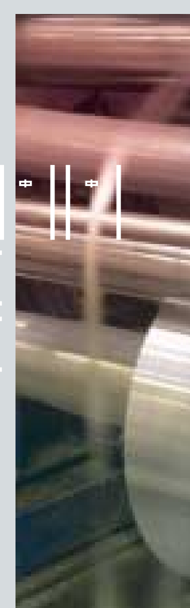
Impol LP 2004 OK ANG 24.6.05 8:13 Page 1

Annual Report 2004

IMPOL, d. d.

May 2005



Impol is a joint stock company forming a business group with ten associated companies and subsidiaries, two of them abroad.

Business activities of the Impol business group are manufacture of aluminium into rolled, pressed, drawn, forged and other products.

Our mission is manufacture of light metals, especially aluminium, into products that meet our customers' highest possible expectations of value.

The basis of the company and the group is business excellence which ensures the fulfilment of our vision – to become a successful international company.

Basic values of Impol business group are: quality, flexibility, agility, reliability and trust, protection of environment and employees' health, corporate loyalty, team work, and constant education, improvements and inventiveness of all employees.

To achieve our goals and meet the expectations of business partners we apply an integrated system of quality control, environment protection as well as health and safety. We examine the efficiency of our efforts according to the business excellence model.

Impol,
industrija metalnih polizdelkov, d. d.

The company Impol, industrija metalnih polizdelkov, d. d., Slovenska Bistrica, Partizanska 38, is registered in the Company's Register of the District court in Maribor as of 19 May 1997 as a joint stock company with the decree number 96/01315, number of entry 1/00460/00. The company is registered under the Standard Classification of Activities code 28.400, i.e. forging, pressing, stamping and rolling of metal as well as powder metallurgy.

The company's register number is 5040736.

The share capital of the company as of 31 December 2004 amounted to SIT 4,063,000,000.00 and is split into 4,063,000 ordinary shares with nominal value of SIT 1,000.00 per share.

The book value of shares as of 31 December 2004 amounted to SIT 4,960.81.

Associated companies, where Impol, d. d. holds the majority stake, are:

Impol Montal, d. o. o.
Impol Stanovanja, d. o. o.
TGP Štatenberg, d. o. o.
Unidel, d. o. o.
Impol Aluminum Corporation
Impol Seval, a. d.
Stampal SB, d. o. o.
Other associated companies of Impol, d. d.:
Simfin, d. o. o.
Alcad, d. o. o.
Impol Kadring, d. o. o.
Impol 2000, d. d.

Important Achievements in 2004

In 2003, Impol group for the first time exceeded 100,000 tons of manufactured and sold aluminium. In 2004, as much as 122,233 tons were manufactured and sold. Back in 1999, Impol had only manufactured a half of that, i.e. 64,040 tons.

In 2004, Impol, d. d. became the sixth biggest Slovenian exporter into EU member states.

In Impol, 2004 was a year of introducing new technologies as well as optimising production in the rolling and pressing departments. The share of rolled products is approaching 60% of total production.

Last year, Impol was again one of the three finalists for the Slovenian Business Excellence Prize and received two special rewards for improved introduction of the business excellence method.

Also in 2004, casting and tube production processes received the ISO TS 16949 certificate along with special demands for the application of the ISO 9001 standard for mass production and production of parts for the automotive industry.

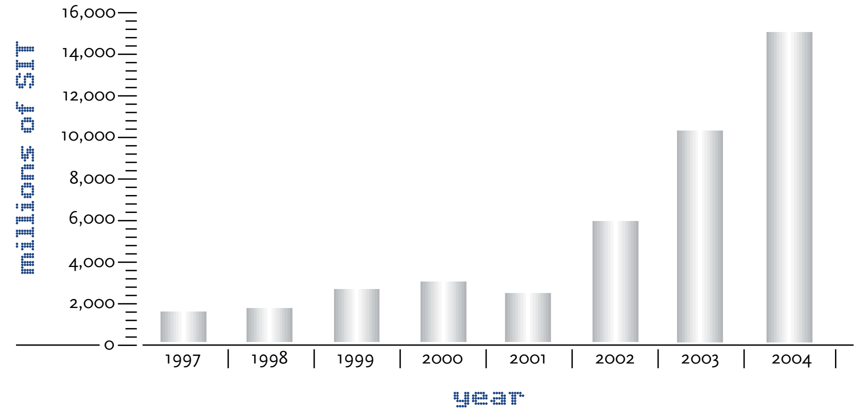
Impol is successful in developing its own research activities – in 2004, 18 researchers produced 40 development and research papers.

Impol has again proven its ecological awareness in consumption of resources. Consumption of technological water in 2004 went down compared to the previous year for as much as 52%, i.e. 387,000 cubic meters.

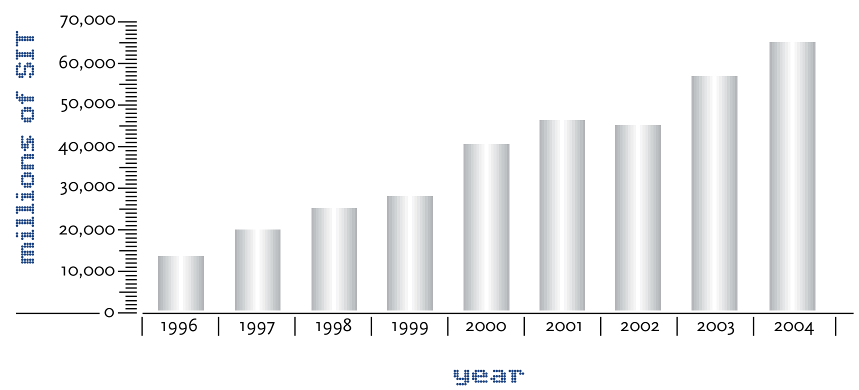
In 2004, Impol concluded preparations for a process organized company.

Last Eight Years

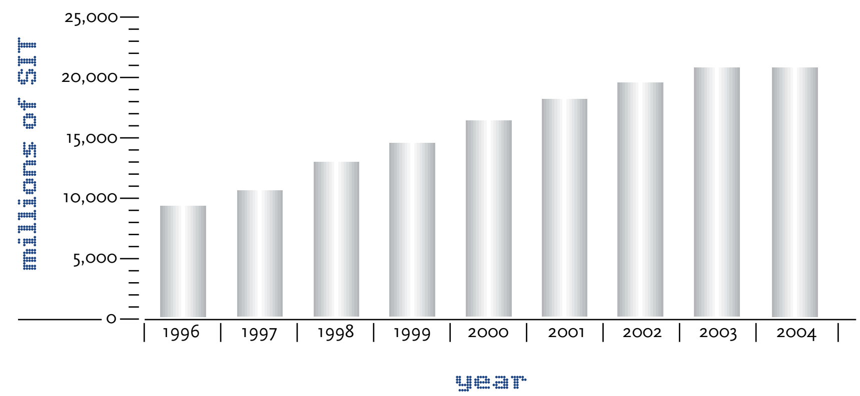
Long-term investments (in mil SIT)



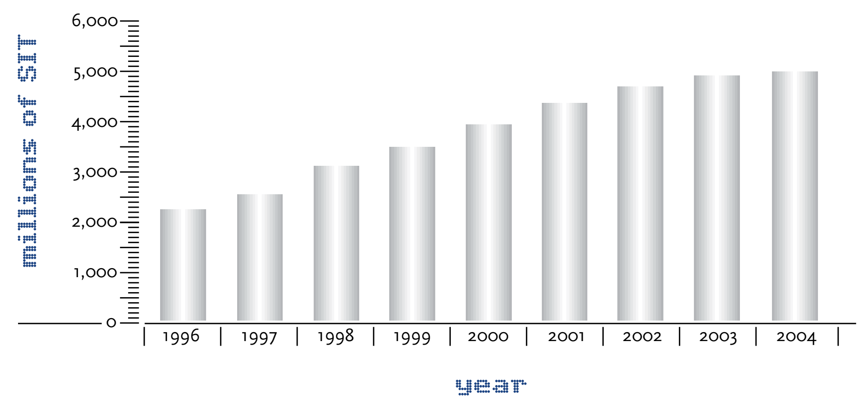
Sales (in mil SIT)



Capital (in mil SIT)



Book value of shares (in mil SIT)



in SIT millions

	1997	1998	1999	2000	2001	2002	2003	2004
Sales	20,205	25,517	28,117	40,251	46,320	46,184	56,327	64,670
– products	19,986	25,309	27,808	39,640	45,694	44,302	44,052	49,396
– other	218	208	309	611	626	1,881	12,275	15,274
Profit								
– before tax	332	1,191	1,332	1,521	1,094	1,080	1,198	454
– net profit	331	998	1,082	1,431	1,050	1,057	1,172	454
Depreciation	640	765	917	997	1,335	1,366	1,606	2,350
Operating cash flow	971	1,763	1,999	2,428	2,385	2,417	2,778	2,803
Investment								
– long-term	11,110	11,831	13,586	15,658	16,812	21,414	30,449	34,284
– short-term	6,490	7,190	10,194	14,708	14,490	20,177	21,435	23,243
Annual investments	1,374	1,486	2,672	3,069	2,490	5,967	10,641	15,220
Capital (& provisions)	10,721	12,740	14,372	16,639	18,472	19,179	20,052	20,156
Long-term liabilities	1,728	1,318	1,597	2,234	2,597	6,748	8,973	8,365
Short-term liabilities	5,150	4,963	7,811	11,493	10,233	15,648	22,788	29,003
Shares outstanding (in 000)	4,063	4,063	4,063	4,063	4,063	4,063	4,063	4,063
Dividends								
– per share		74	74	74	74	77,7	80	80[1]
– total annual payout		300	300	300	301	316	325	325
– share book value	2,639	3,136	3,537	4,095	4,546	4,720	4,949	4,961
Number of employees - average								
– Impol system-total	836	868	904	942	944	947	1,952	1,833
– Impol, d .d.	803	834	863	895	900	902	956	976
Net sales/Impol, d. d. Eur/annually	147,798	164,068	176,026	226,714	237,231	229,999	230,245	265,167
Sales in tons/annually Impol, d. d.	51,024	56,134	64,040	73,936	80,378	84,452	87,716	98,727
Sales in tons/annually Impol system-total							107,198	122,233
Production per employee Impol, d. d. in tons	63.5	67.3	74.2	82.6	89.3	93.6	91.8	101.2
Productivity before tax	3.3%	7.7%	10.1%	9.9%	6.0%	5.3%	6.0%	2.3%
Production upon program in Impol								
– rolled products	27,057	31,660	37,933	40,604	41,172	43,851	43,010	73,809[2]
– extrusions and bar production	23,918	26,112	30,324	34,398	38,997	41,077	45,034	48,424
– share of rolled products	53%	55%	56%	54%	51%	52%	49%	60%
– share of extrusions and bar production	47%	45%	44%	46%	49%	48%	51%	40%

Sales in regions in 2004

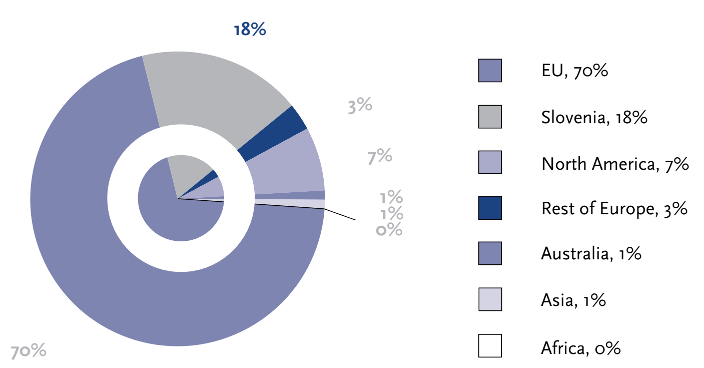


Figure 1:
Sales in regions and countries

[1] Proposal for shareholder meeting
[2] Including the production for the market in Impol Seval a.d. Serbia and Montenegro.

