

marquard & bahls ag

exploration _ 2004



group figures

	20 04 Mio. €	20 04 Mio. US\$	20 03 Mio. €	20 02 Mio. €
marquard & bahls				
_ Consolidated revenues (<i>petroleum tax deducted</i>)	5,667	7,729	4,320	3,992
_ Cash flow	93	127	99	94
_ Income before income taxes	40.3	55.0	46.7	61.3
_ Net income	18.6	25.4	22.6	33.4
_ Fixed and financial assets (<i>book value</i>)	651	888	623	593
_ Equity	253	345	267	317
_ Employees	1,910		1,771	1,464
mabanaft				
_ External sales (<i>in million t</i>)	15		14	13
oiltanking				
_ Tank capacity (<i>in million cbm</i>)	10.9		10.1	9.7
_ Throughput (<i>in million t</i>)	102.7		94.9	92.4

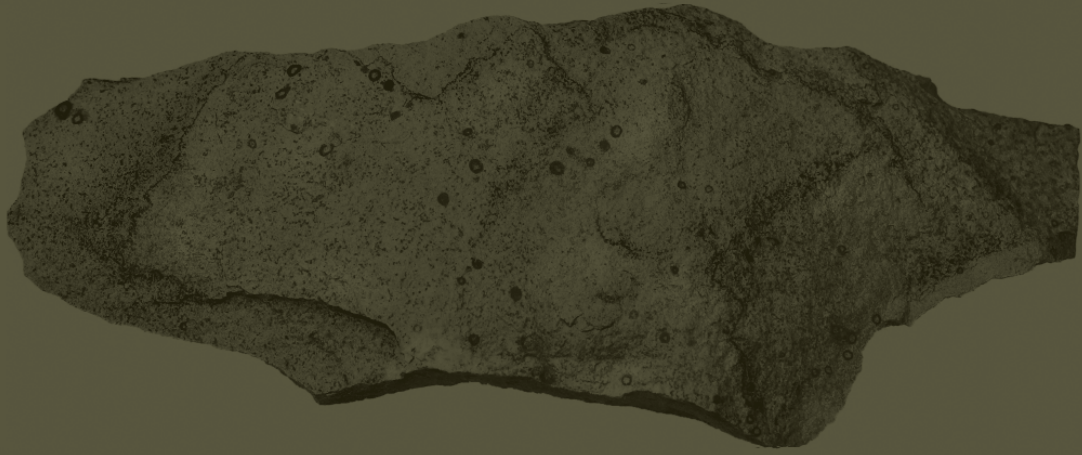
lio

living with oil

oil – the “black gold”. it is one of the most important raw materials of modern society: without it today’s life would be unthinkable. after processing, the refined products gasoline, kerosine, heating oil or lubricants are used as fuel for almost all means of transportation or for producing electricity. the chemical industry uses petroleum as feedstock for producing plastics, other chemical products or even pharmaceuticals.

having in mind this colorful variety and the historical importance of oil, we would like to guide you on a journey from historical times until today under the heading “living with oil”.

reservoir rock _ e.g. sandstone



drilling
depth

1000 m

oil field 07/158 _ 256

0 m

- 1000 m

- 2000 m

salt deposit

reservoir trap _
layer of clay

gas

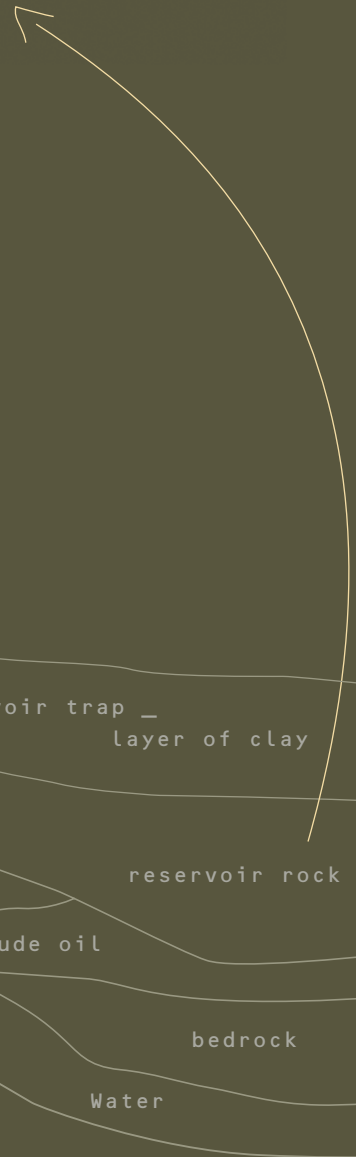
reservoir rock

crude oil

bedrock

Water

↑
formation of crude oil



oil

living with oil

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marquard & bahls ag independent, sound, individual

For almost 60 years, Marquard & Bahls companies have bought, sold, stored and transported a variety of oil and chemical products. During that time, we have seen constant changes and developments in product use, field of application, specification, price and demand. We continually have adjusted and quickly responded to local market requirements, including changes in product and customer demand.

As a private, joint-stock company, we have enjoyed our shareholders' commitment to stable, long-term growth. This, combined with a sound financial base, has enabled us to avoid the short-term, opportunistic decision making that so often characterizes public companies. Our flat and decentralized organizational structure promotes quick and flexible decision making, as well as a clear customer focus.

We remain committed to oil trading, storage and related services; as an organization, we continue to walk our own independent, sound and individual path of sustainable growth. As a company that trades and handles petroleum products and other sensitive liquids, we are well aware of our responsibilities. A conscientious health, safety, security and environmental policy is, therefore, the center of our daily operations. It justifiably receives our highest priority.

connections
bitumen



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epoch-making event: edwin i. drake discovered oil in august 1859.



Foreword

bitumen, gasoline, middle distillates, lubricants, chemicals and plastics: in this, our 2004 annual report, we invite you to join us on a journey through the history of oil and its influence on our lives over the centuries.

Today, the world of petroleum and its derivatives is very complex; products made from oil serve our daily needs in astonishingly diverse and sometimes colorful ways. The use of oil has evolved, along with our society, as new inventions were developed, innovative technologies became available, and our awareness of its economic, political and ecological relevance has sharpened.

In 2004, record-high oil prices, combined with extreme price volatility, increasingly caught the public eye. The anxiety of the markets reflected the upward pressure caused by rapidly rising oil demand, particularly in Asia and North America, as well as political unrest and supply uncertainties in a number of major exporting countries.

Our oil-trading companies reacted to these market uncertainties with prudent supply and risk management. They achieved a largely satisfactory result.

Marquard & Bahls is committed to controlled

and sustainable growth. We endeavor to take full advantage of the tremendous potential offered by our highly motivated staff and our financial leeway. However, we are cautious not to overstretch these limited and precious resources. All of our subsidiaries have enjoyed a significant expansion of their business in recent years. As a group, we have entered a phase of selective portfolio investments and a stronger focus on creating sustainable profitability and improved performance in our new ventures.

By no means do we intend to shift our focus away from the markets and our customers. The efficiency and flexibility of our organization produce the momentum to respond effectively to market challenges, to profit from opportunities, and to limit the impact of adverse developments. We regard this as our greatest strength.

Quality specifications of fuels are changing rapidly. These changes in quality requirements for motor fuels and heating oils are aimed at improving our common environment. Mabanft appreciates the introduction of these new specifications as a business opportunity.

u.s.a, in the middle of the 19th century _ in the age of industrialization, crude oil is used primarily as a lubricant. in 1854, it is discovered that the crude oil seeping from the forest floor at oil creek in pennsylvania can be used to produce an excellent lamp oil. edwin l. drake decides to drill specifically for crude oil at oil creek, employing a process that had been used to obtain salt. in 1859, at a depth of just 21.2 meters, drake discovers the first major source of oil. a true oil boom begins.



Biomass receives wide public support as an alternative energy resource. We recognize the strategic importance of this development, and its opportunities have been addressed by several companies in our group.

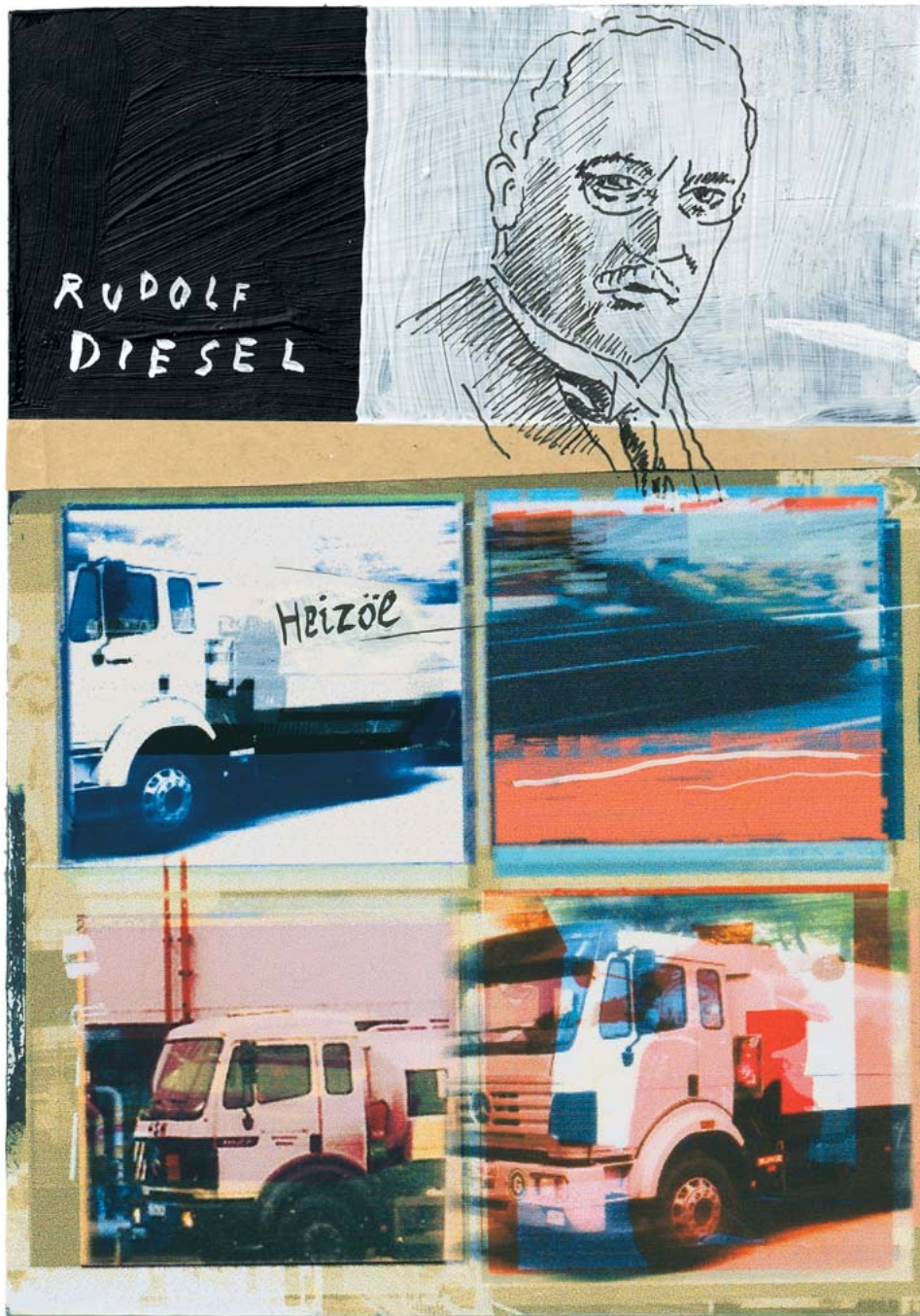
- During 2004, our trading subsidiary, Mabanaft, began blending biogenous components into diesel fuel and gasoline.
- Several Oiltanking storage facilities installed sophisticated equipment to ensure quality when executing these blends.
- GMA, our subsidiary for quality management and petroleum analysis, has received widespread market recognition for its expertise in quality control and its technical support for biogenous fuel blending.
- Our renewable-energy trading subsidiary, GEE, is progressing toward its goal of becoming one of the leading distributors and traders of wood pellets. It also is investing in a biomass heating and power plant.

With all of the public excitement over biogenous fuels, it is nevertheless important to remain focused on where and which biogenous fuels are economically and environmentally sensible. The inevitable future leaps in technology, added to the fact that many production methods are economical only when heavily subsidized, make us cautious about their long-term sustainability. Hence, we are highly selective before investing into this sector.

Wim Lokhorst
(Chief Executive Officer)

Dr. Claus-Georg Nette
(Chief Financial Officer)

Hamburg, May 2005
The Executive Board of Marquard & Bahls AG



an idea changes the world _ rudolf diesel develops the engine named after him between 1893 and 1897. the first functional model is built in 1897 at man ag in augsburg, germany. mass production of the first automotive diesel engine does not occur until 1936, when it is installed in the mercedes-benz 260-d.



some 900 billion barrels (1 barrel=159 liters) of crude oil are produced throughout the history of mankind. current daily consumption worldwide is about 80 million barrels.



u.s.a. _ 1913, the automobile becomes mass-produced. by 1929, there are already 29 million automobiles in the u.s.a. and 143,000 drive-in service stations.

ohio, u.s.a. _ in 1862, the entrepreneur john d. rockefeller enters the booming oil-refinery business. in 1868, his firm, rockefeller, andrews & flagler, owns one of the largest refineries in the world. 1870 he establishes the standard oil company, gradually expanding worldwide.

houston _ in 1974 oiltanking begins building its first tank terminal overseas. the subsidiary company of marquard & bahls has become the second-largest independent operator, with 71 tank terminals in 19 countries.

argentina _ 2002 oiltanking completes a 168-km pipeline from puerto rosales to campana, in argentina.

