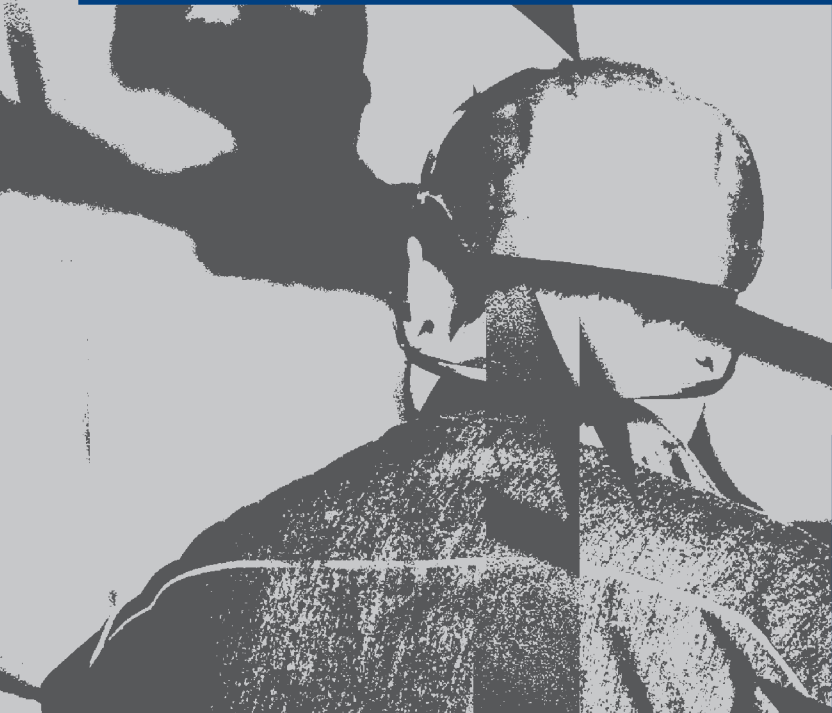


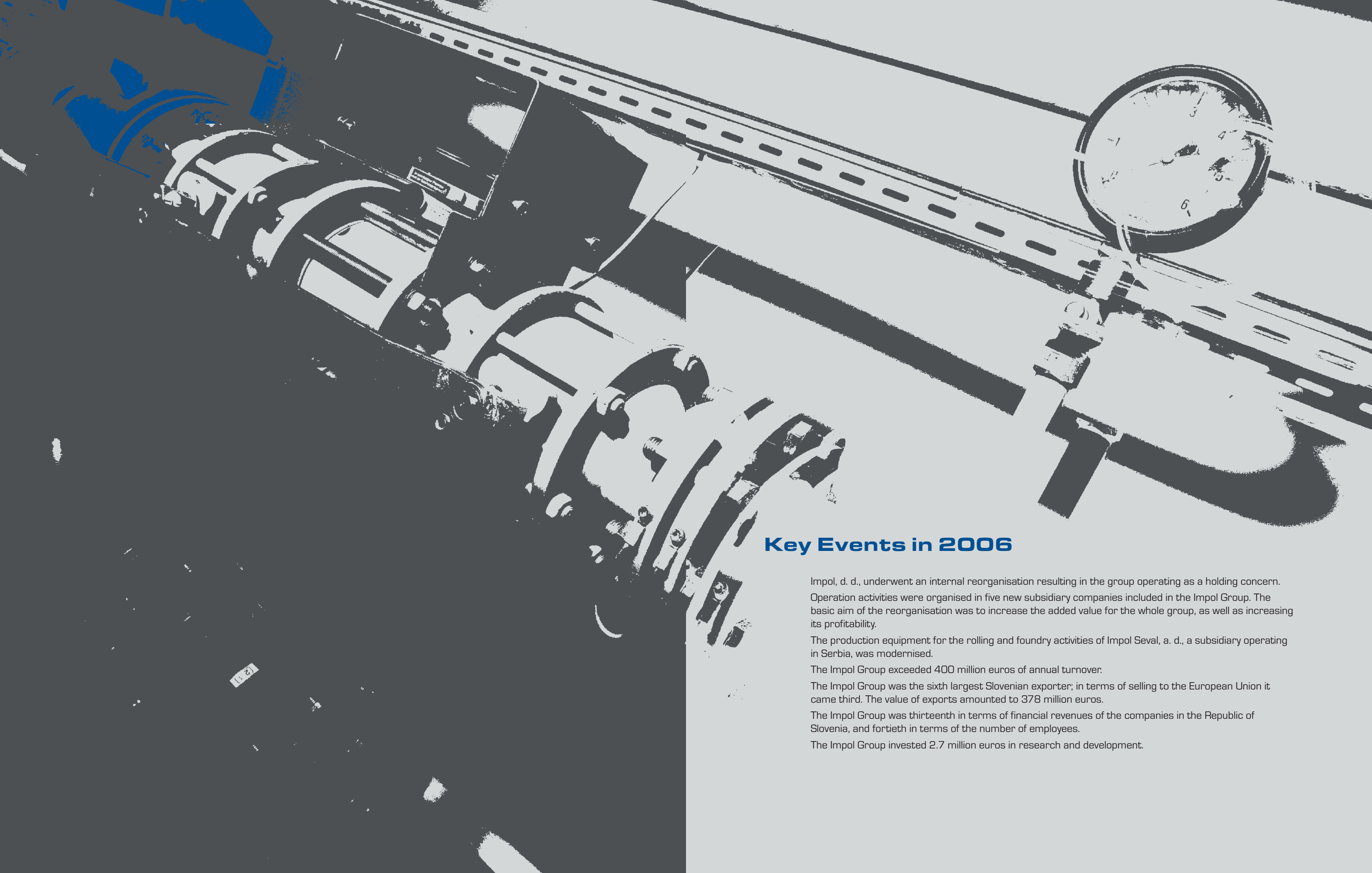
2006

Annual Report



impol
Aluminium Industry





Key Events in 2006

Impol, d. d., underwent an internal reorganisation resulting in the group operating as a holding concern. Operation activities were organised in five new subsidiary companies included in the Impol Group. The basic aim of the reorganisation was to increase the added value for the whole group, as well as increasing its profitability.

The production equipment for the rolling and foundry activities of Impol Seval, a. d., a subsidiary operating in Serbia, was modernised.

The Impol Group exceeded 400 million euros of annual turnover.

The Impol Group was the sixth largest Slovenian exporter; in terms of selling to the European Union it came third. The value of exports amounted to 378 million euros.

The Impol Group was thirteenth in terms of financial revenues of the companies in the Republic of Slovenia, and fortieth in terms of the number of employees.

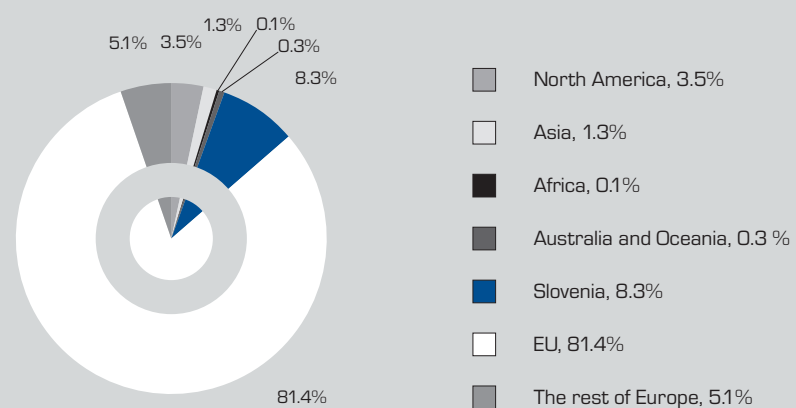
The Impol Group invested 2.7 million euros in research and development.

Review of 2006

Sales of aluminium products account for as much as 98 percent of all the sales of the Impol Group. Impol sells 90 percent of its aluminium products, and 89 percent of all its products and services, in the European Union (EU).

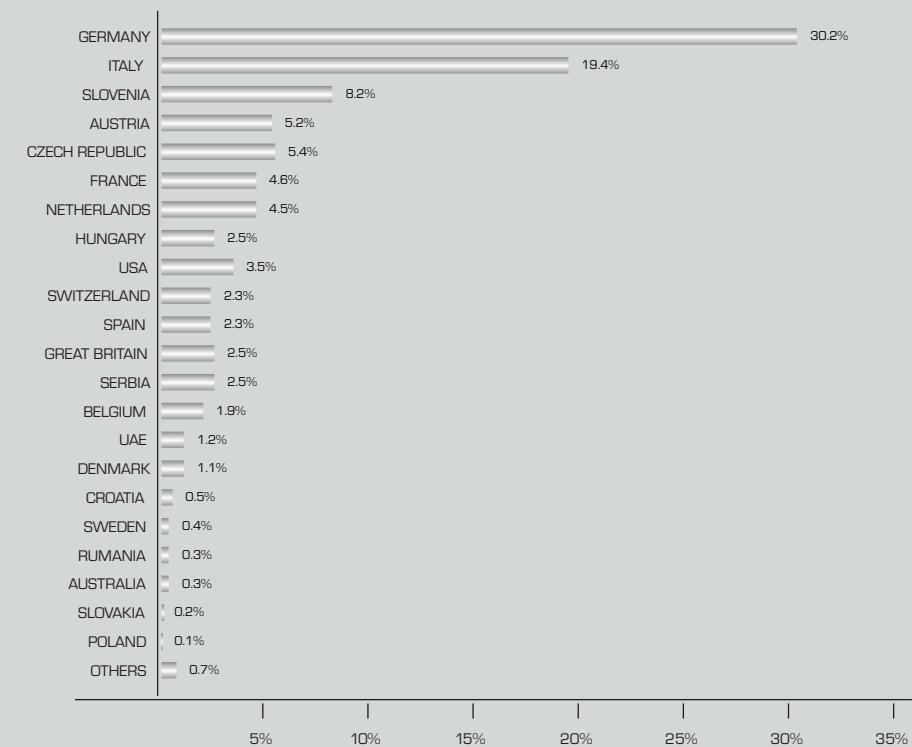
F1

SALES OF ALUMINIUM PRODUCTS BY GEOGRAPHICAL AREA



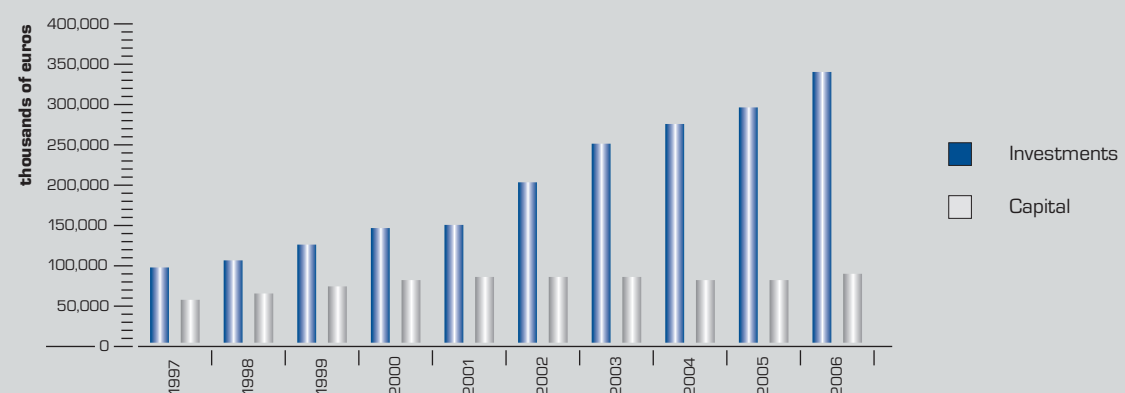
F3

SALES OF ALUMINIUM PRODUCTS BY COUNTRY



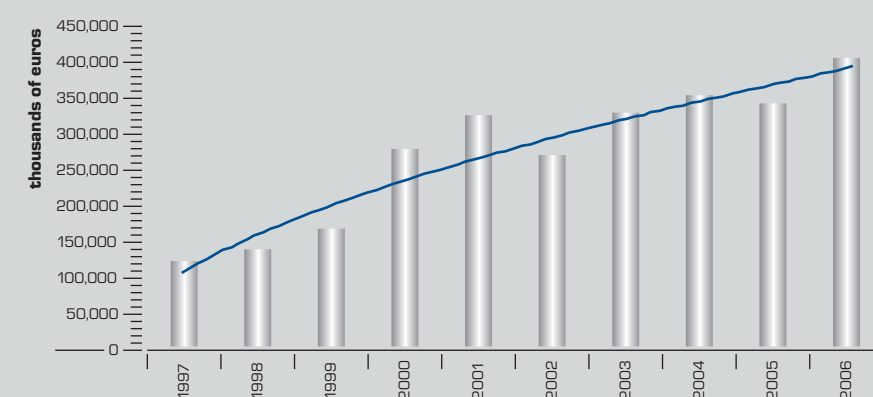
F2

CAPITAL INVESTMENTS



F4

VALUE OF SALES



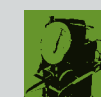
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Report of the President of the Management Board

Dear partners and shareholders,

In 2006 aluminium reached a record base price in the exchange¹, which is shown by the graphs of the movement of aluminium prices in this year – Figure 11 and Figure 12.

In addition to significant fluctuations in prices, a continual increase in aluminium prices was recorded, and because of these conditions Impol, a buyer and user of aluminium as its main raw material, continually had to adapt to the changing situation in the market.

¹ London Metal Exchange (henceforth referred to as the LME)

The continual and rapid increase in the purchase prices of aluminium is best presented by the movement of the base price in the exchange. For Impol aluminium is the main input material; it amounts to about 98 percent of the total. Its initial price, 1369 euros per tonne in 2005, increased to 2162 euros per tonne by the end of 2006, an increase of almost 60 percent (739 euros per ton). Even more unusual were the infra-annual movements, on 11 May the aluminium price increased to as much as 2576 euros per tonne (3275 US dollars per tonne), which was a record high price for aluminium in the time this metal has been listed on the metals exchange. Under such conditions everyone had to do their very best to mitigate at least some of the unfavourable effects arising from the reduction of the difference between the selling prices for Impol's products and the purchase prices for the raw materials.

With respect to aluminium processing the market has been globalised in all its operational segments. Favourable as well as unfavourable trends affecting individual parts of the market can very quickly spread over the whole of the market. In 2006 the prevailing trends affecting aluminium producers continued to be very favourable, and, in the second half of the year, the same was true for aluminium processors. For this reason Impol, a buyer of aluminium, was exposed, mainly in the first half of the year, to negative effects that it mostly managed to neutralise in the second half of the year.

The whole of the world's aluminium industry is still in a period of intense restructuring. By the end of the year it became clear that the largest merging in history of producers and traders with primary electrolytic aluminium was to be expected. Rusal, Sual and Glencore have been merging, and they are all direct or indirect suppliers to Impol. These activities are challenging for Impol, as it has to provide for new conditions in its strategies relating to the supply of raw materials, and prevent the unfavourable effects of the expected merging so that it will not depend on a single supplier for more than half of its necessary supplies.

The markets in East Asia are undergoing an explosive development, and because of their size they are causing significant changes. The Chinese market exerts an especially significant influence on Impol. China's production of primary aluminium already covers a third of the world's production, and it has an increasing influence on the aluminium products that require more demanding methods of production.

Impol's basic objectives continue to be the reduction of the range of the products with a low added value and the increase in the production of the products with a high added value in all the operating areas of the group.

We believe that the automotive industry will continue to use mainly light construction materials. And because of its relatively low specific weight and its other properties, aluminium has an advantage over competing materials. For this reason we expect that the demand for aluminium will continue to be high, and that, in the future, the demand for Impol's more sophisticated products will increase. In 2006 Impol was also increasing its foundry capacities, so that it can produce more foils and thin strips, and also increasing its production of extruded products made of more advanced alloys.

Impol continues to invest heavily in the expansion of its capacities, which ensures the company maintains its organic growth. However, as the possibilities for organic growth are decreasing due to physical restrictions, the range of these investments decreased in 2006. In future, the inclusion of other producers will provide for the growth, and we expect to carry out, already in 2007, an important investment in the purchasing of at least 51 percent of Talum's shares.

In spite of a relatively high debt-to-assets ratio, the investments in Impol are, with respect to the achieved results, remunerative and relatively safe, which is supported by the following data:

Indicator	2006	2005
EBITD	28,938	23,408
Annual growth	23%	
EBIT	14,316	9,345
Annual growth	53%	

These results allow us to smoothly manage the debts of the whole group.

By the end of the year we became very intensely involved in the preparations for an internal restructuring of the group that would allow us a more intense operation in the areas where the group can achieve a higher total added value, as well as a rationalisation in the areas that require a disproportionate inclusion of the sources used for achieving the comparable and required results. While doing this, we made sure that our actions did not have negative effects on our relations in the market. We have not disturbed the business relations with our buyers and strategic suppliers.

We will continue these processes in the future years, aiming at increasing our net cash flows. With these activities Impol provides for:

- an increase in the range of engineering and other services, as well as the range of the products with a higher added value, especially in the areas where the production costs are higher, due mainly to environmental influences;
- an increase in the scope of the products together with an increase in the number of customers that can do business with us in conditions tailored to meet their needs;
- high-quality input raw materials for the whole group, allowing an increase in the added value of the company's products;
- a reduction in the production of products with a low added value, and a move away from this type of production to areas where the production costs are lower (such production continues to be included in operations only on condition that with the overall range of products we achieve a satisfactory added value);
- an introduction of inventive measures in the production processes allowing a decrease in the production costs and a better response to customers' needs;
- a start to the increasing use of secondary raw materials as input materials in areas where the dependency on the producers is low, and the energy consumption is also low;
- at least a part of the aluminium materials to be delivered in conditions that are more favourable than in the EU;
- production procedures that are friendly to the environment and the company's employees, and cause the minimum in necessary additional costs;
- sufficient cash flow that allows the financing of development processes and the settlement of liabilities to investors (shareholders, creditors, etc.).

Although the influences of the environment were, in the first half of 2006, particularly negative because of the exceptional increase in the prices for aluminium raw materials, in 2006 Impol achieved the highest net cash flow in the latest ten years, amounting to 20.4 million euros. Impol spent 5.1 million euros of the gained cash flow for development investments in durable assets, and the rest for the instalments on long-term loans obtained for the investments in durable assets in previous years, as well as for the investments in the current assets that became disproportionately increased because of price increases and the increased scope of the operation.

In 2006 Impol mainly invested in durable assets that ensure the company's further organic growth relating to the production of products with a higher added value. Investments in the expansion of the foundry capacities were the most important; other investments were smaller and mainly used for overcoming bottlenecks in production.

The strategy of the Impol Group is changing its focus from quantity production to products with a higher value, and the objectives relating to quantity complement the ambitious objectives relating to a high added value per product, reducing, in the overall system of the achieved total added value, the importance of the quantity.