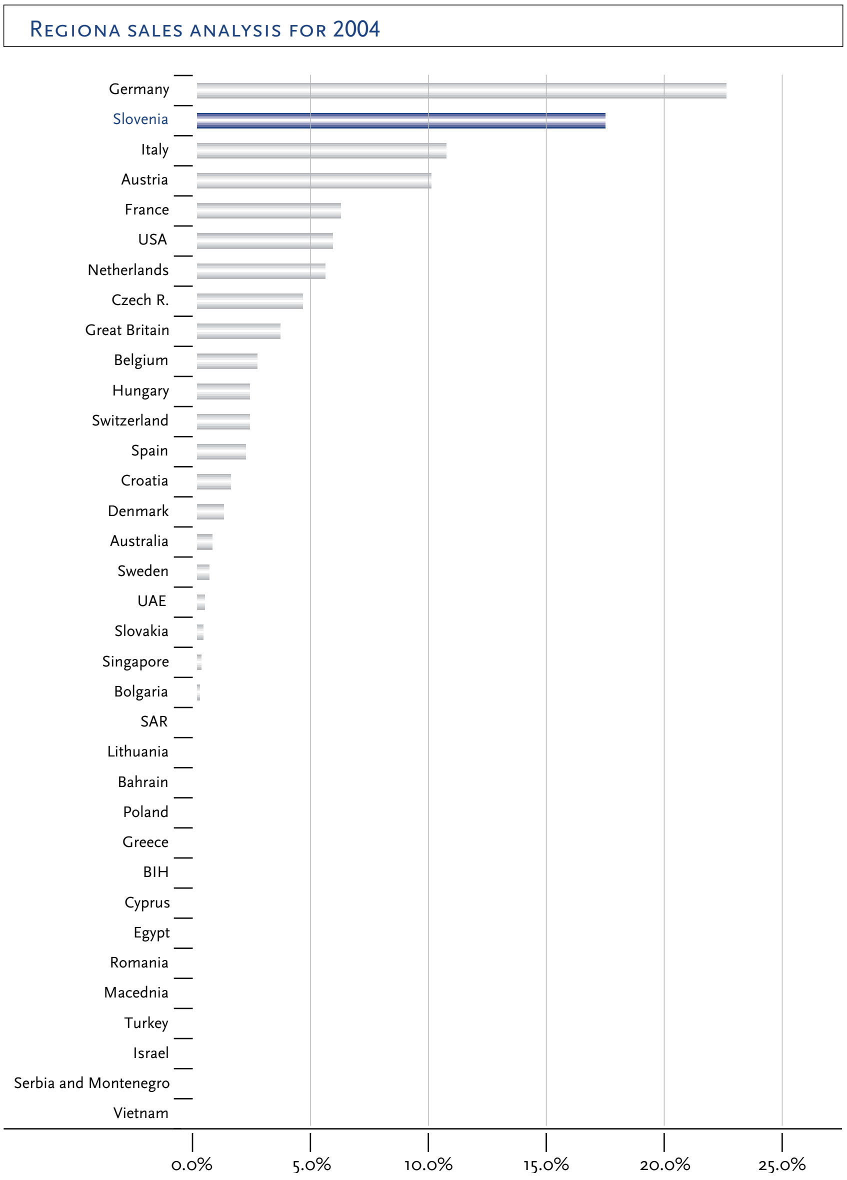
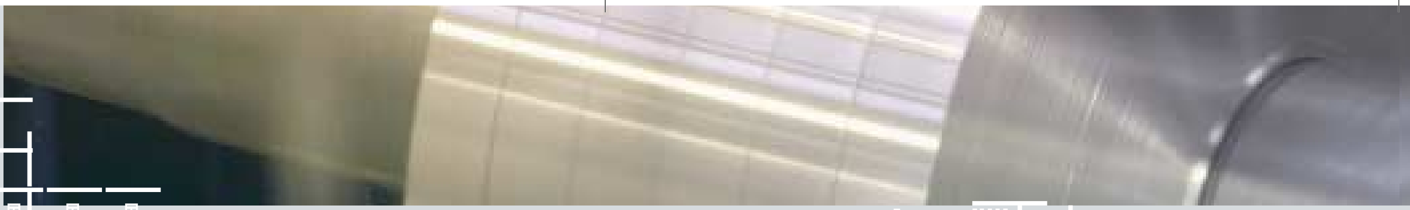


Figure 1a:
SALES IN REGIONS AND COUNTRIES



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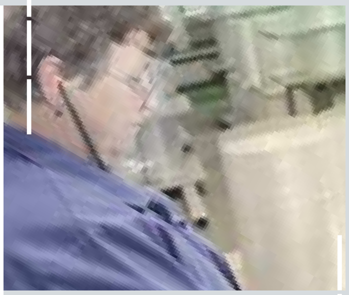
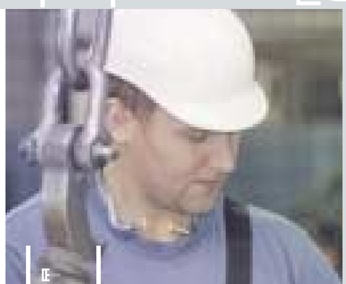
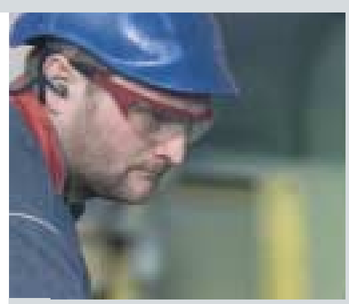
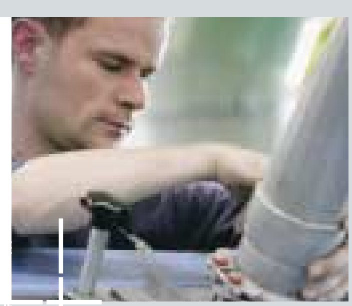
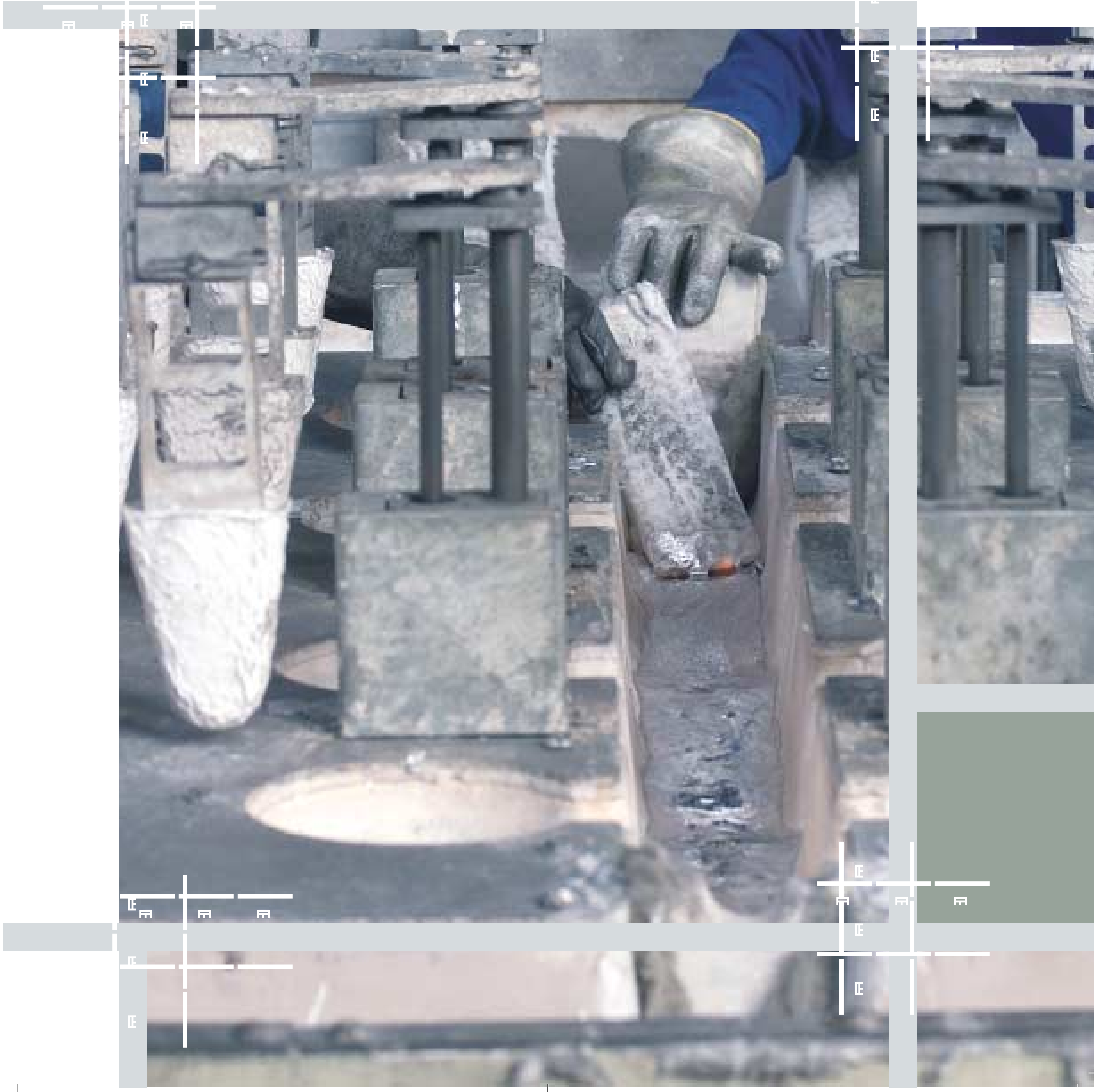


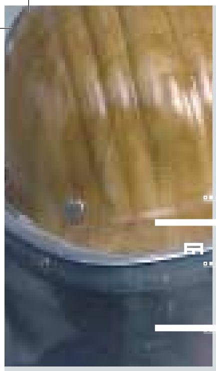






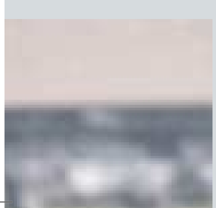
Foreword by the President of the Board





Impol's 2004 business year was defined by three very different periods. First, in the period before Slovenia joined the EU, the trends which had started in 2003 prevailed.

The first period was followed by a period of adaptation, when Impol started to conquer a new production process and developed its marketing knowledge due to incorporation of new production capacities in the production process itself and adaptation to the new EU work environment. Third and final period has been a period of Impol's consolidation and restructuring. This trend is set to continue in 2005 as well.



Impol's 2004 business year was defined by three very different periods. First, in the period before Slovenia joined the EU, the trends which had started in 2003 prevailed. The first period was followed by a period of adaptation, when Impol started to acquire new production and marketing knowledge due to incorporation of new production capacities in the production process and adaptation to new EU work environment. Third period has been a period of Impol's consolidation and restructuring. This trend is set to continue in 2005.

We are doing business in a sector that involves serious global competition. Our competitors are big multinational companies determined to expand on and gain control over the global market. These are strong US and EU companies which have gained influence over the past few years with acquisitions all over the world. In particular, these are ALCAN (Alcan, Pechieny, Alusuisse) and ALCOA (Alcoa, Reynolds) as well as the European-based HYDRO (Hydro, VAW). It is impossible to survive in such circumstances without high quality products, processes and an excellent overall business process:

In 2004 Impol pursued three main goals:

- completing the renovation of rolling programmes and partial renovation of the extrusion programme;
- optimising and integrating production programmes of rolling, irrespective of the installation process of certain parts;
- to produce 133,400 tons of aluminium products for its customers;
- various other goals aimed at satisfying shareholders, employees and other participants.

The main goal set by Impol during 2003 was to increase production to 175,000 tons by 2007, enabling the company to retain its position among medium-large aluminium producers. The accomplishment of this goal remains difficult and might get even harder under consideration of various new factors.

Impol's main focus remains aluminium processing, offering a large range of products designed especially for further production which means that each production process will still be driven by buyers' orders.

2004 was demanding for Impol in many aspects:

- it was a year in which Impol system sales exceeded a quarter of EUR 1 billion while gross turnover in the system exceeded EUR 365 million (on consolidated terms);
- it was a year that required intensive financing innovations due to intense invest-ment and big changes in the business environment;
- it was the first year of operation within the EU (with Slovenia as a member state), which resulted in high growth of purchase prices of raw materials (custom duty etc.), which account for 65% of all investment in the production process;
- it was the year in which major investments in the restructuring of rolling programmes were mostly completed;

- IT WAS THE YEAR WHEN NEW TECHNICAL SKILLS WERE ACQUIRED DUE TO INTENSE INVESTMENT INTO KNOWLEDGE; AND
- IT WAS THE YEAR IN WHICH THE PARTIAL RESTRUCTURING PROCESS OF RODS, BARS AND TUBES PROGRAMMES WAS FINISHED.

We estimate that Impol has persistently and successfully increased its sales in the internal market (the EU since 1 May 2004), while the company has also reached a balance between the social status of its employees, shareholders' expectations and its own need for further development. By doing so, Impol assured itself further growth in accordance with its long-term dynamic strategy putting greatest emphasis on the development of basic organic growth.

In 2004, Impol had to increase its scale of business in order to achieve satisfactory cash flows, which clearly demonstrates that business conditions are becoming even

Board of Directors of Impol, d. d.: Jernej Čokl, president, Janko Žerjav, Vlado Leskovar and Adi Žunec tougher. The increase came especially through a boost in its sales of rolled products. This means that Impol's subsidiary in Serbia and Montenegro has been constantly expanding its production.

Impol is not a publicly traded company in the Slovenian capital market, which allows Impol's shareholders to evaluate their investments through an objective estimation of the company's value based on the company's financial statements. The company has not changed the number of outstanding shares (4,063,000 shares) so the book-value of the shares only changes through increases in capital which in 2004 grew from SIT 4,949 per share (or EUR 20.91 per share) to SIT 4,961 per share (or EUR 20.69 per share). The company's net income in 2004 was lower than in 2003, mainly due to significant increases in depreciation (21.88% compared to 2003). However, cash flow remained at the 2003 level.

Impol continues to operate as a concern encompassing in the balance sheet of the parent company all operating results of its subsidiaries via the capital method through financial income or expense. As a result, Impol's results also reflect results of all companies included in the system in which Impol directly or indirectly manages, controls or holds a minimum of 20% of shares.

In order to ensure optimal financing conditions for investment in development and in tangible assets, enabling stable operations, Impol boosted the level of its financing sources by acquiring additional credits.

We will continue to provide demanding and high quality products and services that meet the market demand and ensure customer satisfaction. With this in mind, we carried out all our investments in assets, which in 2004 accounted for SIT 6.2 billion (approx. EUR 26 million).

We believe that in the aluminium production sector (including producers and less manufacturers,) we are witnessing a process of intense concentration; extremely high growth in China and consolidation in Russia. On the one hand, the market situation is becoming increasingly difficult and the competition is becoming tougher while, on the other hand, this process still shows the industry to have great growth potential and in the long term, to remain attractive, which is one of the core aims of the Impol system.

We estimate that through price increases of competitive materials and raw materials as well as through the development of new Al alloys the competitive advantage of aluminium products compared to similar or identical products made of other materials is only increasing over time, enabling the Al market to expand to other market segments such as transport industry and personal vehicle production. In accordance with that, Impol will remain focused on its research and development projects to assure the optimal customer satisfaction for all demanding buyers, especially in the EU market.

Impol knows that the local environment is one of the most important generators of growth and, since it is most important to preserve and provide employment, all investments are made with this fact in mind. We are aware that in order to ensure quality and sustainable employment it is necessary to constantly invest in modernisation, namely up to EUR 50,000 annually per job. The opening of new jobs is still extremely expensive for capital intensive industries and amounts to EUR 1 million and more per job. Therefore, the investment requires a thorough analysis.

