency for Mandatory Stocks ("Agencije za obvezne zalihe"), these rules also introduced new expenses.

Halved customs duties for petroleum products imported from the EU. In 2006, customs duties for petroleum products imported from the EU dropped from 4.2 percent to 2.1 percent. Petroleum products imported from CEFTA countries are still subject to the zero rate customs duties.

Excluding the replenishment of mandatory stock, the company Petrol Trgovina, d.o.o., Zagreb sold 83,356 tonnes of petroleum products. The company also generated SIT 1.35 billion (EUR 5.65 million) in sales of supplementary merchandise and SIT 47.79 million (EUR 199.4 thousand) in sales of services.

NET SALES REVENUES, NET PROFIT

The company realised SIT 28.028 billion (EUR 116.96 million) in net sales revenues, while its 2006 net profit amounted to SIT 8.44 million (EUR 35.22 thousand).

The reasons for lower-than-planned results include termination of a contract relating to the use of Ina card at service stations of Petrol Trgovina, d.o.o., Zagreb, and delayed construction of service stations. Due to the dominant position of Ina d.d., the company encountered problems in the retail field, which were a result of non-adjustment of retail prices of petroleum products to changes in the global market.

Petrol Trgovina, d.o.o., Zagreb operates twenty-one service stations in Croatia.

At the end of 2006, the company operated 21 service stations in Croatia.

On 31 December 2006, the company's equity stood at SIT 8.01 billion (EUR 33.42 million).

PETROL BH OIL COMPANY, D.O.O.

Favourable wholesale results

The company Petrol BH Oil Company, d.o.o., Sarajevo was established at the beginning of 1999 and is fully owned by Petrol d.d., Ljubljana. The company's principal activity involves wholesale and retail sale of liquid and gaseous fuels, and sale of similar products.

Registered office: Grbavička 4/4, 71000 Sarajevo, Bosnia and Herzegovina Principal activity: trading in solid, liquid and gaseous fuels, and in similar products

Managing director: Roman Mazi

E-mail: roman.mazi@petrol.si Telephone: 00387 33 560 088 Fax: 00387 33 560 071

Supervisory Board: Igor Irgolič, Boštjan Napast, Alenka Vrhovnik Težak

Company registration number: 20219629 Entry in the Companies Register: 5.1.1999 Tax number: 01076661

In the Federation of Bosnia and Herzegovina, margins on the sale of petroleum products were formed freely in 2006, importers paid customs duties on crossing the border, and the sales tax was replaced by the value added tax on 1 January 2006.

Pooling payments of duties at the state level contributed to operations that are more transparent.

Bosnia and Herzegovina pooled the payment of VAT, customs duties, excise duties and tolls at the level of Direct Taxation Administration. This contributed to reducing the size of grey market for energy products and enabled operations that are more transparent.

As far as retail and wholesale is concerned, the company sold 116,112 tonnes of petroleum products in 2006, exceeding the plan by 14 percent. In 2006, the company generated SIT 429.28 million (EUR 1.79 million) in sales of supplementary merchandise and realised SIT 55.45 million (EUR 231.39 thousand) in other operating revenues.

NET SALES REVENUES, NET PROFIT

The company realised SIT 24.29 billion (EUR 101.3 million) in net sales revenues. Its net profit amounted to SIT 415.83 million (EUR 1.735 million), exceeding the 2006 plan by an extremely large margin of 165 percent.

Petrol BH Oil Company, d.o.o. operates 33 service stations in Bosnia and Herzegovina. The objectives set were exceeded mostly on account of the following reasons: streamlining of operating costs and increased quantity of petroleum products sold on a wholesale market.

At the end of 2006, the company Petrol BH Oil Company, d.o.o. operated 33 service stations.

On 31 December 2006, the company's equity stood at SIT 9.584 billion (EUR 39.996 million).

PETROL, D.O.O., BEOGRAD

Two service stations at the end of 2006

The company, which is fully owned by Petrol d.d., Ljubljana, launched its operations in 2003 but did not begin conducting its principal activity of trading in solid, liquid and gaseous fuels and in similar products before the end of 2006.

Registered office: Dragoslava Jovanovića br. 13, 11000 Beograd, Serbia

Principal activity: trading in solid, liquid and gaseous fuels

Managing director: Dušan Krt

E-mail: dusan.krt@petrol.si Telephone: 00381 11 323 81 28 Fax: 00381 11 324 93 12

Supervisory Board: Marko Kryžanowski, Igor Irgolič, Boštjan Napast

Company registration number: 17454404 Entry in the Companies Register: 31.12.2002 Tax number: 102485196

MARKET CONDITIONS

The majority of the Serbian market of petroleum products is controlled by the company NIS (Naftna industrija Srbije), which is engaged in pumping, producing, processing and distributing of oil and petroleum products. Other foreign oil companies that are present on the market beside Russia's Lukoil, which acquired Beopetrol, include OMV, Hellenic Petroleum and AVIA. There are also more than 500 smaller companies active on this market, which operate only in the retail sector.

REGULATION AND DEPENDENCE ON PROCESSING IN STATE-OWNER REFINERIES

As in previous years, the Serbian oil and petroleum products market was fully regulated by the government also in 2006. It is thus possible to import only crude oil and, since September 2005, also eurodiesel. A company that is engaged in the retail sale of petroleum products on the Serbian market has to purchase these products from NIS or has to import crude oil, which is then processed by NIS-owned refineries.

The Serbian government adopted the Energy development strategy and established the Energy agency, aiming to make its actions in the field of energy products more transparent.

NET SALES REVENUES, NET PROFIT

At the end of year, the company owned two service stations that started operating in the second half of December.

In 2006, the company Petrol, d.o.o. Beograd generated SIT 26.98 million (EUR 112.5 thousand) in net sales revenues, realising 58 percent of the plan. The company finished the year with a net loss of SIT 254.87 million (EUR 1.06 million).

On 31 December 2006, the company's equity stood at SIT 1.37 billion (EUR 5.7 million).

PETROL VNC, VARNOSTNO NADZORNI CENTER, D.O.O.

A new member of the Group

The company Petrol VNC, varnostno nadzorni center, d.o.o. (Petrol VNC, d.o.o.) was formally established on 16 May 2006 and started operating on 1 September of the same year. It obtained all licences required to provide the security and supervision services. Today, the company and its expert provide services also to external clients. The company is fully owned by the company Petrol d.d., Ljubljana, and was established for the purpose of providing investigative in protection services.

Registered office: Dunajska cesta 50, 1000 Ljubljana, Slovenia

Principal activity: investigative activities and protection

Managing director: Bojan Babič

E-mail: bojan.babic@petrol.si, vnc@petrol.si

Telephone: 00386 1 471 43 91 Fax: 00386 1 471 48 09

Company registration number: 2197995 Entry in the Companies Register: 16.5.2006 Tax number: 1278696

Since its establishment, the company obtained all necessary personal licences and a company licence to provide the services of a security and supervision centre. The company Petrol VNC, d.o.o. provides also other services, such as consulting in the field of protection, video capturing, testing of new equipment.

Since September 2006, when the company started operating, until December 2006, the company realised SIT 20.99 million (EUR 87.59 thousand) in net sales revenues. The company finished the year with a net profit of SIT 1.77 million (EUR 7.39 thousand).

On 31 December 2006, the company's equity stood at SIT 29.29 million (EUR 122.23 thousand).

Optional services on client demand.

PETROL PLIN, D.O.O.

Uninterrupted supply provided with care

The company Petrol Plin, d.o.o. started operating at the beginning of 2002 when the Gas activity sector of Petrol d.d., Ljubljana and the company Apegas, d.o.o. merged. The company is fully owned by the company Petrol d.d., Ljubljana. Its principal activity is supply of gaseous fuels.

Registered office: Dunajska cesta 50, 1000 Ljubljana, Slovenia

Principal activity: supply of gaseous fuels, steam, hot water, and consulting

and project design

Managing director: Štefan Mitja Lebar E-mail: stefan.lebar@petrol.si Telephone: 00386 1 47 14 911 Fax: 00386 1 47 14 400

Members of the General Meeting: Boštjan Napast, Alenka Vrhovnik Težak, Matjaž Janežič

Company registration number: 5842247
Entry in the Companies Register: 4.10.1993
Tax number: 36799220

The activities of the company Petrol Plin, d.o.o. do not involve only the supply itself but also the construction and management. The company designs, constructs and maintains the natural gas and liquefied petroleum gas networks. It installs gas depots and gas stations for individual, commercial and industry users.

In 2006, Petrol Plin, d.o.o. operated 18 gas concessions.

At the end of 2006, the company Petrol Plin, d.o.o. operated eighteen gas concessions, of which three were owned by the parent company Petrol d.d., Ljubljana, and fifteen by Petrol Plin, d.o.o. Liquefied petroleum gas was marketed also via 1,572 gas depots.

In 2006, Petrol Plin, d.o.o. sold 17,049 tonnes of liquefied petroleum gas. Through Petrol Plin, d.o.o.'s concessions, the company also sold 8.162 million Sm³ of natural gas, thereby achieving 95 percent of planned quantities.

CONCESSIONS AND DISTRIBUTION

Through three concessions owned by the company Petrol d.d., Ljubljana and operated by the company Petrol Plin, d.o.o., the company sold 9.226 million Sm³ of natural gas, which is seven percent more than planned. In 2006, the company Petrol Plin, d.o.o. distributed 10.0 million Sm³ of natural gas, while additional 9.226 million Sm³ were distributed through 3 concessions owned by Petrol d.d., Ljubljana.

NET SALES REVENUES, NET PROFIT

Petrol Plin, d.o.o. generated SIT 4.156 billion (EUR 17.34 million) in net sales revenues, exceeding the plan by 38 percent. Higher net sales revenues can be mostly attributed to the transfer of gas bottle sales from the parent company to Petrol Plin, d.o.o., which was carried out in July 2006.

In 2006, the company realised a net profit of SIT 39.449 million (EUR 164.62 thousand). The plan was not met mostly due to unfavourable winter conditions, as the average temperature exceeded the average for 2005.

On 31 December 2006, the company's equity stood at SIT 2.338 billion (EUR 9.76 million).

PETROL ENERGETIKA, D.O.O.

From a producer to a system operator

The company Petrol Energetika, d.o.o. is assuming an increasingly visible role as regards the supply to customers. Most of its customers come from energyintensive industries and from geographically connected local communities.

Registered office: Koroška cesta 14, 2390 Ravne na Koroškem, Slovenia

Principal activity: production, sale and distribution of electricity and heat, sale

and distribution of natural gas, and sale and distribution other

energy products

 Managing director:
 Mojca Kert-Kos

 E-mail:
 mojca.kos@petrol.si

 Telephone:
 00386 2 870 61 00

 Fax:
 00386 2 870 61 06

Company registration number: 5705754 Entry in the Companies Register: 12.2.1993 Tax number: 56859708

In the middle of 2002, the controlling company Petrol d.d., Ljubljana purchased 80-percent ownership shares in Energetika Ravne and Energetika Štore from the company Slovenske železarne, d.d. Until 2006, the company Petrol d.d., Ljubljana increased its ownership share to 99.02 percent through the increase in capital and cash contribution in kind. The remaining 0.98 percent of the company is owned by Železar Štore, d.p., delniška družba pooblaščenka, d.d.

Integral approach to planning and implementing modern energy supply concepts.

IMPORTANT ROLE ON THE SLOVENIAN MARKET

Most customers come from energy-intensive industries.

The company Petrol Energetika, d.o.o. is assuming a visible and active role as regards the supply to customer in the Slovenian market. Most of its customers come from energy-intensive industries such as steel industry and machine-based manufacturing industry, and from geographically connected local communities. The company's goals reflect the strategic orientations

of the Petrol Group, such as taking an integral approach to planning, and offering modern energy supply concepts.

On the market, Petrol Energetika, d.o.o. acts as a producer, trader, dealer and broker in the marketing of energy products, and has a role as a system operator in distribution systems. Its business strategy is based on analysing and adapting to the market, and on developing its own expertise.

OWN FORECASTING AND OPTIMISATION MODEL

For the purposes of trading in natural gas, the company developed its own model of forecasting and optimising demand for natural gas. It is in charge of the natural gas balance group that comprises larger industry customers and customers from the Slovenian municipalities where the Petrol Group obtained the natural gas concessions.

The company Petrol Energetika, d.o.o. developed and implemented a competitive Multi utility operating model, which links the provision of integrated energy services for industry customers and retail clients in the technological, economical and environmental sense.

Multi utility integrated operating model

The goals is clear - constant development towards becoming a regional provider of integrated energy supply and services

MAIN COMPETITIVE ADVANTAGES

The company is successfully developing towards becoming a coordinator and provider of energy supply. Its key advantages include the involvement of a lasting synergy between public and private investments – Private Public Partnership, especially in the field of municipal and energy infrastructure.

Creating and managing synergies between public and private investments is one of our key advantages.

Its other advantages include the support to contract-based financing (Third Party Financing – TPF) and Demand Side Management.

In 2006, Petrol Energetika, d.o.o. sold 323.6 million kWh of electricity, of which it generated 34.6 million kWh and distributed 289.6 million kWh. It also sold 30.9 million cubic metres and distributed 52.9 million cubic metres of natural gas.

In 2006, Petrol Energetika, d.o.o. also generated 55.4 thousand MWh of heat, while the quantity of heat sold and distributed amounted to 46.8 thousand MWh and 54.3 thousand MWh, respectively.

NET SALES REVENUES, NET PROFIT

In 2006, the company generated SIT 8.71 billion (EUR 36.35 million) in net sales revenues, exceeding the plan by 7 percent. The company's net profit for 2006 stood at 304.96 million (EUR 1.27 million), which is 7 percent more than planned. The contribution of the company Petrol d.d., Ljubljana amounted to SIT 301.97 million (EUR 1.26 million).

Increased volume of operations resulted in better sales.

At the end of 2006, the company's equity stood at SIT 2.76 billion (EUR 11.52 million).

JOINT VENTURES

GEOENERGO, D.O.O.

Exploring and extracting

The company Geoenergo, d.o.o. was established in 2002 and is fifty percent owned by Petrol d.d., Ljubljana. The other company member is Nafta Lendava, d.o.o.

Registered office: Mlinska ulica 5, 9220 Lendava, Slovenia Principal activity: extraction of natural gas, oil and gas condensate

Managing director: Ivan Pavoševič, Matjaž Janežič

E-mail: ivan.pavosevic@petrol.si; matjaz.janezic@petrol.si

Telephone: 00386 2 577 22 62 Fax: 00386 2 578 89 15

Supervisory Board: Barbara Jama Živalič, Slavko Pivar, Marta Svoljšak Jerman,

Radovan Žerjav

Company registration number: 1465830 Entry in the Companies Register: 20.6.2002 Tax number: 28050657

The company's principal activity involves extraction of natural gas, oil and gas condensate from wells in the area of Mura basin. The company also operates exploration concessions for crude oil, natural gas and geothermal energy sources in this area.

Operator of exploration concessions for energy sources in the area of Mura basin.

Geoenergo, d.o.o. and the company Nemocco Slovenija concluded a long-term contract on a joint venture in the area of carbohydrate oilfield exploration in Dolina and Petišovci near Lendava.

In 2006, the company sold 4.16 million Sm³ of natural gas and 452 tonnes of oil and gas condensate.

In the same year, the company Geoenergo, d.o.o. generated SIT 194.76 million (EUR 812.71 thousand) in net sales revenues, exceeding the plan by three percent. Higher-than-planned results were realised due to higher export prices of oil and gas condensate. The company's net profit amounted

to SIT 7.04 million (EUR 29 thousand) in 2006, exceeding the plan by 60 percent. Net profit belonging to Petrol d.d., Ljubljana amounted to SIT 3.5 million (EUR 14.7 thousand).

On 31 December 2006, the company's equity stood at SIT 21.28 million (EUR 88.8 thousand).

INSTALACIJA, D.O.O., KOPER

Efficient transhipment, reliable storage

The company Instalacija, d.o.o., Koper, which was established in 1991, is engaged in storage and transhipment of petroleum products. The company is forty-nine percent owned by Petrol, the remaining share is held by Istrabenz d.d. Koper.

Registered office: Sermin 10a, 6000 Koper, Slovenia

Principal activity: storage and transhipment of petroleum products

Managing director: Boris Gorup

E-mail: boris.gorup@instalacija.si
Telephone: 00386 5 668 21 00
Fax: 00386 5 639 53 20

Company registration number: 5498007 Entry in the Companies Register: 5.7.1991 Tax number: 62032429

The most important events that marked the year 2006 included the construction of the new R-20 reservoir, launch of operations of mixing biodiesel with other fuels, and operations of introducing additives at a truck filling station.

The company also processed 1.84 million tonnes of petroleum products, which is more than planned, representing a record annual quantity of petroleum products transhipment.

A record annual quantity of petroleum products transhipment was achieved.

The company generated SIT 2.6 billion (EUR 10.91 million) in net sales revenues, which is line with the plan. Its net profit for 2006 amounted to SIT 935 million (EUR 3.9 million), exceeding the plan by almost 25 percent. Net profit belonging to Petrol d.d., Ljubljana amounted to SIT 458.13 million (EUR 1.91 million). The company's net profit increased mostly due to the sale of land to the Municipality of Koper.

On 31 December 2006, the company's equity stood at SIT 6.22 billion (EUR 25.96 million).

KARKASA, D.O.O.

Tyre retreading brings both economic and environmental advantages

The company Karkasa, d.o.o. was established in 2004 by the companies Petrol d.d., Ljubljana and Sava Tires, d.o.o., a member of the Goodyear Group. The company's principal activity involves truck tyre retreading. More than 4,500 tyres were retreaded in 2006. The company's business operations are founded on important economic and environmental criteria.

Registered office: Škofjeloška cesta 6, 4000 Kranj, Slovenia

Principal activity: truck tyre retreading Managing director: Borut Andoljšek

E-mail: borut_andoljsek@goodyear.com

Telephone: 00386 4 207 70 31 Fax: 00386 4 207 70 31

Company registration number: 1965042 Entry in the Companies Register: 13.7.2004 Tax number: 20610181

The company in which both founders hold fifty percent ownership shares began operating in January 2005. In 2006, the company exceeded its plan for tyre retreading by 11 percent. Having sold 4,390 retreaded truck tyres, its plan for tyre sales was exceeded by seven percent.

Exceeding the plan by 7 %, optimal capacity utilisation.

NET SALES REVENUES, NET PROFIT

In 2006, the company Karkasa, d.o.o. generated SIT 153.27 million (EUR 639.58 thousand) in net sales revenues, exceeding the plan by eight percent. Its net profit for 2006 amounted to SIT 12.5 million (EUR 52.15 thousand). Better-than-planned results were realised due to increased sales of retreaded truck tyres. The volume of manufactured products was also higher than planned, meaning that unit operating costs were lower than planned, while the production capacity utilisation was optimal. Net profit belonging to Petrol d.d., Ljubljana amounted to SIT 6.25 million (EUR 26.1 thousand).

On 31 December 2006, the company's equity stood at SIT 60.94 million (EUR 254.29 thousand).

ASSOCIATES

AQUASYSTEMS, D.O.O.

Registered office: Dupleška 330, 2000 Maribor, Slovenia

Activity: construction and operation of industrial and municipal water treatment plants

Ownership share of Petrol, d.d., Ljubljana: 26 %

GEOPLIN, D.O.O.

Registered office: Cesta Ljubljanske brigade 11, 1000 Ljubljana, Slovenia

Activity: sales and transport of natural gas

Ownership share of Petrol, d.d., Ljubljana: 27.26 %

MARCHE GOSTINSTVO, D.O.O.

Registered office: Notranjska 71, 1370 Logatec, Slovenia

Activity: preparation of food and beverages, sale of merchandise, and other services

Ownership share of Petrol, d.d., Ljubljana: 25 %

OGREVANJE PIRAN, D.O.O.

Registered office: Liminjanska 117, 6320 Portorož, Slovenia

Activity: supply of gaseous fuels, generation and distribution of steam and heat

Ownership share of Petrol, d.d., Ljubljana: 40 %



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INDEPENDENT AUDITOR'S REPORT



BDO EOS Revizija d.o.o.

Dunajska cesta 106 SI-1000 Ljubljana, Slovenija Tel.: +386 1 5300920 Fax: +386 1 5300921 Ex: +386 1 5300921 WWW.wwcbdo.si

INDEPENDENT AUDITOR'S REPORT

(Translation from the original in Slovene)

To the shareholders of Petrol, Slovenska energetska družba, d.d., Ljubljana

We have audited the accompanying financial statements of Petrol, Slovenska energetska družba, d.d., Ljubljana (Company) and Petrol Group (Group), which comprise the separate and consolidated balance sheet as at December 31, 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as endorsed in the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Petrol, Slovenska energetska družba, d.d., Ljubljana and Petrol Group as of December 31, 2006, and of their financial performance and their cash flows for the year then ended, in accordance with International Financial Reporting Standards as endorsed in the European Union.

Ljubljana, 12. March 2007

BDO EOS Revizija d.o.o. Dunajska cesta 106, Ljubljana Mateja Vrankar

Certified auditor, Managing Partner



INTRODUCTION

The Management Board has the responsibility to prepare, in accordance with International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board, financial statements for each financial year, which give a true and fair view of operations of the company Petrol d.d., Ljubljana (the company Petrol d.d.) and subsidiary companies (collectively "the Petrol Group") in 2006.

Having acquired relevant information, the Management Board legitimately expects that in the foreseeable future the Company and the Group will have appropriate resources at their disposal to continue their operations, which is why the financial statements have been prepared based on the assumption that the Company and the Group will continue to operate as a going concern.

The Management Board's responsibilities relating to the preparation of financial statements include:

- selection and consistent application of appropriate accounting policies;
- reasonable and prudent evaluations and assessments;
- preparation of financial statements in accordance with IFRS; eventual important digressions are disclosed and explained in the report;
- financial statements are prepared on a going concern basis, unless it is not suitable for the company Petrol d.d. or the Group.

The Management Board is responsible for keeping appropriate records, which present, at any given moment, the financial position of the company Petrol d.d. and the Petrol Group with reasonable accuracy, and indicate compliance of the Company's financial statements with IFRS. The Management Board is also responsible for safeguarding the Company's assets and preventing and uncovering misuse and other irregularities.

The Management Board declares that the financial statements have been prepared in accordance with IFRS provisions and contain no reservations as to their application.

On behalf of the Management Board,

Marko Kryžanowski

President of the Management Board

Petrol d.d.

Dunajska c. 50 1000 Ljubljana

Slovenia

6 March 2007

Alenka Vrhovnik Težak

Member of the Management Board

STATEMENT OF CONFORMITY

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union.

The following new standards that have not entered into force by 31 December 2006 or do not bear on the Group were not applied in preparing the financial statements:

- IFRS 7 Financial Instruments: Disclosures (effective as from 1 January 2007). The standard will require more extensive disclosures of the Group's financial instruments and their impact on the financial position and performance, and quantitative and qualitative disclosures about the nature and extent of risks. Additional required disclosures will be related to objectives, policies and processes within the Group's and the Company's risk management framework.
- amendment to IAS 1 Presentation of financial statements Capital disclosures (effective as from 1 January 2007). As provided in the amendment, more extensive disclosures of capital structure will be required.
- IFRS 8 Operating segments (effective as from 1 January 2009). The standard will replace IAS 14 and shall only apply to companies whose securities are traded on a regulated market or that have applied for admission to trading on a regulated market. As far as the interpretation's significance is concerned, the Company will have to continue to disclose information on business and geographical segments.
- IFRIC 7 Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economies (effective as from 1 March 2006). The interpretation contains guidelines on how an entity should adapt its financial statements in line with IAS 29 in the first period in which the economy of an entity's functional currency becomes hyperinflationary. The interpretation, which will apply to the year 2007, does not apply to the Group as it does not operate in hyperinflationary conditions.
- IFRIC 8 Scope of IFRS 2 (effective as from 1 May 2006). According to the interpretation, MSRP 2 Share-based payment applies to arrangements where an entity makes share-based payments for apparently nil or inadequate consideration. As no such payments exist within the Group, the interpretation, which will apply to the year 2007, does not bear on the Group.

- IFRIC 9 Reassessment of embedded derivatives (effective as from 1 June 2006). The treatment of an embedded derivative is assessed by an entity when it becomes party to a contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract. The interpretation, which will apply to the year 2007, does not bear on the Group as it does not employ embedded derivatives.
- IFRIC 10 Interim financial reporting and impairment (effective as from 1 November 2006). It is prohibited to reverse impairment recognised in an interim period for goodwill and investments in equity instruments and financial assets carried at cost.
- IFRIC 11 IFRS 2 Group and treasury share transactions (effective as from 1 March 2007). Accounting treatment of granting rights to treasury shares to employees and granting rights to shares of group companies to employees.
- IFRIC 12 Service concession arrangements (effective as from 1 January 2008). The interpretation stipulates how a concessionaire recognises concessions if a grantor controls one of the services. It further stipulates to whom a concessionaire has to provide services and for what price if a grantor controls the remaining infrastructure value on expiration of the concession agreement. As from 1 January 2008, the Group will apply the interpretation to concessions addressed in substance by IFRIC 12.

GENERAL INFORMATION

Number of employees by level of formal education

		THE PETROL GROUP	•		PETROL D.D.	
	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05
Level I	70	79	89	40	43	93
Level II	206	181	114	109	113	96
Level III	36	43	84	21	24	88
Level IV	967	982	98	546	545	100
Level V	1,054	1,004	104	617	582	106
Level VI	125	124	101	84	87	97
Level VII	280	254	110	192	181	106
Post-graduate degrees	30	26	115	26	24	108
TOTAL*	2,768	2,693	103	1,635	1,599	102
*The number of employees at franchised service stations	1,325	1,245	106	1,096	1,048	105

Key financial figures

	TH	HE PETROL GROUP			PETROL D.D.	
(in SIT 000)	2006	2005	Index 2006/2005	2006	2005	Index 2006/2005
Gross turnover	550,644,184	498,123,883	111	523,057,556	457,593,347	114
Tax (VAT)	85,395,207	77,912,121	110	83,513,391	73,062,766	114
Net sales revenues	465,248,977	420,211,762	111	439,544,165	384,530,581	114
Gross profit or loss from sales	50,699,843	47,679,181	106	42,976,103	40,777,454	105
Regular depreciation and amortisation	(6,258,592)	(6,328,520)	99	(5,056,733)	(5,233,202)	97
Operating profit or loss, excluding regular depreciation and amortisation and adjustments of operating current assets	18,682,020	13,560,567	138	14,238,222	10,524,380	135
Operating profit or loss, excluding regular depreciation and amortisation	17,553,881	13,160,116	133	13,666,971	10,485,520	130
Operating profit or loss	11,295,289	6,831,596	165	8,610,238	5,252,318	164
Interest expenses	(2,153,302)	(1,671,523)	129	(1,388,330)	(1,183,206)	117
Interest rate swaps	(62,324)	(156,462)	40	(62,324)	(156,462)	40
Taxes	(2,551,880)	(1,854,271)	138	(2,266,485)	(1,702,810)	133
Net profit or loss	11,938,373	8,397,784	142	9,513,557	7,286,136	131
Cash flow (net operating profit or loss and regular depreciation and amortisation)	18,196,965	14,726,304	124	14,570,290	12,519,338	116
Net cash flows from operating activities	24,381,377	(1,197,735)	-	18,957,726	5,949,718	319
Total assets	202,120,921	203,188,993	99	188,902,962	193,040,792	98
Current assets	74,050,208	77,918,583	95	68,683,065	71,545,837	96
Current financial receivables	934,059	1,784,508	52	1,098,225	1,695,540	65
Total equity	95,095,332	85,207,958	112	83,986,582	76,473,736	110
Average equity	90,151,645	82,444,331	109	80,230,159	74,444,404	108
Current liabilities	76,546,903	79,800,766	96	76,436,785	80,194,350	95
Financial liabilities (non-current and current)	44,150,619	57,017,350	77	32,628,157	44,838,684	73
Net financial liabilities (financial liabilities less current financial receivables)	43,216,560	55,232,842	78	31,529,932	43,143,144	73
Non-current financial liabilities	23,309,936	30,536,312	76	22,398,994	29,624,872	76

Key financial indicators

		THE PETRO	L GROUP		PETROL	D.D.
	2006	2005	Index 2006/2005	2006	2005	Index 2006/2005
Values in percentages (%)						
Gross profit or loss from sales/Net revenues from sales (%)	10,90	11,35	96	9,78	10,60	92
Operating profit or loss, excluding regular depreciation and amortisation and adjustment of operating current assets/Net revenues from sales	4,02	3,23	124	3,24	2,74	118
Operating profit or loss/Net revenues from sales	2,43	1,63	149	1,96	1,37	143
Net profit or loss/Net revenues from sales (%)	2,57	2,00	129	2,16	1,89	114
Net profit or loss/Average equity (%)	13,24	10,19	130	11,86	9,79	121
	1					
Current assets/Current liabilities	0,97	0,98	99	0,90	0,89	101
Financial liabilities/Equity	0,46	0,67	69	0,39	0,59	66
Net financial liabilities/Equity	0,45	0,65	70	0,38	0,56	67
Non-current financial liabilities/Equity	0,25	0,36	68	0,27	0,39	69
Interest coverage*	7,54	6,61	114	9,12	7,71	118

 $^{^{\}star} (\text{Net profit or loss} + \text{Taxes} + \text{Interest expenses and Interest rate swaps}) / \text{Interest ra$

Share information

		PETROL D.D.	
	31 December 2006	31 December 2005	Index 06/05
Number of ordinary shares issued	2,086,301	2,086,301	100
- Number of treasury shares repurchased	25,758	26,161	98
Share's book value on the last day of the year (in SIT) (Equity/No. of ordinary shares issued)	40,256	36,655	110
Share's market price on the Ljubljana Stock Exchange			
Yearly high (in SIT)	125,186	72,518	173
Yearly low (in SIT)	68,536	58,400	117
Yearly average (in SIT)	92,627	65,546	141
Price on the last trading day of the year (in SIT)	118,361	70,741	167
Market capitalisation (in SIT 000) (No. of ordinary shares issued * Price on the last trading day of the year)	246,936,673	147,587,019	167
Return per share in the current year (in SIT) (Price on the last trading day of the current year - Price on the last trading day of the previous year)	47,620	4,798	992
Rate of return per share in the current year (Price on the last trading day of the current year/Price on the last trading day of the previous year)	67 %	7 %	957
P/BV (Average share price/Share's book value)	2.30	1.79	129
P/E (Average share price/Earnings per share)	20.06	18.53	108
P/CE (Average share price/Cash earnings per share)	13.10	10.79	121
Earnings per share (EPS) (in SIT) (Net profit for the year/(No. of ordinary shares issued - No. treasury shares repurchased))	4,617	3,537	131
Cash earnings per share (CEPS)(in SIT) (Net profit for the year + Regular depreciation/amortisation/No. of ordinary shares issues - No. of treasury shares repurchased)	7,071	6,077	116
Dividend Distribution Policy			
Distributable profit (in SIT 000)*	7,506,565	9,795,866	74
Assets for dividend payments (in SIT 000)*	*	2,060,140	-
Bonuses paid to the Management and the Supervisory Board (in SIT 000)*	*	38,442	-
Dividend per share (in SIT)*	*	1,000	-
NUMBER OF SHAREHOLDERS	42,566	43,920	97

 $^{^{\}star}\!\text{Amount}$ to be determined by the General Meeting of shareholders

FINANCIAL STATEMENTS OF THE PETROL GROUP AND THE COMPANY PETROL D.D.