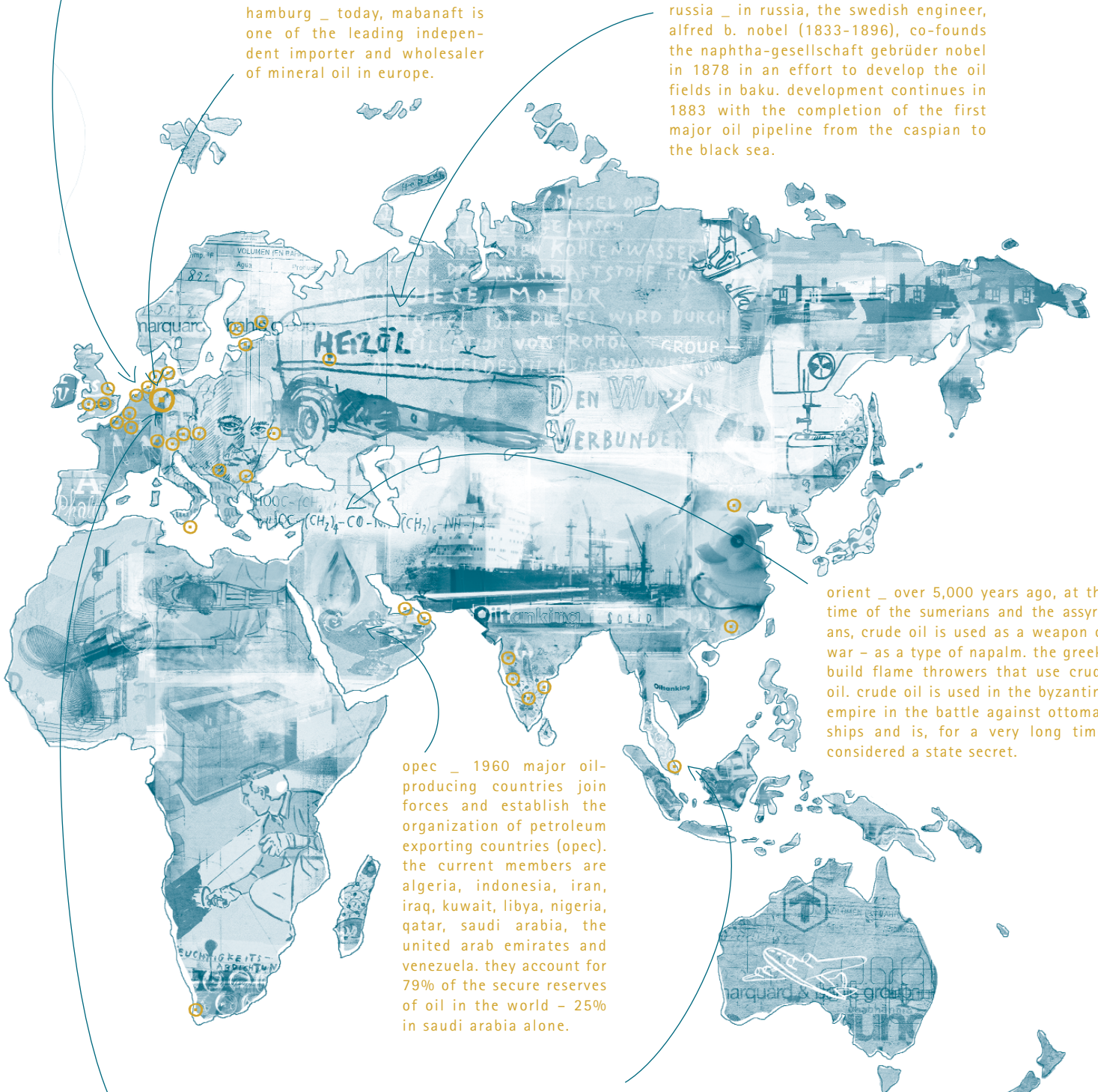
early use _ crude oil is used for centuries for sealing (caulking) boats, for impregnating fabrics, as a fuel for flares and later on even as a curative agent.

marquard & bahls group locations

rotterdam _ with the active involvement of mabanaft, the so-called rotterdam spot market is established in the 1960s. the company is considerably involved in providing the required goods liquidity for this market.

hamburg _ today, mabanaft is one of the leading independent importer and wholesaler of mineral oil in europe.

russia _ in russia, the swedish engineer, alfred b. nobel (1833-1896), co-founds the naphtha-gesellschaft gebrüder nobel in 1878 in an effort to develop the oil fields in baku. development continues in 1883 with the completion of the first major oil pipeline from the caspian to the black sea.



orient _ over 5,000 years ago, at the time of the sumerians and the assyrians, crude oil is used as a weapon of war – as a type of napalm. the greeks build flame throwers that use crude oil. crude oil is used in the byzantine empire in the battle against ottoman ships and is, for a very long time, considered a state secret.

opec _ 1960 major oil-producing countries join forces and establish the organization of petroleum exporting countries (opec). the current members are algeria, indonesia, iran, iraq, kuwait, libya, nigeria, qatar, saudi arabia, the united arab emirates and venezuela. they account for 79% of the secure reserves of oil in the world – 25% in saudi arabia alone.

germany _ the first well is sunk in 1859 in wietze, near celle. by 1910, wietze is home to around 2,000 derricks and accounts for 80 percent of german crude-oil production. a museum now bears witness to that time. www.erdoelmuseum.de

singapore _ in 1989, oiltanking begins building its first asian tank terminal today, the tank terminal offers a capacity of almost 1 million cbm. the oiltanking group maintains a worldwide storage capacity of approx. 11 million cbm.



The state of the corporation

also in 2004, the riskmix of oil trading and tank terminals proved successful for marquard & bahls. internationally, our company was able to expand its business further, while in europe we adjusted parts of our trading organization to market requirements.

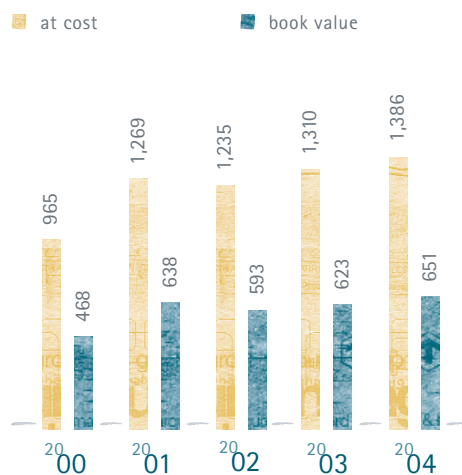
Our 2004 pre-tax profits of € 40.3 million remained short of the 2003 results. The main reasons leading to these results were a strong performance of our storage division, weaker trading results, a weak U.S. dollar, and German accounting principles.

- The valuation of product inventory and forward contracts in a very volatile market led as per Dec. 31, 2004 to substantial unrealized profits and losses. While under German accounting principles, the unrealized profits must be ignored, the unrealized losses must be fully included in the results. As of 2005 we will switch our group accounting to the IFRS standard, and from thereon we will be able to include the unrealized profits in our financial statements.

When we include these effects, our 2004 results were close to the profitability target set by our shareholders.

- The lower pre-tax results were caused mainly by the weaker performance of some of our newer trading ventures. To improve future trading results, the organization was made more transparent and brought in line with supply structures. Mabanaft Switzerland, Austria and Hungary are now reporting to Mabanaft Germany. Likewise, Mabanaft International is now reporting to Mabanaft B.V. in Rotterdam, in order to eliminate duplicated trading activities.
- We streamlined the contracting business, reduced costs and reorganized its sales department. We are confident that the changes will have a positive effect.
- Our storage division performed strongly. Its long-term asset character and well-balanced customer portfolio makes this business a stable contributor to our results and an important hedge to the much more volatile trading business.
- As in 2003, the falling U.S. and Singapore dollars once more affected our financial statements in two ways. First, although at a fully satisfactory level, Oiltanking's results, expressed in euros, did not fully reflect the underlying progress in local performance and profitability. Second, substantial tangible and financial assets are denominated in non-euro local currencies; therefore, when expressing these in euro, this reduces the equity on the group's balance sheet. As is common in industry practice we continue not to hedge this part of our exchange-rate risk because we regard these investments on a long-term basis.

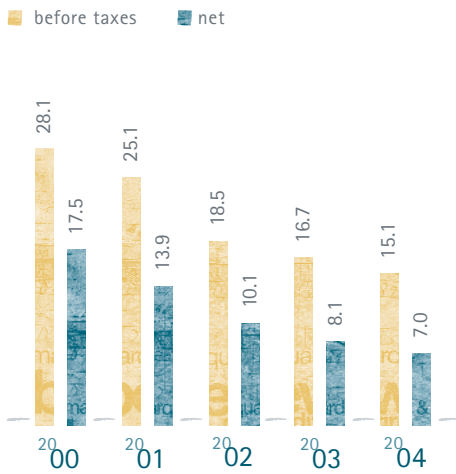
FIXED AND FINANCIAL ASSETS
(in million €) 2000-2004





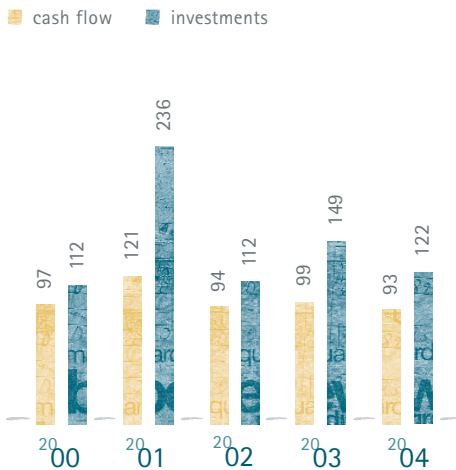
RETURN ON EQUITY (in percent)

2000-2004



CASHFLOW AND INVESTMENTS (in million €)

2000-2004



→ At the same time, the total assets of the group's balance sheet grew significantly due to sharply higher oil prices. This effect, originating from our trading activities, coupled with the before-mentioned exchange-rate implication on the group's equity, led to a reduced ratio of equity to balance-sheet total. This picture does not fully represent the group's good financial results, and the fact that in 2004, only a modest dividend was paid to the shareholders.

Within the risk-mix of oil trading and terminal assets, we apply our core competencies to the excitingly diverse and wide range of opportunities that the petroleum market offers.

→ Mabanft took a strategically important and successful step by applying its know-how as a leading European heating-oil wholesaler to its new activities on the U.S. East Coast. Its presence on both sides of the Atlantic Ocean also has created profitable opportunities for international cargo trading.

→ Oiltanking continued the successful expansion of its logistical expertise from oil to chemical storage by acquiring a storage terminal in Texas City. With two new operations in Dubai and Oman, it also succeeded in entering the strategically important Middle East.

- Our still-young aviation-fueling business has gained momentum as well. From its two anchor operations in Munich and Miami, Skytanking has continued its promising international expansion program in Europe and the United States.
- Our retail companies have achieved their growth targets in both sales volume and market share. The service-station chain OIL! enjoys growing brand recognition and customer loyalty. Through our consumer business, we have expanded our role as a distributor of lubricants.





prospects for 2005:

All of our subsidiaries have enjoyed an impressive geographic expansion of their business during the last several years. From a group perspective, we are entering a phase of selective consolidation. In our trading division, we are focused on sustainable profitability and stronger performance in our new ventures.

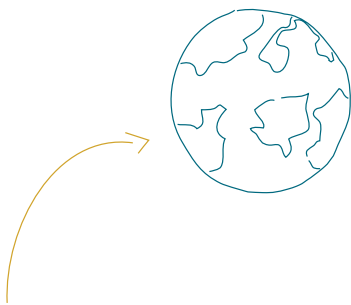
In the retail business, both our service stations and our heating-oil retailing have achieved their goals to secure part of Mabanaft's import and wholesale volumes as a captive outlet. Further growth of this business will be based solely on economics.

Oiltanking will continue its proven expansion policy of controlled growth. Our results for 2005 will be influenced by larger new-construction projects, which will not begin to realize their full revenue potential before late 2005 and 2006.

In the aviation-fueling business, Skytanking will continue its global expansion strategy, adding more airport locations in 2005. The substantial reorganization and efficiency programs implemented by the contracting business have further accelerated Proenergy's ability to meet the performance targets we set when we acquired this business.

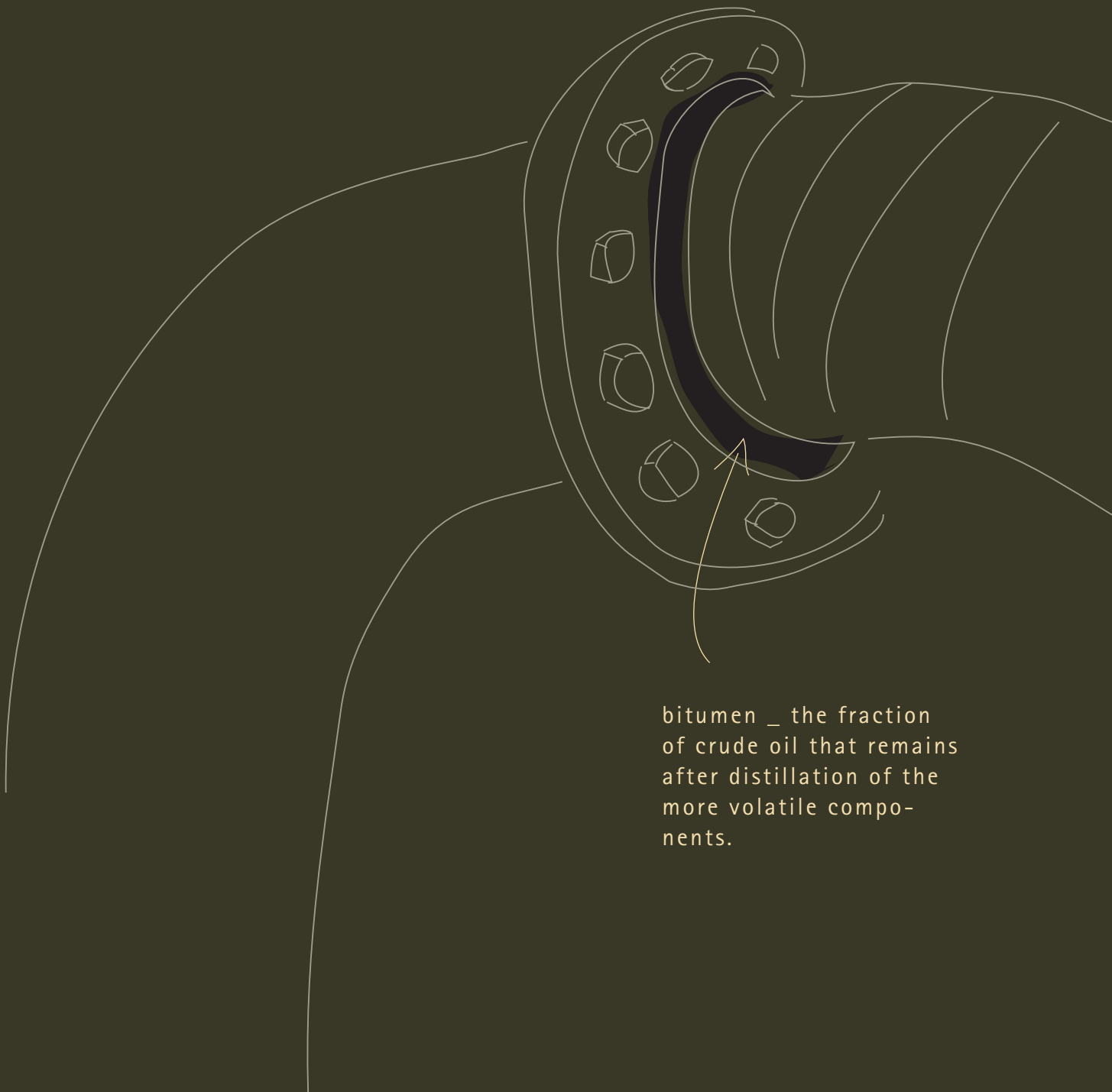
The good progress we made in gradually modernizing parts of our IT systems will continue during 2005. In the trading division, starting in 2005 and completing it by year-end 2006, we will introduce new operational and risk-management software. In 2005, we will fully implement IFRS reporting in our group.