Impol is aware that its business decisions can have an influence on the environment and it is therefore starting to include more and more secondary aluminium materials. Currently secondary aluminium amounts to 7% of total raw material, the goal is, however, to reach 10%. On the other hand, the maintenance of production in accordance with the environmental standards set by the ECO ISO 4001 standard prevents environment pollution through harmful emissions. As soon as in the process of planning and executing various investments in new production capacities, Impol takes care not to have any negative effects on the environment.

Impol will continue to assure that all knowledge acquired within the company will be preserved and improved. Impol encourages the acquisition of new knowledge leading to increased productivity by offering its employees:

- stimulation for improving their results;
- stimulation for taking part in the processes of innovation, improvement and other development projects;
- a complementary pension security schedule scheme; and
- a safe and healthy environment in accordance with the acquired OHSAS 18001 standard.

Impol will carry on putting great emphasis on employee training, since it is only possible to achieve customer satisfaction through appropriate knowledge of our employees.

In 2004, Impol also took part in the EFQM project and made it to the finals of the Slovenian Business Excellence Prize, for which it received two special rewards. In this way, Impol is checking if it has reached a satisfactory level of operations acceptable for the customers, the company and other participants.

The company's dividend payout policy has remained unchanged for the past 4 years, so the Board of Directors proposed to set dividends at SIT 80.00 per share.

Board of Directors of Impol, d. d.

Jernej Čokl
President of the Board of Directors

Report by the President of Supervisory Board

Supervisory Board of Impol, d. d.:
Brigita Juhart,
Branko Ačko,
Milan Cerar, president,
Peter Vuk and
Davorin Brodnjak

Report of the Supervisory Board

At its regular session on 17 May 2005, the Supervisory Board of Impol, d. d., Slovenska Bistrica examined the business report of the Impol group and the proposal for the company's balance profit usage in 2004, both prepared by the company's Board of Directors. The examination was according to competences from article 274.a, Companies Act. The Supervisory Board has drawn following conclusions:

In 2004, the Supervisory Board examined the management of the company at four sessions where current company operation and the work of the Board of Directors were discussed. The Supervisory Board also examined the execution of financial investments. Upon the motion of the Board of Directors, the Supervisory Board also discussed and confirmed company's operation plan and its business policy for 2005.

At its sessions, the Supervisory Board most commonly discussed issues concerning the developmental and investment cycle of Impol, d. d., especially the overall modernisation of rolling in Slovenska Bistrica and Sevojno, Serbia. The Supervisory Board particularly examined the execution of investments in Sevojno. Further, the Board was controlling the introduction of process organization in the company. It can be concluded that the Board of Directors was delivering correct and objective information on company's operation and on adopted planned obligations. Moreover, the Board of Directors continuously and consistently implemented decisions by the Supervisory Board.

All Supervisory Board sessions were attended by a quorum. Head and members of the Supervisory Board received written monthly reports on company's operation.

The business report contains an audit report by the audit company AUDITOR, d. o. o. Ptuj, confirming that according to Slovene Accounting Standards the financial statements give a true and fair picture of Impol's financial situation as of 31 December 2004. The same is true for Impol's operation results and financial flow in the period that ended on that date. The business report by the Board of Directors is in accordance with the accounting statement. The Supervisory Board has no remarks on the audit report.

The Supervisory Board has no remarks on the business report of Impol, d. d., for 2004, approves it and puts forward a proposal for the Assembly to give a discharge to the Board of Directors for the 2004 business period.

Upon the proposal of the Board of Directors, the Supervisory Board discussed the plan of equity, balance profit and profit after the 2004 financial period. The Supervisory Board suggested the Assembly of Impol, d. d. to adopt the plan.

Milan Cerar,
President of Supervisory Board

Business Review Impol, d. d.

Impol has been operating continuously for 179 years (since 1825). We have been processing aluminium since 1950 (detailed programme at http://www.impol.si), when global aluminium production was somewhat over 1 million tons, whereas today's global production already amounts to 30 million tons annually, as shown in the following figure.

Impol has increased its market share among semi-aluminium producers (out of new aluminium materials) to around 4‰ globally, compared to the 3‰ figure of the previous year. Now other companies are including more and more old aluminium in the production process – globally, around 10 million tons per year, in the EU, 4.7 million tons with Impol's share still around 3‰.

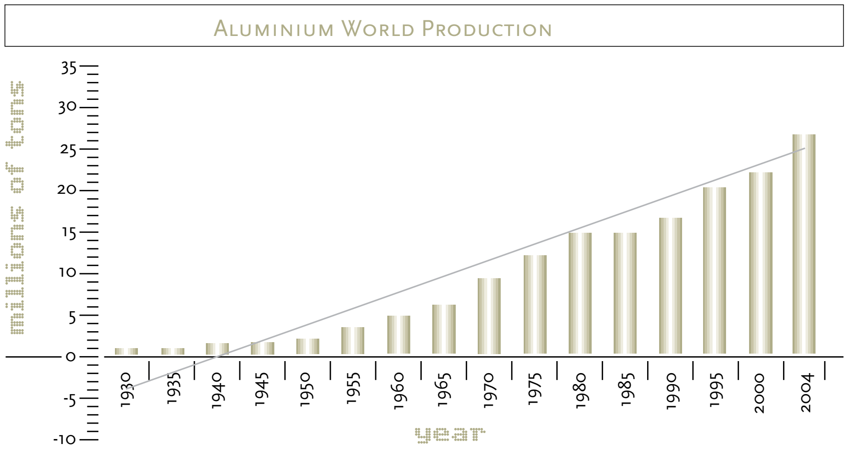


Figure 2:
Annual global aluminium production in millions of tons

Impol is a joint-stock company (4,063,000 ordinary shares) with the following shareholder structure:

Shareholder	Share
Impol 2000, d. d.	48.9%
Kapitalska družba, d. d., PPS	14.5%
Kapitalska družba PIZ, d. d.	9.7%
Infond Holding, d. d.	7.5%
D.S.U., d. o. o.	6.0%
Infond Holding 1, d. d.	3.9%
Zlata moneta I, d. d.	3.8%
Upimol 2000, d. o. o.	2.5%
Others	3.3%

Table 1: Shareholder structure

Impol's activity is processing aluminium into rolled, pressed, drawn, forged and other products.

Impol is organised and functions as a concern and as such includes all the operating results of its subsidiaries via the capital method through financial income or expense according to the Slovenian Accounting Standards (SRS) in the balance sheet of the parent company and so Impol's results also reflect the results of all companies included in the system.

In 2004 Impol was not engaged in broadening its activities to any new areas since all attention was focused on consolidating capacities and maximising the their potential use.

Company	Share
Impol Seval a.d., Serbia	70.0%
Stampal SB, d. o. o.	100%
IAC, New York	90.0%
Impol Stanovanja, d. o. o.	100%
Štatenberg, d. o .o.	99.6%
Unidel, d. o. o.	72.6%
Impol Montal, d. o. o.	100%
Simfin, d. o. o.	49.5%
Impol Kadring, d. o. o.	49.0 %
Alcad, d. o .o.	32.0%

Table 2: Associated companies and subsidiaries

Impol only has two subsidiaries located outside of Slovenia: Impol Seval, which owns 100% of four other companies, and IAC New York which moved from New Rochele to Schnectady at the end of last year.

Some of the most important operating indicators of 2004 clearly show that from the cash flow point of view the business year was satisfying, despite the strong influence of political and economic oscillations.

	97	98	99	00	01	02	03	04
Operating current assets indicator	1.9	1.8	1.8	2.2	2.2	1.8	2.2	3.1
Profitability	3.3%	8.0%	7.5%	8.6%	5.7%	5.5%	5.6%	2.3%
Margin	1.5%	3.9%	3.6%	3.5%	2.3%	2.2%	2.3%	0.7%
Equity/assets	60%	66%	60%	55%	59%	46%	38%	35%
Debt/equity	67%	52%	67%	83%	69%	117%	160%	185%
Long-term debt /equity	15%	12%	12%	14%	14 %	35%	45%	41%
Employees	838	830	860	895	900	902	956	976

Table 3: Key operating indicators

As a result of an intensive development programme which was in its final stages in 2004, Impol additionally increased its financial leverage to fund intensive investment programmes (investment in fixed assets of around SIT 6.2 billion or EUR 26 million) and increased the physical extent of operations (investment in current assets of around SIT 9.8 billion or EUR 41 million).

Production programme

Impol's production programme includes the following:

- production of all sorts of rolled Al products (strips, sheets, embossed and formed sheets, painted strips ...);
- foils;
- extrusions;
- bars, rods and tubes; and
- forgings

and it did not undergo any major products changes in 2004. However, the structure of the programme shares has changed. The share of foils has been growing, since they represent the most sofisticated product in the sector of rolled products.

Due to demanding technical-technological implementation of new products and some delays in the process of restructuring of the rolling mill at Seval, production plans were lagging for around 8.5%, and only normalised by the end of the year. The production of drawn bars also lagged behind the plan, which was due to a too slow implementation of new equipment for drawing bars. The new technology proved to be more difficult than previously expected. In the production of foils, additional

Production quantities of different product segments

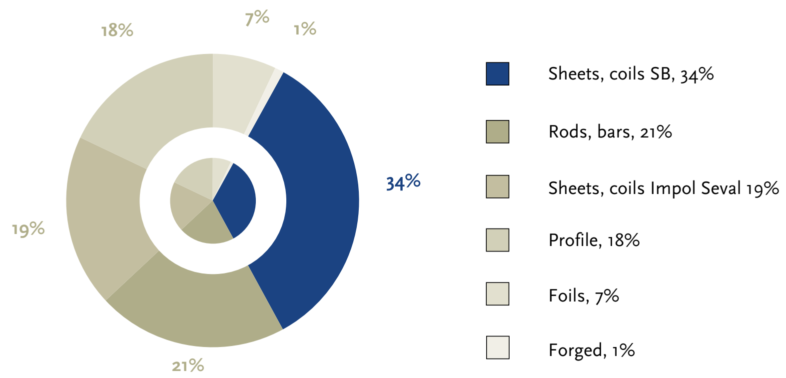


Figure 3:
Production quantities of different product segments

programme adjustments will have to be made, due to differences in quality and characteristics of input strips (used for foils) and due to market restructuring.

The production programme as a whole was previously put in line with sales since the whole industry is based on orders and will remain so in the future, given the nature of the product.

The quantities (in tons) of certain products are produced in the following shares.

Rolled products have the highest share (around 60%). The production of foils will grow rapidly. To keep up these figures, we will have to invest, as soon as possible, in additional foundry capacities for the production of suitable inputs used for producing rolled materials. The share of pressed products is currently 40% of total quantity and it will remain the same even though the market is saturated with profiles.

Our clients and the market

Impol sells its products all around the world. The most important markets are the same as in the previous year, namely: Germany, Slovenia, Italy, the Netherlands etc. (see Figure 1). Impol's clients are mainly producers in automotive industry and other transport industry, construction industry, power industry, industry of heat exchangers, industry of household appliances and some other producers.

Impol offers its clients a wide range of aluminium rolled and pressed products that are tailor-made to meet individual needs of a client. Consequently, its production process is organised and run as individual production, but performed as mass production in order to meet price expectations of clients.

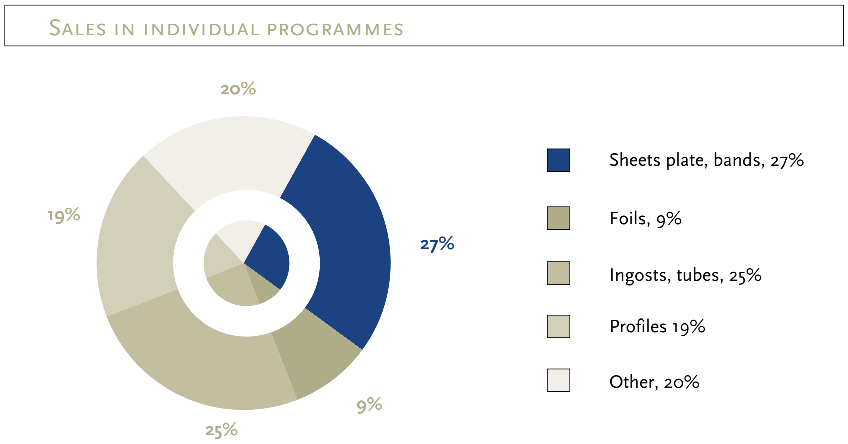


Figure 4:
Sales in individual programmes

Year	Sales in tons	Index of sales volume
1996	41,238	
1997	51,024	1.24
1998	56,134	1.10
1999	64,212	1.14
2000	74,092	1.15
2001	80,378	1.08
2002	84,452	1.05
2003	107,778	1.28
2004	122,233	1.13
Planned for 2005	138,665	1.13

Table 4: : Quantities and indexed volumes of sales

Since aluminium is a commodity, its price is very volatile, that is why its sales volume alone does not show Impol's actual activity on the market. The activity is evident from the constant increase in the volume of sales, and its growth is also expected in 2005. However, the total sales volume also includes the sales of associated companies.

The reviewed period shows a constant high growth of production levels. In 1997, Impol was ranked 9th on the list of the biggest Slovenian exporters; in 1998, it was ranked 7th, and in 2004 Impol was ranked 6th.

Figure 1 shows that Impol's most important markets are EU markets which, together with the local Slovenian market, represent more than 90% of total sales.