For 2006 Impol set an objective to make a profit of 8.7 million euros and a net cash flow of 27.3 million euros. To achieve this it would have had to sell 161,700 tonnes of aluminium products. Impol actually managed to sell 151,000 tonnes. The net cash flow amounted to 20.4 million euros, and the profit was 6 million euros. However, we believe that Impol's financial results were a bit below expectations for several reasons:

- the rapid increase in prices at the beginning of the year caused a decrease in demand at the end of 2005 and in January 2006;
- since February, demand has been increasing unexpectedly, causing disturbances in the structure of production programmes and available capacities;
- the shortage of foundry capacities was overcome by building new capacities; however, these started to operate with a two-month delay;
- Serbian natural gas, a cheaper source of energy, was obtained more than half a year later than expected.

In comparison with the previous year, Impol significantly increased its revenues (by 19 percent), its profit (by 164 percent) and its cash flows (by 25 percent). The revenues were increased because of the higher selling prices that, on the one hand, increased because of the higher prices for aluminium raw materials, and, on the other hand, because of the changed sales programme and an increased physical extent of the sales (by 8 percent).

Impol is not a listed company; for this reason it is possible for its shareholders to find the values of their investments by objectively presenting the value of the company in its financial statements. The consolidated accounting value of capital per share was, for the purpose of paying the dividends, formed in such a way that it amounted, at the end of 2006, to 20.77 euros, or 3.4 percent more than in 2005. As a result of the achieved financial results and expectations for 2007, Impol will keep the same policy for determining shareholders' dividends. The dividend for each share will be 0.34 euro, or 3 percent more than the year before.

In the next financial period Impol will:

- provide for the long-term supplies of aluminium raw materials for, at least, the production programme of the group using capital ties with aluminium producers (in the period 2007–2008 Impol intends to link up with Talum from Kidričevo). Impol will provide the funds for this enterprise mainly with the loans;

- better use of current capacities, which can be done mainly by making use of the synergy effects relating to the previously mentioned capital ties, and without any large additional investments. A part of Impol's short-term investments, mainly those collected with the short-term loans, will be used for its facilities.

Impol will continue to control, in its entire system, its influence on the environment, and will strive to reduce the impact as much as possible, or eliminate it, in line with the environmental standard ISO 14001. In 2007 Impol will, in line with the IPPC requirements, finalize the investment in the renovation of its foundry capacities. This also includes a definition of the maximum extent of using secondary aluminium materials.

Impol will also continue to ensure that the knowledge acquired by the company will be maintained and improved. Impol encourages the acquisition of the knowledge that helps the company increase its productivity. For this reason Impol promises its employees that it will:

- reward them in line with the achieved financial results, and stimulate them to further improve their results;
- encourage cooperation in the process of innovations, improvements, and development projects;
- pay for their supplementary pensions;
- ensure a safe and healthy working environment in line with the acquired standard OHSAS 18001.

Impol will continue to provide training for its employees, as it can only satisfy the needs of its customers with appropriately qualified employees.

Impol Management Board
Jernej Čokl, President of the Board



Impol Management Board:
Janko Žerjav,
Jernej Čokl, President of the Board,
Adi Žunec and
Vlado Leskovar

Report of the Impol Supervisory Board

The Supervisory Board of Impol, d. d., examined, in line with its competencies assigned to it in the company's statutes and in the Companies Act, throughout the year the management of the company in the financial year 2006 by discussing, during four meetings, the reports of the Management Board relating to the planned business policy, the company's profitability, especially the profitability of the company's own capital, the financial situation of the company, and the business deals that significantly affected the profitability and solvency of the company. The Supervisory Board also examined the realisation and effects of the investments, as well as the pricing and marketing policies. It also monitored the activities relating to the transformation of the company into a holding concern.

Members of the Supervisory Board established that, throughout the year, the Management Board was regularly and promptly submitting real and objective information and details regarding the operation of the company, the realisation of the undertakings of the company as a whole or of its individual parts.

The Management Board regularly, on a monthly basis, sent written reports on the current operations of the company to the Supervisory Board.

The Supervisory Board established that the Management Board promptly and consistently implemented the decisions of the Supervisory Board and the Assembly.

All the meetings of the Supervisory Board, consisting of five members, were attended by a quorum.

The Supervisory Board established that, according to the auditor's report by the audit company Auditor, d. o. o., the financial statements give a true and fair picture of Impol's financial situation as of 31 December 2006, and are in line with the Slovenian Accounting Standards. The same is true of Impol's business results and the movement of the financial flows in the year that ended on the above-mentioned date. The business report of the Management Board is consistent with the financial statement. The Supervisory Board had no comments relating to the auditor's report.

The Supervisory Board suggested that the Assembly of the company give a discharge for the financial year 2006 to the Management Board and the Supervisory Board.

The Supervisory Board also suggested that the Assembly adopt a proposal of the Management Board relating to the formation of Impol's capital, the distributable profit, and the profit after the financial year 2006.

March, 2006

Milan Cerar,
President of the Supervisory Board



Impol
Supervisory
Board:
Brigita Juhart,
Bogdan Bizjak,
Milan Cerar, President
of the Supervisory Board,
Zvonko Krošel and
Irena Šela



Business Review

The main activity of the Impol Group is the processing of aluminium into rolled, extruded, drawn, and forged products, as well as other types of products (the activity code DJ 28,400). The group also carries out other, less important activities.

In 2006 Impol did not expand its activities to any new areas, as it mainly strove to improve, modernise, and make the best use of the existing capacities, while it was, at the same time, involved in the restructuring and specialisation of the production programmes. Throughout the group, Impol was abandoning the programmes for producing products with low added value and redirecting and specialising its activities.

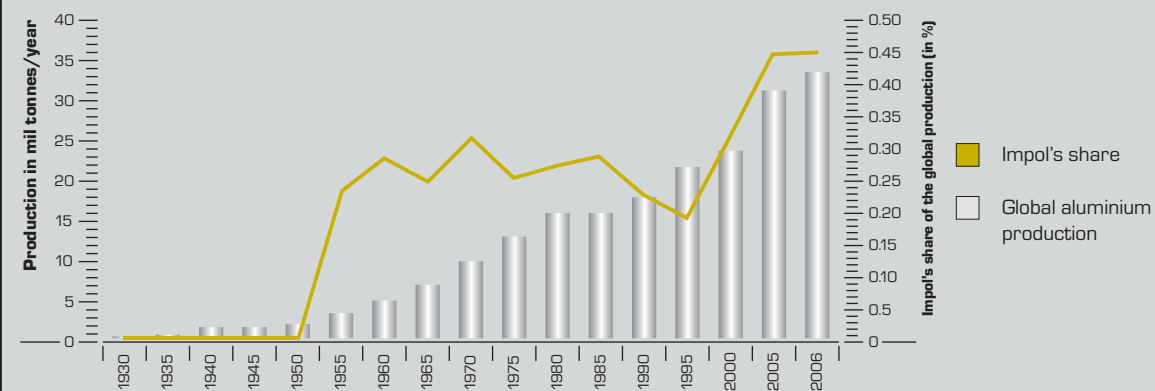
Until 1950 Impol processed only copper. The processing of aluminium started in 1950 (the programme is described, in detail, at <http://www.impol.si>), when the total global annual production of primary electrolytic aluminium was only a good million tonnes; today it amounts to more than 33 million tonnes (Figure 5). The processing of secondary aluminium is also becoming increasingly important; its estimated annual amount is already about 10 million tonnes.

Impol kept its 4.5‰ share of newly produced, globally processed aluminium, and even slightly increased this share, as this type of processing was on a more rapid increase than the growth of the entire industry, and it has been continually on the increase in the past 10 years. As the global processing of aluminium, including the processing of secondary, recycled aluminium, already exceeded 40 million euros per year, Impol's share of the total processing is a little less than 4 ‰. We estimate that about 10 million tonnes of secondary aluminium per year are processed globally, of which about 4.7 million tonnes are processed in the EU, while China is still very quickly increasing its share, already covering one third of the total global production of aluminium.

Some of the most important indicators relating to business operations in 2006 (Table 1) show that the financial year was, observed mainly with respect to the net cash flow, still satisfactory, even though Impol was strongly affected by political and financial fluctuations.

F5

ALUMINIUM PRODUCTION IN MILLIONS OF TONNES PER YEAR, AND IMPOL'S SHARE OF THE CONSUMPTION OF PRIMARY ALUMINIUM



T1

KEY INDICATORS

Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Turnover ratio	1.21	1.38	1.24	1.38	1.52	1.38	1.38	1.41	1.40	1.43
Profitability	3.10%	8.00%	7.60%	8.60%	5.70%	5.52%	4.10%	-7.93%	2.96%	5.03%
Margin	3.5%	3.6%	2.6%	1.6%	1.5%	1.7%	1.0%	1.8%	0.7%	1.4%
Equity/assets	60.9%	66.0%	60.0%	54.7%	59.0%	42%	33.9%	28.9%	27.3%	28.1%
Debt/equity	66%	52%	64%	82%	74%	136%	193%	238%	259%	290%
Long-term debt/equity	15%	10%	11%	13%	14%	48%	54%	53%	51%	52%
Employees	803	834	873	895	895	2062	1900	1835	1803	1819

A short review of business operations (Table 2) shows a rapid increase in the extent of the operations, and the increase in the acquired cash flow; these improvements, however, are not matched by an increase in the profitability of the business operations. Most of the cash flow was made with the amortisation/depreciation costs, which affects the tax liabilities.

T2

REVIEW OF RESULTS CONSOLIDATED IN 1997–2006²

	in thousands of euros									
	'97	'98	'99	'00	'01	'02	'03	'04	'05	'06
Consolidates revenues	131,388	145,130	175,295	294,977	332,472	276,174	346,394	366,708	355,372	432,112
Consolidated revenues without goods and services	102,524	120,680	141,002	294,977	332,472	273,979	344,339	363,818	352,392	427,707
Consolidated expenses	125,919	135,363	164,462	283,139	321,238	266,065	337,566	364,769	343,102	419,243
- consolidated write-offs (depreciation, etc)	3,713	4,395	4,986	5,312	6,281	6,309	7,908	10,956	14,063	14,416
Current operations results – consolidated	5,468	9,766	10,833	0	11,234	10,109	8,829	1,939	12,270	12,870
Financial revenues/expenses difference – consolidated	3,235	3,293	3,843	6,107	6,217	5,611	6,381	9,365	-12,713	6,422
Extraordinary revenues/expenses difference – consolidated	-457	-284	816	2,096	762	328	1,157	883	2,897	126
Profit or loss – consolidated	1,703	5,052	6,337	7,690	4,926	4,581	3,381	-6,776	2,280	6,009
Cash flow from current operations – consolidated	5,416	9,448	11,323	13,001	11,207	10,890	11,289	4,180	16,343	20,425
Cash	1,202	3,787	2,156	2,347	5,963	8,983	2,961	6,062	3,632	9,683
Equity – consolidated	57,311	65,929	72,861	78,592	83,459	83,802	83,465	78,411	81,650	86,558
Share book value in euros	14.11	16.23	17.93	19.34	20.54	20.63	20.54	19.30	20.10	21.30
Profitability	2.97%	7.66%	8.70%	9.78%	5.90%	5.47%	4.05%	8.64%	2.79%	6.94%
Number of employees in the Impol Group	1,170	839	868	899	902	2,062	1,900	1,835	1,803	1,823
Revenues per employee in euros/year – consolidated	112,297	172,979	201,953	328,116	368,594	133,935	182,276	199,806	197,100	237,034
Revenues per employee in euros/year – products only	87,628	143,837	162,445	328,116	368,594	132,870	181,195	198,231	195,448	234,617

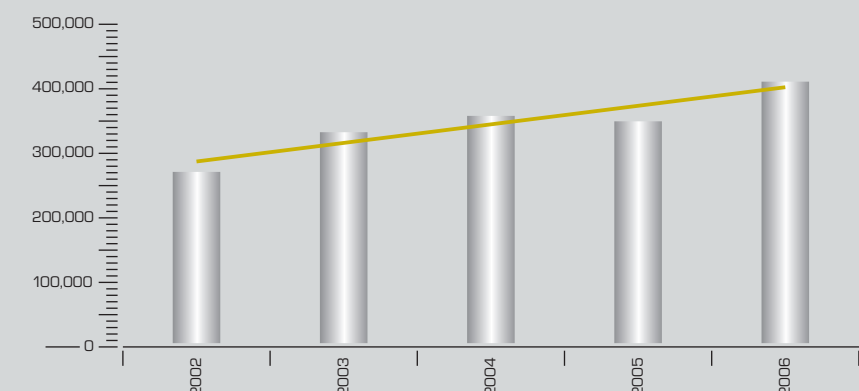
Impol increased its revenues by more than 19 percent:

- a 21-percent share of the above increase was a result of the growth of the physical extent (which increased by 4 percent),
- the rest of the increase was caused by a price increase and restructuring of the production programme

² For the profit-and-loss account tolars were converted into euros on the basis of the annual average exchange rate, while the balance-sheet values were converted on the basis of the most recent annual exchange rate. In 2005 and 2006 the financial results were slightly affected by new accounting standards.

F6

SALES IN THOUSANDS OF EUROS, AND THEIR TREND



Operation of the Company

In 2006 Impol celebrated the first 10 years of operating as a joint-stock company, which, however, is not present in the regulated market. Its shares are freely transferable, and they all belong to the same class; Impol's share register is deposited at the Central Securities Clearing Corporation. At the end of the year the shareholder structure was as follows (Table 3):

T3

SHAREHOLDER STRUCTURE AS OF 31 DECEMBER 2006

Shareholder	Number of shares	Percentage
Impol 2000, d. d.	1,985,204	48.86%
Kapitalska družba, d. d. PPS	587,550	14.46%
Slovenska odškodninska družba, d. d.	462,588	11.39%
Kapitalska družba, d. d.	392,596	9.66%
D. S. U., d. o. o. v likvidaciji	244,836	6.03%
Vzajemni sklad probanka globalni	110,000	2.71%
Upimol 2000, d. o. o.	100,000	2.46%
Infond id 1, d. d.	69,000	1.70%
Probanka, d. d.	46,322	1.14%
Infond holding, d. d.	41,939	1.03%
Infond ID, d. d.	21,936	0.54%
Zlata moneta II, d. d.	1,025	0.03%
Other	4	0.00%
Total	4,063,000	100.00%

The company's management is not a shareholder.

Production programme

In 2006 Impol operated as a concern within a holding company, Impol, d. d., with 13 subsidiaries, 5 sub-subsidiary companies, and two associated companies (Table 4). Its consolidated financial statements show the operations of the entire group of dependent companies. Impol 2000, d. d., the largest shareholder, is also treated as an associated company.

Impol's production programme includes the following:

- various rolled aluminium products (strips, sheets, embossed and formed sheets, painted strips, etc.);
- foils;
- profiles;
- bars, rods, and tubes;
- forgings;
- to a lesser extent, trading activities and services.

In 2006 Impol's programme did not change with respect to the types of products (Figure 7); however, the shares of products within individual programmes have been changing. Above all, the production of converter foils, the most demanding rolled products, is on the increase. The products and services, whose extent is less important, are not included in the figure.

The modernisation of the production line of the hot rolling mill in Seval caused some interruptions during the year. However, the company managed to deal with them in such a way that they had no negative effect on the market.

T4

SUBSIDIARIES AND ASSOCIATES

Company	Share
Impol Seval, a. d., Serbia, with the sub-subsidiaries:	
• Impol Seval Finalizacija, d. o. o. (100%)	
• Impol Seval PKC, d. o. o. (100%)	
• Impol Seval Tehnika, d. o. o. (100%)	
• Impol Seval Final, d. o. o. (100%)	70.0%
Impol LLT, d. o. o.	100.0%
Impol FT, d. o. o.	100.0%
Impol PCP, d.o.o.	100.0%
Stampal SB, d. o. o.	100.0%
Impol R in R, d. o. o.	100.0%
Impol Infrastruktura	100.0%
Impol Aluminium Corporation, New York (USA)	90.0%
Impol Stanovanja, d. o. o., with a subs subsidiary:	
• Impol Stan, d. o. o. (95%), Croatia	100.0%
Štatenberg, d. o. o.	99.6%
Unidel, d. o. o.	72.6%
Impol Montal, d. o. o.	100.0%
Kadring, d. o. o.	57.0%
Simfin, d. o. o.	49.5%
Alcad, d. o. o.	32.0%

Of the above group of twenty companies, seven operate abroad. Two are organised as directly dependent companies: Impol Seval, which is a sole owner of another four companies, and IAC New York, USA, operating in Schnectady County. There is also Impol Stan, d. o. o., a subsidiary of Impol Stanovanja, d. o. o., operating in Croatia.

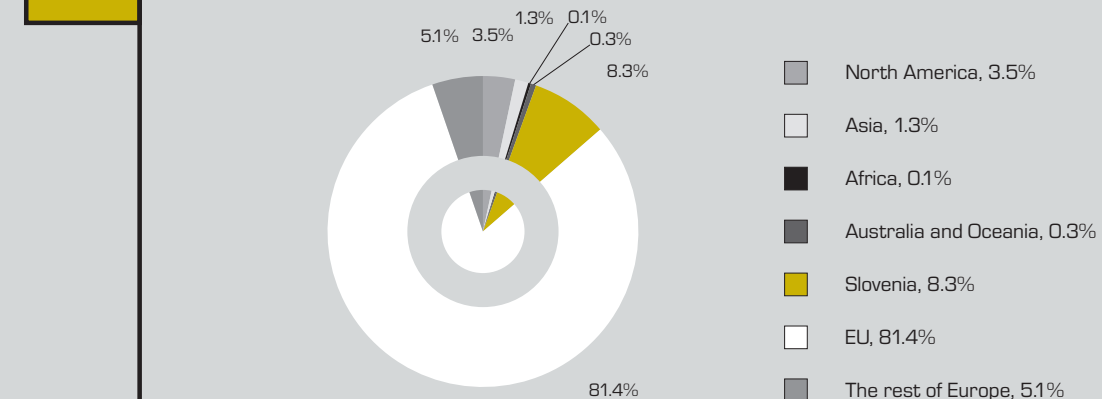
Market and Customers

F7 SHARES OF PRODUCTION BY PROGRAMME AND TYPE OF PRODUCT

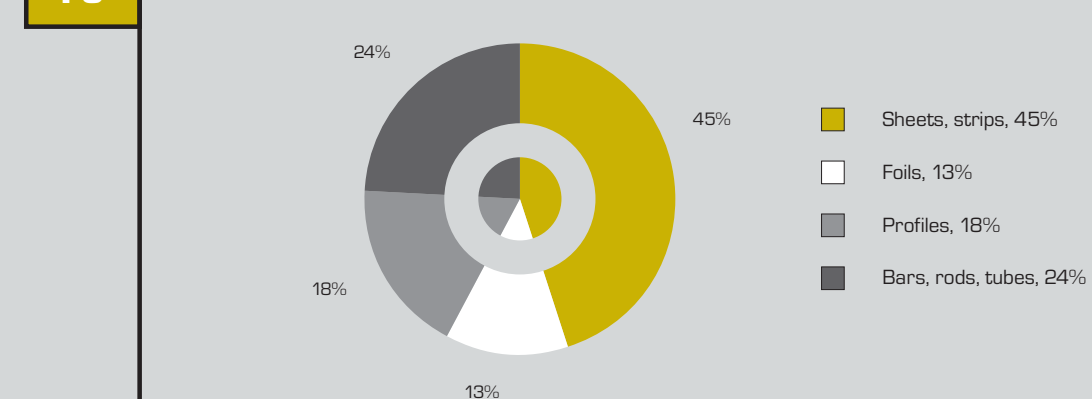


The entire production programme is, beforehand, brought in line with the sales programme, as all the production is based on the orders received, and it will remain so because of the nature of our products. Rolled products constitute the largest share, and the production of foils is on the increase. The share of extruded products amounts to 37 percent of the total production, and it is expected to remain at this level. The rest of the products and services are less important within the Impol system, and for this reason an increase in their production, or scope, would not significantly increase their share of the total operation.