Through all of these efforts, we are well positioned to meet future challenges.



the most important product for world trade _ today, crude oil is the most important source of energy, as well as the most important raw material for the organic-chemical industry. many of today's product groups would be unthinkable without crude oil as a raw material.

bitumen



bitumen _ the fraction of crude oil that remains after distillation of the more volatile components.

highway construction _ sealing

today

lighting _ caulking of ships _
highway construction

middle ages

assyria _ processional way made
of bitumen and bricks

700 bce

ancient egypt _ mummification

1500 bce

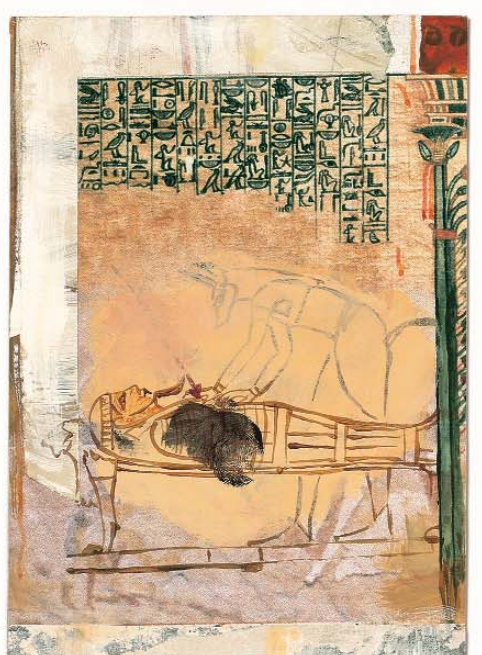
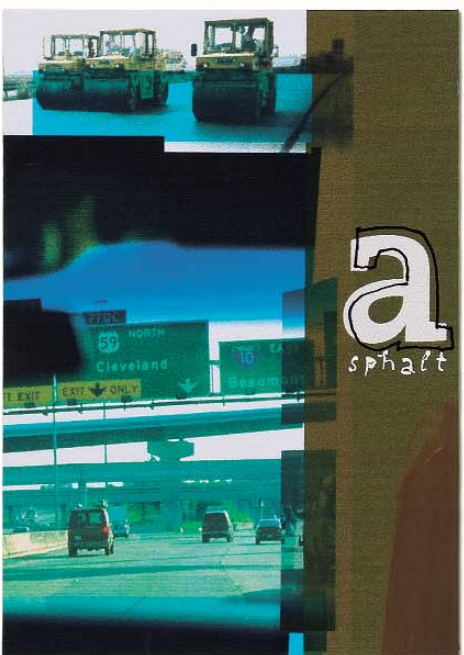
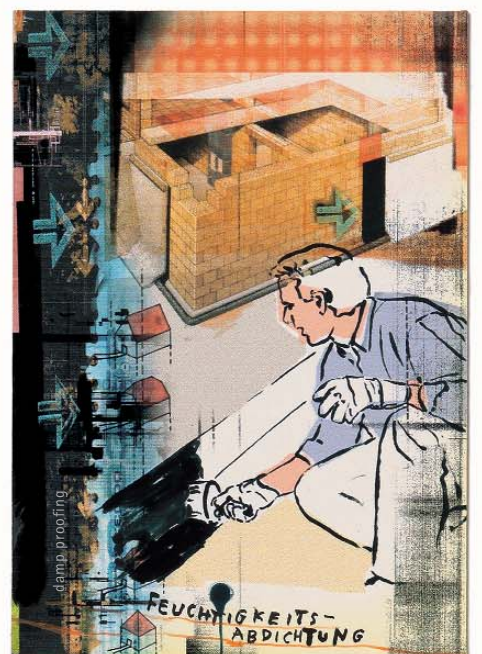
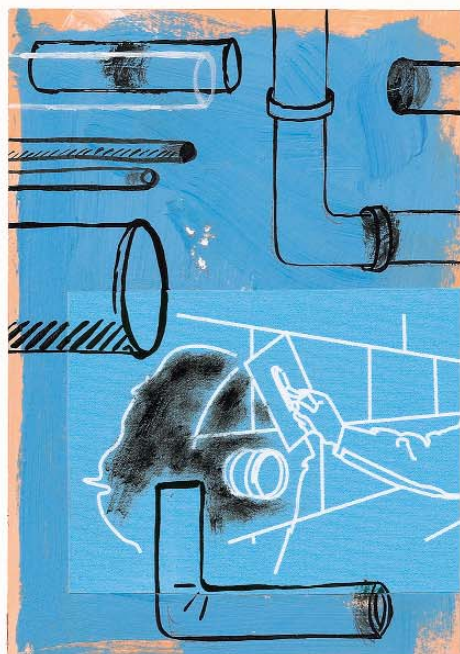
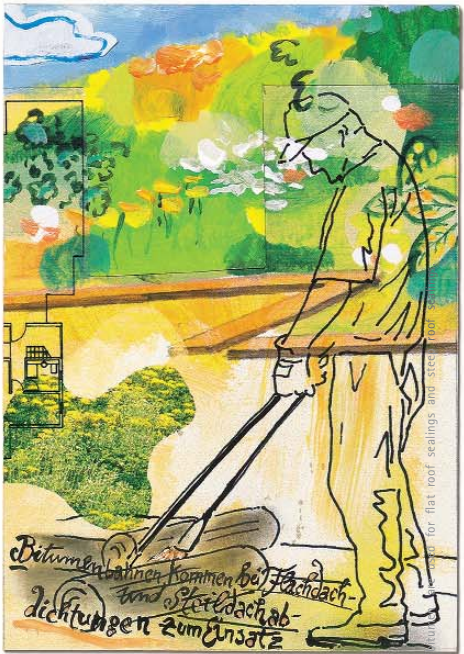
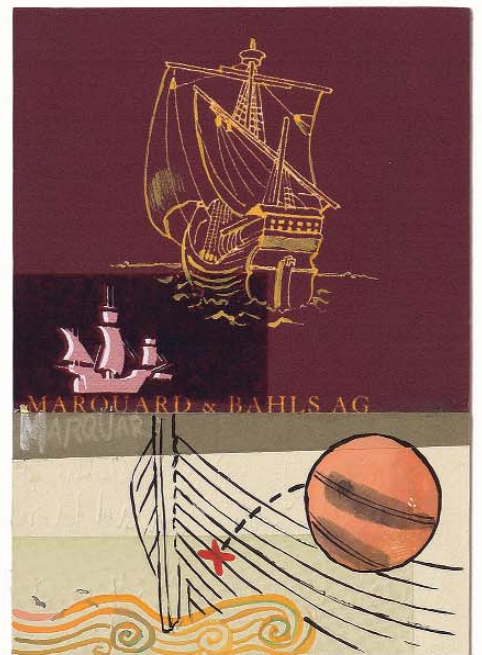
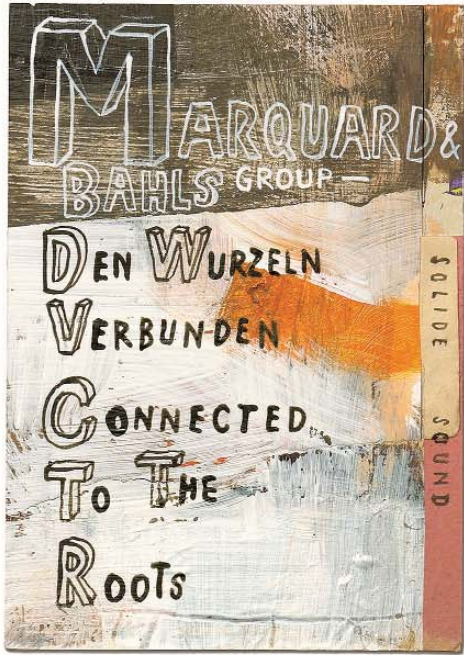
rio la brea _ one of the
most renowned asphalt lakes.
located near los angeles, u.s.a.
spectacular fossils are found
there: saber-toothed tigers,
mammoths and cave bears.

asphalt lakes - where crude oil
escapes unhindered to the surface
of the earth. the volatile compo-
nents evaporate, leaving behind
viscous asphalt.



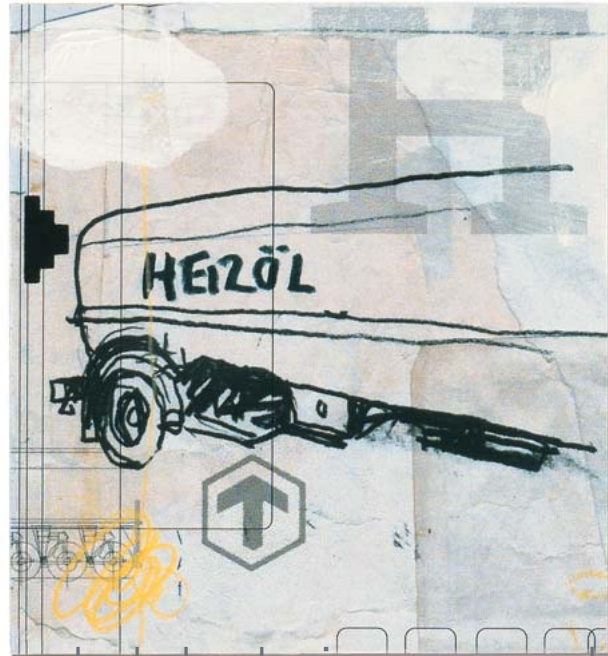
mesopotamia _ sealing material
for vessels, boats and walls

6000 bce





bitumen is intensely black



heating oil

Mabanaft

as a leading independent importer and wholesaler in Europe, Mabanaft, Marquard & Bahls' trading division, provides essential market liquidity. Internationally, Mabanaft has earned a good reputation across borders as a cargo trader and bunkering contractor as well.

Physical oil trading with a strong asset base is the backbone of our trading division, Mabanaft.

Through sound performance, a truly individual

mind-set and dedicated customer focus, Mabanaft has steadily developed its position as the largest independent importer and wholesaler in northwestern Europe. In this role, the company guarantees supply security, market liquidity and a competitive environment in our home markets.

Mabanaft's operations encompass cargo and barge trading, import and wholesale. The retail distribution is effected by service stations, heating-oil retailing, bunker services and energy contracting. This structure allows our trading units to benefit from each other without losing their flexibility to adjust quickly to changing market conditions.

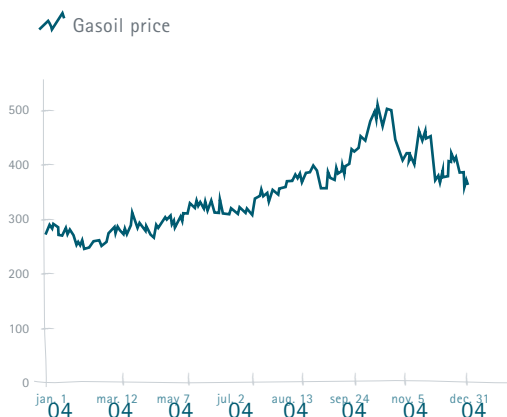
In 2004, Mabanaft focused on adjusting its organization to meet market requirements.

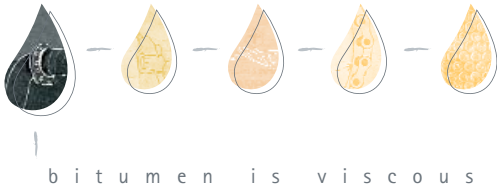
- Aiming at increasing transparency and consistent market behavior, the Mabanaft companies in Austria and Switzerland were brought in line with the German organizational split into trading, service stations and heating-oil retailing. These individual functions now report to the corresponding Portfolio Managers at headquarters.
- For a more systematic approach to the cargo and barge market, the risk and trading strategies of Mabanaft International and Mabanaft Rotterdam are now centrally coordinated.
- The new trading organization began operating in the U.S. state of Connecticut at midyear. Its integration into the Mabanaft family was very successful, producing the first in-house transatlantic trades.

In last year's Annual Report, we emphasized the influence of the Iraq crisis on price volatility, as well as on generally rising oil prices. We expected the situation to calm down in 2004.

However, stronger demand from China, India and other Asian markets, combined with political unrest in several parts of the world, triggered a growing anxiety in the oil market. Consequently, worldwide crude-oil stocks remained very low, while OPEC's free production capacity dropped to less than one million barrels per day. As a result, market participants faced an unexpected effect: Both, absolute price levels and price volatility exceeded those of 2003. The price of Brent crude oil rose, for example, from nearly US\$ 30 per barrel at the beginning of 2004 to more than US\$ 50 per barrel in November, only to fall back to US\$ 40 by year-end.

PLATT'S PRICES GASOIL 0.2% BARGES FOB ARA (in US\$/ton) 2004





Demand for petroleum products rose along with that for crude oil. At the beginning of the year, gasoline prices in Europe were US\$ 300 per ton, rising to US\$ 470 per ton during times of high U.S. demand in mid-July, and declining again to US\$ 370 by year-end. Prices for gasoil and other middle distillates were very volatile and quite high. Gasoil was traded at more than US\$ 500 per ton in mid-October, and diesel at a premium of up to US\$ 65 above that level – prices that, a few years ago, would have been associated with chemical products rather than oil.

These extreme price swings were accelerated by the increased activities of capital rich hedge funds that discovered oil futures as an attractive platform for their speculative business. Mabanft reacted to these sharp price movements with prudent risk and consistent supply management.

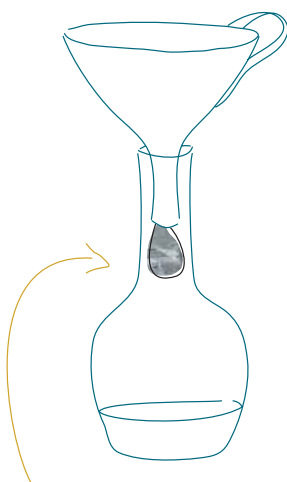
cargo and barge trading → mabanft b.v., the netherlands

As were previous years, 2004 was very successful for the Rotterdam office and saw further important business growth. Based on diesel trade, as well as a steadily growing share of the gasoline market, its total trade volumes increased by 30 percent, producing higher results than in 2003. In a continuing effort to create a transparent, responsive trading presence, beginning in 2005, the trading strategies of Mabanft International and Mabanft B.V. will be centrally coordinated.

cargo and barge trading → mabanft international gmbh & co. kg, germany

In keeping with its international growth strategy, Mabanft International built on its historically strong trading links with Russian oil suppliers and increased its supplies to southern Europe and Turkey.

