



**ABSTRACT OF THE ANNUAL
REPORT OF THE ETOL GROUP
AND ETOL D.D.**

2008

April 2009

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INTRODUCTION

GENERAL INFORMATION ON THE ETOL GROUP AND ETOL D.D.

COMPANY NAME, REGISTERED OFFICE AND ADDRESS

Parent company: ETOL Tovarna arom in eteričnih olj d. d., Škofja vas 39, 3001 Celje
(abbreviated name: ETOL d. d.)

Company registration number: 5048869
Activity code: 20.530

Company registration: District court of Celje, based on the SRG decision no. 96/00232, dated 20 May 1996, under the registration number 1/00151/00.

Subsidiaries within the group:

COMPANY	ADDRESS
Etol Polska SP.z.o.o.	ul. Ks. Trojdena 4 02-109 Warshaw Poland
Etol JVE d.o.o.	Bulevar vojvode Stepe 40 21000 Novi Sad Serbia and Montenegro
DRUŠTVO ZA TRGOVIJA ETOL UVOZ-IZVOZ DOOEL - Etol Skopje	Ul. Belasica b.b. 1000 Skopje Macedonia
FLAVOURS DOOEL Skopje	Ul. Belasica b.b. 1000 Skopje Macedonia
ETOL Kazahstan t.o.o.	Dzhambul Str. 111 Almaty Kazakhstan
ETOL-Ukrajina TzOV	vu. Kovaliva 46B 82300 Boryslav Ukraine
Etol SK, s.r.o.	Križna 52 82108 BRATISLAVA Slovakia
ETOL-RUS, Ltd.	Vavilova Str. 87, Room 7 117335 Moscow Russia

COMPANY ACTIVITY

The main activity of the Etol d.d. includes:

- Syrup products, including various fruit preparations, bases, syrups, emulsions, liquid aromas for non-alcoholic beverages, casings for tobacco products, and dry fruit extracts;
- Aromas, including household aromas, essential oils, synthetic dyes, seasoning concentrates, various extracts, powdered flavours, and tobacco flavours;
- Powdered products, including powdered fruit, juices, aromas, spices, and natural dyes;
- Fruit concentrates, distillates and distillation of flavourings (juniper oil, citrus oil, and spirits extracts).

MANAGEMENT BOARD

The Management Board of Etol d.d. consists of one member.

Mr. Zdenko Zanoški, BSc E., was appointed the President of the Management Board. He has been working in Etol since 1978. His five-year term of office commenced on 1 January 2008.

Directors of other companies in the Group:

COMPANY	DIRECTOR
Etol Polska SP.z.o.o.	Peter Drobež
Etol JVE d.o.o.	Peter Drobež
DRUŠTVO ZA TRGOVIJA ETOL UVOZ-IZVOZ DOOEL - Etol Skopje	Slavko Pavič
FLAVOURS DOOEL Skopje	Slavko Pavič
ETOL Kazahstan t.o.o.	Mikhail Tchipurin dr. Petro Ivanovitch
ETOL-Ukraine Ltd.	Pasichnyk
Etol SK, s.r.o.	Miriam Mistrikova
ETOL-RUS, Ltd.	dr. Adam Purg

SUPERVISORY BOARD

At the General Meeting of Shareholders, held on 18 June 2008, the shareholders elected members of the Supervisory Board. Their term of office commenced on 8 September 2008, and that of the employee's representatives on 17 September 2008.

Stane Valant, MSc	Chairman of the Supervisory Board, CEO of Nacionalna finančna družba, shareholders' representative
Tone Glavan, MSc	Vice-Chairman of the Supervisory Board, Director of ANGA TRGOVINA d.o.o., shareholders' representative
Peter Pavlič	Member, employed at ETOL d.d. – Management Board advisor in the areas of quality assurance, investments, implementation and cooperation in professional judgements, execution of tasks given by the management; shareholders' representative
Dr. Tomaž Subotič	Member, Director of Intertrade CS a.s. Prague, shareholders' representative
Zvone Črepinšek	Member, employed at ETOL d.d., Development Engineer III, employers' representative
Barica Tisel	Member, employed at ETOL d.d., Head of the Operations Department, employers' representative

MAJOR FINANCIAL DATA AND INDICATORS

The tables below show the main performance indicators of the ETOL Group.

	In €		
	2008	2007	Index
DATA			
Sales revenues	43,639,307	36,160,605	120.68
Export	35,344,735	29,534,882	119.68
Gross profit	3,360,854	2,319,501	144.90
Operating profit (net profit)	1,013,072	2,792,455	36.28
Total assets	62,807,977	74,909,387	83.85
Fixed assets	37,119,110	49,593,189	74.85
Current assets, deferred costs and accrued revenues	25,688,867	25,316,198	101.47
Capital	30,840,595	39,232,426	78.61
Long-term liabilities	3,866,567	9,449,771	40.92
Current liabilities, short-term accrued costs and deferred revenues	28,100,815	26,227,189	107.14
Number of employees in the Group	269	275	97.82
INDICATORS			
EBITDA	8,375,964	6,499,755	128.87
Income per employee	162,228	131,493	123.37
Gross profit / operating income in %	7.70	6.41	120.06
Gross profit / equity in %	10.90	5.91	184.32
Net profit / equity in %	3.28	7.12	46.15
Net profit / share	3.98	10.97	36.28
Net return on equity in %	2.93	8.05	36.43
Liquidity (current assets / current liabilities) in %	91.42	96.53	94.71
SHARE			
Book value	121.12	154.08	78.61
Market values as of 31 December	169.50	202.00	83.91
Dividend per share	2.00	3.92	51.02

MAJOR BUSINESS EVENTS

Major business events in 2008:

- We substantially increased our sales volume and turned trends into positive direction.
- We improved the return on sales.
- We successfully continued with the sale of commercial goods.
- We carried out certain staff changes.
- In 2008 we closed the perfumery department and officially ceased with the production and sale of the product mix of long standing, which had lately been losing its purpose and was no longer in accordance with our strategic aims.
- As part of the regular control of the operations of the subsidiary company in Serbia we discovered a major disposal of assets and consequently terminated our cooperation with the partner in respective areas.
- We introduced a new model of supervision over subsidiary companies abroad.
- We completed the integral renovation project.

THE REPORT OF THE MANAGEMENT BOARD

The 2008 business year was successfully concluded, but it was in no way easy. We continued with the projects of new product development we had begun in previous years, with the upgrading of tighter cooperations with our customers on the one side, and with our suppliers and other expert or scientific institutions on the other side. The results reveal we were successful in our endeavours. As we are aware that the human factor is crucial for successful development of a company and conquering markets, we pursued with the systematic training of employees.

Favourable business results from the production and sales activity of the Company confirm we took the right measures. The selectioning of trade markets and newly organized sale, rational investments and improved staffing structure in 2008 resulted in the highest realization in the current Etol history. In these fast-changing and challenging circumstances, which follow market conditions of food product manufacturers, we continued with our growth trends and substantially surpassed all the set goals in the area of sales. We achieved a EUR 40.9 million of net turnover, thus exceeding our last-years sales by 23 %. Excellent sales results are not the result of possible favourable market conditions, as they only became more brutal in comparison to last year, but are the result of long-term systematic investments into education of employees, of those who work on markets as well as of those who develop and manufacture our products. Their good work is reflected in the increased volume of sale, whereas care and rationalization are further reflected in successful business results. Achieved operating profit of ordinary operations amounted to EUR 3.4 million and is by 65.6 % higher than in the previous year.

In the second half of 2008 the Company stood facing the consequences of the global financial crisis. On the one hand, the crisis resulted in the increase of the financing costs as a result of the price rise of borrowed money and of the tightening of conditions on financial markets. On the other hand, the decrease of the prices of securities resulted in the decrease of the values of financial investments, the undermining and revaluation of which partly reflected in the operating profit, and to a larger extent in the Company's capital. Negative consequences of the financial crisis particularly reflected in our traditionally important Eastern markets and South-Eastern European markets, where our subsidiaries are located. Unexpectedly high devaluation of their national currencies caused a swift increase in financial expenditures, which reflected in the operating profit of the Etol Group. However, the disposal of assets in Serbia also had a major influence on the operating profit of the Etol Group. I believe that the adopted measures to the greatest extent possible remedied the damages incurred in this respect.

Favourable results of our operations were sufficient to cover the negative results referred to above and to create net profit in the parent company as well as in the Etol Group.

I hereby thank all our employees, the Works Council, and the Trade Union for their good work and proper cooperation. Special thanks also goes to owners, buyers and other business partners for their trust and cooperation in achieving the set objectives. I hope with your help we will successfully overcome this year, which will mostly be marked by battling the effects of the financial and economic crisis.

We are certain that Etol will keep strengthening its presence and market share even in these increasingly demanding conditions, and successfully follow its ambitious goals. I know we can make it, if we unite the endeavours of all employees and the support of the members of the Supervisory Board, and of you, our shareholders!

President of the Management Board:
Zdenko Zanoški, MSc

THE REPORT OF THE SUPERVISORY BOARD

General Meeting of the Shareholders of Etol d.d.

The report of the Supervisory Board of ETOL d.d. on the results of examining the Annual Report for 2008 and the proposal for the use of distributable profit

The operations of the Supervisory Board and the examination of the Management Board

In 2008 the Supervisory Board of Etol d.d. held three regular sessions, and a constitutional session of the Supervisory Board of the new term of office, which for the first time welcomed two new members of the Supervisory Board, Barica Tisel and Zvonimir Črepinšek. The new members of the Supervisory Board replaced Darja Cmok and Samo Kunej, and we are hereby expressing our gratitude for their proper cooperation and contribution to the activities of the Supervisory Board during their term of office.

In accordance with the legally defined competences and the established procedural practice, the Supervisory Board in 2008 comprehensively and continuously monitored the operations of the Company and supervisory work of the Management Board. Within competences provided by law and Company statute, the Supervisory Board dealt with submitted material and presentations of company operations by the Management Board. In line with the requests for additional explanations, analyses, and reports, individual themes relating to the monitoring of performance of the parent company and Etol Group companies were additionally explained, while the Management Board also received formed recommendations.