F8 SALES BY MARKET



F9 SALES BY TYPE OF PRODUCT

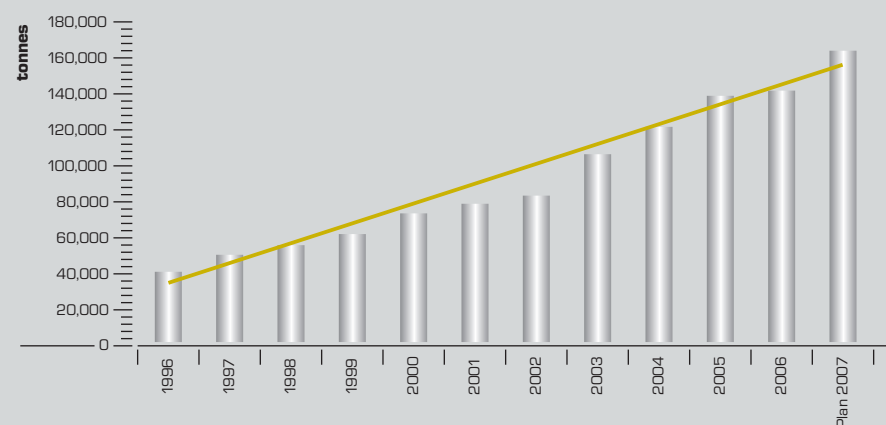


Impol sells its products all over the world. Its most important markets are still in Germany, Italy, Slovenia, etc. (see page 4). Impol's customers are producers in the car industry and other automotive industries, the construction industry, the electricity industry, the heat-exchanger industry, the household-appliances industry, and a number of other, smaller producers.

Impol supplies its customers with a range of rolled and extruded aluminium products, and, to a slightly lesser extent, with forged products that are all made at the request of individual customers. Consequently, the entire production is based on the demands of individual customers; however, the company uses mass production so that it can meet the price expectations of these customers.

T5**AMOUNT AND GROWTH OF SALES**

Year	Sold amounts in tonnes	Sales trend index
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
2005	139,769	1.14
2006	144,255	1.03
Plan 2007	165,450	1.15

F10**AMOUNT OF SALES AND THE TREND**

As aluminium is sold at the exchange, its prices can change very quickly, and for this reason the value of sales does not reflect Impol's real involvement in the market. Impol's actual engagement in the market is better demonstrated by the amount of sales, which is continually on the increase. We expect that this trend will continue in 2007.

The majority of sales are still in the EU. Impol sells about 90 percent of all its products in the EU, including Slovenia. This market includes 400 large customers, none of which account for a particularly large share.

Purchasing

Within the Impol Group only the purchase of aluminium materials is organised centrally. Purchasing abides by the principle that materials should be bought under optimum conditions (in terms of prices, deadlines, costs and quality). This purchasing amounts to 70 percent of all purchases.

In addition to the suppliers of aluminium raw materials, the providers of energy and transport are also very important to Impol. Aluminium materials are mostly of foreign origin (more than 90 percent), so the conditions and prices for their purchasing are entirely set by the movements of the prices at the LME. Impol also processes a lot of secondary aluminium, with which it can reduce its purchasing costs. The construction of a treatment plant for foundry gases will, after 2007, allow Impol to use these sources of material in a safer way.

In 2006 the purchase prices for the raw materials were significantly on the increase for the fourth consecutive year, which was a result of an extraordinary increase in demand on the new, developing markets (mainly in China, but also in India, Brazil and Russia), and of a further accelerated investing of the stock investment funds in optional aluminium purchases.

The prices for aluminium saw an exceptional increase in May 2006 (Figure 11). The graph shows the significant variability of the aluminium price, because of which Impol Group had to protect its operations against unexpected market trends.

As the purchase prices for aluminium and energy are set autonomously, and Impol can exert no influence on them, the group sticks to the rule, according to which it selects the materials and energy products whose type and quality are satisfactory, while the prices are low as possible (e.g., the use of secondary aluminium instead of aluminium ingots, the use of natural gas instead of propane-butane, an advance lease of energy, etc.).

F11**MULTI-ANNUAL MOVEMENT OF AL PRICES AT THE LME (IN DOLLARS)**

MOVEMENT OF AL PRICE AT THE LME IN 2006 (IN DOLLARS)



The Impol Group organises all the other purchasing within the production and services processes that require the purchasing, causing no major problems to its realisation.

We pay special attention to the origin of materials, selecting our purchase sources and routes accordingly.

Risk Management

Impol buys aluminium at prices formed at the exchange, and for this reason it has to secure a fraction of the purchase prices by buying and selling option instruments (hedging). At the end of 2006 Impol had open positions of 16.1 million euros, or 7006 tonnes of aluminium. Impol secured the sales positions that were concluded without being covered with the aluminium material in stock.

As a result of rapid changes in the market, and the rise of new risks, Impol's Risk Management Board still carries out weekly assessments of all types of risks, and promptly takes the necessary measures to reduce negative effects. An internal audit is part of this process.

Important risk areas relating to Impol's investments, and the risk-management measures:

- Investments – An increase in fixed costs arising from the new investments, and the consequent need for increased sales, are managed with an increased extent of the operations (Figure 4 on page 5).
- The necessary technical and technological winning of new investments and new markets is managed by involving external specialists and by organising the company appropriately. Impol was reorganised in 2006 as shown in Table 4.
- The investments in durable production assets and their financing were provided for by obtaining short-term loans, and by the timely renewing of these funds.
- Operational leasing continues to be applied in cases of investing in politically unstable areas.

- All the investments in the fixed assets were secured against most probable risks.
- Strategic and business-related decisions were made only on the basis of appropriate expertise, and after examining the required actions within the relevant management bodies.
- Aluminium – Unexpected trends relating to the prices and premiums, risks relating to foreign currencies (negative exchange-rate differences), unreliable supply sources and the consequent negative effects on production were managed by dispersing the purchase markets, buying derivative financial instruments, and making long-term contracts.
- Energy sources – The unexpected increase in the electricity price was managed by making long-term purchase contracts for electricity.
- A multi-stage supervision of justifiability was applied to all purchases.
- To manage effectively the technological processes, the company completely upgraded all of them.
- Equipment was insured, with insurance companies, against damage or destruction; most vulnerable areas were also insured against a loss of income.
- To overcome bottlenecks in the available foundry capacities, the company built and started to use new capacities.
- Impol adapted to the rapid changes in aluminium prices at the LME with timely adjustments to the selling prices.
- Receivables – The average period for depositing funds is between 50 and 60 days; export-relating receivables are secured with the Slovenian Export Corporation.
- In vulnerable sales areas Impol is insured against producer-responsibility risks (general or extended responsibility).
- Risks due to the mistrust of external investors (short-term and long-term creditors, etc.) arising from an inadequate capital structure are managed by dispersing the sources to minimise the risk exposure of individual investors.
- Currency risks are managed and reduced mainly by accounting for our payables in the currency of the receivables.

Impol's management believes that the risks can be managed if the trends of the purchase prices are continually monitored, and an appropriate capital structure is provided for:

Internal Audit

In the framework of the holding company an organised internal audit is in place, helping the management of the company to make decisions with a minimum risk. The internal audit operates in line with the plan set for it by the management, and in line with the current decisions of the management regarding its involvement in solving individual priority issues.

Internal auditors report on their activities to the management of the holding company. They operate within the entire Impol Group.

Development, Organisational, and Investment Processes

In 2006 Impol was intensely involved in short-term investments with the aim to increase the extent of the company's operations.

- Impol wishes to introduce changes and improvements with the help of all our employees. The company strongly supports and encourages innovations-related activities.
- In the period January–December 2006 the company received 175 useful proposals and allocated 11,182,843 toolars, or 46,700 euros, for the innovation awards.
- Seven proposed innovations were believed to bring the company a direct economic benefit worth 40,794,309 toolars, or 170,000 euros. The employees suggesting these improvements are eligible to receive a reward of 10 percent of the established economic benefit.
- The management set the numbers of proposed innovations for individual processes as a measure of performance relating to innovations:
 - at least eight proposed innovations per year for the production processes;
 - at least three proposed innovations per year for the other processes.
- The assessment of the outcome, based on the set criteria, shows that the production processes have met their objectives. The number of submitted and positively assessed proposals in the above period slightly increased in comparison with 2005.
- Development technologists (there are about 20 in the Impol Group) carried out about 50 research-and-development tasks.
- Impol was mostly realising investments that allow organic growth. Although they were not as extensive as in the previous year, they were still of considerable value.

T6

EXTENT OF THE INVESTMENTS

Investments in durable assets
Investments in current assets

in millions of euros

5.1
44.6
49.7

Total

Employees

In 2006 the Impol Group did not undergo any significant changes in personnel. All the changes took place because of natural fluctuations or voluntary movements. As an increase in operations took place together with an increase in production, the number of employees did not change significantly. The group was joined by a company called Kadring, d. o. o., which caused an indirect change in the number of employees.

T7

EMPLOYEES BY COMPANY WITHIN THE GROUP

	2004	2005	2006
Impol, d. d.	978	971	981
Impol Seval, a. d.	544	564	561
Seval Finalizacija, d. o. o.	91	69	71
Impol Seval PKC, d. o. o.	31	11	11
Impol Seval Tehnika, d. o. o.	76	67	68
Impol Seval Final, d. o. o.	28	29	29
Stampal SB, d. o. o.	38	36	35
Impol Aluminium Corporation	4	3	3
Impol Stan, d. o. o.	1	1	1
Impol Stanovanja, d. o. o.	1	2	3
Unidel, d. o. o.	49	50	50
Kadring, d. o. o.			6
Total Impol Group	1,841	1,803	1,819

Impol continues to provide supplementary pensions for all its employees, in this way ensuring additional social security for them. Most of the employees decided to join this pension scheme.

In all the companies of the group the salaries are formed in line with the adopted contracts and current legal foundations.

Environmental and Health Policies

Impol is aware of the importance of preserving natural resources. Our position regarding this issue will have a long-term effect on the competitiveness and commercial viability of our companies. For this reason the company continually examines its operations by renewing the ISO 14001 and OHSAS 18001 certificates.

All the stages of the production process that were identified as points at which emissions harmful to the environment are, or could be, produced, or harmful substances are used, are constantly controlled and monitored. In addition, the necessary measurements are carried out regularly, and suitable actions are taken, according to our findings.

Impol has been adjusting its operations to comply with EU regulations. There are also plans for an investment to overcome the shortages in the foundries, and which will be completed in 2007.

In the holding company, and since 2006 also in the other companies carrying out the material production, Impol has become almost completely independent of external sources of industrial water. The company uses closed cooling systems, and only uses external sources for replacing the water that evaporates during the procedure.

In 2006 the number of work accidents and incidents was reduced by about 10 percent. However, there was, regrettably, a fatal work accident. For this reason we will, in future, try even harder to prevent such tragic events.



Objectives

Impol Group has put together a plan for 2007 that will help it realise its basic strategic objectives in the period 2006–2010.

Guidelines for 2007

This year a number of external and internal events will significantly affect Impol Group.

For 2007 the Impol Group set to itself one primary objective and a set of specific objectives:

Impol will direct all its strength to the production of products with a higher added value. Impol will adjust to this objective its development and innovation-related activities, its financing, as well as the activities and methods relating to sales, production and technology.

- Impol will consider its customers in all the stages of its dealings with them, especially with respect to planning new products, ensuring quality, and providing supplies in line with the agreements and in close cooperation with the sales services.
- With respect to the rolling programme, Impol will produce more advanced products (plates, sheets, painted strips, strips of foil-like quality for further processing in the system).
- In future Impol will produce some types of products only from secondary materials. To provide for a suitable supply, the group will invest in links with the collectors of secondary aluminium and in their development.
- Impol will have the following minimum extent of aluminium production for buyers outside the Impol system (in tonnes per year):

T8

AMOUNT OF PRODUCTION FOR THE MARKET

Process	Total	Regular production	in tonnes	
			Processing	Internal production
Cast strips	10,200			10,200
Foundry	68,010			68,010
Rolling mill	73,028	42,500	8,000	22,528
Foils	19,700	19,700		
Bars, rods, tubes	30,450	30,450		
Profiles	23,000	23,000		
TOTAL for Slovenska Bistrica	224,388	115,650	8,000	100,738
Plan 2006	111%	112%	115%	111%
Impol Seval	67,434	41,800		25,634
TOTAL for Impol Group	291,822	157,450	8,000	126,372
Plan 2006	118%	115%	115%	121%

- Impol will adapt all its products to the customers' needs, and, in this way, involve all its companies in a uniform system of supply and cooperation with the markets – Impol's trademark will ensure quality.

- With an increased extent of operations and reorganised operational processes in 2007, Impol will provide for the growth of the shareholders' equity, and also for the dividends that will be in line with Impol's long-term operational strategy. Impol intends to have the following sales of aluminium products (in millions of euros):

T9

SALES PLAN FOR 2007

	tonnes	in thousands of euros
Total aluminium-related activities	165,450	501,704
Rolled products	112,000	335,520
Impol FT	70,200	182,225
rolling mill	50,500	118,136
regular production	42,500	116,626
processing	8,000	1,510
foils	19,700	64,090
Impol Seval	41,800	153,295
Extruded products	53,450	166,184
profiles	23,000	70,827
bars, rods, tubes	30,450	95,357
Forged products	309	3,700
Total services		606
Total revenues		502,310

- Impol's main activities in 2007 will be involvement in trade, as well as the hiring and financing activities in its dependent companies. In doing this, Impol will strive to manage the market for aluminium products mainly through Impol, d. d., which will set the entire sales policy relating to trading in the international markets.
- Impol will continue to expand in all its existing markets. It will reduce market risks with cost-effective and rational insurances. With its aluminium products, Impol intends to attract more than 20 percent of its market from outside the EU. It will pay special attention to the domestic market, and strive to supply it as well as possible with respect to its potential demand.
- Impol will organise its sales with the help of agencies, and will stimulate all participants by taking into account their recent sales premiums on the aluminium price at the LME when making a contract or setting a selling price.
- With its development and investment policies, Impol will provide for the long-term growth of the company, a higher level of security, and, above all, for cost-effective input materials. For this reason, Impol intends to buy a majority share in a domestic aluminium producer. It will also provide investments in the current assets with the aim to improve the share of the investments taken from the company's own durable sources of financing. With respect to the other investments, Impol will make decisions on the basis of tenders taking into account the highest return and acceptable risks.

- Impol will bring financial measures into line with the above objectives, as well as the development and trading guidelines. When providing finances for long-term investments, it will cooperate with other investors and banks, mainly by using leasing as a mode of financing. With respect to short-term financing, Impol will find the cheapest bank sources, while, at the same time, ensuring a sufficient dispersion of sources, and reducing the extent of necessary investments in the current assets.
- Financing within the group will take into account external conditions and the costs for the provision of necessary sources. After obtaining approval from the parent company, individual companies within the group can also act independently in the financial markets.
- With a consistent policy of selecting investments, Impol will direct, mainly, long-term investments to the areas that allow higher added value and higher profitability, without significantly increasing the risks that will continue to be monitored by the Risk Management Board. Impol will invest in the provision of more stable sources of aluminium materials for the group. In doing this, it will maintain established connections within the chain of the production and processing of aluminium.
- Impol will decide to invest in individual programmes on the basis of tendering for competitive programmes.
- With the introduction of the euro, Impol is less exposed to exchange-rate fluctuations; although in the dollar area this risk is still high. For this reason, Impol will strive to buy aluminium materials, as much as possible, in the euro area.
- Impol will obtain materials from those sources that can ensure a stable supply under the most favourable, or acceptable, price conditions and other conditions, as well as from the sources that allow Impol to supply its customers with goods that have the appropriate EU origin.
- Impol will continue to pay special attention to insurance against risks caused by the constant changing of material prices. For this reason Impol also established, in addition to the active Risk Management Board, a special department for risk management, operating within the holding company.
- With customer-oriented projects (surveys of customers satisfaction, daily planning) the company will better satisfy its customers in line with their tastes and expectations.
- Organisational changes in the company will mainly aim at training staff to fully satisfy customer needs, at the most cost-effective operation of individual companies within the group, and by further building the integrated information system in all the companies.
- With a complex system of stimulating its employees, Impol will continue to increase productivity and provide for high-quality products and a satisfactory profit.

- It is expected that in 2007 the business results of the whole Impol Group (consolidated results), and especially of the holding company, Impol, d. d., will be as follows:

T10

SELECTED PLANNING INDICATORS FOR 2007

in thousands of euros

Indicators	Impol Group	Impol, d. d.
Assets	359,713	297,196
— fixed assets	140,924	105,455
Equity	101,819	86,529
— called-up capital	20,861	16,955
Provisions	1,541	776
Long-term liabilities	47,866	32,317
Short-term liabilities	207,474	176,981
Net sales revenues	505,372	476,699
Gross operating profit	506,252	476,699
Amortisation/ depreciation and write-offs	15,617	11,997
Total financial expenses	16,149	11,755
Profit before tax	10,687	4,360
Income tax	2,458	1,003
Operating inflows	23,846	15,354
Equity/all operating assets	28.3%	29.1%
Equity + long-term liabilities/operating liabilities	41.6%	40.0%
Golden balance-sheet rule = long-term liabilities/long-term investments	97.8%	77.1%
Total-assets-turnover ratio	1.41	1.41
Total-assets-turnover days	259	259
Economic value added	2,120	(1,835)
Return on revenue in %	1.6%	0.7%

Important Events after the End of the Financial Year

In the time between 1 January 2007 and the completion of this report, an important change in the operation of the group took place. Impol, d. d., started to operate as a holding concern. Its main activities are services and processing, while some other activities will, from now onwards, be entirely carried out by external contractors.