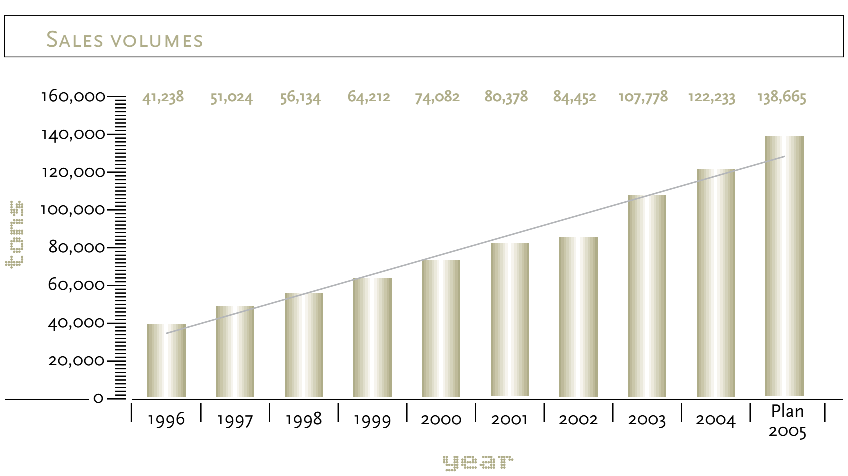


Figure 5: Sales volumes

Purchase market and risks

The main purchases are performed centrally in line with the rule of achieving optimal purchase conditions in terms of price, purchasing terms, cost and quality. Aluminium materials represent more than 70% of all purchases.

Impol's most important suppliers are suppliers of aluminium materials. Around 75% of aluminium material is imported. Consequently, the terms and purchase price of aluminium materials heavily depend on the price set at the London Metal Exchange (LME) and its volatility. Impol has been constantly expanding the manufacture of secondary aluminium which is in line with the company's business guidelines to protect the environment.

In 2004, purchase prices grew considerably compared to the previous year which was a consequence of Slovenia's accession to the EU – customs duties rose by approximately EUR 100 per ton while aluminium prices at the LME increased by approximately EUR 100 per ton.

Since aluminium is purchased on the basis of tradable prices, Impol uses special instruments to secure some purchase prices (hedging). At the end of 2004, Impol had open positions of SIT 2.2 billion (EUR 9.2 million or 6,750 tons of aluminium).

Business conditions

Impol operates in a sector that involves a few huge producers and a shrinking number of small competitors (Impol's biggest competitors are 80-times bigger than Impol). Impol like many others has to adapt to the changed business conditions and compete against stronger competitors with an internal organic growth and business cooperation with companies in a simmilar situation. Consequently, shareholders base their dividend policy on schemes that enable investments in development by earmarking an optimal part of the profit for reserves.

Development processes

We will reduce the number of organisational levels by intensively managing and implementing systems of work delegation, coupled with the process of gradual decentralisation. In 2005, we plan to reorganise and form divisions in two main business processes: extrusion and rolling department. In this way, Impol Seval, a. d., will be integrated as much as possible into the rolling department in Slovenska Bistrica. With the implementation of process organisation we will be able to make better use of production capacities, maintain cost control and offer quality products at competitive prices.

By improving the quality, management and revision of business processes we managed to cut the number of process errors, yet we will continue with the reduction of errors.

In mid-2004, Impol received the ISO/TS 16949 quality certificate for production and sale of rods, bars and tubes in the automotive industry. Because of demanding orders both quality and complexity of processes will be further improved.

The implementation of unified systems of indicators and a control panel for development and production control, demanded a revision of Impol's strategic directions. This reflected in Impol's strategy, amended in 2003, that sets out its vision, goals and strategy for the period until 2007. The dynamic environment forces Impol to constantly revise its strategic directions.

Environmental and health policy

Impol emphasises the importance of preserving natural resources, which will have a long-term effect on the competitive position and the existence of all companies. That is why Impol is constantly checking its system by revising its ISO 14001 and OHSAS 18001 certificates.

Impol continues to offer a complementary pension security scheme for all employees to guarantee additional social security payments of up to SIT 6,000 per employee per month. Nearly all employees have joined this scheme.

Company's Objective

Impol's strategic objective

Company's mission:

- Manufacture of light metals, especially aluminium, into products that meet customers' highest possible expectations of value considering the price/quality ratio.

Basic values:

- Flexibility and quick response
- Reliability and trust
- Constant education and innovativeness of all employees
- Corporate loyalty and team work
- Quality control
- Environmental and health policy

Main goals in 2005 and later

Goals and policy:

Impol will maximally and constantly increase its production quantity in line with the situation on the market and the raw materials supply. These trends will also change the internal organisation. Based on decisions on implementing a long-term strategy the following actions are planned for 2005:

- To resolve the status of the Foundry – construction of Casting workshop II at Impol Seval.
- To focus more on the automotive industry and industries with simmilarly demanding production.
- To prepare a plan for the replacement or completion of the 12.5 MN press programme.
- Seval Impol is acquiring the foil stock production programme. In case we find a more expensive production programme we will redirect the line into it.
- The difference between the average sales price and the LME aluminium price in Seval has to increase by EUR 100 per ton com-pared to the difference in August 2004.
- Impol will continue with the production restructuring process to increase production of high added value products, without narrowing the production mix.
- Impol will be substantially better than competitors regarding its quick responses and meeting specific customers' needs, Target customers will be offered the best possible price/quality ratio.
- Programmes where Impol will achieve the highest growth are drawn profiles, foils, tread plates, circles, bars for forgings, drawn products, thermally processed rods, plates, and strips.
- Impol will meet the needs of small customers that are not of interest to big suppliers.
- Impol will increase the share of products sold under its own brand name.
- Impol will build its competitive advantage on its educated workforce that is prepared to constantly improve key parameters of Impol's supply.
- Scrap will represent 15-20% of all Impol's aluminium purchases.

- Impol will constantly develop aluminium processes and its alloys and will engage in research processing of other light metals.
- Impol will build a logistic centre.
- Impol is responsible for quality in the system.
- Impol is developing its brand name.
- Highest growth will be achieved on European markets and among Impol's existing clients.
- Impol is constantly striving for higher levels of manufacture (end product and higher added value per ton).
- Impol will try to include external partners to finance investments in its strategic business activities.

Programmes

The selection and orientation of production programmes will be consolidated within the whole system. By including our own foundries in the early stages of the preparation of raw materials from less complex inputs (special emphasis will be put on the use of secondary raw materials, for which certain technical improvements will have to be made), Impol can gain more added value per product unit.

Impol will continue with its project for implementation and application of process supervision across the entire system.

Most important planned results

In 2005, we expect the consolidated business results of the system and especially of the parent company Impol, d. d. to be as follows (note that only selected indicators are presented, all values are in EUR):

Selected ratios	Impol group consolidated	Impol, d. d.
Total assets	286,751	242,343
Equity	84,949	84,387
Long-term liabilities	44,112	32,636
Net sales revenue	324,088	255,578
Write-offs – depreciation	14,891	12,172
Interest and other finance cost	7,558	5,144
Income tax expense	6,200	4,938
Net profit for the year (after taxes)	4,900	3,704
Net profit for the year (before investments)	9,250	8,560
Average number of employees	1,800	980

Special emphasis will be put on developing and expanding the share of products with the highest added value.

Marketing activities

Impol's key focus will be on open markets familiar with complex technologies and ensuring higher liquidity. Along with that Impol will ensure the following:

Impol will meet the demand of the liquid part of the domestic market. Some market demand will be satisfied by enlarging own marketing network established with our associates and by specialising subsidiaries. Exports to the most demanding markets will be run centrally via the parent company.

Impol will keep dispersed sales in world markets and try to extend its marketing activities to Central European markets and the markets of former Yugoslav republics and other Eastern European markets, depending on the liquidity of these markets.

Sales departments will be organized in order to fit new circumstances and needs of Impol, and investments will be made in other companies with their majority holdings belonging to Impol.

Products with low added value have to be offered in the market in order to complete the range of products, but Impol will offer them selectively and in connection with complementary products.

Production activities

The total production volume will match the planned sales volume and is divided into production programmes as follows:

Programme	Tons per year
Rolled products	43,588
Foils	15,300
Rods, bars and tubes	29,450
Profiles	22,350
Impol, d. d.	**110,688**
Stampal SB, d. o. o.	900
Impol Seval, a. d.	27,077
Impol as a system	**138,665**

Development and investments

We will only finance long-term investments with success on the market and desired returns. In 2005, we will improve the use of new capacities and hence secure prospects for further improvements in the programme of more complex rolled and pressed products. In addition, a third phase of investments will be performed at Impol Seval.

We will continue with the minor investments, whereas we will only invest heavily as far as the net cash flow allows us. Investments in the future:

- In 2005, a key development project will be carried out at Impol Seval with the construction of a new foundry and the modernisation of hot rolling mill.
- We will acquire knowledge for a quality and cost-effective production of rolled products from a continuously cast strips.
- Certain production programmes are being transferred to a part of the system with better quality equipment.

Financial policy

In 2005, Impol will give priority to the following financing goals:

- Long-term investments will be mainly used to finance projects that have already started, further contractual obligations of Impol Seval, and investments in current assets for financing enlarged production volumes. Impol will use leasing as a long-term financing.
- Short-term investments will be used to finance the stock of aluminium materials and for financing the market. Sales contracts not covered by stock in the company and which will be realised within a period of less than two months (back-to-back) are hedged using appropriate option instruments, whereas unsecured receivables will be secured by a SID (Slovenian Export Corporation) insurance.
- Potential volatility of cross-currency exchange rates, in cases where the terms are manageable, will be hedged by using forward purchases and sales. In 2004, this was not needed as we were able to harmonize inflows and outflows by balancing inflows with the payment of liabilities.

Human resources

Due to increased productivity, Impol will be able to retain the present number of employees at 978 in the parent company.

We will pay special attention to education and employment in subsidiaries by transferring knowledge and educational skills from the parent company. Unified procedures for stimulating better business results will be introduced throughout the system. Employees will receive salary increases if their results exceed the minimum planned results.

Further education for the purposes of production improvement will be supported internally, while self-education will also be highly appreciated.

In 2005, we plan a 2.5% fluctuation of employees.

We will prepare a training programme for all employees in 2005. Special attention will be paid to training in the workplace, for which we will spend SIT 33 million (SIT 1 million more than in 2004). It is anticipated that every employee will spend approximately 28 hours on training in 2005.

By improving working conditions, educating employees in the workplace, and acting preventively we will try to prevent accidents at work and reduce them by 5% compared to 2004.

The company in cooperation with the employees will insure all its employees against accidents.

Any innovative activity of employees will be stimulated and rewarded.

Environmental, health and safety policy

Impol has adopted a policy, measures, and constant external and internal reviews of the company's treatment of environment and actions to secure a healthy and safe workplace for all employees. It has been determined that we do not produce any harmful emissions.

We will continue with activities to acquire an integrated environmental license. In addition, we have been adapting to IPPC requirements which is in accordance with the reference documentation (BREF) for the aluminium sector.

Impol will guarantee a high level of health and safety at work, which will be confirmed by keeping and upgrading the OHSAS 18001 and ISO 14001 certificates, including the parent company and its subsidiaries.

Other business entities in the industrial zone will also be included in the environment protection policy.

Important events after the concluded business year

From 1 January 2005 until the preparation of this annual report, there were no events that would affect Impol's business statements for 2004.

Financial Statements Impol, d. d.

All figures are in SIT 000

Income statement		2003	2004
1	**Net sales revenues**	**56,296,923**	**62,500,112**
a)	Sales of goods (tangible)	**44,005,920**	**50,276,900**
	domestic market	6,673,467	6,863,496
	foreign markets	37,332,453	43,413,404
b)	Sales of services	**526,363**	**725,379**
	domestic market	368,742	359,652
	foreign markets	157,621	365,727
c)	Sales of merchandise and material	**11,764,640**	**11,497,833**
	domestic market	1.094,164	947,983
	foreign markets	10,670,476	10,549,850
2	**Change in inventories**	**669,567**	**1,814,677**
	– increase in inventories of finished goods and work-in-progress	669,567	1,814,677
3	**Other capitalized products and services**	**1,523**	**281**
4	**Other operating revenue**	**385,279**	**355,426**
	GROSS OPERATING PROFIT	57,353,292	64,670,496
5	**Cost of goods, material and services**	**48,201,438**	**56,039,045**
a)	Costs of goods and material sold	11,568,686	11,148,154
b)	Costs of material used	33,215,327	41,041,826
c)	Cost of services	3,417,425	3,849,065
6	**Labour costs**	**4,330,113**	**5,006,640**
a)	Cost of wages and salaries	3,128,485	3,623,195
b)	Social insurance costs	516,282	598,148
c)	Other labour costs	685,346	785,297
	– contribution for supplementary pension benefits	48,810	48,594
7	**Depreciation costs**	**1,614,894**	**2,350,238**
a)	Depreciation	1,605,798	2,349,733
b)	Operating current assets write-offs	9,096	505
8	Other operating expenses	285,904	116,676
	TOTAL OPERATING COSTS AND EXPENSES	54,432,323	63,512,599
	OPERATING PROFIT	2,920,969	1,157,897
	TOTAL FINANCIAL REVENUES	1,557,981	1,869,814
9	**Financial revenue from equity capital interests**	**187,227**	**415,529**
10	**Financial revenue from long-term receivables**	**20,879**	**6,580**
11	**Financial revenue for short-term receivables**	**1,349,875**	**1,447,705**
	TOTAL FINANCIAL EXPENSES	3,322,137	2,586,123
12	**Financial expenses for investments write-offs**	**659,586**	**21,240**
13	**Interest expense and financial expenses for other liabilities**	**2,662,551**	**2,564,883**
14	**Profit from ordinary activities before taxation**	**1,156,813**	**441,588**
15	**Income tax related to profit from ordinary activities**	**0**	**0**
16	**Net profit from ordinary activities**	**1,156,813**	**441,588**
17	**Extraordinary revenue**	**53,124**	**16,117**
18	**Extraordinary expenses**	**12,237**	**3,980**
19	**Profit from extraordinary activities**	**40,887**	**12,137**
20	**Income tax related to profit from extraordinary activities**	**25,867**	
21	**Other taxes not disclosed under any other item**		
22	**Net profit for the period**	**1,171,833**	**453,725**
24	**Number of employees**	**941**	**978**

The income statement is prepared according to format I.
Subsidiaries' results are included in the financial statements of Impol, d. d., considering the equity capital method; their net results directly influence financial statements of Impol, d. d., and consequently contribute to the business success of Impol, d. d.