Throughout the year, the Supervisory Board was regularly informed about actual problems regarding the Company's operations, the three-month realization of the economic plan, and about the adopted measures for their achievement.

We believe the Supervisory Board acted with due diligence, in accordance with the law and all knowledge and awareness of individuals, and thus responsibly protected interests of the Company and all shareholders.

Assessment of the business operations of the Company and the Group

As stated above, the Supervisory Board promptly checked business operations throughout the year or separately on each session of the Supervisory Board.

Operating conditions, in particular those relating to the instability of national currencies on some traditionally important Etol markets, in combination with the effects of the economic and financial crisis, were not favourable for the company. The achieved sales growth, effective use of the Company assets, and care for all types of operating costs, contributed to excellent operating results. The financial part of operations, in particular due to high financial expenditures and the effects of evaluation of financial investments, in 2008 decreased the usually excellent gross profit of the Company from ordinary operations, and we therefore establish that we are not wholly satisfied with the achieved joint result of the parent company Etol d.d., and particularly with the result of the Etol Group. Consequently, the Supervisory Board establishes that the global financial crisis and consequent economic recession of such multitude could not have been predicted, but the Management Board effectively adapted to new business conditions.

The Management Board acted prudently, as it further decreased the exposure to defaulting customers by means of securing its receivables and stopping further deliveries. The Company took appropriate measures relating to the selection of sales markets and new organization of sales. Company actions in case of discovered irregularities in the Serbian subsidiary were appropriate, but we have to be aware that the thorough reorganization of the problems that occurred, in particular relating to the preservation of market positions, will require many assets and endeavours in the following mid-term period.

With regard to known events on capital markets, the Company appropriately demonstrated the values of financial investments. The effect of harmonization of book and market values of financial investments was demonstrated in capital accounts items, which significantly destroyed the ratio between own and foreign financial resources and their maturity. The company approached to the changes in the maturity of foreign financial resources and to the decrease of outstanding amounts.

Discussion of the Annual Report of Etol d.d. and the Annual Report of the Etol Group for 2008

The Supervisory Board established that the Annual Report was delivered on 17 April 2009, and was immediately submitted to the Audit Committee and Supervisory Board together with the auditor's report. The Annual Report includes the Business Report, the Accounting Report, and notes and explanations to the financial statements. The company also prepared group financial statements. The financial statements of the Etol d.d. as well as financial statements of the Etol Group were audited. The opinion of the authorized auditor is a component part of the Company's Annual Report. The financial report also includes information and explanations about business operations, performance indicators, financial statement, profit and loss statement, cash flow statement, and capital movement statement. The Annual Report also includes information about the expected Company development, Company's activities in the area of research and development, and about subsidiaries and their activities abroad.

Prior to adopting the 2008 Annual Report by the Supervisory Board, the report had been preliminary discussed by the Audit Committee.

The Audit Committee

At the constitutional session of the Supervisory Board, which took place on 27 November 2008, the Supervisory Board appointed the Audit Committee of the Supervisory Board. The Audit Committee took note of the report of the authorized auditor at the auditing of annual financial statements and report for Etol d. d. and the Etol Group. The auditor's opinion was issued without any reservations.

The Audit Committee checked the formal aspects of the Annual Report of Etol d.d. and the Etol Group, and ascertained that the Annual Report was drafted in accordance with the provisions of the Companies Act, the Financial Instruments Market Act, valid accounting standards, and special recommendations of the Slovenian Institute of Auditors. The Annual Report was audited by Ernst & Young d.o.o.. The auditors also introduced their report at the session of the Audit Committee on 23 April 2009, the purpose of which was the discussion of the Annual Report for 2008.

The Audit Committee also took note of the established control procedures over subsidiary companies, procedures for securing the receivables, and procedures relating to the established irregularities in the subsidiary company in Serbia.

Resolutions and standpoints of the Audit Committee of the Supervisory Board and the Supervisory Board

The Audit Committee of the Supervisory Board examined the explanations of specialist services and auditor, the Annual Report of Etol d.d. and the Etol Group for 2008, and discussed it at the session on 23 April 2009. The report received positive marks.

On the basis of the positive opinion, the Supervisory Board confirmed both Annual Reports without any comments on the same day. The audit report, which is a component part of the Annual Rreport, also received positive marks.

Further, the Supervisory Board confirmed the Annual Report within one month from its submission to the Supervisory Board and examined the operations of the Management Board and the Company in 2008.

Besides the Annual Report of Etol d.d. and Etol Group for 2008, the Supervisory Board at its regular session held on 23 April 2009, also discussed the proposal for the use of distributable profit for 2008, and submitted it, together with the Management Board, to the General Meeting of Shareholders for approval.

Celje, May 2009



Stanislav Valant
Predsednik NS Etol d.d.

THE OPERATIONS OF THE ETOL GROUP AND ETOL D.D.

INFORMATION FOR SHAREHOLDERS

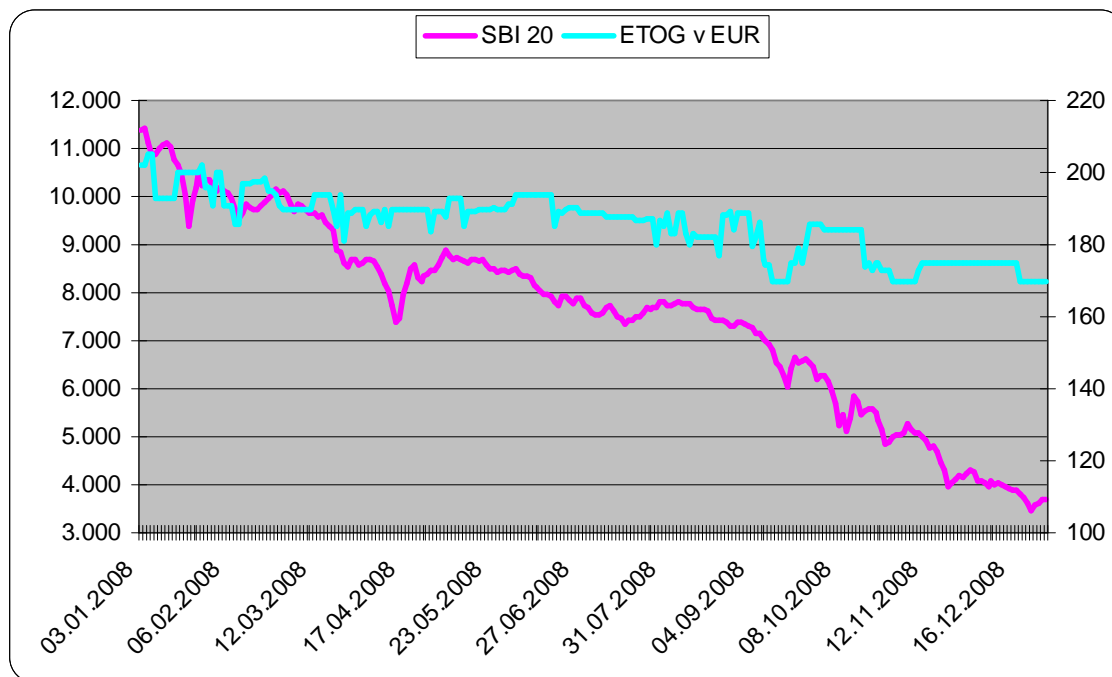
ETOL SHARES AND EVENTS ON THE STOCK EXCHANGE

All stock exchange indexes recorded major decreases in 2008. The index of shares on the stock exchange and open market of SBI 20 fell by 67.49 % in 2008. In one year, the blue-chip index (SBI TOP) lost 66.09 % of its value.

On 31 December 2008, the Etol share price amounted to € 169.5, which is 16.1 % less than in the previous year. The highest value recorded in 2007 amounted to € 205.0 (7 – 8 January 2008), whereas the lowest value recorded amounted to € 169.5 (18 – 31 December 2008).

In 2008, 287 regular business contracts were concluded with ETOG shares. A total of 11,736 shares were traded, which accounted for EUR 2,201,692. This is less than in 2007, when 17,205 shares were traded. In terms of total shares issued in 2007, the volume of shares traded represents 6.76 % of available Etol d.d. shares.

Exchange rates of ETOG shares in comparison to SBI index rate 20 in 2008:



Source: Web page of Ljubljana Stock Exchange d.d.: www.ljse.si

The ten biggest shareholders of the Etol Group, as at 31 December 2008, held 199,925 shares, which accounts for 78.5 %. The total number of shareholders is 1,931.

Table: The ten biggest shareholders of the Etol Group relating to Etol d.d.; the number of their shares and their stake in %:

Ser. no.	SHAREHOLDER	No. of shares	Share in %
1	NFD HOLDING d.d.	62,268	24.46
2	CBH d.o.o.	29,204	11.47
3	Subotič Tomaž	25,894	10.17
4	Diamond d.d.	25,669	10.08
5	Zvon ena ID d.d.	16,449	6.46
6	ELITERP B.V. Amsterdam	12,756	5.01
7	Zvon ena holding d.d.	11,408	4.48
8	Zvon dva holding d.d.	10,823	4.25
9	Abanka d.d. Ljubljana	3,554	1.40
10	PS Modra linija - delniški sklad	1,900	0.75
TOTAL		199,925	78.52

In order to properly present proprietary connections, we have provided information regarding to proprietary disputes. This was done according to the criterion, when the Etol Group has shares in a company, which at the same time ranks among the top 10 shareholders in the Etol Group. As on the balance sheet date of 31 December 2008, there were three such disputes: the Etol Group holds 24.37 % of Diamond d.d. shares, 0.05 % Abanka d.d. shares, 7.34 % of Zvon ena ID d.d. shares, and has a 12.77 % stake in the company CBH d.o.o.

CHANGES AFFECTING THE PROSPECTUS OF THE LISTING OF ETOL SHARES ON THE LJUBLJANA STOCK EXCHANGE

In 2008, the provisions of the Prospectus of the share listing of ETOL d.d. on the Ljubljana Stock Exchange remained the same.