Financial Statements



Consolidated balance sheet³

T11	CONSOLIDATED BALANCE SHEET							
	31 Dec 2006		1 Jan 2006		31 Dec 2005		'06/'05	
	in tho. of tolar	tho. of euros	in tho. of tolar	tho. of euros	in tho. of tolar	tho. of euros		
A. Fixed assets	37,806,712	157,765	37,794,011	157,755	37,744,625	157,549	100	
I. Intangible fixed assets and long-term accruals	457,161	1,908	344,203	1,437	294,817	1,231	155	
1. Long-term property rights	30,838	129	5,174	22	5,174	22	596	
2. Goodwill	76,499	319	76,499	319	27,113	113	282	
3. Advances for intangible fixed assets								
4. Long-term deferred development expenses								
5. Other long-term accruals	349,824	1,460	262,530	1,096	262,530	1,096	133	
II. Tangible fixed assets	35,523,109	148,235	35,625,352	148,703	36,954,941	154,253	96	
1. Land and buildings	9,384,820	39,162	8,661,314	36,153	9,990,903	41,703	94	
a) Land	1,069,533	4,463	1,050,663	4,386	1,050,663	4,386	102	
b) Buildings	8,315,287	34,699	7,610,651	31,767	8,940,240	37,317	93	
2. Manufacturing facilities and equipment	22,763,202	94,989	22,129,355	92,370	22,129,355	92,370	103	
3. Other facilities and equipment	783,948	3,271	609,306	2,543	609,306	2,543	129	
4. Fixed assets being acquired	2,591,139	10,813	4,225,377	17,637	4,225,377	17,637	61	
a) Tangible fixed assets being built or manufactured	1,024,324	4,274	3,046,827	12,718	3,046,827	12,718	34	
b) Advances for tangible fixed assets	1,566,815	6,538	1,178,550	4,919	1,178,550	4,919	133	
5. Livestock								
6. Vineyards, orchards and other plantations								
III. Investment property	1,345,737	5,616	1,329,589	5,550				
IV. Financial fixed assets	435,204	1,816	442,041	1,845	442,041	1,845	98	
1. Financial fixed assets without loans	324,747	1,355	303,521	1,267	303,521	1,267	107	
a) Shares in group companies								
b) Shares in the associated companies	186,648	779	184,472	770	184,472	770	101	
c) Other shares	121,091	505	119,049	497	119,049	497	102	
d) Other financial fixed assets	17,008	71						
2. Long-term loans	110,457	461	138,520	578	138,520	578	80	
a) Long-term loans to group companies								
b) Long-term loans to others	110,457	461	138,520	578	138,520	578	80	
c) Long-term unpaid called-up capital								
V. Long-term operating receivables	28,790	120	52,826	220	52,826	220	54	
1. Long-term operating receivables due from group companies								
2. Long-term trade receivables	28,790	120	52,826	220	52,826	220	54	
3. Other long-term operating receivables								
VI. Deferred tax assets	16,711	70						
B. Short-term assets	42,549,320	177,555	30,740,030	128,311	30,789,306	128,517	138	
I. Assets held for sale (disposal groups)								
II. Inventories	23,009,948	96,019	15,774,435	65,844	15,774,435	65,844	146	
1. Materials	10,110,586	42,191	6,322,240	26,389	6,322,240	26,389	160	
2. Work in progress	7,580,396	31,632	5,141,804	21,462	5,141,804	21,462	147	
3. Products and merchandise	5,229,105	21,821	4,212,378	17,583	4,212,378	17,583	124	
4. Advances for inventories	89,861	375	98,013	409	98,013	409	92	
III. Short-term financial assets	423,894	1,769	348,844	1,456	348,844	1,456	122	
1. Short-term financial assets without loans	124,872	521	178,757	746	178,757	746	70	
a) Shares in group companies								
b) Other shares								
c) Other short-term financial assets	124,872	521	178,757	746	178,757	746	70	
2. Short-term loans	299,022	1,248	170,087	710	170,087	710	176	
a) Short-term loans to group companies								
b) Short-term loans to others	299,022	1,248	170,087	710	170,087	710	176	
c) Short-term unpaid called-up capital								
IV. Short-term operating receivables	16,795,151	70,085	13,746,637	57,379	13,795,913	57,585	122	
1. Short-term operating receivables due from group companies								
2. Short-term trade receivables	14,562,091	60,767	11,965,374	49,944	11,962,053	49,930	122	
3. Other short-term operating receivables	2,233,060	9,318	1,781,263	7,435	1,833,860	7,655	122	
V. Cash	2,320,327	9,683	870,114	3,632	870,114	3,632	267	
C. Short-term accruals	207,214	865	1,091,137	4,554	1,091,137	4,554	19	
TOTAL ASSETS	80,563,246	336,184	69,625,178	290,621	69,625,068	290,620	116	
D. Off-balance-sheet assets	51,152,878	213,457	22,952,337	95,805	22,952,337	95,805	223	
A. Equity	20,659,080	86,209	19,591,783	81,778	19,005,440	79,330	109	
Equity of minority shareholders	993,254	4,145	885,144	3,695	856,285	3,574	116	
I. Called-up capital	4,063,000	16,955	4,063,000	16,959	4,063,000	16,959	100	
1. Share capital	4,063,000	16,955	4,063,000	16,959	4,063,000	16,959	100	
2. Uncalled capital (a deduction)								
II. Capital reserves	7,061,649	29,468	7,061,649	29,476	7,061,649	29,476	100	
III. Profit reserves	7,906,425	32,993	7,295,777	30,453	7,295,777	30,453	108	
1. Legal reserves	652,623	2,723	652,623	2,724	652,623	2,724	100	
2. Reserves for own shares	1	0	1	0	1	0	100	
3. Own shares	-1	0	-1	0	-1	0	100	
4. Statutory reserves								
5. Other profit reserves	7,253,802	30,270	6,643,154	27,729	6,643,154	27,729	109	
IV. Revaluation profit	34,837	145	33,700	141	33,700	141	103	
V. Consolidation capital adjustment	-35,668	-149	-1,575	-7	-1,575	-7	2,265	
VI. Net profit or loss from previous periods	-160,925	-672	-144,482	-603	-730,825	-3,051	22	
VII. Net profit or loss for the period	796,508	3,324	398,570	1,664	427,429	1,784	186	
B. Provisions and long-term deferrals	393,157	1,641	352,491	1,471	938,724	3,918	42	
1. Provisions for pensions and similar liabilities	223,295	932	189,468	791	189,468	791		
2. Other provisions			163,023	680	938,724	3,918		
3. Long-term deferrals	169,862	709						
C. Long-term liabilities	10,828,715	45,187	9,692,432	40,457	9,692,432	40,457	112	
I. Long-term financial liabilities	10,512,464	43,868	9,283,195	38,749	9,283,195	38,749	113	
1. Long-term financial liabilities to group companies								
2. Long-term financial liabilities to banks	10,169,562	42,437	9,283,195	38,749	9,283,195	38,749	110	
3. Long-term financial liabilities on the basis of bonds								
4. Other long-term financial liabilities	342,902	1,431						
II. Long-term operating liabilities	46,445	194	409,237	1,708	409,237	1,708	11	
1. Long-term operating liabilities to group companies								
2. Long-term operating liabilities to suppliers	33,424	139	405,533	1,693	405,533	1,693	8	
3. Long-term liabilities related to bills of exchange								
4. Long-term operating liabilities on the basis of advances								
5. Other long-term operating liabilities	13,021	54	3,704	15	3,704	15	352	
III. Deferred tax liabilities	269,806	1,126						
D. Short-term liabilities	48,492,250	202,355	39,597,480	165,283	39,597,480	165,283	122	
I. Liabilities included in disposal groups								
II. Short-term financial liabilities	35,559,077	148,385	31,831,628	132,868	31,831,628	132,868	112	
1. Short-term financial liabilities to group companies								
2. Short-term financial liabilities to banks	35,006,772	146,081	31,686,884	132,263	31,686,881	132,263	110	
3. Short-term financial liabilities on the basis of bonds								
4. Other short-term financial liabilities	552,305	2,305	144,744	604	144,747	604	382	
III. Short-term operating liabilities	12,933,173	53,969	7,765,852	32,415	7,765,852	32,415	167	
1. Short-term operating liabilities to group companies								
2. Short-term operating liabilities to suppliers	10,998,243	45,895	6,549,644	27,339	6,549,644	27,339	168	
3. Short-term liabilities related to bills of exchange								
4. Short-term operating liabilities on the basis of advances	231,814	967	111,285	465	111,285	465	208	
5. Other short-term operating liabilities	1,703,116	7,107	1,104,923	4,612	1,104,923	4,612	154	
E. Short-term deferrals	190,044	793	390,992	1,632	390,992	1,632	49	
TOTAL LIABILITIES	80,563,246	336,184	69,625,178	290,621	69,625,068	290,620	116	
F. Off-balance-sheet liabilities	51,152,878	213,457	22,952,337	95,805	22,952,337	95,805	223	

³ The conversions from tolar into euros in the Balance Sheet were calculated on the basis of the most recent annual exchange rate of the Bank of Slovenia for the year concerned.

Adjustments and corrections in the opening balance sheet as of 1 January 2006

T12

ADJUSTMENTS AND CORRECTIONS IN THE OPENING BALANCE SHEET AS OF 1 JANUARY 2006

Balance-sheet adjustments in thousands of tolar relating to:

	other categories (the profit of previous years)	capital
a. Goodwill of Stampal SB, generated at the time of purchasing, increased to the value recorded in 2002, and affected the consolidated profit-and-loss account for the previous year (capital increase)	49,386	49,386
b. Transfer of property to the investment property did not affect the capital Transfer of fixed assets to the investment property on the assets side	1,329,589 -1,329,589	
c. Disposal of the claim for a withholding tax that could not be offset because the tax base for the previous year was too low Decrease in capital due to the disposal of the claim for a withholding tax	-49,276	-49,276
d. Generation of the provisions for pensions - a decrease in capital and an increase in provisions	189,468	-189,468
e. Remedy for the negative goodwill of Seval (48/60 share) and the resulting influence on the profit-and-loss account for the previous year leading to an increase in capital	-775,701	775,701
Total	-586,123	586,343

Adjustments in the consolidated balance sheet as of 31 December 2006

T13

ADJUSTMENTS IN THE CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2006

	in thousands of tolar	in thousands of euros
a) Elimination of the non-depreciated portion of gains on the disposal of the fixed assets in the group (a total of 2,164,931,000 tolar, or 9,039,000 euros of the purchase value)	-1,834,434	-7,655
b) Addition of the goodwill of Stampal SB, d. o. o. (based on the acquisition-cost method for 2002)	76,499	319
c) Elimination of intra-group intermediate profits from inventories	-51,203	-214
ĉ) Forms of special capital revaluation adjustment of the profits of subsidiaries: Simfin, d. o. o., and Alcad, d. o. o. (increase in investments and in capital)	34,837	145
for the current year	-4,537	-19
for the previous years	-30,300	-126
d) Increase in profit reserves based on the: transfer of undistributed profit from previous years to the reserves transfer of current profit to the reserves	610,648 -118,832 -491,816	2,548 -496 -2,052
e) Consolidated capital adjustment (conversions of balance-sheet items from foreign currencies)	-35,668	-149
f) Payment of Impol's profit in 2006 caused a decrease in the retained net profit brought forward	-325,040	-1,356

Distributable profit

The distributable profit is drawn up and distributed in Impol, d. d., and it is not consolidated. Impol, d. d., makes individual decisions as to how to use it in the case of each dependent company of the group, with respect to each company's financial results and the development programmes that were approved.

Impol, d. d., suggests that, at the annual general meeting in 2007, the distributable profit is drawn up in the following way:

T14

DISTRIBUTABLE PROFIT FOR IMPOL, D. D.

	Made in 2006	Carried forward	Total
net profit for the period	983,633,934.48 tolar (4,104,631.67 euros)		983,633,934.48 tolar (4,104,631.67 euros)
part of the net profit carried forward		515,763,008.50 tolar (2,152,240.87 euros)	
Decrease in profit reserves because of a transfer to the distributable profit			
decrease in legal reserves			
decrease in reserves for own shares			
decrease in statutory reserves			
decrease in other profit reserves			
Increase in profit reserves for 2006			
increase in legal reserves			0.00
increase in reserves for own share			0.00
increase in statutory reserves			0.00
increase in other profit reserves based on the decisions of the Management and Supervisory Boards, 50% of the profit for 2006	491,816,967.24 tolar (2,052,315.83 euros)		491,816,967.24 tolar (2,052,315.83 euros)
Drawing up the distributable profit			
Increased by 50% of the profit for 2006	491,816,967.24 tolar (2,052,315.83 euros)		491,816,967.24 tolar (2,052,315.83 euros)
DISTRIBUTABLE PROFIT	491,816,967.24 tolar (2,052,315.83 euros)	515,763,008.50 tolar (2,152,240.87 euros)	1,007,579,975.74 SIT (4,204,556.70 euros)

The above drawn-up distributable profit is used in the following way:

T15

PROPOSAL FOR THE USE OF DISTRIBUTABLE PROFIT

	Made in 2006	Carried forward	Total
increase in other profit reserves for 2006 (see the decision in Table 14)	491,816,967.24 tolar (2,052,315.83 euros)		
81.47 tolar / dividend, or 0.34 euros / dividend to be paid to shareholders		331,043,488.80 tolar (1,381,420 euros)	331,043,488.80 tolar (1,381,420 euros)
payment to the Management Board members for their participation on the basis of their contracts		9,836,263.44 tolar (41,046 euros)	9,836,263.44 tolar (41,046 euros)
payment to the Supervisory Board members for their participation		3,278,754.48 tolar (13,682 euros)	3,278,754.48 tolar (13,682 euros)
Undistributed profit carried forward	0.00	171,604,501.78 tolar (716,092.87 euros)	171,604,501.78 tolar (716,092.87 euros)

The remaining part of the distributable profit of 171,604,501.78 tolar (716,092.87 euros) remains undistributed.

Consolidated profit-and-loss account⁴

Adjustments in the consolidated profit-and-loss account as of 31 December 2006

T16
CONSOLIDATED PROFIT-AND-LOSS ACCOUNT

	2006		2005		'06/'05
	in mil. of tol.	in mil. of eur.	in mil. of tol.	in mil. of eur.	
1. Net sales revenues	99,258,249	414,265	83,288,151	347,560	119
a) Net domestic sales revenues	12,750,751	53,217	13,757,799	57,411	93
b) Net foreign sales revenues	86,507,498	361,048	69,530,352	290,149	124
2. Change in inventories of finished goods and work in progress	3,222,235	13,448	-292,408	-1,220	
3. Capitalised own products and services	17,055	71	24,268	101	70
4. Other operating revenues (including operating revenues from revaluation)	1,013,934	4,232	2,140,233	8,931	47
5. Costs of goods, materials and services	89,367,067	372,983	71,995,152	300,434	124
a) Costs of goods and materials sold and costs of materials used	84,157,072	351,239	67,429,024	281,380	125
b) Costs of services	5,209,995	21,744	4,566,128	19,054	114
6. Labour costs	6,850,241	28,590	6,548,486	27,327	105
a) Costs of salaries	4,718,416	19,693	4,484,888	18,715	105
b) Social security costs (pension-security costs shown separately)	1,221,868	5,100	1,179,645	4,923	104
c) Other labour costs	909,957	3,798	883,953	3,689	103
7. Write-offs	3,503,548	14,622	3,424,884	14,292	102
a) Amortisation/depreciation	3,454,059	14,416	3,370,064	14,063	102
b) Operating expenses for the revaluation of intangible and tangible fixed assets	34,065	142			
c) Operating expenses for the revaluation of current assets	15,424	64	54,820	229	28
8. Other operating expenses	730,070	3,047	251,392	1,049	290
9. Financial revenues from shares	640,956	2,675	24,703	103	2,595
a) Financial revenues from shares in group companies					
b) Financial revenues from shares in associated companies	4,016	17	4,315	18	93
c) Financial revenues from shares in other companies	16,842	70	20,388	85	83
d) Financial revenues from other investments	620,098	2,588			
10. Financial revenues from lending	31,710	132	4,379	18	724
a) Financial revenues from lending to group companies					
b) Financial revenues from lending to others	31,710	132	4,379	18	724
11. Financial revenues from operating receivables	1,699,640	7,094	1,357,994	5,667	125
a) Financial revenues from operating receivables due from group comp.					
b) Financial revenues from operating receivables due from others	1,699,640	7,094	1,357,994	5,667	125
12. Financial expenses from impairment and write-offs of financial assets			30,861	129	
13. Financial expenses for financial liabilities	2,861,250	11,942	3,789,254	15,812	76
a) Financial expenses for loans received from group companies					
b) Financial expenses for loans received from banks	2,030,044	8,473	1,651,500	6,892	123
c) Financial expenses for issued bonds					
d) Financial expenses for other financial liabilities	831,206	3,469	2,137,754	8,921	39
14. Financial expenses for operating liabilities	1,051,802	4,390	613,497	2,560	171
a) Financial expenses for operating liabilities to group companies					
b) Financial expenses for liabilities to suppliers and for liabilities related to bills of exchange	34,882	146	72,904	304	48
c) Financial expenses for other operating liabilities	1,016,920	4,244	540,593	2,256	188
15. Other revenues	105,924	442	720,996	3,009	15
16. Other expenditure	73,681	308	26,819	112	275
17. Income tax	151,945	634	41,712	174	364
18. Deferred taxes	-16,711	-70			
19. Net profit or loss for the period	1,416,810	5,913	546,259	2,280	259
Net profit or loss of minority shareholders	88,722	370	28,600	119	310
Net profit or loss of group companies	1,328,088	5,543	517,659	2,160	257

T17
ADJUSTMENTS IN THE CONSOLIDATED CASH-FLOW STATEMENT AS OF 31 DECEMBER 2006

	in millions of tolar	in millions of euros
Elimination of negative goodwill when acquiring the majority share of Kadringa, d. o. o	23,358	97
Elimination of intra-group depreciation with the gains on disposal of fixed assets	-175,398	-732
Offsetting of eliminated intra-group profits from sold inventories	1,073	4

⁴ Conversions from tolar into euros in the profit-and-loss account and in the cash-flow statement were calculated on the basis of the middle annual exchange rate of the Bank of Slovenia for the year concerned.