Sales revenues

- Sales revenues include revenues generated from sale of products, material, merchandise and other services carried out during the accounting period. Sales revenues are measured with selling prices stated in invoices that are reduced in the amount of trade discounts, rebates and the value of returned goods.
- Sales revenues are separately recorded for domestic and foreign market.

Costs in 2004

- Material and services costs are costs of those materials and services consumed for producing business results (direct costs), and other costs of material and services not having such nature (indirect costs).
- Labour costs include wages, royalties and similar costs in gross figures including contributions and taxes not included in gross values. Labour costs burden emerging business resuts or are classified as general costs.
- Depreciation is the transfer of value of tangible fixed assets and intangible long-term assets, and is considered as indirect emergence of cost during the production of business results.
- Costs of inventories and receivables write-offs arise due to reduction of such operating current assets to the net realisable value.
- The company transfers the costs of finished and unfinished products to goods sold by means of direct production costs methods.

Financial revenues

- Financial revenues arise from shares of long-term and short-term receivables as well as other financial revenues.
- Financial revenues from shares and financial expenses arising from financial investments are determined on the basis of the operating performance of subsidiaries:

in SIT 000

	Impol Seval	Impol Seval Finalizacija	Stampal SB	IAC	Impol Stan	Impol Stanovanja	Unidel	Štatenberg	Impol Montal
Net sales revenues	15,253,117	525,527	1,242,523	23,591,348	19,822	66,626	293,889	728	0
Gross operating profit	14,768,366	546,114	1,215,736	23,787,920	19,822	66,626	295,090	1,384	7,569
Total financial revenues	199,257	39,913	5,556	6,413	14	24,225	19,451	126	17,485
Total financial expenses	1,327,002	33,521	20,632	49,295	331	601	516	1,897	5,325
Extraordinary revenue	2,406,171	0	8	0	0	924	8,965	0	833
Extraordinary expenses	40,719	0	1	12,505	0	8	0	0	0
Corporate income tax	0	0	34,331	10,031	488	6,334	0	0	4,579
Net profit for the period	286,972	-110,465	137,762	16,860	1,924	25,131	925	-2,167	14,611
Number of employees	700	94	38	4	1	1	49	0	0

Financial expenses

- Financial expenses include revaluated financial expenses associated to financial investments, other revaluated financial revenues, revenues from interests, and other financial expenses.

Extraordinary revenue

- Extraordinary revenue includes revenues from recovered written off receivables, received compensations, revenues from grants and other extraordinary revenue.

Extraordinary expenses

- Extraordinary expenses include penalties, compensations and other extraordinary expenses.

Corporate income tax

- The corporate income tax is accounted for on the basis of revenue and expenses in the income statement according to the fiscal legislation of the Republic of Slovenia.
- Legal contributions are regulated by Slovenian legislation and are paid for health and pension insurance, employment and other benefits. Those contributions are charged, regardless of the company's operating result.
- The corporate income tax rate is 25% of the taxable base, which equals the recorded income in the tax statement. The income is calculated on the basis of revenues and expenses of the subject liable for taxation, recognised on the basis of regulations and accounting standards in amounts recorded in the income statement, except revenues and expenses defined by the Corporate Income Tax Act. The company presented its corporate income tax liability on the basis of the Consolidated Corporate Income tax statement.

in SIT

Balance sheet available profit formation in the year 2004[3]	Year 2004	Retained	Total
Net profit for the period	453,725,495.01		453,725,495.01
portion of retained net profit (formed as balance sheet available profit without considering tax relieves)		1,827,388,756.74	
Decrease of profit reserves to transfer into balance sheet available profit			
– decrease in regulatory reserves			0.00
– decrease in reserves for own shares			0.00
– decrease in statutory reserves			0.00
– decrease in other profit reserves			0.00
Increase in reserves from profits in 2004			
– decrease in regulatory reserves			0.00
– increase in reserves for own shares			0.00
– increase in statutory reserves			0.00
– Increase in other profit reserves, pursuant to management and supervisory board resolution (50% of net income 2004)	226,862,747.50		226,862,747.50
Balance sheet available profit formation			
– Increase for the 2004 portion of net profit (50%)	226,862,747.50		
BALANCE SHEET AVAILABLE PROFIT	226,862,747.51	1,827,388,756.74	2,054,251,504.24

Transferred net profit amounting to SIT 1,827,388,756.74 was formed in the fiscal year 2001 from components of equity capital not including tax relieves, but were included in the increase of the taxable base in the following years.

According to the resolution of the Directors' and Supervisory Boards, other reserves from profits included 50% of net profits of the year 2004, amounting to SIT 226,862,747.50.

Net profit of the fiscal year 2004 amounts to SIT 453,725,495.01.

A portion of the undistributed balance sheet available profit of SIT 1,827,388,756.74 formed in the fiscal year 2001 from components of equity capital, where tax relieves were not included, but were included in the increase of the taxable base in the following years – this portion will be used for:

in SIT

	Year 2004	Transferred	Total
Proposal for balance sheet available profit use			
– increase of other profit reserves of year 2004	226,862,747.51		226,862,747.51
– dividend payout 80.00 sit/share		325,040,000.00	325,040,000.00
– Management board participation in profit based on contracts			
– Supervisory board participation in profit based on contracts			
Undistributed balance sheet available profit of the period 2004 (into retained profit)	0.00	1,502,348,756.74	1,502,348,756.74

The rest of the balance sheet available profit of SIT 1,502,348,756.74 will remain undistributed.

3 The annual report includes the Bord of Directors' proposal to the Shareholders Assembly.

in SIT 000

Balance sheet		31.12.03	31.12.04
A)	FIXED ASSETS	30,449,462	34,283,988
I.	**Intangible fixed assets**	**277,124**	**227,664**
II.	**Tangible fixed assets**	**27,282,532**	**30,389,899**
III.	**Long-term financial investments**	**2,889,806**	**3,666,425**
B)	CURRENT ASSETS	21,435,764	23,243,477
I.	**Inventories**	**7,352,854**	**10,359,070**
1	Material	2,012,122	3,275,251
2	Work in progress	3,429,255	4,422,770
3	Products and merchandise	1,821,227	2,642,388
4	Advances for inventories	90,250	18,661
II.	**Trade receivables**	**12,883,949**	**11,903,232**
a)	Long-term trade receivables	1,770,890	715,651
b)	Short-term trade receivables	11,113,059	11,187,581
	1 Short-term receivables from customers	8,750,698	9,060,807
	4 Short-term receivables from others	9,525	39,742
	5 Other advances given	23,101	22,433
	6 Other receivables (VAT...)	1,769,174	981,748
III.	**Short-term financial investments**	**775,636**	**256,811**
1	Short-term loans granted to others	430,764	56,897
2	Short-term investments in securities	188,262	195,058
3	Short-term investments – other	156,610	4,856
IV.	**Cash and cash equivalents**	**423,325**	**724,364**
C)	DEFERRED COSTS ACCRUED REVENUES	155,201	77,923
	ASSETS	**52,040,427**	**57,605,388**
	OFF BALANCE SHEET ASSETS	**25,677,582**	**21,574,705**
A)	EQUITY	20,051,828	20,155,773
I.	**Called-up capital**	**4,063,000**	**4,063,000**
1	Share capital	4,063,000	4,063,000
II.	**Capital reserves**		
III.	**Reserves from profits**	**6,137,305**	**6,950,083**
1	Regulatory reserves	652,623	652,623
2	Other reserves from profits	5,484,681	6,297,459
IV.	**Accumulated profits**	**2,181,267**	**1,827,388**
V.	**Net profit for the year**	**585,916**	**226,862**
VI.	**Equity capital revaluation adjustments**	**7,084,340**	**7,088,440**
1	General equity capital revaluation adjustment	7,061,649	7,061,649
2	Specific equity capital revaluation adjustments	22,691	26,791
B)	PROVISIONS	0	0
C)	FINANCIAL AND OPERATING LIABILITIES	31,762,063	37,368,077
a)	**Long term financial and operating liabilities**	**8,973,904**	**8,365,370**
b)	**Short term financial and operating liabilities**	**22,788,159**	**29,002,707**
1	– from bonds		
2	– short- term financial liabilities to	16,524,910	24,128,305
	a) banks	16,267,367	22,486,269
3	– from advances	35,940	20,201
4	– short- term operating liabilities to	5,446,235	4,160,710
	a) domestic	1,872,670	2,179,073
	b) foreign	3,573,565	1,981,637
6	– other	781,074	693,491
D)	ACCRUED COSTS AND DEFFERED REVENUES	226,536	81,538
	LIABILITIES	**52,040,427**	**57,605,388**
	OFF BALANCE SHEET LIABILITIES	**25,677,582**	**21,574,705**

Cash and cash equivalents include cash deposited in accounts and cash in the company.

Deferred cost and accrued revenues include short-term deferred costs, received and issued advances.

Total equity **capital** includes nominal (subscribed) capital, regulatory and other reserves for profit, retained profit from past periods, net profit of the current period, general and specific equity revaluation adjustment, and all types of capital minority interests.

The revaluation of capital is a process of recognising an adjustment to its carrying amount; accrual of new capital inputs, new payments and amounts arising from running net profit or running losses is not revaluation. Revaluation may be carried out either at the end or during the financial year. It appears either as general equity capital evaluation adjustment, which is made to account for changes in the purchasing power of the local monetary unit, or as specific equity capital revaluation adjustment, which occurs due to the increase of tangible fixed assets, long-term and short-term investments, and should be presented separately according to its inception.

Accrued cost and deferred revenues include items of accrued costs and accrued expenses, short-term deferred revenues as well as received and issued proforma invoices.

Off-balance sheet include mortgages, guarantees liabilities, written off non-redeemable receivables and options.

in SIT 000

Cash flow statement		1–12/2003	1–12/2004
A.	Cash Flows From Operating Activities		
a)	**INFLOWS FROM OPERATING ACTIVITIES**	**54,357,170**	**65,653,123**
	Operating revenues	57,353,292	64,670,496
	Extraordinary revenue associated with operations	53,124	10,770
	Operating receivables at the beggining of period less operating receivables at the end of period	(2,995,853)	894,580
	Deferred costs, deferred expenses and accrued revenues at beginning of period less Deferred costs, deferred expenses and accrued revenues at end od period	(53,393)	77,277
b)	**OUTFLOWS FROM OPERATING ACTIVITIES**	**50,851,674**	**63,544,624**
	Operating expenses excluding depreciation and long-term provisions	52,826,525	61,158,135
	Extraordinary expenses associated with operations	12,237	3,440
	Income tax and other taxes not included in operating expenses	25,867	0
	Beginning inventories of period less ending inventories	138,004	3,052,433
	Operating liabilities at beginning of period less operating liabilities at end of period	(2,044,964)	(814,382)
	Accrued costs, accrued expenses and deferred revenues at beginning of period less accrued costs, accrued expenses and deferred revenues at end of period	(105,995)	144,998
c)	**NET INFLOWS FROM OPERATING ACTIVITIES**	**3,505,496**	**2,108,499**
B.	Cash Flows From Investing Activities		
a)	**INFLOWS FROM INVESTING ACTIVITIES (without revaluation)**	**1,466,587**	**1,426,141**
	Financial revenues associated with investing activities	187,227	886,397
	Extraordinary revenues associated with investing activities		
	Offset decrease in intangible fixed assets	0	17,218
	Offset decrease in tangible fixed assets	0	0
	Offset decrease in long-term investments	569,117	0
	Offset decrease in short-term investments	710,243	522,526
b)	**OUTFLOWS FROM INVESTING ACTIVITIES (without revaluation)**	**11,862,164**	**6,305,228**
	Financial expenses associated with investing activities	659,586	386,945
	Extraordinary expenses associated with investing activities		
	Offset increase in intangible fixed assets	28,070	0
	Offset increase in tangible fixed assets	11,174,508	5,429,084
	Offset increase in long-term investments	0	489,199
	Offset increase in short-term investments	0	0
c)	**NET INFLOWS FROM INVESTING ACTIVITIES**	**(10,395,577)**	**(4,879,087)**
C.	Cash flow from financing activities		
a)	**INFLOWS FROM FINANCING ACTIVITIES (without revaluation)**	**8,843,509**	**7,760,172**
	Financial revenue associated with financing activities	1,370,754	133,518
	Extraordinary revenue associated with financing activities		
	Increase in equity capital (excluding net profit for the period)	0	0
	Offset increase in long-term provisions	0	0
	Offset increase in long-term financial liabilities	2,270,306	0
	Offset increase in short-term financial liabilities	5,202,449	7,626,654
b)	**OUTFLOWS FROM FINANCING ACTIVITIES (without revaluation)**	**3,006,242**	**4,688,544**
	Financial expenses associated with financing activities	2,662,551	1,955,369
	Decrease in equity capital (excluding net loss for the period)		
	Offset decrease in long-term provisions	0	0
	Offset decrease in long-term financial liabilities	0	2,379,297
	Offset decrease in short-term financial liabilities	0	0
	Decrease in liabilities to owners associated with profit sharing	343,691	353,878
c)	**NET INFLOWS FROM FINANCING ACTIVITIES**	**5,837,267**	**3,071,628**
	CLOSING BALANCE OF CASH AND CASH EQUVALENTS	**423,325**	**724,365**
	Net flow for the period	**(1,052,814)**	**301,040**
	Opening balance of cash and cash equivalents	**1,476,139**	**423,325**

in SIT 000

Statement of changes in equity capital

	Called capital		Profit reserves		Retained net profit of loss	Net profit/ loss for the period	Equity capital revaluation adjustment		Total equity capital
	I		III		IV.	V.	VI.		VII.
	Share capital	Legal reserve	Reserve for own shares	Other reserves from profit	Retained net profit for the period	Net profit for the period	General equity capital revaluation adjustment	Specific equity capital revaluation adjustment	Total equity-capital
A. Opening balance for the period 01. 01. 2004	**4,063,000**	**652,623**	**1**	**5,484,680**	**2,181,267**	**585,916**	**7,061,649**	**22,691**	**20,051,828**
B. Equity capital inflows									
Entry of the amount of the general equity capital revaluation adjustment								4,100	4,100
Entry of net profit for the period						453,725			453,725
Distribution of net profit of the current financial year based on a decision of the management and the supervisory board				226,862		-226,862			0
Distribution of net profit to additional reserves based on a decision of the annual shareholders' assembly				585,917	-585,916				0
Payment (share dividend account) of dividends as shares					585,916	-585,916			0
Other reclassifications of equity capital components						-1			-1
Č. Equity capital outflows									
Payment of dividends					-325,040				-325,040
Distribution to management and supervisory board					-28,838				-28,838
E. Closing balance for the period 31.12.2004	**4,063,000**	**652,623**	**1**	**6,297,459**	**1,827,389**	**226,862**	**7,061,649**	**26,791**	**20,155,774**
BALANCE SHEET AVAILABLE PROFIT					**1,827,389**	**226,862**			**2,054,251**