- 1938 (dec): 1st drop fell
- 1947 (feb): 2nd drop fell
- 1954 (apr): 3rd drop fell
- 1962 (may): 4th drop fell
- 1970 (aug): 5th drop fell
- 1979 (apr): 6th drop fell
- 1988 (jul): 7th drop fell
- 2000 (nov): 8th drop fell



pitch-drop experiment _ to find out whether or not pitch is a fluid, thomas parnell (1881–1948) starts this experiment in 1927 at the university of queensland, australia. since then, one drop of pitch has fallen into a beaker every 7 to 12 years, making it the longest experiment of all time. it continues today. www.physics.uq.edu.au/pitchdrop/pd.h

Last summer, Mabanaft opened a representative office in Singapore. In addition, the new Mabanaft office in America allowed for successful trading across the Atlantic. As a group, Mabanaft expects to benefit increasingly from the synergies of its growing international presence.

wholesale

→ mabanaft deutschland gmbh & co. kg, germany

Germany remains the largest and most important market for Mabanaft. The dense network of distribution outlets, with its wide geographic coverage, was once again the platform for reliable supply to Mabanaft's customers – and the engine for satisfactory results.

High prices for heating oil, which is the core product in Mabanaft's portfolio, led to cautious consumer demand and lower trade volumes. During the summer, prices rose further when low water levels on German rivers challenged efficient supply and pushed barge-freight rates higher. The expected increase in demand toward the end of the year did not fully materialize due to relatively warm temperatures and decreasing overall heating-oil consumption, compared with 2003.

A positive development was the introduction of 50-ppm, low-sulfur heating oil. This will further support the use of condensing-boiler technology and will position heating oil as an even more attractive alternative to gas. In 2005, Mabanaft will continue to support the wider use of this environmentally friendly heating oil.

In 2004, Mabanaft launched its first products with biogenous content. Using stringent quality control, it successfully added biodiesel to diesel. In 2005, Mabanaft will intensify its blending of bioethanol components into gasoline.



bitumen is odour intensive

wholesale

→ **mabanaft austria gmbh & co. kg, austria**

The Austrian market continued to be dominated by a few major players. The still-new Mabanaft operation is building up its vital supply and outlet systems. Our Austrian business is divided into three areas, wholesale, service stations and heating-oil retailing. The business also should benefit from synergies that arise from Mabanaft's strong presence in Germany.

wholesale

→ **mabanaft schweiz ag, switzerland**

Like in Austria, Mabanaft's Swiss business has been restructured and is now divided into three main areas: wholesale, service stations and heating-oil retailing. With this new structure, which has proven itself in other markets, Mabanaft Switzerland expects to increase its flexibility and profitability in each segment. The Managing Directors of these three functional units are reporting to the respective Portfolio Managers at headquarters.

wholesale

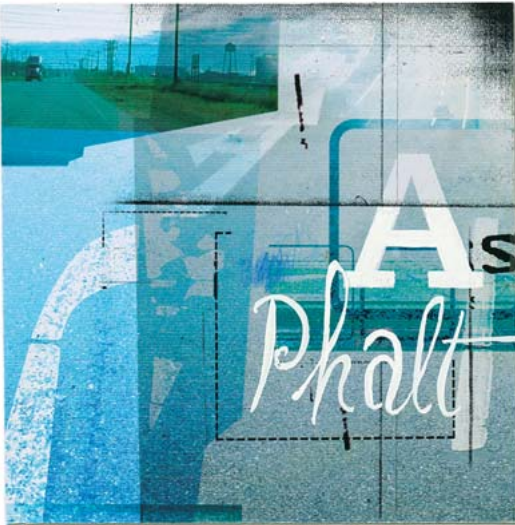
→ **mabanaft hungary kft., hungary**

Mabanaft's Hungarian business grew substantially, quadrupling its customer base and more than doubling its trade volumes. In 2005, we expect further growth. After fine-tuning its supply base, Mabanaft Hungary is now positioned to operate profitably. As Mabanaft's recognition in Hungary grows, it plans further expansion through investment in the service-station business.

wholesale

→ **tirex-petrol s.a., moldova**

In Moldova, both the service-station business and the wholesale business grew in 2004, producing even stronger results than in 2003. We confidently look to the future of Mabanaft's Moldovan business. During 2004, the company completed a major refurbishment of its service stations and began modernizing its tank-storage terminals.



wholesale

→ mabanaft limited, great britain

In the United Kingdom, Mabanaft Ltd. saw a year of stable sales volumes. As in Germany, Mabanaft took full advantage of its good geographic reach, cementing its role as a reliable supplier in a competitive market and further expanding and diversifying its portfolio.

wholesale

→ mabanaft inc., u.s.a.

In April 2004, the new office in Connecticut began its operations on the U.S. East Coast. Within a very short time, the new, but well-experienced team secured reliable supply and distribution outlets, as well as access to the Colonial Pipeline that connects the U.S. Gulf of Mexico with the East Coast. Innovative approaches, such as inventory financing for clients, helped to rapidly expand the client base, which consists of distributors, industrial clients and service stations. The quick integration into the Mabanaft group went well and soon produced the first transatlantic trade with Mabanaft B.V. and Mabanaft International.

In 2005, Mabanaft Inc. will continue to expand its customer base, product portfolio and geographic presence in New England and New York. With an expected increase in trading activities between Mabanaft Inc. and its European sisters, the U.S. operation seems destined to become another cornerstone in the group's international trading activities.



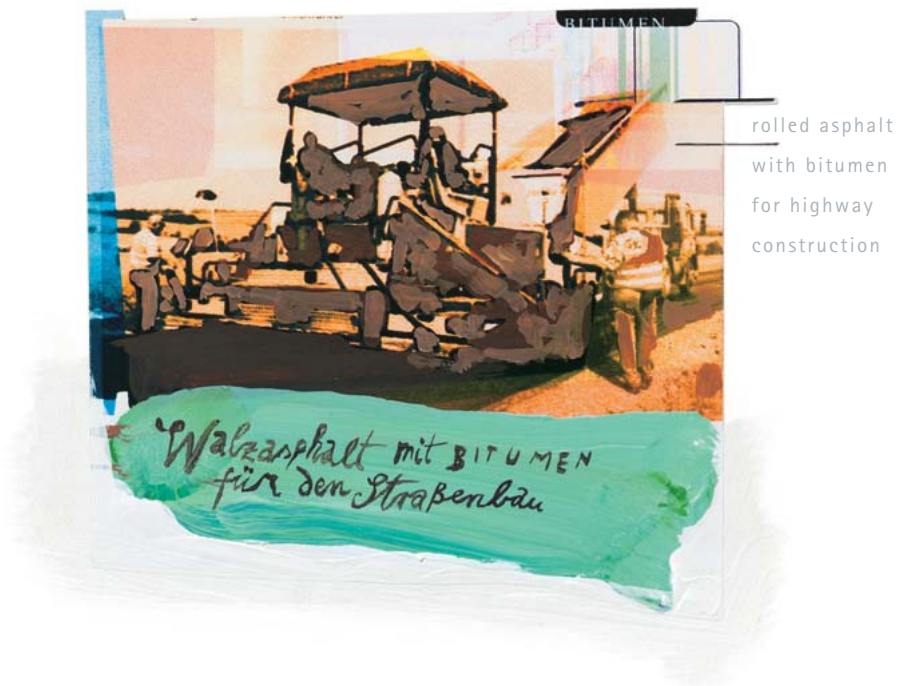
bitumen is loadable

retail business

After having achieved its targeted scale of operation, Mabanaft shifted its priority to consolidation rather than further growth. Mabanaft is active in four main market segments: the heating-oil and lubricants retail business, as well as the pool service-station business, under the subsidiary Petronord; the service-station network, OIL!; the bunkering business on the U.S. Gulf Coast and in Guatemala through Matrix Marine Fuels; and the energy-contracting group, Proenergy. In Germany, sales volumes of the service stations and heating-oil retailers, which are operated at arm's length, satisfied our goal of accounting for a reliable outlet for Mabanaft's trade volumes.

heating-oil retailing → germany

Just as in the wholesale activities of the group, the retail business faced low demand from its customers, who were reluctant to purchase heating oil at prevailing high prices. By year-end, volumes stored in private households had fallen to historic lows.



Contrary to government statements, we are convinced that the introduction of the toll system on German motorways eventually will lead to higher retail prices for end users.

The sale of industrial lubricants in Germany made a positive contribution to the business. Mabanaft's management believes that this business offers promising future opportunities.

heating-oil retailing → austria

Like its German sister companies, Manfred Mayer Mineralöl (MMM) saw cautious customer demand in a difficult business environment and, unfortunately, was unable to repeat last year's results. In 2005, the lubricant business will be expanded significantly.

heating-oil retailing → switzerland

In Switzerland, the retail business was restructured to stand on its own. This new orientation, which was completed at the end of 2004, will form the base of future expansion in the Swiss retail business.

heating-oil retailing → great britain

In the United Kingdom, B.W.O.C. achieved good results in its 2004 retail business. We continued our midterm strategy, which proved its merit through expanding trade volumes. The next step will be a focused regional expansion of B.W.O.C.'s business model within the United Kingdom.



bitumen is highly adhesive

→ service stations

In 2004, Mabanaft focused on further developing the OIL! brand. With a growing service-station network in Germany, Austria and Switzerland, we are confident that OIL! will win increasing customer recognition. As OIL! considers further growth, it will give priority to the quality of new locations, rather than volume growth.

service stations

→ oil! tankstellen gmbh, germany

In Mabanaft's German service-station business, margins improved slightly over 2003. The frequency of price changes per day by the major market players increased all year and, combined with the absolute price level, triggered misunderstanding and emotional reactions from the public.

Continuing positive customer response to the OIL! brand brought even higher sales in 2004. Customer-loyalty programs by the major oil companies influenced the German service-station market. However, OIL! increased its brand recognition by launching its own customer-loyalty program, supported by focused marketing and promotional activities.

service stations

→ oil tankstellen gmbh, austria

In Austria, response to the new OIL brand was similarly positive, and sales volumes were satisfactory. In 2004, OIL acquired 14 service stations.

service stations

→ oil! tankstellen ag, switzerland

In Switzerland, Mabanaft completely restructured its service-station portfolio: 17 service stations received the new OIL! branding. With the new organization in place, Mabanaft expects to operate a flexible and efficient network throughout the country.

bunkering

→ matrix marine fuels l.p., u.s.a.

Matrix Marine Fuels' focus on premium service was recognized by its satisfied customers and led – once again – to a successful year in 2004. The company expanded its services in Guatemala and, in 2005, Matrix Marine Fuels plans to expand to other countries in the Gulf of Mexico.



biodiesel _ in 2004, mabanaft is one of the first companies to add biocomponents to diesel fuel.



bitumen is impact resistant

→ contracting

The contracting division provides heating services to residential and commercial real-estate customers. During 2004, Proenergy expanded this model to a larger target group. At the same time, it systematically introduced the new name, Proenergy, in all countries.

contracting → germany

In Germany, 2004 marked Proenergy's implementation of the significant restructuring measures that were decided upon in 2003. Though acquisition of new contracts remained below expectations, customer focus and efficiency were improved, particularly in the sales organization. In 2005, these measures are expected to deliver positive results.

contracting → austria

In Austria, the different companies were merged into one company and renamed to Proenergy Contracting GmbH.

contracting → hungary

In Hungary, Proenergy has a significant shareholding in Cothec Energetikai Üzemeltető Kft. Here, business is developing according to plan and the company has established itself as one of the five leading contracting companies in the country.



recycling _ blending recycled polymers with bitumen improves the characteristics of road surfaces, preventing deformation during hot weather and breakage during cold weather.

gasoline

gasoline _ collective term for raw gasoline (naphtha), automotive gasoline, special and test gasoline, as well as aviation fuel for light aircrafts.



oiltanking amsterdam _ becomes an important tank terminal for gasoline blending in europe

2002

service-stations _ marquard & bahls decides to become involved in the service-station business on a large scale

1992

henry ford _ introduces the production line; the model t becomes the first mass-produced product

1913

henry ford _ introduces the model t to the market

1908

carl benz _ builds, simultaneously with gottlieb daimler and wilhelm maybach, the first motorcar fueled by gasoline