Income statement

			뿓	THE PETROL GROUP				THE CON	THE COMPANY PETROL D.D.		
(in SIT 000)	Notes	2006	Structure	2005	Structure	Index 2006/2005	2006	Structure	2005	Structure	Index 2006/2005
Net sales revenues	1.	465,248,977	100.0	420,211,762	100.0	111	439,544,165	100.0	384,530,581	100.0	114
Cost of merchandise sold		(415,135,656)	89.2	(370,536,305)	88.2	112	(396,568,062)	90.2	(343,753,127)	89.4	115
Net profit/(loss) on commodity swaps	39.	586,522	0.1	(1,996,276)	0.5	1	0	1	0	-	1
Gross profit or loss from sales		50,699,843	10.9	47,679,181	11.3	106	42,976,103	9.8	40,777,454	10.6	105
	0	1000	1	000	1	L	11000	1	7770	1	100
Seming costs		(34,936,001)	0.7	(33, 192,372)	D	601	(32,031,611)	ú r	(23,031,341)	0.	201
General and administrative costs	3 10.	(9,400,573)	Z:0	(9,382,900)	Z.3	D 00	(6,366,149)	ς. - τ	(7,085,047)	8.1	56 60
Other operating revenues	Ŋ	4,932,620	Ξ	1,89,788,1	0.5	700	4,253,895	0.	1,451,852	4.0	283
Operating profit or loss		11,295,289	2.4	6,831,596	1.6	165	8,610,238	2.0	5,252,318	4.1	164
Net financial revenues from interests due to equity method valuation	11.	2,841,160	9.0	1,798,228	0.4	158	0	•	0	-	1
Financial revenues from dividends from subsidiaries, associates and joint ventures	11.	0	1	0	-	1	1,986,016	0.5	1,827,888	0.5	109
Other financial revenues	12.	7,952,046	1.7	9,198,638	2.2	98	7,769,156	1.8	8,833,709	2.3	88
Other financial expenses	12.	(7,595,253)	1.6	(7,574,242)	1.8	100	(6,585,368)	1.5	(6,924,969)	1.8	95
Profit or loss before taxes		14,493,242	3.1	10,254,220	2.4	141	11,780,042	2.7	8,988,946	2.3	131
Taxes	13.	(2,551,880)	0.5	(1,854,271)	0.4	138	(2,266,485)	0.5	(1,702,810)	0.4	133
Net profit or loss for the year		11,941,362	2.6	8,399,949	2.0	142	9,513,557	2.2	7,286,136	1.9	131
Net profit or loss attributable to minority shareholders	14.	2,989	0.0	2,165	-	138	0	•	0	-	1
Net profit or loss attributable to owners of the parent company		11,938,373	2.6	8,397,784	2.0	142	9,513,557	2.2	7,286,136	1.9	131
Earnings per share (in SIT)	15.	5,794		4,077		142	4,617		3,537		131

The accompanying accounting policies and notes are an integral part of these financial statements and should be read in conjunction with them.

Balance sheet

			뿓	THE PETROL GROUP				_	PETROL D.D.		
(in SIT 000)	Notes	31 December 2006	Structure	31 December 2005	Structure	lndex 06/05	31 December 2006	Structure	31 December 2005	Structure	1ndex 06/05
ASSETS											
Non-current (long-term) assets											
Intangible assets	16.	1,959,398	1.0	1,971,034	1.0	66	895,693	0.5	931,640	0.5	96
Property, plant and equipment	17.	99,850,045	49.4	97,962,513	48.2	102	71,668,820	37.9	73,960,591	38.3	97
Investment property	18.	3,440,336	1.7	4,100,715	2.0	84	3,845,669	2.0	4,520,726	2.3	85
Investments in subsidiaries	19.	0	0:0	0	0.0	1	25,180,276	13.3	23,942,751	12.4	105
Investments in joint ventures	20.	3,094,455	1.5	3,440,975	1.7	06	1,722,404	6:0	1,722,404	6.0	100
Investments in associates	21.	14,496,928	7.2	12,830,468	6.3	113	9,717,271	5.1	9,717,271	5.0	100
Financial assets available for sale	22.	2,829,477	1.4	2,952,175	1.5	96	2,790,199	1.5	2,902,872	1.5	96
Financial receivables	23.	1,178,679	9.0	1,238,450	9.0	95	3,436,339	1.8	3,233,852	1.7	106
Operating receivables	24.	771,033	0.4	453,136	0.2	170	714,465	0.4	446,596	0.2	160
Deferred tax assets	25.	450,362	0.2	320,944	0.2	140	248,761	0.1	116,252	0.1	214
		128,070,713	63.4	125,270,410	61.7	102	120,219,897	63.6	121,494,955	62.9	66
Current assets											
Inventories	26.	19,027,368	9.4	28,076,162	13.8	68	16,442,739	8.7	25,880,040	13.4	64
Financial receivables	27.	934,059	0.5	1,784,508	6.0	52	1,098,225	9.0	1,695,540	6.0	99
Operating receivables	28.	46,652,148	23.1	44,668,219	22.0	104	44,818,361	23.7	41,726,944	21.6	107
Financial assets at fair value through profit or loss	29.	203,170	0.1	0		'	0		0	•	
Cash and cash equivalents	30.	6,872,347	3.4	2,701,234	1.3	254	6,107,182	3.2	1,699,923	0.0	359
Deferred costs and accrued revenues and other assets	31.	361,116	0.2	688,460	0.3	53	216,558	0.1	543,390	0.3	40
		74,050,208	36.6	77,918,583	38.3	95	68,683,065	36.4	71,545,837	37.1	96
TOTAL ASSETS		202,120,921	100,0	203,188,993	99.0	100	188,902,962	100.0	193,040,792	100.0	86

Equity and liabilities

			뿔	THE PETROL GROUP					PETROL D.D.		
(in SIT 000)	Notes	31 December 2006	Structure	31 December 2005	Structure	Index 06/05	31 December 2006	Structure	31 December 2005	Structure	Index 06/05
Equity attributable to owners of the Petrol Group											
Called-up capital	32.	12,517,806	6.2	12,517,806	6.2	100	12,517,806	9.9	12,517,806	6.5	100
Capital reserves		19,308,782	9.6	19,292,550	9.5	100	19,308,782	10.2	19,292,550	10.0	100
Legal reserves		14,814,723	7.3	14,811,973	7.3	100	14,797,743	7.8	14,797,743	7.7	100
Reserves for treasury shares		650,840	0.3	661,023	0.3	86	650,840	0.3	661,023	0.3	86
Treasury shares	33.	(650,840)	0.3	(661,023)	0.3	86	(650,840)	0.3	(661,023)	0.3	86
Other profit reserves		32,390,018	16.0	28,020,546	13.8	116	32,390,018	17.1	28,020,546	14.5	116
Investment revaluation reserves		215,454	0.1	144,000	0.1	150	215,454	0.1	144,000	0.1	150
Fixed asset revaluation reserves		650,208	0.3	650,208	0.3	100	0	1	0	1	1
Translation reserves		407,371	0.2	457,657	0.2	68	0	1	0	1	•
Net profit or loss carried forward		7,630,800	3.8	4,364,233	2.1	175	0	1	(2,146,095)	F	1
Net profit or loss for the year		7,160,170	3.5	4,948,985	2.4	145	4,756,779	2.5	3,847,186	2.0	124
		95,095,332	47.1	85,207,958	41.9	112	83,986,582	44.5	76,473,736	39.6	110
Capital of minority shareholders	4.	27,405	0.0	26,456	0.0	104	0	•	0	•	•
Total equity		95,122,737	47.1	85,234,414	41.9	112	83,986,582	44.5	76,473,736	39.6	110
Non-current liabilities											
Provisions for employee benefits	34.	976,068	0.5	938,168	0.5	104	452,967	0.2	442,244	0.2	102
Other provisions and long-term deferred revenues	35.	5,694,887	2.8	6,152,552	3.0	93	5,237,611	2.8	5,867,484	3.0	88
Financial liabilities	36.	23,309,936	11.5	30,536,312	15.0	92	22,398,994	11.9	29,624,872	15.3	92
Operating liabilities	37.	400,450	0.2	419,270	0.2	96	325,666	0.2	338,190	0.2	96
Deferred tax liabilities	25.	69,940	0.0	107,511	0.1	99	64,357	0.0	99,916	0.1	64
		30,451,281	15.1	38,153,813	18.8	80	28,479,595	12.1	36,372,706	18.8	78
Current liabilities											
Financial liabilities	36.	20,840,683	10.3	26,481,038	13.0	62	10,229,163	5.4	15,213,812	6.7	29
Operating and other liabilities	38.	52,294,320	25.9	48,908,517	24.1	107	63,351,605	33.5	61,263,139	31.7	103
Corporate income tax liabilities		1,055,851	9.0	874,770	0.4	121	816,766	0.4	739,475	0.4	110
Accrued costs and deferred revenues	39.	2,356,049	1.2	3,536,441	1.7	29	2,039,251	1.1	2,977,924	1.5	89
		76,546,903	37.9	79,800,766	39.3	96	76,436,785	40.5	80,194,350	41.5	95
TOTAL LIABILITIES		106,998,184	52.9	117,954,579	58.1	91	104,916,380	55.5	116,567,056	60.4	06
TOTAL EQUITY AND LIABILITIES		202,120,921	100.0	203,188,993	100.0	91	188,902,962	100.0	193,040,792	100.0	86

conjunction with them. Net profit or loss of the company Petrol d.d., Ljubljana for the year 2006 has already been halved The accompanying accounting policies and notes are an integral part of these financial statements and should be read in and transferred to other profit reserves, as provided by Article 230(3) of the revised Companies Act (ZGD-1).

Statement of changes in equity of the Petrol group

	Total	79,704,993	,	0	(1,843,556)	460,889	356,941	5,554	3,639	0	0	0	0	0	(1,853,996)	2,165	8,397,784	0	85,234,414	0
	Capital of minority shareholders	24,290 78			l) (1										h	2,165			26,456 86	
Equity	attributable to owners of the Petrol Group	79,680,703	,	0	(1,843,556)	460,889	356,941	5,554	3,639	0	0	0	0	0	(1,853,996)	0	8,397,784	0	85,207,958	0
Retained eamings	Net profit or loss for the year	1,663,998		(1,663,998)							(9,849)						8,397,784	(3,438,950)	4,948,985	
Retained	Net profit or loss carried forward	5,654,847		1,663,998						(3,639)		1,614	(3,002,968)	50,381					4,364,233	961,613
	Translation reserves	100,716					356,941												457,657	
reserves	Fixed asset revaluation reserves	650,208																	650,208	
Revaluation reserves	Investment revaluation reserves	1,526,667			(1,843,556)	460,889													144,000	
	Other profit reserves	23,479,366								3,639			3,002,968	(50,381)	(1,853,996)			3,438,950	28,020,546	(961,613)
serves	Treasury	(664,662)							3,639										(661,023)	
Profit reserves	Reserves for treasury shares	664,662								(3,639)									661,023	
	Legal	14,800,099								3,639	9,849	(1,614)							14,811,973	
	Capital	19,286,996						5,554											19,292,550	
	Called-up capital	12,517,806																	12,517,806	
	(in SIT 000)	Balance as at 1 January 2005	Transfer of net profit or loss	tor the previous year to net profit or loss brought forward	Valuation of financial assets available for sale	Deferred tax liabilities	Translation reserves	Profit on sale of treasury shares	Sale of treasury shares	Transfer to reserves	Formation of legal reserves	Elimination of legal reserves	Transfer to other reserves in accordance with the General Meeting resolution	Allocation of the 2004 distributable profit of Petrol d.d. in accordance with the General Meeting resolution	Dividend payments for 2004	Profit of minority shareholders	Profit for the current year	Transfer of a portion of the 2005 profit of Petrol d.d. to other reserves	Balance as at 31 December 2005	Reconciliation of distributable profit due to transition to IFRS

				Profit reserves	serves		Revaluation reserves	reserves		Retained eamings	eamings	Equity		
	Called-up capital	Capital	Legal	Reserves for treasury shares	Treasury	Other profit reserves	Investment revaluation reserves	Fixed asset revaluation reserves	Translation reserves	Net profit or loss carried forward	Net profit or loss for the year	attributable to owners of the Petrol Group	Capital of minority shareholders	Total
	12,517,806	19,292,550	14,811,973	661,023	(661,023)	27,058,933	144,000	650,208	457,657	5,325,846	4,948,985	85,207,958	26,456	85,234,414
Transfer of net profit or loss for the previous year to net profit or loss brought forward										4,948,985	(4,948,985)	0		0
Valuation of financial assets available for sale							87,811					87,811		87,811
Deferred tax liabilities							(16,357)					(16,357)		(16,357)
Translation reserves									(50,286)			(50,286)		(50,286)
Profit on sale of treasury shares		16,232										16,232		16,232
Sale of treasury shares					10,183							10,183		10,183
Transfer to reserves				(10,183)		10,183						0		0
Formation of legal reserves			2,750								(2,750)	0		0
Set-off of loss brought forward										18,675	(18,675)	0		0
Transfer to other reserves in accordance with the General Meeting resolution						2,662,706				(2,662,706)		0		0
Payment of bonuses to the Supervisory Board						(38,442)						(38,442)		(38,442)
Dividend payments for 2005						(2,060,140)						(2,060,140)		(2,060,140)
Decrease in minority shareholders' interest due to capital increase												0	(2,040)	(2,040)
Profit of minority shareholders												0	2,989	2,989
Profit for the current year											11,938,373	11,938,373		11,938,373
Transfer of a portion of the 2006 profit of Petrol d.d. to other reserves						4,756,778					(4,756,778)	0		0
Balance as at 31 December 2006	12,517,806	19,308,782	14,814,723	650,840	(650,840)	32,390,018	215,454	650,208	407,371	7,630,800	7,160,170	95,095,332	27,405	95,122,737

The accompanying accounting policies and notes are an integral part of these financial statements and should be read in conjunction with them.

Statement of changes in equity of Petrol d.d.

						Profit reserves	**************************************	Reta	Retained earnings	
(in SIT 000)	Called-up capital	Capital reserves	Legal reserves	Reserves for treasury shares	Treasury	Other profit reserves	revaluation reserves	Net profit or loss carried forward	Net profit or loss for the year	Total
Balance as at 1 January 2005	12,517,806	19,286,996	14,794,104	664,662	(664,662)	23,479,366	1,526,667	(1,945,239)	2,755,371	72,415,071
Transfer of net profit or loss for the previous year to net profit or loss brought forward								2,755,371	(2,755,371)	0
Valuation of financial assets available for sale							(1,843,556)			(1,843,556)
Deferred tax liabilities							460,889			460,889
Profit on sale of treasury shares		5,554								5,554
Sale of treasury shares					3,639					3,639
Transfer to reserves			3,639	(3,639)		3,639		(3,639)		0
Transfer to other reserves in accordance with the General Meeting resolution						3,002,968		(3,002,968)		0
Allocation of the 2004 distributable profit in accordance with the General Meeting resolution						(50,381)		50,381		0
Dividend payments for 2004						(1,853,996)				(1,853,996)
Profit for the current year									7,286,136	7,286,136
Transfer of a portion of the 2005 profit to other reserves						3,438,950			(3,438,950)	0
Balance as at 31 December 2005	12,517,806	19,292,550	14,797,743	661,023	(661,023)	28,020,546	144,000	(2,146,095)	3,847,186	76,473,736
Reconciliation of distributable profit due to transition to IFRS						(961,613)		961,613		0

						Profit reserves	tuomtaoval	Reta	Retained eamings	
(in SIT 000)	Called-up capital	Capital reserves	Legal	Reserves for treasury shares	Treasury	Other profit reserves	revaluation	Net profit or loss carried forward	Net profit or loss for the year	Total
Balance as at 1 January 2006	12,517,806	19,292,550	14,797,743	661,023	(661,023)	27,058,933	144,000	(1,184,480)	3,847,186	76,473,736
Transfer of net profit or loss for the previous year to net profit or loss brought forward								3,847,186	(3,847,186)	0
Valuation of financial assets available for sale							87,811			87,811
Deferred tax liabilities							(16,357)			(16,357)
Profit on sale of treasury shares		16,232								16,232
Sale of treasury shares					10,183					10,183
Transfer to reserves				(10,183)		10,183				0
Transfer to other reserves in accordance with the General Meeting resolution						2,662,706		(2,662,706)		0
Payment of bonuses to the Supervisory Board						(38,442)				(38,442)
Dividend payments for 2005						(2,060,140)				(2,060,140)
Profit for the current year									9,513,557	9,513,557
Transfer of a portion of the 2006 profit to other reserves						4,756,778			(4,756,778)	0
Balance as at 31 December 2006	12,517,806	19,308,782	14,797,743	650,840	(650,840)	32,390,018	215,454	0	4,756,779	83,986,582
Distributable profit for 2006						2,749,786		0	4,756,779	7,506,565

The accompanying accounting policies and notes are an integral part of these financial statements and should be read in conjunction with them.

Cash flow statement

		TI	HE PETROL GROU	Р		PETROL D.D.	
(in SIT 000)	Notes	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05
Cash flows from operating activities							
Cash generated from operations	40.	29,216,672	2,483,795	1,176	22,791,914	9,081,108	251
Interest paid		(2,253,896)	(1,686,497)	134	(1,460,569)	(1,258,667)	116
Taxes paid		(2,581,399)	(1,995,033)	129	(2,373,619)	(1,872,723)	127
Net cash flows from operating activities		24,381,377	(1,197,735)	(2,036)	18,957,726	5,949,718	319
Cash flows from investing activities							
Receipts from investments in subsidiaries		0	622,959	-	0	622,959	-
Payments for investments in subsidiaries		0	0	-	(1,212,459)	(2,891,488)	42
Receipts from intangible assets		0	32,492	-	0	0	-
Payments for intangible assets		(147,083)	(173,385)	85	(72,828)	(71,306)	102
Receipts from property, plant and equipment		1,335,065	1,542,796	87	1,309,171	771,717	170
Payments for property, plant and equipment		(10,276,794)	(15,038,509)	68	(4,117,670)	(9,836,363)	42
Receipts from investment property		9,300	0	-	9,300	0	-
Receipts from financial assets available for sale		175,478	4,064,189	4	163,113	4,064,189	4
Payments for financial assets available for sale		(39,620)	(57,509)	69	(31,221)	(44,457)	70
Receipts from financial assets held for trading		2,892,807	156,452	-	0	156,452	-
Payments for financial assets held for trading		(2,993,982)	0	-	0	0	-
Receipts from loans granted		1,482,226	4,853,783	31	1,654,239	3,297,192	50
Payments for loans granted		(663,015)	(5,327,324)	12	(1,339,261)	(4,017,627)	33
Interest received		1,392,234	1,287,234	108	1,371,981	1,258,394	109
Dividends received from subsidiaries		0	0	-	464,796	539,297	86
Dividends received from joint ventures		811,098	386,151	210	811,098	386,151	210
Dividends received from associates		710,122	902,440	79	710,122	902,440	79
Dividends received from other companies		107,213	95,259	113	107,213	95,259	113
Net cash flows from investing activities		(5,204,951)	(6,652,972)	78	(172,406)	(4,767,191)	4

		TI	HE PETROL GROU	IP .		PETROL D.D.		
(in SIT 000)	Notes	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05	
Cash flows from financing activities								
Receipts from sale of treasury shares		0	9,193	-	0	9,193	-	
Receipts from loans received		354,989,187	275,372,107	129	85,976,265	98,541,416	87	
Payments for loans received		(368,047,847)	(265,262,730)	139	(98,407,673)	(97,352,874)	101	
Bonuses paid to the Supervisory Board		(12,027)	0	-	(12,027)	0	-	
Dividends paid to shareholders		(1,934,626)	(1,707,142)	113	(1,934,626)	(1,707,142)	113	
Net cash flows from financing activities		(15,005,313)	8,411,428	(178)	(14,378,061)	(509,407)	2,823	
Increase/(decrease) in cash and cash equivalents		4,171,113	560,721	744	4,407,259	673,120	655	
Changes in cash and cash equivalents								
Balance at the beginning of the year		2,701,234	2,140,513	126	1,699,923	1,026,803	166	
Increase/(decrease)		4,171,113	560,721	744	4,407,259	673,120	655	
BALANCE AT THE END OF YEAR		6,872,347	2,701,234	254	6,107,182	1,699,923	359	

The accompanying accounting policies and notes are an integral part of these financial statements and should be read in conjunction with them.

ACCOUNTING POLICIES OF THE PETROL GROUP

A. BASIS OF PREPARATION

In this report, the financial statements are drawn up in Slovenian Tolars (SIT) and rounded to thousand units. Due to rounded values, some immaterial differences may arise when presenting the sums in the tables. The consolidated financial statements have been prepared on the historical cost basis, with the exception of the following assets and liabilities, which are carried at their fair value: derivatives, investments held for trading and financial assets at fair value through profit or loss.

All companies in the Group shall keep their books of account in accordance with International Financial Reporting Standards.

B. BASIS OF CONSOLIDATION

The consolidated financial statements consist of financial statements of the controlling company and the subsidiaries. A subsidiary is a company in which the controlling company holds a dominant equity interest or has a controlling influence for other reasons.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the historical cost over the controlling company's share in the fair value of the acquired identifiable assets and liabilities is recognised as goodwill. Any excess of the share in the fair value of the acquired identifiable assets and liabilities over the historical cost is recognised in the profit or loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of recognised assets and liabilities. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated to the share of the parent company.

Shares in the profit of subsidiaries acquired or disposed of during the year are included in the consolidated income statement as from the effective date of acquisition or up to the effective date of disposal, as appropriate.

For the purpose of compiling consolidated financial statements, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group, where necessary.

All intra-group balances, transactions, revenues and expenses are eliminated.

Joint ventures

The Group's interest in joint ventures is accounted for using the equity method, as described above for associated companies.

Joint ventures are companies in which the Group holds 50 % of voting rights.

Investments in associates

An associate is a company in which the Group has a significant influence due to its equity holding therein or on other grounds.

The shares in profit are included in these financial statements using the equity accounting method, unless they are classified as held for sale (see below).

Any excess of the cost over the controlling company's share in the fair value of acquired identifiable assets and liabilities is recognised as goodwill, which is not carried separately but rather represents a part of the investment in an associate. Any excess of the share in the fair value of the acquired identifiable assets and liabilities over the cost is recognised in the profit or loss in the period of acquisition.

C. FINANCIAL INSTRUMENTS

The Group classifies investments in the following categories: financial assets available for sale, financial assets at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which an investment was acquired.

D. FINANCIAL ASSETS AVAILABLE FOR SALE

Financial assets available for sale are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, or financial assets at fair value through profit or loss.

If the fair value can be determined and gains or losses arising from valuation are recognised directly in equity through the statement of changes in equity, excluding losses on impairment and gains or losses on exchange rate differences, such assets are valued at fair value until the financial

asset becomes subject to derecognition, at which point the previously accumulated gain or loss is recognised in the profit or loss for the period. Interest calculated using the effective interest method is recognised in profit or loss. Dividends are recognised in profit or loss when the company's right to receive payment is exercised.

If there is not enough reliable information on the investment's fair value, such value is carried at cost reduced by a write-down to eventual lower carrying amount of shares or interests. The Management Board believes that considering the shallowness of the over-the-counter security market and poor transparency of transactions involving such securities, the discounted return models are not appropriate for determining the value of such securities as there is too much uncertainty linked to input data used in such models to allow for a well founded planning. In order to determine eventual need for impairment of investments, as much current information on the business performance of companies as possible is required and analysis of their financial statements is needed.

E. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include financial assets held for trading and assets designated on recognition at fair value through profit or loss.

Such assets are measured at fair value, while realised/unrealised gains and losses on valuation are recognised in profit or loss.

F. LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not listed on an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as long-term assets. In the balance sheet, loans and receivables are included in operating or other receivables that are disclosed at amortised cost based on the effective interest rate.

G. GOODWILL

Goodwill resulting from consolidation represents the excess of the cost over the Group's interest in the fair value of acquired identifiable assets and liabilities of a subsidiary as at the date of acquisition.

Goodwill is recognised as an asset and is reviewed for impairment at least once a year. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill resulting from acquisitions prior to the date of transition to IFRS is maintained at previous amounts, as provided by generally accepted accounting principles, and tested for impairment as at that date.

H. TRANSLATION OF FOREIGN CURRENCIES

The consolidated financial statements are presented in Slovenian tolars, which is the controlling company's local and reporting currency. Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the company operates (the "local currency").

The profit or loss and the financial position of individual companies in the Group (none of which has the currency of a hyperinflationary economy) that have a local currency, which is different from the reporting currency, are translated into the reporting currency as follows:

- assets and liabilities in each presented balance sheet are translated using the middle exchange rate of the Bank of Slovenia on that balance sheet date:
- revenues and expenses in each income statement are translated using the average exchange rate of the Bank of Slovenia; and
- all resulting exchange rate differences are recognised as a separate component of equity (translation differences).

Exchange rate differences arising from the translation of net investments in companies abroad and borrowings and other currency instruments designated as hedges of such investments are disclosed as translation differences in consolidated equity. When a company is sold abroad, these exchange rate differences are recognised in the income statement as part of the gain or loss on the sale.

Foreign currency transactions are converted into the reporting currency using the exchange rate valid on the date of transaction. Gains and losses arising from such transactions and conversion of cash and liabilities denominated in a foreign currency are recognised in profit or loss.

I. REPORTING BY SEGMENTS

Business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns different from those of other business segments.

In preparation and presentation of financial statements, the Group uses the following business segments:

- petroleum products and other refined petroleum products;
- supplementary and other merchandise;
- · energy and
- other services.

Geographical segment represents products or services within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

In preparation and presentation of financial statements, the Group uses the following geographical segments:

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

J. INTANGIBLE ASSETS

Upon initial recognition, concessions for construction of a gas network and distribution of natural gas are recognised at cost less accumulated depreciation.

Other intangible assets are initially measured at cost.

Amortisation is calculated using the straight-line method so that the cost of each asset is allocated to its residual value over its estimated useful life, as follows:

(in %)	2006	2005
Consessions	3.45 - 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 %

The Group has no intangible assets with unidentifiable useful lives.

K. PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses, except for land, which is stated at cost less any impairment. The cost includes expenses that are directly attributable to the acquisition of an individual fixed asset.

Maintenance and repairs, replacements and improvements of minor importance are recognised as expensed as incurred. Amounts of major renovations are depreciated over the remaining useful life of the corresponding asset or to the date of the next major renovation, whichever is sooner.

The assets' residual values and useful lives are periodically reviewed and adjusted, if appropriate. If the asset's carrying amount is greater than its estimated recoverable amount, the asset's carrying amount is immediately written down to its recoverable amount and recognised in the profit or loss. Rates for computer equipment have been adjusted in 2006, as provided in Note 7.

