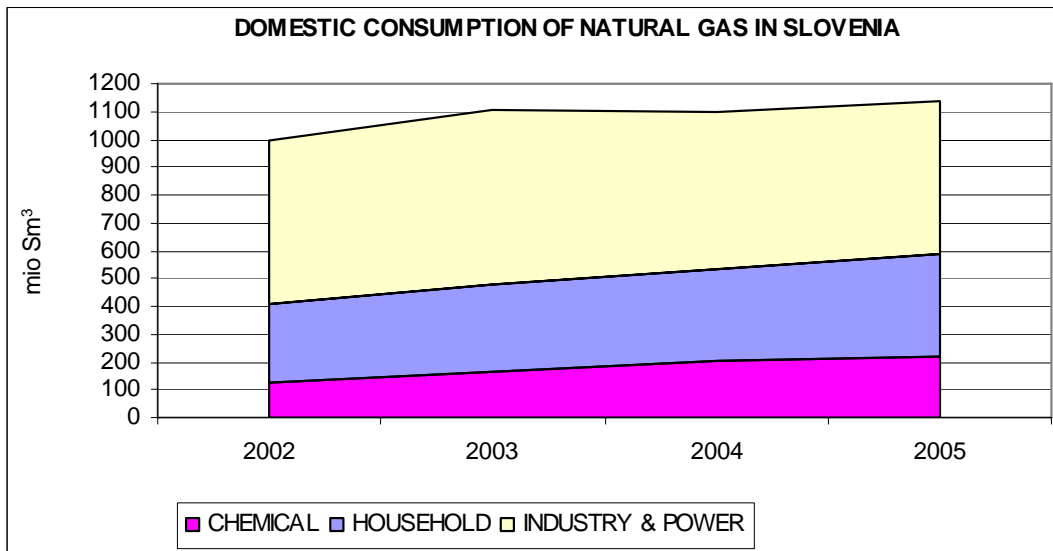


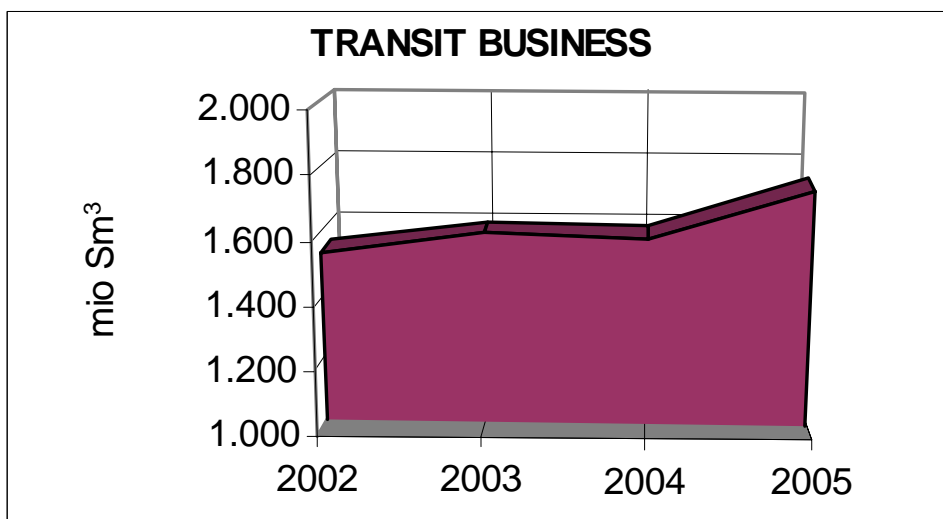
NATURAL GAS MARKET IN SLOVENIA 2005

Gas consumption in 2005 in Slovenia was realized in a quantities which are 3, 5 % higher than in 2004 what represents 1,134 mio m³. Industry consumed 2 % less, household and commercial sector consumed 10, 5 % more partly because of growing market, while chemical industry consumed 7, and 5 % more. (Picture 1)