THE GENERAL MEETING OF SHAREHOLDERS

On 18 June 2008, Etol d.d. held its 14th regular session. The following issues were discussed and adopted:

1. The opening and the election of the General Meeting representatives.
2. The establishment of the quorum of the General Meeting.
3. Informing the shareholders about the Annual Report for 2007 and the report of the Supervisory Board.
4. The proposal of the use of distributable profit and application of the discharge.
5. The proposal with regard to the bonuses to the Supervisory Board.
6. The proposal of amendments and supplements of the Statute and the adoption of the consolidated version of Etol d.d. Statute.
7. The election of the representatives of the capital into the Supervisory Board of Etol d.d..
8. The appointment of the authorized audit company for 2008.

STATEMENT ON THE COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE FOR JOINT STOCK COMPANIES

The statement of the ETOL d.d. Management Board relates to the Code upon entry into force on 5 February 2007, for the period since the last publication until the publication of the Annual Report for the ETOL Group and ETOL d.d. for 2008.

The Company did not adopt its other Code, and the management takes place in accordance with and within the framework of the Companies Act-1 and the above-stated Code.

We hereby state certain explanations in relation to the provisions of the valid Code the Company has not yet observed:

1. The membership in the Supervisory Board does not comply with items 3.3.1, 3.5.4., and 3.3.11. of the Code, since two members of the Supervisory Board are, in accordance with the provisions of the Code, personally and economically dependent. The Manager of the company, that is according to the ownership share the affiliated company of Etol d.d., was appointed the President of the Supervisory Board.
2. In accordance with the item 3.4.3. of the Code, individual salaries are not revealed to the Members of the Supervisory Board.
3. The Company failed to adjust the record of work with the item 7.2.1., and did not foresee the functioning of the internal audit.
4. Before the Company issued the Annual Report, it failed to prepare a calendar of its significant announcements for the following year, which is not compatible with the recommendation of item 8.6. of the Code.

As regards other subject areas, ETOL d.d. is managed in compliance with the Code.

THE STATEMENT OF THE MANAGEMENT

Skupina ETOL / ETOL Group

Etol d.d.

Škofja vas 39, SI-3000 Celje, T.: +386 (0)3 42 77 100, F.: +386 (0)3 42 77 118, info@etol.com

Celje, 1 April 2009

STATEMENT

The President of the Management of Etol d.d. Celje, Zdenko Zanoški, and the Manager of the Finance and Accounting Department of Etol d.d. Celje, Slavko Pavič, persons responsible for the preparation of the Annual Report of Etol d.d. Celje,

hereby declare

that, to the best of our knowledge and belief,

the Financial Report was drafted in accordance with an appropriate framework of financial reporting, and provides a true and fair view of the assets and liabilities, financial position, and profit or loss of Etol d.d. Celje;

the Business Report includes a fair view of the development and the results of operating activities of the company and its financial position, including the description of major risk categories, which Etol d.d. Celje as a whole has been subject to.

Manager of the Finance
and Accounting Department
Slavko Pavič

President of the Management
Zdenko Zanoški

THE DEVELOPMENT STRATEGY AND GOALS FOR 2009

In 2009 we will approach to the preparation of the strategy for the period 2010 - 2012. The basic strategic guidelines will remain the same as in the previous document, and namely the following:

The strategy of the ETOL Group includes becoming one of the leading suppliers of meat, vegetable, and herbal flavourings in central and eastern Europe. In order to implement this, we provide for sustainable development in innovativeness, flexibility, quality, team work, shorter delivery dates, constant cost cutting, human resources development, and customer satisfaction. We strive to constantly improve our business operations.

In spite of the set strategic guidelines, the preparation of the economic plan for 2009 has been severely affected by the economic crisis, which took Europe as well as other countries by storm. Consequently, the business operations in 2009 will primarily be directed to the growth in sales and providing profit, to ensuring company liquidity and adapting to new market conditions. This way we will complement our product range with cost-effective, but less profitable products.

The other set of activities has been directed to the optimization and cost reduction.

An important project, which stretches to 2009, is called the ePSI Project (Etol – continuous improvements). It helps us build a system or a method of work, which will include improvements in all areas of work within regular business processes.

V 2009, we will continue with the measures, which proved to be successful in 2008:

- To increase customer and employee satisfaction.
- To actively operate on the market.
- To train employees.
- To ensure environmental protection.
- To optimise the sales range and inventories.
- To provide for cost control.
- To provide for company liquidity.

MACROECONOMIC ENVIRONMENT

The first table introduces some macroeconomic data for Slovenia for the period from 2005 to 2007, the estimate for 2008, and forecasts for 2009 and 2010:

	2005	2006	2007	Up-to-date autumn forecast 2008 - IMAD		
				Estimate 2008	Forecast 2009	Forecast 2010
Gross domestic product (real growth rates, in %)	4.3	5.9	6.8	4.1	1.1	3.1
GDP in million (current prices and current exchange rate)	28,704	31,013	34,471	37,403	38,905	41,435
GDP per inhabitant, in EUR (current prices and current exchange rate)	14,346	15,446	17,076	18,464	19,151	20,345
Inflation ¹ , yearly average	2.5	2.5	3.6	5.7	1.1	3.0

Source: IMAD, *Economic Mirror*, February 2009

¹The inflation criterion is the consumer price index.

The second table introduces the estimate of economic growth for 2008 as well as the forecast for 2009 and 2010 for EU, EMU, some EU member states, and the USA:

	2008		2009			2010	
	CONS	IMAD	IMAD -alt. scenario	CONS	IMAD	IMAD alt. scenario	CONS
	Feb09	Dec 08	Dec 08	Feb09	Dec 08	Dec 08	Feb 09
EU	1	-0.2	-1.2	-1.8	1.1	0.1	0.7
EMU	0.8	-0.5	-1.5	-2	0.9	-0.1	0.7
Germany	1.3	-0.6	-1.6	-2.5	1	0	0.8
Italy	-0.7	-0.6	-1.6	-2.3	0.6	-0.4	0.3
Austria	1.6	0.5	-0.5	-1.2	1.2	0.2	0.4
France	0.7	-0.5	-1.5	-1.4	1	0	0.8
Great Britain	0.7	-1.3	-2.3	-2.6	0.8	-0.2	0.6
USA	1.3	-0.7	-1.7	-2.1	1.3	0.3	2

Source: IMAD, *Economic Mirror*, February 2009

CONS Consensus Forecast
IMAD Institute of Macroeconomic Analysis and Development

THE ETOL GROUP SALES NETWORK

During its successful operations, the Etol Group established a network of representative offices and companies whose sole or partial owner is Etol. The sales network of the Etol Group is represented in greater detail in the following table:

COMPANIES 100% OWNED BY ETOL d.d.				
Country	Representative office	Person responsible	Telephone number	E-mail
Poland	Etol Polska SP.z.o.o.	Madej Zbigniew	+ 48 22 668 5109	etol@etol.pl
Serbia	Etol JVE d.o.o.	Robi Valek	+381 21 302 011	robi.valek@etol.com
Macedonia	DRUŠTVO ZA TRGOVIJA ETOL UVOZ-IZVOZ DOOEL	Toše Duev	+389 70 275853	etol@mt.net.mk
Russian Federation	ETOL-RUS, Ltd.	dr. Adam Purg	+ 7 (495) 981-53-13	adam.purg@etol.si
Kazakhstan	OOO ETOL Kazahstan	Mikhail Tchipourin	+7 3272 66 33 69	etol_kz@mail.ru
Ukraine	ETOL-Ukrajina TzOV	dr. Petro Pasichnyk	+ 380 32 4765577	info@etol.com.ua
JOINT COMPANIES OF WHICH ETOL d.d. IS A PARTIAL OWNER				
Country	Representative office	Person responsible	Telephone number	E-mail
Slovakia	Etol SK, s.r.o.	Miriám Mistriková	+421 2 5557 1769	etol@etol.sk
Russian Federation	A.R.S.	Stortchevoi Evgenij Nikolaevič	+ 70 95 9150247	victormf@online.ru
REPRESENTATIVE OFFICES THROUGH WHICH ETOL d.d. OPERATES				
Country	Representative office	Person responsible	Telephone number	E-mail
Russian Federation	ETOL Predstavništvo v Moskvi	dr. Adam Purg	+ 7 (495) 981-53-13	adam.purg@etol.si
China	Slovenia Etol Public Limited	Primož Pungartnik	+ 86 21 6236 2120	info@etolshanghai.com
Croatia	Arotol d.o.o.	Jelena Šega	+ 385 49 500900	arotol@arotol.hr
Bosnia and Herzegovina	Aroma-ETOL, d.o.o.	Mujesira Arifović	+387 35 210772	aroma_etol@bih.net.ba
Austria	ETOL d.d.	Kruno Muršič	+386 3 4277 400	kruno.mursic@etol.com
Czech Republic	Intertrade CS a.s.	Monika Batkova	+ 420 2 74021000	etol@intertradecs.cz
Hungary	ETOL-AROMAHÁZ Kft	Sandor Acs	+ 36 25 244 094	etol@invitel.hu
Lithuania	Balticum Group	Kestutis Daukšys	+ 370 5 2828204	baltetol@is.lt
Bulgaria	Sidorenko JSC.	Dr. Yuri Sidorenko	+ 359 56 874010	office@sidorenko.net
Germany	Handelsvertretung	Toralf Jastram	+ 49 38791 6495	toralf.jastram@etol.com