Depreciation is calculated using the straight-line method so that the cost of each asset is allocated to its residual value over its estimated useful life, as follows:

(in %)	2006	2005
Buildings:		
Buildings at service stations	2.50 - 10.00 %	2.50 - 7.00 %
Underground and ground level reservoirs	2.85 - 50.00 %	2.85 - 50.00 %
Underground service paths on 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 for maintenance of other equipment	10.00 - 25.00 %	10.00 - 25.00 %
Gas station equipment	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 - 33.33 %	10.00 - 33.33 %
Cargo vehicles - tank wagons	25.00 %	25.00 %
Computer hardware	16.00 - 25.00 %	16.00 - 50.00 %
Office equipment- furniture	10.00 - 12.50 %	10.00 - 12.50 %
Small tools	33.33 %	33.33 %
Environmental fixed assets	5.00 - 25.00 %	5.00 - 25.00 %

Depreciation commences when an assets is ready for use. Construction in progress is not depreciated.

Gains and losses on disposals or elimination are determined by comparing the sales revenues with the carrying amount. These are included in the income statement. Borrowing costs incurred in respect of an asset in preparation can be capitalised in the period required to complete and prepare the asset for its intended use. Other borrowing costs are recognised as expenses.

Items of property, plant and equipment available for sale are disclosed separately from other assets and are not depreciated in the year of sale.

L. INVESTMENT PROPERTY

Investment property is property held by the Group to earn rentals or for capital appreciation or both.

Investment property is valued using the cost model. After recognition, the asset is recorded at cost less accumulated depreciation and the accumulated loss owing to impairment. Depreciation rates are the same as for other tangible assets.

Investment property leased to lessees outside the Petrol Group consists mainly of parts of buildings used by the Petrol Group in its own operations. Because the Petrol Group does not intend to dispose of such property as a whole, the parts of buildings under lease have not been valued at fair value. The Management Board believes that the fair value of the investment property is at least equal to its carrying amount.

M. LEASE

Finance lease

A lease is classified as a finance lease when according to the terms of the lease all significant risks and benefits of ownership are transferred to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under a financial lease are recorded as receivables in the amount of the net investment under lease. Finance lease revenues are allocated to accounting periods so as to reflect a constant periodic rate of return on the leased net investment that is yet to be realised.

Finance lease revenues are recognised on a straight-line basis over the lease period.

Operating lease

Expenses and revenues arising from an operating lease are recognised in the income statement on a straight-line basis over the period of the lease.

N. INVENTORIES

Inventories of merchandise and material are initially valued at purchase cost, which consists of the purchase price, the import duties and direct procurement costs. Any discounts obtained 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, other sundry costs incurred prior to initial storage and borne by the purchaser, and non-refundable taxes. Purchase price discounts include discounts indicated on the invoice and discounts obtained subsequently, which are related to a specific purchase.

Duties included in the purchase cost of petroleum product inventories kept at non-excise storage facilities and service stations primarily include import duties, excise duty, carbon tax and the membership fee related to the mandatory commodity reserves of the Republic of Slovenia.

Inventories are revalued for impairment if their carrying amount exceeds their market value. Market value means the replacement cost, unless the replacement cost exceeds the net realisable value (in this case the net realisable value is considered to be the market value), or if the net realisable value less gross return exceeds the replacement cost of merchandise (in this case the net realisable value less gross return is considered to be the market value). A reduction in the value of inventories of material and small tools is charged to the costs of material, while a reduction in the value of inventories of merchandise is charged to corresponding operating expenses.

The consumption of merchandise is accounted for using the first-in, first-out (FIFO) method. The FIFO method assumes that the inventory items that have been purchased or produced first are also the first to be sold. Accordingly, the items remaining in the inventory at the end of the period are the ones that were bought most recently.

The consumption of material is accounted for using the method of average cost over the accounting period. At the end of each month, inventories of material are converted into a new value corresponding to the average cost over the accounting period.

For inventories that have remained unchanged for more than a year, the Group forms a 100 % allowance to the debit of operating expenses.

O. TRADE RECEIVABLES

Trade receivables are carried at their nominal value, reduced by appropriate allowances for estimated irrecoverable amounts.

Receivables are revalued for impairment if their net carrying amount exceeds their fair value, i.e. the collectible amount. Receivables for which it can be assumed that settlement will not be made in the regular payment period or up to their full amount are deemed doubtful; should court proceedings be initiated, they are deemed disputed.

Allowances are made as follows:

- 100 % for receivables from customers in Slovenia that are overdue by more than 60 days
- 70 % for doubtful and disputable receivables
- for receivables that are subject to allowances based on individual assessment of collectability, irrespective of the above conditions.

For receivables from legal and natural persons abroad, a 100 % allowance is made for all doubtful and disputed receivables, other than insured receivables.

In the income statement, the formation of allowances is disclosed as a selling cost or as an operating expense from operating current assets.

P. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank deposits with maturities of up to 3 months, and other current and highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at cost.

Q. SHARE CAPITAL

The called-up capital of the controlling company Petrol d.d. consists of the share capital that is nominally defined in its Articles of Association, is registered with the court, and has been paid up by its owners.

Dividends on ordinary shares are recognised in equity for the period in which they were approved by the General Meeting.

Capital reserves

On 31 December 2003, the general equity revaluation adjustments included revaluation of share capital prior to 2002, as provided by Slovenian Accounting Standards. Due to transition to International Financial Reporting Standards, the revaluation adjustment was transferred to capital reserves. This amount can only be used to increase the share capital.

Legal and other reserves

Legal and other reserves comprise a portion of profit from previous years that has been retained for a dedicated purpose, mainly for offsetting eventual future losses. The reserves include legal reserves, statutory reserves and other profit reserves. When formed, they are recognised by the body responsible for preparation of the annual report, or by a resolution of this body.

Reserves for treasury shares

If the parent company or its subsidiaries acquire an ownership interest in the parent company, the amount paid, including transaction costs less tax, is deducted from the total equity in the form of treasury shares until such shares are cancelled, reissued or sold. If the treasury shares are subsequently sold or reissued, the consideration received is included in equity net of transaction costs and related tax effects.

R. LIABILITIES (DEBTS)

Liabilities are initially recognised at fair value less transaction costs incurred. They are subsequently disclosed at amortised cost using the effective interest rate method. Over the borrowing period, any difference between the amount (excluding transaction costs) and the amortised cost is recognised in the income statement using the effective interest rate method.

S. TAXATION

Tax expenses represent the sum of current tax liabilities and deferred tax liabilities.

Current tax liabilities are based on the taxable income for the year. Taxable income differs from the net profit reported in the income statement as it excludes the revenue and expense items that are taxable or deducted in other years, and other items that are never subject to taxation or deduction. The Group's current tax liabilities are calculated using the tax rates effective on the balance sheet date.

Deferred income tax is fully disclosed using the balance sheet liability method for temporary differences arising between the tax base of assets and liabilities and their carrying amounts in individual financial statements. Deferred income tax is determined based on tax rates (and legislation) that apply on the balance sheet date and are expected to apply when the receivable for deferred tax is realised or the liability for deferred tax is settled.

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

T. PROVISIONS

Provisions are recognised when the group has a current legal or indirect commitment arising from past events, if it is likely that outflows will be required to settle this commitment and a reliable estimate of the amount can be made.

Environmental provisions

The creation of long-term provisions for investments in environmental modernisation, improvements, and the clean-up of the bitumen dump at Pesniški Dvor was approved by the Ministry of the Environment as part of the laws relating to the ownership transformation of Slovenian companies. In accordance with the Act Governing the Use of Funds Reserved on a Long-Term Basis for Environmental Rehabilitation, the provisions are reduced each year by an amount equal to the depreciation of purchased environmental tangible assets and by an amount for the coverage of costs relating to the clean-up of the bitumen dump at Pesniški Dvor.

Post-employment benefits

Employees are entitled to receive termination benefits on retirement, which are recognised upon the termination of employment pursuant to the Employment Act.

Termination benefits on retirement are determined based on the projected unit credit method (accrued benefit method pro-rated on service). The provisions formed by the Group in this respect thus correspond to the number of years of service. On 31 December, an actuarial evaluation is performed, which is recorded through profit or loss.

Payments arising from termination benefits on retirement reduce the provisions as they fall due.

Other long-term benefits

Employees are entitled to receive jubilee benefits, which are recognised upon the fulfilment of conditions relating to the length of service.

Jubilee benefits are determined based on the projected unit credit method (accrued benefit method pro-rated on service). The provisions formed by the Group in this respect thus correspond to the number of years of service. On 31 December, an actuarial evaluation is performed, which is recorded through profit or loss.

Payments arising from jubilee benefits reduce the provisions as they fall due.

Jubilee benefits are paid to employees based on the calculations and thresholds set out in the following table:

Years of service	Benefit (% of average monthly salary in Slovenia)
10 years	40
20 years	60
25 years	70
30 years	80
35 years	90
40 years	100

U. RECOGNITION OF REVENUES

Revenues are measured at fair value of the consideration or receivable received and represent amounts receivable for merchandise and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Revenues are recognised as follows:

Sales of merchandise

Sales of merchandise are recognised when the Group has delivered products to the customer; the customer has accepted the products; and collectibility of the related receivables is reasonably assured.

Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of a specific transaction assessed based on the actual service provided as a proportion of total services to be provided.

Connection fee

Since concessions are amortised over the period of 20 to 30 years, the connection fees are recognised on a straight-line basis over the same period as concession.

Interest revenues

Interest revenues are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of financial asset to that asset's net carrying amount.

Dividend revenues

Dividend revenues from investments are recognised when the payment is received.

V. COST OF MERCHANDISE SOLD

The cost of merchandise sold is transferred using the FIFO method.

Inventories of material are transferred using average purchase costs in the accounting period.

W. GENERAL AND ADMINISTRATIVE COSTS (INCLUDING DEPRECIATION AND AMORTISATION) AND SELLING COSTS (INCLUDING DEPRECIATION AND AMORTISATION)

General and administrative costs (including depreciation and amortisation) and selling costs (including depreciation and amortisation) comprise all costs incurred in the accounting period. They represent the costs of commercial and administrative tasks, and costs related to the sale of products and services.

As these costs do not affect the inventory valuation, they are recognised in their entirety in the accounting period in which they are incurred.

Individual types of costs are recorded at separate cost centres, which allows for direct allocation of costs to selling costs and general and administrative costs. Should that prove impossible, 80 % of costs shall be allocated to selling costs and 20 % to general and administrative costs.

In financial accounting, these costs are broken down on initial recognition by primary types as:

- costs of material;
- costs of services;
- costs of depreciation (amortisation);
- labour costs;
- costs of levies independent of profit or loss.

X. LABOUR COSTS

Labour costs include:

- employees' salaries and wages (gross);
- wage compensation paid to employees under employment regulations or employment contracts for periods when they were absent from work (in the gross amount charged to the company);
- employee allowances that are not directly work-related and have the nature of wages (transportation expenses, meal allowances);
- benefits in kind, gifts and bonuses for employees;
- severance pays; and
- levies additionally accrued on the above items and charged against the payer.

Y. FINANCIAL EXPENSES

Finance expenses comprise expenses for impairment of non-current and current investments, interest expenses and other finance expenses.

Z. RISK MANAGEMENT

a) Forward transactions:

The Petrol Group purchases refined petroleum products in dollars, but sells them primarily in Slovenian tolars. Because purchases and sales are made in different currencies, mismatches occur, which the Petrol Group hedges using forward transactions.

The fair value of forward transactions on the balance sheet date is determined by obtaining for each forward transaction the fair value that it would have, had it been concluded on the balance sheet date.

b) Commodity swaps:

In purchasing and selling of petroleum products, mismatches occur between the purchase and sale prices, which the Petrol Group hedges using commodity swaps.

The fair value of commodity swaps on the balance sheet date is determined using publicly available tables of data issued by a relevant institution in relation to the commodity swaps on the balance sheet date.

c) Interest rate swaps and interest collars

In respect of interest rates on loans received, there is a risk of interest rate fluctuations, which is hedged by the Petrol Group using interest-rate swaps and interest-rate collars.

Fair value of interest rate swaps and interest collars on the balance sheet date is determined by discounting future cash flows arising from variable interest rate (interest proceeds from swap) and from fixed interest rate (interest payments from swap).

Risk management is further explained in the Business report in the chapter: Risk management.

AA. COMPARATIVE FIGURES

Comparative financial statements are prepared on a comparable basis for the previous year. Because receivables and liabilities to the same creditor have been mutually offset, the balance sheet total for 2005 changed in the amount of SIT 40,365 thousand.

BB. USE OF ESTIMATES

Preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities on the date of financial statements, and the disclosed amounts of revenues and expenses in the reported period.

These estimates and assumptions mainly relate to:

- revaluation of property, plant and equipment;
- estimation of useful lives of depreciable assets;
- impairment of assets;
- employee benefits, provisions, etc.

Actual results could differ from these estimates.

Estimates are subject to regular verification. Changes in accounting estimates are recognised in the period in which they were changed, if the change affects that period only, or in the period of the change and in future periods, if the change affects future periods.

CC. CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method on the basis of the balance sheet data for the previous year, the balance sheet data for the current year, the income statement data for the current year, and the additional data required for the adjustment of receipts and payments and for adequate breakdown of important items.

ACCOUNTING POLICIES OF THE COMPANY PETROL D.D.

Accounting policies of the company Petrol d.d. are the same as the accounting policies of the Petrol Group, with the exception of the policy relating to investments in subsidiaries, joint ventures and associates.

DD. INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

In the stand-alone financial statements of the company Petrol d.d., investments in subsidiaries, joint ventures and associates have been accounted at cost.

NOTES TO THE FINANCIAL STATEMENTS

1. Segment reporting of the Petrol Group

(in SIT 000)	Petroleum products and other refined	Supplementary and other merchandise	Services	Energy	Net eliminations	Total
	petroleum products					
Year ended 31 December 2005						
Revenues	566,626,079	45,575,782	11,106,582	9,984,545	_	633,292,988
Revenues from relations with subsidiaries	(207,783,399)	(198,152)	(4,132,870)	(966,805)	_	(213,081,226)
Net revenues	358,842,680	45,377,630	6,973,712	9,017,740	-	420,211,762
Profit or loss for the segment (operating profit or loss)	5,756,559	585,941	56,322	417,728	15,046	6,831,596
Net financial revenues						1,624,396
Share in profit or loss of joint ventures						416,061
Share in profit or loss of associates						1,382,167
Pre-tax profit						10,254,220
Taxes						(1,854,271)
Net profit or loss for the year						8,399,949
Net (profit)/loss of minority shareholders						(2,165)
Net profit or loss of majority shareholder						8,397,784
Segment assets	210,523,559	20,814,528	7,622,461	9,646,335	(62,933,613)	185,673,270
Deferred tax assets						320,944
Joint ventures						3,792,182
Associates						13,402,597
Total assets						203,188,993
Segment liabilities	139,812,135	13,411,052	2,892,769	4,890,964	(43,730,500)	117,276,420
Deferred tax liabilities	100,012,100	10,411,002	2,032,703	4,000,004	(40,700,000)	107,511
Joint ventures						155,176
Associates						415,472
Total liabilities						117,954,579
Investment expenditure	10,060,414	1,049,715	342,040	1,880,344	0	13,332,513
Depreciation of tangible assets						6,730,639
Amortisation of intangible assets						595,966

(in SIT 000)	Petroleum products and other refined petroleum products	Supplementary and other merchandise	Services	Energy	Net eliminations	Tota
Year ended 31 December 2006	·					
Revenues	636,267,151	51,831,967	11,687,809	19,493,230	-	719,280,15
Revenues from relations with subsidiaries	(246,067,132)	(145,137)	(3,834,173)	(3,984,738)	-	(254,031,180
Net revenues	390,200,019	51,686,830	7,853,636	15,508,492	-	465,248,97
Profit or loss for the segment (operating profit or loss)	9,576,164	976,198	95,774	652,736	(5,583)	11,295,289
Net financial revenues						356,79
Share in profit or loss of joint ventures						464,57
Share in profit or loss of associates						2,376,58
Pre-tax profit						14,493,24
Taxes						(2,551,880
Net profit or loss for the year						11,941,36
Net (profit)/loss of minority shareholders						(2,98
Net profit or loss of majority shareholder						11,938,37
Segment assets	205,922,730	21,057,578	7,527,735	13,768,753	(58,599,448)	189,677,34
Deferred tax assets						450,36
Joint ventures						1,727,96
Associates						10,265,24
Total assets						202,120,92
Segment liabilities	123,202,707	12,215,919	2,821,296	7,139,104	(39,456,934)	105,922,09
Deferred tax liabilities						69,94
Joint ventures						161,89
Associates						844,25
Total liabilities						106,998,18
Investment expenditure	7,079,457	551,174	136,149	1,537,461	0	9,304,24
Depreciation of tangible assets						6,656,30
Amortisation of intangible assets						1,691,96

1. Segment reporting of the company Petrol d.d.

(in SIT 000)	Petroleum products and other refined petroleum products	Supplementary and other merchandise	Services	Energy	Total
Year ended 31 December 2005					
Revenues	317,726,578	43,658,500	5,742,044	638,573	367,765,695
Revenues from relations with subsidiaries	16,450,869	42,248	271,769	030,373	16,764,886
Net revenues	334,177,447	43,700,748	6,013,813	638,573	384,530,581
INGLIGVATURES	354,177,447	43,700,746	0,013,013	000,070	304,330,361
Profit or loss for the segment (operating profit or loss)	4,564,453	597,000	82,143	8,722	5,252,318
Net financial revenues					1,908,740
Share in profit or loss of subsidiaries					539,297
Share in profit or loss of joint ventures					386,151
Share in profit or loss of associates					902,440
Pre-tax profit					8,988,946
Taxes					(1,702,810)
Net profit or loss for the year					7,286,136
Segment assets	156,916,516	20,585,136	2,708,570	361,143	180,571,365
Deferred tax assets					116,252
Joint ventures					2,073,611
Associates					10,279,564
Total assets					193,040,792
Segment liabilities	100,714,052	13,212,200	1,738,447	231,793	115,896,492
Deferred tax liabilities					99,916
Joint ventures					155,176
Associates					415,472
Total liabilities					116,567,056
Investment expenditure	7,790,300	956,380	125,839	16,779	8,389,298
Depreciation of tangible assets					5,635,321
Amortisation of intangible assets					197,463

(in SIT 000)	Petroleum products and other refined petroleum products	Supplementary and other merchandise	Services	Energy	Total
Year ended 31 December 2006					
Revenues	345,617,575	49,898,874	7,004,256	5,397,948	407,918,653
Revenues from relations with subsidiaries	30,157,681	145,137	93,263	1,229,431	31,625,512
Net revenues	375,775,256	50,044,011	7,097,519	6,627,379	439,544,165
Profit or loss for the segment (operating profit or loss)	7,361,068	980,313	139,033	129,824	8,610,238
Net financial revenues					1,183,788
Share in profit or loss of subsidiaries					464,796
Share in profit or loss of joint ventures					811,098
Share in profit or loss of associates					710,122
Pre-tax profit					11,780,042
Taxes					(2,266,485)
Net profit or loss for the year					9,513,557
Segment assets	151,052,897	20,140,386	2,826,721	2,650,051	176,670,055
Deferred tax assets					248,761
Joint ventures					1,723,077
Associates					10,261,069
Total assets					188,902,962
Segment liabilities	89,226,856	11,896,914	1,669,742	1,565,383	104,358,896
Deferred tax liabilities					64,357
Joint ventures					161,896
Associates					331,231
Total liabilities					104,916,380
Investment expenditure	3,015,552	402,074	56,431	52,904	3,526,961
Depreciation of tangible assets					5,454,442
Amortisation of intangible assets					732,695

The operations of the Petrol Group and the company Petrol d.d., Ljubljana are organised into the following four main business segments, which represent a basis for reporting relevant information by segments:

- petroleum products and other refined petroleum products;
- supplementary and other merchandise;
- services and
- energy.

Segment assets mainly consist of property, plant and equipment, intangible assets, inventories, receivables and cash, but exclude financial investments. Segment liabilities comprise all liabilities except deferred tax liabilities. Investment expenditure includes increases in property, plant and equipment and increases in intangible assets.

Secondary reporting format - geographical segments of the Petrol Group

	SAI	LES		TOTAL .	ASSETS			TMENT DITURE	
(in SIT 000)	2006	2005	Index 06/05	2006	2005	Index 06/05	2006	2005	Index 06/05
Slovenia	402,224,671	370,776,847	108	150,972,014	153,121,496	99	5,819,838	11,889,859	49
Croatia	26,827,446	21,668,427	124	15,429,793	12,326,437	125	2,012,095	1,275,666	158
Bosnia and Herzegovina	33,452,567	22,599,013	148	14,612,272	12,138,631	120	1,636,279	1,904,721	86
Austria	331,289	3,981,998	8	584,609	6,944,985	8	2,318	13,711	17
Other countries	2,413,004	1,185,477	204	8,078,660	1,141,721	708	953,347	127,937	745
	465,248,977	420,211,762	111	189,677,348	185,673,270	102	10,423,877	15,211,894	69
Joint ventures				1,727,966	3,792,182	46			
Associates				10,265,245	13,402,597	77			
Unallocated assets				450,362	320,944	140			
TOTAL ASSETS				202,120,921	203,188,993	99			

Secondary reporting format - geographical segments of the company Petrol d.d.

	SAI	LES		TOTAL	ASSETS		INVES [*] EXPEN	TMENT DITURE	
(in SIT 000)	2006	2005	Index 06/05	2006	2005	Index 06/05	2006	2005	Index 06/05
Slovenia	391,733,833	359,693,766	109	157,453,206	168,908,268	93	3,734,687	9,267,733	40
Croatia	23,699,336	11,520,524	206	9,586,380	5,409,912	177	225,943	296,833	76
Bosnia and Herzegovina	21,962,233	11,517,430	191	8,970,084	5,408,459	166	209,382	296,754	71
Austria	310,773	631,476	49	129,426	296,534	44	2,963	16,270	18
Other countries	1,837,990	1,167,385	157	530,959	548,192	97	17,523	30,079	58
	439,544,165	384,530,581	114	176,670,055	180,571,365	98	4,190,498	9,907,669	42
Joint ventures				1,723,077	2,073,611	83			
Associates				10,261,069	10,279,564	100			
Unallocated assets				248,761	116,252	214			
TOTAL ASSETS				188,902,962	193,040,792	98			

The Petrol Group and the company Petrol d.d., Ljubljana, operate in three main geographical segments: Slovenia, Croatia, Bosnia and Herzegovina. The parent company, which is also the largest in the Petrol Group, is based in Slovenia.

The table below provides an analysis of revenues of the Petrol Group and the company Petrol d.d., Ljubljana, broken down by origin of merchandise/services.

The country where the buyer of merchandise or a service is located represents a basis for sale. Assets and investment expenditure are disclosed in the country where such assets are located.

Net sales revenues

	Т	HE PETROL GROU	P		PETROL D.D.	
(in SIT 000)	2006	2005	Index 2006/2005	2006	2005	Index 2006/2005
Net revenues from sales in the domestic market:	446,873,247	410,721,829	109	391,733,833	359,693,766	109
- Subsidiaries	0	0	-	1,524,393	996,466	153
- Associates	511,036	376,982	136	478,971	451,842	106
- Joint ventures	8,675	11,333	77	8,675	9,552	91
- Others	446,353,536	410,333,514	109	389,721,794	358,235,906	109
Net revenues from sales in the foreign market:	18,375,730	9,489,933	194	47,810,332	24,836,815	192
- Subsidiaries	0	0	-	30,189,738	15,412,368	196
- Others	18,375,730	9,489,933	194	17,620,594	9,424,447	187
TOTAL	465,248,977	420,211,762	111	439,544,165	384,530,581	114

2. Other operating revenues

	Т	HE PETROL GROU	P			
(in SIT 000)	2006	2005	Index 2006/2005	2,006	2,005	Index 2006/2005
Revenues from elimination of accrued litigation costs	1,153,879	26,397	4,371	1,150,037	26,397	4,357
Compensation received from the Government	1,038,160	28,767	3,609	1,038,160	28,767	3,609
Utilisation of environmental provisions	674,558	523,009	129	674,558	523,009	129
Refund of the fee for the building site use	518,777	17,795	2,915	518,777	17,795	2,915
Profit on sale of fixed assets	445,418	305,442	146	438,584	284,607	154
Elimination of accrued costs, expenses	364,414	237,371	154	230,418	211,133	109
Elimination of allowances for receivables	335,342	95,752	350	8,203	17,449	47
Compensation received from insurance companies	94,874	60,422	157	75,823	40,390	188
Cash discounts, rebates received	62,208	191,129	33	42,338	33,617	126
Repayment of court costs arising from disputed receivables	27,546	16,823	164	25,288	15,881	159
Revenues from depreciation and amortisation of assets under management	15,672	12,524	125	12,524	12,524	100
Recovered written-off receivables	9,604	8,074	119	8,504	6,672	127
Contractual penalties received	9,335	133,412	7	9,335	133,412	7
Compensations received	0	30,878	-	8,697	47,410	-
Change in depreciation rates	0	39,208	-	0	39,208	-
Other	182,833	170,884	107	12,649	13,581	93
TOTAL	4,932,620	1,897,887	260	4,253,895	1,451,852	293

Revenues from elimination of accrued litigation costs are mostly a result of the judgement issued by the District Court in Ljubljana in relation to a business dispute between the plaintiff Unis Komerc Holding, d.d. Sarajevo and the defendant Petrol d.d., Ljubljana over the payment of USD 2,110,193.50 plus interest running from 3rd October 1990 until payment date, according to which the claim was refused and the judgement became final. For this purpose, the Company disclosed on 31 December 2006 the accrued principal and interest in the amount of SIT 798,127 thousand which was released to revenue.

Compensation received from the Government mostly relates to the judgement of the Higher Court in Ljubljana that the company Petrol d.d., Ljubljana received on 17 June 2006. Pursuant to the judgement, the Company received from the Republic of Slovenia the compensation and interest on arrears arising from unreasonably lengthy decision-making procedures. As a result, Petrol d.d., Ljubljana and the Petrol Group received SIT 995,752 thousand, which was disclosed as other operating revenues.

Revenues from utilisation of long-term environmental provisions of the company Petrol d.d., Ljubljana in the amount of SIT 674,558 thousand include

depreciation of environmental fixed assets in the amount of SIT 397,709 thousand and the costs incurred in relation to the dump clean-up at Pesniški Dvor, which stood at SIT 276,849 thousand.

Revenues from a refund of previously overcharged fees for the building site use consist of a refund in the amount of SIT 510,992 thousand that was paid by the Municipality of Nova Gorica to the company Petrol d.d., Ljubljana.

Profit on sale of fixed assets mainly consists of profits realised by the company Petrol d.d., Ljubljana on sale of a warehouse in Maribor for SIT 202,760 thousand, on sale of land in Gornja Radgona for SIT 134,615 thousand, on sale of land in Celje for SIT 37,663 thousand, and on sale of other land owned by the company Petrol d.d., Ljubljana and the Petrol Group for SIT 70,380 thousand.

Elimination of accrued costs and expenses is mostly related to the elimination of accrued bonuses to the Management Board and managers of the company Petrol d.d., Ljubljana in the amount of SIT 113,118 thousand for 2005 as they were not paid out, the elimination of provisions of the company Petrol Trgovina d.o.o., Zagreb in the amount of SIT 123,357 thousand due to replenishment of mandatory stocks, the elimination of accrued costs arising from complaints to the company Petrol d.d., Ljubljana in the amount of SIT 83,100 thousand, the elimination of accrued costs in the amount of SIT 34,200 thousand relating to unused annual leave in the company Petrol d.d., Ljubljana, and the elimination of other accrued costs and expenses in the amount of SIT 10,639 thousand.

Elimination of allowances for receivables mostly consists of the elimination in the amount of SIT 325,986 thousand performed by the company Petrol BH Oil Company d.o.o., Sarajevo due to repayment of receivables.