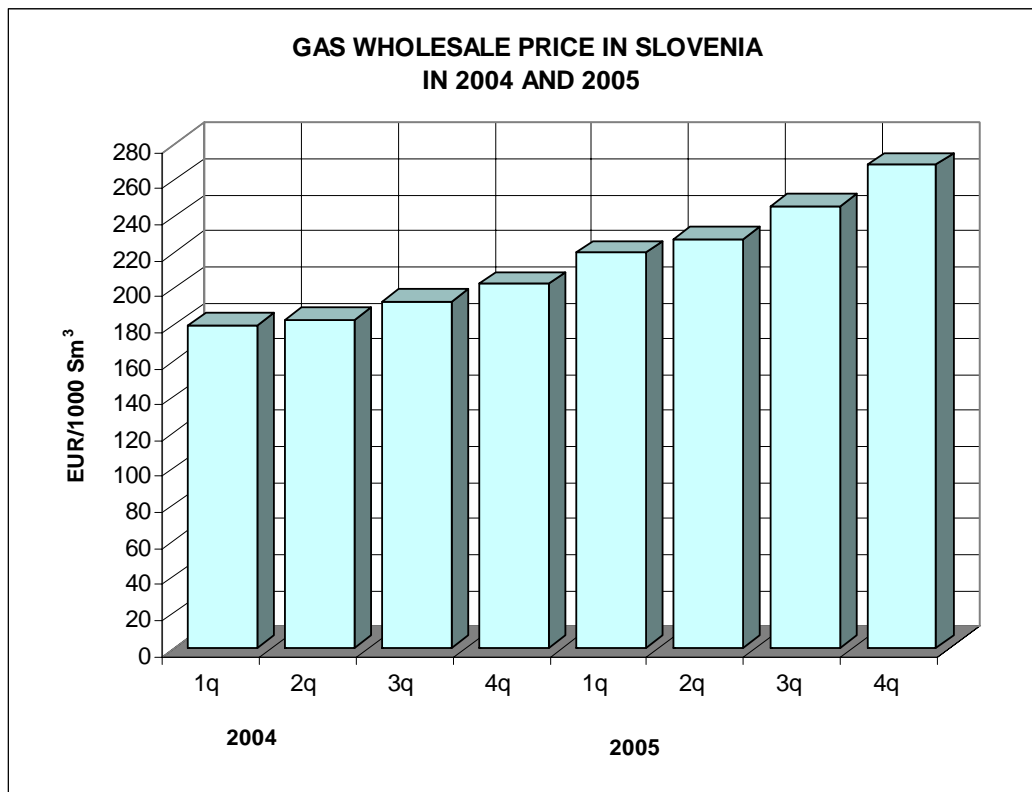


But the forecast consumption in 2006 for chemical industry is much lower because of high prices of natural gas, what significantly burdens competitiveness of the related industry.

Transit which became a significant part of the companies business amounted to 1,721 mio m³ in a year 2005, what represents 9, 5 % more than in the year 2004. (Picture 2)



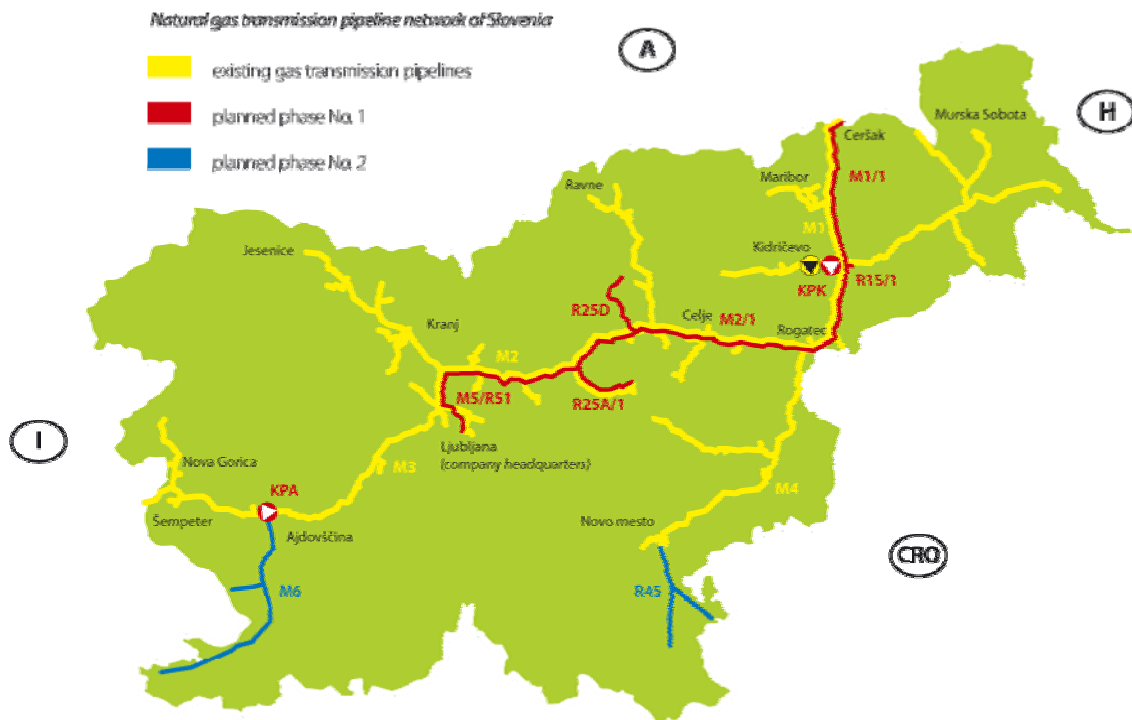
Nevertheless that from 1.1.2005 on the wholesale business commodity price for natural gas is not any more prescribed by a governmental decree but being agreed on contractual basis between customer and supplier, there is not a significant change in principles and procedure establishing it. But commodity price of natural gas itself increases significantly because of the general increase of oil and its derivatives, what is shown in a Picture 3.



Slovenia as a new EU membership adopted its Energy law, according also to second EU gas directive. Consequently a new legally independent entity is established, namely Geoplin plinovodi d.o.o. (Geoplin TSO) being 100 % owned by national gas company Geoplin d.o.o.

Transportation fee prescribed for the first time by regulator authority for 2005 is already fixed for 2006 and is not changed in real terms. It is calculated in a way that all costs recognized by regulator are allowed and also a fair rate of return is accepted for the owners of the company.

According to development plans based on increased need for transit of natural gas and especially for increased domestic needs forecasted for power production, a significant development plan in a company is accepted. Accordingly, early in this year first part of doubling the bone pipeline system will start. At the second part of the year the construction of the second compressor station, close to Italian border will start too. (Picture 4)



Opening of the market in Slovenia is the process, which formally started in 2005. Nevertheless all customers signed the supply contract with existing partner namely Geoplin d.o.o. This resulted that in 2005 Geoplin d.o.o. was the only shipper in newly established TSO company Geoplin plinovodi d.o.o. But the contracts signed for business year 2006 show that already eight customers signed direct contracts with TSO company for its services. There are still not any changes in distribution business also because of the fact that regulator issued all the necessary acts for distribution business only in the second part of the year.