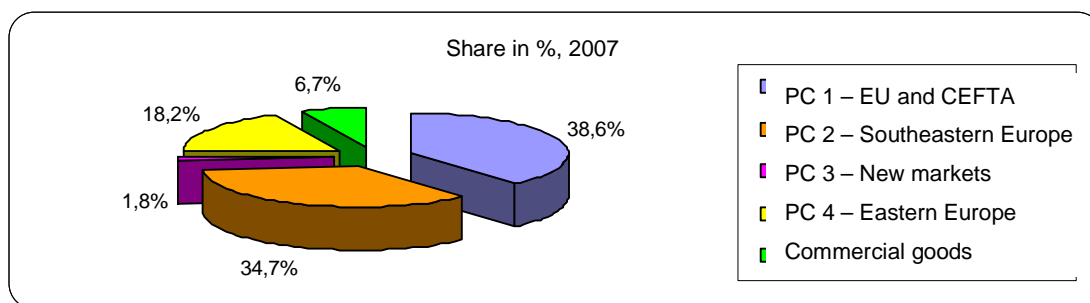
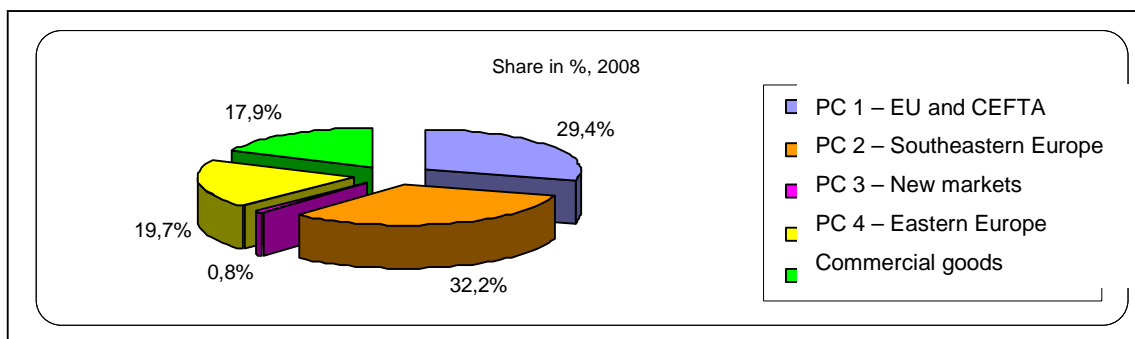
REPRESENTATIVE OFFICES THROUGH WHICH ETOL d.d. OPERATES				
Country	Representative office	Person responsible	Telephone number	E-mail
Great Britain	James Patterson Associates	James M Patterson	+ 44 1440 713024	jamespcb9@aol.com
Italy	DAM Commerciale di Giusti	Giusti Daniele	+ 39 349 82 37 878	daniele.giusti@etol.com
Belarus	Karavan	Vladimir Timofeevich Galakov	+ 375 222 321774	karavan@mail.telecom.mogilev.by
Turkey	GGMS Gıda, Tekstil ve Deri San. Tic. Ltd. Şti.	Gajur Muaremi	+ 90 (216) 577 54 55 57 58	info@gmsgroup.com.tr
Jordan	ITCO	Hani Abu Laban	+ 962 6 569 94 24	itco@go.com.jo
Syria	ITCO	Hani Abu Laban	+ 962 6 569 94 24	itco@wanadoo.jo
Thailand	ULTIMATE PRODUCTS Ltd. Co.	Narongsak Limprasittiporn	+ 66 218 37611-16	neoroha@ksc.th.com
United Arab Emirates	MEHTA DUBAI	Vivek Mehta	+ 971 4 29 88 372	om@avant-consulting.com
Iran	SHAHD AFARIN-E GOLZAR	Ali Sigari	+ 989 21 8850 33 72	info@shahdafarin.com
Romania	Eurogamma flavours&fragrances Srl.	Gabriel Cristian Grigorescu	+40 21 3196447	office@eurogamma.ro

SALES ACTIVITIES OF THE ETOL GROUP

In 2008, the Etol Group generated € 43,639,307 in revenues arising from the sale of products, commercial goods and services, which is 21 % more than in 2007. Consequently, we exceeded our goals and expectations.

	NR JAN 2008 to DEC 2008	Share in %, 2008	NR JAN 2007 to DEC 2007	Share in %, 2007	Index 2008/2007
Products and services by PC					
PC 1 - EU and CEFTA	12,848,168	29.4%	13,951,307	38.6%	92.1
PC 2 – Southeastern Europe	14,038,162	32.2%	12,541,939	34.7%	111.9
PC 3 – New markets	338,009	0.8%	668,940	1.8%	50.5
PC 4 – Eastern Europe	8,582,357	19.7%	6,570,569	18.2%	130.6
Products total	35,806,696	82.1%	33,732,755	93.3%	106.1
Commercial goods	7,832,611	17.9%	2,427,850	6.7%	322.6
SALES TOTAL	43,639,307	100.0%	36,160,605	100.0%	120.7

The following graphs represent the sales structure in 2008 and 2007 – the shares of product sales and services by sales areas and the share of commercial goods sales:



The following paragraphs contain our comments regarding individual sales areas.

In the sales area 1 (EU and CEFTA) we achieved less income from the sale of services and products in comparison to last year, and we also did not realize our plans. On the Slovenian market the sales value in 2008 exceeded last year's sale and plans. This was mostly the result of the sale of new products. We are satisfied with the sale of non-alcoholic beverages and confectionery, but we still failed to acquire new projects in the meat processing industry, where we are faced with strong competition and low prices. In comparison to last year, the sales also increased in the Polish and Hungarian markets, and somewhat less was sold on the Slovakian market.

In the sales area 2 (Southeastern Europe) we saw an increase in revenues as a result of the sales of products and thus we exceeded our expectations. The growth in sales was recorded in all countries in this area. The greatest market in this area is Croatia, as we exceeded our results and expectations

in comparison to the previous year. The growth in sales in Croatia was achieved with the sale of new and existing products, with existing as well as new buyers.

During regular control of the business operations of the subsidiary company Etol JVE in Serbia and DOEL Skopje we discovered major irregularities. For the protection of interests of the parent company ETOL d.d., on 1 September 2008 we discharged the director of both subsidiary companies and appointed new management temporarily. Our products are well established on the Serbian market, so we believe the above-mentioned changes in management will not significantly affect the sales in this area, but will affect the decrease in profitability, at least until the end of 2009.

In the sales area 3 (New markets) we failed to achieve last year's sales and our aims. The cause for the decrease in sales mostly lies in unstable political circumstances in this area as well as in the high currency rate of the American Dollar with regard to EUR.

In the sales area PC 4 (Eastern Europe) in 2008 we reversed the trend of realization upwards and increased our income from the product sales in comparison to 2007. In this area we were forced to face numerous problems. Mostly, we were affected by poor economic conditions in Ukraine. In addition, all other markets in this area were troubled by falls in the values of national currencies, which resulted in directed profit losses, liquidity issues and extensive payment non-discipline of clients. In all subsidiary companies in this area (Etol Rus, Etol UA, and Etol Kzh) we implemented many staffing changes and reorganized work, which is in the future expected to contribute to better results. We managed to maintain all major clients as well as the extent of our product range and favourable product prices. We have many new projects underway, which offer a little optimism, but extra care will be required for the protection from foreign exchange risks.

In cooperation with the market and supply service in 2008 we significantly increased the value and the number of materials we market as **commercial goods**. Commercial goods are sold in numerous countries, mostly in Slovenia, Serbia, Poland, Slovakia, and Austria.

In 2009 we will start with the systematic monitoring of customer satisfaction by means of annual customer survey. In 2008 such information was acquired during visits and through contacts with our partners. With regard to responses, it is safe to claim that we have been performing well. In the majority of cases our buyers trust us, whereas we act professionally and responsibly. This enables us to cooperate with the greatest multinational food enterprises, which gives us the opportunity to cooperate in new projects from the very first idea onwards. The main arguments of customer satisfaction are predominantly short delivery dates, adaptability, flexibility, reliability in deliveries, expert knowledge, and understanding customer needs. On the basis of collected opinions with regard to customer satisfaction from all markets, we are happy to say we are satisfied with the final result.

In spite of delayed results in sales, in 2008 we somewhat exceeded the overall sales plan in some sales areas. This achievement is the result of already adopted measures in the previous year, the reorganization of market services in the parent company, in subsidiary companies and representative offices, but more than anything, it is the result of the integration of commercial clerk and partners abroad, who understand the vision of the Group.

MAJOR FINANCIAL DATA ON OPERATIONS, ASSETS AND FINANCIAL STANDING

In 2008, the Etol Group generated € 45,916,991 in joint revenues, which is 18.4 % more than in 2007. Of these, 95.0 %, or € 43,639,307, was accounted for by sales revenues, which is 20.7 % more than the respective figure in 2007. In addition, in 2008 the Etol Group realized € 1,767,909 of financial income, which accounts for 3.9 % of all income, and € 509,775 of other income or 1.1 % of all income.

The expenses of the Etol Group in 2008, including corporate income tax and deferred taxes, stood at € 44,903,919. Of those, 91.9 % refers to sales activities and 8.1 % to financial activities. In regard to 2007, expenses are higher by 24.8 %, whereas net profit or loss is smaller by 63.7%. Net profit or loss of the Etol Group for 2008 amounts to €1,013,072.

The structure of assets and liabilities of the Etol Group is as follows:

	In €	Share in %
ASSETS		
A. Long-term assets	37,119,110	59.1
B. Current assets	25,609,014	40.8
C. Short-term deferred costs and accrued income	79,853	0.1
TOTAL ASSETS	62,807,977	100.0
LIABILITIES		
A. Capital	30,840,595	49.1
B. Provision and long-term accrued costs and deferred income	1,260,860	2.0
C. Long-term liabilities	2,605,707	4.1
D. Short-term liabilities	28,088,080	44.7
E. Short-term accrued costs and deferred income	12,735	0.0
TOTAL CAPITAL AND LIABILITIES	62,807,977	100.0

On 31 Decembr 2008, total income of Etol Group amounts to € 62,807,977, of which 59.1 % are long-term assets, 40.8 % are short-term assets, and 0.1 % are short-term deferred costs and accrued income. The most important assets of the Company are long-term and short-term financial investments (31.6 % of total assets), tangible fixed assets (29.4 % of total assets), and short-term operating receivables (19.3 % of total assets).

The capital share of financial resources amounts to 49.1 %, the share of long-term and short-term liabilities to 48.9 %, whereas the discrepancy is reserved for severance pays.

RESEARCH AND DEVELOPMENT ACTIVITY

Research and development activity is of crucial importance for market success. Within the sphere of development we perform several activities, such as creating new products, preparing related documentation, and forming technological processes. Furthermore, we carry out presentations for end customers and for representatives, and training programmes for commercial clerks.

In 2008 we increased the number of created initiatives for development work by 38 % with regard to 2007, which indicates excellent responsiveness to our clients' wishes.