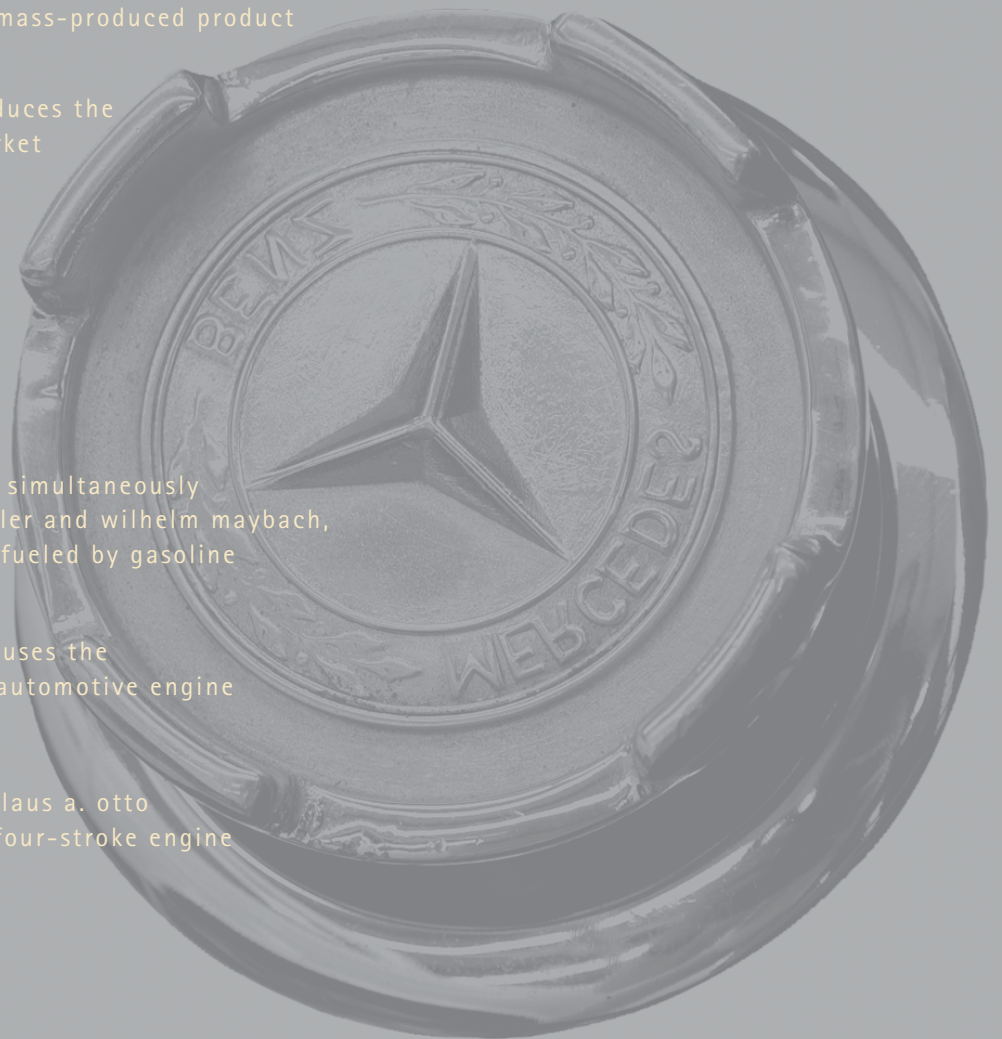
1886

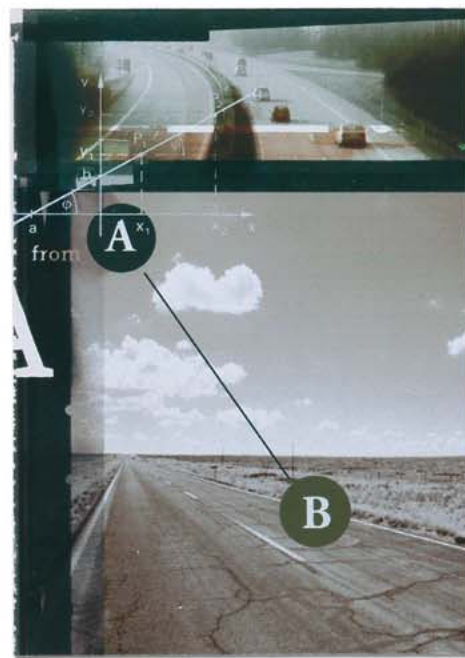
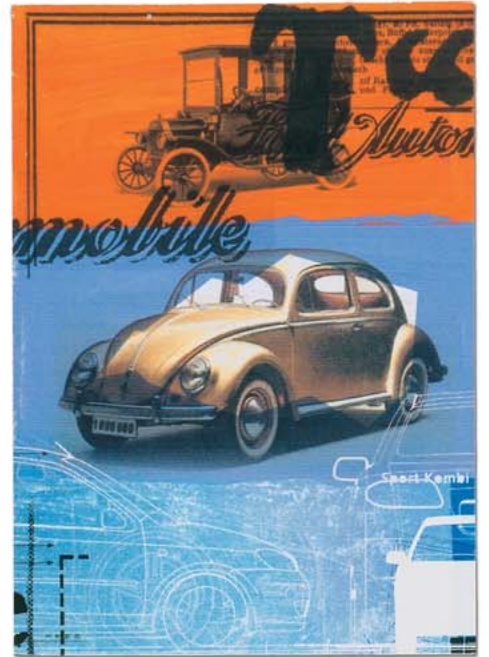
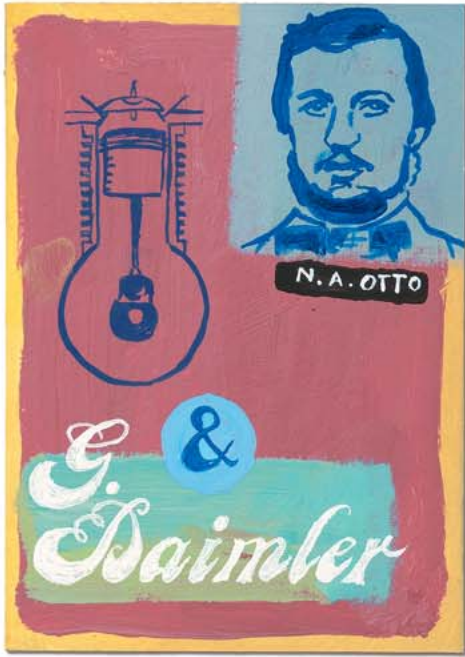
gottlieb daimler _ uses the otto engine as an automotive engine

1883

otto-engine _ nicolaus a. otto presents the first four-stroke engine

1876







g a s o l i n e i s l i g h t y e l l o w



Oiltanking

Oiltanking, Marquardt & Bahls' bulk storage division, owns and operates 71 independent terminals for oil, chemicals and gases. Outstanding customer service has established Oiltanking as the partner of choice in 19 countries.

In 2004, our tank-terminal division, Oiltanking, continued to strengthen its market position as a leading independent operator in the storage and handling of petroleum products, liquid chemicals and gases.

Oiltanking is known for its strong customer focus, high-quality service and effective business development. To maintain this standard also in future, several senior staff members rotated positions during the year.

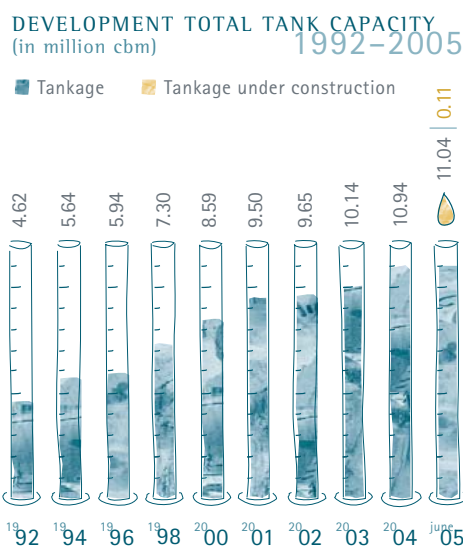
The business-development efforts of the last several years have produced good results. With two new companies, Oiltanking established a solid presence in the Middle East.

- In Oman, a joint venture with Norwegian chemical-tanker operator and terminal group, Odfjell ASA, initially will operate the jetty facilities in the new industrial port of Sohar. Oiltanking has secured land for the construction of a storage terminal to serve neighboring production facilities that are slated for construction in the near future.
- In Dubai, Oiltanking acquired a share of the Star Energy Terminal. The tank terminal has a capacity of 621,000 cubic meters and is located in the Jebel Ali Free Zone in Dubai, U.A.E. The new company operates under the name Star Energy Oiltanking.

Both operations provide a strong foothold for further Oiltanking developments in this strategically important region.

- In southern China, Oiltanking Daya Bay was founded and, throughout the year, made progress in securing storage and service agreements with planned production facilities in the area. Furthermore, Oiltanking pursued other business opportunities throughout China.
- In Texas City, Oiltanking purchased a chemical terminal and renamed it Oiltanking Texas City. This acquisition is a welcome addition to our chemical-terminal network. Oiltanking is now a player in the world's three main chemical hubs: the U.S. Gulf Coast, Singapore and ARA.
- Throughout the year, Oiltanking made progress in developing its presence in other strategic regions. All Oiltanking companies closely followed market opportunities in their respective parts of the world.

A healthy level of customer activity led to good financial results. Both chemical and petroleum terminals, worldwide, performed at or above expectations.





europa

→ oiltanking deutschland gmbh & co. kg, germany

Oiltanking Germany concluded or renewed several long-term contracts with both major oil companies and the German strategic-reserve agency, EBV, in various locations. It made substantial investments to increase the flexibility of its terminals and to meet increasing demand for segregated handling of different fuel grades. It purchased a neighboring terminal in Hamm under an outsourcing program from a major oil company. Although its total throughput fell short of forecasts, the overall financial results produced by Oiltanking Germany met expectations.

europa

→ oiltanking amsterdam b.v., netherlands

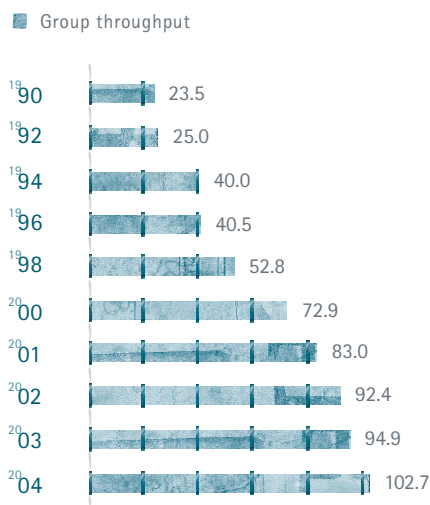
Here, total capacity was fully rented throughout 2004, with record throughputs producing the highest revenues ever. The current contract portfolio guarantees full utilization through 2006, with a number of contracts extending beyond that date. Market pressure for more capacity is strong, and Oiltanking is considering additional construction.

europa

→ oiltanking antwerp n.v., belgium

Early in the year, Oiltanking Antwerp put into operation 11,000 cubic meters of new chemical-gas storage. Its petroleum-storage capacity was fully committed. Although the chemical spot business was rather slow during the first half of the year, spot rates improved later. With the exception of some stainless-steel tanks, the terminal was fully booked. Investments in approximately 60,000 cubic meters of chemical capacity and a new finger pier were approved.

DEVELOPMENT GROUP THROUGHPUT
(in million tons) 1990-2004



europe

→ oiltanking ghent n.v., belgium

Due to changes in its contract portfolio, Oiltanking Ghent fell short of its 2004 sales budget. The jet-fuel pool, allowing delivery and offtake to airports with access to the NATO pipeline system, continued to perform strongly, with one new customer joining the pool. Capacity expansions in the NATO pipeline system will allow for future volume increases.

europe

→ oiltanking terneuzen b.v., netherlands

Construction of the new, state-of-the-art chemical terminal continued on schedule. Despite rising steel prices and scope changes, the project remained within budget and is still on target for start-up in mid-2005. Current discussions about the addition of production facilities in the area may offer new opportunities to expand the terminal capacity.

europe

→ oiltanking france s.a., france

In February 2004, Oiltanking sold its 51,000-cubic-meter terminal in France to a local investor.

europe

→ oiltanking malta ltd., malta

Early in 2004, full terminal capacity was back in service after extensive maintenance, and was filled through term contracts. By the end of the year, additional tank capacity was transferred to fuel oil, demonstrating Oiltanking Malta's growing role as a main trading hub for Mediterranean fuel oil. To meet the demands of higher vessel traffic, the terminal began construction of a fourth berth fit for 50,000 dwt vessels. Malta's entry into the EU in May 2004 opens exciting business prospects for Oiltanking.



g a s o l i n e i s v o l a t i l e

o i l t a n k i n g - p i p e l i n e s 1,000 m i l e s

europa

→ oiltanking copenhagen a/s, denmark

Terminal usage remained high throughout 2004, despite continuing backwardation, and produced better results than budgeted. Long-term contracts for supplying jet fuel to Copenhagen Airport and diesel to Danish Rail performed well.

europa

→ oiltanking tallinn as, estonia

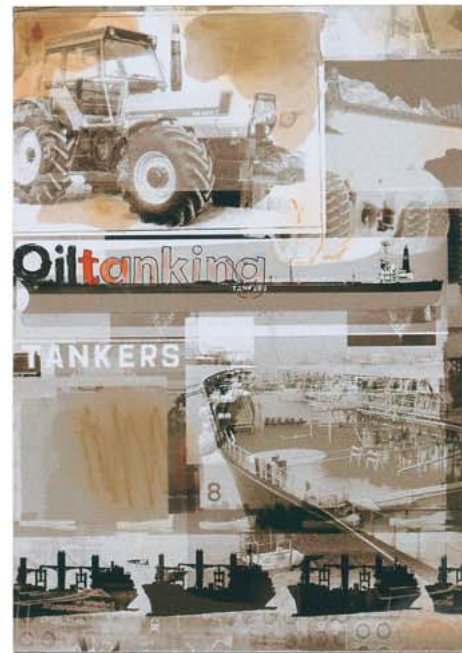
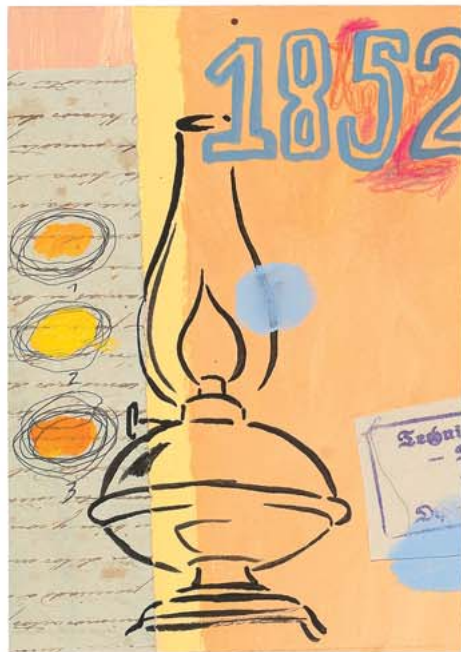
After several record years, Tallinn's transit throughput declined due to competition from new capacity in the region and from the discriminatory rail-tariff policy of Russia, which favors Russian harbors over those in Baltic states. Fierce price competition and the weakening of the U.S. dollar further dampened results. Oiltanking responded with structural changes in its customer portfolio and intensified marketing that focuses on higher-revenue niche business.

europa

→ oiltanking sonmarin oy, finland

The Finnish terminal experienced healthy demand for chemical storage. The company succeeded in expanding its role as a distribution outlet to the Finnish and Scandinavian markets, both for chemicals and for oil products.

biofuels _ the addition of small amounts of ethanol obtained from wheat, rye, sugar beet or wood to gasoline creates biofuels. an eu directive targets a minimum rate of 2 percent for biofuels by the end of 2005.





m i d d l e d i s t i l l a t e s c a n l i g h t u p

europa

→ oiltanking hungary kft., hungary

In Budapest, the new 17,000-cubic-meter terminal did not live up to expectations. In 2004, Oiltanking Hungary negotiated both long-term contracts and higher fees with existing and new customers, which will improve future results.

europa

→ oiltanking bulgaria ad., bulgaria

In 2004, the Bulgarian terminal recorded its highest throughput ever and delivered good results once again. During the year, the jetty infrastructure was extended, now allowing two vessels to load simultaneously.

north america

→ oiltanking houston l.p., u.s.a.

In Houston, Oiltanking handled record throughputs as the demand for storage remained strong throughout the year. Resulting revenues were higher than expected. Oiltanking added a major customer to its feedstock portfolio and, anticipating further dredging of the Houston Ship Channel, deepened the draft at two jetties to 45 feet.



north america

→ oiltanking beaumont partners l.p., u.s.a.

Business and results in Beaumont were satisfactory, and the terminal continued to establish itself in the region as a VGO hub.

north america

→ oiltanking texas city l.p., u.s.a.

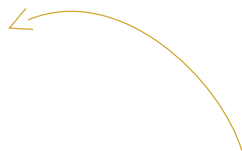
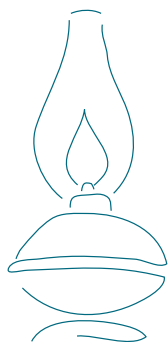
The newly acquired chemical terminal was renamed Oiltanking Texas City and smoothly integrated into the Oiltanking group. New, third-party business was added almost immediately, complementing the existing portfolio. This lively customer interest confirmed the excellent potential of this new location.

south america

Latin America enjoyed a strong year. A combination of new revenues and stringent cost control produced good results at each location. People in several key managerial positions were rotated and replaced successfully. Continued efforts in business development paid off: During 2004, Oiltanking began operating the Camisea Marine Berth in Peru and concluded new contracts for the storage and dispatch of crude condensate in Bolivia.

The Venezuelan operations continued to perform well, and Oiltanking is investigating opportunities for additional pipeline links.