3. Selling costs and general and administrative costs

		TH	HE PETROL GROU	JP	PETROL D.D.			
(in SIT 000)	Notes	Selling costs	General and administrative costs	Total	Selling costs	General and administrative costs	Total	
Year ended 31 December 2005								
Costs of material	4	1,812,732	267,685	2,080,417	1,489,064	158,083	1,647,147	
Costs of services	5	17,885,291	3,592,702	21,477,993	19,844,120	3,016,894	22,861,014	
Labour costs	6	7,098,584	3,805,882	10,904,466	3,177,960	2,760,916	5,938,876	
Depreciation and amortisation	7	5,805,776	924,863	6,730,639	4,957,189	678,132	5,635,321	
Write-offs	8	0	595,966	595,966	0	197,463	197,463	
Other costs	9	271,891	257,746	529,637	199,711	204,299	404,010	
Other operating expenses	10	288,298	138,056	426,354	223,897	69,260	293,157	
TOTAL		33,162,572	9,582,900	42,745,472	29,891,941	7,085,047	36,976,988	

		TH	HE PETROL GROU	JP	PETROL D.D.			
(in SIT 000)	Notes	Selling costs	General and administrative costs	Total	Selling costs	General and administrative costs	Total	
Year ended 31 December 2006								
Costs of material	4	1,731,350	186,485	1,917,835	1,575,695	143,266	1,718,961	
Costs of services	5	19,213,602	3,132,724	22,346,326	21,138,698	2,611,062	23,749,760	
Labour costs	6	7,181,153	3,584,177	10,765,330	3,660,597	2,469,465	6,130,062	
Depreciation and amortisation	7	6,155,856	500,445	6,656,301	5,041,179	413,263	5,454,442	
Write-offs	8	0	1,691,960	1,691,960	0	732,695	732,695	
Other costs	9	68,318	243,796	312,114	78,471	197,315	275,786	
Other operating expenses	10	586,322	60,986	647,308	556,971	1,083	558,054	
TOTAL		34,936,601	9,400,573	44,337,174	32,051,611	6,568,149	38,619,760	

4. Costs of material

	Т	HE PETROL GROU	Р		PETROL D.D.	
(in SIT 000)	2006	2005	Index 2006/2005	2006	2005	Index 2006/2005
Costs of consumables	621,683	830,591	75	610,790	640,923	95
Cleaning material and personal safety equipment	193,317	270,446	71	101,889	165,151	62
Water consumed	128,326	124,670	103	95,422	94,023	101
Material for maintenance of fixed assets	53,202	52,323	102	45,311	45,071	101
Other material - service provision material, Magna cards	246,838	383,152	64	368,169	336,678	109
Costs of energy	1,025,441	898,279	114	908,876	779,898	117
Electricity	779,051	684,092	114	594,390	547,133	109
Heating	153,966	118,093	130	162,248	96,287	169
Motor fuel	92,199	95,958	96	80,245	80,541	100
Gas consumed	211	136	155	211	136	155
Charges for natural gas transmission network	14	0	-	71,783	55,802	129
Write-off of small tools	30,775	93,922	33	21,171	28,776	74
Other costs of material	239,936	257,625	93	178,124	197,550	90
Office supplies and literature	202,314	230,950	88	159,043	174,249	91
Laboratory supplies	19,081	23,301	82	19,081	23,301	82
Other	18,541	3,374	550	0	0	-
TOTAL COSTS OF MATERIAL	1,917,835	2,080,417	92	1,718,961	1,647,147	104

5. Costs of services

	т	HE PETROL GROU	IP		PETROL D.D.	
(in SIT 000)	2006	2005	Index 2006/2005	2006	2005	Index 2006/2005
Costs of transport services	6,317,689	6,218,171	102	6,132,974	5,976,241	103
Transport operations	5,848,393	5,707,799	102	5,759,594	5,579,331	103
Postal, telephone and other data transmission services	469,296	510,372	92	373,380	396,910	94
Costs of fixed asset maintenance services	1,598,123	1,601,601	100	1,716,602	1,547,826	111
Maintenance of buildings and equipment	1,122,844	1,113,500	101	1,301,657	1,139,926	114
Public utility services, maintenance of green plots, cleaning, ploughing	475,279	488,101	97	414,945	407,900	102
Rents	1,879,642	1,802,520	104	1,798,153	1,619,909	111
Costs of warehouse and rail tanker rentals	1,515,531	1,507,543	101	1,468,451	1,325,650	111
Other	364,111	294,977	123	329,703	294,259	112
Reimbursement of work-related costs to employees	169,357	224,005	76	110,766	159,505	69
Costs of payment transactions and bank services	1,187,423	1,206,646	98	1,107,328	1,094,572	101
Payment card commissions	681,470	709,891	96	642,418	665,881	96
Payment transactions	431,712	408,831	106	391,487	366,129	107
Other	74,241	87,924	84	73,423	62,562	117
Costs of insurance premiums	546,778	615,609	89	462,709	499,201	93
Insurance of fixed assets and merchandise	408,602	419,886	97	327,060	342,059	96
Insurance of non-cash payments	133,675	142,769	94	133,675	142,769	94
Personal insurance	4,501	52,954	8	1,974	14,374	14
Costs of professional services	1,084,187	1,184,074	92	898,341	954,480	94
Consulting services	415,454	466,654	89	513,870	558,787	92
Student and other employment agencies	290,417	307,987	94	76,370	80,650	95
Legal and notary services	167,773	185,003	91	161,607	167,716	96
Court proceedings and detective services	71,931	59,456	121	70,479	58,121	121
Radio and television subscriptions, copyrights, electronic media	50,160	18,613	269	50,060	18,013	278
Auditing services	24,142	60,536	40	13,919	37,373	37
- Annual report audit	20,957	57,378	37	13,651	34,850	39
- Other auditing services	268	840	32	268	840	32
- Tax consulting services	0	91	-	0	91	-
- Other non-auditing services	2,917	2,227	131	0	1,592	-
Health services	20,772	42,388	49	4,479	14,180	32
Other	43,538	43,437	100	7,556	19,641	38
Costs of fairs, advertising and entertainment	727,314	905,857	80	682,332	856,381	80
Advertising costs	617,191	762,894	81	584,157	728,860	80
Reimbursement to members of the Supervisory Board and workers' council for work performed	20,320	5,635	361	20,320	5,635	361
Costs of fairs	5,377	1,693	318	5,377	1,693	318
Other	84,426	135,635	62	72,477	120,192	60

	т	HE PETROL GROU	IP			
(in SIT 000)	2006	2005	Index 2006/2005	2006	2005	Index 2006/2005
Costs of other services	8,835,813	7,719,510	114	10,840,555	10,152,899	107
Lessee franchise costs	5,909,956	5,597,674	106	5,518,119	5,264,435	105
Contributions paid to DARS for operations along motorways	574,959	309,053	186	574,959	298,928	192
Costs of fire protection and physical and technical security	322,907	258,750	125	309,618	302,192	102
Costs of environment protection services - ecology, hazardous waste removal, waste treatment plants	306,185	272,243	112	299,196	268,553	111
Fees for the building site use	296,895	281,127	106	253,775	239,785	106
Costs of dump clean-up at Pesniški dvor	261,875	60,719	431	261,875	60,719	431
Subcontractor costs	165,157	134,827	122	0	0	-
Real estate management	70,342	68,831	102	3,088,723	3,209,460	96
Subscriptions	36,013	29,774	121	0	0	-
Concession charges	34,053	33,517	102	0	0	-
Costs of gas pipeline construction	25,148	21,519	117	0	0	-
Gas pumping and weighing	9,328	0	-	0	0	-
Other	822,995	651,476	126	534,290	508,826	105
TOTAL COSTS OF SERVICES	22,346,326	21,477,993	104	23,749,760	22,861,014	104

6. Labour costs

	,	THE PETROL GROUP			PETROL D.D.	
(in SIT 000)	2006	2005	Index 2006/2005	2006	2005	Index 2006/2005
Salaries and wages	7,646,517	7,493,933	102	4,359,969	4,035,484	108
Costs of pension insurance	618,598	668,866	92	358,976	391,976	92
Costs of other insurance	555,656	600,675	93	293,683	317,568	93
Payroll tax	431,641	572,877	75	301,017	405,121	74
Severance pays	328,745	291,589	113	288,214	251,279	115
Meal allowance	312,200	314,075	99	119,086	120,943	98
Holiday allowance	269,071	287,187	94	109,300	111,360	98
Transport allowance	264,859	303,236	87	91,856	91,278	101
Supplementary pension insurance	178,921	185,580	96	100,726	104,064	97
Compensations	64,379	53,764	120	64,077	53,105	121
Jubilee benefits	59,442	100,772	59	24,921	41,554	60
Other allowances and reimbursements	35,301	31,912	111	18,237	15,144	120
TOTAL LABOUR COSTS	10,765,330	10,904,466	99	6,130,062	5,938,876	103

7. Depreciation and amortisation

	THE PETROL GROUP			PETROL D.D.			
(in SIT 000)	2006	2005	Index 2006/2005	2006	2005	Index 2006/2005	
Amortisation of intangible assets	160,340	158,225	101	108,775	106,105	103	
Depreciation of property, plant and equipment	6,098,252	6,170,295	99	4,947,958	5,127,097	97	
Depreciation of environmental assets	397,709	402,119	99	397,709	402,119	99	
TOTAL	6,656,301	6,730,639	99	5,454,442	5,635,321	97	

The Petrol Group changed in 2006 the useful life of computer equipment as, based on past experience, the useful life of computer equipment equals four rather than two years. The depreciation rate thus decreased from 50 to 25 % on account of which the depreciation cost of the Petrol Group and the company Petrol d.d., Ljubljana decreased by SIT 297,317 thousand and SIT 285,834 thousand, respectively.

Depreciation costs of environmental fixed assets are recognised in the depreciation cost category as they occur. Long-term provisions set aside for environmental fixed assets are disbursed to the credit of other operating revenues in the amount of the depreciation charged on the environmental fixed assets.

8. Write-offs

	THE PETROL GROUP			PETROL D.D.		
(in SIT 000)	2006	2005	Index 2006/2005	2006	2005	Index 2006/2005
Allowance for operating receivables	848,707	361,343	235	291,819	3,433	8,500
Loss on sale/elimination of property, plant and equipment	359,551	160,713	224	154,985	124,133	125
Inventory allowance	225,248	0	-	225,248	0	-
Other expenses for fixed assets	204,270	34,802	587	6,459	34,470	19
Write-off of receivables	54,184	39,108	139	54,184	35,427	153
TOTAL	1,691,960	595,966	284	732,695	197,463	371

In accordance with its policy of forming allowances for receivables, the Petrol Group in 2006 included among allowances for operating receivables the allowances for receivables created by the company Petrol d.d., Ljubljana in the amount SIT 291, 819 thousand, the company Petrol Trgovina d.o.o., Zagreb in the amount of SIT 266,228 thousand, the company Petrol BH Oil Company d.o.o., Sarajevo in the amount of SIT 241,702 thousand, and the allowance for other receivables of the Petrol Group companies amounting to SIT 48,958 thousand.

Loss on sale or elimination of fixed assets mostly consists of the following amounts: SIT 178,337 thousand arising from elimination related to the reconstruction of the service station Banovo Brdo, which is operated by the company Petrol d.o.o., Beograd, SIT 108,890 thousand arising from expropriation of land at Obrežje service station, which is operated by the company Petrol d.d., Ljubljana, and SIT 72,324 thousand arising from losses generated by other companies in the Petrol Group.

On 31 December 2006, the company Petrol d.d., Ljubljana verified the value of merchandise and determined that the acquisition cost of inventories exceeded their net realisable value by SIT 196,634 thousand. On the same day, the Company verified the inventories of supplementary merchandise and determined that the value of inventories, which amounted to SIT 28,614 thousand, remained unchanged for at least a year. Due to both reasons, the value of inventories was reduced in 2006 by SIT 225,248 thousand.

Other fixed asset expenses mostly consist of impairment in the amount of SIT 195,028 thousand relating to the Mostar Vrapčiči service station and the Grude Sovići terminal that are both operated by the company Petrol BH Oil Company d.o.o., Sarajevo.

The Petrol Group writes off receivables for which it cannot be expected to be repaid (due to bankruptcy, liquidation, etc.). The company Petrol d.d., Ljubljana wrote off SIT 54,184 thousand in such receivables.

9. Other costs

	THE PETROL GROUP PETROL				PETROL D.D.	
(in SIT 000)	2006	2005	Index 2006/2005	2006	2005	Index 2006/2005
Charge unrelated to labour costs or profit or los	45,800	124,310	37	2,374	121,146	2
Expenditure for environment protection	7,752	65,184	12	33,463	34,353	97
Scholarships	145	367	40	145	367	40
Other costs	258,417	339,776	76	239,804	248,144	97
Sponsorships	129,172	76,472	169	128,772	74,822	172
Donations	61,310	82,630	74	56,653	86,955	65
Other costs - accrued	42,535	38,506	110	31,090	31,188	100
Other costs unrelated to operations	25,400	142,168	18	23,290	55,179	42
TOTAL OTHER COSTS	312,114	529,637	59	275,786	404,010	68

10. Other operating expenses

		THE PETROL GROUP			PETROL D.D.			
(in SIT 000)	2006	2005	Index 2006/2005	2006	2005	Index 2006/2005		
Payment of tanker demurrage	233,457	29,244	798	233,457	29,244	798		
Underpaid charges from previous years	172,245	0	-	172,245	0	-		
Accrued compensation	126,323	0	-	126,323	0	-		
Complaints admitted	10,611	172,917	6	10,611	172,917	6		
Cash discounts granted	8,469	5,843	145	8,302	5,843	142		
Long-term provisions for onerous contracts	0	81,181	-	0	0	-		
Expenses from previous years	0	59,982	-	0	59,982	-		
Other	96,203	77,187	125	7,116	25,171	28		
TOTAL OTHER OPERATING EXPENSES	647,308	426,354	152	558,054	293,157	190		

Payment of tanker demurrage includes accrued claims arising from delays in unloading cargo in port.

Underpaid charges from previous years mostly consist of underpaid corporate income tax by the company Petrol d.d., Ljubljana for 2004, which stood at SIT 166,211 thousand and resulted from exclusion of the profit participation revenues from the tax balance sheet. At the end of the financial year 2004, the company Petrol d.d., Ljubljana held more than a 25 % ownership share in the company and excluded the revenues from received dividends from the tax statement. During review of the tax statement, the Tax Office determined that on receipt of the dividend the company Petrol d.d. had not yet held a 25 % ownership share, which is why the tax base was increased by the excluded amount and the company Petrol d.d., Ljubljana paid the difference in the income tax.

Accrued compensation of the company Petrol d.d., Ljubljana represents the payment of customs debt to the subsidiary Petrol Trgovina d.o.o., Zagreb, which arose from deliveries of merchandise in 2004 and 2005.

11. Other financial revenues and other financial expenses

	THE PETROL GROUP		PETROL D.D.			
(in SIT 000)	2006	2005	Index 2006/2005	2006	2005	Index 2006/2005
Exchange rate differences arising from import of petroleum products	4,391,404	1,083,893	102	4,320,273	1,015,861	425
Exchange rate differences arising from payments abroad	739,364	786,551	101	730,057	781,785	93
Exchange rate differences arising from import and export of non-petroleum products	421,197	204,405	100	421,197	204,405	206
Other exchange rate differences	72,206	137,329	709	10,184	24,698	41
Interest revenues	1,304,017	1,330,067	101	1,287,604	1,303,633	99
Forward transactions	710,553	3,328,294	100	710,553	3,328,294	21
Interest rate swaps	181,761	30,465	100	181,761	30,465	597
Dividend revenues	107,214	119,612	100	107,214	119,612	90
Profit on sale of investments available for sale	0	1,814,171	-	0	1,814,171	-
Profit on sale of financial assets available for sale	0	15,135	-	0	15,135	-
Other financial revenues	24,330	348,716	7	313	195,650	0
TOTAL OTHER FINANCIAL REVENUES	7,952,046	9,198,638	86	7,769,156	8,833,709	88
Forward transactions	(2,809,692)	(550,245)	511	(2,809,692)	(550,245)	511
Interest expenses	(2,153,302)	(1,671,523)	129	(1,388,330)	(1,183,206)	117
Exchange rate differences arising from import of petroleum products	(1,290,868)	(4,174,680)	31	(1,187,867)	(4,121,066)	29
Exchange rate differences arising from payments abroad	(723,540)	(652,354)	111	(723,094)	(628,846)	115
Exchange rate differences arising from import and export of non-petroleum products	(283,139)	(213,117)	133	(283,139)	(213,117)	133
Other exchange rate differences	(145,354)	(72,449)	201	(22,422)	(629)	3,565
Interest rate swaps	(62,324)	(156,462)	40	(62,324)	(156,462)	40
Loss on sale of investments available for sale	(60,960)	0	-	(60,960)	0	-
Loss on sale of investments available for sale Unrealised loss on investments available for sale	(60,960) (7,633)	(59,839)	13	(60,960) (7,633)	(59,839)	13
		-	13	, , ,	-	13
Unrealised loss on investments available for sale	(7,633)	(59,839)	- 13 - 99	(7,633)	(59,839)	
Unrealised loss on investments available for sale Unrealised loss on financial receivables	(7,633) (1,705)	(59,839)	-	(7,633) (1,705)	(59,839)	-
Unrealised loss on investments available for sale Unrealised loss on financial receivables Loss on sale of financial assets available for sale	(7,633) (1,705) (687)	(59,839) 0 (695)	99	(7,633) (1,705) (687)	(59,839)	- 99
Unrealised loss on investments available for sale Unrealised loss on financial receivables Loss on sale of financial assets available for sale Other financial expenses	(7,633) (1,705) (687) (56,049)	(59,839) 0 (695) (22,878)	99 245	(7,633) (1,705) (687) (37,515)	(59,839) 0 (695) (10,864)	- 99 345

As in the case of revenues and expenses, the exchange rate differences arising in the Petrol Group and the company Petrol d.d., Ljubljana from import and export of merchandise and from payments abroad should be considered together with forward transactions relating to the purchase of dollars. The company Petrol d.d., Ljubljana received SIT 1,178,288 thousand in net revenues arising from exchange rate differences and forward transactions, while suchlike net revenues of the Petrol Group stood at SIT 1,155,279

thousand. The Group's exchange rate risks are comprehensively hedged, both on the balance sheet and dynamically. As far as hedging is concerned, the Group first employs the natural types of hedging (i.e. balance sheet hedging), while the difference is hedged dynamically (conclusion of forward transactions on a daily basis) with the aim of ensuring a neutral dollar position.

Interest revenues of the Petrol Group and the company Petrol d.d., Ljubljana mostly consist of interest arising from trade receivables and amount to SIT 947,270 thousand, while other revenues include interest received from other companies and banks. Interest expenses are mostly interest for long-term loans granted by banks.

The Petrol Group's business policy provides that the interest risk should be hedged in the amount of 50 % of net interest position, based on a calculation performed on the last day of the month. As a result, the Group generated in 2006 SIT 181,761 thousand in financial revenues and SIT 62,324 thousand in financial expenses.

12. Net financial revenues from interests

	T	HE PETROL GROU	Р			
(in SIT 000)	2006	2005	Index 2006/2005	2006	2005	Index 2006/2005
Financial revenues from interests - realised profit for the year						
Geoplin, d.o.o., Ljubljana	2,394,713	1,326,039	181	-	-	-
Aquasystems, d.o.o.	9,128	67,598	14	-	-	-
Ogrevanje Piran d.o.o.	(21,913)	(13,353)	164	-	-	-
Marche Gostinstvo, d.o.o.	(5,346)	1,883	-	-	-	-
	2,376,582	1,382,167	172			
Instalacija, d.o.o., Koper	455,189	430,935	106	-	-	-
Karkasa, d.o.o.	5,867	(9,752)	-	-	-	-
Geoenergo, d.o.o.	3,522	(5,122)	-	-	-	-
	464,578	416,061	112	-	-	-
Financial revenues from interests - dividends received						
Instalacija, d.o.o., Koper	-	-	-	811,098	386,151	210
Geoplin, d.o.o., Ljubljana	-	-	-	710,122	902,440	79
Petrol-Trade, H.m.b.H.	-	-	-	464,796	539,297	86
TOTAL NET FINANCIAL REVENUES FROM INTERESTS	2,841,160	1,798,228	158	1,986,016	1,827,888	109

13. Taxes

Taxes	(2,551,880)	(1,854,271)	138	(2,266,485)	(1,702,810)	133
Deferred tax	183,343	84,584	217	184,425	79,892	231
Calculated tax	(2,735,223)	(1,938,855)	141	(2,450,910)	(1,782,702)	137
(in SIT 000)	2006	2005	Index 2006/2005	2006	2005	Index 2006/2005
	THE PETROL GROUP			PETROL D.D.		

	1	THE PETROL GROUF	•	PETROL D.D.		
(in SIT 000)	2006	2005	Index 2006/2005	2006	2005	Index 2006/2005
Accounting profit	14,493,242	10,254,220	141	11,780,042	8,988,946	131
Tax calculated according to effective tax rate	3,623,311	2,563,555	141	2,945,011	2,247,237	131
					`	
Tax effect of untaxed revenues	(1,276,669)	(1,015,608)	126	(860,811)	(748,853)	115
Tax effect of revenues not deducted on tax calculation	434,433	453,725	96	366,711	370,933	99
Effect of lower tax rate	(45,852)	(68,313)	67	0	0	-
Different recognition of revenues and expenses	(183,343)	(79,088)	232	(184,425)	(166,507)	111
Taxes	2,551,880	1,854,271	138	2,266,485	1,702,810	133
Effective tax rate	17.61 %	18.08 %	97	19.17 %	18.94 %	101

14. Minority interest

	THE PETROL GROUP				
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05		
Balance at the beginning of the year	26,456	24,291	109		
Profit of minority shareholders	2,989	2,165	138		
Decrease in minority shareholders' interest due to majority shareholder's capital increase	(2,040)	0	-		
Balance at the end of year	27,405	26,456	104		

15. Earnings per share

	THE PETROL GROUP			PETROL D.D.		
	31 December 2006	31 December 2005	Index 2006/2005	31 December 2006	31 December 2005	Index 2006/2005
Net operating profit (in SIT 000)	11,938,373	8,397,784	142	9,513,557	7,286,136	131
Weighted average number of ordinary shares issued	2,060,360	2,060,006	100	2,060,360	2,060,006	100
Earnings per share (in SIT per share)	5,794	4,077	142	4,617	3,537	131

Earnings per share are calculated by dividing the net owners' profit by the number of ordinary shares, excluding ordinary shares purchased by the company Petrol d.d., Ljubljana and held as treasury shares. The Petrol Group and the company Petrol d.d., Ljubljana have no potentially dilutive ordinary shares.

16. Intangible assets of the Petrol Group

(in SIT 000)	Software	Concessions	On-going investments	Total
Cost				
Balance as at 1 January 2005	662,869	1,841,822	81,531	2,586,222
New acquisitions	11,796	2,667	158,922	173,385
Disposals	(3,637)	(47,588)	(24,246)	(75,471)
Transfer from on-going investments	60,834	69,870	(130,704)	0
Exchange rate differences	67	15,829	3	15,899
Balance as at 31 December 2005	731,929	1,882,600	85,506	2,700,035
Accumulated allowance				
Balance as at 1 January 2005	(427,320)	(183,989)	0	(611,309)
Depreciation and amortisation	(88,224)	(70,001)	0	(158,225)
Disposals	1,709	40,319	0	42,028
Exchange rate differences	(267)	(1,228)	0	(1,495)
Balance as at 31 December 2005	(514,102)	(214,899)	0	(729,001)
Net carrying amount as at 31 December 2005	217,828	1,667,700	85,506	1,971,034
Tot our Jing amount do at or pecember 2000	211,020	1,007,700	55,500	1,371,034
Net carrying amount as at 1 January 2005	235,550	1,657,833	81,531	1,974,914

(in SIT 000)	Software	Concessions	On-going investments	Total
Cost				
Balance as at 1 January 2006	731,929	1,882,600	85,506	2,700,035
New acquisitions	0	0	147,171	147,171
Disposals	0	(3,073)	0	(3,073)
Transfer from on-going investments	99,713	61,405	(161,118)	0
Exchange rate differences	29	1,640	0	1,669
Balance as at 31 December 2006	831,671	1,942,572	71,558	2,845,802
Accumulated allowance				
Balance as at 1 January 2006	(514,102)	(214,899)	0	(729,001)
Depreciation and amortisation	(85,535)	(74,805)	0	(160,340)
Disposals	0	3,073	0	3,073
Exchange rate differences	(2)	(133)	0	(135)
Balance as at 31 December 2006	(599,640)	(286,768)	0	(886,408)
Net carrying amount as at 31 December 2006	232,033	1,655,807	71,558	1,959,398
Net carrying amount as at 1 January 2006	217,828	1,667,700	85,506	1,971,034

Intangible assets of Petrol d.d.

(in SIT 000)	Software	Concessions	On-going investments	Total
Cost				
Balance as at 1 January 2005	610,791	840,468	2,698	1,453,958
New acquisitions	0	0	71,306	71,306
Transfer from on-going investments	58,359	3,474	(61,833)	0
Balance as at 31 December 2005	669,150	843,942	12,171	1,525,264
Accumulated allowance				
Balance as at 1 January 2005	(402,401)	(85,118)	0	(487,519)
Depreciation and amortisation	(78,629)	(27,476)	0	(106,105)
Balance as at 31 December 2005	(481,030)	(112,594)	0	(593,624)
Net carrying amount as at 31 December 2005	188,121	731,348	12,171	931,640
Net carrying amount as at 1 January 2005	208,390	755,350	2,698	966,438

Software	Concessions	On-going invest- ments	Total
669,150	843,942	12,171	1,525,264
0	0	72,827	72,827
0	(3,073)	0	(3,073)
84,998	0	(84,998)	0
754,149	840,869	0	1,595,018
(481,030)	(112,594)	0	(593,624)
(75,140)	(33,635)	0	(108,775)
0	3,073	0	3,073
(556,170)	(143,157)	0	(699,327)
197,979	697,714	0	895,693
100 : 21	204 615	40.7-1	931,640
	(481,030) (754,140) (556,170)	669,150 843,942 0 0 0 3,073) 84,998 0 754,149 840,869 (481,030) (112,594) (75,140) (33,635) 0 3,073 (556,170) (143,157)	Company

All disclosed intangible assets are owned by the companies in the Petrol Group and are unencumbered.

Overview of items exceeding 5 % of net carrying amount (SIT 98,552 thousand) as at 31 December 2006 (in SIT 000):

	THE PETROL GROUP	PETROL D.D.
Net carrying amount as at 31 December 2006		
Right to use the gas transmission network in the Municipality of Domžale	386,780	386,780
Right to use real-estate owned by the Municipality of Murska Sobota	169,951	169,951
Payment of concession charges to the Municipality of Murska Sobota	140,983	140,983
Right to use the gas transmission network in the Municipality of Prevalje	261,737	-
Right to use the gas transmission network in the Municipality of Mežica	104,002	-

17. Property, plant and equipment of the Petrol Group

(in SIT 000)	Land	Buildings	Plant	Equipment	On-going investments	Total
Cost						
Balance as at 1 January 2005	24,484,858	84,448,033	3,577,656	28,104,509	7,513,695	148,128,751
New acquisitions	0	460,258	245,752	1,640	12,451,478	13,159,128
Disposals	(15,083)	(131,123)	(44,107)	(644,222)	(737,786)	(1,572,321)
Transfer from on-going investments	2,100,041	6,626,231	15,573	2,287,348	(11,029,193)	0
Exchange rate differences	35,528	114,084	0	33,338	49,181	232,131
Balance as at 31 December 2005	26,605,344	91,517,483	3,794,874	29,782,613	8,247,375	159,947,689
Accumulated allowance						
Balance as at 1 January 2005	0	(33,202,169)	(2,894,623)	(19,916,759)	0	(56,013,551)
Depreciation and amortisation	0	(3,850,693)	(131,803)	(2,338,027)	0	(6,320,523)
Disposals	0	7,804	39,811	328,550	0	376,165
Exchange rate differences	0	(14,156)	0	(13,112)	0	(27,268)
Balance as at 31 December 2005	0	(37,059,214)	(2,986,615)	(21,939,348)	0	(61,985,177)
Net carrying amount as at 31 December 2005	26,605,344	54,458,271	808,259	7,843,264	8,247,375	97,962,513
Net carrying amount as at 1 January 2005	24,484,858	51,245,864	683,033	8,187,750	7,513,695	92,115,200

(in SIT 000)	Land	Buildings	Plant	Equipment	On-going investments	Total
Cost						
Balance as at 1 January 2006	26,605,344	91,517,483	3,794,874	29,782,613	8,247,375	159,947,689
New acquisitions	0	9,320	0	719	9,144,992	9,155,031
Disposals	(801,187)	(1,156,119)	(257,630)	(831,436)	(33,866)	(3,080,238)
Transfer from on-going investments	921,334	6,139,417	323,132	2,014,005	(9,075,262)	322,626
Transfer to investment property	(274,059)	0	0	0	0	(274,059)
Transfer from investment property	0	1,307,919	0	0	0	1,307,919
Revaluation - impairment	(7,596)	(4,901)	0	(15,438)	(19,481)	(47,416)
Exchange rate differences	6,189	35,403	0	1,596	760	43,948
Balance as at 31 December 2006	26,450,025	97,848,522	3,860,376	30,952,060	8,264,518	167,375,502
Accumulated allowance						
Balance as at 1 January 2006	0	(37,059,214)	(2,986,615)	(21,939,348)	0	(61,985,177)
Depreciation and amortisation	0	(4,088,625)	(149,114)	(2,102,417)	0	(6,340,156)
Depreciation - impairment	0	12,635	0	10,020	0	22,655
Disposals	0	612,894	287,033	432,718	0	1,332,645
Transfer from investment property	0	(559,202)	0	0	0	(559,202)
Exchange rate differences	0	1,803	0	1,977	0	3,780
Balance as at 31 December 2006	0	(41,079,710)	(2,848,696)	(23,597,049)	0	(67,525,454)
Net carrying amount as at 31 December 2006	26,450,025	56,768,812	1,011,680	7,355,011	8,264,517	99,850,045
Net carrying amount as at 1 January 2006	26,605,344	54,458,271	808,259	7,843,264	8,247,375	97,962,513

Property, plant and equipment of Petrol d.d.