In accordance with the current practice, in 2008 we also strived to follow market trends and signals in the area of development to the greatest extent possible. As a result of market demands as well as fashion and health-related trends, we recognized **vegetable-herbal flavours** as the missing pieces in our product range and added them to our development strategy. This resulted in many new creations, but the work was far from done. Increasing demand for baby food urged us to create more **powdered natural flavours**. For the purposes of the expansion of the range of non-alcoholic beverages we activated the project of producing new **exotic flavours**. Predominantly on the basis of the requirements from Great Britain, we concluded the project of new **sweet flavours for cereals**. We created many new **exotic fruit bases**. The project regarding **fruit and vegetable bases** is also underway.

During this period we also increased the share of applicative initiatives – expanding the use of our already existing products. The number of new laboratory products and the number of new products is smaller, which is the result of a more selected approach to development. However, the ratio between the number of created and completed initiatives is more favourable, and we also shortened the period between open and completed initiatives. The performance relating to the sale of new products is within set aims, whereas the share of initiatives for imitations is smaller.

Approximately 30 Etol co-workers are taking part in a sensoric group. They are learning to recognize certain product characteristics of flavours as well as end products. The results of their tests are helpful in creating flavours, distinguishing products or monitoring them during their life span. The very training project takes place simultaneously with the group activities and is a long-term obligation.

During this period, our colleagues from the development department, besides regular work, also took part in numerous other activities which are not directly linked to the laboratory work, of which we are mentioning only a few: ISO assessment, obligatory revision of HACCP studies, ePSI project, adjustments and maintenance of the SAP information system for development, training of representatives and new commercial clerk, reception of foreign experts, participation in trainings or business conferences for Etol representatives, renovation of application formulas in accordance with the wholesome image, and the preparation of a new method of approach to catalogues; in 2008, our colleagues from the development department spent 275 days on business travels.

QUALITY ASSURANCE

Quality assurance of raw materials, products, and the overall production process is our permanent duty. We regularly perform quality control of input raw materials as well as end products, while we also carry out analyses for the purposes of development and sale.

The quality of raw materials, semi-products, and products in 2008 is assessed as good.

The number of examined samples of raw materials, semi-products, and products is approximately on the same level as last year. The quality of products in 2008 is better than in 2007, as the share of inappropriate samples is lower.

However, the share of rejected samples of raw materials increased, which can be attributed particularly to a more intensive search of alternative and cheaper sources of raw materials.

The share of justified claims by buyers is decreasing.

The number of issued quality certificates decreased, which is a positive result of lesser dispersion of supplies. With the standardization of procedures in production we achieved greater reliability. The result was a smaller number of required samples for the cleanliness control of equipment, packaging, and premises.

PURCHASING

During the period from January to December 2008, we spent well over € 11.5 million on raw materials and packaging for production purposes.

During this period, we recorded fairly large fluctuations in the prices of raw materials. At the end of 2007, some raw materials became more expensive, and, in spite of numerous changes in 2008, the prices did not decrease. On the other side, with successful purchases of strategic raw materials and raw materials for subsequent sale (commercial goods) we diminished the effect of the rise in prices.

Global factors also had an impact on the large fluctuation in prices, as the prices of chemicals were very high in the first half of the year (mainly influenced by the prices of oil), whereas in the second half of the year the fall in prices of oil resulted in the fall of the prices of chemicals.

We linked up with some major systems to ensure better purchasing conditions and greater safety in operations. We increased the number of strategic suppliers with the contract on the implementation of consignment warehouses, which will result in positive effects, in particular relating to tying up the capital and extending payment periods. We also started implementing a more systematic selection of suppliers, we agreed on a new process of sample ordering with our colleagues from the development department, etc.

Even in the upcoming year we will have to rationalize processes to a great extent as well as actively monitor and optimize transport and logistics expenses. One of our duties is also the maximum rationalization of stocks of raw materials and packaging. Nevertheless, the quality of goods and the safety of supply will remain the focus of our work just like before.

INVESTMENTS

In 2008 we allocated € 2.4 million for investments. Due to the approaching recession in mid 2008 we decided to decrease the execution of planned investments.

The following paragraphs describe our investments by areas.

Warehouse for packaging and commercial goods: Preparation for investment took place up until the third quarter of the year. The implementation extended to the beginning of 2009 due to the delay of the main supplier and low temperatures at the end of the year.

Arrangement of the distillery: Projects for the upgrading of the extension with tanks are prepared for realization.

Sweet programme: We purchased new spare atomisers and improved compacting conditions. The new filler is in the production phase.

Salty programme: We rearranged and expanded the premises for composting and storing raw materials, whereas the production was completely reformed as were the premises for liquid salty flavours. We rearranged the washing area for the salty programme with an emphasis on container washing; we also supplemented and completed the aeration process.

Syrup products and pastes: We purchased plastic containers for bags and a new central WAP cleaning machine.

Renovation of energy infrastructure: We renovated the system of fire reporting, supplemented the system for staffless operation, replaced the main cable to the transformer station, and renovated the water mains.

IT technology: We replaced outdated IT technology and implemented projects relating to improved operations control with companies we are in contractual relationship with regarding information services implementation.

Development and control laboratory: we bought a new gas chromatograph with mass detector and an analysis apparatus.

Other investments: This item also includes: all works relating to the technology renovation in the flavouring department, arrangement of technology in the flavouring section, investment works in individual company facilities - management, cold room, renovated building plan for the Etol company, and some minor investments.

The table below introduces investments by areas in comparison to the plan:

		In €	
		Plan 2008	Realisation 2008
1	Warehouse for packaging and commercial goods	550,000	372,107
2	Arrangement of the distillery	600,000	32,125
3	Sweet programme	185,000	94,766
4	Salty programme	350,000	347,308
5	Syrup products and pastes	200,000	104,430
6	Renovation of energy infrastructure	150,000	103,321
7	CIP connections	150,000	0
8	IT technology	200,000	145,537
9	Development and control laboratory	400,000	150,555
10	Other investments	300,000	1,069,194
Total		3,085,000	2,419,342

PRODUCTION

In 2008, the quantity production in comparison to 2007 increased by 2.0 %, whereas we managed to increase the quantity per work order by 7.2 %. The greatest increase was recorded in the area of salty liquid flavours (41.3 %), compacted flavours (19.4 %), salty powdered flavours (6.6 %), and powdered flavours (3.9 %), whereas we recorded the decrease in the production in the area of distillery products (-2.7%). In 2008 we abandoned the perfumery programme.

The productivity in 2008 was on average higher than in 2007, whereas due to the increase of quantities per work order the production time extended, particularly in the area of powdering and salty flavours. All the monitored indicators are above set values. In total we produced 2.9 kg more per performed hours, whereas the number of hours required for the preparation of work order increased, and namely for 0.3 hours, as a result of the increased production quantity per work order and, consequently, smaller number of work orders.

In 2008 we pursued with the making of the equipment data base, which is required for automatic entry of equipment data into the SAP-maintenance modul. Monitoring indicators relating to maintenance costs will be implemented immediately after the start-up of the maintenance modul, which is expected to occur at the end of the first half of 2009.

HUMAN RESOURCES MANAGEMENT

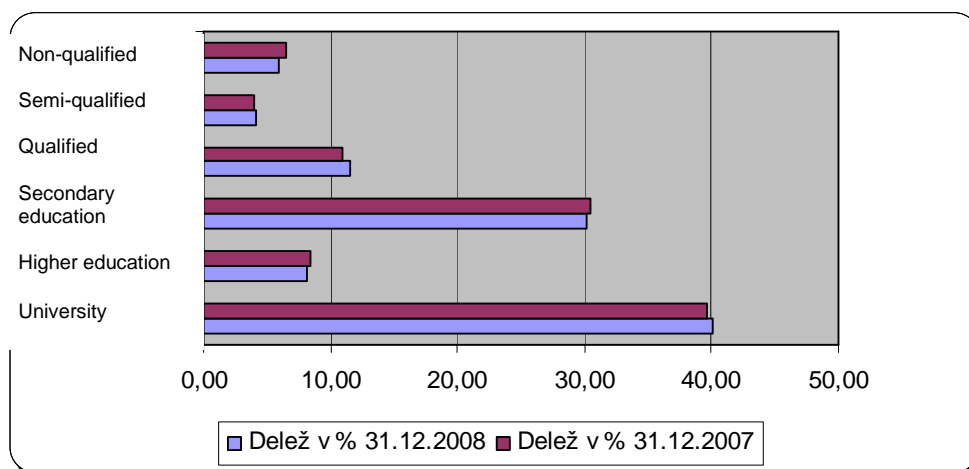
The key to the successful performance of the company are the people who work there, so in Etol we are trying to follow the guidelines regarding human resources management. In last year we approached to the "Excellence Model" and the "Continuous Process Improvement Model", which was named the ePSI project. Among other, we also stressed the fact that building the excellence model is strongly affected by "managers", who are the bearers and promoters of changes in every organisation.

THE EMPLOYEE STRUCTURE

At the end of 2008, the ETOL Group employed 269 workers, of which 217 were employed in the parent company and 52 in affiliated companies. The parent company employs 57 women (59 last year). During this period the parent company employed 15 workers for a definite period of time or 6.9 % with regard to the overall number of employees. In the same period 13 employees left the Company, 6 on the basis of the termination of the employment contract, whereas the others retired. 10 colleagues were employed anew, 5 with university education and 5 with secondary school education.

On 31 December 2008, the number and structure of employees in the Etol Group, in comparison to 31 December 2007, was the following:

Education	No. of employees on 31 Dec 2008	Share in % on 31 Dec 2008	No. of employees on 31 Dec 2007	Share in % on 31 Dec 2007	Index 2008/2007
University or higher	108	40.15	109	39.64	99.08
Higher education	22	8.18	23	8.36	95.65
Secondary education	81	30.11	84	30.55	96.43
Qualified workers	31	11.52	30	10.91	103.33
Semi-qualified	11	4.09	11	4.00	100.00
Non-qualified	16	5.95	18	6.55	88.89
Total	269	100.00	275	100.00	97.82



The number of employees in the Group decreased in comparison to the same period last year. At the end of 2008 we employed 269 workers, which is 6 less than in the previous year. 130 employees have higher or university education, which accounts for 48.3 % of all employees. Good educational structure is a prerequisite for ensuring competitiveness in extremely demanding market conditions.