Business in Argentina once again was successful with new interesting prospects being pursued.



petroleum _ the canadian physician and geologist, abraham gessner, obtains a patent in 1852 for the manufacture of a relatively clean-burning, inexpensive lamp fuel from crude oil: petroleum. by 1859, 34 companies in the u.s.a. alone produce petroleum, generating sales of US\$ 5 million.



m i d d l e d i s t i l l a t e s p r o p e l

asia and middle east

→ indian oiltanking ltd., india

The Navghar Terminal near Mumbai increased its usage and posted its best results ever. The ZIOT Terminal at Goa was commissioned successfully in March 2004 and met profit expectations. The LPG bulk terminal in Chennai also was finished and began operation.

Indian Oiltanking greatly expanded its engi-

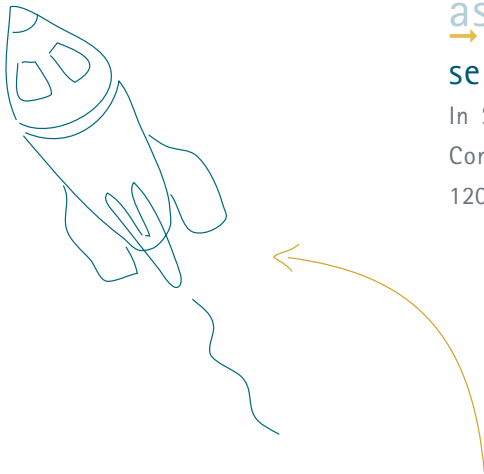
neering and construction portfolio in 2004. Today, the company can execute the whole range of possible projects in the oil and chemical industries. The company acquired a majority stake in Stewarts & Lloyds Limited, a publicly traded company in the business of design, fabrication, supply and erection of industrial piping systems. S&L achieved significantly higher turnover and profitability during the year.

Altogether, Indian Oiltanking executed a number of larger projects, including many in existing refineries, and constructed more than 1,000 service stations for different customers during 2004.

asia and middle east

→ oiltanking singapore ltd. and oiltanking seraya pte. ltd., singapore

In Singapore, increased volumes produced satisfactory results. Construction began on a new jetty for vessels as large as 120,000 dwt; it will be commissioned in September 2005.



apollo 11 _ kerosene is still being used for the first successful flight to the moon in 1969. the three-stage saturn v rocket of the apollo program consumes 13,608 kg of fuel per second. although the first stage, with its five f-1 engines, requires liquid oxygen and kerosene, the other stages, like present-day systems, use a mixture of liquid oxygen and hydrogen.

This project was well received by Oiltanking's customers, as it will further increase the terminal's ability to handle vessels efficiently and at lower demurrage costs. Oiltanking is considering additional expansion projects this year. Its joint venture, Oiltanking Seraya, performed well again in 2004.

asia and middle east
→ oiltanking od fjell terminal singapore pte. ltd., singapore

The chemical terminal operated in a strong spot market during 2004 and continued to be acknowledged as the first-class choice for chemical storage in the region.

asia and middle east
→ oiltanking daya bay co., ltd. and daya bay public pipe rack corridor co., ltd., china

During 2004, discussions continued with various local investors regarding services at the planned terminal in China. Incorporation of a company to operate the common pipe-rack system was completed, and construction began on the first section of a pipe rack for utility lines to neighboring plants.

asia and middle east
→ star energy oiltanking ltd., dubai

The state-of-the-art terminal joined the Oiltanking network in the second half of 2004 and is conveniently located at Jebel Ali Freeport, centred on the world's largest man-made harbor. The 621,000 cubic meters terminal caters for a whole range of petroleum products, such as jet fuel and gasoline. Its strategic location and dedicated deepwater berths make it an ideal hub for bulk-breaking, transshipment and redistribution to the Middle East, the Indian Subcontinent and East Africa.



m i d d l e d i s t i l l a t e s g e n e r a t e h e a t



Skytanking

our subsidiary skytanking is engaged in all aspects of aviation fueling. it is mainly specialized in into-plane fueling and financing, construction and operation of storage and hydrant systems. skytanking's customers include airlines, airports and oil companies.

In 2004, Skytanking USA successfully started operations in Philadelphia, winning contracts with several leading airlines. It also further expanded its existing business in Miami. The outlook for 2005 is promising, with five new customers and the commencement of operations at additional airports.

In Ostend, Merlin Fuel benefited from the airport's growing cargo business. An increase in U.S. cargo planes flying to the Middle East, combined with the fact that an additional cargo airline moved its hub to Ostend, produced record volumes for Skytanking's Belgian subsidiary.

Aviation-fuel consumption at the fast-growing airport in Munich significantly increased in 2004 and delivered better-than-expected results to Skytanking.

foundation _ marquard & bahls begins trading
in heating oil and lubricants

1947

consumption of lubricants _ doubles in germany

1885-1912

the age of technical progress _ transition
from solid to liquid lubrication

1850-1925

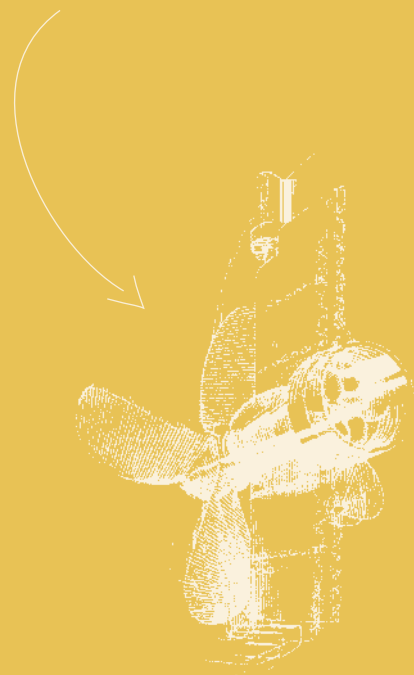
lubricants _ are used to
transmit power, to dissipate
heat, to seal and to prevent
corrosion.

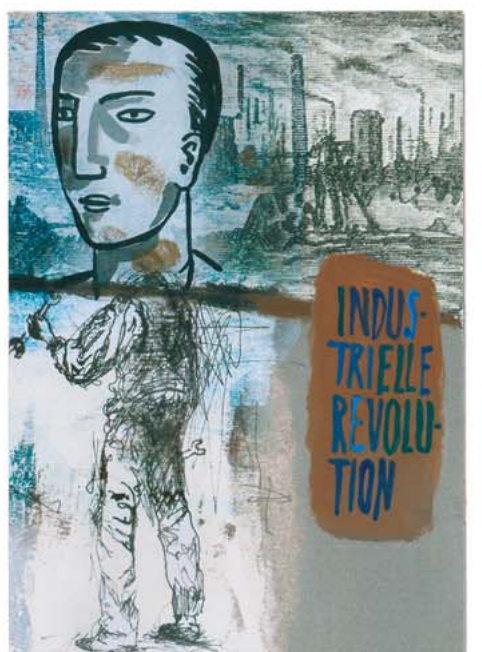
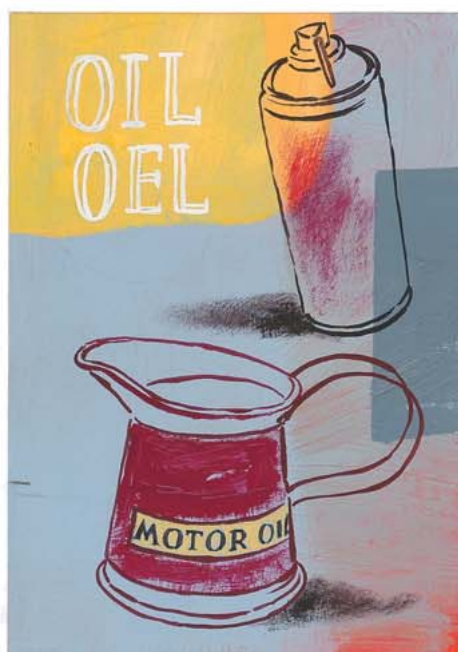
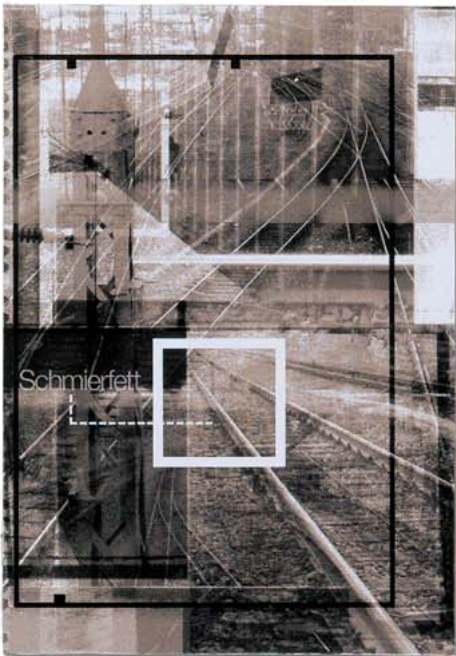
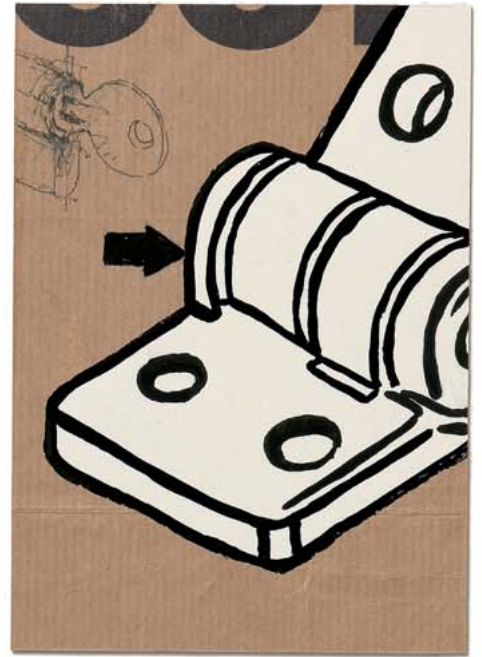
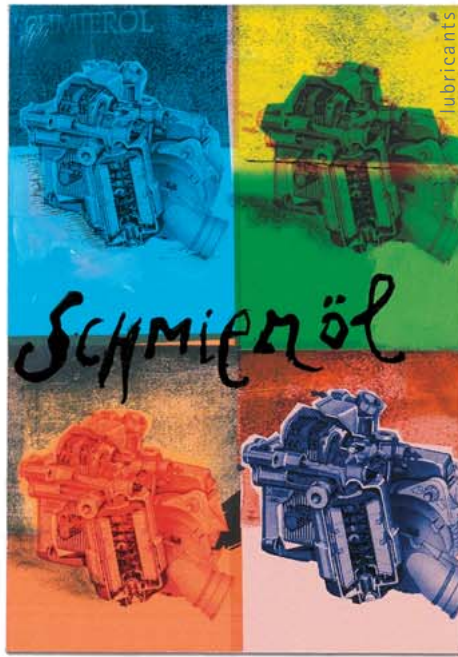
dr. wilhelm lepenau _ the first german
entrepreneur to manufacture lubricants from
american crude oil

1862

benjamin silliman _ the chemist recognizes the
enormous commercial potential of crude oil and
suggests that it is the fuel of the future

1855







l u b r i c a n t s a r e c o l o u r f u l



GEE

renewable energy resources have become an integral and irrevocable part of energy supply. since late 2002, marquard & bahls has been involved in this market through our subsidiary, gee.

Marquard & Bahls closely follows developments in renewable energies through its subsidiary, GEE, which trades and distributes biomass in form of pellets and wood chips.

→ germany

In Ingolstadt, Bavaria, GEE secured a minority interest in the construction and operation of a biomass heating and power plant. Natural wood and wood residues will be used as biofuel. An adjacent wood-logistics center will be constructed to also supply other biomass plants in the region. In addition 20,000 tons of wood pellets will be produced annually. Construction of the heating and power plant commenced in January 2005, and operation is set for early 2006.

In northern Germany, GEE made good progress in becoming a leading supplier of wood pellets under the new brand "Celsico".
GEE became the first trading company that operates without its own production site to be awarded the DIN Plus certification, the highest German quality standard for wood pellets.

→ international business activities

GEE Bioenergy A/S in Denmark was established to handle the international trading of biomass in the heart of the largest bioenergy market in the world: Scandinavia.

High taxes on oil and gas in Scandinavia create a significant cost advantage for biomass heating. In summer 2004, GEE set up a sales and logistics structure with dealers throughout Denmark, as well as two storage centers in Jutland and Zeeland.

In 2005, GEE will build on its earlier success in the market and strengthen its position in Germany, Denmark and Norway.



l u b r i c a n t s m o v e



natGAS

as a shareholder in potsdam-based natgas ag marquard & bahls is engaged in the german gas market.

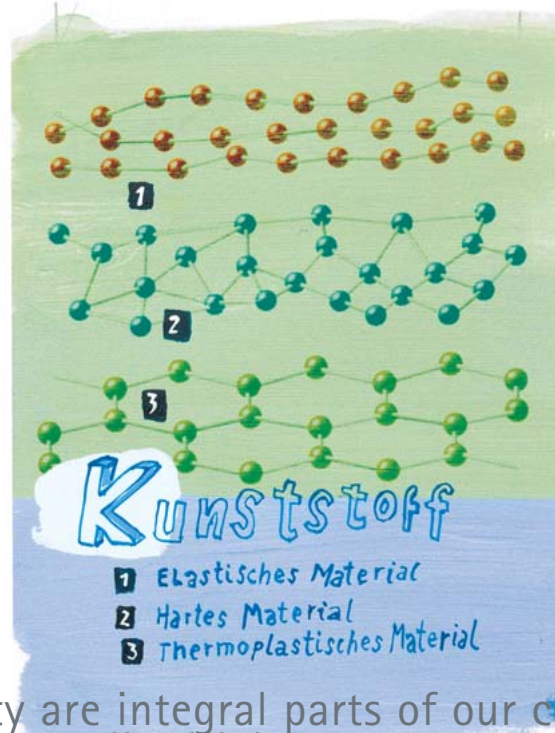
For several years, Marquard & Bahls has held a significant minority share in Potsdam-based natGAS AG. Today, this company is the only significant new participant in the slowly liberalizing German gas market.

In 2004, the trend of recent years continued, with more and more domestic and foreign customers attracted to natGAS. This is a success in itself, as some established competitors fear losing ground as a result of liberalization. As natGAS concludes more and more long-term deals, it is building a solid foundation for future growth.





plastics are vibrant



plastics _ (1) elastic material (2) hard material
(3) thermoplastic material

GMA

quality, accountability and reliability are integral parts of our company philosophy. an independent, fully accredited laboratory as well as an own professional staff for research and quality management guarantee adherence to our principles.

To promote the careful use of natural resources and reduce greenhouse gases, the German government exempted biogenous components in gasoline and diesel from petroleum taxes beginning in 2004.

Marquard & Bahls was one of the first companies

to offer diesel blended with biodiesel in February 2004. This successful start-up was accomplished with the aid of GMA's extensive analytical research and advice on how best to apply this new technology. GMA's ongoing quality checks ensure that our standards remain well above the official DIN standards.