(in SIT 000)	Land	Buildings	Equipment	On-going investments	Total
Cost					
Balance as at 1 January 2005	20,417,498	70,729,496	25,096,665	3,566,619	119,810,278
New acquisitions	0	0	0	8,317,992	8,317,992
Disposals	0	0	(10,164)	(229,987)	(240,151)
Transfer from on-going investments	1,125,977	3,280,800	1,616,399	(6,023,176)	0
Balance as at 31 December 2005	21,543,475	74,010,296	26,702,900	5,631,448	127,888,119
Accumulated allowance					
Balance as at 1 January 2005	0	(29,873,270)	(18,812,270)	0	(48,685,540)
Depreciation and amortisation	0	(3,349,313)	(1,906,933)	0	(5,256,246)
Disposals	0	0	14,258	0	14,258
Balance as at 31 December 2005	0	(33,222,583)	(20,704,945)	0	(53,927,528)
Net carrying amount as at 31 December 2005	21,543,475	40,787,712	5,997,955	5,631,448	73,960,591
		I		I	
Net carrying amount as at 1 January 2005	20,417,498	40,856,226	6,284,395	3,566,619	71,124,738

(in SIT 000)	Land	Buildings	Equipment	On-going investments	Total
Cost					
Balance as at 1 January 2006	21,543,475	74,010,296	26,702,900	5,631,448	127,888,119
New acquisitions	0	0	0	3,445,694	3,445,694
Disposals	(703,221)	(804,370)	(468,232)	(50,093)	(2,025,916)
Transfer from on-going investments	266,432	4,291,767	1,414,168	(6,001,214)	(28,847)
Transfer to investment property	(274,059)	0	0	0	(274,059)
Transfer from investment property	0	1,307,919	0	0	1,307,919
Balance as at 31 December 2006	20,832,627	78,805,612	27,648,836	3,025,835	130,312,910
	1				
Accumulated allowance					
Balance as at 1 January 2006	0	(33,222,583)	(20,704,945)	0	(53,927,528)
Depreciation and amortisation	0	(3,492,953)	(1,653,176)	0	(5,146,129)
Disposals	0	555,727	433,042	0	988,769
Transfer from investment property	0	(559,202)	0	0	(559,202)
Balance as at 31 December 2006	0	(36,719,011)	(21,925,079)	0	(58,644,090)
Net carrying amount as at 31 December 2006	20,832,627	42,086,601	5,723,757	3,025,835	71,668,820
Net carrying amount as at 1 January 2006	21,543,475	40,787,713	5,997,955	5,631,448	73,960,591

All items of property, plant and equipment are owned by the Company and are unencumbered.

The Petrol Groups holds SIT 634,039 thousand in own assets.

Two of the most significant increases in individual items of property, plant and equipment in the period include the construction of a gas distribution network in the Municipality of Domžale in the amount of SIT 1,365,941 thousand and the construction of a Lukovica-based restaurant facility, which is operated by the company Petrol d.d., Ljubljana, in the amount of SIT 327,900 thousand.

Considering the net carrying amount, individual items of property, plant and equipment decreased in the period most significantly due to sale of a warehouse in Maribor for SIT 238,337 thousand, expropriation of the Obrežje service station in the amount of SIT 208,399 thousand, and sale of land in Celje for SIT 165,132 thousand.

Overview of items exceeding 2 % of net carrying amount (SIT 2,987,800) as at 31 December 2006 (in SIT 000):

	THE PETROL GROUP	PETROL D.D.
Net carrying amount as at 31 December 2006		
Fuel warehouse in Zalog	4,181,017	4,181,017
Business premises, Dunajska 50	2,890,302	2,890,302
Warehouse in Lendava	2,532,720	2,513,064
Gas transmission network in Domžale	2,540,350	2,540,350

Investments in property, plant and equipment and in intangible assets

	т	HE PETROL GROU	Р		PETROL D.D.	
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05
Construction of service stations	3,999,616	5,640,631	71	1,208,595	3,740,694	32
Purchase of land	1,684,033	1,611,246	105	266,201	767,038	35
Gas transmission networks	1,491,296	1,675,033	89	475,746	1,004,170	47
Informatics	533,879	720,570	74	518,153	637,360	81
Acquisition of SIQ certificates	348,086	234,460	148	348,086	234,460	148
Purchase of vehicles	131,845	104,857	126	123,279	78,899	156
Warehouse construction	127,591	185,432	69	127,591	184,360	69
Gasholder works	102,854	169,461	61	0	0	-
Major repairs	97,522	93,252	105	97,522	93,252	105
TPF investment - Brežice hospital	90,729	0	-	90,729	0	-
RTP LIPA reconstruction	54,857	54,342	101	0	0	-
Protection of service stations	52,114	54,576	95	52,114	54,576	95
Other investments	430,570	1,907,618	23	137,678	1,523,183	9
Investments in property, plant and equipment	9,144,992	12,451,478	73	3,445,694	8,317,992	41
Investments in intangible assets	147,171	158,922	93	72,827	71,306	102
TOTAL INVESTMENTS	9,292,163	12,610,400	74	3,518,521	8,389,298	42

Changes in environmental property, plant and equipment of the company Petrol d.d.

(in SIT 000)	Buildings	Equipment	Investment property	Total
Cost				
Balance as at 1 January 2005	7,950,178	3,314,317	0	11,264,495
Disposals	(33,837)	(55,025)	0	(88,862)
Balance as at 31 December 2005	7,916,341	3,259,292	0	11,175,633
Accumulated allowance				
Balance as at 1 January 2005	(2,858,161)	(3,314,317)	0	(6,172,478)
Depreciation and amortisation	(402,120)	0	0	(402,120)
Disposals	14,804	55,025	0	69,829
Balance as at 31 December 2005	(3,245,477)	(3,259,292)	0	(6,504,769)
Net carrying amount as at 31 December 2005	4,670,864	0	0	4,670,864
	T.			
Net carrying amount as at 1 January 2005	5,092,017	0	0	5,092,017

(in SIT 000)	Buildings	Equipment	Investment property	Total
Cost				
Balance as at 1 January 2006	7,916,341	3,259,292	0	11,175,633
New acquisitions	0	0	20,083	20,083
Disposals	(17,405)	(8,339)	0	(25,744)
Balance as at 31 December 2006	7,898,936	3,250,953	20,083	11,169,972
		I	I	
Accumulated allowance				
Balance as at 1 January 2006	(3,245,477)	(3,259,292)	o	(6,504,769)
New acquisitions	0	0	(11,643)	(11,643)
Depreciation and amortisation	(396,839)	0	(871)	(397,710)
Disposals	8,965	8,339	0	17,304
Balance as at 31 December 2006	(3,633,351)	(3,250,953)	(12,514)	(6,896,818)
Net carrying amount as at 31 December 2006	4,265,585	o	7,569	4,273,154
Net carrying amount as at 1 January 2006	4,670,864	0	0	4,670,864

The company Petrol d.d., Ljubljana is the only company with environmental property, plant and equipment.

Environmental property plant and equipment also include fixed assets relating to the environmental rehabilitation of service stations and warehouses, the cost of which stood on 31 December 2006 at SIT 11,169,972 thousand, which is the total amount of long-term provisions earmarked for this purpose.

The present value of environmental property, plant and equipment as at 31 December 2006 stood at SIT 4,273,154 thousand.

18. Investment property of the Petrol Group

Net carrying amount as at 31 December 2005	4,100,715
Balance as at 31 December 2005	(2,407,821)
Depreciation and amortisation	(251,891)
Balance as at 1 January 2005	(2,155,930)
Accumulated allowance	
Balance as at 31 December 2005	6,508,537
Balance as at 1 January 2005	6,508,537
Cost	
(in SIT 000)	Investment property

(in SIT 000)	Investment property
Cost	
Balance as at 1 January 2006	6,508,537
New acquisitions	11,004
Disposals	(23,677)
Transfer to property, plant and equipment	(1,307,919)
Transfer from property, plant and equipment	274,059
Balance as at 31 December 2006	5,462,003
Accumulated allowance	
Balance as at 1 January 2006	(2,407,821)
New acquisitions	(8,965)
Depreciation and amortisation	(178,460)
Disposals	14,377
Transfer to property, plant and equipment	559,202
Balance as at 31 December 2006	(2,021,667)
Net carrying amount as at 31 December 2006	3,440,336
Net carrying amount as at 1 January 2006	4,100,715

Investment property of the company Petrol d.d.

(in SIT 000)	Investment property
Cost	
Balance as at 1 January 2005	7,019,430
Balance as at 31 December 2005	7,019,430
Accumulated allowance	
Balance as at 1 January 2005	(2,225,733)
Depreciation and amortisation	(272,970)
Balance as at 31 December 2005	(2,498,703)
Net carrying amount as at 31 December 2005	4,520,726
Net carrying amount as at 1 January 2005	4,793,697

(in SIT 000)	Investment property
Cost	
Balance as at 1 January 2006	7,019,430
New acquisitions	17,405
Disposals	(23,677)
Transfer to property, plant and equipment	(1,307,919)
Transfer from property, plant and equipment	274,059
Balance as at 31 December 2006	5,979,297
	T
Accumulated allowance	
Balance as at 1 January 2006	(2,498,703)
New acquisitions	(8,965)
Depreciation and amortisation	(199,539)
Disposals	14,377
Transfer to property, plant and equipment	559,202
Balance as at 31 December 2006	(2,133,628)
Net carrying amount as at 31 December 2006	3,845,669
Net carrying amount as at 1 January 2006	4,520,726

Investment property includes buildings (warehouses, carwashes, bars) that are being leased by the company Petrol d.d. and the Petrol Group.

Property that Petrol d.d., Ljubljana leases to subsidiaries is transferred to property, plant and equipment in the process of consolidation as it does not constitute investment property at the Group level.

The Management Board believes that the carrying amount of investment property represents a good approximation to its fair value.

19. Petrol d.d.'s investments in subsidiary companies

Changes in investments in subsidiaries

	PETROL D.D.				
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05		
Balance as at 1 January	23,942,751	21,475,043	111		
New acquisitions	1,237,525	3,046,488	41		
Decreases	0	(578,780)	-		
Balance as at 31 December	25,180,276	23,942,751	105		

Balance of investments in subsidiaries

	PETROL D.D.				
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05		
Petrol BH Oil Company, d.o.o.	8,276,684	8,276,684	100		
Petrol Trgovina, d.o.o., Zagreb	7,303,843	7,303,843	100		
Petrol Maloprodaja Slovenija, d.o.o.	2,718,653	2,718,653	100		
Petrol Energetika, d.o.o.	2,224,201	2,224,201	100		
Petrol Plin, d.o.o.	2,146,452	2,146,452	100		
Petrol, d.o.o., Beograd	1,560,486	350,480	445		
Cypet Oils Ltd.	515,443	515,443	100		
Petrol Skladiščenje, d.o.o.	190,502	190,502	100		
Petrol Tehnologija, d.o.o.	181,067	181,067	100		
Petrol-Trade, H.m.b.H.	35,426	35,426	100		
Petrol VNC, d.o.o.	27,519	0	-		
TOTAL	25,180,276	23,942,751	105		

In the consolidation process, investments in subsidiaries are eliminated from the Petrol Group's financial statements.

In 2006, increases in long-term investments in subsidiaries included the increase in capital of the subsidiary Petrol d.o.o., Beograd in the amount of SIT 1,210,006 and of the subsidiary Petrol VNC d.o.o. in the amount of SIT 27,519 thousand.

Subsidiary companies of the Petrol Group as at 31 December 2006 are provided below. The companies are not listed on a regulated market.

Name of the subsidiary	Address of the subsidiary	Activity	0	wnership and voting rights
			2006	2005
Petrol Maloprodaja Slovenija, d.o.o., Ljubljana	Dunajska c. 50, Ljubljana, Slovenia	Wholesale of solid, liquefied and gaseous fuels	100 %	100 %
Petrol Plin, d.o.o.	Dunajska c. 50, Ljubljana, Slovenia	Gas activities - gas production, distribution of liquid fuels within the liquefied and natural gas network	100 %	100 %
Petrol Skladiščenje, d.o.o. Ljubljana	Zaloška 259, Ljubljana-Polje, Slovenia	Warehousing services	100 %	100 %
Petrol Tehnologija, d.o.o. Ljubljana	Zaloška 259, Ljubljana-Polje, Slovenia	Maintenance services	100 %	100 %
Petrol Energetika, d.o.o. Ravne	Koroška c. 14, Ravne na Koroškem, Slovenia	Distribution of gas and electricity	99.02 %	98.85 %
Petrol VNC, d.o.o.	Dunajska c. 50, Ljubljana, Slovenia	Investigative activities and protection	100 %	-
Petrol Trgovina, d.o.o. Zagreb	Otok, Oreškovićeva 3D, Zagreb, Hrvaška	Sales and marketing of petroleum products	100 %	100 %
Petrol BH Oil Company, d.o.o. Sarajevo	Grbavička 4/4, Sarajevo, Bosna in Hercegovina	Sales and marketing of petroleum products	100 %	100 %
Petrol, d.o.o., Beograd	Dragoslava Jovanovića 13, Beograd, R. Srbija	Sales and marketing of petroleum products	100 %	100 %
Petrol-Trade, H.m.b.H. Vienna	Elisabethstrasse 10 Top 4 u.5, 1010 Vienna, Austria	Trading in oil, petroleum products and chemical products	100 %	100 %
- Cypet-Trade, Ltd. Limassol	Ariadne House, Office 52, 333 28th October Street, Limassol, Cyprus	Trading in oil and petroleum products	100 %	100 %
Cypet Oils, Ltd. Limassol	Ariadne House, Office 52, 333 28th October Street, Limassol, Cyprus	Trading in oil and petroleum products	100 %	100 %

20. Investments in joint ventures

Changes in investments in joint ventures

	THE PETROL GROUP			PETROL D.D.		
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05
Balance as at 1 January	3,440,975	3,411,063	101	1,722,404	1,722,404	100
Share of result	464,578	416,061	112	0	0	-
Dividends received	(811,098)	(386,149)	210	0	0	-
Balance as at 31 December	3,094,455	3,440,975	90	1,722,404	1,722,404	100

Balance of investments in joint ventures

	1	THE PETROL GROUP	•		PETROL D.D.	
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05
Instalacija, d.o.o., Koper	3,060,464	3,416,373	90	1,687,404	1,687,404	100
Karkasa, d.o.o.	30,469	24,602	124	35,000	35,000	100
Geoenergo, d.o.o.	3,522	0	-	0	0	-
TOTAL	3,094,455	3,440,975	90	1,722,404	1,722,404	100

The company Petrol d.d., Ljubljana's investments in joint ventures did not change in 2006.

Pursuant to the equity method, the Petrol Group allocated in 2006 the pertaining profit shares in the amount of SIT 464,578 thousand from which the dividends from profit brought forward in the amount of SIT 811,098 thousand were subtracted.

In preparing consolidated financial statements, the Petrol Group uses the latest available financial statements of joint ventures that are not necessarily audited. If a joint venture does not prepare the financial statements in accordance with IFRS, the Petrol Group adjusts such statements by acquiring additional information so that consolidation can be performed

Joint ventures of the Petrol Group as at 31 December 2006 are provided below. The companies are not listed on a regulated market.

Name of the joint venture	Address of the joint venture	Activity		Ownership and voting rights
			2006	2005
Geoenergo, d.o.o.	Rudarska 1, Lendava, Slovenia	Extraction and exploration of mineral raw materials, oil and natural gas	50 %	50 %
Karkasa, d.o.o.	Škofjeloška cesta 6, Kranj, Slovenia	Retreading and protection of tyres	50 %	50 %
Instalacija, d.o.o., Koper	Sermin 10/a, Koper, Slovenia	Warehousing and loading of petroleum products	49 %	49 %

The following relevant amounts indicated in the unaudited financial statements of joint ventures have been taken into account in preparing the Petrol Group's financial statements:

(in SIT 000)	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Expenses
Geoenergo, d.o.o.	72,101	1,723	29,783	22,757	195,614	(186,213)
Karkasa, d.o.o.	54,996	59,575	51,377	2,257	155,519	(144,462)
Instalacija, d.o.o. Koper	515,746	9,788,091	1,476,808	2,606,722	2,826,123	(1,578,994)

21. Investments in associates

Changes in investments in associates

	THE PETROL GROUP			PETROL D.D.		
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05
Balance as at 1 January	12,830,468	12,212,642	105	9,717,271	9,572,575	102
Net share of result	2,376,582	1,382,167	172	0	0	-
Dividends received	(710,122)	(902,440)	79	0	0	-
New acquisitions	0	138,099	-	0	144,696	-
Balance as at 31 December	14,496,928	12,830,468	113	9,717,271	9,717,271	100

Balance of investments in associates

	т	HE PETROL GROUF	•		PETROL D.D.	
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05
Geoplin, d.o.o., Ljubljana	13,724,740	12,040,149	114	9,087,718	9,087,718	100
Aquasystems, d.o.o.	447,040	437,912	102	261,454	261,454	100
Ogrevanje Piran d.o.o.	190,512	212,425	90	223,404	223,404	100
Marche Gostinstvo, d.o.o.	134,636	139,982	96	144,695	144,695	100
TOTAL	14,496,928	12,830,468	113	9,717,271	9,717,271	100

The company Petrol d.d., Ljubljana's investments in associates did not change in 2006.

Pursuant to the equity method, the Petrol Group allocated in 2006 the pertaining profit shares in the amount of SIT 2,376,582 thousand from which the dividends from profit brought forward in the amount of SIT 710,122 thousand were subtracted.

In preparing consolidated financial statements, the Petrol Group uses the latest available financial statements of associates that are not necessarily audited. If an associate does not prepare the financial statements in accordance with IFRS, the Petrol Group adjusts such statements by acquiring additional information so that consolidation can be performed.

Associated companies of the Petrol Group as at 31 December 2006 are provided below. The companies are not listed on a regulated market.

Name of the associate	Address of the associate	Activity	Owners	ship and voting rights
			2006	2005
Ogrevanje Piran d.o.o.	Fornače 33, Piran, Slovenia	Supply of gaseous fuels, generation and distribution of steam and heat	40 %	40 %
Geoplin, d.o.o., Ljubljana	Cesta Ljubljanske brigade 11, Ljubljana, Slovenia	Sales and transport of natural gas	27.26 %	27.26 %
Aquasystems, d.o.o.	Prešernova 34, Maribor, Slovenia	Construction and operation of industrial and municipal water treatment plants	26 %	26 %
Marche Gostinstvo, d.o.o.	Notranjska c. 71, Logatec, Slovenia	Management of restaurants and tourist facilities	25 %	25 %

The following relevant amounts indicated in the unaudited financial statements of associated companies have been taken into account in preparing the Petrol Group's financial statements:

(in SIT 000)	Assets	Liabilities	Net sales revenues	Net profit or loss	Net profit or loss attributable to the Petrol Group
The Geoplin Group	63,047,328	13,166,973	81,591,782	7,843,039	2,137,762
Aquasystems, d.o.o.	9,204,656	7,482,026	2,064,300	(342,375)	(89,018)
Marche Gostinstvo, d.o.o.	917,026	378,482	2,291,979	5,119	1,280
Ogrevanje Piran, d.o.o.	657,903	120,671	316,235	(30,037)	(12,015)

22. Financial assets available for sale

Changes in financial assets available for sale

	Т	HE PETROL GROU	Р	PETROL D.D.		
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05
Balance as at 1 January	2,952,175	7,041,168	42	2,902,872	7,003,628	41
New acquisitions	39,616	57,519	69	31,221	44,454	70
Exchange rate differences	5	(13)	(38)	0	0	-
Increase in fair value through equity	109,735	7,480	1,467	109,735	7,480	1,467
Decrease in fair value through equity	(29,556)	(5,880)	503	(29,556)	(5,880)	503
Decrease in investment revaluation surplus due to disposal	0	(1,845,156)	-	0	(1,845,156)	-
Disposal of investment historical cost	(242,498)	(2,302,943)	11	(224,073)	(2,301,654)	10
Balance as at 31 December	2,829,477	2,952,175	96	2,790,199	2,902,872	96

Balance of financial assets available for sale

	Т	HE PETROL GROU	Р		PETROL D.D.	
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05
Shares of companies	1,256,238	1,267,966	99	1,256,238	1,267,966	99
Bonds held for sale	1,096,000	1,004,700	109	1,096,000	1,004,700	109
Shares of banks	355,955	355,955	100	355,955	355,955	100
Mutual funds held for sale	57,072	47,126	121	57,072	47,126	121
Life insurance	25,819	238,042	11	5,473	207,665	3
Bills of exchange	18,931	18,926	100	0	0	-
Interests in companies	17,197	17,197	100	17,197	17,197	100
Other investments in bonds	2,265	2,265	100	2,265	2,265	100
TOTAL	2,829,477	2,952,175	96	2,790,199	2,902,872	96

Financial assets available for sale include investments in shares and interest of companies and investments in life insurance.

New acquisitions include payments for life insurance policies and participation in capital increase of Pokojninska družba A, d.d. that amounted to SIT 9,340 thousand. At the beginning of 2006, The Petrol Group increased the value of life insurance policies whose beneficiaries are individual

companies by SIT 21,881 thousand, while at the year-end, the Group repurchased the majority of life insurance policies, which amounted at the Group level to SIT 224,073 thousand in terms of disposal of financial assets available for sale.

Increase and decrease in fair value of financial assets available for sale consist of valuation of investments listed on a regulated market at fair value. This enabled the company Petrol d.d., Ljubljana and the Petrol Group to increase the value of financial assets available for sale by a net amount of SIT 80,179 thousand.

23. Non-current financial receivables

	Т	HE PETROL GROU	P	PETROL D.D.			
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05	
Financial receivables from subsidiaries	0	0	-	2,257,660	2,009,126	112	
Financial receivables from associates	461,053	460,929	100	461,053	460,929	100	
Financial receivables from other companies	606,181	627,935	97	606,181	627,935	97	
Financial receivables from others	111,445	149,586	75	111,445	135,862	82	
TOTAL FINANCIAL RECEIVABLES	1,178,679	1,238,450	95	3,436,339	3,233,852	106	

The company Petrol d.d., Ljubljana's long-term financial receivables from subsidiaries in the amount of SIT 2,257,660 thousand include a loan in the amount of SIT 1,505,439 thousand granted to the company Petrol Plin d.o.o. and a loan in the amount of SIT 751,221 thousand granted to the company Petrol Energetika d.o.o.

Long-term financial receivables from associates in the amount of SIT 461,053 thousand include a loan granted to the company Acquasystem d.o.o.

Long-term financial receivables from other companies in total amount of SIT 606,181 thousand consist of a loan in the amount of SIT 361,000 thousand granted to the company Teve d.o.o., loans in the amount of SIT 166,214 thousand granted to road transport operators for purchasing vehicles, loans in the amount of SIT 50,462 thousand granted to other companies, and disputed long-term loans amounting to SIT 28,505 thousand.

Long-term financial receivables from others in the amount of SIT 111,445 thousand include receivables from housing loans granted to employees of the Petrol Group.

The carrying amounts of significant financial receivables are an equivalent of their fair values.

24. Non-current operating receivables

	т	THE PETROL GROUP			PETROL D.D.		
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05	
Receivables from subsidiaries	0	0	-	4,089	5,394	76	
Receivables from joint ventures	341,824	341,732	100	341,824	341,732	100	
Allowance for receivables from joint ventures	(341,824)	(341,732)	100	(341,824)	(341,732)	100	
Finance lease receivables	40,126	13,724	292	13,728	13,724	100	
Allowance made for finance lease receivables	(13,728)	(13,724)	100	(13,728)	(13,724)	100	
Other receivables	744,635	453,136	164	710,376	441,202	161	
TOTAL OPERATING RECEIVABLES	771,033	453,136	170	714,465	446,596	160	

Operating receivables from joint ventures in the amount of SIT 341,824 thousand consist of a receivable from the company Geoenergo d.o.o. The receivable is associated with long-term assets earmarked for restructuring the company Nafta Lendava d.o.o. that the company Petrol d.d., Ljubljana is obliged to provide pursuant to an agreement concluded with the Government of the Republic of Slovenia. Because the repayment of long-term operating receivables depends on the realisation and distribution of profit of the company Geoenergo d.o.o., an allowance for the entire receivable has been formed.

Other receivables in the amount of SIT 744,635 thousand mostly consist of receivables from the Municipalities of Nova Gorica and Šempeter Vrtojba in the amount of SIT 306,606 thousand and SIT 264,450 thousand, respectively, arising from the fee for the building site use, a receivable from the Municipality of Mengeš in the amount of SIT 123,243 thousand arising from prepaid concession charges, and other receivables in the amount of SIT 50,336 thousand.

The carrying amounts of significant operating receivables are an equivalent of their fair values.

Changes in non-current financial receivables

	THE PETROL GROUP			PETROL D.D.		
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05
Balance as at 1 January	1,238,450	1,529,418	81	3,233,852	3,513,109	92
New loans	56,040	558,085	10	473,774	635,332	75
Transfer from current financial receivables	25,000	0	-	25,000	0	-
Loan repayment	(49,843)	(26,932)	185	(49,843)	(26,932)	185
Net effect of exchange rate differences	183	(672)	-	392	(1,239)	-
Transfer to current financial receivables	(89,798)	(821,449)	11	(245,483)	(886,418)	28
Other decreases	(1,353)	0	-	(1,353)	0	-
BALANCE AS AT 31 DECEMBER	1,178,679	1,238,450	95	3,436,339	3,233,852	106

Long-term financial receivables of the company Petrol d.d., Ljubljana rose by SIT 473,774 thousand on account of a new loan in the amount of SIT 417,734 thousand that has been granted to the company Petrol Plin d.o.o. and a loan in the amount of SIT 56,040 thousand that has been granted to others. Long-term financial receivables of the Petrol Group rose by SIT 56,040 thousand on account of new loans granted to others.

Long-term financial receivables of the Petrol Group and the company Petrol d.d. decreased by SIT 49,843 thousand as a result of repayment of loans granted to others.

Changes in non-current finance lease receivables

	T⊦	IE PETROL GROL	JP		PETROL D.D.	
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05
Balance of finance lease receivables as at 1 January	13,724	14,709	93	13,724	14,709	93
Allowance for finance lease receivables as at 1 January	(13,724)	(14,709)	93	(13,724)	(14,709)	93
New loans	31,957	0	-	0	0	-
Loan repayment	0	(1,000)	-	0	(1,000)	-
Net effect of exchange rate differences	4	15	27	4	15	27
Transfer to current investments	(5,559)	0	-	0	0	-
Allowance made for non-current finance lease receivables	(4)	(15)	27	(4)	(15)	27
Decrease in allowance for non-current finance lease receivables	0	1,000	-	0	1,000	-
Balance of finance lease receivables as at 31 December	40,126	13,724	292	13,728	13,724	100
Allowance for finance lease receivables as at 31 December	(13,728)	(13,724)	100	(13,728)	(13,724)	100
BALANCE AS AT 1 JANUARY						
BALANCE AS AT 31 DECEMBER	26,398					

Long-term finance lease receivables include:

- 1. Boiler room leased to the Sežana retirement home for the period of 5 years at 6 % annual interest rate. Repayments begin only after 31 December 2006, while the short-term portion that falls due:
- in one year totals SIT 3,519 thousand;
- in two years totals SIT 3,737 thousand;
- in three years totals SIT 3,967 thousand;
- in four years totals SIT 4,211 thousand;
- in five years represents the entire principal and totals SIT 4,472 thousand.
- 2. Heat generation equipment leased to the company CHANDLER d.o.o. for the period of 5 years at 6 % annual interest rate. Repayments begin only after 31 December 2006, while the short-term portion that falls due: in one year totals SIT 2,040 thousand,
- in two years totals SIT 1,316 thousand;
- in three years totals SIT 1,390 thousand;
- in four years totals SIT 1,469 thousand;
- in five years represents the entire principal and totals SIT 508 thousand.

Over the period of the next five years, the Group will generate SIT 3,184 thousand in interest revenues arising from the boiler room finance lease and SIT 982 thousand in interest revenues arising from the equipment finance lease

25. Deferred taxes

	THE PETROL GROUP			PETROL D.D.		
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05
Balance at the beginning of the year	(213,433)	332,040	-	(16,336)	524,445	-
Debit/(credit) to income statement	(183,343)	(84,584)	217	(184,425)	(79,892)	231
Debit/(credit) to equity	16,357	(460,889)	-	16,357	(460,889)	-
AT YEAR-END	(380,422)	(213,433)	178	(184,404)	(16,336)	1,129

Changes in deferred taxes of the Petrol Group

(in SIT 000)	Investments	Tax non- deductible provisions	Revaluation and impairment of assets	Inventories	Receivables/ liabilities	Other	Total
Deferred tax assets							
Balance as at 1 January 2005	0	(274,898)	0	(25,786)	(2,788)	0	(303,472)
Debit/(credit) to income statement	(14,150)	53,387	(45,910)	(5,352)	(5,447)	0	(17,472)
Balance as at 31 December 2005	(14,150)	(221,511)	(45,910)	(31,138)	(8,235)	0	(320,944)
Debit/(credit) to income statement	14,150	(46,251)	(94,913)	(1,916)	8,235	(8,722)	(129,417)
BALANCE AS AT 31 DECEMBER 2006		(267,762)	(140,823)	(33,054)		(8,722)	(450,362)

(in SIT 000)	Investments	Tax non-deductible provisions	Receivables/liabilities	Total
Deferred tax liabilities				
Balance as at 1 January 2005	555,841	79,671	0	635,512
Debit/(credit) to income statement	12,559	(79,671)	0	(67,112)
Debit/(credit) to equity	(460,889)	0	0	(460,889)
Balance as at 31 December 2005	107,511	0	0	107,511
Debit/(credit) to income statement	(59,509)	0	5,583	(53,926)
Debit/(credit) to equity	16,357	0	0	16,357
BALANCE AS AT 31 DECEMBER 2006	64,359		5,583	69,940

Changes in deferred taxes of the company Petrol d.d.