MOTIVATING AND REMUNERATING EMPLOYEES

Satisfied and motivated employees are a key factor of the success of the company, which also has an important effect on customer satisfaction. In order to motivate and remunerate employees, the parent company utilised some tools for a number of years, such as, the Act on horizontal employee promotion, the Act on establishing worker's performance, regular yearly interviews, etc...

The ePSI model introduces substitution model, whereas multitasking matrixes were also set up.

In 2008 we adopted the organizational regulation "Useful Improvement Proposals – Implementation, Evaluation, and Remuneration", the aim of which is to encourage innovative activity among employees in all areas of the Company.

EDUCATION

Additional education is of key importance for professional and personal growth of individuals. For this reason we strive to create a working environment, which encourages every individual to constant learning, innovative thinking, business orientation, and effective collaboration.

For this purpose individuals take part in trainings outside the Company, which are either provided by law or important for achieving the goals of the Company. Certain trainings are also organized within the Company. However, in 2008 we noticed a significant increase in organized trainings. We also organized training for buyers and employees in representative offices and subsidiary companies.

EMPLOYEE SATISFACTION, PROVIDING INFORMATION, AND ORGANISATIONAL CULTURE

The survey on employee satisfaction reveals the employee satisfaction in 2008 was better than in 2007.

Employee satisfaction has improved also due to better communication and information. The implementation of the ePSI project in this area brought a visible progress. So we implemented the practice of quarterly information meetings with a purpose of reporting on business operations, whereas we regularly post decisions of the extended professional board and monthly operation indicators on the intranet.

New trends of human resources management are based on the model of placing people and their mutual relations into the very heart of organizational performance. These trends require placing new organizational culture of the company, which stresses human role in the system, not human being as an individual, but in mutual relations in the environment they work in. The knowledge that mutual relations in every company cannot be reproduced, lead us to strive to identify our own organizational culture, values of required skills, and know-how within the company. For this reason, within the ePSI project in the group "Management with Goals", a special work group "Organizational Culture and Values" was appointed. The aim of the group was to prepare an analysis of the existing situation and define new guidelines for establishing modern organizational culture.

SUSTAINABLE DEVELOPMENT

STANDARDS

Below, we describe business operation standards of the Etol Group.

The business operations of the Etol Group are organised in accordance with the requirements of **ISO 9001**. This basic operative document specifying comprehensive quality management is the Quality Manual. The Quality Manual is based on the key processes for quality management within the entire business process. The compliance with individual elements of the Quality Manual ensures the attainment of the agreed quality of our products, and of our business efficiency. Business excellence is the condition for maintaining market position and effectively responding to pressures presented by the competition.

The Quality Management Manual is the fundamental document defining the system for eliminating and reducing the negative impacts of the Company's activity on the basis of the **ISO 14001** standards. Etol has formulated an environmental management policy that undertakes to constantly reduce and prevent all negative impacts on the environment and human health arising from the Company's activity. We pay special attention to the most disturbing influence on the environment, the emissions of volatile components into the atmosphere that cause pleasant as well as unpleasant smells. Environmental protection, people's health and safety, are fundamental activities of the Management Board, as well as of all individual employees.

HACCP (Hazard Analysis Critical Control Points) is a system ensuring food safety. It is based on the prevention of problems related to food safety and been approved by international organisations as the most cost effective method for controlling food poisoning. A product and all its components are inspected at every processing level and potential errors occurring in the process are identified. HACCP is a system of identifying specific risks (e.g. every biological, chemical and physical characteristic that disagrees with food safety), and determines the measures for controlling these risks. World Health Organisation (WHO) is an International Commission on Microbiological Specifications for food (ICMSF) that continuously encourages the use of HACCP system. European Community legalised the HACCP in 1993 and Slovenia in 2000.

ENVIRONMENTAL PROTECTION AND EFFECTIVE USE OF ENERGY-GENERATED PRODUCTS

In 2008 we observed the adopted environmental policy, and we concluded the following programmes:

- Cement-asbestos roof tiles ("salonitka") were replaced on all Company facilities;
- The making of the aeration system in the salty programme department;
- Inspection of energy losses indicated the future orientation towards the rational use of energy;
- Water from the water supply network is no longer used for cooling, and we installed the system of iced water into all production departments.

This year we performed recertification (March 2008) and control examination (September 2008) according to the ISO 14001/2004 Standard by BVQ. The examination showed that our environmental management is appropriate.

According to the environmental permit requirements from 2007, Etol d.d. must perform monitoring for atmospheric emissions.

In 2008 we increased the percentage of separate waste to 84.6 % (82.8 % in 2007). The trend is positive. But there remains a problem of residues after extraction, which are by common-sense non-hazardous waste and could be taken to composting site, however, there are unfortunately no composting sites ready to take over such residues in Slovenia yet. We hope the issue will be resolved with the start-up of the composting site in Celje.

In 2008 specific use of water was reduced in comparison to 2007 in spite of increased production. The reduced use of water is a result of investments into the modernization of primary water supply network of Etol (elimination of leakages) and into the purchase of new purification devices. In future we do not expect major reductions.

Weather conditions, the scope of production or the percentage of energy wasteful products (powdered flavours) in the overall production range affect the use of gas.

In the same manner the winter period affects the use of gas, to a somewhat lesser extent the summer period affects the use of electric energy. In 2008 we installed additional air-conditioning devices, which in addition to the increased range of production affected the rise of the specific use of electric energy.

CONTRIBUTION TO THE SOCIAL ENVIRONMENT

As in previous years, in 2008, the Etol Group provided sponsorship and financial resources for local environment. Sponsor and donor funds were contributed for humanitarian, educational, sporting and cultural purposes.

ACCOUNTING REPORT OF THE ETOL GROUP AND ETOL, D. D.

INCOME STATEMENT OF ETOL GROUP

For year that ended on 31 December 2008

ETOL GROUP

In EUR

	Note	2008	2007
1. Net sales revenue	4	43,639,307	36,160,605
2. Costs of products sold	6	-24,856,250	-19,196,803
3. Gross sales profit		18,783,057	16,963,802
4. Cost of sales	6,7	-7,436,057	-7,410,980
5. General and administrative costs	6	-8,495,921	-7,887,536
6. Other operating revenue	5	509,775	654,214
Operating sales profit		3,360,854	2,319,501
7. Financial revenue from shares	9	1,741,285	1,933,044
a) Financial revenue from shares of affiliated companies	9	0	1,890
b) Financial revenue from shares in other companies	9	1,741,285	1,921,108
c) Financial revenue from other investments	9	0	10,046
9. Financial revenue from operating receivables	10	26,624	28,881
10. Financial expenses from financial investments	11	0	-50,000
11. Financial expenses from financial liabilities	12	-3,629,027	-590,450
13. Profit or loss before tax		1,499,736	3,640,976
14. Corporate income tax	13	-572,553	-812,258
15. Deferred taxes	14	85,889	-36,263
16. Net sales profit for the period	15	1,013,072	2,792,455
*stake of the majority shareholder	16	1,012,973	2,792,455
*stake of the minority shareholder		99	0
Net profit per share		v EUR	
basic		3.98	10.97
diluted		3.98	10.97

BALANCE SHEET OF ETOL GROUP

On 31 December 2008

ETOL GROUP

			In EUR
	Note	31 December 2008	31 December 2007
ASSETS			
A. Long-term assets		37,119,110	49,593,189
I. Intangible fixed assets and long-term deferred taxes and accrued income	17	2,054,585	2,079,001
1. Long-term property rights		1,564,317	1,580,840
2. Goodwill		42,212	95,706
3. Other long-term accruals and prepaid expenditure		448,056	402,455
II. Tangible fixed assets	18	18,467,371	19,214,900
1. Land and buildings		13,435,401	12,360,196
2. Production equipment and machinery		4,113,892	4,145,975
3. Other appliances and equipment		265,678	246,527
4. Property, plant and equipment under construction and in production		652,400	2,462,202
III. Long-term financial investments		15,298,572	28,299,288
1. Long-term financial investments, excluding loans		15,295,841	28,294,753
a. Shares and stakes of affiliated companies	19	81,657	98,768
b. Other shares and stakes	21	15,214,184	28,195,985
2. Long-term loans	22	2,731	4,535
a. Long-term loans to others		2,731	4,535
IV. Deferred tax assets	14	1,298,582	
B. Current assets		25,609,014	25,248,526
I. Stocks	24	8,378,705	7,689,108
1. Material		3,926,654	3,846,954
2. Work-in-progress		1,060,955	1,047,694
3. Products and commercial goods		2,761,491	2,520,556
4. Advances on inventories		629,605	273,904
II. Short-term financial investments		4,533,102	7,110,113
1. Short-term financial investments, excluding loans	21	3,079,985	1,176,712
2. Short-term loans	22	1,453,117	5,933,401

III. Short-term operating receivables		12,112,803	10,049,522
1. Short-term operating receivables due from customers	23	11,592,982	9,419,961
2. Short-term operating receivables due from others	23	519,821	629,561
IV. Cash	25	584,405	399,783
C. Short-term deferred costs and accrued income		79,853	67,672
Total assets		62,807,977	74,909,387
LIABILITIES			
A. Capital		30,840,595	39,232,426
I. Called-up capital	26	6,375,038	6,375,038
II. Reserves	27	17,992,308	16,460,518
III. Surplus from revaluation		-3,026,043	5,246,423
IV. Transferred net sales profit		9,496,662	11,147,915
V. Minority capital		2,632	2,533
B. Reservations and long-term deferred taxes and accrued income		1,260,860	1,384,538
I. Reservations for pensions and similar obligations	28	1,222,712	1,254,999
II. Other reservations	28	38,148	129,539
C. Long-term liabilities	29	2,605,707	8,065,233
I. Long-term financial liabilities		2,557,965	6,768,891
1. Long-term financial liabilities to banks		2,466,667	6,666,667
2. Other long-term financial liabilities		91,298	102,224
II. Long-term operating liabilities		47,742	59,126
III. Deferred liabilities for taxes	14	0	1,237,216
Č. Short-term liabilities		28,088,080	26,181,881
I. Short-term financial liabilities	29	24,735,298	22,103,198
1. Short-term financial liabilities to banks		24,568,000	21,972,678
2. Other short-term financial liabilities		167,298	130,520
II. Short-term operating liabilities	30	3,352,782	4,078,683
1. Short-term operating liabilities to suppliers		2,711,492	2,792,125
2. Short-term operating liabilities based on advances		24,887	8,409
3. Short-term liabilities to employees and the state		616,403	1,278,149
D. Short-term accrued costs and deferred income		12,735	45,308
Total liabilities		62,807,977	74,909,387