Consolidated cash-flow statement

T18

CONSOLIDATED CASH-FLOW STATEMENT

	2006		2005		'06/'05
	in tho. of tolar	tho. of euros	in tho. of tolar	tho. of euros	
A. Cash flows from operating activities					
a) Profit-and-loss categories	7,016,045	29,282	6,815,695	28,442	103
Operating revenues (without revenues from revaluation) and financial revenues from operating liabilities	101,787,934	424,823	85,687,316	357,571	119
Operating expenses without depreciation (except for revaluation) and financial expenses for operating liabilities	-94,636,655	-394,976	-78,829,909	-328,955	120
Tax on profit and other taxes not included in operating expenses	-135,234	-564	-41,712	-174	324
b) Changes in net current assets (and accruals, provisions, deferred receivables and tax payables) of the balance-sheet categories	-4,142,299	-17,288	-2,607,949	-10,883	159
Opening less closing operating receivables	-2,875,686	-12,002	-1,244,091	-5,192	231
Opening less closing accruals	883,923	3,689	-998,129	-4,165	
Opening less closing deferred tax liabilities	-16,711	-70			
Opening less closing assets held for sale (disposal groups)					
Opening less closing inventories	-7,235,930	-30,200	-2,194,536	-9,158	330
Closing less opening operating debts	4,989,934	20,826	1,539,950	6,426	324
Closing less opening deferrals and provisions	-157,635	-658	288,857	1,205	
Closing less opening deferred tax liabilities	269,806	1,126			
c) Net cash used in operating activities (a+b)	2,873,746	11,994	4,207,746	17,559	68
B. Cash flows used in investment activities					
a) Revenues from investment activities	1,116,561	4,660	1,183,919	4,940	94
Revenues from gained interest and shares of the profit of others relating to investment activities	-107,305	-448	1,074,154	4,482	
Revenues from the disposal of intangible fixed assets	16,267	68			
Revenues from the disposal of tangible fixed assets	341,742	1,426			
Revenues from the disposal of investment property					
Revenues from the disposal of long-term financial assets	73	0	13,753	57	1
Revenues from the disposal of short-term financial assets	865,784	3,613	96,012	401	902
b) Expenses for investing activities	-4,269,829	-17,821	-5,191,292	-21,663	82
Expenses for acquiring intangible fixed assets	-140,021	-584	-46,850	-196	299
Expenses for acquiring tangible fixed assets	-3,851,053	-16,073	-3,883,726	-16,207	99
Expenses for acquiring investment property					
Expenses for acquiring long-term financial assets	696	3	-1,936	-8	
Expenses for acquiring short-term financial assets	-279,451	-1,166	-1,258,780	-5,253	22
c) Net cash used in investment activities (a+b)	-3,153,268	-13,161	-4,007,373	-16,723	79
C. Cash flows used in financing activities					
a) Revenues from financing activities	27,471,765	114,656	4,425,243	18,466	621
Revenues from paid-up capital	-55,550	-232	1,937	8	
Revenues from an increase in long-term financial liabilities	3,777,510	15,766	509,420	2,126	742
Revenues from an increase in short-term financial liabilities	23,749,805	99,122	3,913,886	16,333	607
b) Expenses for financing activities	-25,742,030	-107,437	-5,208,811	-21,736	494
Expenses for paid interest relating to financing activities	-2,842,633	-11,864			
Expenses for reimbursement of capital	-3,760	-16	-14,340	-60	26
Expenses for payments relating to long-term financial liabilities	15,337	64	-466,680	-1,947	
Expenses for payments relating to short-term financial liabilities	-22,585,934	-94,265	-4,402,750	-18,373	513
Expenses for paying dividends and other profit shares	-325,040	-1,357	325,041	-1,356	100
c) Net cash used in financing activities (a+b)	1,729,735	7,219	-783,568	-3,270	
D. Cash at the end of the period	2,320,327	9,684	870,114	3,631	267
x) Net cash flow in the period	1,450,213	6,053	-583,195	-2,434	
y) Cash at the beginning of period	870,114	3,632	1,453,309	6,065	60

Consolidated performance indicators for 2006

T19

CONSOLIDATED PERFORMANCE INDICATORS FOR 2006

	31 Dec 06	1 Jan 06	31 Dec/1 Jan
1. BASIC FINANCING INDICATORS			
a) Equity financing rate equity/liabilities	0.2564	0.2814	0.9113
b) Debt financing rate debts/liabilities	0.7363	0.7079	1.0401
c) Rate of accrued and deferred items (provisions + short-term deferrals + long-term deferrals)/[liabilities]	0.0072	0.0107	0.6779
2. BASIC INVESTMENT INDICATORS			
a) Operating fixed assts rate (fixed assets at book value)/[assets]	0.4423	0.5128	0.8624
b) Long-term financing rate (fixed assets+ long-term accruals + investment property + long-term financial assets + long-term operating receivables)/[assets]	0.4691	0.5428	0.8641
3. BASIC HORIZONTAL FINANCIAL STRUCTURE RATIOS			
a) Ratio of equity to fixed assets equity/fixed assets at book value	0.5798	0.5487	1.0567
b) Immediate solvency ratio liquid assets / short-term liabilities	0.5311	0.4292	1.2375
c) Quick ratio (liquid assets + short-term receivables)/(short-term payables)	0.4029	0.3779	1.0661
d) Current ratio (current assets)/(current liabilities)	0.8774	0.7763	1.1303
4. BASIC EFFICIENCY INDICATORS			
a) Operating efficiency rate operating revenues/operating expenses	1.0305	1.0358	0.9949
5. BASIC PROFITABILITY INDICATORS			
a) Net return on equity ratio (net profit for '06)/[average equity; net profit for '06]	0.0736	0.0287	2.5671
b) Ratio of dividends to share capital total dividends for the period/ average share capital	0.0171	0.0162	1.0583
6. VALUE-ADDED INDICATORS (in thousands of euros taking into account a 4.75% equity remuneration)			
a) Economic value added EVA = net profit - equity x reference interest rate	3,004	-3,980	
b) Added value per employee = (gross profit - costs of goods, materials and services, and other operating expenses)/total number of employees	30,712	29,888	1.276

Review of Business Operations of the Impol Group Companies

The consolidated balance sheet was established on the basis of the financial statements of Impol, d., and dependent companies included in the consolidation of the Impol Group (the full names of these companies are listed in the section Dependent companies of Impol, d. d., on page 81).

T20

BALANCE SHEET OF DEPENDENT COMPANIES

ASSETS	in thousands of tolar																		
	Impol, d. d.	Impol FT, d. o. o.	Impol PCP, d. o. o.	Impol LLT, d. o. o.	Impol R in R, d. o. o.	Impol Infrastruktura, d. o. o.	Impol Seval, a. d.	Impol Seval Finalizacija, d. o. o.	Impol Seval PKC, d. o. o.	Impol Seval Tehnika, d. o. o.	Impol Seval Final, d. o. o.	Stampal SB, d. o. o.	Impol Aluminium Corporation	Stan, d. o. o.	Impol Stanovanja, d. o. o.	Unidel, d. o. o.	Štatenberg, d. o. o.	Impol Montal, d. o. o.	Kadring, d. o. o.
A. Fixed assets	33,463,299	0	0	0	0	0	8,939,137	2,671	0	21,399	0	216,946	24,687	3,246	446,318	66,123	141,252	1	28,659
I. Intangible fixed assets and long-term accruals	366,920	0	0	0	0	0	12,458	0	0	52	0	504	0	0	333	395	0	0	0
II. Tangible fixed assets	27,958,863	0	0	0	0	0	8,576,697	2,671	0	21,347	0	216,442	21,746	3,246	362,448	65,727	121,432	0	6,924
III. Investment property	1,236,481	0	0	0	0	0	70,892	0	0	0	0	0	0	0	0	0	19,288	0	19,076
IV. Long-term financial assets	3,817,805	0	0	0	0	0	279,089	0	0	0	0	0	2,942	0	83,537	1	532	1	2,659
1. Long-term financial assets without loans	3,057,602	0	0	0	0	0	189,135	0	0	0	0	0	1,965	0	69,904	1	0	1	2,659
2. Long-term loans	760,203	0	0	0	0	0	89,954	0	0	0	0	0	977	0	13,633	0	532	0	0
V Long-term operating receivables	83,230	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
VI. Deferred tax assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
B. SHORT-TERM ASSETS	37,902,633	201,829	281,113	74,500	21,631	19,225	5,059,955	206,613	22,246	50,725	23,259	393,421	1,503,107	7,086	437,014	246,465	7,423	183,308	51,202
I. Assets held for sale (disposal groups)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
II. Inventories	18,798,255	0	0	0	0	0	3,044,851	98,595	0	10,898	203	42,875	997,946	0	0	67,527	0	0	0
1. Materials	9,223,274	0	0	0	0	0	798,771	70,076	0	10,883	0	1,778	0	0	0	5,804	0	0	0
2. Work in progress	6,373,237	0	0	0	0	0	1,166,063	0	0	0	0	41,096	0	0	0	0	0	0	0
3. Products and merchandise	3,194,187	0	0	0	0	0	998,279	28,173	0	0	0	0	997,946	0	0	61,723	0	0	0
4. Advances for inventories	7,557	0	0	0	0	0	81,739	346	0	15	203	0	0	0	0	0	0	0	0
III. Short-term financial assets	302,886	201,000	280,000	74,000	21,000	18,000	16,209	1,976	352	2,073	920	0	0	0	336,068	0	3,476	166,479	0
1. Short-term financial assets without loans	103,342	0	0	0	0	0	16,209	1,976	352	2,073	920	0	0	0	152,438	0	0	0	0
2. Short-term loans	199,544	201,000	280,000	74,000	21,000	18,000	0	0	0	0	0	0	0	0	183,630	0	3,476	166,479	0
IV. Short-term operating receivables	17,104,198	482	666	193	58	49	1,728,549	65,863	17,918	37,557	18,865	248,511	463,419	3,151	15,877	152,515	1,719	1,472	25,776
1. Short-term operating receivables due from group companies	2,681,278	468	652	179	51	42	280,986	17,502	16,768	37,417	18,753	16,802	0	0	1,196	11,910	0	275	7,408
2. Short-term trade receivables	12,392,488	0	0	0	0	0	1,288,885	46,231	552	27	106	204,791	463,419	3,151	11,044	138,018	1,437	0	17,442
3. Other short-term operating receivables	2,030,432	14	14	14	7	7	158,677	2,130	598	112	6	26,918	0	0	3,637	2,587	282	1,197	926
V. Cash	1,697,294	347	447	307	573	1,176	270,346	40,179	3,976	197	3,272	102,035	41,742	3,934	85,069	26,423	2,228	15,357	25,426
C. Short-term accruals	76,500	0	0	0	0	0	113,654	540	0	61	176	14	15,792	0	91	292	12	0	81
TOTAL ASSETS	71,442,432	201,829	281,113	74,500	21,631	19,225	14,112,746	209,824	22,246	72,185	23,435	610,381	1,543,587	10,332	883,423	312,880	148,687	183,309	79,942
OFF-BALANCE-SHEET ASSETS	49,927,819	201,000	280,000	74,000	21,000	18,000	0	0	0	0	0	83,828	0	0	183,630	31,623	31,038	300,940	0

BALANCE SHEET OF DEPENDENT COMPANIES (CONTINUED)

in thousands of tolar

LIABILITIES	Impol, d. d..	Impol FT, d. o. o.	Impol PCP, d. o. o.	Impol LLT, d. o. o.	Impol R in R, d. o. o.	Impol Infrastruktura, d. o. o.	Impol Seval, a. d.	Impol Seval Finalizacija, d. o. o.	Impol Seval PKC, d. o. o.	Impol Seval Tehnika, d. o. o.	Impol Seval Final, d. o. o.	Stampal SB, d. o. o.	Impol Aluminium Corporation	Stan, d. o. o.	Impol Stanovanja, d. o. o.	Unidel, d. o. o.	Štatenberg, d. o. o.	Impol Montal, d. o. o.	Kadring, d. o. o.
A. Equity	20,038,653	201,632	280,864	74,382	21,583	19,180	3,103,291	-177,080	18,258	49,293	17,988	259,097	342,504	9,585	863,347	11,389	108,840	166,157	55,775
I. Called-up capital	4,063,000	201,298	280,378	74,288	21,568	19,172	2,859,747	94,495	15,114	37,035	18,965	200,000	18,193	651	386,705	8,814	12,826	83,662	2,923
II. Capital reserves	7,061,649	0	0	0	0	0	36,586	0	0	0	0	168	0	0	346,752	0	96,164	13,823	2,052
III. Profit reserves	7,906,425	0	0	50	0	0	0	0	0	0	0	20,000	0	0	113,481	881	0	8,366	4,788
IV. Revaluation surplus + consolidation difference	0	0	0	0	0	0	2,967,638	0	0	0	0	0	0	0	0	0	0	0	0
V. Net profit or loss from previous periods	515,763	0	0	0	0	0	(3,055,404)	-272,258	486	146	115	0	293,780	6,694	0	1,168	0	55,411	38,857
VI. Net profit or loss for the period	334	486	44	15	8	294,725	683	2,659	12,112	-1,093	38,929	30,532	2,240	16,409	526	-150	4,895	7,155	
B. Provisions and long-term deferrals	186,506	0	0	0	0	0	18,018	1,903	346	2,291	1,196	3,718	0	0	179,179	0	0	0	0
C. LONG-TERM LIABILITIES	7,054,077	0	0	0	0	0	4,459,139	89,954	0	0	0	0	0	0	13,021	5,094	0	0	0
I. Long-term financial liabilities	7,023,188	0	0	0	0	0	4,189,333	89,954	0	0	0	0	0	0	0	2,560	0	0	0
1. Long-term financial liabilities to group companies	0	702,617	89,954	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2. Long-term financial liabilities to banks	6,696,288	0	0	0	0	0	3,470,715	0	0	0	0	0	0	0	0	2,560	0	0	0
3. Long-term liabilities on the basis of bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4. Other long-term financial liabilities	326,900	0	0	0	0	0	16,002	0	0	0	0	0	0	0	0	0	0	0	0
II. Long-term operating liabilities	30,889	0	0	0	0	0	0	0	0	0	0	0	0	13,021	2,534	0	0	0	0
III. Deferred tax liabilities	0	0	0	0	0	0	269,806	0	0	0	0	0	0	0	0	0	0	0	0
D. Short-term liabilities	44,078,571	197	249	118	48	45	6,483,290	295,011	3,642	20,103	4,252	347,567	1,162,925	747	6,974	117,206	39,388	374	23,778
I. Liabilities included in disposal groups	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
II. Short-term financial liabilities	32,696,994	0	0	0	0	0	3,198,788	0	0	0	0	38,112	598,849	0	0	1,337	25,758	0	0
III. Short-term operating liabilities	11,381,577	197	249	118	48	45	3,284,502	295,011	3,642	20,103	4,252	309,454	564,076	747	6,974	115,869	13,630	374	23,778
1. Short-term operating liabilities to group companies	0	0	0	0	1,903,719	255,625	1,736	3,936	464	246,551	595,419	0	1,739	585	13,578	0	86	0	0
2. Short-term operating liabilities to suppliers	9,758,085	86	87	87	43	42	1,169,728	32,636	79	4,109	61	34,148	-81,261	747	902	77,725	43	108	1,375
3. Short-term liabilities related to bills of exchange	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4. Short-term operating liabilities on the basis of advances	124,622	0	0	0	0	0	107,599	665	0	0	0	0	0	0	5	0	0	0	0
5. Other short-term operating liabilities	1,430,621	111	162	31	5	3	103,457	6,085	1,827	12,058	3,727	28,756	49,917	0	4,328	37,559	9	266	22,317
E. Short-term deferrals	84,625	0	0	0	0	0	49,008	36	0	498	0	0	38,158	0	81	12	459	16,778	389
LIABILITIES	71,442,432	201,829	281,113	74,500	21,631	19,225	14,112,746	209,824	22,246	72,185	23,435	610,381	1,543,587	10,332	883,423	312,880	148,687	183,309	79,942
OFF-BALANCE-SHEET LIABILITIES	49,927,819	201,000	280,000	74,000	21,000	18,000	0	0	0	0	0	83,828	0	0	183,630	31,623	31,038	300,940	0

PROFIT-AND-LOSS ACCOUNT OF DEPENDENT COMPANIES

PROFIT-AND-LOSS ACCOUNT	in thousands of tolar																		
	Impol, d. d.	Impol FT, d. o. o.	Impol PCP, d. o. o.	Impol LLT, d. o. o.	Impol R in R, d. o. o.	Impol Infrastruktura, d. o. o.	Impol Seval, a. d.	Impol Seval Finalizacija, d. o. o.	Impol Seval PKC, d. o. o.	Impol Seval Tehnika, d. o. o.	Impol Seval Final, d. o. o.	Stampal SB, d. o. o.	Impol Aluminium Corporation	Stan, d. o. o.	Impol Stanovanja, d. o. o.	Unidel, d. o. o.	Štatenberg, d. o. o.	Impol Montal, d. o. o.	Kadring, d. o. o.
1. Net sales revenues	99,626,054	0	0	0	0	0	14,427,104	757,897	34,449	245,565	60,173	901,539	4,465,383	20,098	70,141	510,210	1,401	0	244,215
Net domestic sales revenues	9,743,197	0	0	0	0	0	2,777,726	692,627	34,449	242,640	60,173	124,594	30,195	3,958	66,298	505,313	1,401	0	244,215
Net foreign sales revenues	89,882,857	0	0	0	0	0	11,649,378	65,270	0	2,925	0	776,945	4,435,188	16,140	3,843	4,897	0	0	0
a) from sales of products (tangible)	71,429,333	0	0	0	0	0	10,924,773	579,136	0	5,210	0	757,539	4,406,663	0	0	0	0	0	0
b) from sales of services	1,638,248	0	0	0	0	0	3,102,778	15,859	34,449	240,293	60,173	27,769	0	20,098	70,141	108,981	1,401	0	244,215
c) from sales of goods and materials	26,558,473	0	0	0	0	0	399,552	162,901	0	62	0	116,230	58,720	0	0	401,229	0	0	0
2. Change in inventories	1,882,907	0	0	0	0	0	1,326,810	-643	0	0	0	4,966	0	0	0	8,195	0	0	0
3. Other capitalised products and services, and disposal of provisions	0	0	0	0	0	0	17,055	0	0	0	0	0	0	0	0	37,462	0	0	0
4. Other operating revenues	438,596	0	0	0	0	0	511,844	0	0	0	0	296	0	0	4,865	0	0	0	0
GROSS PROFIT FROM OPERATIONS	101,947,557	0	0	0	0	0	16,282,813	757,254	34,449	245,565	60,173	906,801	4,465,383	20,098	75,006	555,867	1,401	0	244,215
5. Costs of goods, materials and services	91,294,653	72	72	72	36	36	13,870,712	656,209	10,559	80,193	6,677	609,018	4,323,228	14,605	34,621	333,759	529	1,466	179,342
a) Costs of goods sold	25,932,388	0	0	0	0	0	6,883	165,553	0	0	0	0	4,251,705	0	0	254,909	0	0	0
b) Costs of materials used	61,105,015	0	0	0	0	0	12,119,286	456,154	1,546	25,309	1,238	511,497	0	2,003	5,900	47,452	0	0	2,293
c) Costs of services	4,257,250	72	72	72	36	36	1,744,543	34,502	9,013	54,883	5,439	97,521	71,523	12,603	28,721	31,399	529	1,466	177,049
6. Labour costs	4,830,900	0	0	0	0	0	1,164,634	111,781	20,296	146,408	53,941	180,163	71,823	1,232	19,674	199,222	0	0	50,168
a) Costs of salaries	3,502,199	0	0	0	0	0	638,626	59,738	11,044	80,991	29,662	131,631	71,823	984	14,888	145,727	0	0	31,103
b) Social security costs	574,645	0	0	0	0	0	462,582	43,340	8,206	58,807	21,580	21,209	0	74	2,417	23,606	0	0	5,401
c) Other labour costs	754,056	0	0	0	0	0	63,425	8,702	1,047	6,609	2,700	27,323	0	173	2,369	29,889	0	0	13,664
7. Write-offs	2,918,736	0	0	0	0	0	657,005	9,250	333	2,629	14	51,601	5,995	327	12,930	18,259	0	0	1,867
a) Amortisation/ depreciation	2,885,717	0	0	0	0	0	653,896	440	0	2,279	0	51,601	5,995	327	10,778	16,677	0	0	1,747
b) Operating expenses for the revaluation of intangible and tangible fixed assets	32,754	0	0	0	0	0	181	31	0	0	0	0	0	0	2,152	979	0	0	120
c) Operating expenses for the revaluation of current assets	265	0	0	0	0	0	2,928	8,779	333	350	14	0	0	0	0	603	0	0	0
8. Other operating expenses	187,521	0	0	0	0	0	571,864	2,107	674	4,773	590	4,355	0	1,126	1,439	13,032	67	0	3,271
TOTAL OPERATING COSTS AND EXPENSES	99,231,810	72	72	72	36	36	16,264,215	779,347	31,862	234,002	61,222	845,136	4,401,046	17,290	68,664	564,272	596	1,466	234,648
PROFIT FROM OPERATIONS	2,715,747	-72	-72	-72	-36	-36	18,598	22,093	2,587	11,563	-1,049	61,665	64,337	2,808	6,342	-8,406	805	-1,466	9,567
TOTAL FINANCIAL REVENUES	1,633,577	517	720	197	56	47	1,004,751	21,351	415	2,073	71	723	7,326	0	15,259	5,686	266	5,971	1,457
9. Financial revenues from shares	795,158	0	0	0	0	0	254	0	0	0	0	0	0	0	2,430	0	0	0	65
10. Financial revenues from lending	99,445	468	652	179	56	42	6,790	0	71	0	71	0	0	0	7,577	0	266	5,971	227
11. Financial revenues from operating receivables	738,974	49	68	18	0	5	997,707	21,351	344	2,073	0	723	7,326	0	5,252	5,686	0	0	1,165
a) Financial revenues from operating receivables due from group companies	80,691	0	0	0	0	0	0	0	0	0	0	0	0	0	0	407	0	0	8
b) Financial revenues from operating receivables due from others	658,283	49	68	18	0	5	997,707	21,351	344	2,073	0	723	7,326	0	5,252	5,279	0	0	1,157
interest from associated companies	114	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
interest from others	57,674	49	68	18	0	5	601	417	0	0	0	370	5,964	0	4,822	3,068	0	0	1,157
positive exchange-rate differences	600,495	0	0	0	0	0	899,018	8,880	25	2,059	0	337	0	0	9	184	0	0	0
other financial revenues (discounts, futures)	0	0	0	0	0	0	98,088	12,054	319	14	0	17	1,362	0	421	2,027	0	0	0