- Only items with balance or changes were included.
- The specific equity revaluation adjustment is produced out of the revaluation of long-term financial investments in associated companies according to the equity method.
- Changes in equity include changes made in accordance to decisions of the management and the supervisory board, on the basis of the shareholders assembly decisions, proposed by the management and supervisory board.
- If the equity is revalued:
  - by a 3.2% increase in the consumer price index, the net profit amounts to SIT 176.6 million.
  - by 1.28% increase in the Euro exchange rate (Euro appreciation), the net profit amounts to SIT 201.95 million.

in SIT 000

Cash flow calculation	31.12.01	31.12.02	31.12.03	31.12.04
1. Cash flow statement in account form				
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	**496,443**	**1,171,363**	**1,476,139**	**423,325**
I. CASH RECEIPTS FROM OPERATING ACTIVITIES	**49,345,404**	**47,390,606**	**55,175,553**	**63,407,944**
a) from operating activities	48,885,549	46,974,852	54,409,274	62,376,699
b) from interests and dividends	93,077	117,388	200,167	251,632
c) from other operating activities	329,517	217,783	346,266	579,322
č) from advances	37,261	80,583	219,846	200,291
II. CASH RECEIPTS FROM INVESTING ACTIVITIES	**113,626**	**46,418**	**1,122,608**	**0**
a) from disposal of intangible fixed assets	0	0	0	0
b) from disposal of tangible fixed assets	1,386	2,080	2,966	0
c) from disposal of long-term financial investments	0	0	10,432	0
č) from disposal of short-term financial investments	112,240	44,338	1,109,210	0
III. CASH RECEIPTS FROM FINANCING ACTIVITIES	**16,909,878**	**22,408,062**	**28,328,894**	**26,065,371**
a) from paid-in capital	0	0	0	0
b) from received long-term loans	1,150,567	5,696,611	6,139,888	2,906,534
c) from received short-term loans	9,139,580	8,770,151	8,864,287	13,142,410
č) from VAT and corporate income tax refund	6,376,419	5,539,762	8,588,907	7,288,751
e) from subsidies	0	0	0	0
f) from received repayments of short-term loans granted	236,509	2,396,634	4,718,051	1,132,929
g) from received repayments of long-term granted loans, long-term lease	6,803	4,904	17,761	1,594,747
IV. CASH DISBURSMENTS FROM OPERATING ACTIVITIES	**54,285,608**	**54,763,707**	**67,349,830**	**75,579,196**
a) for payments to acquire material and services	47,448,834	44,618,504	54,264,046	53,893,914
b) for payments to employees for salaries and employees shares in profit	2,640,510	2,918,072	3,025,686	3,459,936
c) for any taxes duties	1,165,096	1,214,983	1,282,069	1,489,024
input VAT (for suppliers)	0	0	0	0
č) for interests paid	974,376	803,223	980,590	1,135,954
d) other disbursements from operating expenses - advances	967,473	2,741,344	544,236	442,292
e) other disbursements from operating expenses	1,224,447	2,792,732	7,253,203	15,158,076
V. CASH DISBURSMENTS FROM INVESTING ACTIVITIES	**1,302,791**	**5,499,776**	**7,306,347**	**3,430,188**
a) for the acquisition of intangible fixed assets	0	0	51,220	0
b) for the acquisition of tangible fixed assets	1,126,802	2,752,405	7,232,266	3,423,393
c) for the acquisition of long-term investments	31,999	1,587,260	4,566	0
č) for the acquisition of short-term investments	143,990	1,160,111	18,295	6,795
VI. CASH DISBURSMENTS FROM FINANCING ACTIVITIES	**10,105,589**	**9,276,827**	**11,023,692**	**10,162,892**
a) for repayment of equity capital	0	0	0	0
b) for repayment of long-term loans	661,075	1,778,557	2,313,679	2,215,399
c) for repayment of short-term loans	9,033,915	6,184,180	5,304,666	6,650,785
č) for dividends and other profit participation	316,792	314,763	328,307	338,147
d) for short-term loans granted to others	93,807	999,327	2,495,272	132,000
f) for long-term loans granted to others	0	0	581,768	826,561
BALANCE OF CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**1,171,363**	**1,476,139**	**423,325**	**724,364**

Operating efficiency ratios

Financial ratios	Target	31.12.03	31.12.04
FINANCIAL STABILITY AND LIQUIDITY RATIOS			
1. Financial ratios	70%	53.1%	45.1%
Financial stability ratios			
2. Equity capital / All operating assets sources	50%	38.5%	35.0%
3. Equity capital + long-term liabilities/Operating liabilities	85%	55.8%	49.5%
4. Equity capital/ Fixed assets (net carrying amount)	120%	40.2%	30.6%
Financial leverage capibility			
5. Equity capital + Long-term liabilities/Fixed asset + Inventories	95%	76.8%	63.9%
6. ZGolden balance rule = long-term sources / long-term investments	100%	95.4%	83.2%
7. Net debt / Revenue from operations	35%	56.8%	59.9%
Financial independence rate in %			
8. Liability repayment with assets	200%	162.6%	153.8%
Current ratio -			
9. Current assets/Short-term liabilities	150%	94.2%	80.1%
Current liquidity ratio			
10. Current assets-Inventories/Short-term liabilities	100%	61.9%	44.4%
Quick liquidity ratio – Acid test			
11. Acid test = (cash + cash equivalents + securities)/Short-term liabilities	10%	1.9%	2.5%
Financing costs ratios			
12. Financial expenses/Total expenses	3%	4.6%	3.9%
13. Short-term liabilities/(short-term + long-term liabilities)	50%	71.7%	77.6%
14. Liabilities to long-term sources ratio	25%	78.6%	101.7%
15. Inventory to long-term sources ratio	50%	25.4%	36.3%
16. Equity capital/Fixed assets	100%	65.9%	58.8%
ASSETS TURNOVER			
17. Assets turnover ratios	1.5	1.12	1.12
18. Days assets outstanding	243	326	325
PROFITABILITY RATIOS			
19. Net profit to total revenue ratio (after tax)	2%	2.00%	0.70%
20. Net profit / Cost of goods sold, depreciation	3%	2.16%	0.72%
21. Net profit / Operating assets	8%	2.24%	0.79%
22. Net profit / (Equity capital – Net profit for the current period)	17%	6.19%	2.28%
23. Reproduction capabilty rate	25%	13.84%	13.91%
24. Depreciation to tangible and intangible fixed assets ratio	10%	5.28%	6.85%
EFFICIENCY AND PRODUCTIVITY RATIOS			
25. Total revenues/Total expenses	106%	101.36%	97.81%
26. Operating revenues/Operating expenses	110%	104.15%	98.97%
27. Operating revenues/Equity capital	200%	283.03%	311.85%
28. Revenues per employee (annual basis) in mio SIT per employee	60.62	64.40	
29. Operating revenues/Total costs ratio	130%	104.14%	98.97%
30. Financial revenues/Financial expenses ratio	100%	46.2%	72.3%
OTHER RATIOS			
31. Net carrying value of fixed assets /Total assets		89.7%	88.6%
32. Equity capital ratio		61.1%	64.8%

IMPOL, D. D., FINANCIAL STATEMENTS APPENDIX WITH EXPLANATIONS

ACCOUNTING POLICIES

Key purpose of Slovenian Accounting Standards is to consider general international accounting practices (especially International Accounting Standards), financial comprehension of capital and a request for real capital renovation.

Financial investments in associated companies, which are included in the consolidated financial statements, are recognised in the financial statement of the controlling enterprise by means of equity method, except the investment in Impol Seval Finalizacija, d. o. o., Sevojno, which is recognised in accordance with the cost method. In the company Impol Seval, a. d. ,the assets were not revalued to the fair value, due to local legislation. The difference between the value of the investment of Impol, d. d., and the value of the assets of Impol Seval, a. d., is recognised in consolidated statements as badwill, in net value SIT 1,151 million.

1. **Disclosures and other detailed explanations of financial statements of Impol, d. d., are prepared and disclosed on the basis of requests and guidelines of the Commercial Companies Act, tax legislation and Slovenian Accounting Standards with regard to best practices and principles formed after the second year of their use.**
2. **Intangible fixed assets**
   Intangible fixed assets are long-term calculated costs of electro-energetic allowances and accrued interests on long-term loans.

in SIT 000

Description	Long-term deffered operating costs	Long-term deffered development costs	Long-term property rights and other IFA	TOTAL
Purchase costs 31.12.2003	187,580		253,478	441,058
Adjustments after opening				0
Purchase costs 01.01.2004	**187,580**	**0**	**253,478**	**441,058**
Direct increases			53,563	53,563
Transfer from investments in progress			-14,698	-14,698
Revaluation due to impairment	2,698			2,698
Decreases	-58,781			-58,781
Purchase costs 31.12.2004	**131,497**	**0**	**29,343**	**423,840**
Accumulated depreciation 31.12.2003			163,934	163,934
Adjustments after opening				0
Accumulated depreciation 01.01.2004	**0**	**0**	**163,934**	**163,934**
Depreciation in the year			32,242	32,242
Accumulated depreciation 31.12.2004	**0**	**0**	**196,176**	**196,176**
Net carrying value 31.12.2004	**131,497**	**0**	**96,167**	**227,664**
Net carrying value 31.12.2003	**187,580**	**0**	**89,544**	**277,124**

3. **Tangible fixed assets**

Tangible fixed assets are land, buildings, production machinery, other machinery and equipment, tangible fixed assets under construction and advances paid for acquisition of tangible fixed assets, which are presented in the balance sheet under tangible fixed assets, but disclosed in the bookkeeping records as receivables.

New tangible fixed assets are initially recognised according to its cost (procurement price), which comprises its purchase price, import duties and non-refundable purchase taxes, as well as directly attributable costs of bringing the asset to working conditions for its intended use, especially the costs of its delivery and installation. Non-refundable purchasing taxes include the non-refundable valued added tax. Any trade discounts and rebates are deducted from the purchase price. The cost of an item also includes interests on loans obtained for the acquisition of an asset necessary to bring the asset to its working condition.

In the bookkeeping records an item of tangible fixed assets is disclosed separately as its cost and the accumulated depreciation, whereas in the balance sheet only the net carrying amount is recognised, which is the difference between the cost of the item and its accumulated depreciation.

The net carrying amount of tangible fixed assets is reduced through depreciation.

Recognition of disposed or retired tangible fixed assets are no longer items of bookkeeping records. Any existing profits or losses are recognised as revaluatory operating revenues or revaluatory operating expenses.

Tangible fixed assets that are retired, although they could still be used, are recorded according to their carrying amount on the date of their withdrawal from use.

The revaluation of tangible fixed assets is a change of their carrying amount. The revaluation may be carried out either at the end or during a financial year. Tangible fixed assets can be revaluated due to their strengthening, impairment, or abolishment of their impairment.