ETOL GROUP CASH FLOW STATEMENT

In EUR

Year ending on 31 December 2008	2008	2007
Operating cash flow		
Total sales profit before tax	1,499,736	3,640,976
Amendments for:		
Financial net incomes	2,712,111	-1,321,475
Income from the disposal of fixed assets	0	-153,912
Amendments to the tangible fixed assets value	2,934,935	2,871,148
Amendments to the intangible fixed assets value	273,907	266,990
Profit from regular operations before the amendments in working capital	7,420,689	5,303,726
Amendments to claims	-2,063,280	-1,216,039
Amendments in stock	-689,597	-34,855
Amendments of deferred taxes and accrued income	-12,181	48,010
Amendments of operating liabilities	-711,285	1,937,964
Amendments in reservations and accrued tax and deferred income	-156,182	-178,273
Cash flow from operating activities	3,788,163	5,860,533
Paid interests	-1,530,561	-487,003
Paid income tax	-950,960	-812,335
Net cash flow from regular operations	1,306,642	4,561,195
Cash flow from investing activities		
Expenses for purchasing new tangible fixed assets	-2,601,300	-2,929,091
Income from the disposal of fixed assets	9,114	196,831
Income from the disposal of available financial investments	9,779,747	25,288,255
Expenses for purchasing available financial investments	-8,396,865	-47,195,231
Dividends of affiliated companies	0	1,738
Received interests	436,117	250,472
Dividends from the disposal of available financial investments	589,469	36,120
Net cash flow from investing activities	-183,718	-24,350,906
Financing cash flow		
Expenses for financial leases	-22,151	-69,854
Income from received loans	81,137,510	52,913,528
Compensation of received and granted loans	-79,646,153	-31,668,175
Dividends and other income payments	-929,446	-1,433,505
Net cash flow from financing	539,760	19,741,994
Net cash flow	1,662,684	-40,346
Net exchange differences	-1,478,062	-42,106
Cash on 1 January	399,783	482,236
Total balance of cash and their equivalents on 31 December	584,405	399,783

STATEMENT ON CAPITAL FLOW OF THE ETOL GROUP

ETOL GROUP

In EUR

	Share capital	Reserves	Withheld profit	Surplus from revaluation	Majority capital	Minority capital	Total capital
The balance on 31 December 2007	6,375,038	16,460,518	11,147,915	5,246,423	39,229,893	2,533	39,232,426
Effects from revaluation of financial investments distributed for sale of Etol Group				-8,272,466	-8,272,466		-8,272,466
Exchange and consolidation differences		-134,329			-134,329		-134,329
Total income and expenses in business year recognised directly in capital		-134,329		-8,272,466	-8,406,795	0	-8,406,795
Entry of net operating profit or loss of the ETOL Group for the period			1,012,973		1,012,973	99	1,013,072
Total revenue and expenses for the year			1,012,973	-8,272,466	-7,259,493	99	-7,393,723
Dividends paid out to shareholders			-998,107		-998,107		-998,107
Distribution of profit to capital		1,666,119	-1,666,119		0		0
Balance as at 31 December 2008	6,375,038	17,992,308	9,496,662	-3,026,043	30,837,963	2,632	30,840,595

In EUR

	Share capital	Reserves	Withheld profit	Surplus from revaluation	Majority capital	Minority capital	Total capital
The balance on 31 December 2006	6,375,038	16,530,743	9,924,289	65,960	32,896,030	2,533	32,898,563
Effects from revaluation of financial investments distributed for sale of Etol Group				5,180,463	5,180,463		5,180,463
Exchange and consolidation differences		-170,813	-34,736		-205,549		-205,549
Total income and expenses in business year recognised directly in capital	0	-170,813	-34,736	5,180,463	4,974,914	0	4,974,914
Entry of net operating profit or loss of the ETOL Group for the period			2,792,455		2,792,455		2,792,455
Total revenue and expenses for the year			2,757,719	5,180,463	7,938,182	0	7,938,182
Dividends paid out to shareholders			-1,433,505		-1,433,505		-1,433,505
Distribution of profit to capital		100,588	-100,588		0		0
Balance as at 31 December 2007	6,375,038	16,460,518	11,147,915	5,246,423	39,229,893	2,533	39,232,426

INCOME STATEMENT ETOL D.D.

For the year ending on 31 December 2008

Etol d.d.,

	Note	In EUR	
		2008	2007
1. Net sales revenue	4	40,918,393	33,216,786
2. Costs of products sold	6	-23,913,983	-18,854,663
3. Gross sales profit		17,004,411	14,362,123
4. Cost of sales	6	-5,646,094	-5,414,032
5. General and administrative costs	6,7	-8,301,310	-7,259,749
6. Other operating revenue	5	346,396	371,101
Operating sales profit		3,403,403	2,059,443
7. Financial income from shares	9	1,547,141	1,931,154
a) Financial income from shares of affiliated companies	9	0	36,120
b) Financial income from shares in other companies	9	1,418,316	1,884,988
c) Financial income from other investments	9	128,825	10,046
8. Financial income from loans granted and operating receivables	10	114,769	59,455
10. Financial expenses from financial investments	11	0	-50,000
11. Financial expenses from financial liabilities	12	-2,472,157	-240,109
12. Financial expenses from operating liabilities	12	0	-1,649
13. Profit or loss before tax		2,593,156	3,758,294
14. Corporate income tax	13	-441,423	-782,609
15. Deferred taxes	14	-53,257	-36,263
16. Net sales profit for the period	15	2,098,476	2,939,422

BALANCE SHEET ETOL, D. D.

BALANCE SHEET		In EUR		
		Notes	31 December 2008	31 December 2007
	ASSETS			
A.	Fixed assets		36,967,866	49,655,997
I.	Intangible Fixed assets	17	2,008,633	1,982,551
1.	Long-term property rights		1,560,577	1,580,096
2.	Other long-term accruals and prepaid expenditure		448,056	402,455
II.	Tangible fixed assets	18	17,203,633	17,783,353
1.	Property and buildings		12,761,669	11,574,960
2.	Production equipment and machinery		3,957,835	3,954,493
3.	Other appliances and equipment		12,593	12,593
4.	Tangible fixed assets being obtained		471,536	2,241,307
III.	Long-term financial investments		16,676,737	29,890,093
1.	Shares in companies in the Group	20	713,699	723,210
2.	Shares in affiliated companies	19	81,657	98,768
3.	Other shares and stakes	21	15,214,184	28,195,985
4.	Long-term loans	22	667,197	872,130
a)	Long-term loans to companies in the Group		664,466	867,595
b)	Long-term loans to others		2,731	4,535
IV.	Long-term operating receivables	23	0	0
V.	Deferred liabilities for taxes	14	1,078,863	
B.	Current assets		25,281,305	23,597,790
I.	Assets for sale		0	0
II.	Inventories	24	7,520,414	6,782,172
1.	Material		3,922,683	3,840,668
2.	Work-in-progress		1,060,955	1,047,694
3.	Products and commercial goods		1,929,169	1,643,938
4.	Advances for inventories		607,607	249,872
III.	Short-term financial investments		4,909,889	7,387,450
1.	Short-term financial investments, excluding loans	21	3,079,985	1,176,712
2.	Short-term loans	22	1,829,904	6,210,738
IV.	Short-term operating receivables	23	12,543,006	9,264,744
1.	Short-term operating receivables due from companies in the Group		5,241,214	3,234,854
3.	Short-term operating receivables due from customers		6,861,108	5,636,042
4.	Short-term operating receivables due from others		440,684	393,848

V.	Cash	25	307,996	163,424
C.	Short-term accrued costs and deferred income		72,917	35,457
	TOTAL ASSETS		62,322,088	73,289,244

	LIABILITIES		31 Dec. 2008	31 Dec. 2007
A.	Capital		31,374,227	38,546,323
I.	Called-up capital	26	6,375,038	6,375,038
II.	Reserves	27	17,788,078	16,121,959
IV.	Withheld profit		10,237,154	10,802,903
V.	Surplus from revaluation		-3,026,043	5,246,423
B.	Reservations and long-term deferred taxes and accrued income		1,247,748	1,384,062
1.	Reservations for pensions and similar obligations	28	1,220,720	1,254,999
2.	Other reservations	28	27,028	129,063
C.	Long-term liabilities		2,525,315	7,984,727
I.	Long-term financial liabilities	29	2,525,315	6,747,511
1.	Long-term loans		2,466,667	6,666,667
2.	Other long-term financial liabilities		58,648	80,844
II.	Long-term operating liabilities		0	0
III.	Deferred liabilities for taxes	14		1,237,216
Č.	Short-term liabilities		27,159,437	25,343,613
I.	Liabilities of disposal groups		0	0
II.	Short-term financial liabilities	29	24,401,014	21,673,084
1.	Short-term financial liabilities to companies in the Group		0	9,370
2.	Short-term financial liabilities to banks		24,274,501	21,537,175
3.	Other short-term financial liabilities		126,513	126,539
III.	Short-term operating liabilities	30	2,758,423	3,670,529
1.	Short-term operating liabilities to companies in the Group		66,455	7,381
2.	Short-term operating liabilities to suppliers		2,304,410	2,520,246
3.	Short-term operating liabilities based on shares and advances		24,887	8,409
4.	Short-term operating liabilities to employees and the state		362,671	1,134,493
D.	Accrued costs and deferred income		15,360	30,519
	TOTAL LIABILITIES		62,322,088	73,289,244

CASH FLOW STATEMENT ETOL D.D.