PROFIT-AND-LOSS ACCOUNT OF DEPENDENT COMPANIES (CONTINUED)

	Impol, d. d.	Impol FT, d. o. o.	Impol PCP, d. o. o.	Impol LLT, d. o. o.	Impol R in R, d. o. o.	Impol Infrastruktura, d. o. o.	Impol Seval, a. d.	Impol Seval Finalizacija, d. o. o.	Impol Seval PKC, d. o. o.	Impol Seval Tehnika, d. o. o.	Impol Seval Final, d. o. o.	Stampal SB, d. o. o.	Impol Aluminium Corporation	Stan, d. o. o.	Impol Stanovanja, d. o. o.	Unidel, d. o. o.	Statenberg, d. o. o.	Impol Montal, d. o. o.	Kadring, d. o. o.
	in thousands of tolar																		
TOTAL FINANCIAL EXPENSES	3,257,065	0	0	0	0	0	783,133	10,350	68	1,111	8	11,075	19,462	0	23	1,006	935	0	18
12. Financial expenses for investment impairment and write-offs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13. Financial expenses for financial liabilities	2,310,999	0	0	0	0	0	676,644	10,175	68	1,097	6	10,842	19,462	0	23	1,006	935	0	18
a) Financial expenses for loans received from group companies	8,986	0	0	0	0	0	153,428	6,671	0	0	0	0	0	0	0	2	935	0	0
b) Financial revenues for loans received from associated companies	4,843	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
c) Financial expenses for loans received from banks	1,664,470	0	0	0	0	0	339,603	3	0	0	0	7,475	19,462	0	0	421	0	0	0
interest for long-term loans	1,155,880	0	0	0	0	0	339,603	3	0	0	0	3,517	19,462	0	0	0	0	0	0
interest for short-term loans	508,589	0	0	0	0	0	0	0	0	0	0	3,958	0	0	0	421	0	0	0
d) Financial expenses for issued bonds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
e) Financial expenses for other financial liabilities	632,700	0	0	0	0	0	183,613	3,501	68	1,097	6	3,368	0	0	23	583	0	0	18
for negative exchange-rate differences	632,170	0	0	0	0	0	243,743	3,501	68	1,097	6	3,260	0	0	21	385	0	0	0
14. Financial expenses for operating liabilities	946,066	0	0	0	0	0	106,489	175	0	14	3	233	0	0	0	0	0	1	0
a) Financial expenses for operating liabilities to group companies	951	0	0	0	0	0	0	0	0	0	0	233	0	0	0	0	0	0	0
b) Financial expenses for operating liabilities to suppliers and for liabilities related to bills of exchange	9,528	0	0	0	0	0	26,254	175	0	14	3	0	0	0	0	0	0	0	0
c) Financial expenses for other operating liabilities	935,587	0	0	0	0	0	80,235	0	0	0	0	0	0	0	0	0	0	1	0
Net profit or loss from ordinary operations before tax	1,092,259	445	648	125	20	11	240,217	-11,092	2,934	12,525	-987	51,313	52,201	2,808	21,578	-3,726	136	4,504	11,006
15. Other revenues	58,622	0	0	0	0	0	24,638	14,672	6	223	0	0	766	0	232	4,252	51	2,023	438
16. Other expenses	60,658	0	0	0	0	0	7,622	2,945	150	0	17	340	0	0	4	0	337	0	1,608
Profit or loss before tax	1,090,223	445	648	125	20	11	257,232	635	2,790	12,748	-1,004	50,973	52,967	2,808	21,806	526	-150	6,527	9,836
17. Income tax	106,591	111	162	31	5	3	0	0	319	1,489	11	12,044	20,907	562	5,397	0	0	1,632	2,681
18. Deferred taxes	0	0	0	0	0	0	16,711	0	0	0	0	0	0	0	0	0	0	0	0
19. Net profit or loss for the period	983,632	334	486	94	15	8	273,943	635	2,471	11,258	-1,016	38,929	32,060	2,246	16,409	526	-150	4,895	7,155
Net profit or loss of minority shareholders	979	0	0	0	0	0	554	64	10	66	29	35	3	1	3	50	0	0	7
Number of employees as on 31 Dec 2006	984	0	0	0	0	0	562	70	11	68	29	35	3	1	3	50	0	0	7
Months of operation	12	2	1	2	3	1	12	12	12	12	12	12	12	12	12	12	12	12	12

Accounting Report⁵

⁵ All accounting disclosures are recorded in thousands of tolar, any conversions to euros are only informative.



Accounting policies

The consolidated financial statements for the whole Impol Group were put together on the basis of the new Slovenian Accounting Standards (henceforth referred to as the SRS 2006) taking into account necessary adjustments relating to the integration of dependent companies operating in the environments that use different accounting standards (USA, Serbia, Croatia). With these statements the Impol Group gives a true and fair picture of the financial situation, and of its business performance.

The financial year is the same as the calendar year, i.e., 1 January 2006 to 31 December 2006.

When establishing and distributing the profit, we considered the provisions from Article 230 of the Companies Act-1.

We consistently followed the two basic accounting rules:

- the course of accounting events,
- unlimited duration of operations.

When preparing the accounting policies and financial statements we also considered the principles of clarity, adequacy, reliability, and comparability, which ensure that these documents are accurate, meeting legal requirements and preventing any fraud.

As a result of considering the precautionary principle, the financial statements:

- include only the profits realised by 31 December 2006,
- take into account all the predictable risks and losses taking place by the end of 2006.

Items of assets and liabilities are valued individually.

The group keeps its accounting books on the basis of the double-entry method.

Consolidation was carried out in such a way that:

- within the group, the investments of controlling companies in the subsidiaries were eliminated,
- intra-group receivables and payables were eliminate,
- intra-group sales revenues and expenses were eliminated.

Consolidation was carried out with the simultaneous-consolidation method applied to all group companies.

Intangible Fixed Assets

Intangible fixed assets include:

- long-term deferred costs of development,
- rights on fixed assets belonging to others,
- investments in the acquired industrial-property rights and other rights.

For the purpose of their evaluation, the acquisition-cost model was used.

The goodwill of Stampal SB is included in the balance sheet having the same value as on the day of the purchase; after the adoption of the SRS 2006, its depreciated portion of 49,386,000 tolar was changed back to its value as of the day of the acquisition and affected the profit from previous periods.

In line with the SRS 2006, goodwill is not depreciated; its can only affect the profit-and-loss account after the disposal of the investment.

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INTANGIBLE FIXED ASSETS

Description	Long-term property rights	Goodwill	in thousands of tolar	
			Other long-term accruals	TOTAL
Acquisition costs as on 1 Jan 2006	272,531	76,499	479,846	828,876
Direct additions due to purchases	8,407		154,972	163,379
Transfer from investments in progress	14,819		-14,819	
Write-downs due to retirement, other write-downs	3,644		-45,597	-41,953
Acquisition costs as on 31 Dec 2006	299,401	76,499	574,402	950,302
Value adjustment				
Value adjustment as on 1 Jan 2006	267,357		217,316	484,673
Depreciation in the year	1,206		32,948	34,154
Write-downs due to retirement, other write-downs			-25,686	-25,686
Value adjustment as on 31 Dec 2006	268,563		224,578	493,141
Book value as of 31 Dec 2006	30,838	76,499	349,824	457,161
Book value as of 1 Jan 2006	5,174	76,499	262,530	344,203

Goodwill, generated with the purchasing of the company, is not depreciated, and for this reason, the consolidated accounts include the corrections and adjustments to the goodwill made with the purchase of a business share of Stampal SB, d. o. o.

Tangible Fixed Assets

Tangible fixed assets include land, buildings, production facilities and machinery, other facilities and equipment, tangible fixed assets under construction, as well as advances paid for the tangible fixed assets that are, in the balance sheet, included in the tangible fixed assets, while they are recorded as receivables in the account books.

Tangible fixed assets are recognised at their acquisition values, which include the buying prices, import duties and non-refundable purchase taxes, and the directly attributable costs of bringing an asset to working condition for its intended use, especially the costs of its delivery and installation. Non-refundable purchase taxes also include non-refundable value added tax. Trade discounts and rebates are deducted from the buying price. The acquisition cost and the cumulative value adjustment of a fixed asset are separately recorded in the account books, while the balance sheet only includes the current value of a fixed asset, which is the difference between the acquisition cost and the cumulative value adjustment.

The current value of a tangible fixed asset is decreased through depreciation. The Impol Group uses the method of steady depreciation.

Disposed of or retired fixed assets are no longer recorded in the account books. However, any existing profits or losses are recorded as operating revenues/expenses from revaluation.

Tangible fixed assets that are retired when they are still useful are recorded according to their book values on the date of their withdrawal from use.

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TANGIBLE FIXED ASSETS

in thousands of tolar

Description	Land	Buildings	Property being acquired	Total property	Production facilities and machinery	Other facilities and equipment	Equipment and other tangible fixed assets being acquired	Advances for acquiring tangible fixed assets	Total Equipment	TOTAL
Acquisition costs as on 1 Jan 2006	1,050,663	14,675,060	16,740	15,742,463	57,020,472	1,807,313	3,030,087	1,178,550	63,036,422	78,778,885
Direct additions due to purchases		6,834	137,435	144,269	16,630	648	2,197,746	1,491,760	3,706,784	3,851,053
Transfer from investments in progress		932,229	-151,457	780,772	3,049,418	376,180	-4,206,227	-143	-780,772	
Transfer to investment property		-200,319		-200,319						-200,319
Revaluation due to impairment	18,870	368,881		387,751	726,406	17,689			744,095	1,131,846
Write-downs due to disposals		-6,031		-6,031	30,986	-14,932			-45,918	-51,949
Write-downs due to retirement, other write-downs		-36,771		-36,771	-326,688	-78,749		-1,103,352	-1,508,789	-1,545,560
Acquisition costs as on 31 Dec 2006	1,069,533	15,739,883	2,718	16,812,134	60,455,252	2,108,149	1,021,606	1,566,815	65,151,822	81,963,956
Value adjustment as on 1 Jan 2006		7,064,409		7,064,409	34,891,117	1,198,007			36,089,124	43,153,533
Adjustments in the opening balance										
Value adjustment as on 1 Jan 2006		7,064,409		7,064,409	34,891,117	1,198,007			36,089,124	43,153,533
Depreciation		355,989		355,989	2,883,119	214,951			3,098,070	3,454,059
Transfer to investment property		-70,892		-70,892						-70,892
Revaluation due to impairment		110,750		110,750	253,519				253,519	364,269
Write-downs due to disposals		-15,676		-15,676	-30,310	-11,385			-41,695	-57,371
Write-downs due to retirement, other write-downs		-19,984		-19,984	-305,395	-77,372			-382,767	-402,751
Value adjustment as on 31 Dec 2006		7,424,596		7,424,596	37,692,050	1,324,201			39,016,251	46,440,847
Book value as of 31 Dec 2006	1,069,533	8,315,287	2,718	9,387,538	22,763,202	783,948	1,021,606	1,566,815	26,135,571	35,523,109
Book value as of 1 Dec 2006	1,050,663	7,610,651	16,740	8,678,054	22,129,355	609,306	3,030,087	1,178,550	26,947,298	35,625,352

- Depreciation is accounted for each asset individually, following the method of steady depreciation.
- The non-depreciable value is recorded only for the equipment that, according to our findings, preserves its value.
- The revaluation of tangible fixed assets was not carried out, as we found out that the market prices for these assets did not change.

Used Depreciation Rates

T24

USED DEPRECIATION RATES

DEPRECIATION GROUPS

	Depreciation rates in %	
	lowest	highest
Intangible fixed assets		
Other investment	10.00%	10.00%
Licences	20.00%	20.00%
Tangible fixed assets		
Property:		
constructed buildings	1.30%	2.50%
other buildings	2.00%	5.00%
equipment:		
production equipment	4.50%	15.00%
equipment and low-value assets (until 2003)		33.00%
low-value assets	20.00%	25.00%
other equipment	8.20%	25.00%
IT equipment:		
software	20.00%	50.00%
hardware	20.00%	50.00%
Motor vehicles:		
transport vehicles	6.20%	20.00%
personal vehicles	12.50%	12.50%
Other tangible fixed assets		
Investment property (acquisition-cost model)	1.30%	5.00%

Depreciation is charged to the acquisition values of intangible and tangible fixed assets, and of investment property. The depreciation rate depends on the determined useful life of each individual asset, considering the anticipated period of utilisation, economic aging, and legal and other limitations to its use. When checking the periods of the determined useful life of individual assets, we found out that there was no need to change them, so the depreciation rates remained the same. At the end of the year we set the depreciation rates for the production equipment with respect to the level of its utilisation during the year (work in shifts was the main factor in this case).

The depreciation of intangible and tangible fixed assets is accounted for individually, and on the basis of the method of steady depreciation.

The depreciation period for individual assets starts when the assets are put into use.

Investment Property

In the discussed period, only the buildings that we own for the purpose of renting were included in the investment property.

T25

INVESTMENT PROPERTY

Description

	in thousands of tolar	TOTAL
Acquisition costs as on 1 Jan 2006	1,347,336	
Transfer from tangible fixed assets (+)	200,319	
Acquisition costs as on 31 Dec 2006	1,547,655	
Value adjustment as on 1 Jan 2006	17,747	
Depreciation (+)	113,279	
Transfer from tangible fixed assets (+)	70,892	
Value adjustments as on 31 Dec 2006	201,918	
Book value as of 31 Dec 2006	1,345,737	
Book value as of 1 Jan 2006	1,329,589	

Long-Term Financial Assets in Subsidiaries and Associated Companies, and Other Long-Term Financial Assets

Long-term financial assets are assets with a maturity longer than one year, and are initially determined with their acquisition values that equal the values of the invested cash. The investments that were, in the course of consolidation, eliminated because they were carried out within the group, are, in the original financial statements of individual group companies, recorded on the basis of the acquisition-cost method, considering impairment caused by the losses.

The investments in the stakes and shares of foreign joint-stock companies, the investments in the stakes of domestic banks and in the shares of domestic companies, and long-term loans granted on the basis of loan contracts are all recorded separately.

Long-term financial assets have been classified as the financial assets available for sale. In the consolidated balance-sheet, the investments in the associated companies have been evaluated with the equity method.

T26

LONG-TERM FINANCIAL ASSETS IN SUBSIDIARIES AND ASSOCIATED COMPANIES, AND IN OTHER LONG-TERM FINANCIAL ASSETS (LTFAs)

	Acquisition/ fair/ amortised cost of LTFAs as of 31 Dec 2006	Long-term financial assets in companies:				in thousands of tolar	
		in the group	assoc. com.	others	impairment	Book value	
						31 Dec 2006	1 Jan 2006
Investments in stakes and shares	290,733	0	134,314	156,419	0	290,733	303,521
Investments in precious metals, precious stones, works of art, and others	0	0	0	0	0	0	
Other LTFAs in equity	34,014	0	0	34014	0	34,014	
TOTAL LTFAs without loans	324,747	0	134,314	190,433	0	324,747	303,521
Long-term loans to companies	110,457	0	0	110457	0	110,457	138,520
Long-term lending by means of redemption of bonds	0	0	0	0	0	0	
Other long-term invested funds	0	0	0	0	0	0	0
Long-term deposits	0	0	0	0	0	0	0
TOTAL long-term loans	110,457	0	0	110,457	0	110,457	138,520
Long-term uncalled capital	0	0	0	0	0	0	0
TOTAL LONG-TERM FIN. INVESTMENTS	435,204	0	134,314	300,890	0	435,204	442,041

Long-term Operating Receivables

Long-term operating receivables that mature one year after the date of the balance sheet are disclosed as short-term receivables. All the long-term operating receivables are included in the other long-term trade receivables; they are not secured, and, with a total of 45,501,000 tolar, they do not represent an important business category.