Due to the increase, tangible fixed assets may be revalued if their demonstrated fair value exceeds their carrying amount.

in SIT 000

Descripiton	Land	Buildings	Land and buildings - Total	Plant and equipment	Other machinery and equipment	Small tools	Equipment and other TFA in the process of acqusition	Advances for equipment	Total machinery and eqipment	Total
Purchase value 31.12.2003	823,420	11,961,802	12,785,222	35,991,828	1,313,003	73,196	11,501,202	552,557	49,431,786	62,217,008
Adjustments after opening			0						0	0
Purchase costs 01.01.2004	**823,420**	**11,961,802**	**12,785,222**	**35,991,828**	**1,313,003**	**73,196**	**11,501,202**	**552,557**	**49,431,786**	**62,217,008**
Direct increases			0				5,903,032	344,885	6,247,917	6,247,917
Transfer from investments in progress		1,067,563	1,067,563	14,987,703	298,197	132,246	-16,494,862		-1,076,716	-9,153
Transfer between group companies			0						0	0
Revaluation due to strenghtening			0						0	0
Revaluation due to impairment			0						0	0
Decreases		-893	-893	-228,373	-158,640	-2,692		-818,827	-1,208,532	-1,209,425
Purchase price 31.12.2004	**823,420**	**13,028,472**	**13,851,892**	**50,751,158**	**1,452,560**	**202,750**	**909,372**	**78,615**	**53,394,455**	**67,246,347**
Accumulated depreciation 31.12.2003		5,414,527	5,414,527	28,436,204	1,027,787	55,964			29,519,955	34,934,482
Adjustments after opening			0						0	0
Accumulated depreciation 01.01.2004	**0**	**5,414,527**	**5,414,527**	**28,436,204**	**1,027,787**	**55,964**	**0**	**0**	**29,519,955**	**34,934,482**
Depreciation		**304,739**	**304,739**	**1,860,017**	**129,728**	**23,008**			**2,012,753**	**2,317,492**
Direct increases			**0**						**0**	**0**
Transfer from investments in progress			**0**	**-9,153**					**-9,153**	**-9,153**
Decreases		**-893**	**-893**	**-226,330**	**-156,716**	**-2,434**			**-385,480**	**-386,373**
Accumulated depreciation 31.12.2004	**0**	**5,718,373**	**5,718,373**	**30,060,738**	**1,000,799**	**76,538**	**0**	**0**	**31,138,075**	**36,856,448**
Net carrying value 31.12.2004	**823,420**	**7,310,099**	**8,133,519**	**20,690,420**	**451,761**	**126,212**	**909,372**	**78,615**	**22,256,380**	**3,389,899**
Net carrying value 31.12.2003	**823,420**	**6,547,275**	**7,370,695**	**7,555,624**	**285,216**	**17,232**	**11,501,202**	**552,557**	**19,911,831**	**27,282,526**

Disposed tangible fixed assets are no longer items of bookkeeping records. Any profits or losses are recognised as revaluatory operating revenues or revaluatory operating expenses.

Depreciation is accounted for each asset individually following the method of steady depreciation.

The non-depreciable value is recorded only for equipment that preserves this value.

The revaluation of tangible fixed assets was not carried out, because market prices of the assets did not change.

4. **Used depreciation rates**

Types of depreciable assets	Depreciation rates in % lowest	highest
constructed buildings	1.30%	1.30%
other buildings	2.00%	5.00%
equipment	4.50%	25.00%
IT equipment	50.00%	50.00%
transportation vehicles	6.20%	20.00%
private vehicles	12.50%	12.50%

Depreciation is charged from the purchase costs of intangible long-term assets. Depreciation rate is determined by the forecasted utility period of individual assets considering the expected physical and technical exploitation, expected economic aging and expected legal and other provisions.

Depreciation of intangible long-term assets and depreciation of tangible fixed assets are recog-nised separately following the method of steady depreciation.

Intangible long-term assets are amortised when they become available. The depreciation of tangible fixed assets begins on the first day of the month following the beginning of its use.

5. **Long-term financial investments in subsidiaries and associated companies and other long-term financial investments**

Long-term financial investments are assets with maturity longer then one year. Long-term financial investments are initially determined with their purchase value, which equals the value of the invested cash assets.

Investments in stocks and shares of foreign joint-stock companies, investments in shares of domestic banks and domestic companies and granted long-term domestic loans based on loan contracts are categorised separately.

If a long-term financial investment looses its value, its initial value should be adjusted by debiting the expences of investment.

Collections of dividends causes a reduction of the initially recognised investments increase based on the share of profits.

Long-term investments in other companies' equity are not increased on an annual basis, collected dividends are treated separately.

The revaluation of long-term financial investments is a process of changing their carrying amount. It can be performed during or at the end of the year. It usually appears as the revaluation of long-term financial investments due to their increase or decrease, or due to the revaluation of long-term investments that is meant to abolish the impairment of the investments.

Long-term financial investmetns

in SIT 000

	Purchase costs of LTFI	subsidiaries	of which LTFI in associated	other	Net carrying value 31.12. 2004	2003
	=	+	+	+	=	
Long-term financial investments (+)	3,666,425	3,324,019	124,867	217,539	3,666,425	2,889,806
Short-term portion of long-term financial investmetns (-)	0				0	
TOTAL	**3,666,425**	**3,324,019**	**124,867**	**217,539**	**3,666,425**	**2,889,806**

Long-term financial investments in detail:

in SIT 000

	Purchase costs				Valuation adjustment (kto 068+069)			Net carrying value		Ownership 31.12. 2004
	Purchasing costs 01.01.2004	Dividend/ shares/ collected equitly method	Exchange rate differences 31.12. 2004	Purchase costs	Revaluatory adjustment 01.01. 2004	Increase (strengt-enings/ impairments)	Revaluatory adjustment 31.12. 2004	31.12. 2004	01.01. 2004	
(ANALYTICALLY BY SINGLE INVESTMENTS)	+	-	+/-	=	+/-	+/-	=	=	=	%
Štatenberg, d. o. o.	111,267	-2,159		109,108			0	109,108	111,267	99.60%
Impol Montal, d. o. o.	142,575	14,611		157,186			0	157,186	142,575	100.00%
Impol Stanovanja, d. o. o.	802,900	25,131		828,031			0	828,031	802,900	100.00%
Unidel, d. o. o.	6,626	672		7,298			0	7,298	6,626	72.60%
Stampal SB, d. o. o.	256,812	121,299		378,111				378,111	256,812	100.00%
IAC USA	252,387	15,174	-17,492	250,069			0	250,069	252,387	90.00%
Impol Seval Serbia and Montenegro	752,066	198,262	-72,178	878,150			0	878,150	752,066	70.00%
Simfin, d. o. o.	15,651			15,651	4,253	24	4,277	19,928	19,904	49.53%
Alcad, d. o. o.	3,837			3,837	15,525	3,758	19,283	23,120	19,362	32.00%
Impol Kadring, d. o. o.	2,438			2,438	1,715	318	2,033	4,471	4,153	49.00%
Impol 2000, d. d.	77,348			77,348			0	77,348	77,348	5.12%
Geoplin	88,412			88,412			0	88,412	88,412	0.46%
Alutrg	1,607			1,607			0	1,607	1,607	2.61%
Probanka	3,526			3,526			0	3,526	3,526	
Abanka	3,199			3,199			0	3,199	3,199	
Zavod za management	35			35			0	35	35	
Total	**2,520,686**	**372,990**	**-89,670**	**2,804,006**	**21,493**	**4,100**	**25,593**	**2,829,599**	**2,542,179**	

Long-term financial investments in subsidiaries are accounted for in accordance with the equity method. Business results of subsidiaries result in increased financial revenues or expenses.

Long-term financial investments in associated companies are accounted for in accordance with the equity method. Business results (profit) of associated companies are shown by specific equity revaluation adjustments.

6. Inventories

Valuation methods:

- Inventories are accounted for by means of the FIFO method.
- Production inventories and inventories of products are valued according to direct production costs.
- Conversion of items from foreign currencies into tolars is carried out according to the average exchange rate of the Bank of Slovenia.

Raw and primary materials inventories are assessed on the basis of the purchase cost, which is comprised of the purchase price, import duties and direct purchase costs. The purchase price is reduced by trade discounts. In 2004, the company's accounting principles were not changed.

Inventories of non-finished and finished products are initially assessed according to production costs that include: direct material costs, direct labour costs, direct services costs, direct depreciation costs and general production costs.

7. Receivables

a) Long-term receivables

in SIT 000

	Long-term receivables	Of which long-term receivables on subsidiaries	other companies	2004	2003
Long-term trade credits granted abroad	655,446	655,446		655,446	1,702,028
Long-term trade receivables	60,205		60,205	60,205	65,237
TOTAL long-term receivables	**715,651**	**655,446**	**60,205**	**715,651**	**1,767,265**

Receivables are classified into long-term and short-term receivables on customers and others. Long-term receivables with maturity less than one year upon the balance sheet date are entered as short-term.

Receivables are initially disclosed in amounts recorded in the relevant documents under the assumption that they will be collected. Later increases of receivables will usually result in increases of operating revenues or financial revenues, whereas later decreases of receivables will usually decrease relevant operating revenues or expenses, granted advances excluded. Interests on receivables are disclosed as financial revenues.

On the basis of experience and expectations value adjustment of receivables is formed for domestic and foreign customers.

Receivables on foreign customers are converted into domestic currency according to the average exchange rate of the Bank of Slovenia on the balance sheet date. The exchange rate discrepancy that accumulates up to the date of receivables collection or balance sheet, becomes an item of financial revenues or expences.

b) Long-term receivables' maturity*

in SIT 000

	2004	2003
Due by 2005	x	77,426
Due by 2006	403,587	439,321
Due by 2007	380,454	439,321
Due by 2008	396,712	434,848
Due by 2009	162,753	311,112
Due by 2010 and later	208,967	x
TOTAL granted long-term loans	**1,552,473**	**1,702,028**

c) Short-term business receivables

in SIT 000

	Short-term business receivables	Of which short term receivables on			Provisions for doubtful receivables*	2004	2003
		subsidiaries	associated	other			
	=	+	+	+	-	=	
Short-term business receivables	10,149,532	1,081,727	1,124	9,066,681		10,149,532	9,225,285
-of which due by 31.12.***	3,394,236	310,351		3,083,885		3,394,236	3,114,522
Short-term advances and collaterals	22,433			22,433		22,433	23,102
Short-term receivables from operation on third parties behalf	0					0	
Short-term receivables associated with financial revenues	0					0	95,498
Short-term revenues toward state institutions	981,748			981,748		981,748	1,769,174
Other short-term receivables	33,868			33,868		33,868	
Total short term receivables from operations	**11,187,581**	**1,081,727**	**1,124**	**10,104,730**	**0**	**11,187,581**	**11,113,059**
Short-term receivables for felt due unpaid subscribed equity							
Total short term receivables **	**11,187,581**	**1,081,727**	**1,124**	**10,104,730**	**0**	**11,187,581**	**11,113,059**

*Short-term receivables on state institutions amounting to SIT 981,748,000 are receivables according to the charged VAT.

Short-term receivables maturity

in SIT 000

	2004	2003
Due by 2004	3,103,425	x
Due by 2003	67,942	3,068,003
Due by 2002	165,688	10,564
Due by 2001	27,180	173
Due by and before 2000	7,494	35,782
Total due short-term receivables	**3,371,729**	**3,114,522**

There are no receivables on members of management, supervisory board or employees with individual contracts.

8. Short-term financial investments

a) Short-term financial investments are run on the basis of the purchase value. If expressed in foreign currency they should be converted on the balance sheet date using the average exchange rate of the Bank of Slovenia.

in SIT 000

	Purchase costs of short-term financial investments as on 31.12. 2004	Short-term financial investments toward:			Average value as on 31.12.* 2004		Net carrying value 31.12.	
		Subsidiaries	Associated	Others	Strenghtening	Impairment	2004	2003
Short-term financial investments (+)	256,811	25,758	7,284	223,769			256,811	775,636
TOTAL SHORT-TERM FINANCIAL INVESTMETNS	**256,811**	**25,758**	**7,284**	**223,769**	**0**	**0**	**256,811**	**775,636**
Shares acquired for sale	195,058		7,284	187,774			195,058	188,262
Short-term loans	56,897	25,758		31,139			56,897	430,764
Receivables bought for trading	4,856			4,856			4,856	156,610
TOTAL SHORT-TERM FINANCIAL INVESTMENTS	**256,811**	**25,758**	**7,284**	**223,769**	**0**	**0**	**256,811**	**775,636**

Short-term financial investments include shares, bought for sale, short-term loans granted to related and other companies, investments in securities and in the short-term part of long-term financial investments.

9. Long-term debts

a) Long-term liabilities are initially run by their purchase value. Long-term liabilities expressed in foreign currencies should be converted on the balance sheet date using the average exchange rate of the Bank of Slovenia.

Long-term liabilities

in SIT 000

	amount of debt	2004	2003
Long-term liabilities to banks (loans)	7,988,700	7,988,700	8,468,647
Long-term operational liabilities suppliers - other	376,670	376,670	505,257
TOTAL long-term liabilities	**8,365,370**	**8,365,370**	**8,973,904**

Long-term liabilities maturity

in SIT 000

	2004	2003
Due by 2005		2,184,360
Due by 2006	2,359,358	2,025,046
Due by 2007	2,183,284	1,971,777
Due by 2008	1,901,879	1,469,190
Due by 2009	986,141	1,323,526
Due by 2010 and later	934,708	
TOTAL long-term liabilities	**8,365,370**	**8,973,899**

Long-term financial and operating liabilities are financial and operating debts of the company and include long-term financial liabilities toward banks, long-term financial liabilities toward companies and long-term operating liabilities toward others.

The portion of long-term liabilities with maturity less than a year after the balance sheet date is shown as short-term financial and operating liabilities.

b) Long-term loans interest rates
- in foreign currency from EURIBOR +1.1% to EURIBOR +2.5%
- in domestic currency from 5.5%

Long-term liabilities are secured with a mortgage on all real property of the company and on some parts of the equipment

in SIT 000

	Mortgage value - amount
real property	11,347,117
movable property	394,222

10. Short-term debts

in SIT 000

	Loan amount 01.01.2004	New loans in the current year	Short-term portion of long-term liabilities transfer	Accrued interests to the principal	Exchange rate differentials	Current year repayments	Liabilities amount 31.12.2004
Total subsidiaries	224,140	0	0	0	338	0	224,478
Total associated companies	0	144,296	0	0	0	0	144,296
Total other companies	33,441	1,250,000	24,802	0	345	-35,327	1,273,261
Domestic banks	16,207,967	5,662,928	2,243,259	221	195,696	-2,577,638	21,732,433
Foreign banks	0	719,229	0	0	0	0	719,229
Total banks	16,207,967	6,382,157	2,243,259	221	195,696	-2,577,638	22,451,662
TOTAL	**16,465,548**	**7,776,453**	**2,268,061**	**221**	**196,379**	**-2,612,965**	**24,093,697**

a) Short-term loans interest rates
- in foreign currency from EURIBOR +0.65% to EURIBOR +1.3%
- in domestic currency from 5.75%

b) Short-term liabilities are partially secured with a mortgage (SIT 442 million), the other portion is secured with bills and assignmentof receivables.