	Jan-Dec 2008	Jan-Dec 2007
Operating cash flow		
Total sales profit before tax	2,593,156	3,758,294
Amendments for:		
Financial net income	1,672,132	-1,698,551
Profit from sale of fixed assets	0	-53,211
Amendments to the tangible fixed assets value	2,802,609	2,742,234
Amendments to the intangible fixed assets value	273,808	266,988
Profit from regular operations before the amendments in working capital	7,341,705	5,015,754
Amendments to claims	-3,278,262	-776,739
Amendments in stock	-738,242	-658,144
Amendments of deferred taxes and accrued income	-37,460	6,752
Amendments of operating liabilities	-912,106	1,869,201
Amendments in reservations and accrued tax and deferred income	-151,473	-164,693
Cash flow from operating activities	2,224,163	5,292,131
Paid interests	-1,425,240	-420,736
Paid income tax	-921,284	-716,766
Net cash flow from regular operations	-122,361	4,154,629
Cash flow from investing activities		
Expenses for purchasing new tangible fixed assets	-2,522,780	-2,514,861
Income from the disposal of fixed assets	9,114	96,130
Income from the disposal of available financial investments	9,779,747	25,288,255
Expenses for purchasing available financial investments	-8,396,865	-44,664,062
Deposit of shares into affiliated companies	9,511	-25,000
Received interests	463,289	229,182
Dividends from the disposal of available financial investments	589,469	36,120
Net cash flow from investing activities	-68,514	-21,554,236
Financing cash flow		
Expenses for financial leases	-22,151	-60,058
Income from received loans	81,398,077	52,256,410
Compensation of received and granted loans	-79,483,964	-33,281,263
Dividends and other payments from profit	-929,446	-1,433,505
Net cash flow from financing	962,517	17,481,584
Net cash flow	771,642	81,977
Net exchange differences	-627,069	
Cash on 1 January	163,424	81,447
Final balance of cash and cash equivalents on 31 December	307,997	163,424

CAPITAL FLOW STATEMENT ETOL, D. D.

					In EUR
	Share capital	Reserves	Withheld profit	Surplus from revaluation	Total capital
The balance on 31 December 2007	6,375,038	16,121,959	10,802,904	5,246,423	38,546,323
Effects from revaluation of financial investments distributed for sales				-8,272,466	-8,272,466
Entry of net operating profit or loss for the period			2,098,476		2,098,476
Total income and expenses in business year recognised directly in capital	0	0	2,098,476	-8,272,466	-6,173,990
Dividends paid to shareholders			-998,107		-998,107
Transfer of profit retained to reserves		1,666,119	-1,666,119		0
Balance on 31 December 2008	6,375,038	17,788,078	10,237,154	-3,026,043	31,374,227

ETOL d.d.					In EUR
	Share capital	Reserves	Withheld profit	Surplus from revaluation	Total capital
The balance on 31 December 2006	6,375,038	16,121,959	9,296,989	65,960	31,859,946
Effects from revaluation of financial investments distributed for ETOL, d. d., sales				5,180,463	5,180,463
Entry of net operating profit or loss of ETOL, d. d., for the period			2,939,422		2,939,422
Total income recognised directly in capital			2,939,422	5,180,463	8,119,884
Dividends paid to shareholders			-1,433,507		-1,433,507
Balance on 31 December 2007	6,375,038	16,121,959	10,802,903	5,246,423	38,546,323

NOTES TO THE FINANCIAL STATEMENTS OF THE ETOL GROUP AND ETOL, D. D., for the period ended on 31 December 2008

1. Data on the ETOL Group and ETOL, D. D.

The financial statements of the ETOL Group and ETOL d.d. for the year that ended on 31 December 2008 were approved at the session of the Management Board of ETOL d.d. held on 1 April 2009. ETOL, d. d., is a public limited company established in the Republic of Slovenia. The Company's shares are listed on the Ljubljana Stock Exchange.

The business activities of the ETOL Group are as follows:

- syrup products, including various fruit preparations, bases, syrups, emulsions, liquid aromas for flavouring beverages, casings for tobacco products, and dry fruit extracts;
- aromas, including household aromas, essential oils, synthetic dyes, seasoning concentrates, various extracts, powdered flavours and tobacco flavours;
- powdered products, including powdered fruit, juices, aromas, spices and natural dyes;
- fruit concentrates, distillates and distillation of flavourings (juniper oil, citrus oil and spirits extracts).

In 2008, the ETOL Group had 269 employees. The composition of the Group is presented in the table below:

Subsidiary	Country	% of capital	% of votes
ETOL Ukrajina d.o.o.	Ukraine	100%	100%
ETOL Polska d.o.o.	Poland	100%	100%
ETOL Slovaška d.o.o.	Slovakia	99.12%	99.12%
ETOL uvoz -izvoz d.o.o.e.l.	Macedonia	100%	100%
FLAVOURS d.o.o.e.l.	Macedonia	100%	100%
ETOL JVE d.o.o.	Serbia and Montenegro	100%	100%
ETOL Kazahstan d.o.o.	Kazakhstan	100%	100%
ETOL RUS	Russia	100%	100%

The company Diamond d.d. in which we have a 24.37% stake, has not been included into the consolidation due to the inobservance of management influence.

At the General Meeting of Shareholders on 15 June 2006, ETOL, d. d., adopted the decision to prepare the financial statements according to the International Financial Reporting Standards (IFRS), which were adopted by the European Union in 2006 and will be implemented over the next five years.

2. Summary of significant accounting policies

The accounting policies are described in more detail in the final annual report.

3. Segment reporting

Geographical segments

The business segment has been defined as a primary reporting segment by the Group. The Group estimates risks and outputs from different production programmes are similar, therefore only a single operating segment which is not shown hereinafter is present in financial statements for the purpose of identification. Geographical segment shall be the secondary segment which is shown hereinafter.

The following table identifies incomes, assets, and investments as distributed throughout business or geographical segments.

In EUR

For the year ending on 31 December 2008	<i>EU and CEFTA countries</i>	<i>South-Eastern European Countries (the territory of the former Yugoslavia</i>	<i>Eastern European Countries including the Asian part of the former Soviet Union</i>	<i>Remainder of the world</i>	<i>2008 Total</i>
Income					
Customer sales	15,403,703	20,739,236	11,057,409	338,009	47,538,357
Sale of merchandise	6,182,511	1,457,927	192,173		7,832,611
Sales between segments	-2,555,535	-6,701,074	-2,475,052		-11,731,661
Total income	19,030,679	15,496,088	8,774,530	338,009	43,639,307
Other information by segments					
Operating receivables	4,739,798	5,126,983	1,637,046	89,155	11,592,982
Assets by segments	61,850,647	869,578	99,965	-12,214	62,807,977
Tangible fixed assets	17,326,322	505,079	627,958	8,012	18,467,371
Intangible fixed assets	1,932,999	2,808	118,777		2,054,585

In EUR

For the year ending on 31 December 2007	<i>EU and CEFTA countries</i>	<i>South-Eastern European Countries (the territory of the former Yugoslavia)</i>	<i>Eastern European Countries including the Asian part of the former Soviet Union</i>	<i>Remainder of the world</i>	<i>2007 Total</i>
Income					
Customer sales	16,372,747	17,326,653	9,565,670	1,097,571	44,362,641
Sale of merchandise	2,271,767	42,066	114,018		2,427,850
Sales between segments	-2,421,440	-4,784,714	-2,995,101	-428,631	-10,629,886
Total income	16,223,074	12,584,005	6,684,586	668,940	36,160,605
Other information by segments					
Operating receivables	4,394,746	2,777,627	2,534,785	342,364	10,049,522
Assets by segments	69,583,533	2,748,633	2,407,897	169,324	74,909,387
Tangible fixed assets	17,903,743	494,174	805,220	11,763	19,214,900
Intangible fixed assets	2,078,527	0	0	474	2,079,001

AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the owners of ETOL d.d.

Financial Statement Report

We have revised enclosed financial statements of ETOL d.d., which include the common balance sheet as at 31 December 2008, income statement, statement on capital movement, and cash flow statement for the then finished year, and the summary of essential accounting policies and other explanatory notes.

Liability of the management towards financial statements

The management is liable for the elaboration and fair presentation of such common financial statements in accordance with the International Financial Reporting Standards as adopted by the EU and requirements of the Companies Act which refer to the elaboration of financial statements. Such liabilities include: establishment, operations, and maintenance of internal control connected to elaboration and fair presentation of common financial statements which do not include false statements or errors, the selection and application of appropriate accounting policies, and the elaboration of accounting estimates, defined in given circumstances.

Auditor's liability

We are liable to express our opinion on these common financial statements based on audit. The audit was performed in accordance with the International Auditing Standards. These standards require us to fulfil ethical requirements, and to plan and execute the audit in order to obtain an acceptable assurance that such common financial statements contain no false statements.

The audit includes execution of procedures for obtaining audit evidence on amounts and disclosures in financial statements. The selected procedures depend on the auditor's judgements and include assessment of risk of false statements in common financial statements due to fraud or error. In assessment of such risk, the auditor examines internal control, connected to elaboration and fair presentation of the common financial statements in order to define appropriate procedures in the situation, and not to express his or her opinion on the efficiency of internal company control. The audit also includes assessment of appropriateness of employed accounting policies and the soundness of accounting estimates of the management, as well as the assessment of the complete common financial statement presentation.

We believe the obtained audit evidence represent a sufficient and appropriate basis for an audit opinion.

Opinion

In our opinion, the common financial statements are, in every significant scope, a fair presentation of the financial situation of ETOL Group as at 31 December 2008, and of income statement and capital movement for the then finished year in accordance with the International Financial Reporting Standards, as adopted by the EU, and the requirements of the Companies Act which refer to the elaboration of financial statements.

Report on remaining legislation requirements

The management is also responsible for the elaboration of a business report in accordance with the requirements of the Companies Act. We are responsible for the business report conformity assessment with audited common financial statements. Our procedures in connection with the business report are performed in accordance with the International Auditing Standard 720 and limited to the business report conformity assessment with audited common financial statements; our procedures do not include the revision of other information which derive from non-audited financial statements.

In our opinion, the business report is in conformity with the audited common financial statements.

Ljubljana, 17 April 2009

Janez Uranič

Director

Ernst & Young, d.o.o.

Dunajska 111, Ljubljana

Mateja Repušič

Authorised Auditor