Deferred Tax Assets

They were entirely generated as tax-deductible temporary differences amounting to a total of 16,711,000 tolar. Deferred taxes relating to severance pays and the rewards for years-long service were not accounted for, as these are intangible assets. Depreciation above the stipulated tax rate was not accounted for. Fixed assets were not re-valued. No deferred tax assets were generated as a result of the consolidation procedures.

Inventories

We use the following evaluation methods:

- We recorded the inventories of goods and materials by purchase price increased by the accompanying costs of acquisition. We used the same method as in the previous period.
- For inventory utilisation we use the FIFO method.
- Inventories of products are evaluated according to their direct production costs.
- We converted the amounts from foreign currencies into tolar on the basis of the middle exchange rate of the Bank of Slovenia.

T27

INVENTORIES

	31 Dec 2006		Inventories as on 31 Dec 2006		1 Jan 2006
	Purchase value (+)	Book value	bought from group companies	pledged as security for liabilities	
Goods and materials	8,777,051	8,777,051	0	0	5,319,526
Low-value assets	1,333,535	1,333,535	0	0	1,002,714
Work in progress and services	7,580,396	7,580,396	0	0	5,141,804
Products	5,150,659	5,150,659	0	0	3,338,482
Goods for resale	78,446	78,446	51,203	0	873,896
Advances for inventories	89,861	89,861	0	0	98,013
TOTAL	23,009,948	23,009,948	51,203	0	15,774,435

We did not pledge our inventories as security for liabilities.

WRITE-OFFS/VALUE ADJUSTMENTS OF INVENTORIES ARISING FROM THE CHANGES TO THEIR QUALITY AND VALUE

Type of inventory	2006	Impairment	Write-offs
Goods and materials	0	0	0
Low-value assets	249	0	249
Work in progress and services	0	0	0
Products	0	0	0
Goods for resale	168	0	168
TOTAL	417	0	417

SURPLUS INVENTORY AND INVENTORY DEFICIT

Type of inventory	2006	Surplus (+)	Deficit (-)
Goods and materials	26,192	0	26,192
Low-value assets	0	0	0
Work in progress and services	0	0	0
Products	0	0	0
Goods for resale	4,277	438	4,715
TOTAL	21,915	438	21,477

OFF-BALANCE-SHEET INVENTORY RECORDS

Type of inventory	31 Dec 2006	1 Jan 2006
Goods received for consignment	35,733	0
Materials received for production and finalisation	0	0
Inventories pledged as security for liabilities	0	0
TOTAL	35,733	0

The inventories of goods and materials are evaluated according to their purchase prices. A purchase price consists of a buying price, import duties, and direct supply costs. A buying price can be discounted. In 2006 the company did not change its accounting policies.

The inventories of finished products and of work in progress are initially evaluated according to their production costs that include the following: direct costs of materials, direct labour costs, direct costs of services, direct depreciation costs, and general production costs.

Short-Term Operating Receivables

We initially disclose receivables with the amounts originating from the relevant documents taking into account that they will be settled. A later increase in receivables normally leads to an increase in the corresponding operating, or financial, revenues, while a later decrease in receivables normally leads to a decrease in the corresponding operating, or financial, expenses, except for given advances. The receivables related to gained interest result in financial revenues. We adjust the values of trade receivables due from domestic or foreign customers on the basis of our experiences and expectations.

The receivables due from customers abroad are converted into domestic currency on the basis of the middle exchange rate of the Bank of Slovenia valid on the date of the balance sheet. An exchange-rate difference generated by the settlement date of a receivable, or by the date of the balance sheet, is recorded under financial revenues or financial expenses.

T28

SHORT-TERM OPERATING RECEIVABLES

	Short-term operating receivables		Short-term op. receivables due from companies		Value adjust. due to impairment	31 Dec 2006	1 Jan 2006
	=	+	+	+			
Short-term trade receivables	14,314,085	90,848	14,223,237	-15,629		14,298,456	11,880,090
receivables overdue by 31 Dec 2006	201,600	0	201,600	4,367,221		4,568,821	3,843,294
Given short-term advances and collaterals	10,798	0	10,798	0		10,798	29,403
Short-term operating receivables related to foreign-currency accounts	4	0	4	0		4	0
Short-term receivables related to financial revenues	260,698	553	260,145	-2,364		258,334	37,184
Short-term receivables due from state institutions	2,193,027	0	2,193,027	0		2,193,027	1,797,925
Other short-term operating receivables	34,532	0	34,532	0		34,532	2,035
TOTAL short-term operating receivables	16,813,144	91,401	16,721,743	-17,993		16,795,151	13,746,637

VALUE ADJUSTMENT OF SHORT-TERM OPERATING RECEIVABLES DUE TO IMPAIRMENT

in thousands of tolar

	Value adjustment of short-term receivables due from companies			
	2006	associates	others	2005
Balance as of 1 Jan 2006 (+)	19,864	0	19,864	92,917
Decrease in value adjustment due to the settlement of receivables (-)	-4,757	0	-4,757	-116
Decrease in value adjustment due to the write-off of receivables (-)	-265	0	-265	-72,937
Established value adjustments for the period due to impairment (+)	3,151	0	3,151	0
Outstanding balance as of 31 Dec 2006	17,993	0	17,993	19,864

Trade receivables are secured to the agreed amount with the Slovenian Export Corporation. During the market penetration, these receivables are, as a rule, unsecured, and at such times the risks due to exposure are very high. The unsettled receivables that lead to the initiation of formal court proceedings relating to their recovery, and those that will probably not be settled, or will not be fully settled, are treated as doubtful and disputable receivables.

Short-Term Financial Assets

When they arise, short-term financial assets are accounted for in accordance with their acquisition values. If expressed in a foreign currency, they are converted into domestic currency on the basis of the middle exchange rate of the Bank of Slovenia valid on the balance date.

T29

SHORT-TERM FINANCIAL ASSETS (STFAs)

	Acquisition/ fair/amortised cost of STFAs as of 31 Dec 2006	STFAs in companies				Value adjustment due to impairment		Book value	
		STFAs in companies		Value adjustment due to impairment	Book value				
		associates	others		31 Dec 2006	1 Jan 2006			
Stakes acquired for sale	0	0	0	0	0	0	0		
Shares acquired for sale	0	0	0	0	0	0	0		
Other securities acquired for sale	0	0	0	0	0	0	0		
Receivables acquired for sale	124,872	0	124,872	0	124,872	178,757			
TOTAL short-term financial assets without loans	124,872	0	124,872	0	124,872	178,757			
Short-term portion of long-term lending (including bonds)	0	0	0	0	0	4,734			
Short-term lending (including bonds)	149,374	84,630	64,744	0	149,374	165,353			
Received bills of exchange	0	0	0	0	0	0			
Short-term deposit	149,648	0	149,648	0	149,648	0			
TOTAL short-term lending	299,022	84,630	214,392	0	299,022	170,087			
Short-term uncalled capital	0	0	0	0	0	0			
TOTAL STFAs	423,894	84,630	339,264	0	423,894	348,844			

Short-term financial assets include the stakes acquired for sale, short-term lending, investments in securities, short-term portions of long-term financial assets, and bank deposits; they all represent the assets that the group invests, for a short term, in order to increase its financial revenues. These assets are all classified as the financial assets intended for sale.

Cash

T30

CASH

in thousands of tolar

	31 Dec 2006	1 Jan 2006
Cash in hand and redeemable securities	758	1,536
Cash in banks and other financial institutions	2,319,569	868,578
TOTAL	2,320,327	870,114

The amount in cash is about the same as the revenue generated in two days. We maintain that such an amount is manageable.

Deferred Costs and Accrued Revenues

T31

DEFERRED COSTS AND ACCRUED REVENUES

in thousands of tolar

	31 Dec 2006	1 Jan 2006
Short-term deferred costs or expenses	72,705	11,358
Short-term accrued revenues	0	809,883
Securities	0	0
VAT from received advances	134,509	269,896
TOTAL	207,214	1,091,137

- Short-term deferred costs or expenses are the received invoices related to given advances, or issued invoices related to received advances charging for value-added tax.
- Short-term accrued revenues are mainly the accrued services of Impol Seval relating to its production.

Equity

T32

EQUITY

Equity movements	in thousands of tolar											
	Called-up capital	Capital of minority shareholders	Capital reserves	Profit reserves			Revaluation surplus	Consolidated capital adjustment	Transferred net profit or loss	Net profit or loss for the period		IX Total EQUITY
	I	II	III	IV		V	IV	VII	VIII			
	Share capital			Legal reserves	for own stakes and business shares	Other profit reserves	Transferred net profit	Net profit for the period	Net loss for the period			
I/1	II	III	IV/1	IV/2	IV/5	IV	VII/1	VIII/1	VIII/2	IX		
A. Balance as of 1 Jan 2006	4,063,000	885,144	7,061,649	652,623	1	6,643,154	33,700	-1,576	254,088			19,591,783
B. Equity inflows												
Equity increase due to the profit for the period		88,725								1,328,085		1,416,810
Increase due to equity revaluation		19,385						-34,092	28,860	-39,763		-25,610
Other increases in equity components							4,537					4,537
C. Transfers within equity												
Allocation of net profit to the equity components in line with the decisions of the Management and Supervisory Boards						491,816				-491,816		0
Allocation of net profit for making additional reserves in line with the decision of the Assembly						118,832			-118,832			0
D. Equity outflows												
Payment of dividends									-325,040			-325,040
Transfer of revaluation surplus (to operating or financial revenues)							-3,400					-3,400
E. Balance as of 31 Dec 2006	4,063,000	993,254	7,061,649	652,623	1	7,253,802	34,837	-35,668	-160,924	796,506		20,659,080
BALANCE PROFIT/BALANCE LOSS									-160,924	796,506		635,582

Disclosures in the above table also relate to the disclosures in the subsections Adjustments in the consolidated balance sheet as of 31 December 2006, on page 42, and Distributable profit on page 43.

Long-Term Provisions

T33

LONG-TERM PROVISIONS

	Provisions		Long-term deferrals		TOTAL
	Provisions for pensions, rewards for years-long service, and severance pays	Received state subsidies	Other long-term deferrals		
Balance as of 1 Jan 2006	189,468	162,962	61		352,491
Adjustments in the opening balance					0
Formation (+)	49,482	52,480	0		101,962
Other increases (+)	0	0	0		0
Utilisation (-)	-295	-45,611	0		-45,906
Disposal (-)	-15,360	0	-30		-15,390
Other decreases (-)	0	0	0		0
Balance as of 31 Dec 2006	223,295	169,831	31		393,157

We maintain that there is no need to have other provisions, in addition to the above ones. The ecological renovation of the foundry has already started.

Long-term deferrals are mainly created in the social enterprise.

Long-Term Financial and Operating Liabilities

T34

LONG-TERM FINANCIAL AND OPERATING LIABILITIES

	in thousands of tolar			
	Total debt as of 31 Dec 2006	The portion payable in 2007	31 Dec 2006	1 Jan 2006
Long-term financial liabilities to banks	12,179,930	-2,010,368	10,169,562	9,283,195
Long-term financial liabilities to others	369,099	-26,197	342,902	0
Long-term operating liabilities to associated companies as suppliers	47,653	-16,764	30,889	53,022
Long-term operating liabilities to other companies as suppliers	6,140	-3,605	2,535	356,215
Other long-term operating liabilities to other companies	13,021	0	13,021	0
TOTAL long-term financial and operating liabilities	12,615,843	-2,056,934	10,558,909	9,692,432
of that:				
long-term financial liabilities	12,549,029	-2,036,565	10,512,464	9,283,195
long-term operating liabilities	66,814	-20,369	46,445	409,237
TOTAL long-term financial and operating liabilities	12,615,843	-2,056,934	10,558,909	9,692,432

When they arise, long-term financial and operating liabilities are accounted for in accordance with their acquisition values. If expressed in a foreign currency, they are converted into domestic currency on the basis of the middle exchange rate of the Bank of Slovenia valid on the balance date.

- Long-term financial and operating liabilities are the financial and operating debts of the companies, and include long-term financial liabilities to banks, long-term financial liabilities to companies, and long-term operating liabilities to others.
- The portion of long-term debts with a maturity of one year after the date of the balance sheet are shown as short-term financial and operating liabilities.
- The interest rates for the long-term loans are as follows:
 - in euros it ranges between euribor + 1.1% and euribor + 6% (depending on the area)
 - in tolar the rate is fixed - between 5% and 6.25% .

Long-term liabilities are secured with a mortgage on the property of Impol, d. d., Impol Seval, a. d., and on a part of the equipment.

With respect to the consolidated financial statements, in the case of consolidating the equity, we do not establish any hidden reserves (land, equipment), that would result in a deferred tax liability.

Short-Term Liabilities

T35

SHORT-TERM OPERATING LIABILITIES

	in thousands of tolar	
	31 Dec 2006	1 Jan 2006
Short-term portion of long-term operating liabilities to associated companies as suppliers	16,764	0
Short-term portion of long-term operating liabilities to other companies as suppliers	3,605	917
Short-term operating liabilities to associated companies as suppliers	55,406	59,647
Short-term operating liabilities to other companies as suppliers	11,207,802	6,771,982
Short-term liabilities to other companies based on advances	123,550	18,459
Other short-term operating liabilities to associated companies including:	3,730	5
short-term liabilities relating to interest	3,730	5
Other short-term operating liabilities including:	1,522,316	914,842
Short-term portion of other long-term operating liabilities	0	0
Short-term liabilities to employees	646,509	301,494
Short-term liabilities to the state	700,970	73,870
Short-term liabilities to other companies relating to interest	156,907	142,144
Other short-term operating liabilities to other companies	17,930	397,334
TOTAL short-term operating liabilities	12,933,173	7,765,852
including		
Short-term operating liabilities including:	12,912,804	7,764,935
short-term liabilities to associated companies as suppliers	55,406	59,647
short-term liabilities to other companies as suppliers	11,207,802	6,771,982
Short-term portion of long-term operating liabilities including:	20,369	917
short-term portion of long-term operating liabilities to suppliers	20,369	917
Total short-term operating liabilities	12,933,173	7,765,852

T36

SHORT-TERM FINANCIAL LIABILITIES

in thousands of tolar

	31 Dec 2006	1 Jan 2006
Short-term portion of long-term financial liabilities to banks	2,010,368	2,125,606
Short-term portion of long-term financial liabilities to other companies	26,197	24,779
Short-term financial liabilities to associated companies	526,108	119,962
Short-term financial liabilities to banks	32,996,404	25,847,556
Short-term financial liabilities to other companies	0	3,713,725
TOTAL short-term financial liabilities	35,559,077	31,831,628
including		
short-term financial liabilities	33,522,512	29,681,243
short-term portion of long-term financial liabilities	2,036,565	2,150,385
Total short-term financial liabilities	35,559,077	31,831,628
TOTAL short-term financial and operating liabilities	48,492,250	39,597,480

Interest rates for the short-term loans are as follows:

- in foreign currency it ranges between euribor + 0.65% and euribor + 6% (depending on the area)
- in domestic currency it ranges between 4.2% and 5.5%

The short-term liabilities of Impol, d. d., are secured partly with a mortgage (422 million tolar), and partly with the bills of exchange, the assignment of credit, and indemnities.

Short-term financial liabilities include the liabilities relating to received loans, whose maturity is shorter than one year.

The short-term financial liabilities stated in a foreign currency are converted into domestic currency at the exchange rate of the Bank of Slovenia valid on the date when an obligation arises. The exchange-rate difference up to the balance-sheet date is recognised as a financial expense.

Short-term operating liabilities include short-term liabilities to suppliers, liabilities based on advances, as well as short-term financial and operating liabilities to others.

Short-term liabilities are initially entered as amounts recorded in corresponding documents, based on the assumption that the creditors will request a discharge of the debt.

Short-term liabilities to foreign parties are converted into domestic currency on the date when these obligations arise. The exchange-rate difference up to the balance-sheet date is recognised as a financial expense.

Short-Term Accrued Costs and Deferred Revenues

T37

SHORT-TERM ACCRUED COSTS AND DEFERRED REVENUES

in thousands of tolar

	31 Dec 2006	1 Jan 2006
Accrued costs or expenses	17,231	355,035
Short-term deferred revenues	2,128	3,424
VAT on given advances	170,685	32,53
TOTAL	190,044	390,992

Off-Balance-Sheet Records

T38

OFF-BALANCE-SHEET RECORDS

in thousands of tolar

	31 Dec 2006	1 Jan 2006
Given securities for liabilities – see *	44,978,541	19,765,728
Received securities for receivables – see **	2,523,875	757,468
Value of used current fixed assets owned by others	0	0
Goods received for consignment	35,733	0
Materials received for processing	0	0
Creditors' legal action	0	0
Debtors' legal action	0	0
Other	3,614,729	2,429,141
TOTAL off-balance-sheet records	51,152,878	22,952,337

*** Given securities for liabilities – as of 31 Dec 2006**

	Long-term financial liabilities	Long-term operating liabilities	Short-term financial liabilities	Short-term operating liabilities	TOTAL
Mortgage	7,023,188	0	3,157,954	0	10,181,142
Bills of exchange	0	0	28,732,212	0	28,732,212
Receivables	0	0	806,828	0	806,828
Equipment	0	30,889	0	0	30,889
Securities	0	0	0	5,176,745	5,176,745
Total securities	7,023,188	30,889	32,696,994	5,176,745	44,927,816

**** Received securities for receivables – as of 31 Dec 2006**

	Long-term financial assets	Long-term operating receivables	Short-term operating receivables	Short-term financial assets	TOTAL
Mortgage	664,888	0	0	162,232	827,120
Securities	0	0	618,193	0	618,193
Other	0	0	0	41,096	41,096
Unsecured	95,315	0	0	2,140	97,455
TOTAL securities	664,888	0	618,193	203,328	1,486,409

In 2005 blank bills of exchange given as securities for received short-term loans were not included in the off-balance-sheet records, and for this reason 2006 saw a significant increase in given securities for liabilities.

Operating Revenues

T39

OPERATING REVENUES

			in thousands of tolar	
	associates	other comp.	2006	2005
Net sales revenues	854,614	98,403,635	99,258,249	83,288,150
Value adjustment on the inventories of products and work in progress		3,222,235	3,222,235	292,407
Capitalised own products and services		17,055	17,055	24,268
Other operating revenues	0	1,013,934	1,013,934	2,140,233
Revenues from the disposal of provisions			52,131	38,447
Revenues from mergers (revaluation surplus – negative goodwill)			23,358	0
Other revenues related to business performance (subsides, grants, supports, compensations, premiums, etc.)			718,488	982,104
Operating revenues from revaluation			219,957	1,119,682
relating to the disposal of intangible fixed assets			0	0
relating to the disposal of tangible fixed assets			10,302	1,119,420
relating to the disposal of long-term assets			0	0
relating to the elimination of a value decrease arising from the revaluation of intangible fixed assets			0	0
relating to the elimination of a value decrease arising from the revaluation of tangible fixed assets			0	0
relating to operating receivables			5,633	262
relating to operating liabilities			204,022	0
TOTAL	854,614	102,656,859	103,511,473	85,160,244

More detailed information on the net sales revenues is included in section Market and Customers, on page 25.