(in SIT 000)	Investments	Tax non-deductible provisions	Impairment of assets	Accelerated depreciation	Total
Deferred tax assets					
Balance as at 1 January 2005	0	(106,416)	0	0	(106,416)
Debit/(credit) to income statement	(14,150)	22,431	(18,117)	0	(9,836)
Balance as at 31 December 2005	(14,150)	(83,985)	(18,117)	0	(116,252)
Debit/(credit) to income statement	14,150	(46,093)	(92,740)	(7,826)	(132,509)
BALANCE AS AT 31 DECEMBER 2006		(130,078)	(110,857)	(7,826)	(248,761)

(in SIT 000)	Investments	Tax non-deductible provisions	Total
Deferred tax liabilities			
Balance as at 1 January 2005	551,190	79,671	630,861
Debit/(credit) to income statement	9,615	(79,671)	(70,056)
Debit/(credit) to equity	(460,889)	0	(460,889)
Balance as at 31 December 2005	99,916	0	99,916
Debit/(credit) to income statement	(51,916)	0	(51,916)
Debit/(credit) to equity	16,357	0	16,357
BALANCE AS AT 31 DECEMBER 2006	64,357		64,357

26. Inventories

	THE PETROL GROUP			PETROL D.D.			
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05	
Inventory of spare parts and material	186,549	205,323	91	2,070	0	-	
Merchandise:	18,840,819	27,870,839	68	16,440,669	25,880,040	64	
- fuel	14,191,023	23,525,382	60	12,309,824	21,933,523	56	
- other petroleum products	1,271,898	997,574	127	1,008,168	938,558	107	
- other merchandise	3,377,898	3,347,883	101	3,122,677	3,007,959	104	
TOTAL	19,027,368	28,076,162	68	16,442,739	25,880,040	64	

None of the Company's inventories has been pledged as collateral for liabilities.

On 31 December 2006, the company Petrol d.d., Ljubljana verified the value of merchandise inventories and determined that the acquisition cost of unleaded 95-octane fuel, heating oil and unleaded 98-octane fuel exceeded their net realisable values by SIT 113,530 thousand, SIT 77,091 thousand and SIT 6,013 thousand, respectively. As a result, the Company impaired its inventories for SIT 196,635 thousand. The value of inventories after the impairment stood at SIT 12,254,250 thousand.

On 31 December 2006, the company Petrol d.d., Ljubljana verified the supplementary merchandise inventory and adjusted the inventory of merchandise that had remained unchanged for a year for the amount of SIT 28,614 thousand.

Compared to 31 December 2005, the value of the merchandise and material inventories of the Group as at 31 December 2006 decreased by SIT 9,048,794 thousand, while that of the company Petrol d.d. decreased by SIT 9,437,301 thousand. The decrease in value of inventories can be mostly attributed to lower stocks of motor fuels and middle distillates, which is a result of transition from a 28-day price model that was in force at the end of 2005 to a 14-day model that entered into force at the beginning of October 2006, which allows lower stocks, while the price risk can be managed as efficiently as before. The amount of inventories is also a result of optimised quantities of refined petroleum product stocks.

27. Current financial receivables

	Т	HE PETROL GROU	P	PETROL D.D.		
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05
Bank deposits with maturity between 3 months and 1 year	3,007	605,239	0	0	623,814	-
Receivables from forward transactions with banks	6,351	178,885	4	6,351	178,885	4
Receivables from interest rate swaps with banks	145,074	30,432	477	145,074	30,432	477
Receivables from banks arising from euro cash frontloading	527,551	0	-	527,551	0	-
Loans granted to subsidiaries	0	0	-	171,948	484,220	36
Loans granted to other companies	478,291	1,193,142	40	473,501	602,174	79
Allowance for current investments	(270,946)	(296,314)	91	(270,946)	(269,555)	101
Interest receivables from others	213,940	248,082	86	213,916	214,667	100
Allowance for interest receivables	(169,209)	(174,958)	97	(169,170)	(169,097)	100
TOTAL FINANCIAL RECEIVABLES	934,059	1,784,508	52	1,098,225	1,695,540	65

Receivables from banks arising from forward transactions involving the purchase of dollars, which stood at SIT 6,351 thousand, include the accrued positive valuation effect of outstanding forward contracts as at 31 December 2006 and should be considered together with the accrued negative effect of outstanding forward contracts of SIT 261,020 thousand as at 31 December 2006, which was disclosed as a current financial liability.

Receivables from interest rate swaps with banks in the amount of SIT 145,074 thousand include the accrued positive valuation effect of interest risk hedging contracts as at 31 December 2006 and should be considered together with the accrued negative effect of outstanding interest risk hedging contracts of SIT 7,905 thousand as at 31 December 2006, which was disclosed as financial liability to banks.

The receivable from the euro cash frontloading, which stood at SIT 527,551 thousand, should be considered together with the liability arising from the euro cash frontloading, which relates to the euro cash acquired as a result of transition to the euro that entered into circulation on 1 January 2007. Set-off will be performed in January 2007 by way of payment of the euro cash to the Bank of Slovenia.

Current loan in the amount of SIT 171,948 thousand granted by the company Petrol d.d., Ljubljana to subsidiaries in the Group represented on 31 December 2006 the current portion of long-term loans to the subsidiaries Petrol Plin d.o.o., which received SIT 121, 588 thousand, to Petrol Energetika d.o.o., which received SIT 30,657 thousand, to Petrol Tehnologija d.o.o., which received SIT 17,166 thousand, and interest in the amount of SIT 2,537 thousand.

Current loans in the amount of SIT 473,501 thousand granted to other companies mostly include the current portion of long-term loans in the amount of SIT 197,650 thousand, of which the loan granted to road transport operators and other Group companies for purchasing vehicles totalled SIT 181,360 thousand, and the disputed current receivables from loans granted to others totalled SIT 275,851 thousand. In respect of the latter an allowance was formed in the amount of SIT 270,946 thousand.

The carrying amounts of significant current financial receivables are an equivalent of their fair values.

28. Current operating receivables

	THE PETROL GROUP				PETROL D.D.	
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05
Receivables from domestic customers	46,572,408	45,021,512	103	38,958,326	38,634,674	101
Allowance for receivables from domestic customers	(4,412,333)	(4,103,958)	108	(2,866,404)	(2,704,779)	106
Receivables from foreign customers	2,700,891	1,944,551	139	2,511,277	1,884,940	133
Allowance for receivables from foreign customers	(511,956)	(521,907)	98	(491,025)	(500,104)	98
Receivables from subsidiaries	0	0	-	5,377,409	2,651,792	203
Receivables from associates	86,921	102,196	85	82,745	92,360	90
Receivables from joint ventures	665	9,472	7	665	9,472	7
Other operating receivables from subsidiaries	0	0	-	10,650	0	-
Other operating receivables	2,165,786	2,174,331	100	1,190,227	1,616,719	74
- Operating receivables from government and other institutions	1,985,386	1,930,352	103	1,055,663	1,506,858	70
- Other operating receivables	180,400	243,979	74	134,564	109,861	122
Operating receivables from interest	324,106	345,180	94	311,549	344,059	91
Allowance for operating receivables from interest	(274,340)	(303,158)	90	(267,058)	(302,189)	88
TOTAL OPERATING RECEIVABLES	46,652,148	44,668,219	104	44,818,361	41,726,944	107

Current operating receivables include trade receivables, interest receivables and other operating receivables.

The allowances for receivables from domestic customers and for interest receivables include receivables overdue for more than 60 days and receivables from lawsuits, compositions and bankruptcy proceedings. Allowances for receivables from certain major customers are formed individually, as provided by the Company's accounting policy.

The carrying amounts of significant current operating receivables are an equivalent of their fair values.

Changes in allowances made for operating receivables of the Petrol Group

(in SIT 000)	Current operating receivables	Current interest receivables	Total
Balance as at 1 January 2005	(4,661,160)	(309,409)	(4,970,569)
Changes in allowances affecting profit or loss	(252,372)	(13,928)	(266,300)
Changes in allowances not affecting profit or loss (recorded interest)	0	19,903	19,903
Write-downs of receivables subject to allowances	305,843	276	306,119
Translation reserves	(18,176)	0	(18,176)
BALANCE AS AT 31 DECEMBER 2005	(4,625,865)	(303,158)	(4,929,023)

(in SIT 000)	Current operating receivables	Current interest receivables	Total
Balance as at 1 January 2006	(4,625,865)	(303,158)	(4,929,023)
Changes in allowances affecting profit or loss	(511,358)	(7,359)	(518,717)
Changes in allowances not affecting profit or loss (recorded interest)	0	36,066	36,066
Write-downs of receivables subject to allowances	214,626	111	214,737
Translation reserves	(1,692)	0	(1,692)
BALANCE AS AT 31 DECEMBER 2006	(4,924,289)	(274,340)	(5,198,629)

Changes in allowances made for operating receivables of the company Petrol d.d.

(in SIT 000)	Current operating receivables	Current interest receivables	Total
Balance as at 1 January 2005	(3,314,640)	(313,242)	(3,627,882)
Changes in allowances affecting profit or loss	22,463	(9,238)	13,225
Changes in allowances not affecting profit or loss (recorded interest)	0	19,903	19,903
Write-downs of receivables subject to allowances	87,294	389	87,683
BALANCE AS AT 31 DECEMBER 2005	(3,204,883)	(302,189)	(3,507,072)

(in SIT 000)	Current operating receivables	Current interest receivables	Total
Balance as at 1 January 2006	(3,204,883)	(302,189)	(3,507,072)
Changes in allowances affecting profit or loss	(290,843)	(977)	(291,820)
Changes in allowances not affecting profit or loss (recorded interest)	0	36,066	36,066
Write-downs of receivables subject to allowances	138,297	42	138,339
BALANCE AS AT 31 DECEMBER 2006	(3,357,429)	(267,058)	(3,624,487)

Operating receivables of the Petrol Group broken down by maturity

		Break-down by maturity				
(in SIT 000)	Not yet due	Up to 30 days overdue	31 to 60 days overdue	61 to 90 days overdue	More than 90 days overdue	Total
Trade receivables	34,646,562	7,519,440	1,003,989	134,018	1,045,001	44,349,010
- Domestic market	32,004,996	7,519,440	1,586,690	501,715	4,959,567	46,572,408
- Allowances for receivables	(59,325)	0	(582,701)	(367,697)	(3,402,610)	(4,412,333)
- Foreign market	2,700,891	0	0	0	0	2,700,891
- Allowances for receivables	0	0	0	0	(511,956)	(511,956)
Receivables from associates	86,573	37	0	0	311	86,921
Receivables from joint ventures	665	0	0	0	0	665
Other receivables	2,165,042	744	0	0	0	2,165,786
- Allowances for receivables	0	0	0	0	0	0
Other receivables from subsidiaries	0	0	0	0	0	0
Interest receivables	4,974	34,700	17,700	12,118	254,614	324,106
- Allowances for interest receivables	(7,282)	0	(8,687)	(12,098)	(246,273)	(274,340)
TOTAL	36,896,534	7,554,921	1,013,002	134,038	1,053,653	46,652,148

Operating receivables of the company Petrol d.d. broken down by maturity

	Break-down by maturity					
(in SIT 000)	Not yet due	Up to 30 days overdue	31 to 60 days overdue	61 to 90 days overdue	More than 90 days overdue	Total
Trade receivables	30,023,864	6,573,339	836,550	700	677,721	38,112,174
- Domestic market	28,652,110	5,948,410	1,425,632	361,058	2,571,116	38,958,326
- Allowances for receivables	0	0	(582,701)	(361,058)	(1,922,645)	(2,866,404)
- Foreign market	1,371,754	624,929	(6,381)	700	520,275	2,511,277
- Allowances for receivables	0	0	0	0	(491,025)	(491,025)
Receivables from subsidiaries	4,712,998	662,961	304	93	1,053	5,377,409
Receivables from associates	82,397	37	0	0	311	82,745
Receivables from joint ventures	665	0	0	0	0	665
Other receivables	1,190,227	0	0	0	0	1,190,227
- Allowances for receivables	0	0	0	0	0	0
Other receivables from subsidiaries	10,650	0	0	0	0	10,650
Interest receivables	1,389	34,127	17,661	12,098	246,274	311,549
- Allowances for interest receivables	0	0	(8,687)	(12,098)	(246,273)	(267,058)
TOTAL	36,022,190	7,270,464	845,828	793	679,086	44,818,361

Overview of important outstanding current operating receivables as at 31 December 2006 by individual business partners (in SIT 000):

	THE PETROL GROUP	PETROL D.D.
Amount outstanding as at 31 December 2006		
Petrol Trgovina, d.o.o.	0	2,816,175
Petrol BH Oil Company, d.o.o.	0	2,103,405
Interina, d.o.o.	1,411,155	1,411,155
CPM, d.d.	1,010,809	1,010,809
Euro Petrol d.o.o.	962,485	962,485
Primorje, d.d.	895,187	895,187
LOGO, d.o.o.	834,910	834,910
Holding Slovenske železnice, d.o.o.	735,384	735,384
Engrotuš d.o.o.	673,994	673,994
Shell Adria, d.o.o.	554,252	554,252
SŽ - Metal Ravne, d.o.o.	263,836	109
Štore Steel, d.o.o.	186,033	85

29. Financial assets at fair value through profit or loss

On 31 December 2006, the assets of the company Petrol Trgovina d.o.o., Zagreb held for trading stood at SIT 101,175 thousand and constituted an investment of surplus cash assets in an open investment fund. On the other hand, the company Cypet-Trade Ltd disclosed outstanding commodity swap contracts in the amount of SIT 101,995 thousand.

30. Cash and cash equivalents

	THE PETROL GROUP			PETROL D.D.		
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05
Cash	73,431	39,714	185	6,033	4,310	140
Cash in banks	4,102,398	2,072,995	198	2,549,959	1,290,843	198
Current deposits - up to 3 months	2,696,518	588,525	458	3,551,190	404,770	877
	6,872,347	2,701,234	254	6,107,182	1,699,923	359

31. Deferred costs and accrued revenues and other assets

	THE PETROL GROUP			PETROL D.D.		
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05
Prepaid costs of subscriptions, sponsorships, specialised literature	147,139	326,959	45	65,022	312,067	21
Accrued interest on arrears arising from overdue trade receivables	59,917	69,294	86	59,917	69,294	86
Advances	51,121	135,739	38	25,246	42,166	60
Prepaid insurance premiums	35,897	8,905	403	31,070	4,353	714
Uninvoiced natural gas	18,739	18,469	101	0	0	-
Receivables from accrued costs	13,899	9,009	154	13,825	8,424	164
Deferred costs of capital expenditure	13,502	12,999	104	0	0	-
Transitional account for merchandise sold	7,350	8,199	90	7,926	8,199	97
Prepaid costs incurred through Magna card	7,017	66,355	11	7,017	66,355	11
Prepaid costs for holiday homes	6,535	2,687	243	6,535	2,687	243
Inventory of virtual cards	0	29,845	-	0	29,845	-
	361,116	688,460	52	216,558	543,390	40

32. Equity

The share capital of the company Petrol d.d., Ljubljana in the amount of SIT 12,517,806 thousand is divided into 2,086,301 ordinary shares with a nominal value of SIT 6,000. All the shares have been paid up in full.

All 2,086,301 ordinary shares are quoted on the Ljubljana Stock Exchange under the designation PETG. The quoted price of a share as at 31 December 2006 was SIT 118,361. The book value of a share as at 31 December 2006 was SIT 40,256.

At the 15th General Meeting of the joint-stock company Petrol d.d. held on 10 May 2006, the shareholders adopted the following resolution on the allocation of distributable profit:

At the proposal of the Management Board and the Supervisory Board, the distributable profit for the financial year 2005 in the amount of SIT 9.795.866.241,04 shall be allocated in accordance with the provisions of Articles 230, 231, 282 and 293 of the revised Companies Act for:

- 1. payment of dividends to shareholders in the amount of SIT 1,000 per share in gross terms or SIT 2,086,301,000.00 in total;
- 2. payment to the members of the Company's Supervisory Board as participation in the distributable profit, which in gross terms amounted to SIT 38,442,872.58 and is payable in shares of the Company at the share's market value in 2005 that stood at SIT 65,546.00;
- 3. transfer in the amount of SIT 3,835,184.23 to other profit reserves;
- 4. transfer of SIT 3,835,561.23 to retained earnings, the allocation of which shall be determined in the coming financial years.

Payments under items 1 and 2 shall be made from other profit reserves formed in the period between 1993 and 1996.

The Company paid out dividends for 2,060,140 shares in the amount of SIT 2,060,140,000.00, as it does not pay dividends for treasury shares.

Upon the payment of bonuses to the members of the Management Board in the form of the Company's shares, capital reserves rose by SIT 16,232 thousand in 2006, which represents the surplus of selling value over the book value of the shares. In 2006, the company Petrol d.d., Ljubljana disposed of 403 treasury shares to pay for bonuses of the Supervisory Board.

In 2006, the financial statements of the company Petrol d.d., Ljubljana have been prepared in accordance with IFRS, while the proposal for distributable profit that was submitted to the General Meeting of Shareholders had been

based on the financial statements as at 31 December 2005 prepared in accordance with SAS. Upon distribution of the above profit for 2005, the Company offset the difference with other profit reserves.

Net profit or loss for the year 2006 has already been halved and the amount of SIT 4,756,779 thousand transferred to other profit reserves, as provided by Article 230(3) of the revised Companies Act (ZGD-1).

Reserves

Capital reserves increased in 2006 by SIT 16,232 thousand, which represents a surplus of the selling value over the book value of treasury shares paid as a bonus to the members of the Company's Supervisory Board.

Other reserves increased in 2006 by the amount of retained earnings for 2005, which amounted to SIT 1,701,091 thousand, and for reconciliation of the SAS-based distributable profit proposed to the General Meeting with distributable profit formed in accordance with IFRS, which amounted to SIT 961,613 thousand. Other reserves also increased due to transfer of half of the 2006 profit in the amount of SIT 4,756,778 thousand.

Other reserves decreased in 2006 by the amount of dividends paid to shareholders, which amounted to SIT 2,060,140 thousand, and by the payment of bonuses in the amount of SIT 38,442 thousand to the members of the Company's Supervisory Board.

Investment valuation reserves increased by the amount of a positive effect of valuing investments at market value, which amounted to SIT 87,811 thousand, and decreased by the amount of deferred taxes associated with valuation of investments that amounted to SIT 16,357 thousand.

Legal reserves of the Petrol Group increased due to transfer of a 5 % share of profit for the current year to legal reserves of the subsidiaries Petrol Plin d.o.o., Petrol Tehnologija d.o.o. and Petrol VNC d.o.o. Plin, d.o.o., Petrol Tehnologija, d.o.o. in Petrol VNC, d.o.o.

33. Changes in treasury shares of the company Petrol d.d.

	Number of shares	Share capital SIT 000	Treasury shares SIT 000	Capital reserves SIT 000	Total SIT 000
Balance as at 31 December 2004	2,086,301	12,517,806	(664,662)	19,286,996	31,140,140
Net sale of treasury shares			3,639	5,554	9,193
Balance as at 31 December 2005	2,086,301	12,517,806	(661,023)	19,292,550	31,149,333
Net sale of treasury shares			10,183	16,232	26,415
Balance as at 31 December 2006	2,086,301	12,517,806	(650,840)	19,308,782	31,175,748

Purchase and sale of treasury shares of the company Petrol d.d.

Purchase of treasury shares

	Number of shares	Cost (in SIT)
Transaction		
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

Sale of treasury shares

	Number of shares	Cost (in SIT)
Transaction		
Payments - Sales		
Payment of bonuses in 1997	(1,144)	(25,125,672)
Payment of bonuses in 1998	(1,092)	(23,517,312)
Payment of bonuses in 1999	(715)	(14,902,866)
Payment of bonuses in 2000	(1,287)	(28,663,072)
Payment of bonuses in 2001	(1,122)	(22,826,276)
Payment of bonuses in 2002	(1,830)	(37,924,477)
Payment of bonuses in 2003	(1,603)	(33,220,187)
Payment of bonuses in 2004	(1,044)	(21,635,605)
Payment of bonuses in 2005	(144)	(3,638,521)
Payment of bonuses in 2006	(403)	(10,182,807)
TOTAL PAYMENTS	(10,384)	(221,636,795)

Due to payments to the Company's Supervisory Board, the number of treasury shares decreased in 2006 by 403, which in total amounted to SIT 10,183 thousand (the shares were disposed of at the share's average market value in 2005 that stood at SIT 65,546.00). The difference up to the selling value amounting to SIT 16,232 thousand was used in to 2006 to increase the paid-up capital surplus.

On 31 December 2006, the company Petrol d.d. held 25,758 thousand treasury shares. The book value of repurchased treasury shares stood on 31 December 2006 at SIT 650,840 thousand, while on the same date the market value of repurchased treasury shares amounted to SIT 3,048,736 thousand.

34. Provisions for employee benefits

	THE PETROL GROUP			PETROL D.D.		
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05
Termination benefits on retirement	608,432	584,926	104	285,189	284,900	100
Jubilee benefits	367,636	353,242	104	167,778	157,344	107
	976,068	938,168	104	452,967	442,244	102

Changes in provisions for employee benefits

		THE PETROL GROUP			PETROL D.D.	
(in SIT 000)	Severance pays	Jubilee benefits	Total	Severance pays	Jubilee benefits	Total
Changes						
Balance as at 1 January 2005	609,444	438,463	1,047,907	293,263	166,354	459,617
Net provisions formed	(13,939)	12,871	(1,068)	(6,871)	32,544	25,673
Provisions used	(10,579)	(98,092)	(108,671)	(1,492)	(41,554)	(43,046)
Balance as at 31 December 2005	584,926	353,242	938,168	284,900	157,344	442,244
Net provisions formed	63,825	54,661	118,486	27,703	21,608	49,311
Provisions used	(40,319)	(40,267)	(80,586)	(27,414)	(11,174)	(38,588)
BALANCE AS AT 31 DECEMBER 2006	608,432	367,636	976,068	285,189	167,778	452,967

539 employees of the company Petrol d.d. and 1,315 employees of the Petrol Group were included in the calculation of provisions for employee benefits. Interest rates of 4.7 % and 3.5 % were used, respectively, for the calculation and future increases in wages and salaries.

35. Other provisions and long-term deferred revenues

Other non-current provisions of the Petrol Group

(in SIT 000)	Environmental provisions	Provisions from donations received	Provisions for legal procedures	Other provisions	Total
Balance as at 1 January 2005	6,335,347	19,378	101,705	0	6,456,430
Increase in provisions	0	488	103,761	8,420	112,669
Decrease in provisions during the year	(523,009)	(1,026)	(101,705)	0	(625,740)
BALANCE AS AT 31 DECEMBER 2005	5,812,338	18,840	103,761	8,420	5,943,359
Increase in provisions	0	0	0	106,843	106,843
Decrease in provisions during the year	(674,558)	(474)	(2,841)	(9,558)	(687,431)

Other non-current provisions of the company Petrol d.d.

(in SIT 000)	Environmental provisions	Provisions from donations received	Other provisions	Total
Balance as at 1 January 2005	6,335,347	19,378	0	6,354,725
Increase in provisions	0	488	0	488
Decrease in provisions during the year	(523,009)	(1,026)	0	(524,035)
BALANCE AS AT 31 DECEMBER 2005	5,812,338	18,840		5,831,178
Increase in provisions	0	0	3,492	3,492
Decrease in provisions during the year	(674,558)	(474)	(1,654)	(676,686)
BALANCE AS AT 31 DECEMBER 2006	5,137,780	18,366	1,838	5,157,984

Environmental provisions include long-term provisions for investments in environmental restoration of service stations, road tankers and warehouses, and for investments in the clean-up of the bitumen dump at Pesniški dvor, which have been approved pursuant to the regulation issued by the Ministry of Environment and Spatial Planning in relation to the ownership transformation of the company Petrol d.d., Ljubljana, and have been established as a liability charged against equity in the opening balance sheet as at 1 January 1993 in the initial amount of SIT 5,357,597 thousand.

On 31 December 2006, the unutilised portion of provisions relating to investments in environmental restoration amounted to SIT 4,273,155 thousand, while the unutilised portion of provisions relating to the clean-up of the bitumen dump at Pesniški dvor stood at SIT 864,625 thousand.

The decrease in environmental provisions in 2006 that amounted to SIT 674,558 thousand includes the assets relating to the utilisation in the amount of accrued depreciation of environmental fixed assets totalling SIT 397,709 thousand and the assets used for the clean-up of the bitumen dump, which amounted to of SIT 276,849 thousand, that are being utilised in line with the contract on the bitumen dump clean-up concluded by the Republic of Slovenia, the company Petrol d.d. and the company Gorenje d.d.

Provisions for legal procedures consist of gross provisions for certain legal procedures being brought against the Petrol Group and the company Petrol d.d. After obtaining a proper legal counsel, such claims will not result in major losses that would exceed the amounts of 31 December 2006.

Long-term deferred revenues of the Petrol Group

(in SIT 000)	Long-term deferred revenues from gas connections	Other long-term deferred revenues	Total
Balance as at 1 January 2005	158,789	0	158,789
Increase in provisions	58,803	0	58,803
Decrease in provisions during the year	(8,399)	0	(8,399)
BALANCE AS AT 31 DECEMBER 2005	209,193	0	209,193
Increase in provisions	145,567	36,225	181,792
Decrease in provisions during the year	(58,869)	0	(58,869)
BALANCE AS AT 31 DECEMBER 2006	295,891	36,225	332,116

Long-term deferred revenues of the company Petrol d.d.

(in SIT 000)	Long-term deferred revenues from gas connections	Other long-term deferred revenues	Total
Balance as at 1 January 2005	26,012	0	26,012
Increase in provisions	11,577	0	11,577
more description in provisions	11,077	0	11,077
Decrease in provisions during the year	(1,283)	0	(1,283)
BALANCE AS AT 31 DECEMBER 2005	36,306	0	36,306
Increase in provisions	49,668	36,225	85,893
Decrees in previous during the year	(40.570)	0	(40.570)
Decrease in provisions during the year	(42,572)	0	(42,572)
BALANCE AS AT 31 DECEMBER 2006	43,402	36,225	79,627

Long-term deferred revenues from gas connections consist of revenues that are deferred over the concession period and are deferred as such by the company Petrol d.d. and the Petrol Group. The increase in such revenues in 2006 is a result of newly acquired connections, while the decrease arose due to transfer of the portion falling due in 2006 to revenues.

36. Current and non-current financial liabilities

	T⊦	IE PETROL GROL	JP		PETROL D.D.	
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05
Current						
Bank loans	19,739,840	25,985,106	76	7,270,022	12,944,377	56
Liabilities to banks arising from forward transactions	261,020	30,946	843	261,020	30,946	843
Liabilities to banks arising from interest rate swaps	7,905	46,003	17	7,905	46,003	17
Liabilities to banks arising from euro cash frontloading	527,551	0	-	527,551	0	-
Loans obtained from subsidiaries	0	0	-	1,858,298	1,830,914	101
Loans obtained from associates	283,910	355,568	80	283,910	355,568	80
Loans obtained from other companies	20,457	63,415	32	20,457	6,004	341
	20,840,683	26,481,038	79	10,229,163	15,213,812	67
Non-current						
Bank loans	23,309,936	30,536,312	76	22,398,994	29,624,872	76
	23,309,936	30,536,312	76	22,398,994	29,624,872	76
TOTAL DEBT	44,150,619	57,017,350	77	32,628,157	44,838,684	73

	THE PETROL GROUP			PETROL D.D.		
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05
6 months or less	11,650,040	16,434,769	71	6,292,147	3,740,931	168
6 to 12 months	9,190,643	9,988,858	92	3,937,016	11,472,881	34
1 to 5 years	4,700,254	15,578,609	30	3,789,312	14,609,758	26
Over 5 years	18,609,682	15,015,114	124	18,609,682	15,015,114	124
TOTAL DEBT	44,150,619	57,017,350	77	32,628,157	44,838,684	73

	THE PETROL GROUP			PETROL D.D.		
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05
EUR	35,832,189	48,759,459	73	29,659,004	42,032,779	71
USD	7,207,576	7,225,170	100	0	0	-
SIT	1,110,854	1,032,721	108	2,969,153	2,805,905	106
TOTAL DEBT	44,150,619	57,017,350	77	32,628,157	44,838,684	73

Financial liabilities are not covered by securities in re. The interest rate is variable and linked to EURIBOR.

Liabilities to banks arising from forward transactions, which stood at SIT 261,020 thousand, include the accrued negative valuation effect of outstanding forward contracts as at 31 December 2006 and should be considered together with the accrued positive effect of outstanding forward contracts of SIT 6,351 thousand as at 31 December 2006, which was disclosed as a current financial receivable.

Receivables to banks arising from interest rate swaps in the amount of SIT 7,905 thousand include the accrued negative valuation effect of interest risk hedging contracts as at 31 December 2006 and should be considered together with the accrued positive effect of outstanding interest risk hedging contracts of SIT 145,074 thousand as at 31 December 2006, which was disclosed as a financial receivable from banks.

The liability arising from the euro cash frontloading, which stood at SIT 527,551 thousand, should be considered together with the receivable from the euro cash frontloading, which relates to the euro cash acquired as a result of transition to the euro that entered into circulation on 1 January 2007. Set-off will be performed in January 2007 by way of payment of the euro cash to the Bank of Slovenia.

Loans in the amount of SIT 1,858,298 thousand received from subsidiaries include the liabilities to the company Petrol Maloprodaja Slovenija d.o.o. in the amount of SIT 1,817,341 thousand and to the company Petrol Tehnologija d.o.o. in the amount of SIT 40,957 thousand.