The process of blending gasoline products with bioethanol is more complicated than diesel blending. To do so, GMA conducted extensive tests of mixtures and their stability. Respected for its commanding expertise in this field, GMA has received orders not only from within the group, but also from most of the players in the oil industry who intend to introduce biofuels.





plastics are formable



HSSE

marquard & bahls is committed to performing all business activities in a safe and efficient manner, to preventing accidents, injuries and occupational illness and to protect the environment.

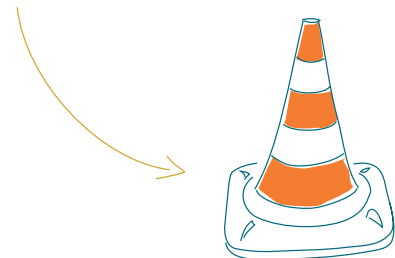
In 2004 we installed a central department for health, safety, security & environment (HSSE) which previously was part of the Oiltanking organization. Based on a new group HSSE policy, the department prepared tailor-made policies for each company and nominated HSSE coordinators as internal and external contacts. The system now allows for an extensive global incident reporting, which is used as a learning platform for the entire organization.

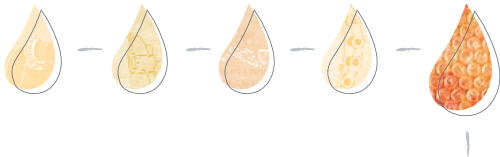
One of the challenges we faced in 2004 was the introduction of the International Ship and Port Facility Security (ISPS) Code issued by the International Maritime Organization (IMO). All affected Oiltanking facilities complied with the code by July 1, 2004, as required. In an coordinated effort, our trained personnel ensured that operations continued to run smoothly.

Many of the Marquard & Bahls companies are involved in the storage and transportation of petroleum products. We are committed to our responsibility for both people and nature. Therefore, our efforts are focused on preventing environmental damage and quickly responding to all emergencies.

As a responsible company, Marquard & Bahls decided to become a shareholder in Oil Spill Response Limited (OSRL) – the world's largest organization for spill response.

plastics _ today's life would not be possible without crude oil, which is contained in more than 90 percent of all products. plastics, in particular, are made from oil: paints, synthetic fibers, televisions, cable sheaths, insulating materials, window frames, carpets, rubber boots, children's toys, detergents, yogurt cups and even in pharmaceuticals. crude oil has become a valuable and essential part of our daily lives.





p l a s t i c s a r e s t a b i l e

report of the supervisory board

During the 2004 fiscal year, the Supervisory Board was informed regularly, by the Executive Board in writing and orally about the state and development of the company, the group companies and its participations. The Supervisory Board discussed all substantial issues with the Executive Board.

The auditing firm Susat & Partner Wirtschaftsprüfungsgesellschaft OHG audited the financial statements, the report on the state of the corporation as well as the consolidated financial statements and the report on the consolidated state of the group, and issued an unqualified opinion without exceptions. The financial statements, the report on the state of the corporation and the auditor's report thereon, as well as the consolidated financial statements, the report on the consolidated state of the group and the auditor's report thereon, were submitted and explained to the Supervisory Board. After having conducted its own review, the Supervisory Board has no objections and approves the results of the audit.

The Supervisory Board also approved the annual report at its meeting on June 15, 2005. It concurs with the Executive Board's recommendation for the distribution of the retained earnings.

Hellmuth Weisser (Chairman)

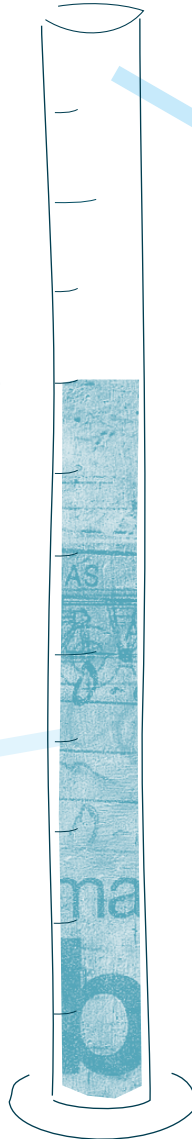
The Supervisory Board, Hamburg, June 16, 2005

revenues

2004



2003



revenues



marquard & bahls ag financial statements



2004	31,97,562,123 Pre-paid expenses 107,55b investments long-term liquidity
2003	AS ma o

50	Marquard & Bahls AG
	→ Balance sheet
	→ Statement of income

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	→ Consolidated balance sheet
	→ Consolidated statement of income
	→ Fixed and financial assets
	→ Notes
	→ Auditor's opinion

72	→ Organigram
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balance sheet marquard & bahls ag

as of december 31, 2004

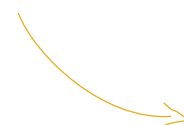
	Dec. 31, 2004	Dec. 31, 2003
ASSETS (T€)		
a. current assets		
I. Cash and equivalents	1,108	10,415
II. Trade receivables and other receivables	31,875	62,132
III. Prepaid expenses	107	55
	<u>33,090</u>	<u>72,602</u>
b. investments and long-term security investments (at net book amount)	183,633	170,435
c. property, plant and equipment, less accumulated depreciation and amortization	13,624	13,479
d. other assets, net of amortization	757	629
	<u>231,104</u>	<u>257,145</u>
Total assets		
LIABILITIES AND STOCKHOLDERS' EQUITY (T€)		
a. current liabilities	8,141	37,904
b. pension reserves	11,496	11,121
c. stockholders' equity		
I. Common stock	75,000	75,000
II. Capital reserve	5,344	5,344
III. Other reserves	25,656	25,656
IV. Retained earnings	105,467	102,120
	<u>211,467</u>	<u>208,120</u>
Total liabilities and stockholders' equity	<u>231,104</u>	<u>257,145</u>

financial statement of income marquard & bahls ag

for the period january 1 – december 31, 2004

(T€)	Dec. 31, 2004	Dec. 31, 2003
Revenues		
a) Net income from financial assets	22,894	38,632
b) Interest income	2,344	3,659
c) Other income	9,734	9,165
	<u>34,972</u>	<u>51,456</u>
Costs and other deductions		
a) Operating, selling, general and administrative expenses	-17,361	-17,377
b) Depreciation	-1,009	-993
c) Interest expense	-2,961	-2,645
d) Taxes, other than income taxes	-79	-86
	<u>-21,410</u>	<u>-21,101</u>
Income before income taxes	13,562	30,355
a) Income taxes	10	-478
Net income for the period	<u>13,572</u>	<u>29,877</u>

barrel _ a barrel of crude oil equals 159 liters





consolidated balance sheet marquard & bahls group

as of december 31, 2004

ASSETS (T€)	notes	Dec. 31, 2004	Dec. 31, 2003
a. current assets			
I. Cash and equivalents		126,962	82,413
II. Receivables	1)	482,264	376,339
III. Inventories	2)	213,697	166,343
IV. Prepaid expenses		9,682	8,885
		<u>832,605</u>	<u>633,980</u>
b. investments and long-term security investments			
c. property, plant and equipment, less accumulated depreciation and amortization			
	3)	594,149	578,949
d. other assets, net of amortization			
	4)	24,228	22,379
Total assets		<u>1,488,149</u>	<u>1,260,822</u>

LIABILITIES AND STOCKHOLDERS' EQUITY (T€)	notes	Dec. 31, 2004	Dec. 31, 2003
a. current liabilities			
b. long-term debt, less current maturities			
c. long-term accruals and deferred liabilities			
d. minority interest in net assets of consolidation subsidiaries			
e. stockholders' equity			
I. Common stock	7)	75,000	75,000
II. Other reserves		7,676	12,027
III. Cumulative transaction adjustment		-19,515	-15,042
IV. Retained earnings		161,293	161,785
V. Consolidation reserves		9,699	12,902
		<u>234,153</u>	<u>246,672</u>
Total liabilities and stockholders' equity		<u>1,488,149</u>	<u>1,260,822</u>

consolidated statement of income marquard & bahls ag group

for the period january 1 – december 31, 2004

(in T€)	notes	Dec. 31, 2004	Dec. 31, 2003
Revenues			
a) Sales and services	9)	5,666,516	4,320,285
b) Interest income	1 0)	6,015	5,471
c) Other income	1 1)	33,261	19,413
		<u>5,705,792</u>	<u>4,345,169</u>
Costs and other expenses			
a) Purchase of oil and products		-5,321,757	-3,986,518
b) Operating, selling, general and administrative expenses	1 2)	-233,195	-213,976
c) Depreciation and amortization		-71,122	-68,203
d) Interest expense	1 4)	-31,490	-21,010
e) Taxes, other than income taxes	1 5)	-5,611	-6,939
f) Share of losses associated companies		-2,317	-1,784
		<u>-5,665,492</u>	<u>-4,298,430</u>
Income before income taxes		40,300	46,739
a) Income taxes		-21,706	-24,142
Net income for the period		18,594	22,597
Retained earnings at beginning of year		146,549	143,455
Minority interests		-3,556	-3,961
Movements on reserves		-294	-306
Retained earnings at end of period		161,293	161,785



development of fixed and financial assets marquard & bahls group

for the period january 1 – december 31, 2004

(T€)	acquisition cost				
	Opening balance Jan. 1, 2004	Change in consolidation	Exchange rate differences	Additions	Disposals
I. Intangible assets					
1. Concessions, trade marks and similar rights	14,702	657	(613)	4,419	(515)
2. Goodwill	13,488	34	(17)	150	(34)
3. Payments on account for intangible assets	598	0	0	70	(1)
Total Intangible assets	28,788	691	(630)	4,639	(550)
II. Tangible assets					
1. Land, land rights and buildings including leasehold buildings	139,628	(457)	(1,059)	8,878	(1,685)
2. Production facilities and machinery	1,006,860	(69)	(27,207)	32,342	(7,689)
3. Office and other equipment	61,689	93	(1,369)	9,402	(4,409)
4. Construction in progress and payments on account	35,592	67	(450)	52,898	(206)
Total Tangible assets	1,243,769	(366)	(30,085)	103,520	(13,989)
III. Financial assets					
1. Investments in subsidiaries	9,503	(1,535)	0	2,974	(32)
2. Investments in associated companies	20,370	0	(515)	13,530	(226)
3. Investments in affiliated companies	126	0	0	0	0
4. Loans to subsidiaries	1,429	0	0	0	(182)
5. Loans to affiliated companies	1,956	0	0	0	(254)
6. Market securities	179	36	(8)	0	(73)
7. Other loans	2,682	0	(1)	433	(759)
8. Payments on account	974	(936)	0	0	0
Total Financial assets	37,218	(2,435)	(524)	16,937	(1,526)
Total Fixed and financial assets	1,309,775	(2,110)	(31,239)	125,096	(16,065)

Transfers	accumulated depreciation		book amount		
	Closing balance Dec. 31, 2004	Additions	Closing balance Dec. 31, 2004	Closing balance Dec. 31, 2003	Closing balance Dec. 31, 2004
650	19,300	(2,638)	(8,829)	8,111	10,471
1,542	15,163	(1,385)	(5,639)	9,976	9,524
(597)	70	0	(1)	597	69
<u>1,595</u>	<u>34,533</u>	<u>(4,023)</u>	<u>(14,469)</u>	<u>18,684</u>	<u>20,064</u>
2,928	148,233	(6,193)	(66,841)	78,078	81,392
20,674	1,024,911	(54,343)	(600,488)	440,466	424,423
72	65,478	(6,562)	(39,459)	25,142	26,019
(25,269)	62,632	0	(317)	35,263	62,315
<u>(1,595)</u>	<u>1,301,254</u>	<u>(67,098)</u>	<u>(707,105)</u>	<u>578,949</u>	<u>594,149</u>
(2,482)	8,428	0	(4,165)	3,909	4,263
2,519	35,679	(2,317)	(7,888)	14,633	27,791
0	126	(28)	(28)	126	98
0	1,247	0	0	1,429	1,247
0	1,702	0	0	1,956	1,702
0	134	0	(110)	49	24
650	3,005	(171)	(963)	2,438	2,042
(38)	0	0	0	974	0
<u>649</u>	<u>50,321</u>	<u>(2,516)</u>	<u>(13,154)</u>	<u>25,514</u>	<u>37,167</u>
<u>649</u>	<u>1,386,108</u>	<u>(73,637)</u>	<u>(734,728)</u>	<u>623,147</u>	<u>651,380</u>



consolidated financial statements 2004

This English version of Marquard & Bahls' financial statements for 2004 is derived from the original German financial statements. Reclassifications are made in the balance sheet as well as in the profit and loss account in order to present statements in a format more familiar to international readers. They were not restated in compliance with International Accounting Standards or Generally Accepted Accounting Standards in the U.S.A.

The notes to the financial statements are not translated word-for-word and do not contain all disclosures required by German Commercial Code; however they contain all necessary and material information in order to give a true and fair view into Marquard & Bahls' net assets, financial position and results.

financial statements 2004 → scope of consolidation

The consolidated financial statements are prepared in accordance with German accounting principles. All national and foreign subsidiaries in which Marquard & Bahls AG directly or indirectly has a legal or effective control are consolidated. 33 subsidiaries are not consolidated as these companies, individually or jointly, are not significant for presenting a true and fair view of the net worth, financial position or results of the group. Five of these companies are consolidated at equity.

Investments in associated companies are generally accounted by using the equity method.

financial statements 2004 → principles of consolidation and foreign currency translation

The foreign financial statements are, insofar as necessary, adapted to German legal requirements. They are converted using the exchange rate at the balance sheet date. The profit and loss accounts are converted using the annual average exchange rate in euro with the exception of depreciation and adjustments, changes in reserves and of the annual result.

Capital consolidation is made by eliminating the book value of participations with the proportionate equity of subsidiaries.

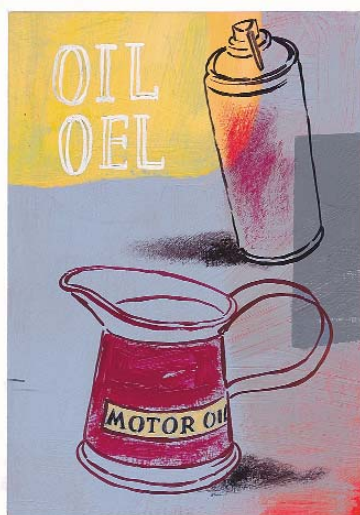
Resulting goodwills are netted with earning reserves and additional paid-in capital.

Intercompany receivables and payables as well as income and expenses within the group are eliminated, except for minor differences. On consolidation adjustments which effect net income, deferred taxes are calculated with a tax rate of 40%.

financial statements 2004 → principles of accounting and valuation

Receivables are valued conservatively, taking into account their credit risk. Unhedged foreign currency receivables are converted at the rate prevailing on the transaction date or the rate on the balance sheet date, whichever is lower.

Inventories are carried at the lower of cost or market price. For the first time, inventories and hedges as well as open sales and purchase contracts have been considered as valuation units. The positive effect on the result was € 7.0 million.



Financial assets are generally valued at acquisition cost. They include subsidiaries which are not consolidated as well as associated companies which mainly are taken into account by using the equity method of accounting. Amortization was booked where a reduction in the book value on the balance sheet date was deemed necessary.