Short-term financial liabilities are liabilities due to received loans, with maturity shorter than one year.

Short-term liabilities expressed in a foreign currency are converted into domestic currency at the exchange rate effective on the date when the obligation arises. The exchange rate discrepancy until the balance sheet date is defined as financial expense.

Short-term operating liabilities include short-term liabilities toward suppliers, liabilities arising from advances received and short-term financial and operating liabilities toward others.

Short-term liabilities are initially entered as amount recorded in relevant documentation, under the assumption that creditors request their repayment.

Short-term liabilities to foreign parties are converted into domestic currency at the date when the obligation arises. The exchange rate discrepancy until the balance sheet date is defined as financial expense.

11. Costs upon functional groups

in SIT 000

Analysis of costs and expenses	Production costs	Sales costs	Costs of general activities	TOTAL 2004	TOTAL in year 2004 purchased from: Subsidiaries	Associated companies	Other companies	TOTAL 2003
Purchasing costs of sold goods and material		11,148,154		11,148,154	9,064,490		2,083,664	11,568,686
Costs of material	40,258,613	565,692	217,521	41,041,826	198,264		40,843,562	33,215,327
Costs of services	1,334,529	2,024,472	490,064	3,849,065	87,472	515,062	3,246,531	3,417,425
Costs of labour	4,062,815	333,279	610,546	5,006,640			5,006,640	4,330,113
Depreciation	2,134,531	30,635	184,567	2,349,733			2,349,733	1,614,894
Revaluatory operating expenses		505		505			505	0
Other operating expenses	42,357	12,367	61,952	116,676			116,676	285,904
TOTAL	**47,832,845**	**14,115,104**	**1,564,650**	**63,512,599**	**9,350,226**	**515,062**	**53,647,311**	**54,432,349**

12. Other disclosures

a) Board of Directors:
- Jernej Čokl, President
- Janko Žerjav, member
- Adi Žunec, member
- Vlado Leskovar, member

b) Supervisory Board:
- Milan Cerar, President
- Brigita Juhart, member
- Davorin Brodnjak, member
- Peter Vuk, member
- Branko Ačko, member

in SIT 000

Income of Members in Impol d.d.	2004	2003
Board of Director members	192,316	157,651
Supervisory Board members	7,210	2,529
Employees on individual payroll contracts	304,198	263,585
TOTAL	**503,724**	**423,765**

Business activity

1. The company Impol, industrija metalnih polizdelkov, d. d., Slovenska Bistrica, Partizanska 38, is registered in the Company's Register of the District court in Maribor as of 19 May 1997 as a joint stock company with the decree number 96/01315, number of entry 1/00460/00. The company is registered under the Standard Classification of Activities code 28.400, i.e. forging, pressing, stamping and rolling of metal as well as powder metallurgy. The company's register number is 5040736.
2. Company activities are performed in accordance with the registration.
3. The share capital of the company as of 31 December 2004 amounted to SIT 4,063,000,000.00 and is split into 4,063,000 ordinary shares with nominal value of SIT 1,000.00 per share.
4. The book value of shares as of 31 December was as follows:

in SIT

YEAR	Nominal value	Book value
2004	1,000.00	4,960.81
2003	1,000.00	4,935.23
2002	1,000.00	4,726.59
2001	1,000.00	4,546.44
2000	1,000.00	4,093.48

5. Associated companies of Impol, d. d.

Associated companies, where Impol, d. d., holds the majority stake, are:

in SIT

Company	Register number	Standard Classification of Activities code	Country of origin	Share capital value	Participation rate Impol, d. d.	Impol's input in share capital
Impol Montal, podjetje za projektiranje, izdelavo in montažo, d. o. o., Partizanska cesta38, Slovenska Bistrica	5479355	28.120	Slovenia	83,661,567 SIT	100%	83,661,567.00 SIT
Impol Stanovanja, podjetje za pridobivanje, upravljanje in oddajanje stanovanj, d. o .o., Partizanska cesta 39, Slovenska Bistrica	5598010	70.320	Slovenia	386,704,618 SIT	100%	386,704,618.90 SIT
Štatenberg, turistično gostinsko podjetje, d. o. o., Makole, Dvorec Štatenberg	5465249	55.301	Slovenia	12,825,846 SIT	99.55%	12,768,846.00 SIT
Unidel, podjetje za zaposlovanje in usposabljanje invalidnih oseb, d. o. o., Partizanska cesta 38, Slovenska Bistrica	5764769	85.325	Slovenia	8,813,734 SIT	72.62%	6,400,734.60 SIT
Impol Aluminium Corporation, 155 Erie Boulevard New York 12305, USA		51.520	USA	100,000 USD	90%	90,000 USD
Impol Seval, a. d., Sevojno, S&MN	07606265	27.423	S&MN	942,287,000 DIN	70%	6,500,000 USD
Stampal SB, d. o. o.	1317610	28.400	Slovenia	200,000,000 SIT	100%	200,000,000 SIT

6. Other associated companies of Impol, d. d.

Other associated companies, where Impol, d. d., directly holds more than 20% of capital:

	Share in capital
Simfin, d. o. o.	49.53%
Alcad, d. o. o.	32%
Impol Kadring, d. o. o.	49%
Impol 2000, d. d.**	5.12%

**Impol 2000, d. d., owns 48.8605% of share capital.

Business statement for the energy sector

On the 9 October 2001, Slovene Agency for Energy issued a license to Impol, d. d, for the performance of energy activities, i.e. representation and mediation on the organized market for electric energy for a period of five years. In 2002, the company disclosed the following business statement for energy activities:

in SIT 000

Consolidated result of all activities	
NET OPERATING REVENUES FROM SALES	240,607
from domestic market sales	152,490
from products sales	88,117
internal revenues	0
COSTS OF GOODS, MATERIAL AND SERVICES SOLD	187,764
Purchasing price of sold energy	178,801
Costs of other materials	0
Costs of services	8,963
LABOUR COSTS	20,976
DEPRECIATION OF FIXED ASSETS	8,252
OTHER OPERATING EXPENSES	0
OPERATING PROFIT	28,635
OPERATING LOSS	5,020
FINANCING REVENUES	0
COSTS OF INTERESTS AND OTHER EXPENSES FROM FINANCING	0
PROFIT	28,635
LOSS	5,020

List of activities:

- Production of heat for long distance heating over 1 MW of heating power;
- Distribution of electric energy;
- Distribution and supply of natural gas and other energetic gas, and management of the distribution network;
- Supply of electric energy to non-authorized customers;
- Distribution and supply of heat for long distance heating..

Board of Directors' Statement of Responsibility

The Board of Directors confirms that all accounting statements for the year ending 31 December 2004 are in accordance with general accounting measures.

The Board of Directors is responsible for preparation of the Annual Report to the extent that the figures represent the true and fair value of the equity stake of the company and the results from operations performed in the operating year 2004.

The Board of Directors confirms that all accounting measures have been followed thoroughly and that the accounting estimates were made in accordance with the principle of caution and good resource management. The Board of Directors confirms that the accounting statements including the explanations were prepared on the basis of the determination of further operations in the company and are in accordance with the valid legislation and Slovenian Accounting Standards.

The Board of Directors is also responsible for the appropriate accounting policy, the application of appropriate measures to insure equity as well as to prevent and to disclose any potential deception or other possible inconsistencies or illegal activities.

The Board of Directors is not acquainted with any circumstances that could provoke Slovenian tax authorities to impose an additional liability to pay tax, late interest or penalties on the basis of corporate income tax or other taxes and receivables.

Tax authorities can check the company's operation anytime within five years from the tax asesment year.

Vlado Leskovar,
Member of the Board of Directors

Jernej Čokl,
President of the Board of Directors

Auditors Report

AUDITOR
REVIZIJSKA DRUŽBA d.o.o. PTUJ

AUDITOR´S REPORT

To the shareholders of IMPOL industry of metal semi products d.d.

We have audited the balance sheet of Impol d.d., Partizanska 38, Slovenska Bistrica, as of December 31, 2004, and the related income statement, cash flow statements and capital changes for the year then ended. We also read the company's management business report for the year 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with basic auditing principles and International Standards on Auditing. Those principles and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. We assess also Accounting Standards used, significant estimates made by management, as well as evaluating the overall financial statement presentation. The financial statements are composed in accordance with Slovenian Accounting Standards. We believe that our audit provides a reasonable basis for our opinion.

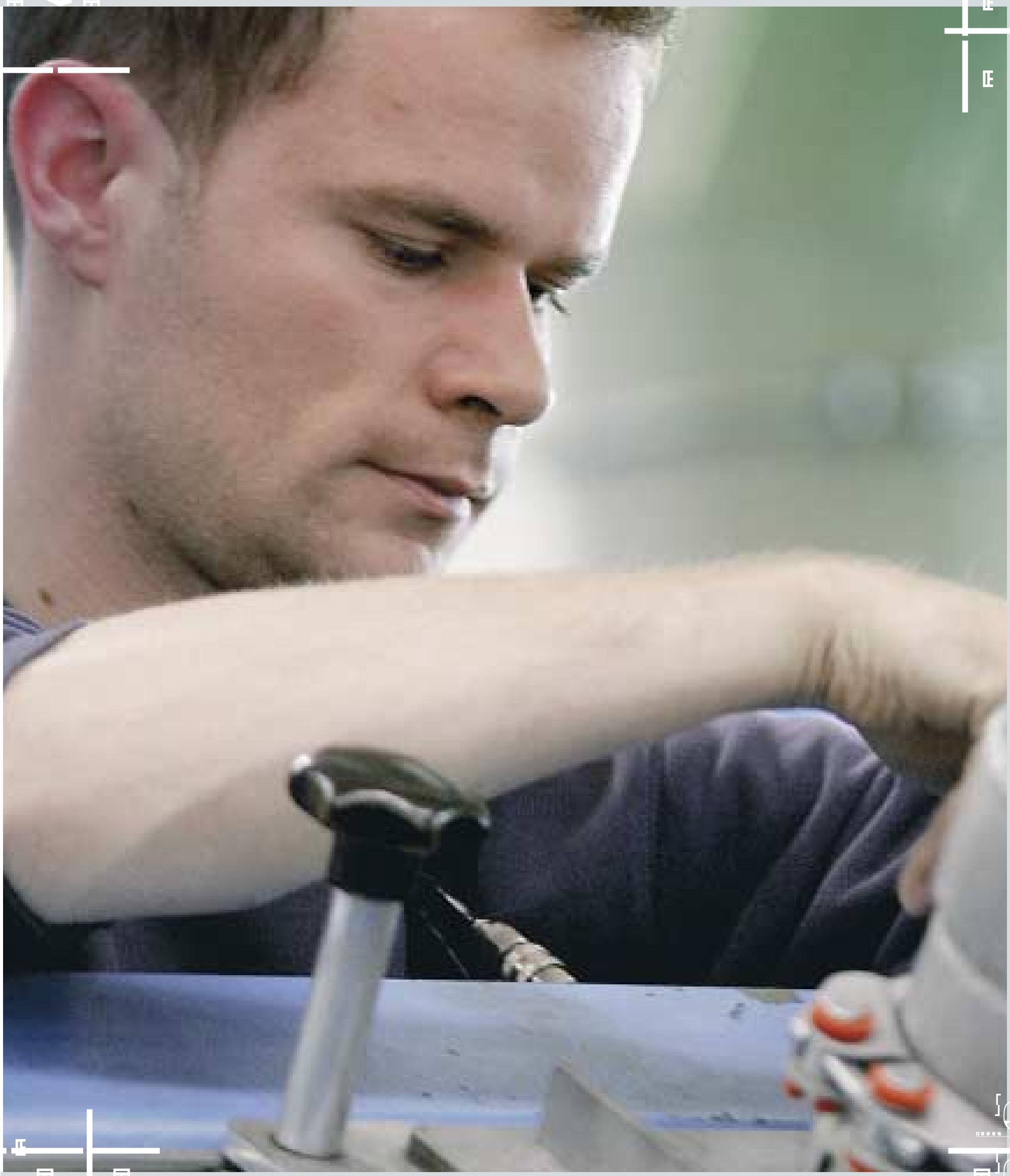
In our opinion the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of IMPOL d.d., Partizanska 38, Slovenska Bistrica, as of December 31, 2004, give a true and fair view of the financial positions as at December 31, 2004, and the results of its operations, cash flow and capital changes for the year then ended, in accordance with Slovenian Accounting Standards. Company's management business report is consistent with financial statements.

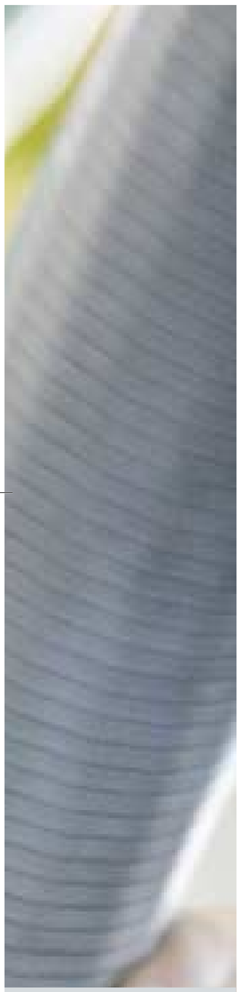
Ptuj, April 30, 2005

AUDITOR
AUDITING COMPANY Ltd. Ptuj
General manager
D.Sc. ERIKA TURIN
Certified auditor

AUDITOR REVIZIJSKA DRUŽBA d.o.o. PTUJ, podjetje za revizijo, vrednotenje in svetovanje, Markova 4, 2250 Ptuj

Companies of the Bussines Group Impol





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Impol, d. d., Annual Report 2004

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