Loans received from associates consist of a loan received from Marche Gostinstvo d.o.o.

As at 31 December 2006, the effective interest rate for non-current loans received by the company Petrol d.d., Ljubljana ranged on the day of concluding the contract between 2.7 % and 4.9, while the effective interest rate for current loans equalled 4.05 %.

As at 31 December 2006, the effective interest rate for euro-denominated loans granted in the Petrol Group ranged on the day of concluding the contract between 2.7 % and 5.19 %, while the effective interest rate for dollar-denominated loans ranged between 5.76 % and 6.3 %.

The carrying amounts of significant financial liabilities are an equivalent of their fair values.

37. Changes in non-current operating liabilities for assets received for management

	THE PETROL GROUP			PETROL D.D.		
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05
Balance as at 1 January	419,270	434,942	96	338,190	350,714	96
Decrease	(18,820)	(15,672)	120	(12,524)	(12,524)	100
BALANCE AS AT 31 DECEMBER	400,450	419,270	96	325,666	338,190	96

Non-current operating liabilities of the company Petrol d.d., Ljubljana, which amounted to SIT 325,666 thousand, and of the Petrol Group, which stood at 400,450 thousand, consist of property, plant and equipment received for management in accordance with the concession contracts. Liabilities are being decreased by accrued depreciation of the assets received for management.

The carrying amounts of significant operating liabilities are an equivalent of their fair values.

38. Operating and other current liabilities

	1	THE PETROL GROUP			PETROL D.D.	
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05
Liabilities to suppliers	25,094,031	33,597,567	75	9,657,672	10,918,515	89
- Domestic	11,372,552	32,285,576	35	8,854,621	9,683,316	91
- Foreign	13,721,479	1,311,991	1,046	803,051	1,235,199	65
Liabilities to subsidiaries	0	0	-	28,450,444	36,247,015	78
Liabilities to joint ventures	161,896	155,176	104	161,896	155,176	104
Liabilities to associates	560,346	59,904	935	47,321	59,534	79
Excise duty liabilities	18,679,220	7,992,075	234	18,678,608	7,992,075	234
Value added tax (VAT) liabilities	4,208,487	3,233,546	130	4,094,945	3,129,363	131
Import duty liabilities	915,118	1,582,794	58	32,019	1,085,236	3
Carbon dioxide tax	530,984	395,927	134	524,138	387,728	135
Social security contributions	96,201	90,479	106	52,924	52,599	101
Other liabilities to the Government	174,923	458,026	38	136,310	458,026	30
Liabilities to employees	1,228,815	925,747	133	927,348	554,267	167
Liabilities relating to distribution of net profit	95,344	96,276	99	95,344	96,276	99
Liabilities arising from advances and guarantees	85,635	94,599	91	84,192	86,796	97
Other liabilities	463,320	226,401	205	408,444	40,533	1,008
TOTAL OPERATING AND OTHER CURRENT LIABILITIES	52,294,320	48,908,517	107	63,351,605	61,263,139	103

Compared to 2005, the excise duty liabilities of the Petrol Group and the company Petrol d.d., Ljubljana rose in 2006 as the excise duty was paid not earlier than 3 January 2007.

The carrying amounts of significant current operating liabilities and other current liabilities are an equivalent of their fair values.

Overview of important outstanding current operating liabilities as at 31 December 2006 by individual business partners (in SIT 000):

	THE PETROL GROUP	PETROL D.D.
Amount outstanding as at 31 December 2006		
Philip Morris Ljubljana, d.o.o.	1,032,450	1,032,450
Tobačna grosist d.o.o., Ljubljana	850,715	850,715
DARS, d.d.	540,718	540,718
Mobitel, d.d., Ljubljana	472,898	472,898
Sava Tires, d.o.o.	421,344	421,344
Agip Slovenija, d.o.o., Ljubljana	335,185	335,185
OLMA d.d.	326,652	326,652
Poslovni sistem Mercator, d.d., Ljubljana	320,124	320,124

39. Accrued costs and deferred revenues

	TH	IE PETROL GROU	JP		PETROL D.D.	
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05
Accrued interest for legal action	597,584	1,553,947	39	597,584	1,553,947	38
Accrued costs of legal action	401,266	592,001	68	378,826	573,998	66
Accrued costs of holidays in 2006	312,172	353,037	88	171,670	205,870	83
Accrued environment protection costs	276,816	245,726	113	276,816	245,726	113
Accrued expenses for tanker demurrage	197,068	0	-	197,068	0	-
Accrued compensations	126,323	0	-	126,323	0	-
Accrued merchandise deficits for the last quarter of the year	124,223	135,306	92	124,223	135,306	92
Accrued interest on arrears arising from overdue trade receivables	59,917	69,294	86	59,917	69,294	86
Customer net credit - Magna prepayment card	39,085	31,663	123	39,085	31,663	123
Accrued costs annual report audit	13,719	0	-	8,210	0	-
Accrued expenses for complaints	10,512	103,767	10	10,512	103,767	10
Accrued costs of professional services	8,148	0	-	8,148	0	-
Purchase of fuel vouchers	3,186	0	-	3,186	0	-
Other accrued costs	136,197	276,892	49	13,264	38,689	34
Current deferred revenues from Lubricoat project	19,319	19,319	100	19,319	19,319	100
Current deferred revenues from gas connections	10,915	0	-	4,008	0	-
Current deferred revenues from termination of education contracts	1,092	0	-	1,092	0	-
Other current deferred revenues	18,507	155,489	12	0	345	-
TOTAL ACCRUED COSTS AND DEFERRED REVENUES	2,356,049	3,536,441	67	2,039,251	2,977,924	69

40. Cash from operations

		HE PETROL GROU	•		PETROL D.D.	
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05
Pre-tax profit	14,493,242	10,254,220	141	11,780,042	8,988,946	131
Adjustments for:						
Depreciation of property, plant and equipment	6,495,961	6,572,414	99	5,345,667	5,529,216	97
Amortisation of intangible assets	160,340	158,225	101	108,775	106,105	103
(Profit)/loss on sale of property, plant and equipment	(85,867)	(144,729)	59	(283,599)	(160,474)	177
Other fixed asset (revenues)/expenses	204,270	(4,406)	-	6,459	(6,795)	-
Net (decrease)/formation of allowance for operating receivables	513,365	265,591	193	283,617	(14,016)	-
Net write-off of operating receivables	44,580	31,034	144	54,184	28,755	188
Impairment of inventory value	225,248	0	-	225,248	0	-
Elimination of negative goodwill	(2,040)	0	-	0	0	-
Revenues from assets under management	(15,672)	(15,672)	100	(12,524)	(12,524)	100
Net (decrease)/formation of provisions for employee benefits	37,900	(109,739)	-	10,723	(17,373)	-
Net (decrease)/formation of other provisions	(457,731)	(463,990)	99	(625,865)	(513,741)	122
Net (decrease)/formation of accrued costs and deferred revenues	(1,171,015)	154,376	-	(933,304)	(59,609)	1,566
Net decrease/(formation) of deferred costs and accrued revenues	233,349	(306,886)	-	348,498	(246,373)	-
Net merchandise deficits	728,748	837,132	87	650,997	747,593	87
Net financial (revenues)/expenses	725,338	(1,746,769)	-	(17,738)	(2,067,600)	1
Share in profit of joint ventures	(464,578)	(416,061)	112	0	0	-
Share in profit of associates	(2,376,582)	(1,382,167)	172	0	0	-
Financial revenues from dividends received from subsidiaries	0	0	-	(464,796)	(539,297)	86
Financial revenues from dividends received from joint ventures	0	0	-	(811,098)	(386,151)	210
Financial revenues from dividends received f rom associates	0	0	-	(710,122)	(902,440)	79
Changes in working capital, excluding effect of increases or decreases in investments in subsidiaries						
Inventories	8,094,798	(11,770,404)	-	8,561,056	(10,670,155)	-
Operating and other receivables	(1,660,090)	(3,683,032)	45	(3,090,573)	(4,657,787)	66
Receivables from forward transactions	172,534	(178,885)	-	172,534	(178,885)	-
Receivables from commodity swaps	(101,995)	0	-	0	0	-
Operating and other liabilities	3,192,495	4,691,198	68	1,963,659	14,371,368	14
Liabilities for forward transactions	230,074	(257,655)	-	230,074	(257,655)	-
CASH GENERATED FROM OPERATIONS	29,216,672	2,483,795	1,176	22,791,914	9,081,108	251

41. Derivative financial instruments

	TH	IE PETROL GROU	JP		PETROL D.D.	
(in SIT 000)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05
Total amount of forward contracts						
Total amount in USD (purchase)	(25,161,768)	(29,888,295)	84	(25,161,768)	(29,888,295)	84
Total amount in EUR (purchase)	(2,088,579)	(3,556,405)	59	(2,088,579)	(3,556,405)	59
Total amount in USD (sale)	2,104,692	3,573,244	59	2,104,692	3,573,244	59
Total amount in EUR (sale)	25,341,578	29,743,688	85	25,341,578	29,743,688	85
Gain on forward transactions	6,351	178,885	4	6,351	178,885	4
Loss on forward transactions	(261,020)	(30,946)	843	(261,020)	(30,946)	843
Total amount of interest rate swaps	13,825,385	12,687,996	109	13,825,385	12,687,996	109
Gain on interest rate swaps	145,074	30,432	477	145,074	30,432	477
Loss on interest rate swaps	(7,905)	(46,003)	17	(7,905)	(46,003)	17
Effect of commodity swaps						
Unrealised loss	(85,599)	(176,104)	49			
Unrealised profit	187,594	0	-			
Realised loss	(644,333)	(3,151,491)	20			
Realised profit	1,128,859	1,331,319	85			

42. Distributable profit

	PETROL D.D.
(in SIT 000)	31 December 2006
Mandatory allocation of net profit	
Net profit or loss	9,513,557
- Set-off of loss brought forward	0
- Formation of legal reserves	0
- Formation of reserves for treasury shares	0
- Formation of statutory reserves	0
Net profit subsequent to mandatory allocation	9,513,557
- Formation of other profit reserves	4,756,778
Remaining net profit	4,756,779
Determination of distributable profit	
Remaining net profit	4,756,779
+ Net profit brought forward	0
+ Other profit reserves	2,749,786
DISTRIBUTABLE PROFIT	7,506,565

Distributable profit consists of half of the 2006 net profit or loss brought forward, which stood at SIT 4,756,779 thousand, and of other profit reserves amounting to SIT 2,749,786 thousand, meaning that for the year 2006 the expected gross dividend payment per share of Petrol d.d., Ljubljana will amount to SIT 1,318.02 or EUR 5.50.

Final dividends for the year ended 31 December 2005 that amounted to SIT 1,000 per share in gross terms were paid in 2006. The full payment to shareholders totalled SIT 2,060,140 thousand.

Final dividends for the year ended 31 December 2006 have not yet been proposed and confirmed by owners at the General Meeting, which is why they have not been included among liabilities in these financial statements.

43. Transactions with related parties

		THE PETR	OL GROUP			PETRO	DL D.D.	
(in SIT 000)	31 December 2006	Share in total amount	31 December 2005	Share in total amount	31 December 2006	Share in total amount	31 December 2005	Share in total amount
Sales revenues:								
Sales of services to subsidiaries	0	-	0	-	31,624,527	7.1948 %	16,764,886	4.3598 %
Sales of services to joint ventures	8,675	0.0019 %	11,333	0.0027 %	8,675	0.0020 %	9,861	0.0026 %
Sales of services to associates	511,036	0.1098 %	376,982	0.0897 %	478,972	0.1090 %	346,441	0.0901 %
Cost of merchandise								
sold:								
Cost of merchandise sold to subsidiaries	0	-	0	-	217,228,625	54.7771 %	185,298,460	53.9045 %
Cost of merchandise sold to joint ventures	89,828	0.0217 %	40,566	0.0109 %	89,828	0.0227 %	40,566	0.0118 %
Cost of merchandise sold to associates	529,720	0.1278 %	320,102	0.0859 %	529,720	0.1336 %	320,102	0.0931 %
Selling costs:								
Cost of sales to subsidiaries	0	-	0	-	4,443,410	13.8633 %	4,225,256	14.0664 %
Cost of sales to joint ventures	1,521,589	4.3553 %	1,375,554	4.1182 %	1,521,589	4.7473 %	1,375,554	4.5794 %
Cost of sales to associates	56,843	0.1627 %	49,994	0.1497 %	54,357	0.1696 %	48,278	0.1607 %
General and administrative costs:								
General and administrative costs of associates	622	0.0066 %	429	0.0044 %	0	-	0	-
Financial revenues								
and expenses from interests:								
Financial revenues from interests - subsidiaries	0	-	0	-	464,797	22.2048 %	539,297	0.2546
Financial revenues from interests - joint ventures	467,899	15.1187 %	433,875	19.6437 %	811,098	38.7486 %	386,151	0.1823
Financial revenues from interests - associates	2,519,724	81.4170 %	1,395,557	63.1840 %	710,122	33.9247 %	902,440	0.4261
Financial expenses for interests - joint ventures	3,321	2.2675 %	17,814	57.0888 %	0	-	0	-
Financial expenses for interests - associates	143,142	97.7325 %	13,390	42.9112 %	0	-	0	-
Financial revenues and expenses from interest:								
Financial revenues from interest - subsidiaries	0	-	0	-	101,249	6.8907 %	95,626	7.1678 %
Financial revenues from interest - joint ventures	635	0.0427 %	334	0.0245 %	635	0.0432 %	334	0.0250 %
Financial revenues from interest - associates	39,288	2.6443 %	35,986	2.6450 %	39,288	2.6738 %	35,986	3.2475 %
Financial expenses for interest - subsidiaries	0	-	0	-	65,348	.348 4.5047 % 75,46		5.6332 %
Financial expenses for interest - associates	10,053	0.4537 %	8,332	0.4558 %	10,053	0.6930 %	8,332	0.6219 %

		THE PETR		PETROL D.D.						
(in SIT 000)	31 December 2006	Share in total amount	31 December 2005	Share in total amount	31 December 2006	Share in total amount	31 December 2005	Share in tota amount		
Investmnts:										
Investments in subsidiaries	0	-	0	-	25,180,276	68.7611 %	23,942,751	67.6685 %		
Investments in joint ventures	3,094,455	17.5907 %	3,440,975	21.1473 %	1,722,404	4.7035 %	1,722,404	4.8680 %		
Investments in associates	14,496,928	82.4093 %	12,830,468	78.8527 %	9,717,271	26.5355 %	9,717,271	27.4636 %		
Non-current financial receivables:										
Non-current financial receivables from subsidiaries	0	-	0	-	2,257,660	65.3050 %	2,009,126	62.1280 %		
Non-current financial receivables from associates	461,053	38.4390 %	469,965	38.3731 %	461,053	13.3364 %	469,965	14.5327 %		
Non-current operating receivables:										
Non-current operating receivables from subsidiaries	0	-	0	-	4,089	0.5723 %	5,394	0.9583 %		
Current operating receivables:										
Current operating receivables from subsidiaries	0	-	0	-	5,388,058	11.5991 %	2,651,793	6.1972 %		
Current operating receivables from joint ventures	665	0.0014 %	9,475	0.0207 %	665	0.0014 %	9,475	0.0221 %		
Current operating receivables from associates	86,921	0.1795 %	102,164	0.2230 %	82,745	0.1781 %	92,328	0.2158 %		
Current financial receivables:										
Current loans granted to subsidiaries	0	-	0	-	171,941	9.0109 %	485,456	29.4234 %		
Current loans granted to joint ventures	4,897	0.5506 %	0	-	8	0.0004 %	0	-		
Current financial										
liabilities:										
Current financial liabilities to subsidiaries	0	-	0	-	1,858,299	18.5432 %	1,830,914	12.1559 %		
Current financial liabilities to associates	283,910	1.3760 %	355,568	1.3505 %	283,910	2.8330 %	355,568	2.3607 %		
Current operating liabilities:										
Current operating liabilities to subsidiaries	0	-	0	-	28,450,444	43.2355 %	36,247,015	57.4931 %		
Current operating liabilities to joint ventures	161,896	0.2942 %	155,176	0.3052 %	161,896	0.2460 %	155,176	0.2461 %		
Current operating liabilities to associates	560,346	1.0183 %	59,904	0.1178 %	47,321	0.0719 %	59,534	0.0944 %		

44. Receipts of the Supervisory and the Management Board members and employees of the Petrol Group on individual contracts

RECEIPTS OF THE SUPERVISORY BOARD MEMBERS In SIT 000	Session fees	Monthly reimbursements	Profit participation	Other receipts	Total
Jože Zagožen, president of the Supervisory Board between 5 April 2005 and 3 August 2006	361	1,198	5,835	0	7,394
Viktor Baraga, president of the Supervisory Board since 4 August 2006	0	2,396	0	1,681	4,077
Viktor Baraga, member of the Supervisory Board between 16 July 2005 and 3 August 2006	129	479	1,819	0	2,427
Milan Podpečan, member of the Supervisory Board since 5 April 2005	258	1,438	2,917	52	4,665
Matjaž Gantar, member of the Supervisory Board since 5 April 2005	258	1,438	2,917	0	4,613
Aleš Marinček, member of the Supervisory Board since 14 March 2006	129	1,438	0	0	1,567
Bojan Šrot, member of the Supervisory Board since 14 March 2006	129	1,438	0	0	1,567
Samo Gerdin, member of the Supervisory Board, employee representative since 21 February 2005	258	1,438	3,380	0	5,076
Cvetka Žigart, member of the Supervisory Board, employee representative since 21 February 2005	258	1,438	3,380	0	5,076
Ciril Pirš, member of the Supervisory Board, employee representative since 21 February 2005	258	1,438	3,380	0	5,076
Miran Mejak, president of the Supervisory Board until 4 April 2005	0	0	2,024	0	2,024
Igor Irgolič, member of the Supervisory Board between 5 April 2005 and 30 November 2005	0	0	2,583	0	2,583
Mićo Mrkaić, member of the Supervisory Board between 5 April 2005 and 20 July 2005	0	0	1,152	0	1,152
Jože Stanič, member of the Supervisory Board until do 15 July 2005	0	0	2,110	0	2,110
Uroš Slavinec, member of the Supervisory Board until 4 April 2005	0	0	1,012	0	1,012
Irena Starman, member of the Supervisory Board until 4 April 2005	0	0	1,012	0	1,012
Nina Potisek, member of the Supervisory Board, employee representative until 20 February 2005	0	0	549	0	549
Silvan Simčič, member of the Supervisory Board, employee representative until 20 February 2005	0	0	549	0	549
Miran Obreza, member of the Supervisory Board, employee representative until 20 February 2005	0	0	549	0	549
Andrej Medved, member of the Supervisory Board, employee representative until 20 February 2005	0	0	549	0	549
Tomaž Jamnik, member of the Supervisory Board, employee representative until 20 February 2005	0	0	549	0	549
TOTAL	2,038	14,139	36,266	1,733	54,176

RECEIPTS OF THE MANAGEMENT BOARD MEMBERS (in SIT 000)	Fixed portion	Variable portion	Other receipts	Total
Marko Kryžanowski, president of the Management Board ¹	47,156	0	2,798	49,954
Igor Irgolič, vice-president of the Management Board ¹	35,942	0	4,540	40,482
Alenka Vrhovnik Težak, member of the Management Board ¹	35,942	0	1,660	37,602
Boštjan Napast, member of the Management Board ¹	35,942	0	2,181	38,123
Bojan Herman, worker director	16,017	0	0	16,017
TOTAL	170,999		11,179	182,178

¹ Other receipts include bonuses paid.

The company Petrol d.d. has the Supervisory Board and the Management Board. Other companies in the Group have employees with individual contracts who are not subject to the tariff part of the collective labour agreement.

The total amount of receipts paid in 2006 to the employees with individual contracts that are not subject to the tariff part of the collective labour agreement (excluding members of the Management Board) by the company Petrol d.d. stood at SIT 1,523,049 thousand, while the total amount paid by the Petrol Group totalled SIT 1,956,479 thousand.

The total amount of receipts paid in 2006 to the members of the Workers' Council by the company Petrol d.d. stood at SIT 666 thousand, while the total amount paid by the Petrol Group totalled SIT 1,552 thousand.

On 31 December 2006, the Company and the Group recorded SIT 3,265 thousand in liabilities to the members of the Supervisory Board arising from a reimbursement for the work performed in December.

On 31 December 2006, the Company and the Group recorded no receivables or liabilities to the members of the Management Board, with the exception of those related to liabilities arising from the December salaries and wages that are to be paid in January 2007.

45. Contingent liabilities of the company Petrol d.d. and the Petrol Group

Contingent liabilities related to guarantees

The company Petrol d.d., Ljubljana, had issued guarantees in a total amount of SIT 38,900,518 thousand, primarily to foreign banks, for credit lines for companies in the Petrol Group as at 31 December 2006. On 31 December 2006, the value of the utilised portion of the guarantees was SIT 27,283,476 thousand, specifically:

- SIT 20,813,597 thousand for the company Cypet Trade Ltd, Limassol, Cyprus;
- SIT 5,247,061 thousand for the company Petrol Trade, H.m.b.H, Vienna, Austria;
- SIT 1,222,538 thousand for the company Petrol Trgovina, d.o.o., Zagreb;
- SIT 218 thousand for the company Aquasystems d.o.o., Maribor;
- SIT 57 thousand for the company Instalacija d.o.o., Koper;
- SIT 3 thousand for the company Petrol Tehnologija d.o.o.;
- SIT 2 thousand for the company Cypet Oils Ltd, Limassol, Cyprus.

The company Petrol d.d., Ljubljana also issued other guarantees which totalled SIT 796,571 thousand as at 31 December 2006. The guarantees mostly include performance guarantees for participation in tenders.

Other guarantees issued by the Petrol Group amounted to SIT 113,224 thousand. On 31 December 2006, all guarantees issued by the Petrol Group stood at SIT 909,795 thousand.

In addition to the above guarantees, the company Petrol d.d. also guarantees the liabilities of the subsidiaries Petrol Plin d.o.o., Petrol Energetika d.o.o., Petrol Maloprodaja Slovenija d.o.o. and Petrol Tehnologija d.o.o. and the joint ventures Geoenergo d.o.o. and Instalacija d.o.o. Koper based on blank bills of exchange issued. Total value of issued bills of exchange as at 31 December 2006 was SIT 1,700,962 thousand, while the value of the utilised portion amounted to SIT 1,501,856 thousand.

Total value of issued bills of exchange in the Petrol Group as at 31 December 2006 was SIT 1,542,754 thousand, while the value of the utilised portion amounted to SIT 1,401,742 thousand.

Contingent liabilities from legal action

As a defendant and debtor, the company Petrol d.d. faced suits in a total amount of SIT 721,693 thousand in court proceedings. Interest on arrears on the claims filed in the suits amounted to SIT 896,042 thousand as at 31 December 2006. The Management Board believes that it is probable that the Company will lose some of these suits. The Company has therefore created current provisions related to these claims, which stood at 31 December 2006 at SIT 378,826 thousand, compared to SIT 573,998 thousand as at 31 December 2005. In addition, the Company has also created current provisions for interest on arrears in the amount of SIT 597,584 thousand as at 31 December 2006. The respective figure as at 31 December 2005 stood at SIT 1,553,947 thousand.

As a defendant and debtor, the Petrol Group faced suits in a total amount of SIT 889,085 thousand in court proceedings. Interest on arrears on the claims filed in the suits amounted to SIT 902,590 thousand as at 31 December 2006. The Management of the Petrol Group believes that it is probable that the Petrol Group will lose some of these suits. The Group has therefore created current provisions related to these claims, which stood at 31 December 2006 at SIT 401,266 thousand, compared to SIT 592,001 thousand as at 31 December 2005. In addition, the Group has also created current provisions for interest on arrears in the amount of SIT 597,584 thousand as at 31 December 2006. The respective figure as at 31 December 2005 stood at SIT 1,553,947 thousand. In addition, the Petrol Group has also created long-term provisions for legal procedures in the amount of SIT 100,920 thousand as at 31 December 2006. The respective figure as at 31 December 2005 stood at SIT 103,761 thousand.

Inventories not owned by Petrol

On 31 December 2006, the company Petrol d.d., Ljubljana held the commodity reserve inventories owned by the Republic of Slovenia in the amount of SIT 19,401 thousand, while the value of such inventories held by the Petrol Group amounted to SIT 19,501 thousand. On 31 December 2006, the company Petrol d.d., Ljubljana kept merchandise delivered on consignment in the amount of SIT 995 thousand, while the figure for the Petrol Group stood at SIT 1,003 thousand. The merchandise delivered on consignment is stated at cost, while the commodity reserve inventory is stated at calculated prices.

46. Main financial statements im EUR

Slovenia adopted the euro as a functional currency on 1 January 2007. On this date, all assets, liabilities and equity were translated into euros using the exchange rate of SIT 239.64 per 1 euro, as provided by IAS 21.37.

Below, the balance sheet, the income statement, the statement of changes in equity and the cash flow statement for the year 2006 are presented by indicating comparative data in EUR. The following exchange rates were used in translation:

- for the year 2006, the closing exchange rate of SIT 239.64 per 1 euro was used for all statements because the average exchange rate for the year differed insignificantly from the closing exchange rate;
- for the year 2005, the closing exchange rate of SIT 239.5756 per 1 euro was used for the balance sheet, while the average exchange rate of SIT 239.6371 per 1 euro was used for the income statement, the statement of changes in equity and the cash flow statement;
- for balances as at 1 January 2005, the closing exchange rate of SIT 239.7430 per 1 euro was used.