Property, plant and equipment are mainly subject to straight-line depreciation.

Intangible assets are carried at acquisition cost and are amortized over their estimated useful lifetimes.

Liabilities are stated at their repayable amount, annuities are assessed at their present value. Other accrued liabilities include reasonable and sufficient allowances for all perceivable risks and uncertain liabilities.

Other credits of US\$ 130 million are valued with the hedged foreign exchange rate.



financial statements 2004
 → notes to the consolidated balance sheet

1) receivables

RECEIVABLES (T€)	2004	2003
Trade receivables	422,382	330,012
Receivables owed by subsidiaries	4,246	4,991
Receivables owed by related companies	3,330	4,637
Other receivables	52,306	36,699
Total	482,264	376,339

Other receivables mainly consist of receivables from tax and customs duty authorities (€ 29.2 million; last year: € 19.6 million), receivables from brokers (€ 13.6 million; last year: € 1.9 million) and reinsurance contract for pension (€ 4.2 million; last year: € 3.7 million). Receivables owed by subsidiaries and owed by related companies contain with a minor amount trade receivables.

2) inventories

INVENTORIES (T€)	2004	2003
Raw materials and supplies	2,781	2,682
Goods and finished work	205,938	160,658
Advanced payment made	4,978	3,003
Total	213,697	166,343

The inventories are mainly held by trading companies.

3) property, plant and equipment

Additions to property, plant and equipment mainly resulted by investments in the tank terminal sector.

4) other assets, net of amortization

OTHER ASSETS, NET OF AMORTIZATION (T€)	20 04	20 03
Franchises, patents, licenses, and similar rights, and licenses to such rights	10,540	8,708
Goodwill	9,524	9,976
Other receivables with a term of more than one year	4,164	3,695
Total	24,228	22,379

5) current liabilities

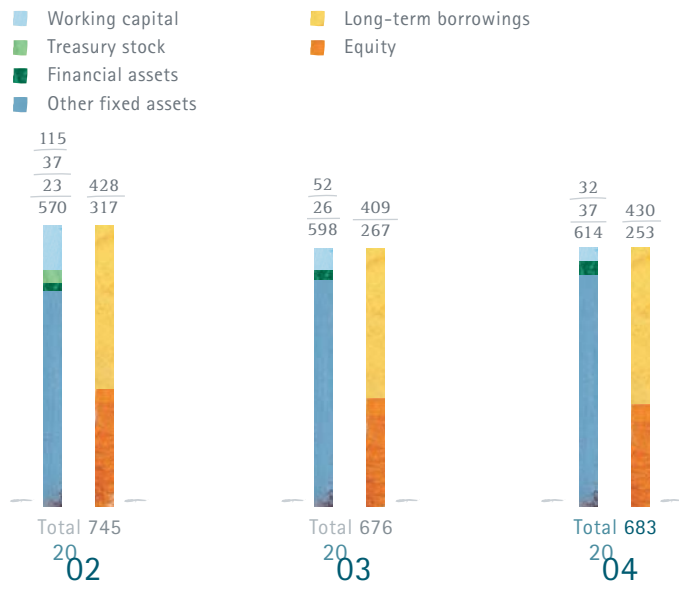
CURRENT LIABILITIES (T€)	20 04	20 03
Notes payable to banks	163,522	14,114
Trade payables	399,054	306,493
Liabilities due to affiliated companies	4,072	2,387
Current maturities of long-term debts	25,523	117,546
Accrued income taxes	12,417	17,632
Other accrued liabilities	62,993	47,670
Other liabilities and deferred credits	194,104	163,525
Total	861,685	699,367

Other accrued liabilities contain reserves for delivery obligations and for outstanding costs in connection with pending business transactions and other risks.

Other liabilities mainly consist of liabilities to tax and customs duty authorities (€ 166 million; last year: € 141 million) and of liabilities accompanying social security (€ 4 million; last year: € 3 million).



DEVELOPMENT STRUCTURE OF ASSETS AND CAPITAL (in million €) 2002-2004



6) longterm accruals and deferred liabilities

LONGTERM ACCRUALS AND DEFERRED LIABILITIES (T€)

	2004	2003
Deferred income taxes	21,558	22,584
Provisions for demolition and dismantling costs	23,383	22,113
Pension reserves and deferred compensation	27,136	26,257
Total	72,077	70,954

7) number and class of stock

The nominal capital of € 75,000,000 is divided into 2,500,000 no-par-value bearer stocks.

8) commitments and contingencies

A portion of the liabilities is secured by chattel mortgage of fixed asset items, assignment of claims and inventories and by money deposits. Bank guarantees are secured by chattel mortgage of inventories, assignment of claims and pledging of bank balances (fixed deposits, not freely disposable). Group companies have longterm commitments of approximately € 15 million annually for rent, leases and leaseholds.

More than € 140 million in investments were approved in 2004 and at the beginning of 2005.

financial statements 2004

→ notes to the consolidated statement of income

9) sales and services (excl. mineral-oil taxes)

SALES AND SERVICES (EXCL. MINERAL-OIL TAXES) (in T€)

	2004	2003
Oil trade	5,367,704	4,047,220
Tank-terminal facilities	252,014	238,122
Other	46,798	34,942
Total	5,666,516	4,320,285

10) interest income

Interest income arises mainly on bank balances.

11) other income

Other income includes reductions in accruals, foreign exchange gains, reimbursements, payments for indemnification and other revenues.

12) operating, selling, general and administrative expenses

Operating, selling, general and administrative expenses mainly consist of personnel costs, freight charges, storage costs, foreign exchange losses, travel expenses and legal and consultancy fees.



1 3) structure of employment

EMPLOYEES	number		%	
	2004 Dec. 31,	2003 Dec. 31,		
Hourly wage employees	947	888	50	50
Salaried employees	963	883	50	50
Total	1,910	1,771	100	100

DIVIDED BY REGIONS	number		%	
	2004 Dec. 31,	2003 Dec. 31,		
America	559	466	29	26
Asia	111	109	6	6
Europe	521	489	27	28
Germany	719	707	38	40
Total	1,910	1,771	100	100

DIVIDED BY COMPANIES	number		%	
	2004 Dec. 31,	2003 Dec. 31,		
Marquard & Bahls AG	122	103	6	6
Mabanaft	536	523	28	29
Oiltanking	1,197	1,114	63	63
Other	55	31	3	2
Total	1,910	1,771	100	100

Furthermore Marquard & Bahls employed 936 persons in the Republic of Moldova.

1 4) interest expenses

Interest expenses have been paid on investment loans in the tank-terminal sector as well as for funds raised for future investments.

1 5) other taxes

Property taxes, ad valorem tax, federal excise taxes, as well as other taxes not based on income, are shown as other taxes.

1 6) financial instruments

At balance sheet date there were various not yet closed financial instruments:

- Foreign exchange forward contracts had net a fair value of € – 0.1 million.
- Most of these swaps are hedges for long-term loans based on variable interest rates. The fair value is offset by an unrecognized foreign exchange gain of approx. € 15 million.
- Open futures on oil products had a negative fair value of appr. € – 1.5 million.

the executive board of the marquard & bahls aktiengesellschaft consists of:


- Wim Lokhorst (CEO), Seevetal
- Dr. Claus-Georg Nette (CFO), Hamburg

the members of the supervisory board of marquard & bahls aktiengesellschaft are:

- Hellmuth Weisser (Chairman), Hamburg
- Rolf Kirchfeld, Hamburg
- Dr. Klaus Asche, Hamburg



Wim Lokhorst



Dr. Claus-Georg Nette

Marquard & Bahls Aktiengesellschaft, Hamburg, April 26, 2005



Above we published a shortened version of Marquard & Bahls AG's consolidated financial statements and group management report as of December 31, 2004. On the complete consolidated financial statements and group management report the following opinion was rendered:

financial statements 2004 → auditor's opinion

We have audited the consolidated financial statements and the group management report prepared by Marquard & Bahls Aktiengesellschaft for the business year from January 1, to December 31, 2004. The preparation of the consolidated financial statements and group management report in accordance with German commercial law are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated annual financial statements in accordance with § 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with German principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluation of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system insofar as it relates to the financial accounting system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined, primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

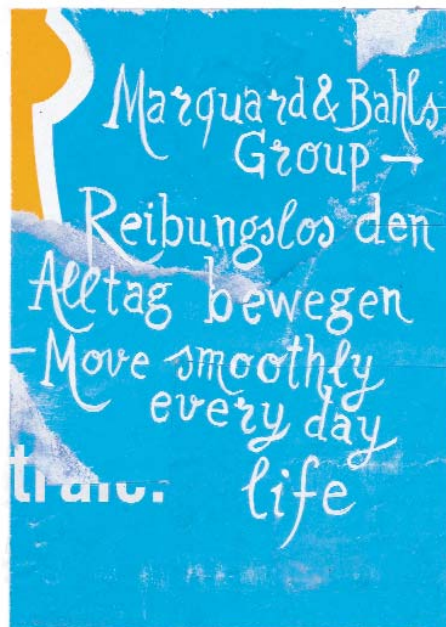
Our audit has not led to any reservations.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting. On the whole the group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development.

Dr. Wawrzinek
(Auditor)

Driesch
(Auditor)

Susat & Partner OHG Wirtschaftsprüfungsgesellschaft,
Hamburg, April 29, 2005





mabanaft gmbh & co. kg

Hamburg, Germany

oil trading

cargo and barge trading

- Mabanaft B.V.
Rotterdam, Netherlands
- Mabanaft International GmbH & Co. KG
Hamburg, Germany

oil trading

wholesale

- Mabanaft Austria GmbH & Co. KG
Vienna, Austria
- Mabanaft Deutschland GmbH & Co. KG
Hamburg, Germany
- Mabanaft Hungary Kft.
Budapest, Hungary
- Mabanaft Inc.
Darien, Connecticut, U.S.A.
- Mabanaft Limited
London, Great Britain
- East Anglian Fuel Oils Limited
Attleborough, Great Britain
- Mabanaft Moldova SRL
Chisinau, Moldova
- Mabanaft Schweiz AG
Basle, Switzerland
- Mineralölvertrieb Hameln GmbH & Co. KG
Hameln, Germany
- Tirez-Petrol S.A.
Chisinau, Moldova

oil trading

heating-oil retailing

- Behrmann Mineralölhandel GmbH
Langwedel, Germany
- Benol Energieservice GmbH & Co. KG
Frankfurt/Main, Germany
- Benol Reinle AG
Rüti, Switzerland
- Böttcher Energie GmbH & Co. KG
Regensburg, Germany
- B.W.O.C. Limited
Weston-super-Mare, Great Britain
- Deglmann Energie GmbH & Co. KG
Weiden/Oberpfalz, Germany
- Kaiser Söhne Mineralöle GmbH & Co. KG
Arnsberg, Germany
- Klindworth-Kronol Energie GmbH & Co. KG
Hamburg, Germany
- Klümpen Mineralöle GmbH
Aschaffenburg-Leider, Germany
- Lipps Mineralöle GmbH
Hagen, Germany
- Manfred Mayer MMM
Mineralöl Vertriebsgesellschaft m.b.H.
Neudörfel, Austria
- Matrix Marine Fuels L.P.
Houston, Texas, U.S.A.
- Mühlenbruch Stinnes GmbH & Co. KG
Bremen, Germany
- NEWCo Neue Energie- und WärmeConzepte GmbH
Hiddenhausen, Germany
- Staack Pooltankstellen GmbH
Hamburg, Germany

oil trading

service stations

- OIL! Tankstellen AG
Rüti, Switzerland
- OIL! Tankstellen GmbH
Hamburg, Germany
- OIL Tankstellen GmbH
Vienna, Austria

energy services

contracting

- Cothec Energetikai Üzemeltető Kft.
Győr, Hungary
- Proenergy Contracting GmbH & Co. KG
Bochum, Germany
- Proenergy Contracting GmbH
Vienna, Austria
- WGB Wärme GmbH & Co. KG Berlin
Berlin, Germany

marquard & bahls ag
Hamburg, Germany

oiltanking gmbh
Hamburg, Germany

skytanking holding gmbh
Hamburg, Germany

**tank terminals
europe**

- Oiltanking Antwerp N.V.
Antwerp, Belgium
- Oiltanking Amsterdam B.V.
Amsterdam, Netherlands
- Oiltanking Bulgaria AD
Varna, Bulgaria
- Oiltanking Copenhagen A/S
Copenhagen, Denmark
- Oiltanking Deutschland GmbH & Co. KG
Hamburg, Germany
- Oiltanking Ghent N.V.
Gent, Belgium
- Oiltanking Hungary Kft.
Budapest, Hungary
- Oiltanking Malta Ltd.
Birzebbugia, Malta
- Oiltanking Sonmarin Oy
Helsinki, Finland
- Oiltanking Tallinn AS
Tallinn, Estonia
- Oiltanking Terneuzen B.V.
Terneuzen, Netherlands

**tank terminals
america**

- Compañía Logística de Hidrocarburos Boliviana S.A.
La Paz, Bolivia
- Consorcio Terminales
Lima, Peru
- Oiltanking Beaumont Partners L.P.
Beaumont, Texas, U.S.A.
- Oiltanking Ebytem S.A.
Buenos Aires, Argentina
- Oiltanking Houston L.P.
Houston, Texas, U.S.A.
- Oiltanking Mexico S. de R.L. de C.V.
Mexico City, Mexico
- Oiltanking Pecém Ltda.
Rio de Janeiro, Brazil
- Oiltanking Technoconsult S.A.
Caracas, Venezuela
- Oiltanking Texas City L.P.
Texas City, Texas, U.S.A.

**tank terminals
asia**

- Indian Oiltanking Ltd.
Mumbai, India
- Stewarts & Lloyds of India Ltd.
Calcutta, India
- Zuari Indian Oiltanking Ltd.
Goa, India
- Oiltanking Daya Bay Co., Ltd.
Huizhou, China
- Daya Bay Public Pipe Rack Corridor Co., Ltd.
Huizhou, China
- Oiltanking Odfjell Terminal Singapore Pte. Ltd.
Singapore
- Oiltanking Singapore Ltd.
Singapore
- Oiltanking Seraya Pte. Ltd.
Singapore

**tank terminals
middle east**

- Oiltanking Odfjell Terminals Oman & Co. LLC (under formation)
Hamriya, Oman
- Star Energy Oiltanking Ltd.
Dubai, U.A.E.

**aviation services
international**

- Merlin Fuel N.V.
Ostend, Belgium
- Skytanking München GmbH & Co. KG
Hamburg, Germany
- Skytanking USA Inc.
Wilmington/Delaware, U.S.A.

other

**other
international**

- GEE Bioenergy A/S
Sorø, Denmark
- GEE Gesellschaft für Erneuerbare Energien mbH & Co. KG
Hamburg, Germany
- GMA GmbH & Co. KG
Frankfurt/Main, Germany
- natGAS Aktiengesellschaft
Potsdam, Germany



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