A. Net sales revenues by product sector

T40

A. NET SALES REVENUES BY PRODUCT SECTOR

	2006		2005	
	in millions of tolar	in millions of euros	in millions of tolar	in millions of euros
Sheets, strips	41,952	175,1	33,796	141,1
Foils	12,051	50,3	9,459	39,5
Bars, rods, tubes	22,525	94,0	12,715	53,1
Profiles	16,484	68,8	17,787	74,2
Other	6,246	26,1	9,531	39,8
Total	99,258	414,3	83,288	347,6

B. Net sales revenues by region sector (by market)

T41

B. NET SALES REVENUES BY REGION SECTOR (BY MARKET)

	2006		2005	
	in millions of tolar	in millions of euros	in millions of tolar	in millions of euros
Slovenia	12,751	53,2	13,758	57,4
The EU	74,749	312,0	58,710	245,0
The rest of Europe	5,613	23,4	5,536	23,1
Other markets	6,146	25,6	5,285	22,1
TOTAL	99,258	414,3	83,288	347,6

Operating Expenses

In principle the operating expenses for the period are the costs increased by the costs of the opening inventories of completed products and work in progress, and decreased by the accrued costs for the closing inventories. Selling costs and the costs for general activities are entirely included in the expenses as soon as they arise.

We evaluate the inventories on the basis of direct production prices (for more information, see the section Inventories on page 63). We evaluate the inventories of work in progress with respect to the degree of their completion.

For the purpose of completing the accounts for 2006 we used the FIFO method in the entire Impol Group. Prior to this period, Impol Seval, a. d., used the method of average purchase price; however, in line with the business policy of the group, the company adapted its accounting for 2006 to the accounting of the rest of the group companies.

Costs by Function Group

T42

COSTS BY FUNCTION GROUP

	in thousands of tolar					
	Production costs	Sales costs	General-activities costs	TOTAL 2006	costs related to associates	TOTAL 2005
Purchase cost of goods and materials sold	0	18,715,449	0	18,715,449	56,953	8,909,019
Costs of materials	64,421,280	632,202	388,142	65,441,624	9,872	58,520,005
Costs of services	1,361,513	2,927,162	921,320	5,209,995	478,773	4,566,128
Labour costs	5,918,195	370,067	561,979	6,850,241	0	6,548,486
Depreciation	2,964,891	329,647	159,522	3,454,060	0	3,370,064
Operating expenses from revaluation	15,483	14,828	19,177	49,488	0	54,820
Relating to tangible fixed assets				36,217		6,421
Relating to inventories				417		15
Relating to operating receivables				12,854		48,384
Provisions	21,196	1,031	27,257	49,484	0	0
Other operating expenses	574,910	9,948	95,727	680,585	0	251,392
TOTAL	75,277,468	23,000,334	2,173,124	100,450,926	545,598	82,219,914

A more detailed presentation of costs and expenses is included in the table Consolidated profit-and-loss account on page 44.

Financial Revenues and Expenses

T43

FINANCIAL REVENUES AND EXPENSES

	in thousands of tolar			
Financial revenues from financial assets	Total 2006	of that associates	of that other	Total 2005
Financial revenues from shares – profit shares, dividends	20,479	4,016	16,463	24,703
Financial revenues from shares – revenues from the sale of short-term financial assets	380	0	380	0
Financial revenues from other assets – revenues from the sale of short-term financial assets	620,098	0	620,098	0
Financial revenues from loans – interest	31,714	3,398	28,316	4,379
Financial revenues from loans – exchange-rate differences		0	0	0
Financial revenues from operating receivables – interest	188,628	115	188,513	716,218
Financial revenues from operating receivables – exchange-rate difference	1,511,008	0	1,511,008	641,776
TOTAL	2,372,307	7,529	2,364,778	1,387,076

Financial expenses for financial assets

	in thousands of tolar			
Financial expenses for financial assets	Total 2006	of that associates	of that other	Total 2005
Financial expenses for loans (without bank loans) – interest	10,216	5,647	4,569	4,174
Financial expenses for bank loans – interest	1,996,612	0	1,996,612	1,651,500
Financial expenses for other financial liabilities – interest	195,300	0	195,300	63,760
Financial expenses for operating liabilities – interest*	416,372	2,195	414,177	587,069
* Financial expenses related to liabilities to suppliers – interest	3,792	2,195	1,597	10,569
* Financial expenses related to other operating liabilities – interest	412,580	0	412,580	576,500
Financial expenses for bank loans – exchange-rate differences	33,432	0	33,432	0
Financial expenses for other financial liabilities – exchange-rate differences	1,016,290	0	1,016,290	2,093,191
Financial expenses for operating liabilities – exchange-rate differences**	635,430	0	635,430	486
** Financial expenses related to liabilities to suppliers – exchange-rate differences	3,260	0	3,260	486
** Financial expenses related to other operating liabilities – exchange-rate differences	632,170	0	632,170	0
Financial expenses related to the sale of long-term financial assets	0	0	0	33,432
TOTAL	3,913,052	7,842	3,905,210	4,433,612

The above tables only include those categories that actually show revenues or expenses.

Extraordinary Revenues and Expenses

T44

EXTRAORDINARY REVENUES AND EXPENSES

	in thousands of tolar			
Other financial revenues and other revenues	Total 2006	of that associates	of that other	Total 2005
Subsidies, grants and similar revenues not related to the business performance	24,524	0	24,524	370,951
Received compensations and payments of fines	76,805	0	76,805	35,382
Recovered written-off receivables	2,255	0	2,255	120,738
Other revenues	2,340	0	2,340	193,925
TOTAL	105,924	0	105,924	720,996

Other financial expenses and other expenses

	in thousands of tolar			
Other financial expenses and other expenses	Total 2006	of that associates	of that other	Total 2005
Depreciation cost for investment property	54,743	0	54,743	0
Fines and compensations	8,200	0	8,200	6,593
Other expenses	10,738	0	10,738	20,226
TOTAL	73,681	0	73,681	26,819

Other Disclosures

The members of the Management Board are as follows:

- Jernej Čokl, president
- Janko Žerjav, member
- Adi Žunec, member
- Vlado Leskovar, member

The members of the Supervisory Board are as follows:

- Milan Cerar, president
- Brigita Juhart, member
- Irena Šela, member
- Zvonko Krošel, member
- Bogdan Bizjak, member

T45

INCOME OF SUPERVISORY BOARD MEMBERS AND OF MANAGEMENT BOARD MEMBERS OF ALL GROUP COMPANIES

	in thousands of tolar	
	2006	2005
Income of SB members and MB members		
Members of the Management Board	234,794	275,389
Members of the Supervisory Board	6,427	6,187
Employees with individual contracts	461,091	430,709
TOTAL	702,312	712,285
income only for Impol, d. d.		
Members of the Management Board	154,482	162,590
Members of the Supervisory Board	2,352	2,352
Employees with individual contracts	315,072	326,078
TOTAL	471,906	491,020
income only for dependent companies		
Members of the Management Board	80,312	112,799
Members of the Supervisory Board	4,075	3,835
Employees with individual contracts	146,019	104,631
TOTAL	230,406	221,265

The table shows the actual income for the calendar year.

The company has no claim on the members of the Management Board and the Supervisory Board, or on the employees with individual contracts.

The amount (cost) spent for the auditor (Companies Act-1, Article 69, first paragraph, point 17)

	in thousands of tolar	
	2006	2005
Auditing of the annual report	7,950	5,564

Energy balance

Impol, d. d., the holding company, carries out energy-related activities on the basis of granted licences. As the owner of the infrastructure, Impol, d. d., only carries out its energy-related activities in the industrial zone in Slovenska Bistrica.

T46

ENERGY BALANCE

	in thousands of tolar	
	2006	2005
Net sales revenues	270,356	237,081
Costs of goods, materials, and services	205,375	177,161
Costs of materials used	199,359	168,775
Costs of services	6,015	8,385
Labour costs	23,268	18,827
Amortisation/Depreciation	5,872	8,641
Other operational expenditure		7,241
Profit or loss from ordinary activities	35,840	25,212
Financial revenue	787	390
Financial expenses	0	0
Net profit or loss from ordinary activities	36,627	25,602
Income tax	0	
Deferred taxes	0	
Net profit or loss for the period	36,627	25,602
Months of operation	12	12

The list of energy-related activities, i.e., licences:

- 206 heat production for district heating of more than 1 MW
- 209 electricity distribution
- 211 distribution and supply of natural gas and other energy gases, and distribution-network operation
- 216 electricity supply to non-eligible customers
- 217 distribution and supply of heat for district heating
- 218 trading on the organised electricity market (currently not active)
- 219 representation and mediation in the organised electricity market (currently not active).

Company's operation

1. Impol, industrija metalnih polizdelkov, d. d., Slovenska Bistrica, Partizanska 38, is registered in the Register of Companies at the Regional Court in Maribor as of 19 May 1997 as a joint-stock company, in line with the decision Srg. 96/01315, and with the entry number 1/00460/00. The company is classified under the activity code 28.400, i.e., forging, extruding, stamping, and rolling of metals, as well as powder metallurgy. The company's registration number is 5040736.
2. The company's activities are carried out in line with the registration of the company.
3. The share capital of the company as of 31 December 2006 was 4,063,000,000.00 tolar and was divided into 4,063,000 ordinary shares.
4. The book value of a share of Impol, d. d., as of 31 December in the year was as follows:

T47

BOOK VALUE OF A SHARE

YEAR	NOMINAL VALUE in tolar	BOOK VALUE in tolar
2006	individual share	5,084.69, i.e., 21.22 euros
2005	1,000.00	4,941.09
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

Dependent companies of Impol, d. d., included in the group

Subsidiaries, in which Impol, d. d., holds a majority stake, are as follows:

T48


DEPENDENT COMPANIES OF IMPOL, D. D., INCLUDED IN THE GROUP

COMPANY	Standard classification of activities	Country of operations	Share capital in thousands of tolar	Participation rate of Impol, d. d.	Impol's contribution to the share capital
Impol Montal, podjetje za projektiranje, izdelavo in montažo, d. o. o., Partizanska c.38, Slovenska Bistrica	28,120	Slovenia	83,662 tolar	100%	83,661,567.00 tolar
Impol stanovanja, podjetje za pridobivanje, upravljanje in oddajanje stanovanj, d. o. o., Partizanska c. 39, Slovenska Bistrica + 1 sub-subsidiary	70,320	Slovenia	386,705 tolar	100%	386,704,618.90 tolar
Štatenberg, turistično gostinsko podjetje, d. o. o., Štatenberg 86, Makole	55,301	Slovenia	12,826 tolar	99.55%	12,768,846.00 tolar
Unidel, podjetje za zaposlovanje in usposabljanje invalidnih oseb, d. o. o., Kraighrejeva ulica 37, Slovenska Bistrica	85,325	Slovenia	8,814 tolar	72.62%	6,400,734.60 tolar
Impol Aluminium Corporation, USA	51,520	USA	100 dolar	90%	90,000 dolar
Impol Seval, a. d., Sevojno, Serbia + 5 sub-subsidiaries	27,423	Serbia	942,287 Serbian dinar	70%	6,500,000 dolar
Stampal SB, d. o. o., Partizanska 38, Slovenska Bistrica	28,400	Slovenia	200,000,000 tolar	100%	200,000,000 tolar
Kadring, d. o. o., Trg svobode 26, Slovenska Bistrica	74,140	Slovenia	2,923 tolar	58%	1,432,359.60 tolar
Impol FT, d. o. o., Partizanska 38, Slovenska Bistrica	28,400	Slovenia	201,297 tolar	100%	201,297,600 tolar
Impol PCP, d. o. o., Partizanska 38, Slovenska Bistrica	28,400	Slovenia	280,378 tolar	100%	280,378,800 tolar
Impol LLT, d. o. o., Partizanska 38, Slovenska Bistrica	27,530	Slovenia	74,288 tolar	100%	74,288,400 tolar
Impol R in R, d. o. o., Partizanska 38, Slovenska Bistrica	73,102	Slovenia	21,567 tolar	100%	21,567,600 tolar
Impol Infrastruktura, d. o. o., Partizanska 38, Slovenska Bistrica	70,320	Slovenia	19,171 tolar	100%	19,171,200 tolar

Associated companies of Impol, d. d.

Associated companies are those in which Impol, d. d., holds more than 20% of the share capital:

Name	Address	Share
Simfin, d. o. o.	Partizanska 38, Slovenska Bistrica, Slovenia	49.5
Alcad, d. o. o.	Mroževa ulica 5, Slovenska Bistrica, Slovenia	32



The Management Board gave approval to the consolidated financial statements for the year completed on 31 December 2006, and to the applied accounting policies.

Management board's statement of responsibility


The Management Board assumes responsibility for the consolidated annual report presenting a true value of the property of the Group, and a true profit-and-loss account for 2006.

The Management Board confirms that the prescribed accounting policies were consistently applied, and that the accounting estimates were made accurately and in line with due diligence and care. The Management Board also confirms that the financial statements, together with the explanatory notes, were made under the assumption that the company would continue to operate, and in line with the current legislation and the Slovenian Accounting Standards.

The Management Board takes the responsibility for an appropriate accounting, for adopting relevant measures to secure the property, for continual monitoring of other operational risks, for adopting and implementing the measures to minimise these risks, as well as preventing and identifying frauds and other irregularities or illegalities.

Vlado Leskovan,
Member of the Management Board

Auditor's report



AUDITOR
REVIZIJSKA DRUŽBA d.o.o. PTUJ

INDEPENDENT AUDITOR'S REPORT

*To the shareholders of IMPOL industry of metal semi products d.d.,
Slovenska Bistrica*

We have audited the accompanying consolidated financial statements of IMPOL d.d., Partizanska 38, Slovenska Bistrica, which include the consolidated balance sheet as at December 31, 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and the related notes. We have also reviewed the company's management business report.

Management's Responsibility

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with Slovene Accounting Standards. This responsibility includes maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require meeting all ethical requirements as well as planning and performing the audit to obtain reasonable assurance so that the financial statements are free from material misstatement.

The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's assessment and include assessing the risks of material misstatement of the financial statements, whether due to fraud or error. When assessing those risks, the auditor considers internal control relevant to the entity's preparation of the financial statements as a basis for designing audit procedures that are appropriate in the circumstances, rather than expressing an opinion on the effectiveness of the entity's internal control. The audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by the management, as well as evaluating the overall financial statement presentation and disclosures.

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

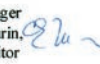
Opinion


In our opinion, the consolidated financial statements give a true and fair view of the financial position of IMPOL d.d., Partizanska 38, Slovenska Bistrica, as of December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with Slovene Accounting Standards.

Company's management business report is consistent with the audited financial statements.

Ptuj, May 29th 2007

General manager
DSc. Erika Turin,
Certified auditor





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

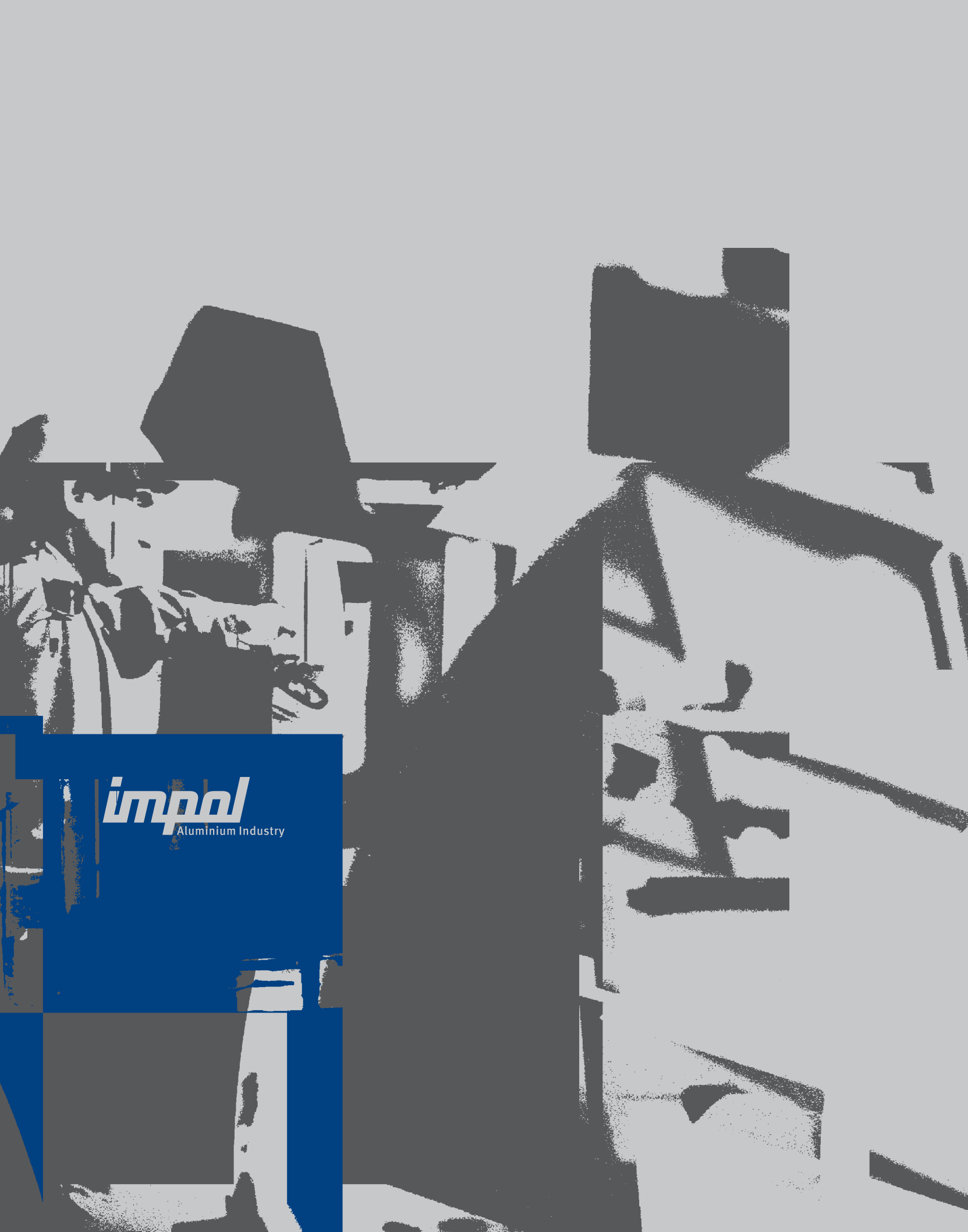
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Impol Group Annual Report 2006

Edited by Ladislav Steinbacher
Translated by Mirjam Novak
Proofread by Paul McGuinness
Photography by Nino Verdnik
Design By Sašo Gorjup Likovnik
Production by Lithos
Printed by Design Studio

Slovenska Bistrica, junij 2007



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Aluminium Industry