Income statement

				THE COMPANY PETROL B D						
	Т	HE PETROL GROUI	P	THE (COMPANY PETROL	D.D.				
(in EUR)	2006	2005	Index 2006/2005	2006	2005	Index 2006/2005				
Net sales revenues	1,941,449,579	1,753,533,831	111	1,834,185,299	1,604,637,099	114				
Cost of merchandise sold	(1,732,330,395)	(1,546,239,314)	112	(1,654,849,199)	(1,434,473,740)	115				
Net profit/(loss) on commodity swaps	2,447,512	(8,330,412)	-	0	0	-				
Gross profit or loss from sales	211,566,696	198,964,104	106	179,336,100	170,163,360	105				
Selling costs	(145,787,853)	(138,386,635)	105	(133,749,003)	(124,738,369)	107				
General and administrative costs	(39,227,896)	(39,989,217)	98	(27,408,400)	(29,565,735)	93				
Other operating revenues	20,583,459	7,919,838	260	17,751,189	6,058,544	293				
Operating profit or loss	47,134,406	28,508,090	165	35,929,886	21,917,800	164				
Net financial revenues from interests due to equity method valuation	11,855,951	7,503,963	158	0	0	-				
Financial revenues from dividends from subsidiaries, associates and joint ventures	-	-	-	8,287,498	7,627,734	109				
Other financial revenues	33,183,300	38,385,701	86	32,420,114	36,862,861	88				
Other financial expenses	(31,694,429)	(31,607,134)	100	(27,480,254)	(28,897,733)	95				
Profit or loss before taxes	60,479,227	42,790,620	141	49,157,244	37,510,661	131				
Taxes	(10,648,807)	(7,737,829)	138	(9,457,874)	(7,105,786)	133				
Net profit or loss for the year	49,830,421	35,052,790	142	39,699,370	30,404,875	131				
Net profit or loss attributable to minority shareholders	12,473	9,034	138	0	0	-				
Net profit or loss attributable to owners of the parent company	49,817,948	35,043,756	142	39,699,370	30,404,875	131				
Earnings per share	24	17	142	19	15	131				

Balance sheet

	TI	HE PETROL GROU	Р		PETROL D.D.	
(in EUR)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/0
ASSETS						
Non-current (long-term) assets						
Intangible assets	8,176,423	8,227,190	99	3,737,661	3,888,710	9
Property, plant and equipment	416,666,854	408,900,209	102	299,068,686	308,715,040	9
Investment property	14,356,268	17,116,580	84	16,047,692	18,869,726	8
Investments in subsidiaries	0	0	-	105,075,430	99,938,187	10
Investments in joint ventures	12,912,932	14,362,794	90	7,187,465	7,189,397	10
Investments in associates	60,494,609	53,554,986	113	40,549,453	40,560,353	10
Financial assets available for sale	11,807,198	12,322,519	96	11,643,294	12,116,726	9
Financial receivables	4,918,540	5,169,349	95	14,339,589	13,498,253	10
Operating receivables	3,217,464	1,891,411	170	2,981,410	1,864,113	16
Deferred tax assets	1,879,327	1,339,636	140	1,038,061	485,241	21
	534,429,615	522,884,676	102	501,668,741	507,125,747	9
Current assets						
Inventories	79,399,800	117,191,242	68	68,614,334	108,024,523	6
Financial receivables	3,897,759	7,448,622	52	4,582,812	7,077,265	6
Operating receivables	194,675,964	186,447,280	104	187,023,706	174,170,258	10
Financial assets at fair value through profit or loss	847,813	0	-	0	0	
Cash and cash equivalents	28,677,796	11,275,080	254	25,484,819	7,095,560	35
Deferred costs and accrued revenues a nd other assets	1,506,910	2,873,665	52	903,681	2,268,136	4
	309,006,043	325,235,888	95	286,609,352	298,635,742	9

Equity and liabilities

	TI	HE PETROL GROU	Р		PETROL D.D.	
(in EUR)	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05
Equity attributable to owners of the Petrol Group						
Called-up capital	52,235,879	52,249,920	100	52,235,879	52,249,920	100
Capital reserves	80,574,120	80,528,025	100	80,574,120	80,528,025	100
Legal reserves	61,820,744	61,825,883	100	61,749,887	61,766,486	100
Reserves for treasury shares	2,715,907	2,759,142	98	2,715,907	2,759,142	98
Treasury shares	(2,715,907)	(2,759,142)	98	(2,715,907)	(2,759,142)	98
Other profit reserves	135,161,150	116,959,098	116	135,161,150	116,959,098	116
Investment revaluation reserves	899,074	601,063	150	899,074	601,063	150
Fixed asset revaluation reserves	2,713,270	2,713,999	100	0	0	-
Translation reserves	1,699,929	1,910,282	89	0	0	-
Net profit or loss carried forward	31,842,764	18,216,517	175	0	(8,957,903)	-
Net profit or loss for the year	29,878,860	20,657,300	145	19,849,687	16,058,338	124
	396,825,789	355,662,087	112	350,469,796	319,205,028	110
Capital of minority shareholders	114,359	110,429	104	0	0	-
Total equity	396,940,148	355,772,516	112	350,469,796	319,205,028	110
Non-current liabilities						
Provisions for employee benefits	4,073,060	3,915,958	104	1,890,198	1,845,948	102
Other provisions and long-term deferred revenues	23,764,342	25,681,046	93	21,856,163	24,491,159	89
Financial liabilities	97,270,639	127,460,025	76	93,469,346	123,655,631	76
Operating liabilities	1,671,048	1,750,053	95	1,358,980	1,411,621	96
Deferred tax liabilities	291,854	448,756	65	268,557	417,054	64
	127,070,944	159,255,838	80	118,843,244	151,821,413	78
Current liabilities						
	00.000.000	110 500 110	79	40 COE E44	60 500 170	67
Financial liabilities	86,966,629	110,533,118		42,685,541	63,503,178	
Operating and other liabilities	218,220,330	204,146,487	107	264,361,563	255,715,269	103
Corporate income tax liabilities	4,405,988	3,651,332	121	3,408,304	3,086,604	110
Accrued costs and deferred revenues	9,831,618	14,761,274	67	8,509,644	12,429,997	68
	319,424,566	333,092,210	96	318,965,052	334,735,048	95
Total liabilities	446,495,510	492,348,048	91	437,808,296	486,556,461	90

Statement of changes in equity of the Petrol group

	Total	332,460,147	0	(7,693,116)	1,923,279	1,489,506	23,177	15,186	0	0	0	0	٥	(7,736,682)	9,034	35,043,756	0	238,229	355,772,516	0
1	Capital or minority shareholders	101,317													9,034			#	110,429	
Equity	attributable to owners of the Petrol Group	332,358,830	0	(7,693,116)	1,923,279	1,489,506	23,177	15,186	0	0	0	0	0	(7,736,682)	0	35,043,756	0	238,152	355,662,087	0
earnings	Net profit or loss for the year	6,940,757	(6,943,825)							(41,100)						35,043,756	(14,350,658)	8,369	20,657,300	
Retained earnings	Net profit or loss carried forward	23,587,120	6,943,825						(15,185)		6,735	(12,531,315)	210,239					15,099	18,216,517	4,013,819
	Translation reserves	420,100				1,489,506												929	1,910,282	
Revaluation reserves	Fixed asset revaluation reserves	2,712,104																1,895	2,713,999	
Revaluatio	Investment revaluation reserves	6,367,931		(7,693,116)	1,923,279													2,968	601,063	
	Other profit reserves	97,935,564							15,185			12,531,315	(210,239)	(7,736,682)			14,350,658	73,296	116,959,098	(4,013,819)
Profit reserves	Treasury	(2,772,394)						15,185										(1,933)	(2,759,142)	
Profit r	Reserves for treasury shares	2,772,394							(15,185)									1,933	2,759,142	
	Legal reserves	61,733,185							15,185	41,100	(6,735)							43,148	61,825,883	
	Capital	80,448,630					23,177											56,218	80,528,025	
	Called-up capital	52,213,437																36,483	52,249,920	
	(in EUR)	Balance as at 1 January 2005	Transfer of net profit or loss for the previous year to net profit or loss brought forward	Valuation of financial assets available for sale	Deferred tax liabilities	Translation reserves	Profit on sale of treasury shares	Sale of treasury shares	Transfer to reserves	Formation of legal reserves	Elimination of legal reserves	Transfer to other reserves in accordance with the General Meeting resolution	Allocation of the 2004 distributable profit of Petrol d.d. in accordance with the General Meeting resolution	Dividend payments for 2004	Profit of minority shareholders	Profit for the current year	Transfer of a portion of the 2005 profit of Petrol d.d. to other reserves	Translation reserves	Balance as at 31 December 2005	Reconciliation of distributable profit due to transition to IFRS

į	- 0 ta	355,772,516	0	366,429	(68,257)	(209,840)	67,735	42,493	0	0	0	0	(160,416)	(8,596,812)	(8,513)	12,473	49,817,948	0	(95,609)	396,940,148
Capital of	minority shareholders	110,429													(8,513)	12,473			(30)	114,359
Equity attributable to owners	of the Petrol Group	355,662,087	0	366,429	(68,257)	(209,840)	67,735	42,493	0	0	0	0	(160,416)	(8,596,812)	0	0	49,817,948	0	(95,579)	396,825,789
Retained earnings	Net profit or loss for the year	20,657,300	(20,651,748)							(11,476)	(77,929)						49,817,948	(19,849,683)	(5,551)	29,878,860
Retained	Net profit or loss carried forward	22,230,336	20,651,748								77,929	(11,111,275)							(5,974)	31,842,764
Translation	reserves	1,910,282				(209,840)													(213)	1,699,929
Revaluation reserves	Fixed asset revaluation reserves	2,713,999																	(729)	2,713,270
Revaluati	Investment revaluation reserves	601,063		366,429	(68,257)														(162)	899,074
	Other profit reserves	112,945,279							42,493			11,111,275	(160,416)	(8,596,812)				19,849,683	(30,353)	135,161,150
Profit reserves	Treasury	(2,759,142)						42,493											741	(2,715,907)
	Reserves for treasury shares	2,759,142							(42,493)										(741)	2,715,907
	Legal	61,825,883								11,476									(16,615)	61,820,744
Capital	reserves	80,528,025					67,735												(21,641)	80,574,120
Called-up	capital	52,249,920																	(14,041)	52,235,879
	(in EUR)	Balance as at 1 January 2006	Transfer of net profit or loss for the previous year to net profit or loss brought forward	Valuation of financial assets available for sale	Deferred tax liabilities	Translation reserves	Profit on sale of treasury shares	Sale of treasury shares	Transfer to reserves	Formation of legal reserves	Set-off of loss brought forward	Transfer to other reserves in accordance with the General Meeting resolution	Payment of bonuses to the Supervisory Board	Dividend payments for 2005	Decrease in minority shareholders' interest due to capital increase	Profit of minority shareholders	Profit for the current year	Transfer of a portion of the 2006 profit of Petrol d.d. to other reserves	Translation reserves	Balance as at 31 December 2006

Statement of changes in equity of Petrol d.d.

				Profit reserves	serves			Retained earnings	earnings	
(in EUR)	Called-up capital	Capital	Legal reserves	Reserves for treasury shares	Treasury	Other profit reserves	Investment revaluation reserves	Net profit or loss carried forward	Net profit or loss for the year	Total
Balance as at 1 January 2005	52,213,437	80,448,630	61,708,179	2,772,394	(2,772,394)	97,935,564	6,367,931	(8,113,851)	11,493,020	302,052,911
Transfer of net profit or loss for the previous year to net profit or loss brought forward								11,498,099	(11,498,099)	o
Valuation of financial assets available for sale							(7,693,116)			(7,693,116)
Deferred tax liabilities							1,923,279			1,923,279
Profit on sale of treasury shares		23,177								23,177
Sale of treasury shares					15,185					15,185
Transfer to reserves			15,185	(15,185)		15,185		(15,185)		0
Transfer to other reserves in accordance with the General Meeting resolution						12,531,315		(12,531,315)		0
Allocation of the 2004 distributable profit in accordance with the General Meeting resolution						(210,239)		210,239		0
Dividend payments for 2004						(7,736,682)				(7,736,682)
Profit for the current year									30,404,875	30,404,875
Transfer of a portion of the 2005 profit to other reserves						14,350,658			(14,350,658)	0
Translation reserves	36,483	56,218	43,122	1,933	(1,933)	73,296	2,968	(5,889)	9,200	215,399
Balance as at 31 December 2005	52,249,920	80,528,025	61,766,486	2,759,142	(2,759,142)	116,959,098	601,063	(8,957,903)	16,058,338	319,205,028

				Profit reserves	serves			Retained earnings	earnings	
(in EUR)	Called-up capital	Capital	Legal	Reserves for treasury shares	Treasury	Other profit reserves	Investment revaluation reserves	Net profit or loss carried forward	Net profit or loss for the year	Total
Reconciliation of distributable profit due to transition to IFRS						(4,013,819)		4,013,819		0
Balance as at 1 January 2006	52,249,920	80,528,025	61,766,486	2,759,142	(2,759,142)	112,945,279	601,063	(4,944,082)	16,058,338	319,205,028
Transfer of net profit or loss for the previous year to net profit or loss brought forward								16,054,023	(16,054,023)	0
Valuation of financial assets available for sale							366,429			366,429
Deferred tax liabilities								(68,257)		(68,257)
Profit on sale of treasury shares		67,735								67,735
Sale of treasury shares					42,493					42,493
Transfer to reserves				(42,493)		42,493				0
Transfer to other reserves in accordance with the General Meeting resolution						11,111,275		(11,111,275)		0
Payment of bonuses to the Supervisory Board						(160,416)				(160,416)
Dividend payments for 2005						(8,596,812)				(8,596,812)
Profit for the current year									39,699,370	39,699,370
Transfer of a portion of the 2006 profit to other reserves						19,849,683			(19,849,683)	0
Translation reserves	(14,041)	(21,641)	(16,599)	(741)	741	(30,353)	(162)	1,335	(4,315)	(85,776)
Balance as at 31 December 2006	52,235,879	80,574,120	61,749,887	2,715,907	(2,715,907)	135,161,150	899,074	0	19,849,687	350,469,796
Distributable profit for 2006						11,474,656		0	19,849,687	31,324,343

Cash flow statement

		TI	HE PETROL GROU	Р	PETROL D.D.			
(in EUR)	Notes	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05	
Cash flows from operating activities								
Cash generated from operations	33	121,919,012	10,364,818	1,176	95,108,972	37,895,251	251	
Interest paid		(9,405,341)	(7,037,712)	134	(6,094,846)	(5,252,388)	116	
Taxes paid		(10,771,987)	(8,325,226)	129	(9,904,937)	(7,814,829)	127	
Net cash flows from operating activities		101,741,683	(4,998,120)	-	79,109,189	24,828,034	319	
Cash flows from investing activities								
Receipts from investments in subsidiaries		0	2,599,593	-	0	2,599,593	-	
Payments for investments in subsidiaries		0	0	-	(5,059,502)	(12,066,112)	42	
Receipts from intangible assets		0	135,588	-	0	0	-	
Payments for intangible assets		(613,766)	(723,532)	85	(303,906)	(297,558)	102	
Receipts from property, plant and equipment		5,571,128	6,438,052	87	5,463,074	3,220,357	170	
Payments for property, plant and equipment		(42,884,301)	(62,755,345)	68	(17,182,732)	(41,046,912)	42	
Receipts from investment property		38,808	0	-	38,808	0	-	
Receipts from financial assets available for sale		732,257	16,959,765	4	680,658	16,959,765	4	
Payments for financial assets available for sale		(165,331)	(239,984)	69	(130,283)	(185,518)	70	
Receipts from financial assets held for trading		12,071,470	652,871	-	0	652,871	-	
Payments for financial assets held for trading		(12,493,665)	0	-	0	0	-	
Receipts from loans granted		6,185,219	20,254,723	31	6,903,017	13,759,105	50	
Payments for loans granted		(2,766,713)	(22,230,798)	12	(5,588,637)	(16,765,463)	33	
Interest received		5,809,690	5,371,597	108	5,725,175	5,251,249	109	
Dividends received from subsidiaries		0	0	-	1,939,559	2,250,474	86	
Dividends received from joint ventures		3,384,652	1,611,399	210	3,384,652	1,611,399	210	
Dividends received from associates		2,963,287	3,765,861	79	2,963,287	3,765,861	79	
Dividends received from other companies		447,392	397,514	113	447,392	397,514	113	
Net cash flows from investing activities		(21,719,876)	(27,762,696)	78	(719,437)	(19,893,376)	4	

		т	HE PETROL GROU	Р		PETROL D.D.	
(in EUR)	Notes	31 December 2006	31 December 2005	Index 06/05	31 December 2006	31 December 2005	Index 06/05
Cash flows from financing activities							
Receipts from sale of treasury shares		0	38,362	-	0	38,362	-
Receipts from loans received		1,481,343,628	1,149,121,346	129	358,772,596	411,211,019	87
Payments for loans received		(1,535,836,451)	(1,106,935,153)	139	(410,647,943)	(406,251,261)	101
Bonuses paid to the Supervisory Board		(50,188)	0	-	(50,188)	0	-
Dividends paid to shareholders		(8,073,051)	(7,123,864)	113	(8,073,051)	(7,123,864)	113
Net cash flows from financing activities		(62,616,062)	35,100,692	-	(59,998,585)	(2,125,743)	-
Increase/(decrease) in cash and cash equivalents		17,405,746	2,339,876	744	18,391,166	2,808,914	655
Changes in cash and cash equivalents							
Balance at the beginning of the year		11,275,080	8,928,365	126	7,095,560	4,282,932	166
Translation reserves		(3,030)	6,839	-	(1,907)	3,714	-
Increase/(decrease)		17,405,746	2,339,876	744	18,391,166	2,808,914	655
BALANCE AT THE END OF YEAR		28,677,796	11,275,080	254	25,484,819	7,095,560	359

47. Events after the balance sheet date

There were no events after the balance sheet date that would materially affect the financial statements for 2006.



Appendix to the annual report of the company Petrol d.d. for 2006

Breakdown of financial statements by activities pursuant to the Public Utilities Act and the Energy Act

NOTES TO THE FINANCIAL STATEMENTS ITEMISED BY ACTIVITIES

In preparation of its financial statements and annual report, the Company is obliged to observe the Public Utilities Act provisions, which stipulate that a company holding a concession for a public utility activity shall keep separate accounts in accordance with the Companies Act.

Petrol d.d., Ljubljana conducts its public utility activities in two sectors: energy and water management.

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

The Company's water management activities comprise the treatment of urban and drainage waste waters, for which it has concluded two concession contracts with the municipalities of Murska Sobota and Mežica.

The company Petrol d.d. prepared a balance sheet as at 31 December 2006 and income statement for 2006 separately for natural gas distribution and supply, water treatment and other activities as required by law.

Basic rules and criteria for allocating assets, liabilities, revenues 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, liabilities, revenues and expenses directly connected with a particular cost centre of a concession are recognised directly under that cost centre.

The Company did not receive any government grants. All intangible assets and items of property, plant and equipment are financed from the Company's own resources.

All transactions with related companies are presented in notes to the overall financial statements of the company Petrol d.d., Ljubljana.

Balance sheet as at 31 December 2006

Balance sheet of the company Petrol d.d. as at 31 december 2006 itemised by the Public Utilities Act activities

in SIT 000	Supply of natural gas	Activity of operating natural gas distribution	Activity of urban and drainage waste water	Market activity	TOTAL
A) NON-CURRENT (LONG-TERM) ASSETS	0	system 3,857,529	treatment 2,017,977	114,344,391	120,219,897
I. Intangible long-term assets	0	386,780	310,934	197,979	895,693
Land	0	690	0	20,831,937	20,832,627
Buildings	0	2,761,390	830,117	38,495,094	42,086,601
Other equipment	0	9,330	864,349	4,850,078	5,723,757
Property, plant and equipment under construction or manufacturing	0	576,096	12,304	2,437,435	3,025,835
II. Property, plant and equipment	0	3,347,506	1,706,770	66,614,544	71,668,820
III. Investment property	0	0	0	3,845,669	3,845,669
IV. Investments in subsidiaries	0	0	0	25,180,276	25,180,276
V. Investments in joint ventures	0	0	0	1,722,404	1,722,404
VI. Investments in associates	0	0	0	9,717,271	9,717,271
VII. Financial assets available for sale	0	0	0	2,790,199	2,790,199
VIII. Long-term financial receivables	0	0	0	3,436,339	3,436,339
Long-term operating receivables from subsidiaries	0	0	0	4,089	4,089
Long-term operating receivables from others	0	123,243	0	587,133	710,376
IX. Long-term operating receivables	0	123,243	0	591,222	714,465
X. Deferred tax assets	0	0	273	248,488	248,761
B) CURRENT ASSETS	5,842	257,243	62,225	68,357,755	68,683,065
				0.070	0.070
Spare parts and material	0	0	0	2,070	2,070
Merchandise	5,842	0	0	16,434,827	16,440,669
I. Inventories	5,842	0	0	16,436,897	16,442,739
Financial receivables from subsidiaries	0	0	0	171,948	171,948
Financial receivables from others	0	0	0	926,277	926,277
II. Financial receivables	0	0	0	1,098,225	1,098,225
Operating receivables from subsidiaries	0	0	0	5,388,059	5.388.059
Operating receivables from joint ventures	0	0	0	665	665
Operating receivables from associates	0	0	0	82,745	82,745
Operating trade receivables	0	242,677	51,283	37,818,214	38,112,174
Operating receivables from others	0	1,853	6,056	1,226,809	1,234,718
III. Operating receivables	0	244,530	57,339	44,516,492	44,818,361
IV. Deferred costs and accrued revenues and other assets	0	1,478	0	215,080	216,558
V. Cash and cash equivalents	0	11,235	4,886	6,091,061	6,107,182
		,230	4,000	2,301,001	5,101,102
TOTAL ASSETS	5,842	4,114,771	2,080,202	182,702,146	188,902,962

in SIT 000	Supply of natural gas	Activity of operating natural gas distribution system	Activity of urban and drainage waste water treatment	Market activity	TOTAL
A) EQUITY	0	3,343,111	1,330,226	79,313,244	83,986,582
I. Called-up capital	0	1,525,059	545,836	10,446,910	12,517,806
II. Treasury shares repurchased	0	0	0	(650,840)	(650,840)
III. Capital reserves	0	2,338,004	841,956	16,128,822	19,308,782
Legal reserves	0	0	0	14,797,743	14,797,74
Investment revaluation reserves	0	0	0	215,454	215,45
Other reserves	0	0	0	33,040,858	33,040,85
IV. Legal and other reserves	o	0	0	48,054,055	48,054,05
V. Net profit or loss brought forward	o	(396,701)	(66,585)	463,286	(
VI. Net profit or loss for the year	0	(123,251)	9,019	4,871,011	4,756,779
B) NON-CURRENT LIABILITIES	0	506,559	705,577	27,267,459	28,479,59
I. Non-current financial liabilities to banks	0	150,182	619,423	21,629,389	22,398,99
II. Deferred tax liabilities	0	0	0	64,357	64,35
Provisions for employee benefits	0	0	86,154	366,813	452,96
Other provisions	0	0	0	5,157,984	5,157,98
Long-term deferred revenues	0	43,235	0	36,392	79,62
III. Provisions and long-term	0	43,235	86,154	5,561,189	5,690,57
IV. Non-current operating liabilities to others	0	313,142	0	12,524	325,66
C) CURRENT LIABILITIES	5,842	265,101	44,399	76,121,443	76,436,78
Financial liabilities to subsidiaries	0	0	0	1,858,298	1,858,29
Financial liabilities to associates	0	0	0	283,910	283,91
Financial liabilities to banks	0	0	0	8,066,498	8,066,49
Financial liabilities to others	0	0	0	20,457	20,45
I. Current financial liabilities	0	0	0	10,229,163	10,229,16
Operating liabilities to subsidiaries	0	166,987	953	28,282,504	28,450,44
Operating liabilities to joint ventures	0	0	0	161,896	161,89
Operating liabilities to associates	0	0	0	47,321	47,32
Operating trade payables	5,842	58,475	37,862	9,555,322	9,657,50
Liabilities to employees	0	0	1,947	925,401	927,34
Liabilities to the Government	0	8,770	3,276	23,506,898	23,518,94
Liabilities arising from advances	0	0	0	84,192	84,19
Liabilities relating to distribution of net profit	0	0	0	95,344	95,34
Other current operating liabilities to others	0	12,524	0	396,091	408,61
II. Current operating and other liabilities	5,842	246,756	44,038	63,054,969	63,351,60
III. Corporate income tax liabilities	0	0	0	816,766	816,76
IV. Accrued costs and deferred revenues	0	18,345	361	2,020,545	2,039,25
TOTAL LIABILITIES	5,842	771,660	749,976	103,388,902	104,916,380
TOTAL EQUITY AND LIABILITIES	5,842	4,114,771	2,080,202	182,702,146	188,902,962

The company Petrol d.d., Ljubljana has broken down its balance sheet as at 31 December 2006 as follows:

- intangible assets and property, plant and equipment are allocated as they are actually posted to cost centres;
- long-term operating receivables are allocated as they are actually posted to cost centres;
- deferred tax assets are allocated according to Key 4;
- inventories are allocated as they are actually posted to cost centres;
- current operating receivables relating to trade receivables are
 allocated by profit centres in terms of which profit centre the
 customer belongs to. Receivables from buyers of natural gas are not
 broken down into the natural gas supply and the activity of operating
 natural gas distribution system; they are instead fully recognised
 under the activity of operating natural gas distribution system.
 Current operating receivables from the Government for VAT, taxes
 and excise duties are allocated according to Key 1;
- cash and cash equivalents are allocated according to Key 2;
- deferred costs and accrued revenues and other assets are allocated as they are actually posted to cost centres;
- where there are differences between assets and liabilities, called-up capital and capital reserves are allocated by individual profit centres depending on whether there is a surplus of assets over liabilities or vice verse;
- net profit or loss brought forward was transferred in accordance with separate statements from previous years;
- net profit or loss for the year is calculated in the income statement for the current year;
- provisions for employees benefits are allocated according to Key 4;
- long-term deferred revenues are posted directly to cost centres;
- long-term financial liabilities are recognised as long-term loans and are allocated to activities according to Key 3;
- long-term operating liabilities are posted directly to individual activities;
- current operating liabilities relating to trade payables are allocated as they are actually posted at cost centres; current operating liabilities to the Government for VAT, taxes and excise duties are allocated according to Key 2;
- current operating liabilities to employees are allocated according to Key 4;
- current accrued costs and deferred revenues are allocated as they are actually posted to cost centres.

Keys:

- **Key 1:** Is calculated on the basis of costs of material and services in the current year.
- **Key 2:** Is calculated on the basis of net sales revenues in the current year.
- **Key 3:** Is calculated on the basis of actual investment value in the current year relating to individual profit centres.
- **Key 4:** Is calculated on the basis of labour costs in the current year.

Income statement for the year ended 31 December 2006

Income statement of the company Petrol d.d. for 2006 itemised by the Public Utilities Act activities

in SIT 000	Supply of natural gas to eligible customers	Supply of natural gas to tariff customers	Activity of operating natural gas distribution system	Activity of urban and drainage waste water treatment	Market activity	TOTAL
Revenues from services sold	0	0	291,618	373,064	6,432,838	7,097,520
Revenues from merchandise sold	339,971	309,712	0	0	431,796,962	432,446,645
Net sales revenues	339,971	309,712	291,618	373,064	438,229,800	439,544,165
Cost of merchandise sold	(339,971)	(309,712)	0	0	(395,918,379)	(396,568,062)
Gross profit or loss from sales	0	0	291,618	373,064	42,311,421	42,976,103
GIOSS PIONE OF IOSS HOM Sales	•	•	291,010	373,004	42,511,421	42,970,103
Costs of material	0	0	(72,785)	(47,429)	(1,598,747)	(1,718,961)
Costs of services	0	0	(231,981)	(132,146)	(23,385,633)	(23,749,760)
Labour costs	0	0	0	(12,924)	(6,117,138)	(6,130,062)
Depreciation and amortisation	0	0	(105,905)	(133,692)	(5,214,845)	(5,454,442)
Write-offs	0	0	(23)	0	(732,672)	(732,695)
Other costs	0	0	(4)	(70)	(275,712)	(275,786)
Operating expenses	0	0	(410,698)	(326,261)	(37,324,747)	(38,061,706)
Other operating revenues	0	0	12,524	0	4,241,371	4,253,895
Other operating expenses	0	0	(8)	0	(558,046)	(558,054)
Operating profit or loss	0	0	(106,564)	46,803	8,669,999	8,610,238
Financial revenues from interests	0	0	0	0	1,986,016	1,986,016
Financial revenues from long-term					1,900,010	1,960,010
receivables	0	0	0	0	543,896	543,896
Financial revenues from current receivables	0	0	0	0	7,225,260	7,225,260
Financial revenues	0	0	0	0	9,755,172	9,755,172
Financial expenses for write-offs of long-term and current investments	0	0	0	0	(9,338)	(9,338)
Financial expenses for interest and other liabilities	0	0	(7,611)	(38,058)	(6,530,361)	(6,576,030)
Financial expenses	0	0	(7,611)	(38,058)	(6,539,699)	(6,585,368)
Profit or loss before taxes	0	0	(114,175)	8,746	11,885,472	11,780,042
Corporate income tax	0	0	0	0	(2,450,910)	(2,450,910)
Deferred taxes	0	0	(9,076)	273	193,228	184,425
Net profit or loss for the year	0	0	(123,251)	9,019	9,627,790	9,513,557

The company Petrol d.d., Ljubljana has broken down its 2006 income statement as follows:

- net sales revenues are allocated as they are actually posted to cost centres:
- acquisition cost of merchandise sold is allocated as it is actually posted to cost centres;
- costs of material and services are allocated as they are actually posted to cost centres;
- labour costs are allocated according to Key 4. The key is calculated on the basis of a ratio between the waste treatment plant population units:
- costs of depreciation and amortisation and allowances for receivables are allocated as they are actually posted to cost centres;
- other costs, other operating expenses and other operating revenues are allocated as they are actually posted to cost centres;
- financial expenses are allocated according to Key 3. The key is calculated on the basis of actual investment value in the current year relating to individual profit centres. The basis for calculating the value of financial expenses is the assumption that D/E = 40/60 and an interest rate of 4 % per annum;
- deferred tax is allocated as it is actually posted to cost centres and according to Key 4.

Description of concession contracts

1. Municipality of MURSKA SOBOTA

The concession contract was signed on 9 September 2002.

SUBJECT OF THE CONTRACT: Construction of a new waste treatment plant in Murska Sobota and construction of a pressurised line to the sewerage system of the city of Murska Sobota intended to transport waste waters from Bakovci to the central waste treatment plant in Murska Sobota, and performance of the mandatory economic public service of urban and drainage waste water treatment in the Municipality of Murska Sobota.

DURATION OF THE CONTRACT: 25 years.

2. Municipality of MEŽICA

The concession contract was signed on 11 December 2001.

SUBJECT OF THE CONTRACT: Construction of the central waste treatment plant and cleaning of waste waters from the sewerage system in the Municipality of Mežica.

DURATION OF THE CONTRACT: 15 years.

3. Municipality of TRZIN

The concession contract was signed on 6 February 2002.

SUBJECT OF THE CONTRACT: Concession for construction, management and supply with natural gas distributed via a network.

DURATION OF THE CONTRACT: 30 years.

4. Municipality of MENGEŠ

The concession contract was signed on 28 December 2001.

SUBJECT OF THE CONTRACT: Concession for construction, management and supply with natural gas distributed via a network.

DURATION OF THE CONTRACT: 30 years.

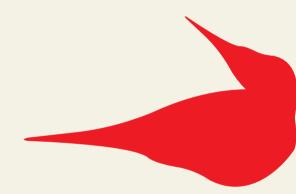
5. Municipality of DOMŽALE

The concession contract was signed on 10 September 2002.

SUBJECT OF THE CONTRACT:

- 1. Right to exploit, manage and maintain the existing public local gas transmission network for natural gas supply owned by the Municipality of Domžale.
- 2. Development, planning and acceleration of the natural gas supply in the Municipality of Domžale.
- 3. Construction of a local gas transmission network and the accompanying facilities used in supplying natural gas in the Municipality of Domžale.
- 4. Supply of natural gas via a gas transmission network in the Municipality of Domžale.
- 5. Management and maintenance of a gas transmission network for distribution of natural gas and other facilities and equipment used in supplying natural gas.

DURATION OF THE CONTRACT: 30 years.





Petrol, Slovenska energetska družba, d.d.

Dunajska cesta 50 1527 Ljubljana

telefon: 01 / 47 14 332 telefax: 01 / 47 14 809

www.petrol.si

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Net sales revenues: EUR 1.95 billion (SIT 468 billion) Net profit: Pre-tax profit: EUR 36.1 million (SIT 8.6 billion) EUR 45.8 million (SIT 11 billion) **Profitability of** operations: 1.23 Investments in Petroleum products fixed assets sold by the Petrol Group: of the Petrol Group: 1.96 million tonnes EUR 119.5 million (SIT 28.6 billion) Long-term debt ratio: 0.37

These are our challenges



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